Oerlikon delivers solid profitability and progresses with its strategic initiatives

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Q2 / H1 2015 Business Update

August 4, 2015

Agenda

Sustained profitability level and progress on strategic initiatives

Oerlikon Highlights Q2 2015

Operational performance
- Order intake up slightly by 1 %; sales level maintained
- At constant FX, Group sales increased by 5.9 % y-o-y
- Service business increased to 31.4 % of Group sales
- Solid profitability with EBITDA margin of 16.9 %
- H1 2015 cash flow from operating activities of CHF 110 million

Progress on strategic initiatives
- Examine strategic options for Vacuum Segment
- Maturity of syndicated credit facility successfully extended
- Strengthening of polycondensation and engineering capabilities

Metco integration well advanced
- Cost synergies leveraged (closure of two sites finalized)
- First joint technology service center in Canada opened
- Business is moving towards normal operations

Guidance
- The global economic environment remains challenging and conditions in some markets and sectors are becoming increasingly demanding
- Full-year guidance remains unchanged

Sales split Q2 2015 – Regionally balanced portfolio with increasing service business

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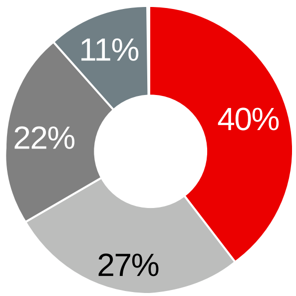
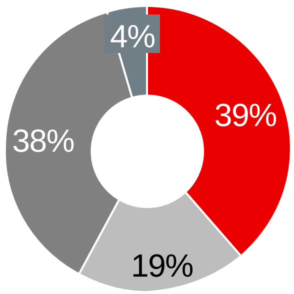
Segment split



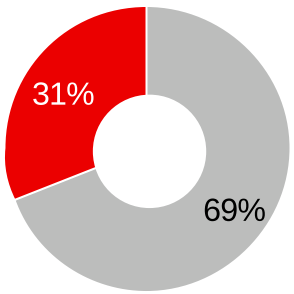
Sales: CHF 781 million

Regional split



Sales: CHF 781 million

Sales split



Sales: CHF 781 million

- Surface Solutions
- Manmade Fibers
- Drive Systems
- Vacuum

- Asia / Pacific
- North America
- Europe
- Rest of World

- Goods, Equipment & Components
- Service & Spare Parts

Surface Solutions Segment – Strong profit growth and moving towards normal operations

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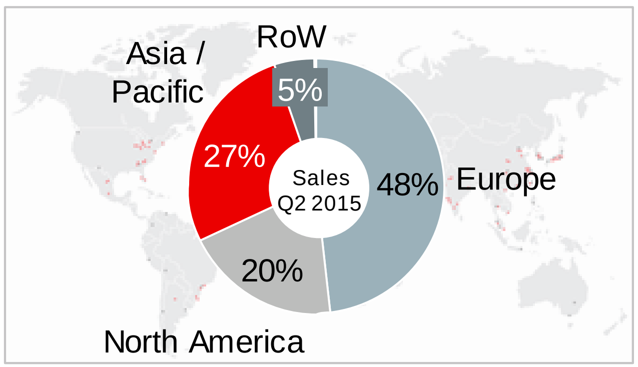
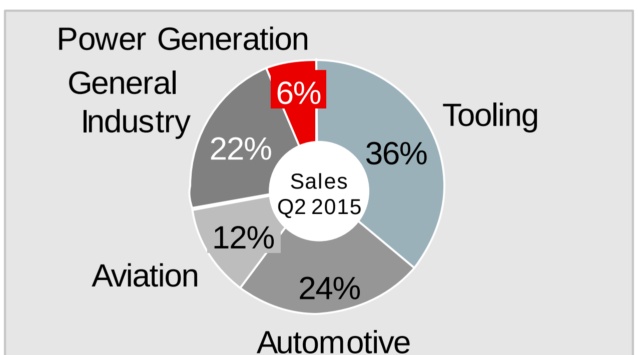
Key figures

in CHF million	Q2 2015	Q2 2014[2]	Δ
Order intake	299	203	+47.3 %
Sales (to 3rd parties)	309	203	+52.2 %
EBITDA	69	26	>100 %
EBITDA margin[1]	22.2%	12.6 %	+9.6 ppts
EBIT	42	9	>100 %
EBIT margin[1]	13.6 %	4.2 %	+9.4 ppts



Market development

- Good demand in automotive and power generation
- Sustained demand in aviation
- Some softening in tooling and in the materials business (MRO, O&G)
- Improvement in materials business expected in H2 2015



Operational performance

- Integration well on track – moving towards normal operations
- Underlying growth of service business
- Strong profitability at 22.2 % EBITDA
- Segment well positioned to address promising additive manufacturing market

[1] as % of sales; [2] Metco consolidated for 1 month

Manmade Fibers Segment – Orders sequentially stabilizing and strong margin maintained

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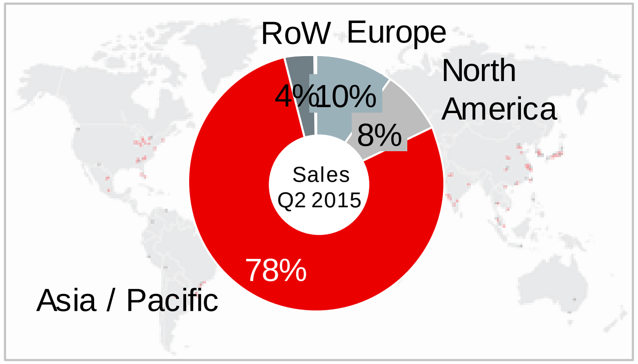
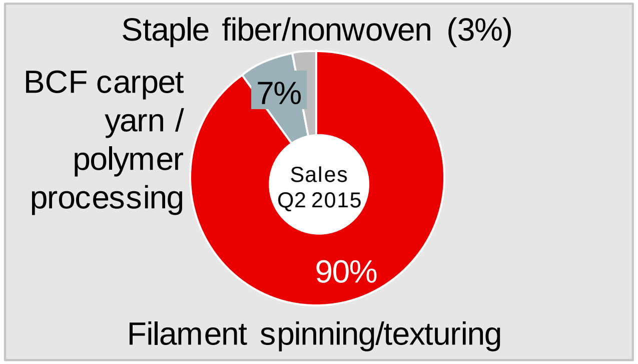
Key figures

in CHF million	Q2 2015	Q2 2014	Δ
Order intake	197	228	-13.6 %
Sales (to 3rd parties)	209	274	-23.7 %
EBITDA	37	58	-36.2 %
EBITDA margin[1]	17.6 %	21.0 %	-3.4 ppts
EBIT	32	53	-39.6 %
EBIT margin[1]	15.6 %	19.3 %	-3.7 ppts



Market development

- Large projects under negotiation (China)
- High quality, energy saving and ecologically friendly equipment is a key driver
- Strong growth of project landscape in India
- Market segment for tapelines incl. artificial turf sees a strong growth in 2015 with good prospects in 2016



Operational performance

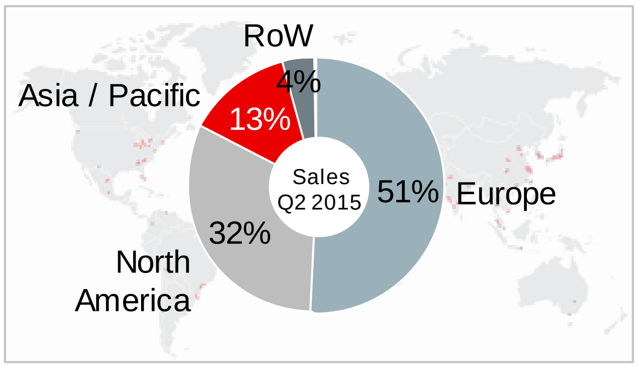
- Continued stabilization of order intake for the third consecutive quarter
- Sequentially stable sales level
- Service business exceeding 10 %
- Strong profitability due to flexible cost management and operational excellence
- JV for polycondensation/engineering

[1] as % of sales

Drive Systems Segment – Profitability sequentially maintained despite lower sales

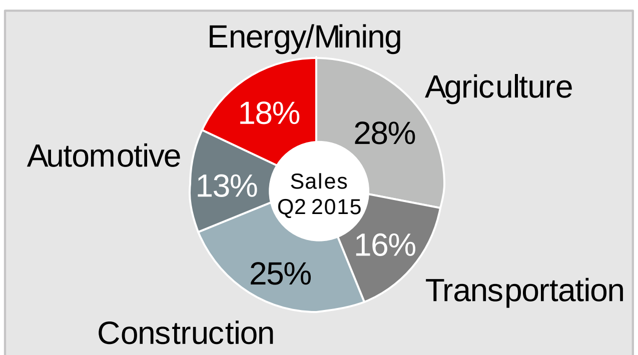
Key figures

in CHF million	Q2 2015	Q2 2014	Δ
Order intake	143	205	- 30.2 %
Sales (to 3rd parties)	171	208	-17.8 %
EBITDA	17	23	-26.1 %
EBITDA margin[1]	10.0 %	11.2 %	-1.2 ppts
EBIT	7	12	-41.7 %
EBIT margin[1]	4.0 %	5.6 %	-1.6 ppts



Market development

- Construction market (North America) and transportation remained positive
- Slowdown in agriculture impacting all regions
- O&G and mining sectors remained weak
- China economic slowdown creating headwinds for global customer base



Operational performance

- Regional footprint (3rd plant India) and distribution network expanded
- Topline impacted by end-market weakness
- Margin sequentially maintained
- Accelerate cost effectiveness and strategic initiatives to sustain profitability short-term and improve mid-term

[1] as % of sales

Vacuum Segment – Order intake momentum in demanding markets maintained

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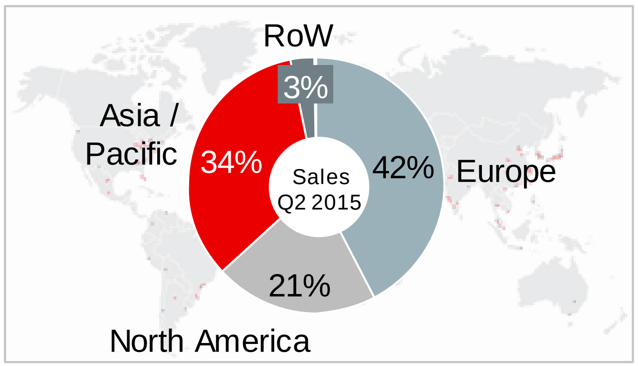
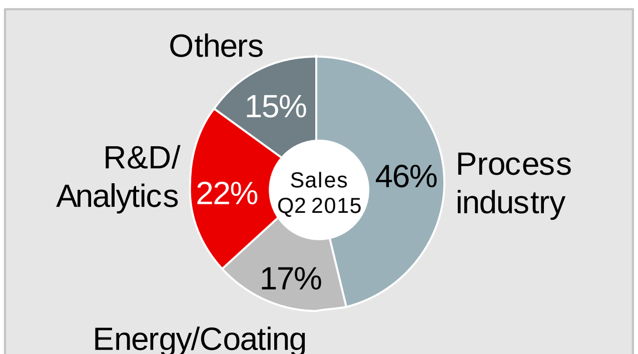
Key figures

in CHF million	Q2 2015	Q2 2014	Δ
Order intake	92	88	+4.5 %
Sales (to 3rd parties)	92	96	-4.2 %
EBITDA	9	11	-18.2 %
EBITDA margin[1]	9.4 %	11.1 %	-1.7 ppts
EBIT	6	7	-14.3 %
EBIT margin[1]	6.0 %	7.6 %	-1.6 ppts



Market development

- Overall slow growth in vacuum market
- Positive trends in North America
- European markets impacted by political uncertainty / noticeable slow recovery in PI
- Positive momentum in emerging countries offset by economic slow down in China



Operational performance

- Order intake pick-up (at stable FX +10.5 %)
- Sequential improvement of sales (+1.1 %)
- Increasing market acceptance of innovations (TURBOVACi)
- Service offering expanded – remote monitoring capabilities (GRAPHIX)

[1] as % of sales

Clear strategic guardrails to ensure further value creation in the future

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Execute mid-term priorities | **Explore and pursue**

As presented in February 2015

2015	2016	2017	2018	2019

Advanced Technologies: Segment sold

Strategic guardrails

Oerlikon will…

- … leverage **attractive end markets** and **serve global mega trends** (i.e. mobility, energy efficiency, productivity)
- … **drive innovation** from a position of strength and **leverage client relationships**
- … continue to further **expand the Group's service business**
- … leverage and **strengthen Best-in-Class businesses**
- … **improve businesses** which are not yet Best-in-Class
- … remain committed to **financial stability and discipline**

What we delivered in H1 2015…

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Leverage attractive end markets

- Superalloy powders for aerospace industry
- Initial inroads in the automotive industry with ePD™ technology
- Address additive manufacturing market

Drive innovations

- Surface Solutions Segment: Some 40 innovation roadmaps with key customers initiated
- Manmade Fibers Segment: Rotating tangling unit RoTac³
- Vacuum Segment: TURBOVACi turbo pump
- Drive Systems Segment: Torque hub for sprayer machines

Expand service business

- Service business increased to 31,4 % of Group sales
- New sales and service centers established in the Americas, Asia and Europe across all Segments
- Accelerate service business in Vacuum Segment with remote monitoring

Strengthen Best-in-Class businesses

- Surface Solutions: Integration well advanced and first joint service center for Balzers and Metco in Canada
- Manmade Fibers Segment: Joint venture with Huitong and new 1'600m² technology center in Chemnitz
- Both Segments: CapEx/D&A >1

Improve business which are not yet Best-in-Class

- Examine strategic options for Vacuum Segment
- Speed up repositioning of Drive Systems Segment due to end market development

Financial stability

- Prolongation of syndicated credit facility until 2017 at adjusted favorable interest rates

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1 Q2 2015 Business Update

2 Q2 / H1 2015 Financial Review

3 Outlook 2015

4 Appendix

Oerlikon delivered EBITDA margin improvement to 16.9 %

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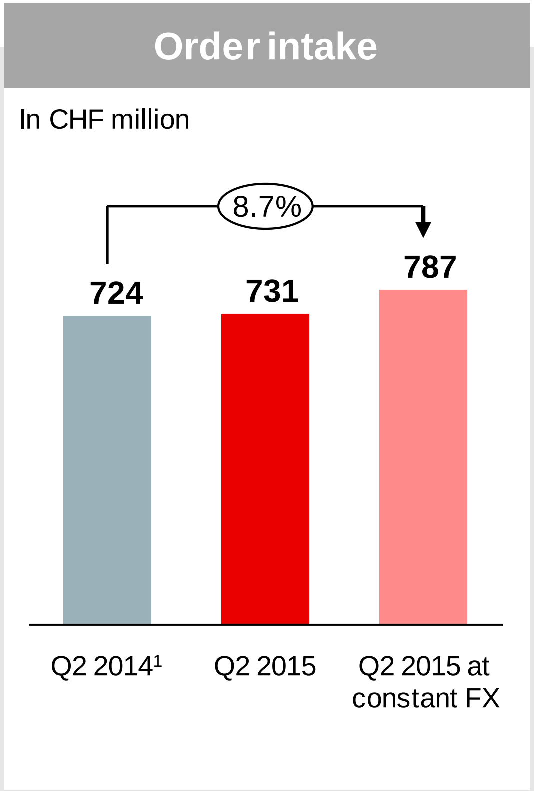

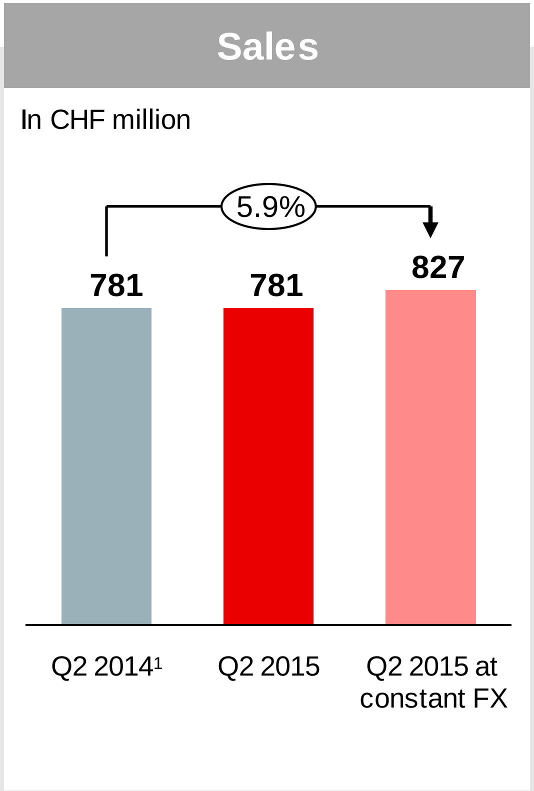

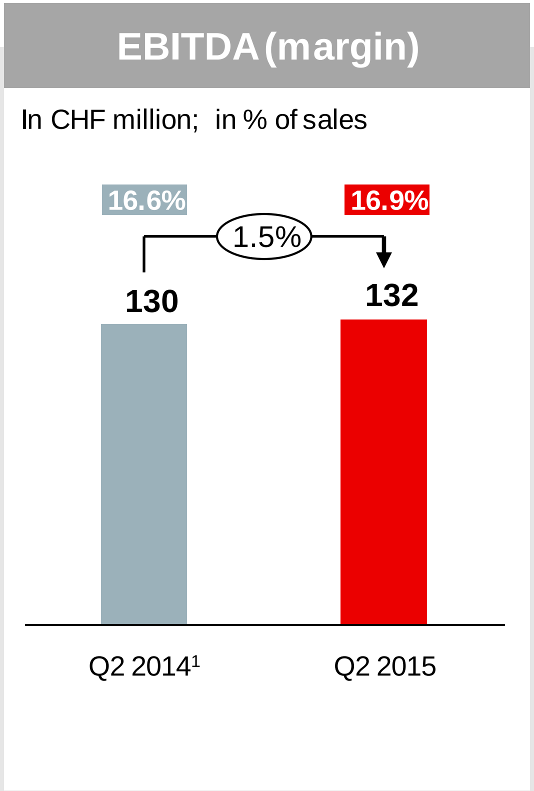

- Top-line growth at stable FX and sustained profitability level
- Currency development impacts Group top-line in the amount of ~ minus 6-8 %
- Q2 impact on profitability from Metco transaction: CHF 4m integration costs and CHF 7m amortization

[1] Q2 2014 restated for the divestment of the Advanced Technologies Segment

FX impact on Orders, Sales and EBITDA Q2 2015

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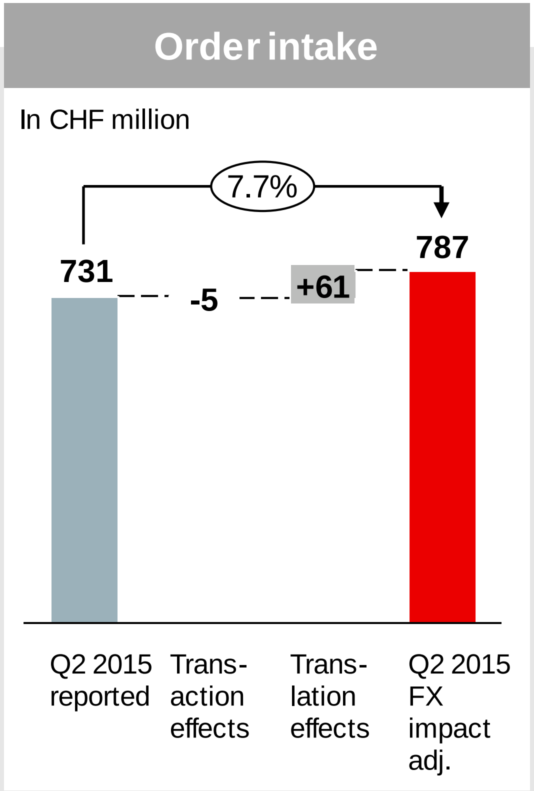
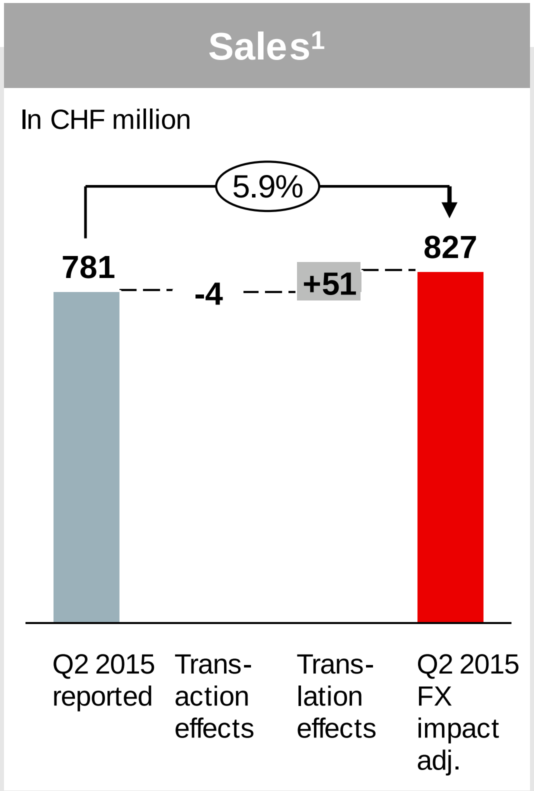
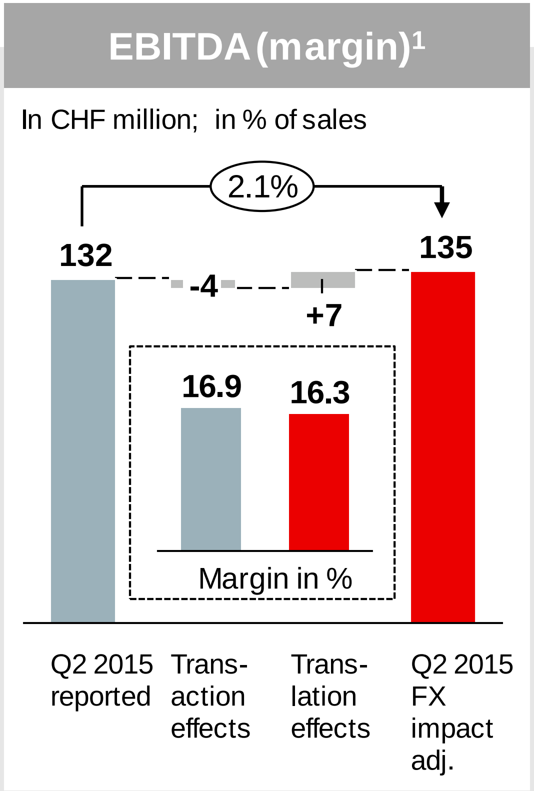






- Impact mainly related to translation as a result of reporting currency CHF
- Appreciation of currencies (INR, USD, CNY) against CHF – EUR with devaluation against CHF
- Limited impact on EBITDA margin
- Impact on Segments varies in line with their global (currency) positioning

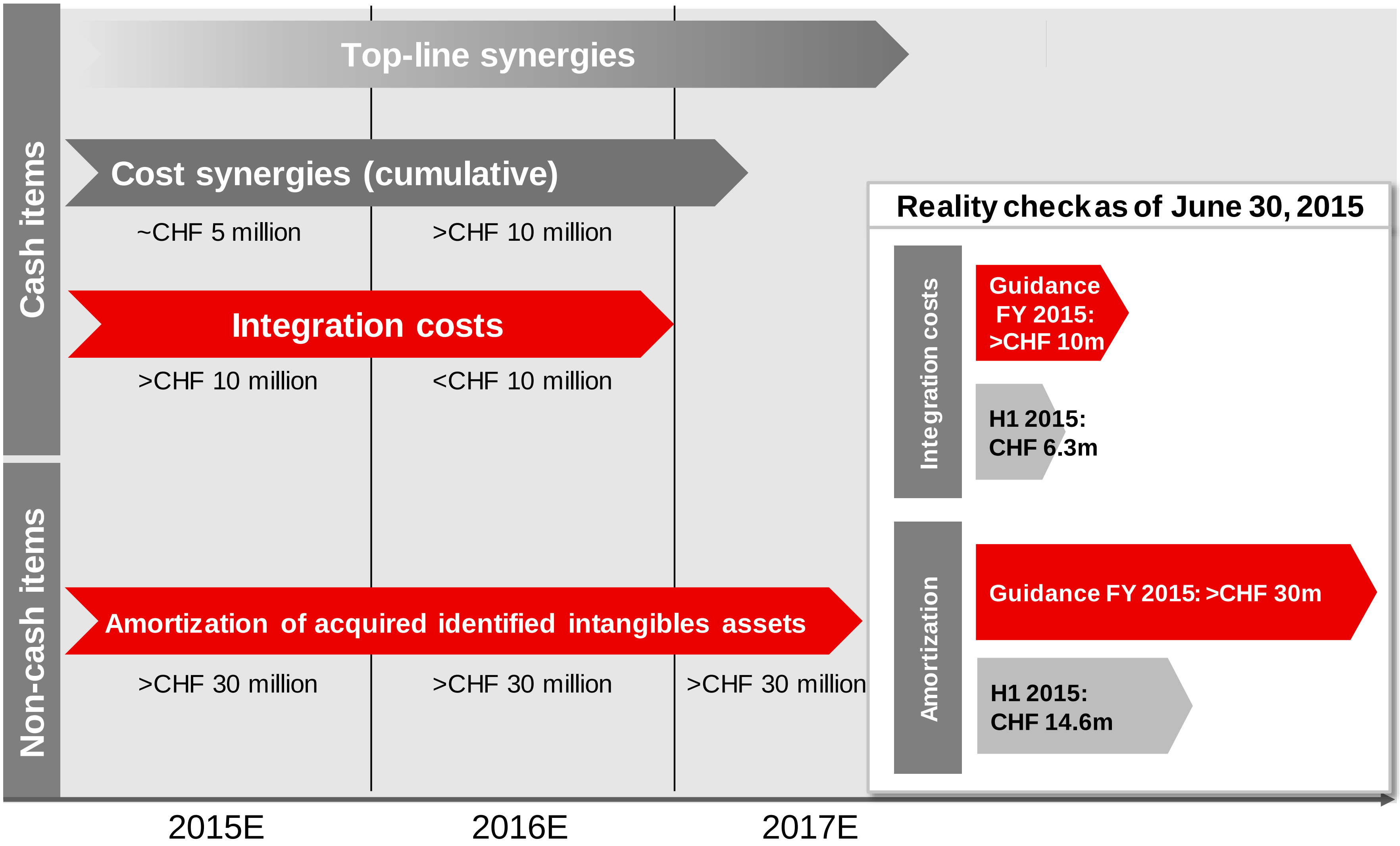
[1] Variations due to rounding

Key figures Oerlikon Group

in CHF million	H1 2015	H1 2014[1]	Δ
Order intake	1 524	1 402	+8.7 %
Order backlog	614	772	-20.5 %
Sales	1 563	1 492	+4.8 %
EBITDA % of sales	263 16.9 %	255 17.1 %	+3.1 %
EBIT % of sales	172 11.0 %	185 12.4 %	-7.0 %
Result from continuing operations % of sales	108 6.9 %	129 8.6 %	-16.3 %
Net income	87	122	-28.7 %
EPS	0.25	0.36	-30.6 %
Cash flow from operating activities[2]	225	222	+1.4 %
Net operating assets (incl. goodwill and brands)	2 561	2 685	-4.6 %

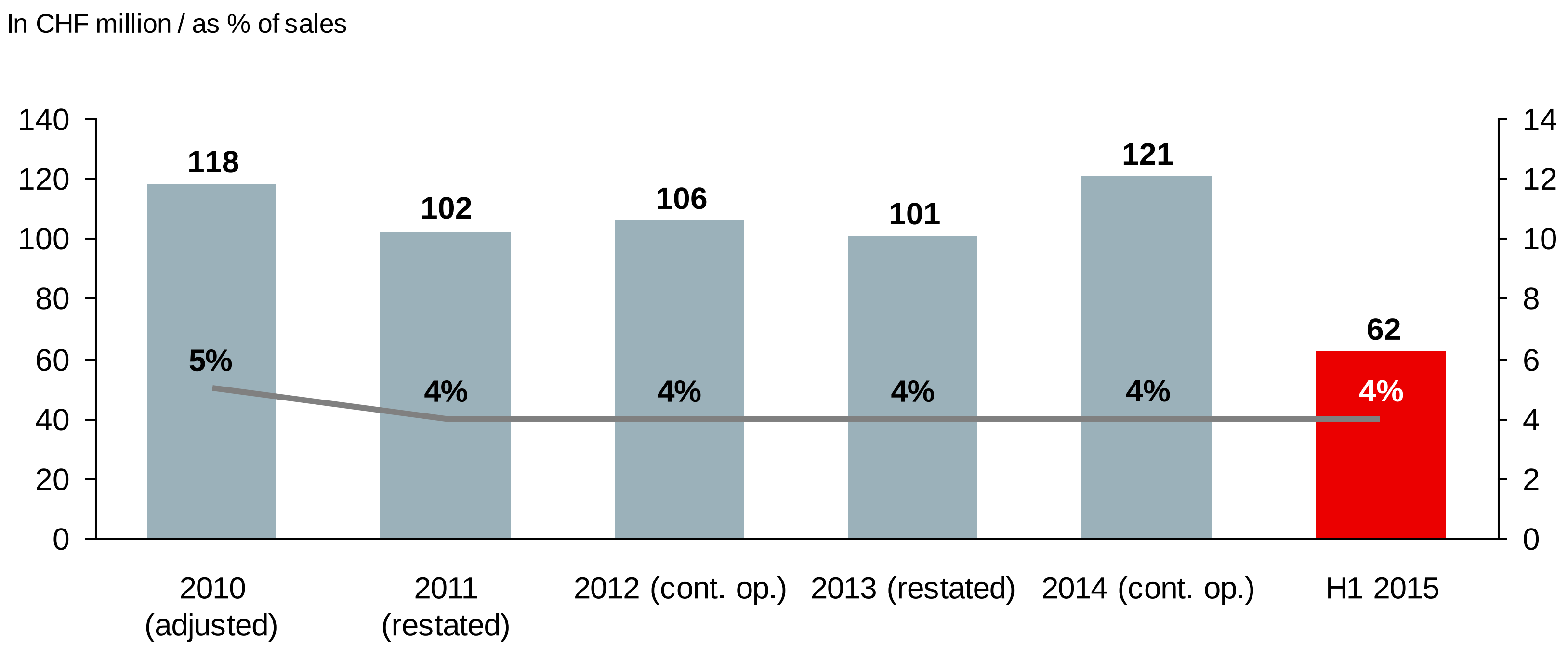
[1] Metco consolidated for one month; [2] before changes in net current assets

Financial impact of Metco transaction – Reality check confirms initial assumptions



Constant range of investments in R&D at high level of CHF 62 million in H1 2015

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



- R&D essential to secure technological leadership
- 15 % increase in R&D expenditure in H1 2015, i.e. driven by Metco acquisition
- Constant range of 4-5 % of sales
- Focus on Surface Solutions followed by Vacuum, Manmade Fibers and Drive Systems Segments

Net income impacted by discontinued operations

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in CHF million	H1 2015	H1 2014[1]	Δ
Result before interest and taxes (EBIT) in % of sales	172 11.0 %	185 12.4 %	-7.0 %
Financial result	-21	-12	-75.0 %
Result before taxes (EBT) in % of sales	151 9.7 %	173 11.6 %	-12.7 %
Income taxes in % of EBT	-43 28.5 %	-44 25.4 %	-2.3 %
Result from continuing operations in % of sales	108 6.9 %	129 8.7 %	-16.3 %
Result from discontinued operations	-21	-7	>-100.0 %
Net income (reported)	87	122	-28.7 %

[1] Metco consolidated for one month

Strong balance sheet

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in CHF million	H1 2015	FY 2014
Cash and cash equivalents	729	825
Trade receivables	462	473
Inventories	464	511
Assets classified as held for sale	0	78
Property, plant and equipment	814	918
Goodwill and intangible assets	1 552	1 727
Total other assets	409	434
Total assets	4 430	4 966
Trade payables	257	296
Current customer advances	195	294
Liabilities classified as held for sale	0	24
Current and non-current loans and borrowings	758	760
Non-current post-employment benefit provisions	586	661
Total other liabilities	632	730
Total liabilities	2 428	2 765
Total equity	2 002	2 201
Total equity ratio	45 %	44 %
Net cash	19	114

Net working capital impacted by normalization in Manmade Fibers Segment

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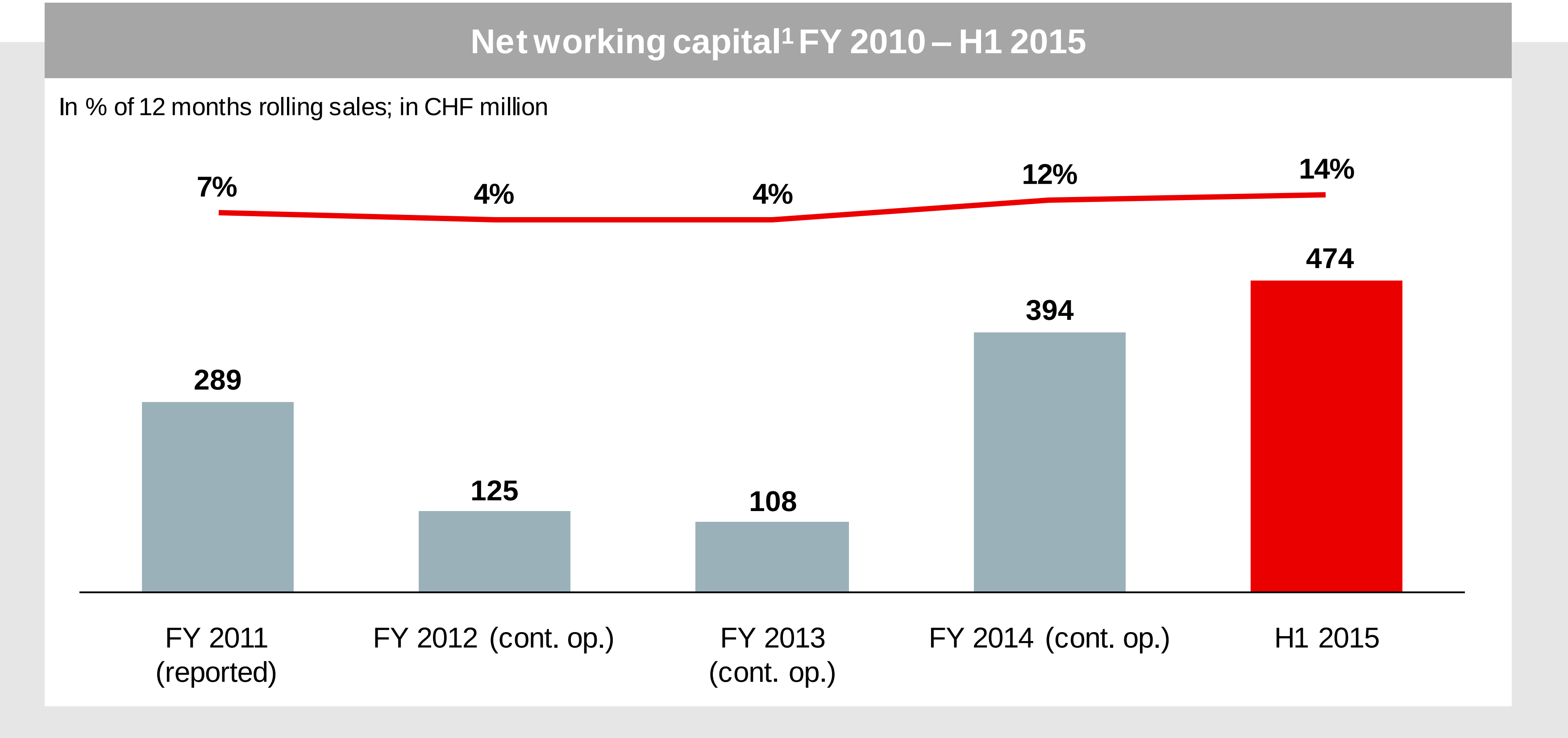


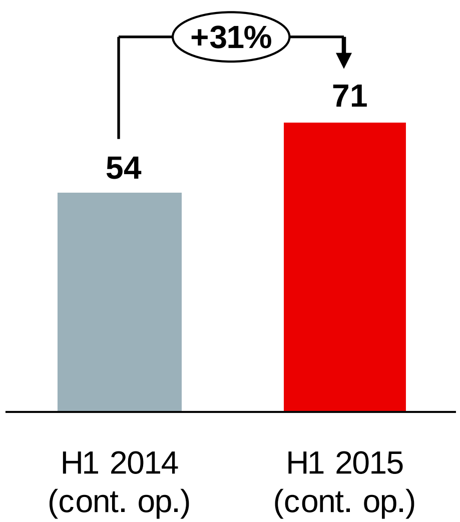
- Customer advances down to CHF 195 million (FY 2014: CHF 294 million)
- Focus on active receivables/payables management

[1] Net working capital is defined as trade receivables + inventories – trade payables – current customer advances

CapEX / depreciation & amortization ratio remained around target corridor

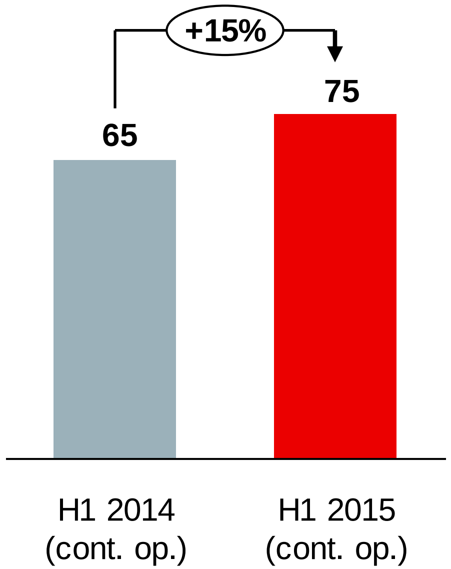
CapEx

In CHF million

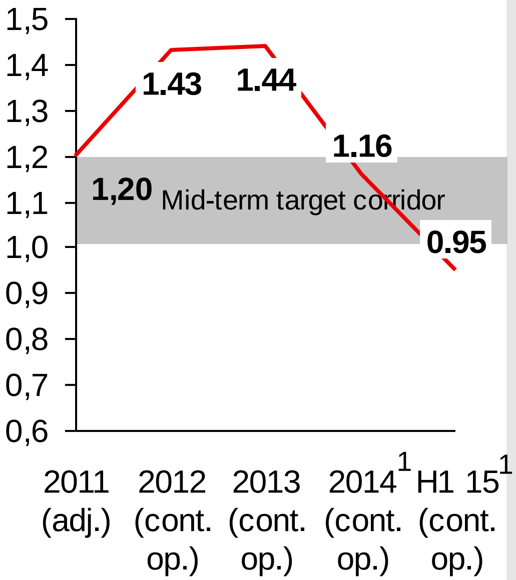


Depreciation & amortization[1]

In CHF million



CapEx / depreciation & amortization ratio[2]



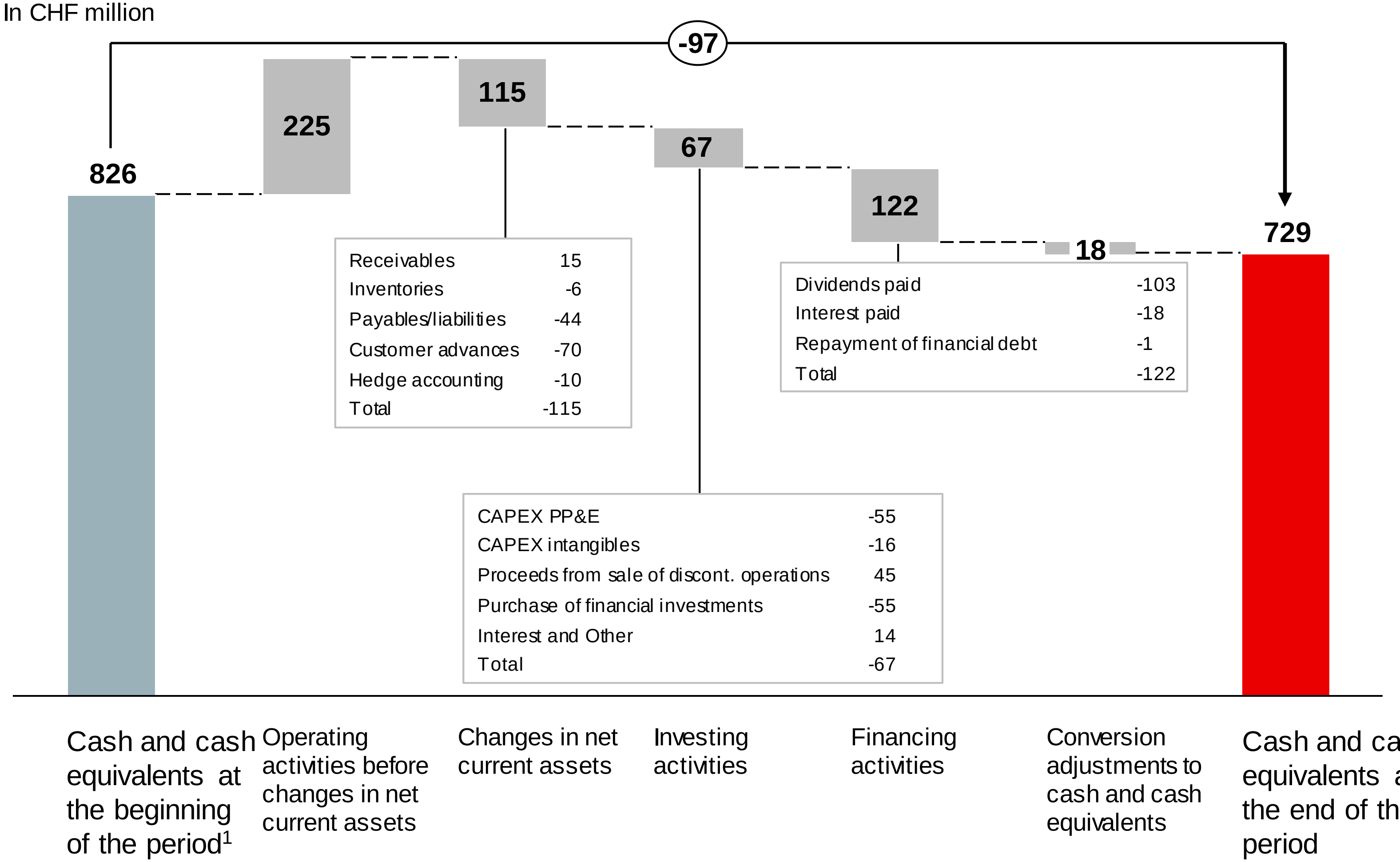
- Increase in CapEx in Best-in-Class businesses (Surface Solutions & Manmade Fibers Segments)
- Increase in depreciation & amortization related to Surface Solutions Segment

[1] Excluding amortization of acquired intangible assets; [2] Excluding impairment

Consolidated cash flow statement – Strong operating cash flow in H1 2015

Consolidated cash flow statement H1 2015

In CHF million



[1] Includes cash and cash equivalents that are included in «Assets classified as held for sale»

Return On Capital Employed (ROCE) confirms value creation of Oerlikon Group

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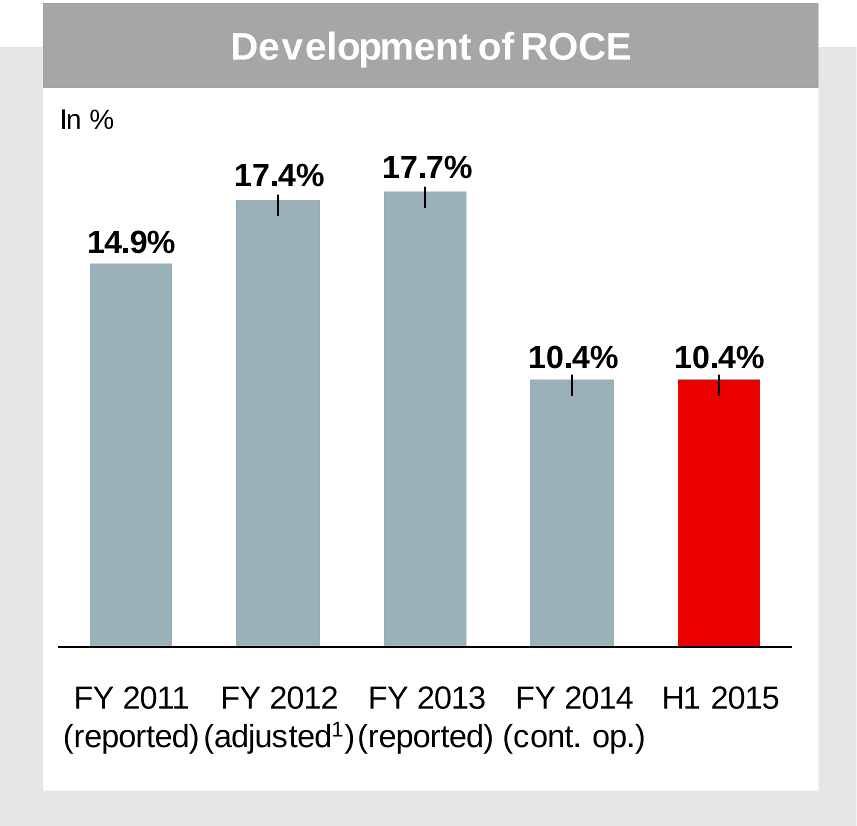
Oerlikon Definition of ROCE	H1 2015	FY 2014
EBIT	348	360
- Total current income tax	-97	-92
- Total deferred tax expense	15	9
NOPAT (12 months rolling)	**266**	**277**
Net Operating Assets	2 561	2 685
+ Current tax receivables	30	37
+ Deferred tax assets	167	190
- Current income tax payables	-45	-53
- Deferred tax liabilities	-156	-185
Capital Employed	**2 557**	**2 674**



- Lower asset base attributable to divestment of Advanced Technologies Segment
- 12 months rolling EBIT impacted by Metco and normalization in Manmade Fibers Segment
- The Oerlikon Group continues to earn in excess of its cost of capital

[1] EBIT excl. one-time effect of sale of Arbon property of CHF 39 million

Agenda

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2	Q2 / H1 2015 Financial Review
3	**Outlook 2015**
4	Appendix

2015 outlook unchanged – based on current assessment of challenging market environment

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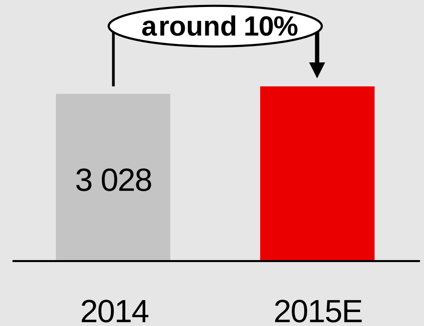
Order intake



- At constant exchange rates
- Current estimate of translation impact of 11-12 % (January rates)

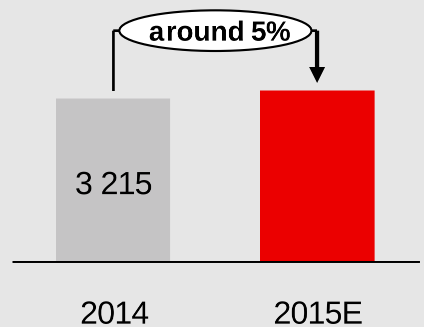
2015 Group Guidance

Oerlikon expects, compared to 2014 reported figures (continuing operations) and based on constant exchange rates:

- Order intake growth around 10 %
- Sales to increase around 5 %
- EBITDA[1] margin to be sustained at prior-year level

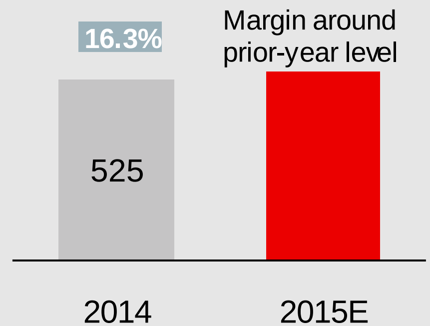
- Based on January exchange rates, a translation effect of 11-12 % is estimated

Sales



- At constant exchange rates
- Current estimate of translation impact of 11-12 % (January rates)

EBITDA



[1] Including full absorption of all related one-time integration and accounting effects from Metco transaction

Summary Q2 2015

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Solid profitability & progress on strategic initiatives

Solid performance:

- Top-line growth at constant FX
- Good profitability with EBITDA margin > 15 % for 14th consecutive quarter
- FY 2015 outlook unchanged

Strategic initiatives:

- Metco integration well advanced – Segment moving towards normal operations
- Strengthening of Best-in-Class businesses: JV Manmade Fibers Segment – Huitong
- Examine strategic options for Vacuum Segment

→ In line with strategic guardrails





Thank you.

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H1 2015 key figures by Segment

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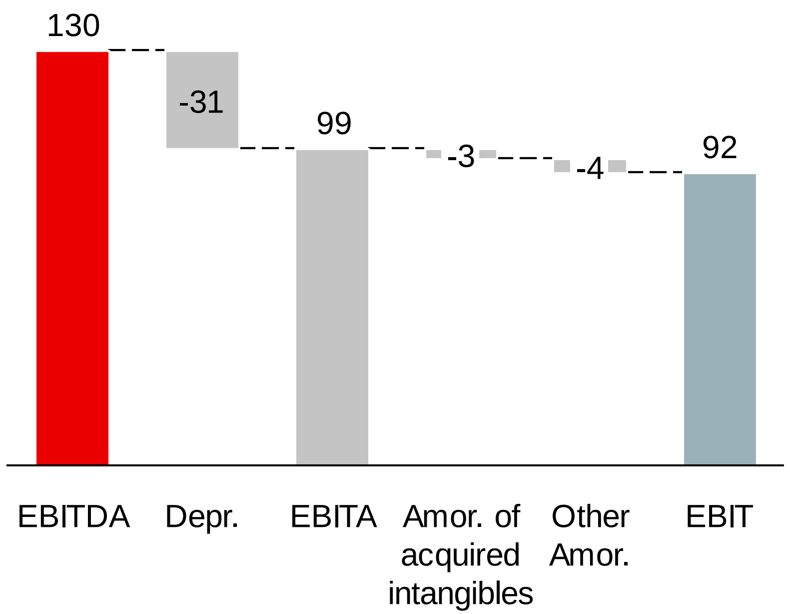
in CHF million	Surface Solutions	Manmade Fibers	Drive Systems	Vacuum
Order intake Δ to H1 2014	616 +88.4 %	401 -14.3 %	315 -23.9 %	192 -0.5 %
Order backlog Δ to H1 2014	81 -5.8 %	315 -24.3 %	144 -24.6 %	74 -6.3 %
Sales (to 3rd parties) Δ to H1 2014	609 +85.7 %	417 -26.8 %	354 -11.9 %	183 -4.7 %
EBITDA Δ to H1 2014	130 >100 %	73 -40.7 %	35 -16.7 %	19 0.0 %
EBITDA margin[1] Δ to H1 2014	21.3 % +2.5 pp	17.6 % -3.9 pp	10.0 % -0.5 pp	10.1 % +0.4 pp
EBIT Δ to H1 2014	76 >100 %	65 -42.5 %	15 -25.0 %	12 0.0 %
EBIT margin[1] Δ to H1 2014	12.5 % +2.4 pp	15.6 % -4.3 pp	4.2 % -0.7 pp	6.6 % +0.4 pp
Net operating assets Δ to H1 2014	1 318 -7.3 %	184 +43.8 %	873 -7.6 %	183 -8.0 %
No. of employees Δ to H1 2014	6 134 +1.2 %	2 521 -1.2 %	5 104 -1.7 %	1 646 +1.8 %

[1] as % of sales

EBITDA to EBIT bridge reflects Metco effects on profitability and D&A

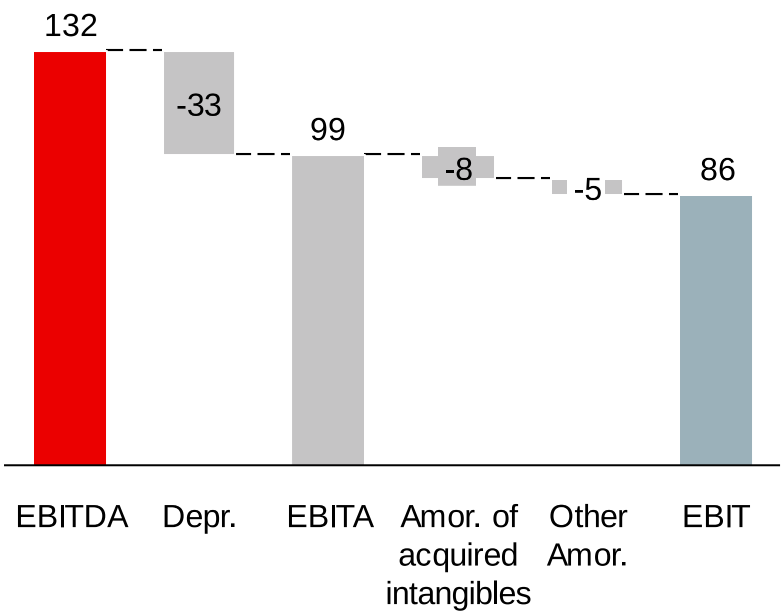
EBITDA to EBIT bridge – Q2 2014[1]

In CHF million



EBITDA to EBIT bridge – Q2 2015

In CHF million



- Increase in depreciation and amortization of identified acquired intangible assets mainly attributable to Metco transaction

[1] Q2 2014 restated for the divestment of the Advanced Technologies Segment

EBITDA to EBIT bridge per Segment

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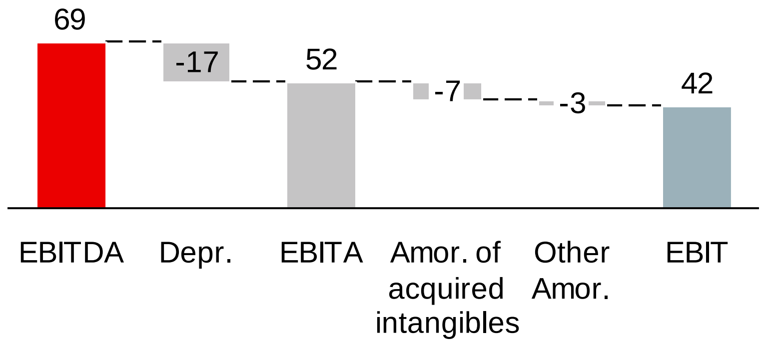
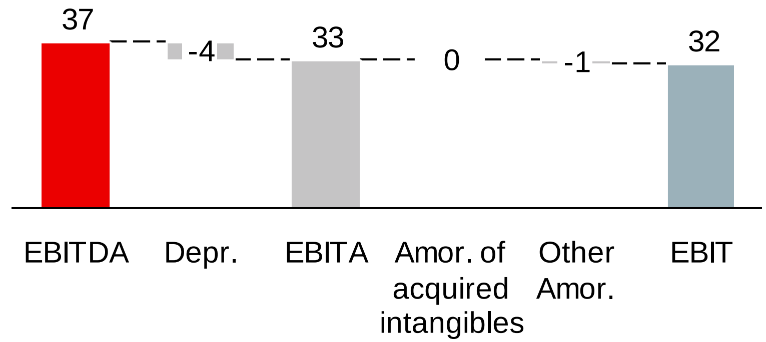
Surface Solutions Segment – Q2 2015

In CHF million



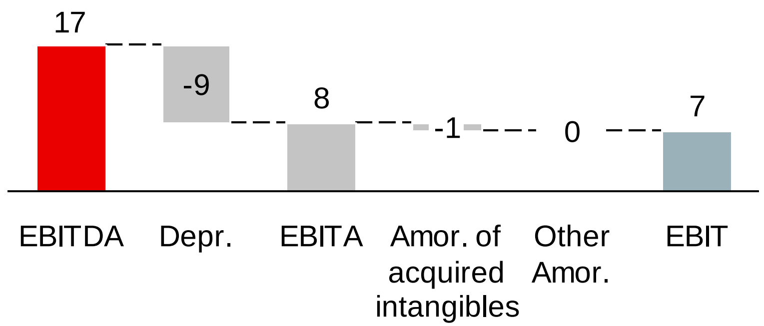
Manmade Fibers Segment – Q2 2015

In CHF million



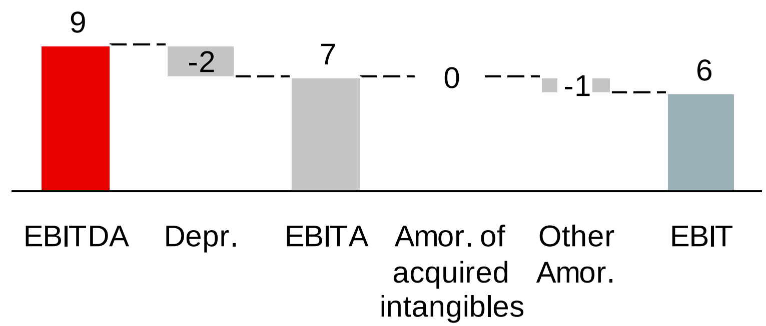
Drive Systems Segment – Q2 2015

In CHF million



Vacuum Segment – Q2 2015

In CHF million



Balanced FX profile across the Group – Limited Swiss franc exposure

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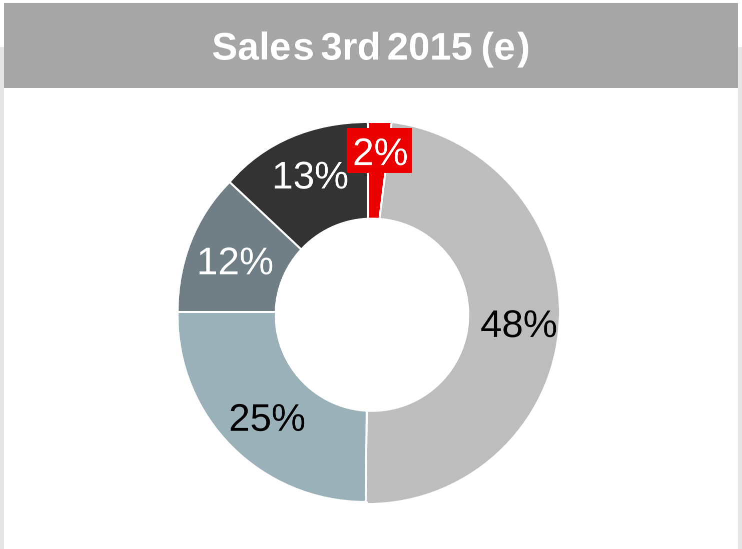

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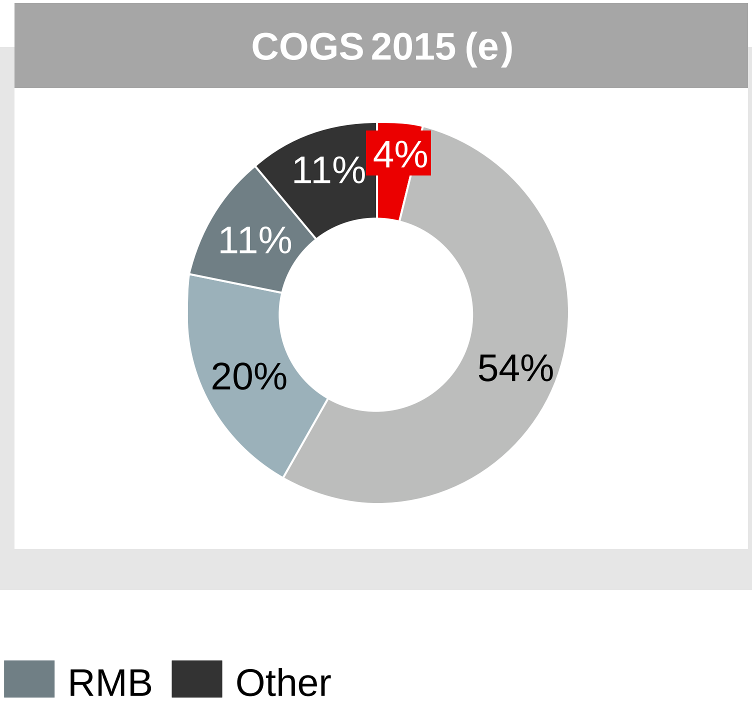
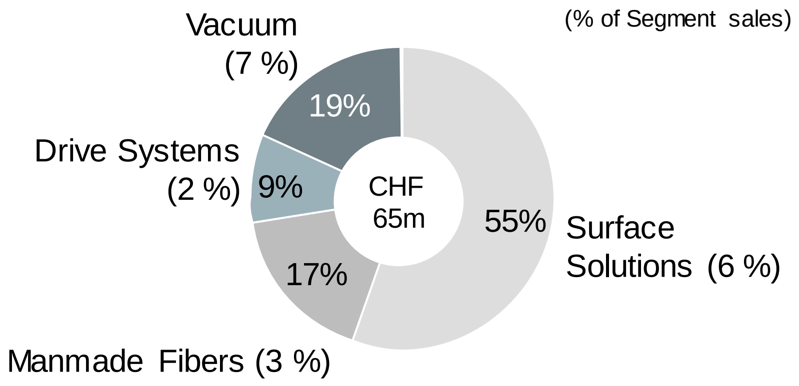


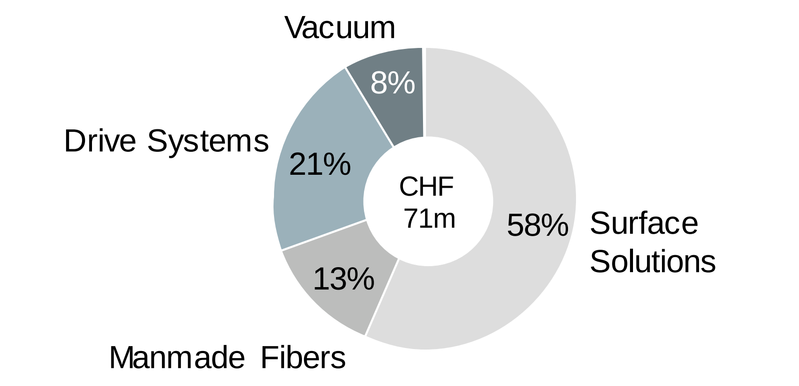
- No major currency mismatch – natural hedge in place
- Limited transaction risk
- Translation effects from reporting currency CHF

R&D and CapEx on Segment level[1]

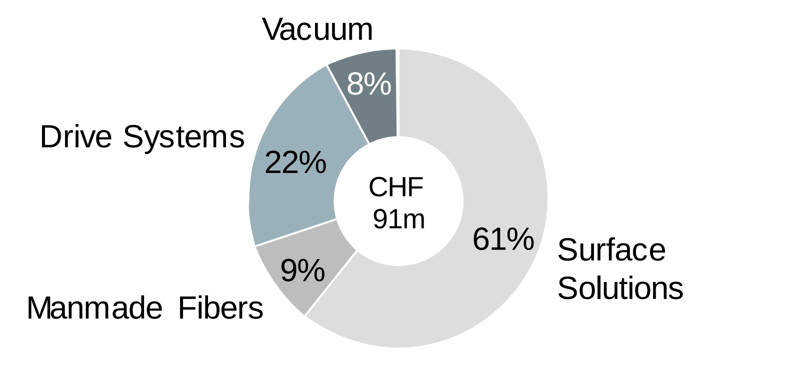
R&D expenses H1 2015



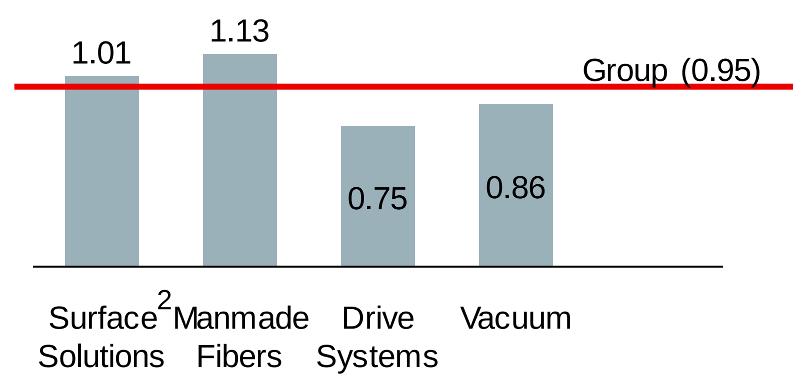
CapEx H1 2015



Depreciation & Amortization H1 2015



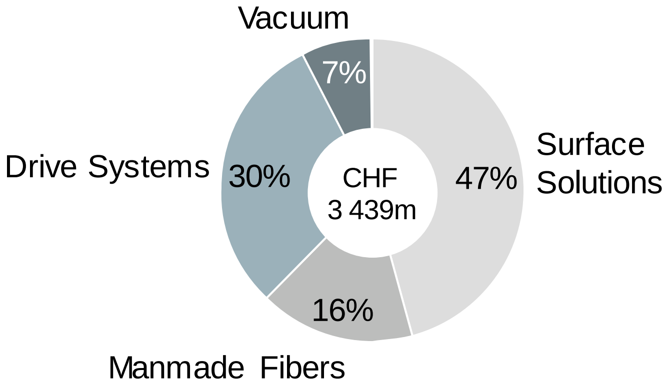
CapEx / Depr. & Amort. H1 2015



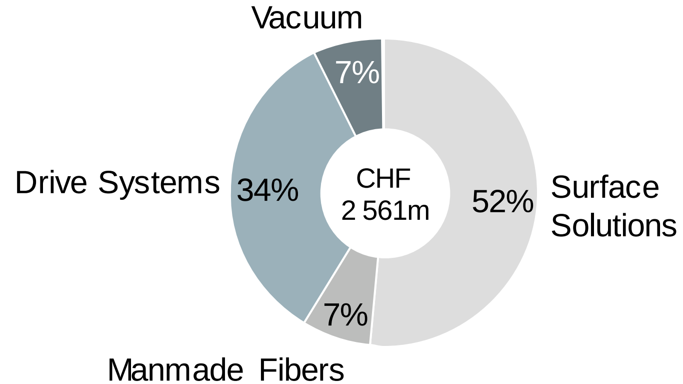
[1] H1 2015 continuing operations; [2] Amortization adjusted for amortization of acquired intangible (CHF 14.6 million)

Asset allocation and employees on Segment level

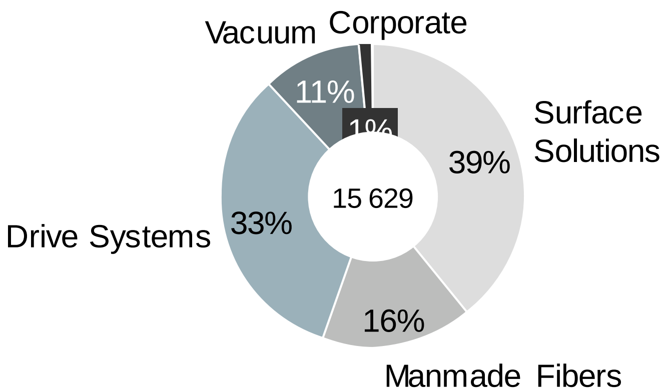
Operating assets H1 2015



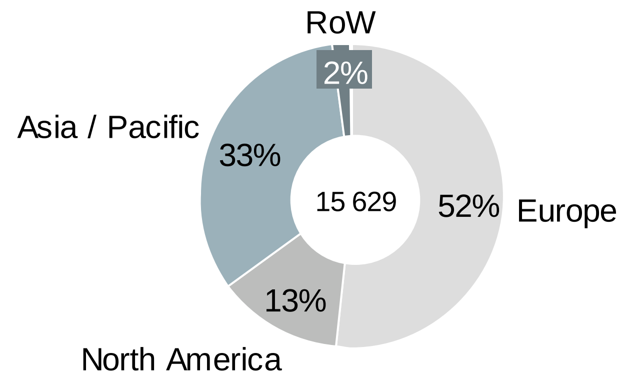
Net operating Assets H1 2015



Employees (FTE) by Segment H1 2015



Employees (FTE) by Region H1 2015



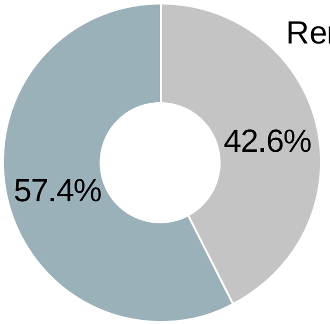
Oerlikon shares

Oerlikon shares

- Listed on Swiss Exchange (SIX) since 1973
- Securities symbol: OERL
- Securities number 81 682
- ISIN: CH0000816824
- No. of shares outstanding: 339 758 576 shares (as of June 30, 2015)
- Re-entry to Swiss SMIM on April 17, 2012
- Addition to STOXX Europe 600 as of June 18, 2012

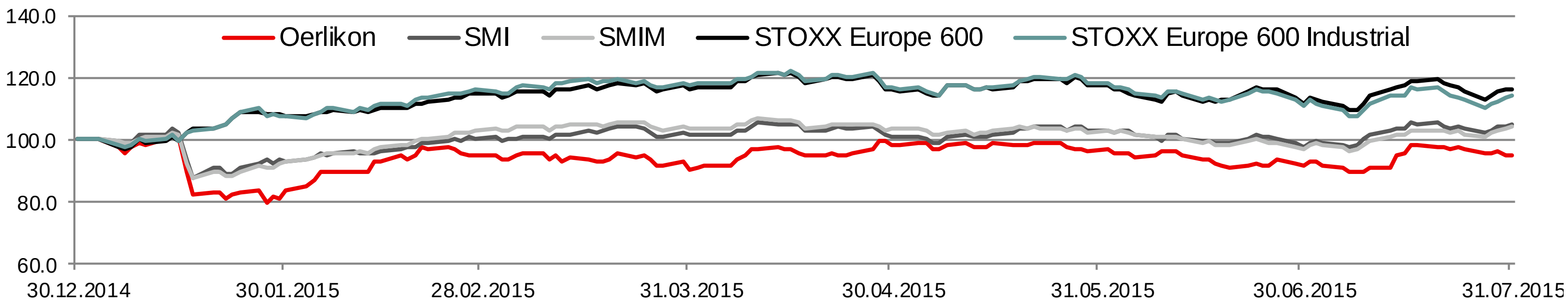
Oerlikon shareholder structure[1]

as of June 30, 2015



Oerlikon share price development

as of July 31, 2015, indexed; 100 percent = closing price per December 30, 2014



[1] Based on 339 758 576 shares outstanding and latest notification by Renova (as of January 6, 2015 of 144 764 860 shares)

Coverage –
10 Buy/Accumulate & 3 Hold/Neutral

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Broker	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Pierre-Yves Gauthier	Buy	23.07.2015	14.70
Baader Helvea	Reto Amstalden	Buy	31.07.2015	14.60
Bank am Bellevue	Alessandro Foletti	Hold	18.06.2015	12.20
Berenberg Bank	Sebastian Künne	-	Suspended	-
Credit Suisse	Patrick Laager	Outperform	29.07.2015	13.50
Jefferies	Benjamin Gläser	Buy	15.07.2015	14.00
Kepler Cheuvreux	Hans-Joachim Heimbürger	Buy	15.07.2015	14.00
MainFirst	Michael Inauen	Outperform	27.07.2015	14.20
Mirabaud Securities LLP	Thomas Baumann	Buy	09.07.2015	13.75
RBC Capital Markets	Wasi Rizvi	Outperform	29.07.2015	14.50
Société Générale	Christophe Quarante	Hold	12.05.2015	13.00
UBS	André Rudolf von Rohr	Buy	30.07.2015	14.00
Vontobel	Michael Foeth	Buy	30.07.2015	14.30
Zürcher Kantonalbank	Armin Rechberger	Marketweight	31.07.2015	-
Consensus		**10 positive 3 neutral**		**13.82**

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

Financial Calendar 2015

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February 24, 2015	Q4 / FY 2014 results and publication of Annual Report 2014 - Annual Press Conference
April 8, 2015	Annual General Meeting of Shareholders - KKL Lucerne
April 28, 2015	Q1 2015 Results - Media & Analyst Conference Call
August 4, 2015	Q2 / HY 2015 results and publication of Interim Report 2015 - Media & Analyst Conference Call
October 27, 2015	Q3 / 9M 2015 results - Media & Analyst Conference Call

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