

First quarter 2015 results

## Oerlikon sustains strong profitability

- Order intake up 17.0 %, with book-to-bill ratio over 1
- Sales increased by 10.1 %
- Strong profitability with EBITDA margin of 16.8 %
- Currency translation impacted Group's top line results by approximately 5 %
- Full-year guidance for 2015 confirmed

Key figures of the Oerlikon Group as of March 31, 2015 (in CHF million)

	Q1 2015 <sup>1</sup>	Q1 2014	Δ
Order intake	793	678	+17.0 %
Order backlog	688	755	-8.9 %
Sales	782	710	+10.1 %
EBITDA	132	124	+6.5 %
EBITDA margin	16.8 %	17.5 %	-
ROCE (rolling 12-month)	10.6 %	10.4 % <sup>2</sup>	-

<sup>1</sup> Consolidation of Metco for three months, <sup>2</sup> As of December 31, 2014

**Pfäffikon SZ, Switzerland – April 28, 2015 –** In the first quarter of 2015, Oerlikon continued to deliver a solid performance in a challenging market environment. Order intake went up by 17.0 % to CHF 793 million and sales increased by 10.1 % to CHF 782 million. For the 13th consecutive quarter, the EBITDA margin exceeded 15 %, coming in at 16.8 %. At constant exchange rates, sales increased by 15.4 % to CHF 819 million compared to CHF 710 million in Q1 2014. Surface Solutions Segment recorded strong results once again, attributable to both organic growth and the Metco acquisition. Manmade Fibers Segment posted lower sales in line with the anticipated market normalization but improved its sequential order intake at constant exchange rates and sequential operating profitability. Drive Systems Segment reported sales and orders below prior year's level due to ongoing weakness in specific markets, but slightly improved its operating profitability year-on-year. Vacuum Segment closed sales below the previous year's level, substantially improved its operating margin year-on-year and increased its order intake sequentially. Oerlikon CEO Dr. Brice Koch said: "The first quarter results confirm Oerlikon's ability to sustain its profitability even as the markets continue to be challenging, and the Group's increased order intake led us to a book-to-bill ratio of over one, supporting our profitable growth. The increased ratio of our service business, our innovation pipeline, our stringent cost management as well as the further optimizing of our footprint helped strengthen our competitiveness and resilience. Leveraging further on our strong foundation, we will continue to strengthen our presence in the growth markets and regions globally, sustaining profitable growth for the medium to long term."

## **Group sales and order intake rose**

Group sales in the first quarter were at CHF 782 million, an increase of 10.1 % compared to the CHF 710 million reported in Q1 2014. At constant exchange rates, sales went up by 15.4 % to CHF 819 million. At segment level, sales trends were mixed: sales in Surface Solutions Segment more than doubled through organic and inorganic growth to reach CHF 300 million. Impacted by both the ongoing anticipated market normalization and the typical characteristics of large-scale projects, sales in Manmade Fibers Segment declined by 29.7 % to CHF 208 million. Both Drive Systems Segment and Vacuum Segment continued to face challenging market conditions and posted sales below the previous year's level, specifically CHF 183 million (–5.7 %) and CHF 91 million (–5.2 %), respectively.

Group order intake for the first three months of 2015 increased by 17.0 % to CHF 793 million compared to CHF 678 million in Q1 2014. The gain in new orders of over 100 % made by Surface Solutions Segment was attributable not only to Metco but also to ongoing organic growth. The other three segments: Manmade Fibers, Drive Systems and Vacuum reported lower orders year-on-year due to the ongoing weakness in the markets in which they operate. Sequentially, Vacuum Segment succeeded in increasing its order intake by 10 % in spite of the challenging market environment. At constant exchange rates, all four segments reported an increase in sequential order intake.

## **Continued strong operating profitability**

For the first quarter of 2015, the Group sustained operating profitability with an EBITDA margin of 16.8 %. Group EBITDA stood at CHF 132 million, an increase of 6.5 % year-on-year. The profitability was achieved despite the absorption of integration effects from the Metco transaction. At segment level, all segments contributed to sustaining the Group's operating profitability and are reaping the benefits from the Group's operational excellence initiatives. Surface Solutions Segment continued to record substantial profitability and sustained its underlying profitability at constant exchange rates, even with the increase in its equipment and materials business. Manmade Fibers Segment is actively managing the impacts from market normalization and lower order intakes, and succeeded in increasing its operating profitability sequentially. Drive Systems Segment reported profitability slightly above previous year's level, while Vacuum Segment substantially improved its operating margin year-on-year. EBIT for Q1 2015 stood at CHF 86 million (Q1 2014: CHF 93 million). The first quarter performance resulted in a slight improvement in the rolling 12-month Oerlikon Group ROCE of 10.6 % versus 10.4 % at the end of 2014.

## **Competiveness strengthened**

In the first quarter of 2015, Oerlikon further strengthened its competitive positioning and improved the Group's coherence through optimizing its portfolio strategically, geographically and technologically. On the strategic level, the Group closed the divestment of the Advanced Technologies Segment in this quarter, thereby further focused its portfolio on key growth businesses. The integration process in Surface Solutions Segment continues to progress well, and the Segment's organization is further aligned to enable operational and cost synergies to be leveraged more efficiently. Geographically, Oerlikon continued to optimize its footprint, uniting Surface Solutions Segment's thin-film business and sites and opening a service competence center in Germany for the Vacuum Segment. As the Group improved its proximity, services and interactions for the benefit of its customers, it recorded in the first quarter of 2015 an increase of 39.5 % in its service business to CHF 246 million. This corresponds to a growth in the ratio to total Group sales to 31.4 % (FY 2014: 28.5 %). Technologically, the Group kept up its innovation momentum with the introduction of new products, features and services. Surface Solutions Segment launched new materials for additive manufacturing (superalloy powders), Manmade Fibers Segment introduced its energy-saving carpet yarn finishing process RoTac<sup>3</sup> and the new eco-friendly (recycling-based) rPET bottle-to-POY system, Drive Systems Segment introduced a new patent-pending range of Torque Hub® for sprayer machines, which increases efficiency and improves safety, and the Vacuum Segment brought out energy-efficient vacuum solutions for the fast-growing vacuum baking and freeze drying business.

## 2015 outlook confirmed

Current macroeconomic uncertainties and demanding industry-specific conditions continue to impact some of the key markets in which Oerlikon operates and will remain challenging. Based on the positive performance of the Group in the first quarter of 2015, Oerlikon confirms its guidance of the following key financial metrics at constant exchange rates:

- Order intake to increase by around 10 %
- Sales to increase by around 5 %
- EBITDA margin to be sustained at prior-year level

Based on exchange rates at the end of January 2015, Oerlikon expects to continue seeing a currency translation effect of around 11–12 % on reported figures for order intake and sales, while maintaining the margin profile and, even more importantly, the Group's competitive position in its key markets.

## Segment overview

### Surface Solutions Segment

Key figures of Surface Solutions Segment as of March 31, 2015 (in CHF million)

	Q1 2015 <sup>1</sup>	Q1 2014	Δ
Order intake	317	124	>100 %
Order backlog	92	–	–
Sales (to third parties)	300	124	>100 %
EBITDA	61	36	+69.4 %
EBITDA margin	20.4 %	29.0 %	–

<sup>1</sup> Consolidation of Metco for three months

Surface Solutions Segment continued to deliver a strong performance and to record positive business development. The results of the Segment confirmed once again the complementarity of the Oerlikon Balzers and Oerlikon Metco businesses, in terms of technologies, markets, customers, regions and business model. The Segment's order intake and sales increased substantially to CHF 317 million and CHF 300 million, respectively, even while seeing a soft start of the materials and thermal spray equipment business. The gains in order intake and sales were mainly attributable to the acquisition of Metco, but also to underlying organic growth. At constant exchange rates, the Segment recorded organic growth for both order intake and sales. Despite the impacts from Metco-associated integration effects, currency translation, and the proportional increase in the equipment and materials business, the Segment reported solid profitability. EBITDA for Surface Solutions Segment amounted to CHF 61 million, reflecting an EBITDA margin of 20.4 %. EBIT for Q1 2015 stood at CHF 34 million (Q1 2014: CHF 24 million). The Segment also saw strong growth in its service business, particularly in the global automotive and aviation industries.

The integration of Oerlikon Balzers and Oerlikon Metco continued to progress well in the first quarter of 2015. The thin-film business of Balzers and Metco were successfully merged to leverage their strengths and meet the increasing demands of the global automotive and tooling industry. In the same period, a new business unit "Metco Materials and Technology" was established to better serve markets and customers in the thermal spray markets. Technologically, the Segment expanded its materials portfolio with the introduction of novel, superalloy powders optimized for new applications in laser-based and electron beam additive manufacturing processes that save customers' development time and resources. The strength and corrosion resistance of these superalloy powers at high temperatures make them a preferred materials choice for specific key applications.

## Manmade Fibers Segment

Key figures of Manmade Fibers Segment as of March 31, 2015 (in CHF million)

	Q1 2015	Q1 2014	Δ
Order intake	205	240	-14.6 %
Order backlog	336	475	-29.3 %
Sales (to third parties)	208	296	-29.7 %
EBITDA	37	65	-43.1 %
EBITDA margin	17.6 %	21.9 %	-

In line with the ongoing anticipated market normalization and the typical characteristics of large-scale projects, Manmade Fibers Segment reported decreases in sales and orders, but succeeded in improving operating profitability sequentially as a result of operational excellence initiatives and stringent project cost management. Sales decreased by 29.7 % to CHF 208 million (Q1 2014: CHF 296 million). Orders stood at CHF 205 million, a decrease of 14.6 % from CHF 240 million in Q1 2014. EBITDA amounted to CHF 37 million, reflecting an EBITDA margin of 17.6 % (Q1 2014: 21.9 %, Q4 2014: 16.6 %). EBIT for Q1 2015 stood at CHF 32 million (Q1 2014: CHF 60 million).

As the market continues to normalize in the manmade fibers industry, the trend, also driven by the China government, is moving towards high-quality, energy saving and environmentally friendly equipment and systems. As a pioneer in providing energy efficient and eco-friendly manmade fibers technologies, based on its e-save philosophy, the Segment is in a good position to leverage the related opportunities in this market development.

In Q1 2015, the Segment introduced an innovative and energy-saving carpet yarn finishing process, RoTac<sup>3</sup> and a new eco-friendly (recycling-based) rPET bottle-to-POY system. The RoTac<sup>3</sup> production system uses a revolutionary air pulsing nozzle combined with contactless air pressure sealing for tangling the yarn, making it possible to achieve up to 50 % compressed air savings in carpet yarn production.

## Drive Systems Segment

Key figures of Drive Systems Segment as of March 31, 2015 (in CHF million)

	Q1 2015	Q1 2014	Δ
Order intake	172	209	-17.7 %
Order backlog	183	194	-5.7 %
Sales (to third parties)	183	194	-5.7 %
EBITDA	18	19	-5.3 %
EBITDA margin	10.0 %	9.8 %	-

Drive Systems Segment continued to face a challenging market environment in the first quarter of 2015. The passenger vehicles market showed stable growth and there are initial signs of a positive trend in the mining industry. North American construction and transportation markets continued to deliver solid orders and sales, but the Segment still saw a continued decline in orders from the global agriculture and oil and gas industries. Overall, orders and sales were lower compared to the previous year, coming in at CHF 172 million (-17.7 %) and CHF 183 million (-5.7 %) year-on-year, respectively.

The Segment recorded a slight improvement in EBITDA margin year-on-year, coming in at 10.0 %, despite a reduction in sales, and was a result of ongoing operational excellence initiatives and the increase in the proportion of higher value-added services. EBIT for Q1 2015 stood at CHF 8 million (Q1 2014: CHF 8 million).

In this quarter, Drive Systems Segment introduced a new patent-pending range of Torque Hub® for sprayer machines, which increases efficiency and improves safety. The Segment was awarded Key Supplier status by long-term partner, John Deere, through its Agricultural and Turf, and Power Systems divisions.

## Vacuum Segment

Key figures of Vacuum Segment as of March 31, 2015 (in CHF million)

	Q1 2015	Q1 2014	Δ
Order intake	99	105	-5.7 %
Order backlog	77	86	-10.5 %
Sales (to third parties)	91	96	-5.2 %
EBITDA	10	8	+25.0 %
EBITDA margin	10.8 %	8.3 %	-

In spite of still being confronted by challenging market conditions, Vacuum Segment recorded a 10.0 % growth in orders sequentially (Q4 2014: CHF 90 million). The Segment managed to gain some traction in the aerospace industry and initial wins in the food and packaging industry in the first quarter of 2015. Positive trends were seen in investments in the display markets, the US market and the solar industry. There was also a noticeable development toward more project-based business for the vacuum markets. However, the process industry's recovery is slow. Year-on-year, orders in the first quarter declined slightly by 5.7 % to CHF 99 million, and sales decreased by 5.2 % to CHF 91 million.

As a result of operational excellence initiatives, the Segment recorded a substantial increase in operating profitability compared to the previous year and maintained this sequentially (Q4 2014: 10.8 %). EBITDA went up by 25 % to CHF 10 million, compared to CHF 8 million in 2014 while the EBITDA margin improved year-on-year by 250 basis points to 10.8 % (Q1 2014: 8.3 %). EBIT for Q1 2015 stood at CHF 7 million (Q1 2014: CHF 5 million).

In Q1 2015, the Segment introduced its advanced vacuum solutions for the food processing industry. The new applications address the attractive food packaging, vacuum baking and freeze drying markets, where energy-efficient vacuum solutions are sought by customers to replace older generations and high-maintenance equipment.

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## Additional information

Oerlikon will present its results in English during its conference call today beginning at 14:00 CET. To participate, please dial the following numbers a few minutes before the start of the conference call:

Country	Toll-Free:	Toll-Local:
Switzerland	0800 005 207	+41 44 583 18 01
Germany	0800 62 70 746	+49 69 22 22 33 617
UK	0800 376 2961	+44 203 009 2453
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The accompanying presentation can be viewed simultaneously via the following link:  
<http://event.mescdn.com/oerlikon/webcast-20150428>.

Please find the media release including a full set of tables at [www.oerlikon.com/pressreleases](http://www.oerlikon.com/pressreleases) and [www.oerlikon.com/ir](http://www.oerlikon.com/ir).

## About Oerlikon

Oerlikon (SIX: OERL) is a leading global technology Group, focusing on providing market-leading technologies and services for surface solutions, manmade fibers manufacturing, drive systems and vacuum pumps and components in growth markets. These cutting-edge technologies benefit customers by improving their product performance, productivity, efficient use of energy and resources, and also by contributing to a more sustainable environment. A Swiss company with over 100 years of tradition, Oerlikon has a global footprint of over 15 500 employees at more than 200 locations in 36 countries and sales of CHF 3.2 billion in 2014. The company invested CHF 121 million in R&D in 2014 and has over 1 300 specialists developing innovative and customer-oriented products and services.

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