

Second quarter / interim results 2013

## Oerlikon delivers solid profitability in Q2; confirms 2013 guidance

- Successful closing of the sale of the Natural Fibers and Textile Components Business Units, the 9th transaction in 2.5 years generating a running total of CHF 850 million in cash
- Sales of CHF 720 million and order intake of CHF 713 million close to the prior year's level
- EBIT margin of 12.4 %;  
Improved profitability in the Manmade Fibers (formerly the Textile Segment), Vacuum and Advanced Technologies Segments
- Strong financial position with net liquidity of CHF 389 million, total equity ratio of 45 %
- Outlook for full-year 2013 confirmed

Key figures Oerlikon Group as of June 30, 2013 (in CHF million)

	Q2 2013	Q2 2012	Δ	H1 2013	H1 2012	Δ
Order intake <sup>1</sup>	713	745	-4 %	1 476	1 501	-2 %
Order backlog <sup>1</sup>	888	989	-10 %	888	989	-10 %
Sales <sup>1</sup>	720	741	-3 %	1 443	1 478	-2 %
EBITDA <sup>1,2</sup>	-	-	-	239	297	-20 %
EBIT <sup>1</sup>	89	97	-8 %	174	233	-25 %
EBIT margin <sup>1</sup>	12.4 %	13.1 %	-	12.1 %	15.8 %	-
EBIT (excl. one-time effect) <sup>1,3</sup>	89	97	-	174	194	-10 %
EBIT margin (excl. one-time effect) <sup>1,3</sup>	12.4 %	13.1 %	-	12.1 %	13.1 %	-
Result from continuing operations <sup>1,2</sup>	-	-	-	109	161	-32 %
Net income <sup>2</sup>	-	-	-	146	112	+30 %
Operating cash flow <sup>2</sup>	-	-	-	168	120	+40 %
ROCE	16.5 %	17.5 % <sup>4</sup>	-	16.5 %	17.5 % <sup>4</sup>	-

<sup>1</sup> Continuing operations (Q2 2012/H1 2012 restated); <sup>2</sup> Only reported annually and semi-annually;

<sup>3</sup> Sale of Arbon property; <sup>4</sup> As reported

Pfäffikon SZ, Switzerland – August 6, 2013 – Oerlikon continued to deliver solid operational performance in Q2 2013 despite a challenging global economic environment: profitability, sales and order intake remain at 2013 guidance levels. The Group generated sales of CHF 720 million, order intake of CHF 713 million and an EBIT of CHF 89 million corresponding to an EBIT margin of 12.4 %. A major strategic milestone was reached with the closing of the sale of Oerlikon's natural fibers business in July 2013. Oerlikon CEO Jürg Fedier said: "Oerlikon delivered the successful closing of another major transaction and solid operational performance in a continually difficult economic environment. Our Q2 performance demonstrates the earnings quality that our ongoing operational excellence programs and rebalanced portfolio have delivered, particularly against the backdrop of downward forecast revisions by some industry peers. We confirm our guidance for the full-year 2013." The Company expects sales and order intake at the previous year's level and underlying operational profitability around the previous year's level, although temporarily impacted by the divestments in the former Textile Segment.

## Sale of natural fibers businesses completed on schedule

Oerlikon announced the successful closing of the sale of the natural fibers businesses on July 4, 2013. The divestment of the Natural Fibers and Textile Components Business Units to the Jinsheng Group of China marks the latest strategic milestone in shaping Oerlikon's portfolio and significantly reduces the Group's overall exposure to the textile industry. The Segment will focus on the manmade fiber business only and has renamed the Textile Segment the Manmade Fibers Segment. This Segment, trading under the Oerlikon Barmag and Oerlikon Neumag brands, provides comprehensive solutions and services for the production of manmade fibers, nonwovens, carpet yarns and synthetic staple fibers and is the global market and technology leader in these markets.

Oerlikon expects net cash proceeds from the divestment of some CHF 500 million after transaction and tax costs.

## Group order intake and sales in line with guidance

Q2 Group order intake of CHF 713 million was similar to last year's level. Year-on-year bookings increased in the Vacuum, Coating and Advanced Technologies Segments. Order intake in the Manmade Fibers Segment was 12 % lower than in Q2 2012 because project phasing made the previous year's quarter exceptionally high. Drive Systems order intake was down about 4 % compared to Q2 2012.

Q2 Group sales of CHF 720 million were close to last year's level (Q2 2012: -3 %, CHF 741 million). Sales growth in the Advanced Technologies (+31 %, CHF 34 million), Vacuum (+10 %, CHF 102 million) and Coating (+1 %, CHF 127 million) Segments offset the decline in the Manmade Fibers (-6 %, CHF 256 million) and Drive Systems Segments (-11 %, CHF 201 million). The Drive Systems Segment was impacted by continued weakness in the infrastructure and construction sectors (heavy-duty off-highway equipment) and the energy market (mining equipment, gas fracking), particularly in the U.S.

## Solid profitability above 12 %

Oerlikon maintained solid profitability in Q2 2013 despite a challenging environment. The Group reported an EBIT of CHF 89 million (Q2 2012: CHF 97 million) and an EBIT margin of 12.4 % (Q2 2012: 13.1 %). The strongest contributors to this result were the Manmade Fibers and Coating Segments.

Q2 2013 performance resulted in an Oerlikon Group ROCE of 16.5 % (Q2 2012: 17.5 %) compared to a Q1 2013 ROCE of 17.0 %. The Manmade Fibers and Coating Segments continue to operate at Best-in-Class levels.

## Expansion and innovation

In Q2 2013, the Group continued its regional expansion and roll out of new technologies and products. The Manmade Fibers Segment secured a larger order for its market-leading BCF (Bulked Continuous Filament) carpet yarn production machines from a customer in Saudi Arabia. The Drive Systems Segment has introduced a new transmission for hybrid cars which better integrates drivetrain components so as to reduce weight and increase performance. The Drive Systems Segment also entered into a partnership with the German automotive supplier Continental on the development and marketing of integrated motor and transmission systems for hybrid and electric vehicles. With a major order from Asia for some 200 vacuum pump systems the Vacuum Segment has positioned itself in the fast growing display market for AMOLED (Active Matrix Organic Light Emitting Diode) applications. The Vacuum Segment also

established its first presence in Brazil with its own sales and service center there. The Coating Segment opened its 11th coating center in China and a new center of competence close to Paris focused on serving customers in the growing Aerospace market. At the end of June, there were 91 coating centers worldwide. The Advanced Technologies Segment secured larger orders for its proven semiconductor equipment from China, increasing its footprint in this region.

## 2013 Outlook confirmed

Oerlikon confirms its guidance by forecasting:

- Order intake and sales around the previous year's level
- Underlying operational profitability around the previous year's level, temporarily impacted by the divestments in the former Textile Segment

## Segment overview

### Manmade Fibers Segment

#### Key figures Manmade Fibers Segment as of June 30, 2013 (in CHF million)

	Q2 2013	Q2 2012	Δ	H1 2013	H1 2012	Δ
Order intake <sup>1</sup>	250	285	-12 %	540	549	-2 %
Order backlog <sup>1</sup>	599	682	-12 %	599	682	-12 %
Sales (to third parties) <sup>1</sup>	256	271	-6 %	563	542	+4 %
EBIT <sup>1</sup>	40	33	+21 %	89	106	-16 %
EBIT margin <sup>1</sup>	15.5 %	12.5 %	-	15.7 %	19.5 %	-
EBIT (excl. one-time effect) <sup>1,2</sup>	40	33	+21 %	89	67	+33 %
EBIT margin (excl. one-time effect) <sup>1,2</sup>	15.5 %	12.5 %	-	15.7 %	12.4 %	-

<sup>1</sup> Continuing operations (Q2 2012/H1 2012 restated); <sup>2</sup> Sale of Arbon property in Q1 2012

The Manmade Fibers Segment reported continued high profitability mainly attributable to a favorable product mix and execution of operational excellence initiatives. EBIT of CHF 40 million (Q2 2012: CHF 33 million) represented an EBIT margin of 15.5 % (Q2 2012: 12.5 %). With this performance the Segment continues to operate at Best-in-Class level.

Order intake reached a high level of CHF 250 million. Although this was a decline of 12 % compared to Q2 2012, this was an expected normalization as project phasing made Q2 the strongest quarter of 2012.

Sales were CHF 256 million compared to CHF 271 million a year ago. Asian markets, which represented 72 % of Segment sales, dominated Q2 2013 results, but both North American (9 % of Segment sales) and European markets (16 % of Segment sales) improved significantly due to sales of BCF (Bulked Continuous Filament) equipment for production of carpet yarn.

The Manmade Fibers Segment continues to invest for the future, expand into new markets and develop new applications. The Segment has further expanded its production capacities in Germany, booked its first-ever order for BCF carpet yarn from a customer in Saudi Arabia and introduced new technologies for the manufacture of technical textiles used in the construction industry.

### Drive Systems Segment

#### Key figures Drive Systems Segment as of June 30, 2013 (in CHF million)

	Q2 2013	Q2 2012	Δ	H1 2013	H1 2012	Δ
Order intake	205	213	-4 %	408	444	-8 %
Order backlog	152	202	-25 %	152	202	-25 %
Sales (to third parties)	201	225	-11 %	389	449	-13 %
EBIT	8	21	-62 %	11	39	-72 %
EBIT margin	3.8 %	9.2 %	-	2.8 %	8.8 %	-

A challenging market environment shaped the Drive Systems Segment results in Q2 2013. Weakness in the construction, infrastructure and heavy-duty off-highway equipment markets in China and the U.S., coupled with high inventories, have had a significant impact on the Segment's customers. The Segment was also impacted by reduced equipment demand from the mining and natural-gas fracking industries in

the U.S. energy sector. Orders totaled CHF 205 million, a decline of 4 % from Q2 2012; sales were CHF 201 million, down 11 % year-on-year.

EBIT amounted to CHF 8 million in the second quarter, down 62 % year-on-year due to lower overall sales volume and disproportionally lower sales in the Segment's higher-margin products and services. The comprehensive mitigation actions underway since Q1 2013 are beginning to impact the bottom line: the EBIT margin has already improved quarter-on-quarter from 1.8 % in Q1 2013 to 3.8 % in Q2 2013.

Sales in North America declined by 33 % as a result of the lower demand in the construction, mining, natural-gas fracking and heavy-duty off-highway equipment markets and accounted for 32 % of the total. Europe showed growth of 3 % and represented 51 % of Segment sales. Asia grew by 10 % and made up 11 % of Segment sales.

Positive developments in Q2 included continued production ramp-up in China and an agreement with the international automotive supplier Continental to jointly develop and market integrated motor and transmission systems for hybrid and electric vehicles. The aim of this collaboration is to further improve the efficiency of electric powertrains.

## Vacuum Segment

### Key figures Vacuum Segment as of June 30, 2013 (in CHF million)

	Q2 2013	Q2 2012	Δ	H1 2013	H1 2012	Δ
Order intake	101	92	+10 %	206	195	+6 %
Order backlog	85	79	+8 %	85	79	+8 %
Sales (to third parties)	102	93	+10 %	196	191	+3 %
EBIT	12	10	+20 %	23	24	-4 %
EBIT margin	11.7 %	11.0 %	-	11.5 %	12.7 %	-

Vacuum Segment order intake and sales grew by 10 % to CHF 101 million (order intake) and CHF 102 million (sales) driven by good performance of the R&D and analytics business and increased demand in the Asian glass and optical coating market for touch panels and mobile devices.

Increased sales volume and operational excellence programs generated Q2 2013 EBIT of CHF 12 million, a 20 % increase year-on-year. The EBIT margin amounted to 11.7 %, a slight increase compared to last year but a significant improvement compared to the end of last year (Q4 2012: 6.7 %).

In Q2 2013 Asian market sales climbed 17 %, with China improving by 38 %. Asia represents 40 % of the Segment's sales. Europe had 8 % sales growth and accounted for 41 % of total sales while sales in North America declined by 5 % representing 18 % of total sales.

Of particular focus this quarter was the expansion of the Segment's sales force in China and the reorganization of its distribution network in Brazil by establishing its own sales organization.

## Coating Segment

### Key figures Coating Segment as of June 30, 2013 (in CHF million)

	Q2 2013	Q2 2012	Δ	H1 2013	H1 2012	Δ
Order intake	127	126	+1 %	251	253	-1 %
Order backlog	-	-	-	-	-	-
Sales (to third parties)	127	126	+1 %	251	253	-1 %
EBIT	26	27	-4 %	51	53	-4 %
EBIT margin	20.1 %	21.0 %	-	20.0 %	21.0 %	-

The Coating Segment reported high order intake and sales slightly exceeding the prior-year quarter amounting to CHF 127 million. With an EBIT margin of 20.1 %, Oerlikon Balzers continues to operate at Best-in-Class level. The Segment demonstrated its capability to offset difficult market conditions, e.g. in the European automotive market, by successfully implementing its growth strategy which includes strengthening of the precision components business, continuing regional expansion and developing structural growth opportunities in the automotive market.

Q2 2013 sales in Asia declined by 3 % year-on-year and accounted for 29 % of total sales. Europe, which was stable, represented 48 % of total sales. North America was flat in terms of sales and accounted for 14 % of the total.

The Segment opened its 11th coating center in China and a center of competence close to Paris focused on serving customers in the growing Aerospace market. At the end of June, there were 91 coating centers worldwide. The Segment also continues to expand its integrated service offering by including tool regrinding (e.g. drills, mills): customers now have a one-stop-shopping solution for the reconditioning of cutting tools.

## Advanced Technologies Segment

### Key figures Advanced Technologies Segment as of June 30, 2013 (in CHF million)

	Q2 2013	Q2 2012	Δ	H1 2013	H1 2012	Δ
Order intake	30	29	+3 %	71	60	+18 %
Order backlog	52	26	+100 %	52	26	+100 %
Sales (to third parties)	34	26	+31 %	44	43	+2 %
EBIT	3	-	n/a	-3	-3	0 %
EBIT margin	7.3 %	n/a	-	n/a	n/a	-

Advanced Technologies Segment order intake was CHF 30 million in Q2 2013, an increase of 3 % over Q2 2012. Although demand for touch panel applications remained strong, the semiconductor market showed continued softness. The Segment ended the quarter with a high order backlog of CHF 52 million, twice the level of Q2 2012. Sales rose by 31 % to CHF 34 million primarily due to a high rate of order conversion.

The Segment's EBIT improved to CHF 3 million compared to a break-even level in Q2 2012, which corresponds to an EBIT margin of 7.3 %. This development is mainly attributable to higher sales and ongoing operational excellence measures.

Asia represented 59 % of Segment sales and reported an increase of 33 % compared to last year's performance. The business in Europe accounted for 32 % of sales and more than doubled in the period under review. North America represented the remaining 9 % of sales.

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## About Oerlikon

Oerlikon (SIX: OERL) is a leading high-tech industrial group specializing in machine and plant engineering. The Company is a provider of innovative industrial solutions and cutting-edge technologies for manmade fibers manufacturing, drive systems, vacuum, coating, and advanced nanotechnology. A Swiss company with a tradition going back over 100 years, Oerlikon is a global player with around 13 000 employees at around 160 locations in 34 countries and sales of CHF 2.9 billion in 2012. The Company invested in 2012 CHF 106 million in R&D, with over 1 000 specialists working on future products and services. In most areas, the operative businesses rank either first or second in their respective global markets.

## Additional information

Oerlikon will present its results in German during its media conference call today starting at 10:00 a.m. CET. To participate, please dial the following numbers a few minutes before the start:

Switzerland	+41 43 547 8001
Germany	+49 69 2999 3285
UK	+44 20 3450 9571
USA	+1646 254 3376
Confirmation Code	1794356

The accompanying presentation can be viewed in parallel by opening the following link <http://webmeeting.adobeconnect.com/e1794356>. Please sign in as a guest.

During its analysts' conference call beginning at 2:00 p.m. CET Oerlikon will present its results in English. To participate, please dial the following numbers a few minutes before the start:

Switzerland	+41 43 547 8001
Germany	+49 69 2222 34066
UK	+44 20 3450 9571
USA	+1646 254 3369
Confirmation Code	8954399

The accompanying presentation can be viewed in parallel by opening the following link <http://webmeeting.adobeconnect.com/e8954399>. Please sign in as a guest.

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