

# **Oerlikon with strong order intake and sequential margin improvement in Q3 2013**

Jürg Fedier, CEO

Q3 2013 results

October 29, 2013

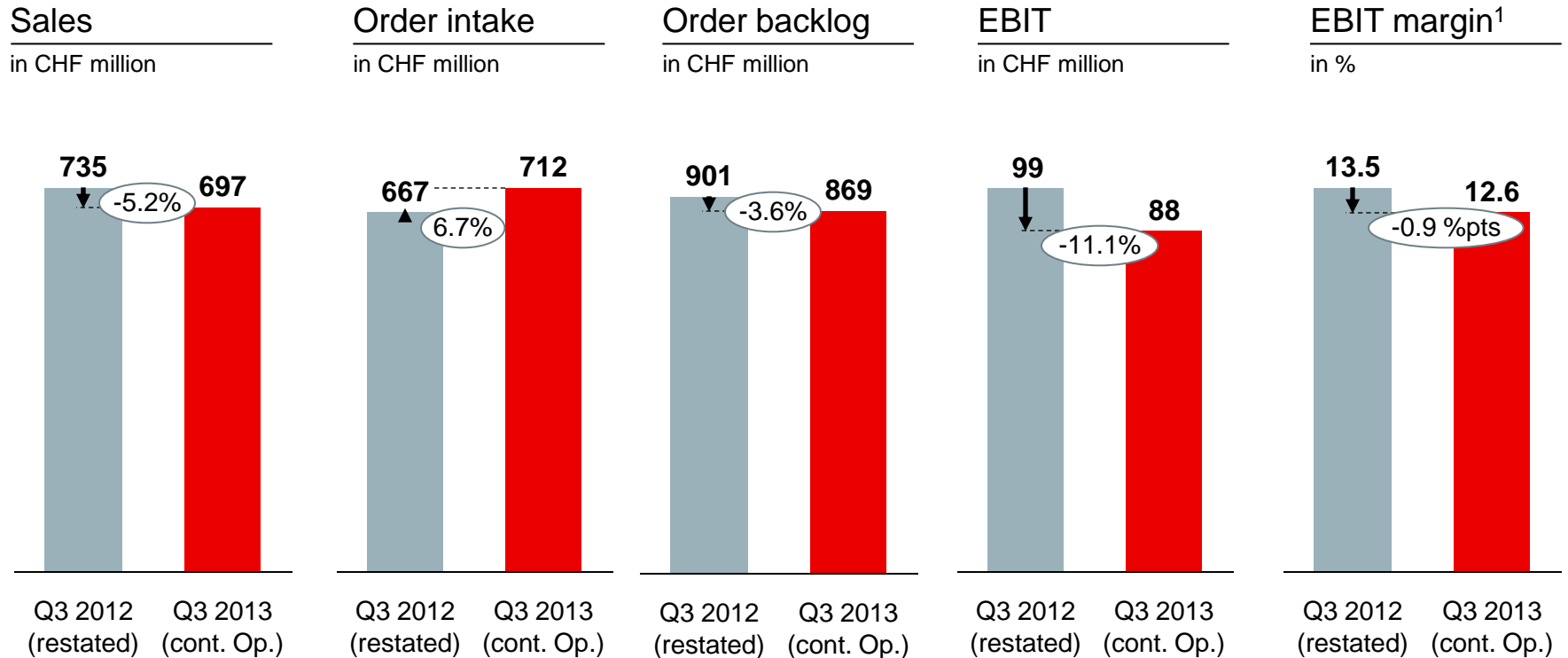


**1 Business update Q3 2013**

2 Outlook full-year 2013

3 Appendix

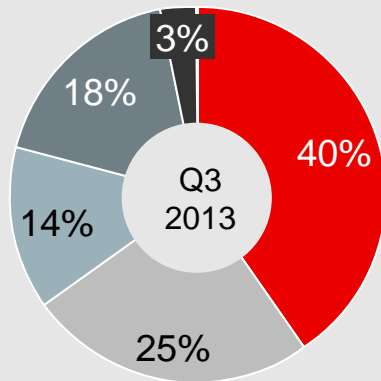
# Strong order intake and sequential margin improvement in Q3 2013



- Strong order intake growth of 6.7 % to CHF 712 million
- Sequential improvement of EBIT margin to 12.6 % (Q2 2013: 12.4 %)
- Sales of CHF 697 million close to prior year's level
- Strong financial position with net liquidity of CHF 963 million

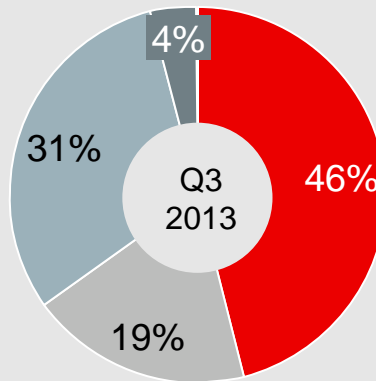
<sup>1</sup> as % of sales

## Segment split<sup>1</sup>



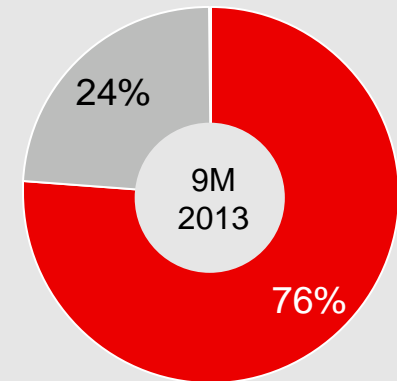
- Manmade Fibers (-1 %pts)
- Drive Systems (-2 %pts)
- Vacuum (+1 %pts)
- Coating (+1 %pts)
- Adv. Techn. (+0 %pts)

## Regional split<sup>1</sup>



- Asia (+1 %pts)
- North America (+6 %pts)
- Europe (-5 %pts)
- Rest of World (-2 %pts)

## Split service vs. goods business<sup>1</sup>



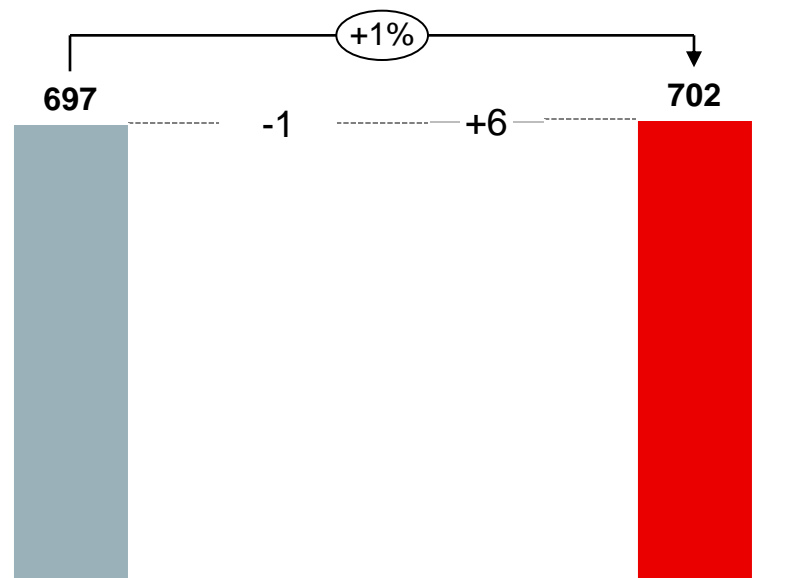
- Goods, Equipment, Components (-2 %pts)
- Service & Spare Parts (+2 %pts)

<sup>1</sup> Q3/9M 2013 continuing operations, compared to prior year

# FX impact on Sales, EBIT and EBIT margin

## Oerlikon Group Sales\* Q3 2013

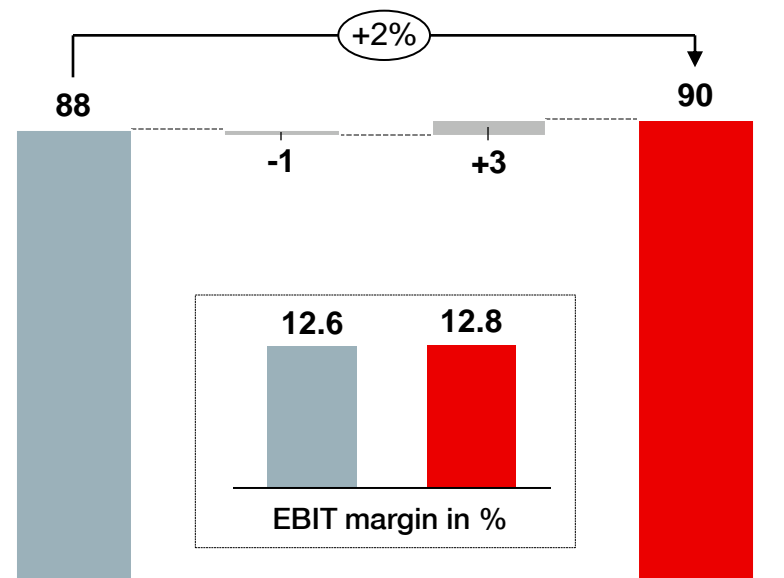
in CHF million



Q3 2013\*\* reported    Transaction effects    Translation effects    Q3 2013 FX impact adj.

## Oerlikon Group EBIT Q3 2013

in CHF million



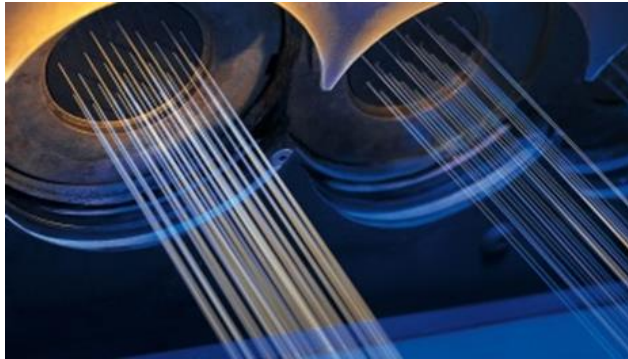
Q3 2013\*\* reported    Transaction effects    Translation effects    Q3 2013 FX impact adj.

- Devaluation of currencies (INR, BRL, JPY) compensated by slightly stronger EUR
- Overall minor currency impact on sales

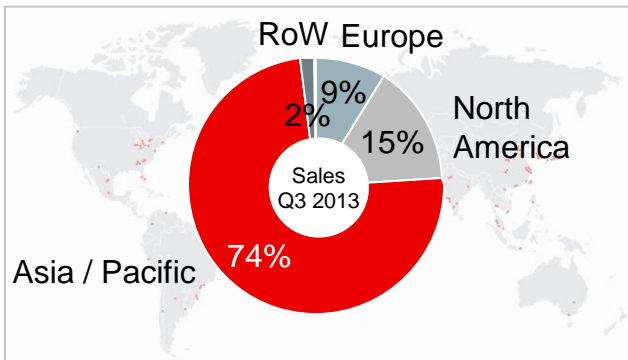
- Only minor impact on EBIT and EBIT margin

\* Sales to third parties    \*\*Q3 2013 continuing operations

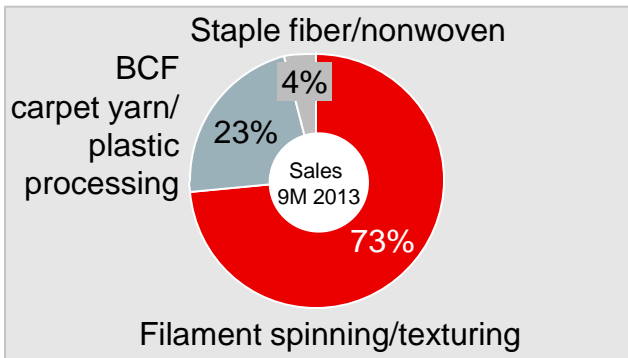
# Manmade Fibers Segment<sup>1</sup> – Third quarter 2013



Key figures Q3 2013	Q3 2013 <sup>2</sup>	Q3 2012 <sup>2</sup>	Δ
Order intake	272	256	+6 %
Order backlog	566	631	-10 %
Sales <sup>3</sup>	282	302	-7 %
EBIT	46	44	+5 %
EBIT margin <sup>4</sup>	16.5 %	14.8 %	+1.7 %pts



- ### Market development Q3 2013
- China remains the Segment's primary market
  - 7th consecutive quarter with high order intake
  - High demand for BCF equipment (carpet yarn) in North America



- ### Performance Q3 2013
- Orders increased; sales lower due to phasing of projects/POC
  - Increased EBIT margin due to favorable product mix and operational excellence
  - Strong operational performance to compensate some of the impacts related to the divestment

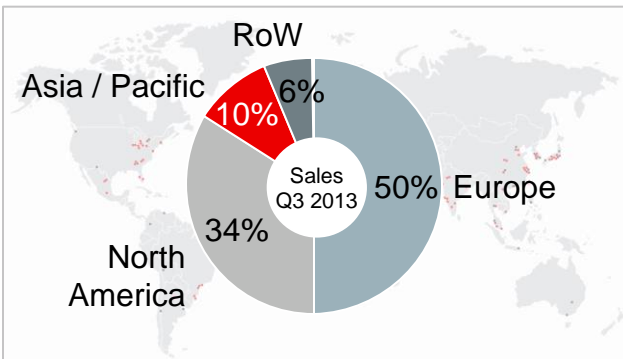
<sup>1</sup> Former Textile Segment; <sup>2</sup> Q3 2013 continuing operations; Q3 2012 restated; <sup>3</sup> sales to third parties; <sup>4</sup> as % of sales

# Drive Systems Segment – Third quarter 2013



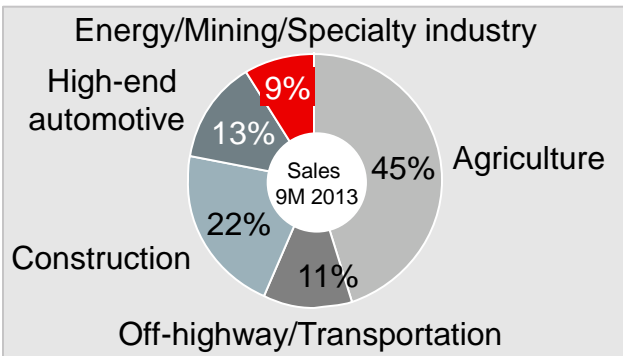
## Key figures Q3 2013

	Q3 2013	Q3 2012	Δ
Order intake	186	165	+13 %
Order backlog	160	163	-2 %
Sales <sup>1</sup>	172	195	-12 %
EBIT	6	18	-67 %
EBIT margin <sup>2</sup>	3.4 %	9.3 %	-5.9 %pts



## Market development Q3 2013

- Resilience of the agricultural market
- Continued weakness in the heavy construction, rail transportation and infrastructure markets in the US and China
- Customers with high inventories



## Performance Q3 2013

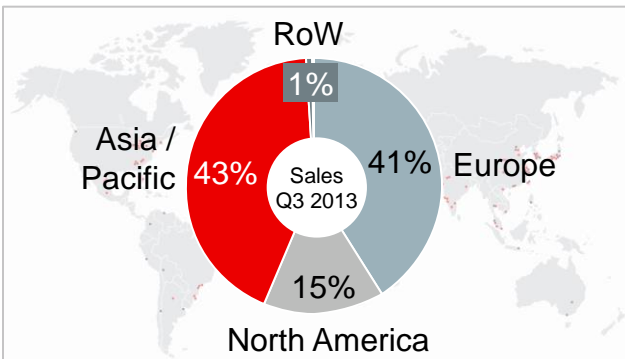
- Sales and profitability continued to be impacted by a challenging market environment
- EBIT decline due to lower sales and unfavorable product mix
- Comprehensive mitigation actions have been implemented

<sup>1</sup> sales to third parties; <sup>2</sup> as % of sales

# Vacuum Segment – Third quarter 2013

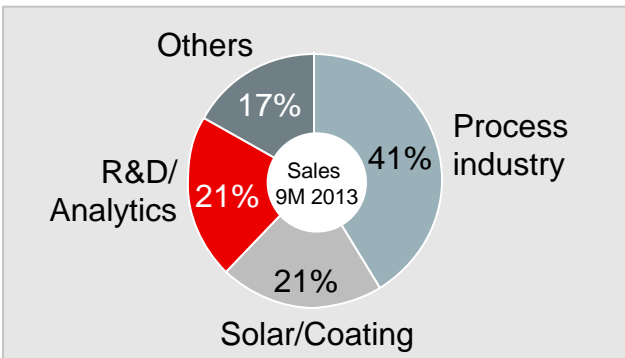


Key figures Q3 2013	Q3 2013	Q3 2012	Δ
	Order intake	102	93
Order backlog	85	74	+15 %
Sales <sup>1</sup>	98	92	+7 %
EBIT	9	8	+13 %
EBIT margin <sup>2</sup>	9.0 %	8.3 %	+0.7 %pts



### Market development Q3 2013

- Challenging environment in process industry
- R&D/analytics and glass coating market with solid demand
- Continued weakness in solar market



### Performance Q3 2013

- Increased order intake due to penetration in energy sector
- Increased sales activities led to higher sales and market share
- Sequentially lower profitability impacted by utilization and product mix

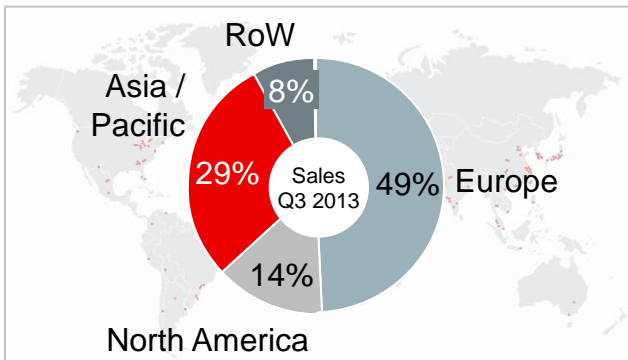
<sup>1</sup> sales to third parties; <sup>2</sup> as % of sales



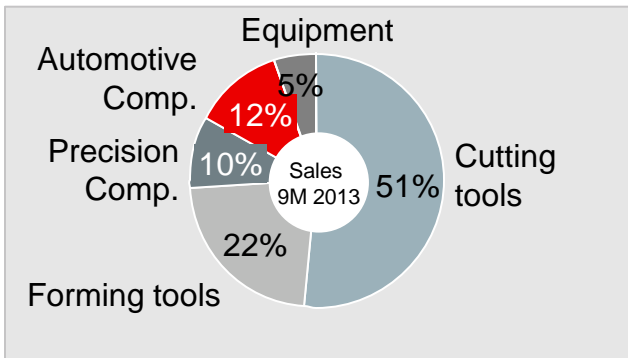
# Coating Segment – Third quarter 2013



Key figures Q3 2013	Q3 2013	Q3 2012	Δ	
	Order intake	123	126	-2 %
	Order backlog	-	-	-
	Sales <sup>1</sup>	123	126	-2 %
	EBIT	25	25	0 %
	EBIT margin <sup>2</sup>	20.4 %	20.0 %	+0.4 %pts



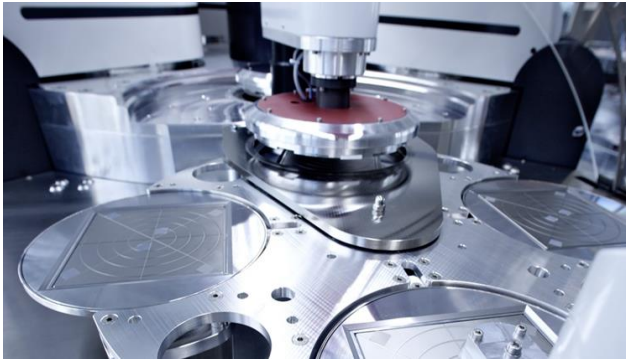
- ### Market development Q3 2013
- Rising demand in the automotive industry in the US and China
  - High demand in components business, i.e. decorative coatings in the watch industry



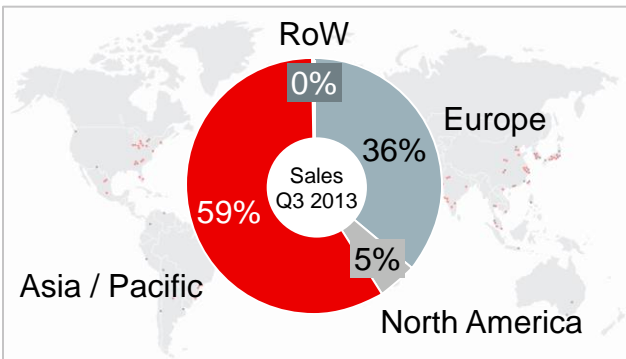
- ### Performance Q3 2013
- Growth in Coating Services in local currencies (Q3: +5 %)
  - Stable performance on high level
  - Innovation milestone with BAL.IQ
  - New coating center in Oklahoma, US
  - Launch of regrinding service

<sup>1</sup> sales to third parties; <sup>2</sup> as % of sales

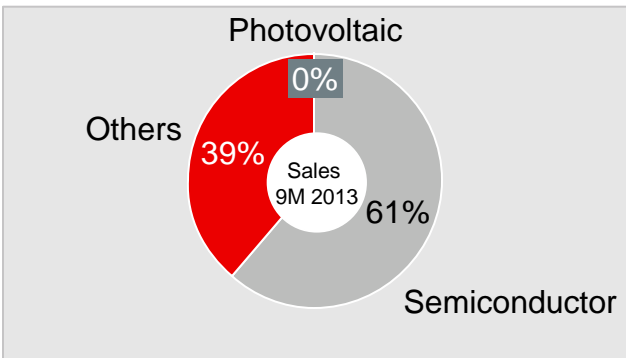
# Advanced Technologies Segment – Third quarter 2013



Key figures Q3 2013	Q3 2013	Q3 2012	Δ
Order intake	29	28	+4 %
Order backlog	58	33	+76 %
Sales <sup>1</sup>	22	20	+10 %
EBIT	-1	-1	0 %
EBIT margin <sup>2</sup>	n/a	n/a	n/a



- ### Market development Q3 2013
- Strong demand for power devices and touch panels
  - Continued softness in semi market
  - Strong demand in Asia



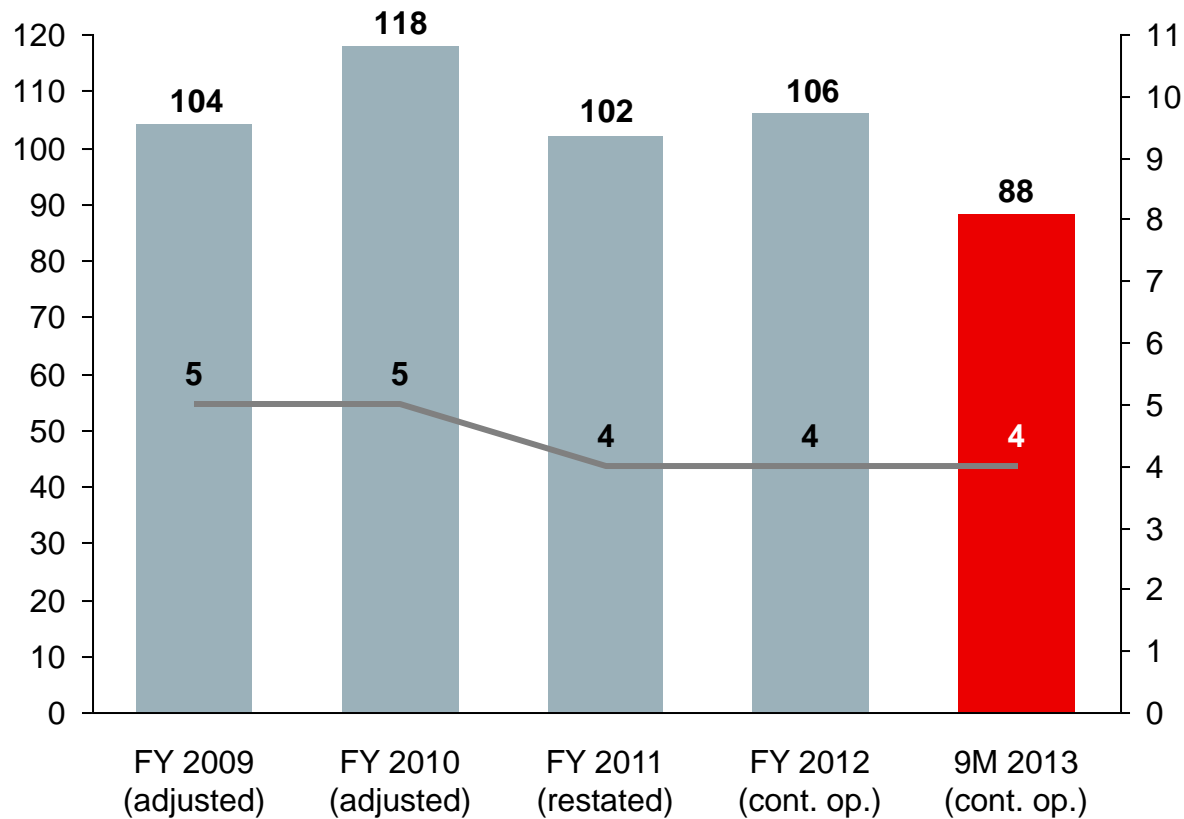
- ### Performance Q3 2013
- Significant orders for CLUSTERLINE® 300
  - High order backlog and book-to-bill ratio above 1 indicate future sales growth
  - Profitability close to break-even

<sup>1</sup> sales to third parties; <sup>2</sup> as % of sales

# Constant range of investments in R&D

## Investments in R&D (expenditure) in the range of 4-5 % of sales

in CHF million / as % of sales

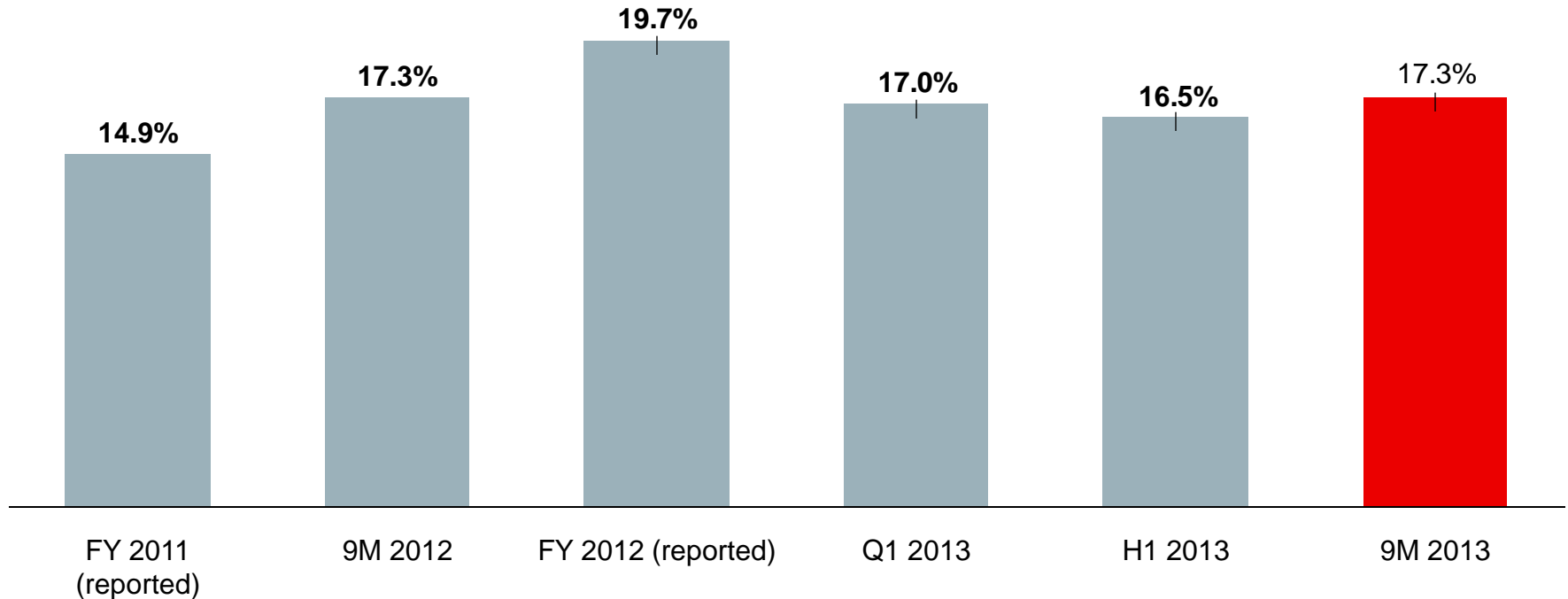


- R&D essential to secure technological leadership
- Constant range of 4–5 % of sales following the divestments

# Return On Capital Employed (ROCE)

## Development of ROCE

in %



- 9M 2013 ROCE: Improved 12-month rolling NOPAT over slight increased Capital Employed
- The Oerlikon Group continues to earn in excess of its cost of capital

1 Business update Q3 2013

**2 Outlook full-year 2013**

3 Appendix

# Oerlikon Group 2013 – Outlook confirmed and specified

	Outlook as of March 2013	Assessment after 9M 2013	
Global environment	<ul style="list-style-type: none"> <li>Environment uncertain and challenging</li> <li>H1 is likely to be weak with upside potential in H2</li> </ul>	<ul style="list-style-type: none"> <li>Global economic environment remains uncertain and difficult to assess</li> <li>Visibility of industries and regions is still limited</li> </ul>	
Top line	<ul style="list-style-type: none"> <li>Order intake to be around the previous year's level with performance in H1 offset at least by better performance in H2 2013</li> <li>Sales at around the previous year's level</li> </ul>	<ul style="list-style-type: none"> <li>Order intake and sales at around the previous year's level</li> </ul>	
Profitability	<ul style="list-style-type: none"> <li>Operational profitability around the previous year's level</li> <li>Temporarily impacted by the announced Textile Segment divestments</li> </ul>	<ul style="list-style-type: none"> <li>EBIT margin is expected at around 12 %</li> </ul>	

**oerlikon**

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**3 Appendix**



# Key figures Oerlikon Group H1 2013



in CHF million	H1 2013	H1 2012	Δ
Order intake <sup>1</sup>	1 476	1 501	-2 %
Order backlog <sup>1</sup>	888	989	-10 %
Sales <sup>1</sup>	1 443	1 478	-2 %
EBITDA <sup>1</sup> % of sales	239 16.6 %	297 20.1 %	-20 %
EBIT <sup>1</sup> % of sales	174 12.1 %	233 <sup>2</sup> 15.8 <sup>2</sup>	-25 % <sup>2</sup>
Result from continuing operations <sup>1</sup> % of sales	109 7.6 %	161 10.9 %	-32 %
Net income	146	112	+30 %
EPS	0.33	0.49	33 %
Cash flow from operating activities	168	120	+40 %
Net operating assets (incl. goodwill and brands)	1 588	1 575	+1 %

<sup>1</sup> H1 2013 continuing operations; H1 2012 restated , <sup>2</sup> excl. one-time effect of sale of Arbon property EBIT of CHF 194 million, EBIT margin of 13.1 %, Δ – 10 %

# Key figures by Segment H1 2013

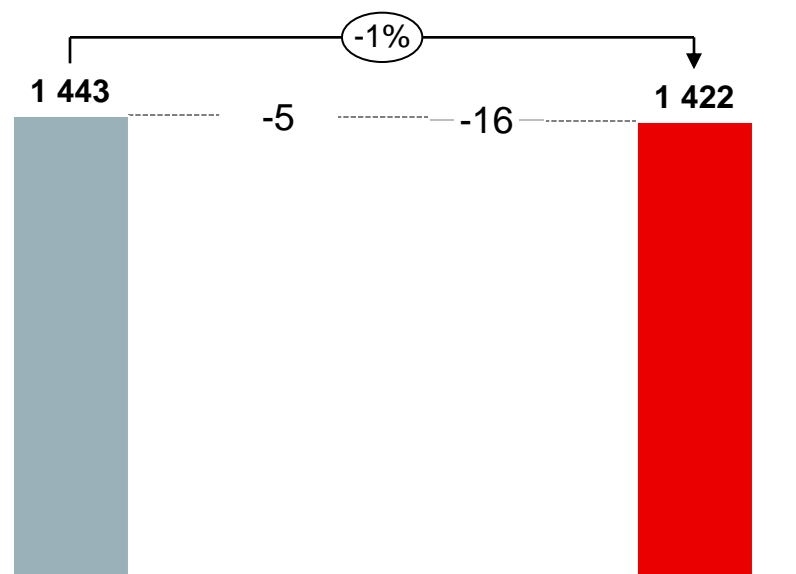
in CHF million	Manmade Fibers <sup>1</sup>	Drive Systems	Vacuum	Coating	Adv. Tech.
Order intake Δ to H1 2012	540 -2 %	408 -8 %	206 +6 %	251 -1 %	71 +18 %
Order backlog Δ to H1 2012	599 -12 %	152 -25 %	85 +8 %	-	52 +100 %
Sales <sup>2</sup> Δ to H1 2012	563 +4 %	389 -13 %	196 +3 %	251 -1 %	44 +2 %
EBITDA Δ to H1 2012	98 +27 % <sup>4</sup>	34 -45 %	29 -6 %	73 -1 %	-1 0 %
EBITDA margin <sup>3</sup> Δ to H1 2012	17.4 % +3.2 %pts	8.7 % -5.1 %pts	14.8 % -1.4 %pts	29.1 % -0.2 %pts	n/a n/a
EBIT Δ to H1 2012	89 +33 % <sup>4</sup>	11 -72 %	23 -4 %	51 -4 %	-3 0 %
EBIT margin <sup>3</sup> Δ to H1 2012	15.7 % +3.3 %pts <sup>4</sup>	2.8 % -6.0 %pts	11.5 % -1.2 %pts	20.0 % -1.0 %pts	n/a n/a
Operating assets	736 +3 %	1 179 +4 %	286 +15 %	418 +4 %	127 +9 %
No. of employees	2 536 +1 %	5 272 +2 %	1 510 +1 %	3 191 +2 %	199 +6 %

<sup>1</sup> H1 2013 continuing operations; H1 2012 restated; <sup>2</sup> sales to third parties; <sup>3</sup> as % of sales <sup>4</sup> on a like-for-like basis excl. one-time effect of sale of Arbon property

# FX impact on Sales, EBIT and EBIT margin

## Oerlikon Group Sales\* H1 2013

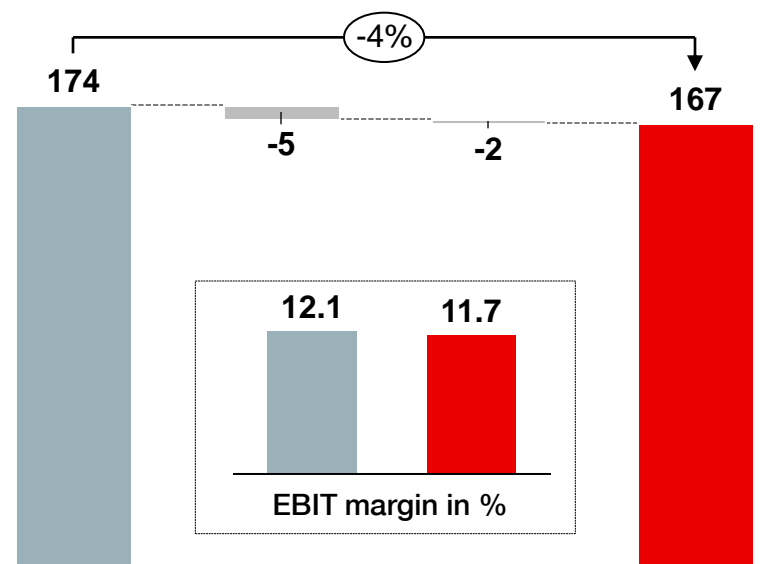
in CHF million



H1 2013\*\* reported    Transaction effects    Translation effects    H1 2013 FX impact adj.

## Oerlikon Group EBIT H1 2013

in CHF million



H1 2013\*\* reported    Transaction effects    Translation effects    H1 2013 FX impact adj.

- Only minor currency impact on sales (-1 %) in H1 2013

- Only minor currency impact on EBIT (-4 %) and EBIT margin (-40 basis points) in H1 2013

\* Sales to third parties    \*\*H1 2013 continuing operations

# Oerlikon increased net income by 30 %



in CHF million	H1 2013	H1 2012	Δ
Result before interest and taxes (EBIT) <sup>1</sup> in % of sales	174 12.1 %	233 15.8 %	-25 %
Financial result <sup>1</sup>	-15	-12	-25 %
Result before taxes (EBT) <sup>1</sup> in % of sales	159 11.0 %	221 15.0 %	-28 %
Income taxes <sup>1</sup> in % of EBT	-50 31.4 %	-60 27.1 %	+17 %
Result from continuing operations <sup>1</sup> in % of sales	109 7.6 %	161 10.9 %	-32 %
Result from discontinued operations <sup>2</sup>	37	-49	>100 %
Net income	146	112	+30 %

<sup>1</sup> H1 2013 continuing operations; H1 2012 restated; <sup>2</sup> H1 2012 including Solar Segment transaction closed on Nov. 26, 2012

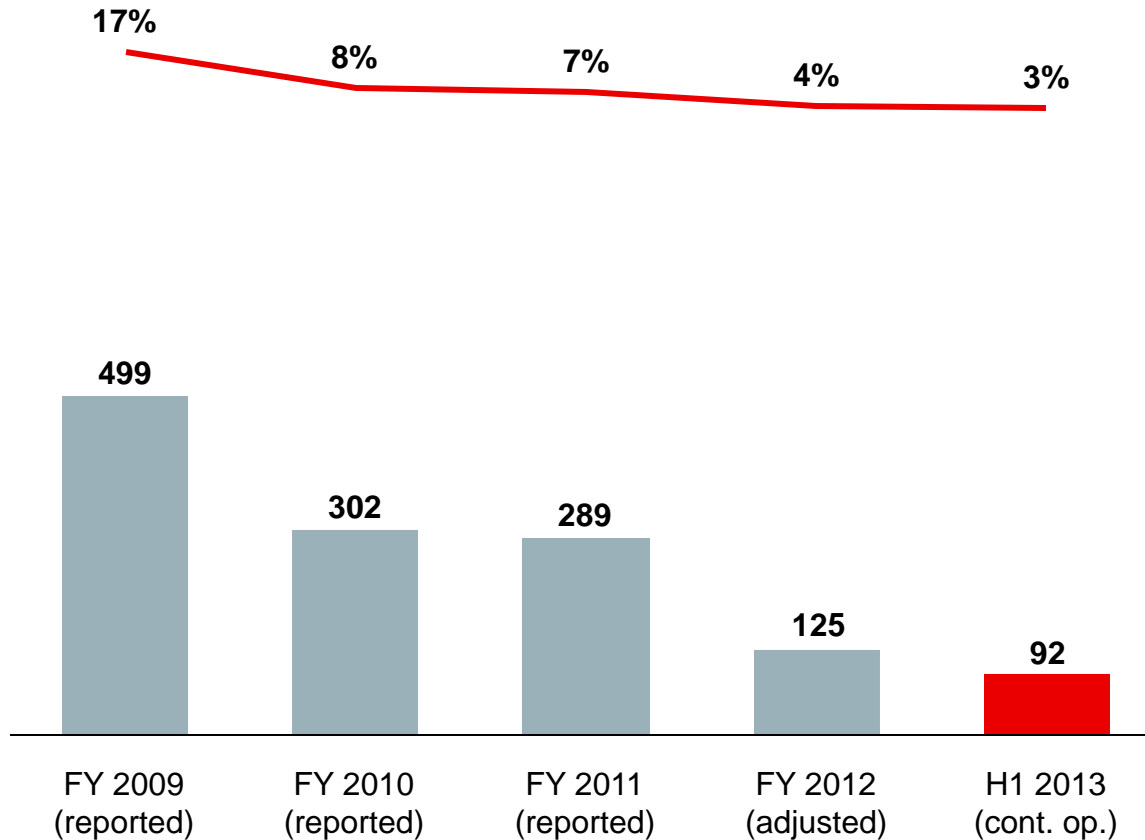
# Strong balance sheet

in CHF million	H1 2013	FY 2012
Cash and cash equivalents	661	638
Trade receivables	513	474
Inventories	423	388
Assets classified as held for sale	832	737
Property, plant and equipment	720	718
Intangible assets	961	938
Total other assets	328	265
<b>Total assets</b>	<b>4 438</b>	<b>4 158</b>
Trade payables	329	287
Current customer advances	515	450
Liabilities classified as held for sale	268	239
Current and non-current loans and borrowings	303	304
Non-current post-employment benefit provisions	538	530
Total other liabilities	494	464
<b>Total liabilities</b>	<b>2 447</b>	<b>2 274</b>
<b>Total equity</b>	<b>1 991</b>	<b>1 884</b>
Total equity ratio	45 %	45 %
Net liquidity	389	339

# Net working capital

## Net working capital\* FY 2009 – H1 2013

in % of 12 months rolling sales; in CHF million



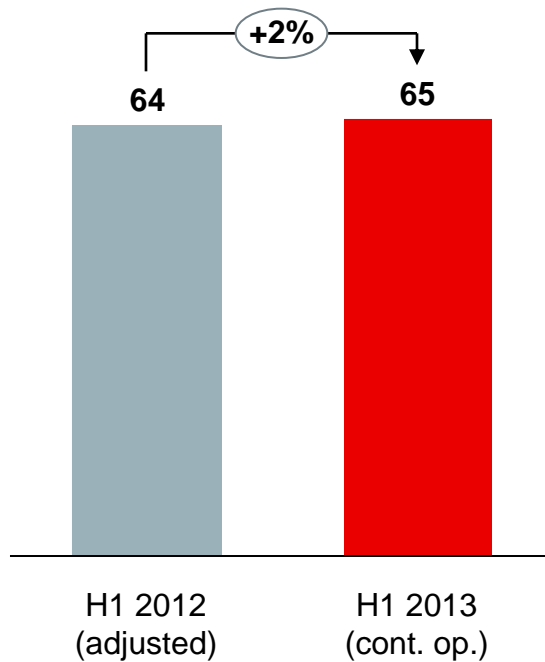
- Further reduction in net working capital
- Customer advances at CHF 515 million compared to CHF 450 million at year-end 2012

\* Net working capital is defined as trade receivables + inventories – trade payables – current customer advances

# CAPEX exceeding depreciation level

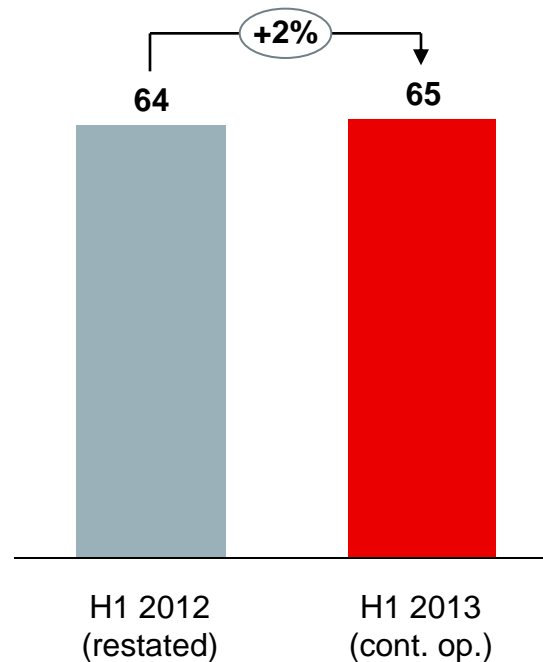
## CAPEX

in CHF million

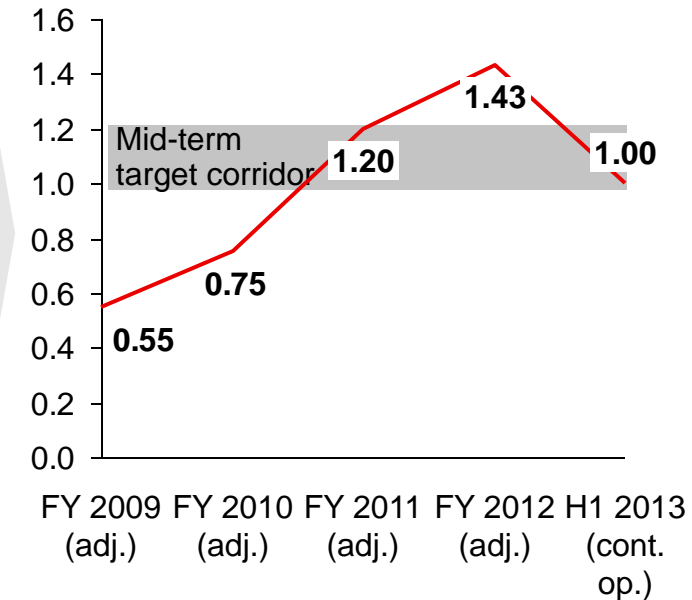


## Depreciation & amortization\*

in CHF million



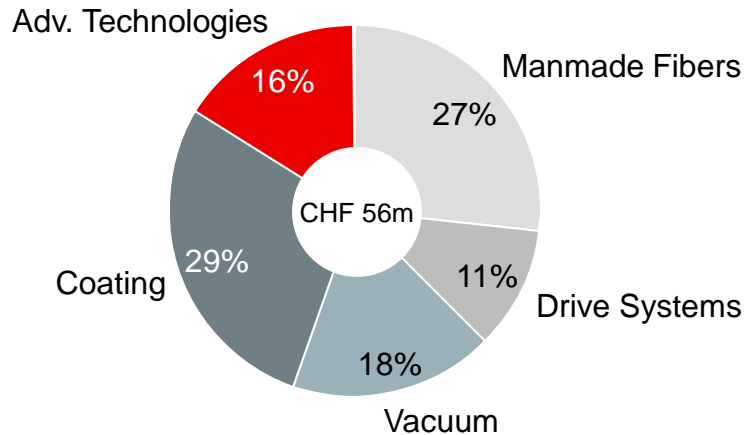
## CAPEX / depreciation & amortization ratio\*



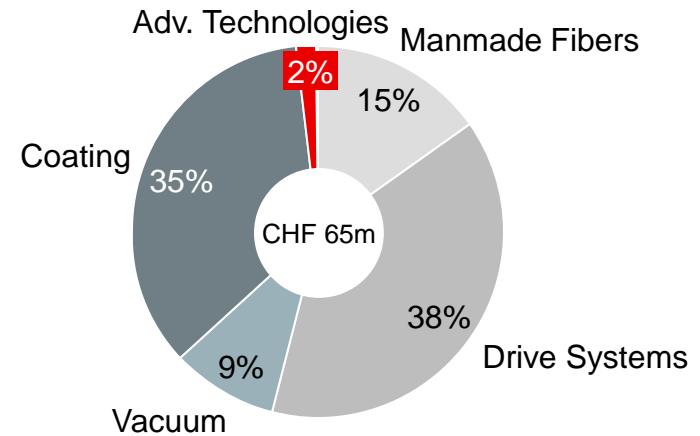
\* Excluding impairment

# R&D, CapEx and depreciation & amortization on Segment level

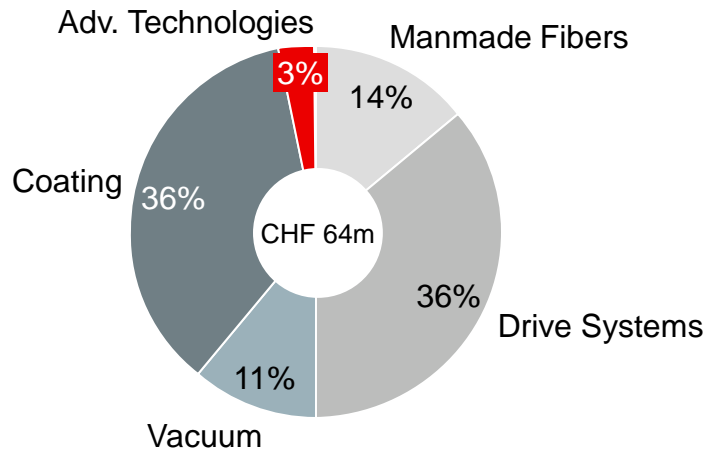
## R&D expenses H1 2013



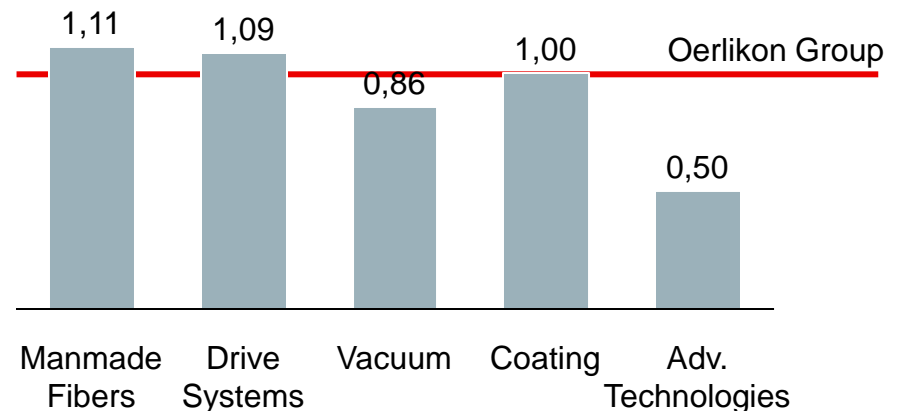
## CapEx H1 2013



## Depreciation & Amortization H1 2013



## CapEx / Depreciation & Amortization H1 2013

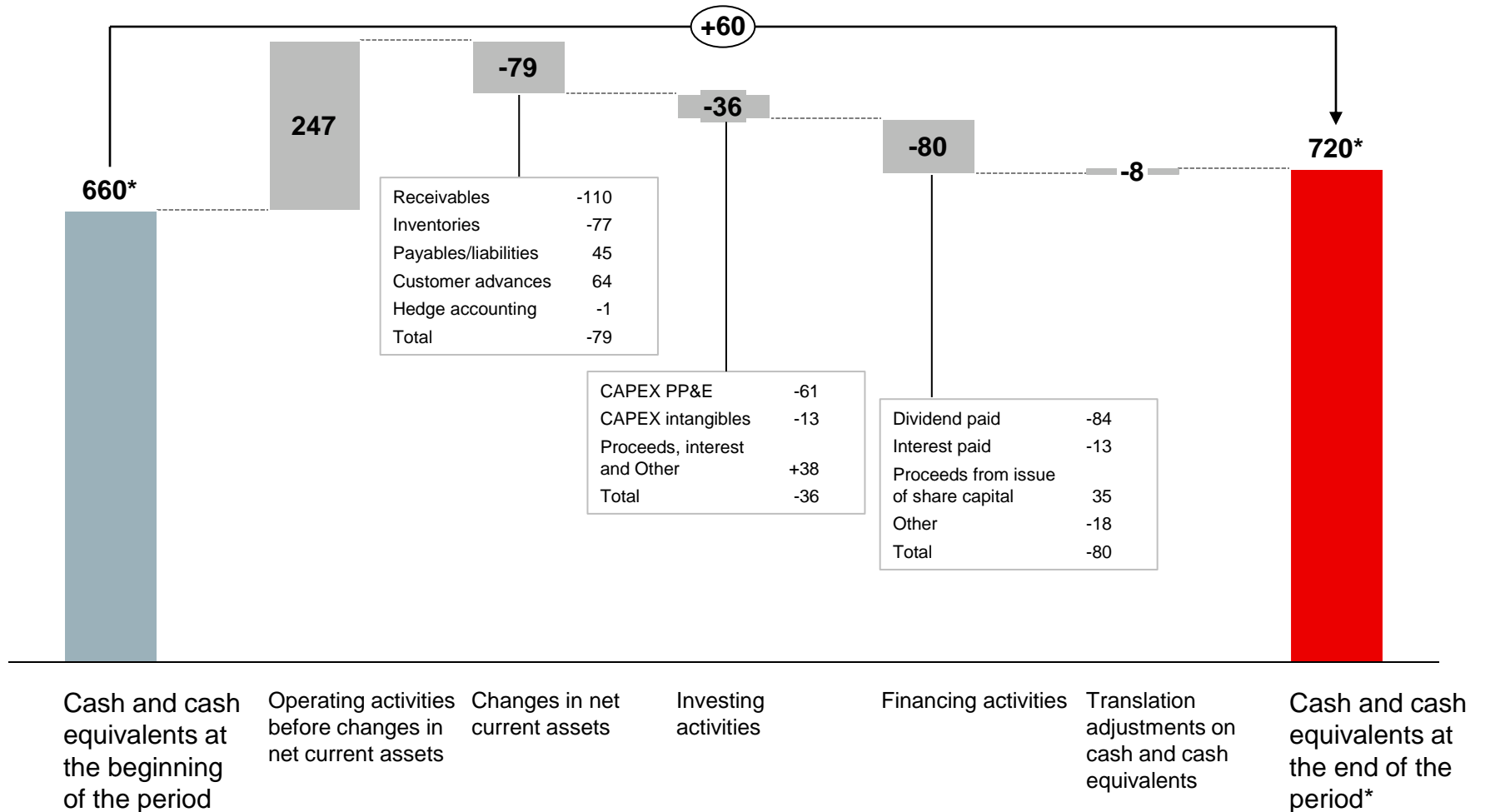




# Consolidated cash flow statement

## Consolidated cash flow statement H1 2013

in CHF million

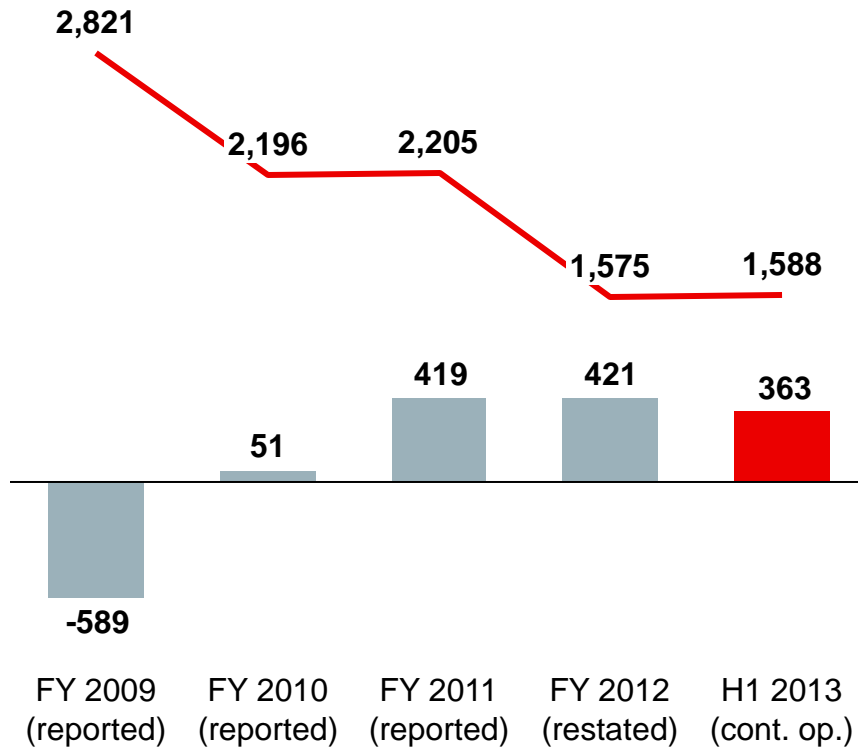


\* Includes cash and cash equivalents that are included in «Assets classified as held for sale»

# Return on Net Assets at continued high level (RONA\*)

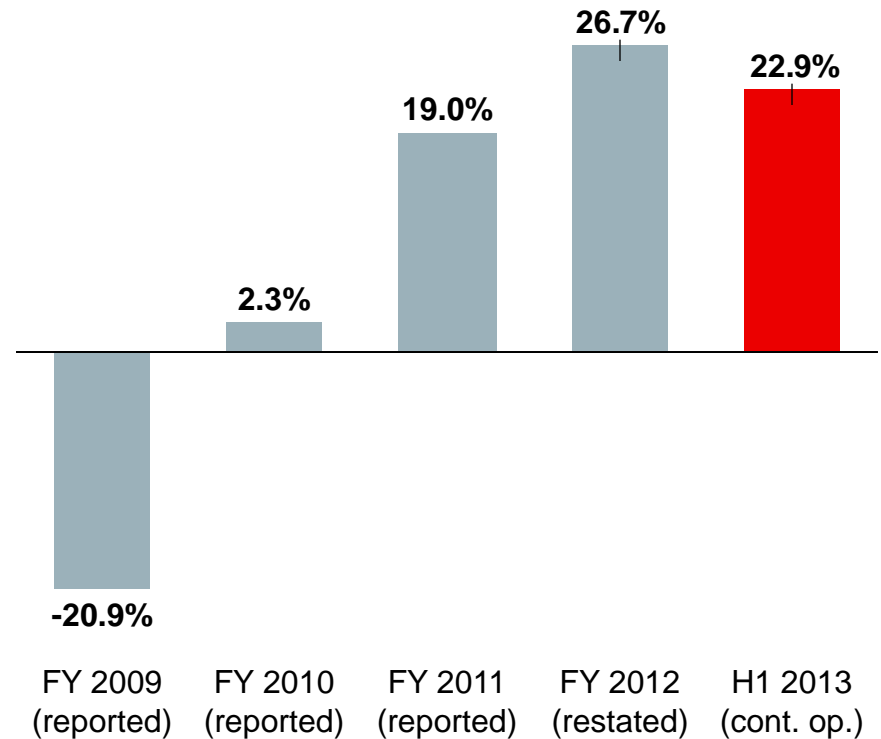
## EBIT (12 months rolling) and Net Operating Assets\*

in CHF million



## RONA\*

in %



- Divestments and Discontinued Operations reduced asset base
- Slight decline in RONA attributable to lower EBIT in H1 2013 over stable net operating assets

\* Net Operating Assets include goodwill and brands; RONA is defined as EBIT / Net Operating Assets including goodwill and brands

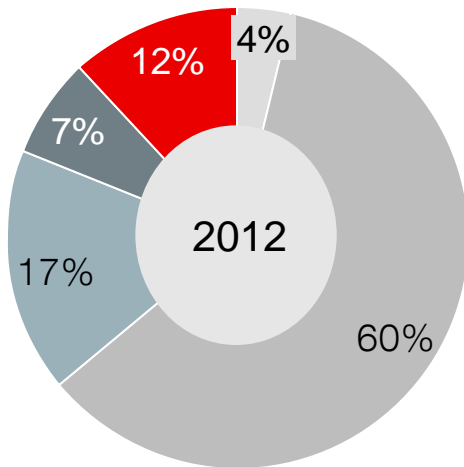
**Divestment of Business  
Units Natural Fibers and  
Textile Components  
closed on July 3, 2013**

- Expected net cash proceeds of some CHF 500 million
  - Impact of reclassification of cumulative exchange differences negative CHF 114 million (non-cash item)
  - Expected loss on the disposal of CHF 97 million
  - Result from discontinued operations in H1 2013 CHF 37 million
- Full-year 2013 result from discontinued operations expected in the amount of negative CHF 50-60 million

# Currency mix with strong natural hedge – Limited Swiss franc exposure

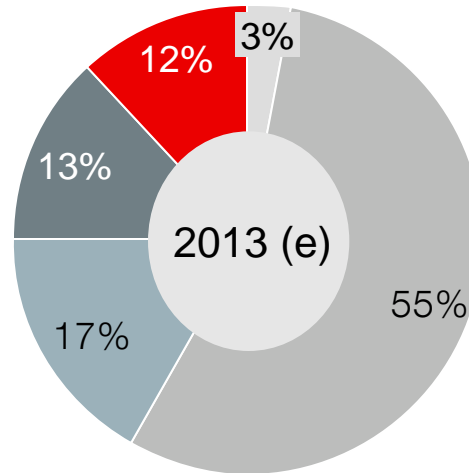
Currency exposure 2012

in %



Currency exposure 2013 (e)

in %

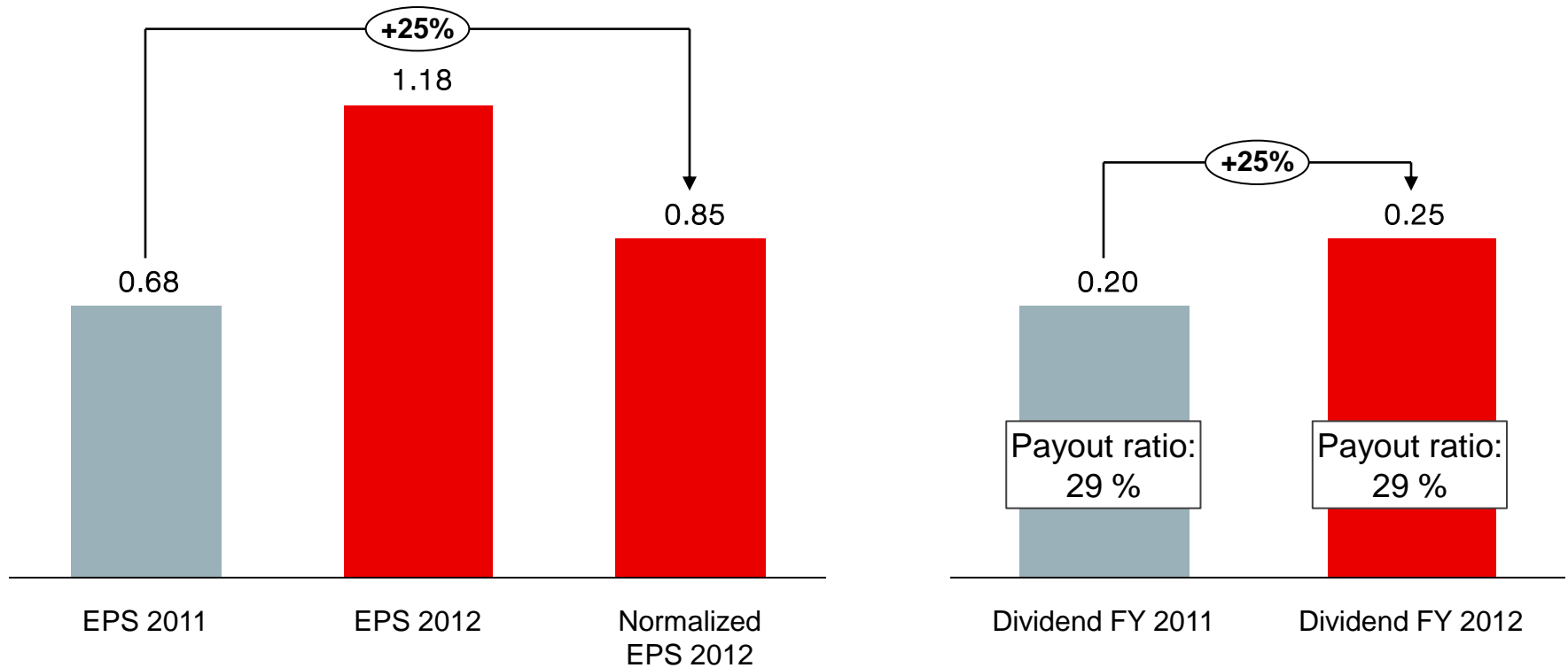


- No major currency mismatch between sales, COGS and overhead costs – natural hedge
- Solar divestment reduced Swiss franc exposure in 2012
- Limited transaction risk
- Translation effects from reporting currency Swiss francs
- Growth in China will increase RMB proportion

# Dividend increase of 25 % – Dividend yield of 2.4 % based on year-end share price

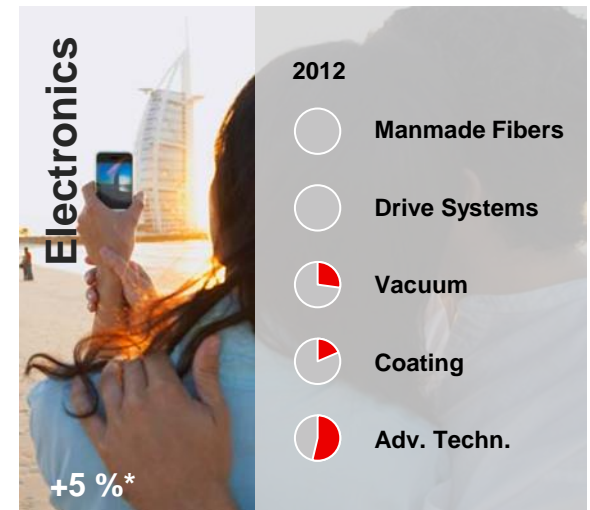
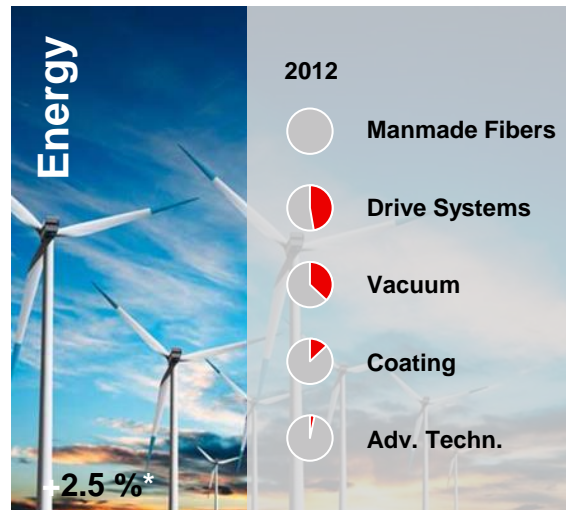
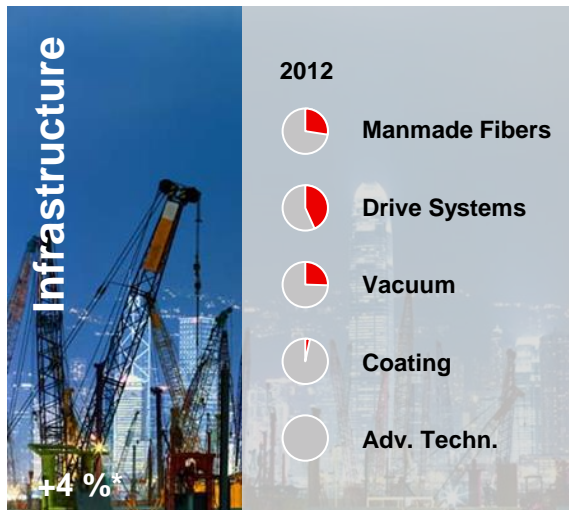
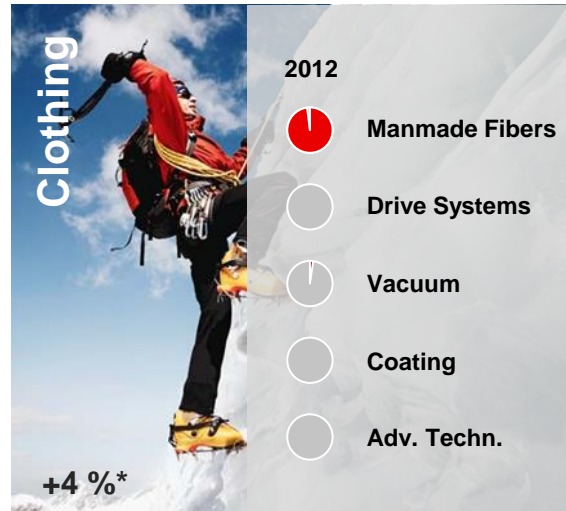
Dividend proposal for FY 2012

in CHF per share



- AGM approved a pay out CHF 0.25 per share for FY 2012 in line with dividend policy
- Stable pay-out ratio of 29 % based on normalized EPS
- Dividend distributed from the reserve from capital contribution

# Presence and opportunities in global growth markets



\* Estimated compound annual growth rate (CAGR) for 2012-2016

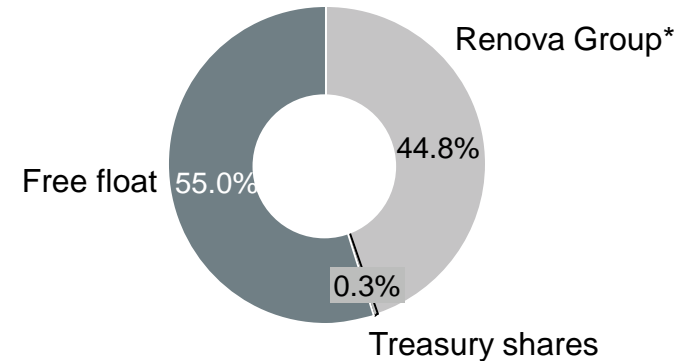
## Oerlikon shares

as of September 30, 2013

- Listed on Swiss Exchange (SIX) since 1973
- Securities symbol: OERL
- Securities number 81 682
- ISIN: CH0000816824
- No. of shares outstanding: 333 900 639 shares
- Re-entry to Swiss SMIM on April 17, 2012
- Addition to STOXX Europe 600 as of June 18, 2012

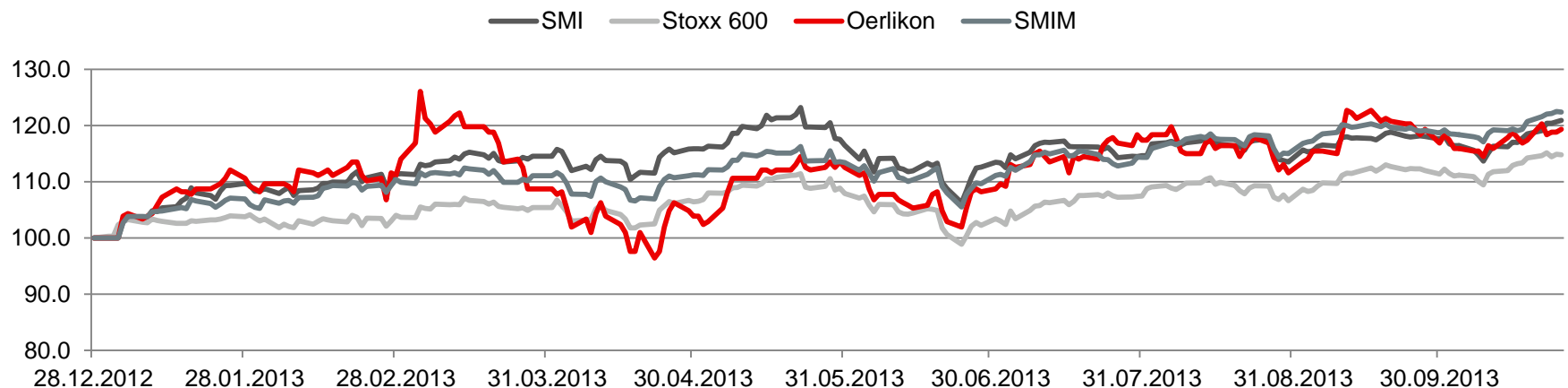
## Oerlikon shareholder structure

as of September 30, 2013



## Oerlikon share price development

as of October 25, 2013, indexed; 100 percent = closing price per December 31, 2012



\* Based on latest notification as of August 2, 2013 of 149 435 408 shares and shares outstanding of 333 900 639

# Coverage – 8 Buy/Accumulate & 4 Hold/Neutral

Broker (as of October 25, 2013)	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Pierre-Yves Gauthier	Add	17.10.2013	14.00
Bank am Bellevue	Alessandro Foletti	Hold	07.08.2013	12.30
Berenberg Bank	Benjamin Glaeser	Buy	18.10.2013	15.10
Credit Suisse	Patrick Laager	Outperform	21.10.2013	15.00
Helvea SA	Reto Amstalden	Neutral	23.10.2013	13.00
Kepler Cheuvreux	Christoph Ladner	Buy	06.09.2013	15.00
MainFirst	Michael Inauen	Outperform	09.09.2013	14.40
Mirabaud Securities LLP	Thomas Baumann	Neutral	28.08.2013	12.50
Société Générale	Jean Baptiste Roussille	Hold	06.08.2013	12.40
UBS	André Rudolf von Rohr	Buy	07.08.2013	14.00
Vontobel	Michael Foeth	Buy	24.10.2013	14.50
Zürcher Kantonalbank	Armin Rechberger	Overweight	25.10.2013	-
<b>Consensus</b>		<b>8 positive 4 neutral</b>		<b>13.84</b>



# Oerlikon Customer Base (Selection)

- Preferred technology supplier to technology leaders in their respective industries
- Global customer base and world-leading brand names
- Strong long-term customer relationships



<b>February 25, 2014</b>	Q4 / FY 2013 results and publication of Annual Report 2013 - Annual Press Conference
<b>April 15, 2014</b>	Annual General Meeting of Shareholders - KKL Lucerne
<b>April 29, 2014</b>	Q1 2014 Results - Media & Analyst Conference Call
<b>August 5, 2014</b>	Q2 / HY 2014 results and publication of Interim Report 2014 - Media & Analyst Conference Call
<b>October 28, 2014</b>	Q3 / 9M 2014 results - Media & Analyst Conference Call

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