

2018 marked another year of strong financial performance for the OERLIKON Group.

#### 2018 full-year results

### Significantly improved net income, driven by strong operating performance in all businesses

- 23.5 % increase in Group orders
- 26.2 % increase in Group sales
- Double-digit top-line growth in Surface Solutions Segment
- Significant top-line growth and double-digit EBITDA margin in Manmade Fibers Segment
- Delivered on strategy: successfully closed sale of Drive Systems Segment
- Group EBITDA margin at 15.6 % following increased operating expenses from investments
- Group net income increased by 62.3 % to CHF 245 million in line with strong reported quarterly operating performance
- Proposing a dividend payout of CHF 1.00 per share, including an extraordinary per-share dividend of CHF 0.65 as a share of proceeds from the sale of Drive Systems Segment
  
- Strengthening industrial experience on the Board
- Outlook 2019: Group order intake and sales to exceed CHF 2.7 billion and EBITDA margin to exceed 16 %

Key figures of the Oerlikon Group as of December 31, 2018 (in CHF million)

	FY 2018 <sup>1</sup>	FY 2017 <sup>2</sup>	Δ	Q4 2018 <sup>1</sup>	Q4 2017 <sup>2</sup>	Δ
Order intake	2 731	2 211	23.5 %	641	616	4.1 %
Order backlog	596	496	20.2 %	596	496	20.2 %
Sales	2 609	2 068	26.2 %	653	619	5.5 %
EBITDA	406	322	26.1 %	95	96	-1.0 %
EBITDA margin	15.6 %	15.6 %	–	14.5 %	15.5 %	–
EBIT	243	168	44.6 %	53	55	-3.6 %
EBIT margin	9.3 %	8.1 %	–	8.2 %	8.8 %	–
Result from continuing operations <sup>3</sup>	173	95	82.1 %	–	–	–
Net income	245	151	62.3 %	–	–	–
ROCE (rolling 12-month)	12.1 %	8.2 % <sup>3</sup>	–	12.1 %	8.2 % <sup>3</sup>	–

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

2018 marked another year of strong financial performance for the Group. We recorded an increase in sales of more than 26 %, delivered on our portfolio transformation and sustained EBITDA margin year-over-year. This is a notable achievement considering the significant investments we are making for our future growth,” said Dr. Roland Fischer, CEO Oerlikon Group.

“In our surface solutions business, we accomplished a double-digit increase in orders and sales year-over-year and higher sales in all regions, underlining our ability to deliver on its growth. In our manmade fibers business, we achieved a substantial increase in top line and double-digit operating profitability. The top-line growth was attributed mainly to the China-led filament equipment market but also to market penetration in the USA and Latin America.

Now that we have closed the sale of the drive systems business, our focus is on redeploying resources and investing, organically and through M&A, in our medium- and long-term growth,” added Dr. Fischer. “We are also pleased to announce that the Board will be proposing a dividend payout of CHF 1.00 per share. This comprises an ordinary dividend payout consistent with the previous year of CHF 0.35 and an extraordinary dividend of CHF 0.65 as a share of proceeds from the sale of the drive systems business.”

## **Strong Group performance**

Oerlikon delivered impressive results in 2018, exemplified by double-digit top-line growth and strong operating profitability in both of its Segments: Surface Solutions and Manmade Fibers. With the divestment of the Drive Systems Segment to Dana Incorporated, this business was reported as discontinued operations in 2018. Oerlikon successfully navigated the increasingly complex trade and geopolitical environment and capitalized on sustained demand in its industrial and regional markets to deliver strong results.

Full-year Group order intake increased year-on-year by 23.5 % to CHF 2 731 million, including a positive currency impact of 1.7 %, while sales were 26.2 % higher year-on-year at CHF 2 609 million, including a positive currency impact of 1.7 %.

In 2018, the Group delivered on its strategy by strengthening the market and technology leadership position of its Surface Solutions Segment and achieving record-level sales in the Manmade Fibers Segment. The Surface Solutions Segment generated 58 % of Group sales and 70 % of Group EBITDA in 2018, making it the largest contributor to Group sales and profits for the year. The Manmade Fibers Segment accounted for 42 % of Group sales.

Oerlikon saw sales growth across all regions in 2018, particularly in China, the USA and Latin America. Asia-Pacific accounted for the largest proportion of Group sales in 2018. Sales in Asia-Pacific amounted to CHF 1 210 million, or 46 % of Group sales, versus CHF 884 million, or 43 % of Group sales, in 2017. Europe was the second-largest regional contributor to Group sales in 2018, with sales totaling CHF 852 million, or 33 % of sales, compared with CHF 775 million, or 37 % of sales, in 2017. Group sales in North America totaled CHF 409 million, or 16 % of Group sales, in 2018, versus CHF 300 million, or 15 % of Group sales, in 2017. Sales in other regions remained at 5 % of Group sales in 2018 with sales of CHF 138 million, compared to CHF 109 million in 2017. The Group generated 38.1 % of its revenue from services in 2018 (2017: 44.8 %).

## **Strong operating profitability, net result from continuing operations and balance sheet**

The Group achieved strong year-on-year growth in operating profitability in 2018, as measured by both EBITDA and EBIT. Group EBITDA increased 26.1 % to CHF 406 million, yielding a margin of 15.6 %. This compares to Group EBITDA of CHF 322 million and a margin of 15.6 % in 2017. Group EBIT increased 44.6 % in 2018 to CHF 243 million, yielding a margin of 9.3 % versus EBIT of CHF 168 million and an EBIT margin of 8.1 % in 2017. The Group was highly profitable in 2018, with income from continuing operations of CHF 173 million, compared with CHF 95 million in 2017, an increase of 82.1 %. In line with the strong reported quarterly financial results and after including net results of discontinued operations of CHF 73 million in 2018, net income totaled CHF 245 million in 2018, or earnings per share of CHF 0.71, versus CHF 151 million, or earnings per share of CHF 0.44, in 2017.

As of December 31, 2018, Oerlikon had equity (attributable to shareholders of the parent) of CHF 2 001 million, representing an equity ratio of 44 % (2017: 45 %). Net cash amounted to CHF 398 million at year-end 2018 (2017: CHF 499 million) and the cash flow from operating activities before changes in net current assets increased 6.2 % in 2018 to CHF 429 million, compared to CHF 404 million in 2017. The Group's return on capital employed (ROCE) was 12.1 % in 2018. In 2017, the reported ROCE figure of 8.2 % included the drive systems business.

## **Continued strong commitment to R&D**

In 2018, Oerlikon strengthened its innovation pipeline by filing 87 patents. The company continued to invest in innovation and channeled more than 4 % (CHF 120 million) of 2018 Group sales into R&D, developing upgrades and new technologies to meet customers' needs and demands. These efforts underline Oerlikon's commitment to maintaining its technology leadership position in its end markets and advancing its strategic development.

## **Q4: ending the year with consistent growth**

For Q4 2018, the Oerlikon Group further increased top-line growth. Order intake increased 4.1 % year-on-year to CHF 641 million (Q4 2017: CHF 616 million). Sales came in 5.5 % higher at CHF 653 million (Q4 2017: CHF 619 million).

The increase in sales was seen in all Segments. The Surface Solutions Segment continued reporting growth; in particular, higher demand was noted in the aviation and automotive industries. The Manmade Fibers Segment recorded an increase in sales of over 6.7 % in Q4 2018, underlining the Segment's ability to maintain a high level of sales development. Sales in the segment in Q4 were driven mainly by continued demand for filament and texturing equipment.

Following significant investments in future growth, Q4 2018 saw operating profitability slightly lower than that of the previous year. EBITDA came in 1.0 % lower at CHF 95 million, corresponding to a margin of 14.5 %. Q4 2017 EBITDA was CHF 96 million, or 15.5 % of sales. Q4 2018 EBIT stood at CHF 53 million, or 8.2 % of sales (Q4 2017: CHF 55 million, or 8.8 % of sales).

## **Successfully closed sale of the Drive Systems Segment**

The divestment of the Drive Systems Segment was closed on February 28, 2019 for an enterprise value of CHF 600 million. This business is recognized in 2018 as discontinued operations. The business delivered a strong operational performance in top line and profitability, leading to a net result from discontinued operations of CHF 73 million, including tax effects. The gross cash proceeds for the transaction is CHF 625 million. As of December 31, 2018, the cumulative exchange differences for the Drive Systems Segment amounted to CHF -297 million. With the sale closed, this non-cash effect will be reclassified to the income statement under result from discontinued operations. In 2019, the result from discontinued operations is expected to amount to a total of CHF -160 million.

## **Change on the Board of Directors**

As announced in October 2018, the Board of Directors is proposing to nominate an additional independent member to the Board, bringing the total number of Board members to seven. Furthermore, a current Board member, Dr. Jean Botti, has decided not to stand for re-election. The Board of Directors thank him for his valuable contributions to Oerlikon. Consequently, the Board is proposing Dr. Suzanne Thoma and Paul Adams as new nominees to the Board and as new additional members of the Human Resources Committee for election at the 2019 Annual General Meeting of Shareholders (AGM) on April 9, 2019 at the KKL Lucerne, Switzerland.

Dr. Suzanne Thoma (1962, Swiss citizen) is Chief Executive Officer of BKW Ltd., Berne, Switzerland, an international energy and infrastructure service company listed on the SIX Swiss Exchange. She brings with her over 20 years of experience in leadership roles in the energy, automotive and chemical industries. Prior to being appointed CEO of BKW in 2013, she was a member of the Group Executive Committee of BKW, responsible for the Networks division. Before that, she was head of the Automotive division of the WICOR Group, Rapperswil-Jona, Switzerland, and CEO of Rolic Technologies Ltd., Allschwil, Switzerland, a high-tech supplier to the electronic industry. Suzanne Thoma also served in various management roles and countries at Ciba Specialty Chemicals Ltd. (now BASF). Suzanne Thoma is a member of the Board of UPM Corporation, Helsinki, Finland, and of Schaffner Holding AG, Luterbach, Switzerland, listed on the stock exchanges in Helsinki and Zurich respectively. She holds a Master of Science degree in Chemical Engineering and a Ph.D. in Technical Sciences, both from the ETH Zurich, Switzerland. In addition, she holds a Bachelor of Business Administration degree from the Graduate School of Business Administration (GSBA), Zurich, Switzerland.

Paul Adams (1961, US citizen) served from 2016 to 2018 as Chief Operating Officer of Precision Castparts Corp., Portland, Oregon, USA, a worldwide manufacturer of complex metal components and products for critical aerospace and power generation applications. He brings with him over 30 years of leadership experience in the aviation industry. From 2014 to 2016, he was President of Pratt & Whitney,

Hartford, Connecticut, USA, a world leader in the design, manufacture and service of aircraft engines and auxiliary power units. From 1999 to 2014, he served in a number of senior management positions, including as Chief Operating Officer and SVP Operations and Engineering. Prior to joining Pratt & Whitney, he held various engineering, operations and program management roles for more than 15 years at Williams International, Walled Lake, Michigan, USA. Paul Adams is member of the Board of Aerion Supersonic, Reno, Nevada, USA. He holds a Bachelor of Science degree in Aerospace Engineering from the University of Michigan, Michigan, USA, and completed the Stanford Executive Program at the Stanford Graduate Business School, California, USA. In 2013, Paul Adams was inducted to the National Academy of Engineering, Washington, DC, USA.

## **Dividends**

Based on the Group's strong performance in 2018, and to share some of the proceeds from the successful sale of the Drive Systems Segment, Oerlikon's Board of Directors will recommend to issue a dividend payout of CHF 1.00 per share at the AGM on April 9, 2019, in Lucerne.

## **Outlook: delivering consistent growth in 2019**

Oerlikon has built a strong foundation, financially and technologically, to support future growth. The global economy is expected to slow down in 2019 and geopolitical issues could impact Oerlikon's key markets. However, Oerlikon proved in 2018 that it can deliver growth and strong performance, even in a challenging environment. The Group expects its surface solutions business to continue achieving 4 – 6 % growth and its manmade fibers business to maintain its top line at a high-level. The Group will continue to significantly invest in its surface solutions and additive manufacturing businesses to ensure medium- and long-term growth. For 2019, the Group expects order intake and sales to each exceed CHF 2.7 billion and the EBITDA margin, after offsetting operating expenses from investments, to be more than 16 %.

## Segment overview

### Surface Solutions Segment

Key figures of the Surface Solutions Segment as of December 31, 2018 (in CHF million)

	FY 2018	FY 2017	Δ	Q4 2018	Q4 2017	Δ
Order intake	1 574	1 412	11.5 %	400	373	7.2 %
Order backlog	193	124	55.6 %	193	124	55.6 %
Sales (to third parties)	1 511	1 370	10.3 %	383	366	4.6 %
EBITDA	283	276	2.5 %	65	67	-3.0 %
EBITDA margin	18.6 %	20.1 %	–	16.9 %	18.2 %	–

The Surface Solutions Segment delivered another year of consistent growth, achieving double-digit growth in orders and sales. The strong performance of the segment during 2018 further validates the effectiveness of Oerlikon's strategy to become a global leader in advanced materials, surface solutions and materials processing. The segment's order intake increased 11.5 % in 2018 to CHF 1 574 million, compared to CHF 1 412 million in 2017. The segment's sales increased 10.3 % to CHF 1 511 million from CHF 1 370 million in 2017. Sales growth was seen in all regions and across industries, most notably in aerospace, general industries and in the USA.

The Surface Solutions Segment achieved an EBITDA margin of 18.6 % in 2018, compared to 20.1 % in 2017. The EBITDA margin is within the guided corridor (18 % – 20 %) after offsetting the significant operating expenses for investments in future growth businesses, such as additive manufacturing and ePD (embedded Physical Vapor Deposition for Design parts). EBITDA for the segment totaled CHF 283 million in 2018, a slight increase from CHF 276 million in 2017. EBIT stood at CHF 144 million in 2018, or 9.5 % of sales (2017: CHF 149 million, or 10.8 % of sales).

The Segment continued to enhance its market portfolio and expand into new technologies in 2018 with the execution of four strategic acquisitions. These acquisitions included DIARC Technology, to increase Oerlikon Balzer's surface treatment product offering and expand its geographical footprint in Finland; DiSanto Technology, to provide the Group's high-growth additive manufacturing business access to the new sector of contract manufacturing for medical components; Sucotec, to add chemical vapor deposition technology capability for the tooling market; and Eicker, to further strengthen the Group's position as a key supplier of nitriding solutions – a heat treatment technology to increase the reliability and wear-resistance of metal parts – for the automotive industry.

In 2018, Oerlikon further strengthened its operational and production footprint in Europe and in the USA for its additive manufacturing business. It also began additive manufacturing powder sales in China. Additionally, it entered into new partnerships with industry leaders, including Boeing, RUAG Space and Lufthansa Technik, to advance the industrialization of additive manufacturing. Oerlikon also started developing advanced materials such as superalloy powders for 3D printing at its new state-of-the-art facility in Plymouth Township, Michigan.

## Manmade Fibers Segment

Key figures of the Manmade Fibers Segment as of December 31, 2018 (in CHF million)

	FY 2018	FY 2017	Δ	Q4 2018	Q4 2017	Δ
Order intake	1 157	799	44.8 %	241	243	-0.8 %
Order backlog	403	372	8.3 %	403	372	8.3 %
Sales (to third parties)	1 098	698	57.3 %	270	253	6.7 %
EBITDA	128	56	>100 %	33	30	10.0 %
EBITDA margin	11.7 %	8.0 %	–	12.2 %	12.2 %	–

The Manmade Fibers Segment posted record-level sales and operating profitability improvement in 2018. Segment order intake increased 44.8 % to CHF 1 157 million in 2018, compared with CHF 799 million in 2017. Sales jumped 57.3 % in 2018 to CHF 1 098 million, compared to CHF 698 million in 2017. These results reflected a healthy demand in the segment's core filament equipment market for fibers, which consequently boosted orders and sales for texturing systems. In the USA, the robust demand for carpet yarn equipment also contributed to the strong performance. Additionally, the segment's nonwoven business posted an impressive increase in sales in 2018, underlining its initial success in establishing a foothold in this market.

The Segment experienced growth across all its key regional markets, most notably in China, the USA and Latin America. The segment continued to gain market share and generated a robust order pipeline with deliveries into 2021, laying the groundwork for sustaining a high level of top-line results over the next few years.

Segment profitability also improved substantially in 2018, with EBITDA more than doubling (up 129 %) to CHF 128 million, or 11.7 % of sales, versus CHF 56 million, or 8.0 % of sales, in 2017. EBIT stood at CHF 106 million in 2018, or 9.6 % of sales (2017: CHF 33 million, or 4.7 % of sales).

To solidify its market position, the segment made two strategic acquisitions during 2018. With AC-Automation, the segment extended its smart plant portfolio with a large-scale plant automation solution for customers in the textile and packaging industries. Acquiring the technologies from PE Polymer Engineering Plant Construction enabled the segment to expand its product range to cover the entire polyamide process chain for fibers and filaments. In line with its strategy to focus on its core businesses, the segment divested its tapes and monofilament business to the Austrian Starlinger Group. In 2018, the segment also signed an agreement with Shaoyang Textile Machinery in China in order to penetrate the disposable nonwovens market.