

## Third quarter 2018 results

## Strong growth momentum continued in all businesses

- 22.2 % growth in Group Q3 order intake
- 28.9 % increase in Group Q3 sales
- Group Q3 EBITDA margin: 15.0 %
- Double-digit growth in orders and sales sustained in Surface Solutions Segment
- Substantial increase in sales and orders recorded in Manmade Fibers Segment
- Full-year guidance for 2018 confirmed
  
- Intention to nominate additional independent member to the Board of Directors at 2019 AGM

Key figures for the Oerlikon Group as of September 30, 2018 (in CHF million)

	Q3 2018 <sup>1</sup>	Q3 2017 <sup>2</sup>	Δ	9M 2018 <sup>1</sup>	9M 2017 <sup>2</sup>	Δ
Order intake	655	536	22.2 %	2 090	1 595	31.0 %
Order backlog	633	492	28.7 %	633	492	28.7 %
Sales	687	533	28.9 %	1 956	1 449	35.0 %
EBITDA	103	89	15.7 %	311	226	37.6 %
EBITDA margin	15.0 %	16.7 %	–	15.9 %	15.6 %	–
EBIT	62	49	26.5 %	190	113	68.1 %
EBIT margin	9.0 %	9.2 %	–	9.7 %	7.8 %	–
ROCE (rolling 12-month)	11.7 %	7.0 % <sup>3</sup>	–	11.7 %	7.0 % <sup>3</sup>	–

<sup>1</sup> Continuing operations. <sup>2</sup> Restated according to new IFRS 15 (revenue recognition) accounting standard and for announced divestment of the Drive Systems Segment. <sup>3</sup> Not adjusted for divestment of Drive Systems Segment.

### Pfäffikon, Schwyz, Switzerland – October 30, 2018 –

“We are pleased to announce another quarter of strong growth,” said Dr. Roland Fischer, CEO Oerlikon Group. “We increased Group orders by 22 % and sales by almost 30 % year-over-year. The EBITDA margin of 15 % reflects the higher operating costs related to investments and a larger share of revenues generated by equipment and project businesses in this quarter.”

“We continued to grow our surface solutions business, increasing orders and sales in almost all of our end markets. For our Manmade Fibers Segment, we recorded significantly higher orders and achieved a historical high in sales,” added Dr. Fischer.

“We have delivered strong results and are on track to deliver on our guidance for the full year of 2018.”

### **Group performance in Q3 2018**

In the third quarter of 2018, Oerlikon increased orders and sales in nearly all of its end markets, except power generation. These results reflect Oerlikon's efforts and success in sustaining and developing the business.

The Surface Solutions Segment achieved double-digit growth in both orders and sales in the third quarter. The upward trend in general industries in the first half of the year continued in the third quarter. Positive development was also registered in other end markets, particularly in aerospace and automotive, and mainly in the USA and Europe. Operating profitability for the surface solutions business came in lower year-over-year as a result of higher operating expenses related to investments and a larger share of project and equipment business. The Manmade Fibers Segment continued to capture a significant share of business in the filament equipment market, where the high level of demand, primarily in China, prevailed. In addition, a substantial increase in sales was recorded for machinery and systems for texturing and carpet yarn applications, as well as for nonwovens.

Group orders for the third quarter increased year-over-year by 22.2 % to CHF 655 million (Q3 2017: CHF 536 million) and sales were up by 28.9 % to CHF 687 million (Q3 2017: CHF 533 million). At constant exchange rates, sales stood at CHF 682 million. The Group's EBITDA came in higher year-over-year at CHF 103 million, or 15.0 % of sales (Q3 2017: CHF 89 million, 16.7 %). EBIT for Q3 2018 stood at CHF 62 million, corresponding to a margin of 9.0 % (Q3 2017: CHF 49 million, 9.2 %). The third quarter performance resulted in a significantly improved rolling 12-month Oerlikon Group return on capital employed (ROCE) of 11.7 % (2017 reported: 7.0 %).

In the third quarter, service revenues contributed to 35.7 % of total Group sales (Q3 2017: 43.7 %), reflecting the higher proportion of revenues being generated through equipment and project businesses, mainly related to the strong recovery in the Manmade Fibers Segment.

### **Intention to nominate additional independent member to the Board of Directors**

The Oerlikon Board intends to nominate an additional independent member to the Board of Directors. This change will be proposed to shareholders for approval at the 2019 Annual General Meeting of Shareholders. This addition will increase the total number of independent Board Members to four while broadening its industrial experience.

### **Divestment of Drive Systems Segment**

The customary approvals for the announced divestment of the Drive Systems Segment to Dana Inc. are ongoing and on track. Closing of this transaction is expected in late 2018 or the first quarter of 2019.

### **2018 outlook confirmed**

Oerlikon has delivered a strong performance over the past three quarters and is thus confirming its guidance for the full year of 2018, despite the increasingly challenging market environment. For continued operations for the full year of 2018, Oerlikon Group order intake is expected to exceed CHF 2.6 billion, sales to be around CHF 2.6 billion, and EBITDA margin to exceed 15.5 %, after accounting for increased operating expenses from higher investments, particularly in additive manufacturing (AM), and impacts from the divestment of the Drive Systems Segment.

## Segment overview

### Surface Solutions Segment

Key figures for the Surface Solutions Segment as of September 30, 2018 (in CHF million)

	Q3 2018	Q3 2017 <sup>1</sup>	Δ	9M 2018	9M 2017 <sup>1</sup>	Δ
Order intake	395	348	13.5 %	1 174	1 039	13.0 %
Order backlog	177	115	53.9 %	177	115	53.9 %
Sales (to third parties)	373	335	11.3 %	1 128	1 004	12.4 %
EBITDA	69	69	0 %	218	209	4.3 %
EBITDA margin	18.3 %	20.4 %	–	19.2 %	20.7 %	–

<sup>1</sup> Restated according to new IFRS 15 (revenue recognition) accounting standard.

The Surface Solutions Segment sustained top-line growth, delivering double-digit increases in both year-over-year orders and sales. A significant increase in order backlog compared to the same period in 2017 was also seen due to the higher volume of equipment orders. The Segment realized sales growth in all end markets except power generation. Sales continued to increase, notably in general industries, aerospace and automotive, and slightly in tooling. In the power generation market, sales came in slightly lower compared to the previous year, though remaining relatively stable over the past three quarters. Regionally, a healthy uptake of orders and sales was noted in the USA and Europe, while an uptick in orders was seen in China.

The Segment achieved an anticipated lower operating profitability in this quarter compared to Q3 2017. This is attributed to the higher operating expenses related to investments, particularly in building up AM, and a larger share of revenues generated from project and equipment business in this quarter. EBIT for Q3 2018 stood at CHF 34 million, that is 9.2 % of sales (Q3 2017: CHF 35 million, 10.4 %).

In the third quarter, the Segment expanded its surface treatment portfolio with the acquisition of Härterei Dipl.- Ing. Peter Eicker KG and its affiliate company, trimpop Oberflächentechnik e.K., in North Rhine-Westphalia, Germany. With the acquisition, Oerlikon added innovative technologies and expertise in plasma nitriding – a heat treatment technology to increase the reliability and wear resistance of metal parts. In September, Oerlikon opened a second production center in Velká Ida, Slovakia, which will provide coating and heat treatment/nitriding services for automotive and transportation components. In this quarter, Oerlikon also scored a first win for its ePD coating system in China, with the initial sale of INUBIA to the Shanghai Dafangwuyu Automobile Technology Company.

From October 10 to 11, Oerlikon successfully hosted the 2<sup>nd</sup> Munich Technology Conference (MTC2) on AM. Over 1 000 participants from industry, academia and government came together to discuss the challenges and success stories of AM and address ways to speed up the industrialization of AM (3D Printing). More than 30 keynote speakers deliberated on the key challenges and opportunities on the first day, while the second day was dedicated to interactive workshops for in-depth discussions on specific AM topics.

## Manmade Fibers Segment

Key figures for the Manmade Fibers Segment as of September 30, 2018 (in CHF million)

	Q3 2018	Q3 2017 <sup>1</sup>	Δ	9M 2018	9M 2017 <sup>1</sup>	Δ
Order intake	260	188	38.3 %	916	556	64.7 %
Order backlog	456	377	21.0 %	456	377	21.0 %
Sales (to third parties)	314	198	58.6 %	828	445	86.1 %
EBITDA	36	22	63.6 %	95	25	>100 %
EBITDA margin	11.5 %	11.2 %	–	11.5 %	5.7 %	–

<sup>1</sup> Restated according to new IFRS 15 (revenue recognition) accounting standard.

The Manmade Fibers Segment once again achieved significant quarterly growth in top line, increasing order intake by 38.3 % and recording a historical high in quarterly sales. The Segment continued to secure orders and sales in the filament equipment market, primarily in China. The magnitude of orders in recent months has resulted in a pipeline with delivery lead times reaching into 2021. A healthy demand in this market is expected to continue in the upcoming quarters.

Following the strong growth in sales for filament equipment, a record level of sales was achieved this quarter for texturing equipment. In addition, sales for carpet yarn grew significantly, primarily in the USA. The joint venture, Oerlikon Barmag Huitong Engineering, also secured notable wins in the polymer processing market. For nonwovens, the Segment realized sales for the filtration market in the third quarter, and has recently announced its partnership with Shaoyang Textile Machinery in China to jointly advance the offering and sales in the competitive hygiene market.

The Segment sustained its double-digit EBITDA margin compared to the same period in 2017. The disproportional margin development reflects certain impacts from previously booked lower-margin projects and a one-time impact from the divestment of the tape and monofilament technologies. EBIT for Q3 2018 stood at CHF 30 million, that is 9.5 % of sales (Q3 2017: CHF 17 million; 8.5 %).

At the world's largest textile machinery show, ITMA Asia + CITME 2018, Oerlikon demonstrated its power as a leading innovator in the digital production of chemical fibers by showcasing its digital yarn factory. Using technologies such as artificial intelligence, machine learning and innovative human machine interface (HMI) solutions, the fully networked Factory 4.0 is autonomously controlled, resulting in cost savings, higher flexibility in the production lines and reduced downtimes.

### 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	Local toll call:
Switzerland	+41 (0) 58 310 50 00
UK	+44 (0) 207 107 06 13
USA	+1 (631) 570 5613

The accompanying presentation can be viewed simultaneously by clicking [here](#).

The media release including a full set of tables can be found 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) engineers materials, equipment and surfaces and provides expert services to enable customers to have high-performance products and systems with extended lifespans. Drawing on its key technological competencies and strong financial foundation, the Group is sustaining mid-term growth by executing three strategic drivers: addressing attractive growth markets, securing structural growth, and expanding through targeted mergers and acquisitions. A leading global technology and engineering Group, Oerlikon operates its business in two Segments – Surface Solutions and Manmade Fibers – and has a global footprint of over 9 500 employees at 171 locations in 37 countries. In 2017, Oerlikon generated CHF 2.1 billion in restated sales and invested around CHF 100 million in R&D.

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