

Third quarter 2016 results

Surface Solutions Segment's solid performance confirms strategic direction

- Group results impacted by weak Manmade Fibers and Drive Systems Segments' markets
- Group EBITDA margin of 14.7 %
- Group book-to-bill ratio above 1
- Surface Solutions Segment with slightly increased top line and operating profitability
- Manmade Fibers Segment improved results from a low base level compared to prior quarter
- Drive Systems Segment increased orders with further customer wins
- Full-year guidance for 2016 confirmed

Key figures of the Oerlikon Group as of September 30, 2016 (in CHF million)

	Q3 2016 ¹	Q3 2015 ²	Δ	9M 2016 ¹	9M 2015 ²	Δ
Order intake	572	609	-6.1 %	1 753	1 941	-9.7 %
Order backlog	398	493	-19.3 %	398	493	-19.3 %
Sales	549	634	-13.4 %	1 718	2 013	-14.7 %
EBITDA	81	111	-27.0 %	238	353	-32.6 %
EBITDA margin	14.7 %	17.5 %	–	13.8 %	17.5 %	–
EBIT	37	70	-47.1 %	105	228	-53.9 %
EBIT margin	6.8 %	11.1 %	–	6.1 %	11.3 %	–
ROCE (rolling 12-month)	6.2 % ³	9.3 % ⁴	–	6.2 % ³	9.3 % ⁴	–

¹ Continuing operations. ² Restated for divested Vacuum Segment. ³ Normalized. ⁴ Reported.

Pfäffikon, Schwyz, Switzerland – November 2, 2016 – “The Group’s overall performance in the third quarter builds on the continued solid performance of our surface solutions business. The Surface Solutions Segment improved its top line and operating profitability year-on-year, confirming the potential of this business and our strategy going forward. While the low demand in the filaments equipment and drive systems end markets continued in the third quarter, the efforts taken to actively manage the markets’ challenges have led to first results. In the Manmade Fibers Segment, we see indications that the bottom of the trough will likely be reached in 2016. In the Drive Systems Segment, good progress has been made thanks to reshaping measures,” said Dr. Roland Fischer, CEO of the Oerlikon Group.

Group performance in Q3 2016

Oerlikon's results in the third quarter of 2016 reflect the continued positive development in the surface solutions business, but were still impacted by weak market demand in filaments equipment, and in the agriculture and energy sectors.

The Surface Solutions Segment saw stable sales development in most of its key markets (tooling, automotive, general industries and power generation). The exception was aviation, where an uptick was registered. The filaments equipment market continued its downtrend, in line with China's 13th Five-Year Plan and Oerlikon's expectations. However, there appears to be the first light on the horizon and the Segment expects that the filaments equipment market will see a turnaround in 2016. A positive trend was also noted in staple fibers, bulked continuous filaments (carpet yarn) and plastic processing markets, which contributed to the Segment's improved order intake. In the Drive Systems Segment, all of the key markets demonstrated flattish demand, though there was some encouraging development in the Indian construction and agriculture industries, as well as in the automotive sector.

Group orders for the third quarter decreased year-on-year by 6.1 % to CHF 572 million (Q3 2015: CHF 609 million) and sales decreased by 13.4 % to CHF 549 million (Q3 2015: CHF 634 million). At constant exchange rates, sales stood at CHF 544 million. The Group's EBITDA came in consequently lower year-on-year at CHF 81 million, or 14.7 % of sales (Q3 2015: CHF 111 million, 17.5 %). EBIT for Q3 2016 stood at CHF 37 million, correlating to a margin of 6.8 % (Q3 2015: CHF 70 million, 11.1 %). The third quarter performance resulted in a rolling 12-month Oerlikon Group return on capital employed (ROCE) of 6.2 % (normalized; excluding the restructuring and impairment effects in Q4 2015) versus 9.3 % (reported) in the same period in 2015.

The Group continued to increase the proportion of its service revenues to total group sales as it strengthened its focus on improving customer value and services. In the third quarter, the share of service revenues was 38.0 % of total Group sales (Q3 2015: 34.7 %), bringing the year-to-date ratio to 36.7 % of total Group sales (2015: 33.3 %).

2016 outlook confirmed

Oerlikon expects the remaining months of 2016 to remain challenging as a result of the ongoing uncertain global economic climate and conservative investment attitudes in several of its end markets. However, given the positive results from the surface solutions business and indications that 2016 will see a trend reversal in the manmade fibers business, Oerlikon confirms its 2016 guidance. The company 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 September 30, 2016 (in CHF million)

	Q3 2016	Q3 2015	Δ	9M 2016	9M 2015	Δ
Order intake	300	299	0.3 %	917	915	0.2 %
Order backlog	85	86	-1.2 %	85	86	-1.2 %
Sales (to third parties)	305	296	3.0 %	915	904	1.2 %
EBITDA	74	63	17.5 %	206	193	6.7 %
EBITDA margin	24.1 %	21.3 %	–	22.5 %	21.3 %	–

The Surface Solutions Segment continued to deliver solid results in a market environment that remains challenging with global industrial production flattening in Europe and slightly declining in the USA. In most of its key industries – tooling, automotive, general industries and power generation – the Segment saw stable demand and a positive trend was noted in the aviation sector, which primarily drove the increase in order intake and sales. Positive sales development was seen globally, with Europe and Asia displaying a more upward trend.

The Segment improved its operating profitability, with a higher EBITDA and EBITDA margin than the prior year's level. The 24.1 % EBITDA margin makes for a total of eight consecutive quarters where the Segment achieved an EBITDA margin of over 20 %. EBIT for Q3 2016 stood at CHF 45 million (Q3 2015: CHF 38 million).

In the third quarter, the Segment launched BALITHERM® IONIT ST, a coating for automotive application to extend wear and service life by hardening rust and acid-resistant steels without losing corrosion resistance in the low-temperature nitriding process, and BALINIT® FORMERA, a coating solution for Advanced High Strength Steel (AHSS) applications that provides great abrasive wear protection and can increase efficiency up to 680 % more than comparable coatings. In addition, new alloyed additive manufacturing materials customized for specific aerospace and general industry applications were also introduced to the market.

Manmade Fibers Segment

Key figures of Manmade Fibers Segment as of September 30, 2016 (in CHF million)

	Q3 2016	Q3 2015	Δ	9M 2016	9M 2015	Δ
Order intake	134	181	-26.0 %	383	582	-34.2 %
Order backlog	218	286	-23.8 %	218	286	-23.8 %
Sales (to third parties)	103	181	-43.1 %	340	598	-43.1 %
EBITDA	1	30	-96.7 %	8	103	-92.2 %
EBITDA margin	0.6 %	16.3 %	–	2.3%	17.2 %	–

The prevailing overcapacity in the filaments equipment business continued to impact the Segment's performance. The Segment's efforts in diversifying its focus on other areas outside of the China-led filaments market has started to bear fruit and contributed to the improved sequential performance of the Segment compared to the previous quarter. Staple fibers, bulked continuous filaments (BCF) and customer services are the main areas where the Segment has grown its business.

The lower top line due to the ongoing market weakness also resulted in a significantly lower EBITDA (Q3 2016: CHF 1 million, margin 0.6 %). EBIT for Q3 2016 stood at CHF -4 million (Q3 2015: CHF 25 million). However, sequentially, the Segment managed to improve its top line and operating profitability (Q2 2016: order intake CHF 125 million, sales CHF 98 million, EBITDA margin -1.6 %), albeit from a low base level.

As the filaments market further consolidates, the Segment is seeing some signs that shelved investment plans are being resurrected and evaluated. Based on the overall filaments market sentiments and indications, Oerlikon expects that the market is bottoming out and a trend reversal will be seen in 2016.

At the recent ITMA Asia + CITME 2016 show, the Segment showcased numerous innovations. It presented its Plant Operation Center (POC) 4.0 with new features, a predictive maintenance concept using Microsoft's HoloLens (the first company in the industry to do so), new additions to WINGS POY for processing high titers, its customizable "specialists" – WINGS FDY SD/WINGS FDY BR – for semi-dull and trilobal bright yarn luster, the flexible WINGS FDY PLUS and WINGS FDY PLUS eco variant for a broader application window, a highly productive automatic texturing and space saving machine (eAFK HQ), a fully-comprehensive staple fiber production plant portfolio including the acquired Trützschler technologies, and new multifunctional forming tables and a FAUS operating unit for nonwoven meltblown systems with smaller footprint and higher reliability.

Drive Systems Segment

Key figures of Drive Systems Segment as of September 30, 2016 (in CHF million)

	Q3 2016	Q3 2015	Δ	9M 2016	9M 2015	Δ
Order intake	138	129	7.0 %	453	444	2.0 %
Order backlog	95	121	-21.5 %	95	121	-21.5 %
Sales (to third parties)	141	157	-10.2 %	463	511	-9.4 %
EBITDA	10	16	-37.5 %	31	51	-39.2 %
EBITDA margin	7.3 %	10.1 %	–	6.7%	10.0 %	–

All of the Drive Systems Segment's end markets continued to be under pressure, plagued by global economic uncertainty and market-specific factors that dampened investments. In particular, agriculture, construction, energy and mining sectors remain weak, resulting in lower sales in the third quarter. Nevertheless, the Segment managed to increase sales revenues in its agriculture business in India and Europe, despite the ongoing difficult market environment, by increasing market share. Some initial positive signs were also noted in the Indian construction market and in the automotive sector (in particular for hybrid and e-drives). These developments supported the Segment in securing new orders and joint development projects for innovative products and applications, which is reflected in the higher year-on-year order intake.

The EBITDA margin decreased in the third quarter to 7.3 % as compared to the previous year. EBIT for Q3 2016 stood at CHF 1 million (Q3 2015: CHF 6 million). The Segment is making progress in realigning its business by streamlining its product portfolio, increasing its market reach in key markets, optimizing its processes, and restructuring. The positive development in securing new orders is a result of these initiatives. Continued positive impacts from the measures are expected to be seen in the upcoming quarters.

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 (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.

For further information, please contact:

Nicolas Weidmann
Head of Group Communications
Tel. +41 (0)58 360 96 02
Fax. +41 (0)58 360 98 02
pr@oerlikon.com

Andreas Schwarzwälder
Head of Investor Relations
Tel. +41 (0)58 360 96 22
Fax. +41 (0)58 360 98 22
ir@oerlikon.com

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