

Press conference today at 10.30am at the Oerlikon Headquarters in Pfäffikon SZ

Semi-annual results 2009 / Management changes at OC Oerlikon

## Hans Ziegler designated Delegate of the Board and CEO

- Dr. Uwe Krüger is leaving the company
- Unsatisfactory results for 1 HY 2009
- Top priorities: Deleveraging the company, strengthening the balance sheet, accelerated restructuring with expected cost savings of up to CHF 400 million and planned redundancies of approximately 2 500 employees

### Key figures Oerlikon Group as of 30 June 2009\* (unaudited)

(in CHF million)	1 HY 2009	1 HY 2008	change
Orders received	1 585	2 604	-39%
Orders on hand	1 145	1 802	-36%
Sales	1 428	2 382	-40%
Operating result**	-131	116	
EBIT	-164	-147	
Net result (Total Group)	-99	-313	
Operating Cash Flow (Total Group)***	-28	197	
Employees	16 492	18 592	-11%
R&D expenses	100	129	-22%

\*Continued operations, 2008 restated \*\*EBIT before restructuring costs and impairments

\*\*\*Before changes in net current assets

**Pfäffikon SZ, 25<sup>th</sup> August 2009 – The Board of Directors has unanimously designated Hans Ziegler as Delegate of the Board of Directors and acting Chief Executive Officer for OC Oerlikon. This appointment is effective immediately. Dr. Uwe Krüger, CEO since 2007, is leaving the company. The Board of Directors thanks him for his significant contribution to OC Oerlikon and wishes him a successful continuation of his professional career. Dr. Krüger will stand available to contribute to the company.**

**Hans Ziegler has served on the board since 2008 and is familiar with the company. He and the management team will guarantee continuity of operational and restructuring programs in this highly challenging economic environment.**

**The Chairman of the Board of Directors Vladimir Kuznetsov comments as follows on the appointment of Hans Ziegler: “Our decision was made in light of OC Oerlikon’s semiannual results. OC Oerlikon’s sales fell by 40 percent and order intake by 39 percent in the first half of 2009 compared to H1 2008 amid an economic downturn of unprecedented proportions. The company urgently needs to secure coordination of strategic portfolio decisions with operational measures of OC Oerlikon’s businesses. The announced management change ensures the alignment of the company’s strategy with the interests of all stakeholders.”**

**The Board of Directors confirms that OC Oerlikon’s priorities are deleveraging, strengthening the balance sheet and successfully implementing all approved restructuring plans in order for the company to return to profitability. This includes consideration of all options with the objective to develop all of OC Oerlikon’s business units so they and their employees can continue as successful businesses both within or outside the group.**

**Hans Ziegler will perform the duties of CEO until the Board of Directors selects a CEO among internal and external candidates.**

In the first half-year 2009, Group sales from continued operations declined by 40 percent to CHF 1.4 billion. EBIT decreased to CHF –164 million (1HY 2008: CHF –147 million). Adjusted for restructuring costs and impairments, the operating result amounted to CHF –131 million (1HY 2008: CHF 116 million). Currency effects impacted sales by CHF –56 million and increased EBIT by 12 million. The net result for the Group stood at CHF –99 million (1HY 2008: CHF –313 million). The net result in the first half-year of 2008 was impacted by goodwill write-offs in the amount of CHF 343 million, whereas in the first half-year 2009 the sale of the business unit Oerlikon Space affected net result positively. In the first six months of 2009 discontinued operations contributed CHF 112 million to the net result. Equity totaled CHF 1 061 million (FY 2008: CHF 1 118 million), which corresponds to a slight improvement of the equity ratio to 21 percent of total assets. Net debt stood at CHF 1 826 million (FY 2008: CHF 1 702 million).

## Segment Overview

For Oerlikon Textile, the prolonged decline in orders, which started at the end of 2007, stabilized at a historically low level in the first half of the year. This led to sales of CHF 430 million (–55 percent) and incoming orders of CHF 476 million (–47 percent) in the textile segment. The extensive restructuring program, which aims at reducing the break-even point by CHF 500 million by 2010, cushioned the impact of the fall in volume and is expected to improve performance further in the coming months. In the first half of 2009, EBIT totaled CHF –118 million compared to CHF –214 million for the prior-year period. EBIT for the first half-year of 2008 was impacted by CHF 200 million goodwill write-offs.

Oerlikon Drive Systems saw the down-trend of the first quarter continue. Sales for the first six months of 2009 dropped 40 percent to CHF 377 million and incoming orders declined by 56 percent to CHF 277 million. EBIT totaled CHF –20 million (1HY 2008: CHF 39 million). The segment took appropriate cost-saving and restructuring measures and started new product initiatives in response to the challenging market environment.

Oerlikon Coating achieved a break-even result before restructuring (CHF 5 million) in the first half year of 2009 thanks to early and rigorous cost management which led to a trend reversal in earnings and an improvement of EBIT in the second quarter of 2009. Sales were down 41 percent to CHF 158 million due to extraordinarily weak demand from both the tooling and the automotive markets. EBIT stood at CHF –6 million.

Page 3 Oerlikon Solar regained momentum with a new large 120 MW order for a micromorph thin film end-to-end production line from Nano Solar Technology (NST), a newly-formed Russian high-tech firm which is a joint venture between Renova Group and the Russian Corporation of Nanotechnologies (Rusnano). This is the largest order in the thin film industry in 2009 so far. Together with the expansion of an existing project of Greece-based customer HelioSphera in the second quarter of 2009, Oerlikon Solar posted a 34 percent increase in sales to CHF 286 million. Orders received increased by 10 percent to CHF 497 million. A follow up order from Taiwanese CMC SunWell received in 2008 was eliminated from the Orders on hand. Orders on hand stood at CHF 466 million. Ongoing significant expenditures in R&D and customer service impacted earnings, so EBIT before restructuring costs only came to CHF 9 million, with an EBIT of CHF 0. Solar is on track to extend its leading market position in 2009.

Oerlikon Vacuum saw its sales decline by 38 percent to CHF 149 million and its orders received dropped by 43 percent to CHF 145 million. Thanks to effective contingency measures undertaken since the end of 2008, the overall result for the first six months of 2009 showed a positive EBIT of CHF 2 million.

The Advanced Technologies segment was significantly restructured and reshaped during the first half-year 2009. The business units Oerlikon Space, Esec and Optics were divested and other parts of Oerlikon Systems were sold (wafer etch operations in St. Petersburg, U.S.). The residual parts of Oerlikon Systems continued to suffer from a weak semiconductor market resulting in a sales decline of Advanced Technologies by 59 percent to CHF 28 million. Orders received amounted to CHF 32 million (-64 percent), while EBIT stood at CHF -12 million (1HY 2008: CHF -68 million, including CHF 50 million goodwill write-offs).

### **Accelerating restructuring**

Measures aimed at reducing costs were accelerated and expanded throughout the company. In total over 700 cost reducing measures have been identified, including consolidating sites, discontinuing product lines, renegotiating supplier contracts, closing plants temporarily, extending vacation, reducing headcount, reducing working hours and implementing hiring and pay freezes.

In the first half of 2009, the implemented key restructuring measures were:

- Oerlikon Textile: start of the consolidation of three German production sites, reduced headcount of approximately 700 worldwide and introduced shortened working hours for about 2 000 employees;

- Page 4
- Oerlikon Drive Systems: reduced working hours for 1 300 employees, laid off 330 employees and initiated the closure of a factory in the Czech Republic;
  - Oerlikon Coating: executed substantial capacity adjustments through the closure or temporary shut-down of seven coating centers with approximately 230 employees laid off.

Overall, in the first six months of 2009, the company reduced its workforce by nearly 1 500.

On account of market trends, the Board of Directors and Management approved implementation of further restructuring measures in the second half of the year and beyond. Overall, the measures deployed in 2009 and beyond will result in reduction of recurring costs by up to CHF 400 million compared to 2008. This implies a planned headcount reduction in the second half of 2009 and beyond by approximately 2 500 jobs. Total restructuring costs for 2009 are expected to be approximately CHF 130 million, CHF 26 million of which have already been incurred in the first half of 2009. Additionally, restructuring costs of over CHF 30 million are planned for 2010.

### **Ensuring financial stability**

The Oerlikon Group reached several important milestones in company financing. The measures deployed to optimize net working capital and cash flow had a positive impact. As announced, capital expenditure was reduced significantly and amounted to CHF 80 million in the first half of the year (-43 percent). The ratio of capital expenditure to depreciation therefore stands at 0.7 for the first half of 2009 (1HY 2008: 1.2). Operating cash flow before changes in net current assets declined to CHF -28 million in the first half-year of 2009 (1HY 2008: CHF 197 million), mainly due to lower earnings.

The company reached an agreement with the bank consortium concerning an amendment of its CHF 2.5 billion credit facility at the beginning of June. All 23 banks in the consortium approved the amendment. The amount and tenor of the credit facility remain unchanged. The structure of the covenants and costs were adapted to take into account Oerlikon's business outlook and the changed market conditions. Interest is now within the range of 175 to 450 basis points above LIBOR. The existing debt covenant (net debt / EBITDA ratio) was aligned with the current business plans. Special conditions were also agreed upon for capital spending, equity ratio and interest coverage. Furthermore, the amended facility allows for standard structural enhancements, such as pledging shares in key subsidiaries. No individual assets were deposited as collateral. The renegotiation of the syndicated loan is the first important step towards permanently strengthening the Group's financial base. Further measures aimed at strengthening the Group's equity are currently being investigated.

Page 5 In the first half of the year, the business units of the Oerlikon Group also unveiled a multitude of innovations and new products. Despite necessary streamlining in the area of Research and Development (R&D), Oerlikon still invested CHF 100 million in innovations.

## **Outlook: Returning to profitability in 2010**

Forward visibility continues to be poor. Specific sales and profit predictions thus do not appear meaningful. For the time being, the company will make only indicative trend statements. Oerlikon will revert to specific forecasts once the markets have regained a sufficient level of reliability.

Again in the second quarter, the textile business recorded higher orders received than sales, thereby continuing the positive trend observed in the first quarter. The chemical fiber market appears to show a sustainable upward trend. Taking this into account, sales are expected to improve in the second half of 2009. Oerlikon Drive Systems expects sales to stabilize in the second half of the year. This is also true for Oerlikon Coating, Vacuum and Systems, where there are slight signs of recovery, but not yet a sustained upturn. Oerlikon Solar expects volumes to be flat or slightly down compared to 2008.

On the whole, the Oerlikon Group anticipates slightly higher volume in the second half of 2009, and the operating result is expected to see the first signs of increase. A sustained recovery, however, is not expected until 2010 at the earliest with the key impetus for this expected to come from Asia. The increasingly positive signs from China in particular are encouraging.

The Oerlikon Group's declared goal is to return to profitability by 2010.

*The press information given here consists of information based on the situation as it stands today.*

*Unforeseeable risks and influences may possibly cause deviations from these statements. The declared values may differ due to rounding differences.*

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Page 6 **About Oerlikon**

*Oerlikon (SIX: OERL) is one of the world's leading international high-tech industrial groups specializing in machine and plant engineering. The company is a leader in the field of industrial solutions and innovative technologies for textile manufacture, thin film solar and thin film coating, drive, precision and vacuum systems. With roots in Switzerland and a long tradition stretching back 100 years, Oerlikon is a global player with a workforce of nearly 16 500 at 158 locations in 37 different countries. The company's sales amounted to CHF 4.8 billion in 2008 and it ranks either first or second in the respective global markets.*