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First quarter 2016 results

Moving forward in demanding market environment

- **Surface Solutions Segment saw pick up in momentum toward the end of the quarter**
- **Cautious investment pattern at the beginning of the year observed in several key markets for Manmade Fibers and Drive Systems Segments**
- **Strategic development well underway and further milestones achieved**
- **As guided, orders and sales lower than prior year, reflecting challenging key markets particularly in the manmade fibers industry**
- **EBITDA margin at 13.0 %**
- **Increased the ratio of service revenues to 36.2 % of total sales**
- **Full-year guidance for 2016 confirmed**

Key figures of the Oerlikon Group as of March 31, 2016 (in CHF million)

	Q1 2016	**Q1 2015**[2]	Δ
Order intake[1]	588	694	-15.3 %
Order backlog[1]	420	611	-31.3 %
Sales[1]	592	691	-14.3 %
EBITDA[1]	77	119	-35.3 %
EBITDA margin[1]	13.0 %	17.2 %	–
ROCE (rolling 12-month)	9.0 %[3]	10.6 %[4]	–

[1] Continuing operations. [2] Restated for announced divestment of the Vacuum Segment. [3] Normalized. [4] Reported.

Pfäffikon SZ, Switzerland – May 10, 2016 – "In the first quarter, we performed reasonably well in the difficult market environment and in line with our guidance. The macroeconomic developments and geopolitical tensions continued to generate uncertainties, which resulted in a slowdown in investments and trade at the beginning of the year, with a gradual pick up in momentum toward the end of the quarter. For the surface solutions business, we saw continued good development for our coatings service business despite an overall lower global industrial production output. The lower top line of the Surface Solutions Segment was mainly attributed to the thin-film equipment project business and the impact of commodity prices on the materials business. For the Manmade Fibers and Drive Systems Segments, we saw restrained investment spending from customers in their respective key end markets," said Dr. Roland Fischer, CEO of the Oerlikon Group.

"The strategic development of the Group is on track and we continue to make progress in developing our surface solutions business, managing the Manmade Fibers Segment through the cycle and fixing our Drive Systems Segment," added Dr. Fischer. "The investments in further surface solutions service centers, good initial inroads in the additive manufacturing business, and the recently announced acquisition of Trützschler's staple fibers technologies are examples of concrete strategic steps we have taken. We will continue to systematically execute the next steps of our strategy. Our priorities are set on improving asset turnover, capitalizing on our innovations, strengthening our resilience to the constantly changing markets, increasing proximity to customers and distinguishing Oerlikon through efficiency, agility and productivity."

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Group sales, orders, and profitability lower than prior year
Consistent with expectations, the global economic environment and the key markets in which Oerlikon operates continued to face demanding conditions, resulting in customers taking a more cautious approach to capital investments. The surface solutions business developed stably year-on-year considering the tough market sentiments, thanks mainly to positive developments in the automotive and aviation sectors. The manmade fibers market, led by China, continued to face excess capacities of equipment, and the Drive Systems Segment was further challenged as four of its markets – agriculture, construction, transportation and energy/mining – still showed weakness due in part to lower commodity prices. Consequently, Group sales in the first quarter were CHF 592 million, a decrease of 14.3 % compared to the CHF 691 million reported in Q1 2015. At constant exchange rates, sales was lower by 1.9 % to CHF 581 million.

Following the decline in the top line, largely due to the anticipated downtrend in the manmade fibers market, and despite progress made in operational excellence programs, the Group's EBITDA came in lower at CHF 77 million, or 13.0 % of sales. EBIT for Q1 2016 stood at CHF 32 million, and the margin at 5.5 % (Q1 2015: CHF 77 million, 11.1 %). The first quarter performance resulted in the rolling 12-month Oerlikon Group ROCE of 9.0 % (normalized; excluding the restructuring and impairment effects) versus 10.6 % (reported) in the first quarter of 2015.

Progress in strategy execution; further milestones achieved
The implementation of the strategy is advancing well, with the Group achieving further milestones. The Surface Solutions Segment has strengthened its business with investments in additional surface solutions service centers and made sound progress in the additive manufacturing business. The Manmade Fibers Segment was on target with its restructuring plan, particularly in terms of manpower, and also succeeded in recently acquiring the entire staple fibers technology portfolio from Trützschler. This acquisition allows the Segment to have a more balanced product portfolio. The Drive Systems Segment has continued to implement restructuring measures, adopt a focused product approach and leverage its existing technologies in adjacent markets, for instance in extending its hybrid electric powertrain know-how to off-highway vehicles used in the construction, agriculture and mining industries.

The Group succeeded in improving the ratio of its service revenues to 36.2 % of total Group sales (Q1 2015: 32.7 %).

2016 outlook confirmed
Oerlikon expects to see a challenging year in 2016 due to the ongoing difficulties faced by several of its end markets. In view of the improvement in market confidence toward the end of the quarter, Oerlikon confirms its 2016 outlook. The company will continue to focus on protecting its operating profitability and expects to deliver order intake and sales between CHF 2.3 billion and CHF 2.5 billion and an EBITDA margin in the mid-teens for the full year 2016.

Segment overview

Surface Solutions Segment

Key figures of Surface Solutions Segment as of March 31, 2016 (in CHF million)

	Q1 2016	Q1 2015	Δ
Order intake	306	317	-3.5 %
Order backlog	95	92	3.3 %
Sales (to third parties)	294	300	-2.0 %
EBITDA	62	61	1.6 %
EBITDA margin	20.9 %	20.4 %	–

The Surface Solutions Segment's performance was reasonably solid compared to the subdued general industrial market trend and other key market players. The coatings service business registered positive developments despite the decrease in global industrial production output. Stronger demand was seen in the automotive and aviation sectors, while tooling had a slow start at the beginning of the year, but was seen to be gaining momentum toward the end of the quarter. The top line saw slight decreases in orders and sales year-on-year, mainly due to the nature of thin-film equipment project business and the impact of the further decline in commodity prices on the materials business.

Even with the lower top-line, the Segment succeeded in sustaining its operating profitability, with EBITDA and EBITDA margin slightly higher than the prior year's level. This represents an EBITDA margin maintained at over 20 % for six consecutive quarters. EBIT for Q1 2016 stood at CHF 33 million (Q1 2015: CHF 34 million). The observed pick up in momentum toward the end of the quarter is projected to continue into the next quarter, and is expected to return the Segment to its organic growth path.

The Segment succeeded in making inroads in the additive manufacturing (AM) market, growing the business through new strategic partnerships for its metal-based powders and launched further high-performance materials, thereby expanding its AM product portfolio. It also strengthened its business by investing in additional coating service centers in Korea and India.

Manmade Fibers Segment

Key figures of Manmade Fibers Segment as of March 31, 2016 (in CHF million)

	Q1 2016	Q1 2015	Δ
Order intake	124	205	-39.5 %
Order backlog	219	336	-34.8 %
Sales (to third parties)	139	208	-33.2 %
EBITDA	9	37	-75.7 %
EBITDA margin	6.2 %	17.6 %	–

The overall trend of the manmade fibers market is still strongly dictated by the considerable overcapacity in the filaments equipment market, where China holds a dominant position. The Chinese Chemical Fibers association confirmed in March 2016 that its government's 13th Five-Year Plan (2016-2020) indicates a slower development in the filament equipment business for the next two to three years. The oversupply and negative investment trend affected the Manmade Fibers Segment's performance in the first quarter and the effects are projected to continue for the remainder of the year. On the positive side, some promising signs for sales and orders were seen in the U.S. and Turkish BCF (Bulk Continuous Filament) market and in the European and Asian staple fibers business. Orders and sales came in more than one third lower year-on-year. The EBITDA consequently fell more than 75 % compared to the same period in 2015. EBIT for Q1 2016 stood at CHF 4 million (Q1 2015: CHF 32 million).

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The Segment is on track with its restructuring measures, specifically in reducing its cost base, and is consistently working on improving its resilience to better manage the anticipated and ongoing tough market conditions. In the first quarter, the Segment increased the ratio of its service business to 12.5 % of total Segment sales (Q1 2015: 10.2 %), and will continue to put a strong focus on expanding its service business, allowing it to mitigate the impact from the downturn in demand for equipment.

The Segment strengthened its technology and market position in the staple fibers business with the acquisition of Trützschler's staple fibers technologies and the related intellectual property. The Segment took advantage of the ongoing consolidation in the manmade fibers market, and thereby becomes the leading technology and equipment provider in the global staple fibers market. The acquisition also enabled the Segment to have a more balanced and diversified portfolio, beside the strong filaments business.

Drive Systems Segment

Key figures of Drive Systems Segment as of March 31, 2016 (in CHF million)

	Q1 2016	**Q1 2015**	Δ
Order intake	158	172	-8.1 %
Order backlog	106	183	-42.1 %
Sales (to third parties)	159	183	-13.1 %
EBITDA	9	18	-50.0 %
EBITDA margin	5.8 %	10.0 %	–

The Drive Systems Segment is challenged further as four of its markets – agriculture, construction, transportation and especially energy/mining – are still seeing a downward development trend, primarily due to lower commodities prices. Both orders and sales in the Segment came in lower compared to Q1 2015, and the EBITDA was halved due to the decline in higher profit margin business such as those in the oil & gas sector. There were some silver linings in the quarter-on-quarter development, where improvement in market sentiments and incremental new businesses were seen in the agriculture, construction, commercial vehicle and automotive sectors as compared to Q4 2015. EBIT for Q1 2016 stood at minus CHF 2 million (Q1 2015: CHF 8 million). The Segment continued to roll out restructuring measures, including decisive structural changes and additional measures such as voluntary retrenchments and early retirement programs.

The Segment expanded its products in adjacent markets with the recent introduction of its hybrid electric technologies for off-highway vehicles at bauma, a world-leading trade fair for building material, mining machines and construction vehicles and equipment. Such hybrid technologies (Hybrid Drive) can help reduce the fuel consumption of off-highway vehicles by up to 30 %, thereby significantly improving costs for customers.

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

Country	Toll-local:
Switzerland	+41 (0)58 310 50 00
UK	+44 (0)203 059 58 62
USA	+1 (1)631 570 5613

The accompanying presentation can be viewed simultaneously by clicking here.

Please find the media release including a full set of tables at www.oerlikon.com/pressreleases and www.oerlikon.com/ir.

About Oerlikon
Oerlikon (SIX: OERL) is a leading global technology Group, with a clear strategy of becoming a global powerhouse in surface solutions, advanced materials and materials processing. The Group is committed to investing in value-bringing technologies that provide customers with lighter, more durable materials that are able to increase performance, improve efficiency and reduce the use of scarce resources. A Swiss company with over 100 years of tradition, Oerlikon has a global footprint of over 13 500 employees at more than 170 locations in 37 countries and sales of CHF 2.7 billion in 2015. The company invested CHF 103 million in R&D in 2015 and has over 1 350 specialists developing innovative and customer-oriented products and services.

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