

Second quarter and half-year 2017 results

Strong increase in Group orders and sales in the second quarter

- Increase in order intake and sales in all Segments
- Continued top line growth in Surface Solutions Segment
- Substantial upswing in orders and sales in Manmade Fibers Segment
- Double-digit profitability achieved in Drive Systems Segment
- Group EBITDA margin in the second quarter at 13.4 %
- Group book-to-bill ratio for the fifth consecutive quarter over 1
- Result from continuing operations increased by 54.8 % to CHF 48 million
- Group net profit increased by 11.6 % to CHF 48 million in the first half of 2017
- Full-year guidance for 2017 confirmed

Key figures of the Oerlikon Group as of June 30, 2017 (in CHF million)

| | Q2 2017 | Q2 2016 | Δ | H1 2017 | H1 2016 | Δ |
|--|---------|--------------------|--------|---------|--------------------|--------|
| Order intake | 724 | 594 | 21.9 % | 1 436 | 1 181 | 21.6 % |
| Order backlog | 578 | 401 | 44.1 % | 578 | 401 | 44.1 % |
| Sales | 689 | 577 | 19.4 % | 1 297 | 1 169 | 10.9 % |
| EBITDA | 92 | 80 | 15.0 % | 178 | 157 | 13.4 % |
| EBITDA margin | 13.4 % | 13.9 % | – | 13.7 % | 13.4 % | – |
| EBIT | 44 | 36 | 22.2 % | 84 | 68 | 23.5 % |
| EBIT margin | 6.4 % | 6.2 % | – | 6.5 % | 5.8 % | – |
| Result from continuing operations ¹ | – | – | – | 48 | 31 | 54.8 % |
| Net income ¹ | – | – | – | 48 | 43 | 11.6 % |
| ROCE (rolling 12-month) | 6.2 % | 6.9 % ² | – | 6.2 % | 6.9 % ² | – |

¹ Reported annually and semi-annually only. ² Normalized; excluding restructuring and impairment effects.

Pfäffikon, Schwyz, Switzerland – August 8, 2017 – “We successfully delivered another quarter of strong performance and growth in all Segments. We were able to master the challenges of the markets by clearly focusing on developing sales while improving our cost structure. As a result of our strategic actions, we captured many opportunities that arose from the pickup in our key end markets and increased orders and sales in all Segments,” said Dr. Roland Fischer, CEO of the Oerlikon Group.

“Our increased focus on the surface solutions business has borne fruit, and we have achieved higher year-on-year orders and sales. We strengthened our business offering through two technology acquisitions and investments in four service and coating centers, and made important progress in our additive manufacturing business. In the manmade fibers business, the significant increase in sales and orders mainly reflects the ongoing recovery in investments in filament equipment, as well as the expansion of our position in the staple fibers market. The repositioning of the drive systems business, new customer wins and development of new applications in areas such as e-mobility have opened up attractive long-term prospects for the Drive Systems Segment,” added Dr. Fischer. “The strong second quarter performance confirms that we are on the right track with our strategy. We are confident that going forward, we can further leverage our business model and competences in surface solutions, advanced materials and materials processing.”

Oerlikon Group second quarter review

Global economic confidence has improved markedly over the past few quarters, with stronger trade, robust demand, and upturns in industrial and capital investments. The upward trend in investments was noted in practically all of Oerlikon's key end markets, such as aerospace, automotive, general industries, tooling, filament equipment, agriculture, construction and transportation, all of which have contributed to the Group's strong performance. In the energy and mining sector, a slight increase in investment activity, particularly in US shale oil and gas, was observed and is expected to have a positive impact in the coming months.

The Surface Solutions Segment continued its positive momentum and grew its second quarter orders and sales. Demand came from most of its end markets, with a stable up trend in automotive and aerospace and notably higher uptake in general industries and tooling. Even after accounting for the investments in the additive manufacturing business and acquisitions to strengthen its portfolio and competences, the Segment succeeded in maintaining its quarterly operating profitability at over 20 % for the eleventh consecutive quarter. The manmade fibers business recorded a substantial uptick in orders and sales, driven by the recovery of the filament equipment market in China, new wins in South America and large projects in India and Turkey, and was also supported by a healthy demand for staple fibers systems. The Drive Systems Segment increased orders and sales as the Segment's repositioning enabled it to benefit from the recovery in the agriculture, transportation, construction and automotive markets, and it is establishing a promising position with customer wins in e-mobility.

In the second quarter, the Group's order intake increased year-on-year by 21.9 % to CHF 724 million, while sales went up by 19.4 % to CHF 689 million. At constant exchange rates, sales stood at CHF 693 million. EBITDA for the second quarter increased to CHF 92 million, corresponding to a margin of 13.4 %. EBIT for Q2 2017 was at CHF 44 million, or 6.4 % of sales. The second quarter performance resulted in the rolling 12-month Oerlikon Group return on capital employed (ROCE) of 6.2 % versus 6.9 % (normalized for restructuring and impairment effects) in the same period in 2016.

Oerlikon Group half-year overview

In the first half of 2017, the Group's order intake increased year-on-year by 21.6 % to CHF 1 436 million, while sales came in at 10.9 % higher than the prior year, reaching CHF 1 297 million. With the top line increase, the EBITDA for the half year amounted to CHF 178 million, corresponding to a margin of 13.7 %. EBIT stood at CHF 84 million, or 6.5 % of sales. Result from continuing operations increased by 54.8 % to CHF 48 million, and the net result for the first half of the year increased by 11.6 % year-on-year to CHF 48 million as well.

In the first six months of 2017, Oerlikon's service business contributed to 35.7 % of total Group sales.

2017 outlook confirmed

The positive momentum in the global economy in the first half of 2017 is expected to persist in the second half of the year. Growth for the full year is projected for the advanced economies in Europe and the USA, as well as in Asian markets, particularly China and India. Given today's integrated global economy, certain political and economic risks and challenges will remain. However, based on the strong performance in the first half of 2017, Oerlikon confirms its outlook and is confident to deliver order intake and sales of around CHF 2.6 billion each and for the EBITDA margin to approach 14 % after absorbing the unchanged planned financial outlay for investments in additive manufacturing.

Segment overview

Surface Solutions Segment

Key figures of Surface Solutions Segment as of June 30, 2017 (in CHF million)

| | Q2 2017 | Q2 2016 | Δ | H1 2017 | H1 2016 | Δ |
|--------------------------|---------|---------|--------|---------|---------|--------|
| Order intake | 342 | 311 | 10.0 % | 694 | 617 | 12.5 % |
| Order backlog | 102 | 91 | 12.1 % | 102 | 91 | 12.1 % |
| Sales (to third parties) | 340 | 315 | 7.9 % | 672 | 609 | 10.3 % |
| EBITDA | 70 | 71 | -1.4 % | 141 | 133 | 6.0 % |
| EBITDA margin | 20.6 % | 22.4 % | – | 20.8 % | 21.7 % | – |

The Segment continued on its growth path and delivered another quarter of good results. Demand came from most of the Segment's end markets, with a stable upward trend in automotive and aerospace and a noticeable uptake in general industries and tooling. Supported by the positive market developments, the Segment increased both orders and sales compared to the prior year.

Despite the investments made to build up the additive manufacturing business and acquisitions to strengthen its portfolio and competences, the Segment sustained its year-on-year operating profitability (EBITDA margin) at over 20 % for the eleventh consecutive quarter. EBIT for Q2 2017 stood at CHF 40 million (Q2 2016: CHF 43 million). The overall positive development of the Surface Solutions Segment confirms the strategic direction and growth potential of the surface solutions and advanced materials businesses.

In the second quarter, the Segment acquired Scoperta Inc., USA, providing it with unique process technology and expertise in rapidly designing and developing materials. Scoperta owns proprietary computational software, which allows for a rapid identification and development of new, innovative and disruptive material solutions. The Segment is also building a new surface solutions center in Nagoya, Japan to serve a newly acquired customer in the Japanese automotive market and to provide the latest surface solutions technologies and services to the Japanese automotive industry. Furthermore, the Segment has opened a new in-house coating center at IMCO Carbide Tool's facility in Perrysburg, Ohio, USA, bringing the number of in-house coating centers that Oerlikon manages in the USA up to four.

With the aim to accelerate additive manufacturing (AM) industrialization, the Segment continued to build up its network of leading partners in the AM field and signed a memorandum of understanding for collaboration with GE Additive at the Paris Air Show. The five-year agreement between Oerlikon and GE specifies the provision of additive machines and services by GE to Oerlikon, and states that Oerlikon will become a preferred AM component manufacturer and materials supplier to GE Additive and its affiliated companies. Furthermore, GE and Oerlikon will collaborate on research and development of additive machines and materials over the period of the agreement.

Manmade Fibers Segment

Key figures of Manmade Fibers Segment as of June 30, 2017 (in CHF million)

| | Q2 2017 | Q2 2016 | Δ | H1 2017 | H1 2016 | Δ |
|--------------------------|---------|---------|--------|---------|---------|---------|
| Order intake | 198 | 125 | 58.4 % | 377 | 249 | 51.4 % |
| Order backlog | 366 | 209 | 75.1 % | 366 | 209 | 75.1 % |
| Sales (to third parties) | 173 | 98 | 76.5 % | 279 | 237 | 17.7 % |
| EBITDA | 4 | -2 | >100 % | 4 | 7 | -42.9 % |
| EBITDA margin | 2.3 % | -1.6 % | – | 1.5 % | 3.0 % | – |

The Segment succeeded in further strengthening its position on the filament equipment market and is benefiting from the recovery in the filament equipment market both inside and outside of China, with new customer wins in South America and large projects in India and Turkey. The Segment increased

its orders and sales significantly in the second quarter, which can be attributed to the recovery of the filament equipment market and was supported by a healthy demand for staple fibers. With the implementation of its “From Melt to Yarn” strategy, the Segment also secured an order for a filament spinning plant for special yarns, including polycondensation equipment. A positive trend was also noted for texturing technologies (DTY) for installed-based partially oriented yarn (POY) systems and for bulked continuous filaments systems (BCF – carpet yarn), particularly in the US and Turkey.

The ramp-up in production, capacities, investments and the ongoing impact of lower-margin orders from the down-cycle period resulted in a lower operating profit (EBITDA margin) than in the previous year. EBIT for Q2 2017 stood at CHF -1 million (Q2 2016: CHF -6 million). In the second half of the year, the Segment anticipates ongoing positive development in the filament equipment market and in its other end markets. Furthermore, it will be focusing on improving flexibility and the quality of work, processes and customer projects, while exercising strict cost discipline, which is expected to have a positive impact on operating leverage and the Segment’s profitability in the next quarters.

In order to meet the increasing demand in all of its business areas, the Segment has been ramping up its production capacities. It has also opened a new service center in India to better serve local customers’ needs in close proximity. In addition, the Segment has established a branch in Neumünster, Germany, which will be focused on developing the business for nonwovens, including in the attractive high-growth market for disposable nonwovens.

Drive Systems Segment

Key figures of Drive Systems Segment as of June 30, 2017 (in CHF million)

| | Q2 2017 | Q2 2016 | Δ | H1 2017 | H1 2016 | Δ |
|--------------------------|---------|---------|--------|---------|---------|--------|
| Order intake | 184 | 158 | 16.5 % | 365 | 315 | 15.9 % |
| Order backlog | 110 | 101 | 8.9 % | 110 | 101 | 8.9 % |
| Sales (to third parties) | 176 | 164 | 7.3 % | 346 | 323 | 7.1 % |
| EBITDA | 19 | 12 | 58.3 % | 33 | 21 | 57.1 % |
| EBITDA margin | 10.8 % | 7.1 % | – | 9.6 % | 6.4 % | – |

The repositioning efforts made by the Segment have cumulated in positive results for the second quarter. The Segment won new customers and projects on the agriculture, construction, automotive and transportation markets. It has also established an attractive market position on the rapidly growing e-mobility market with its technologies. The construction sector has recuperated globally, with growth in the US and Europe and notably higher investments in China and India. The global automotive sector saw an increase in demand, particularly for high-performance vehicles, and a positive trend for agriculture was noted in Europe, Russia and India as a result of government subsidies and measures and a positive business outlook. A slight increase in activity and investments in the US energy market, particularly for shale oil and gas, was also observed during the quarter. Compared to the same period in the previous year, the Segment increased both orders and sales.

Thanks to the higher top line and the further improved effectiveness of its production processes and cost base, the Segment achieved a double-digit operating profitability (EBITDA margin) for the second quarter. EBIT for Q2 2017 stood at CHF 8 million (Q2 2016: CHF 1 million).

To reinforce its position in e-drives, the Segment has presented new technologies such as its modular dedicated hybrid transmission systems based on its OGeco solution and is partnering with leading automotive brands on hybrid and electric transmissions projects for passenger cars and commercial vehicles.

Additional information

Oerlikon will present its results in English during its conference call today beginning at 13:00 hrs CEST. 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](#).

The interim (half-year) report 2017 can be downloaded at www.oerlikon.com/interimreport-2017 and the media release including a full set of tables can be found 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 to become a global powerhouse in surface solutions, advanced materials and materials processing. Backed by the key ability to intelligently engineer and process surface solutions and advanced materials, the Group is committed to invest in value-bringing technologies that provide customers with lighter, more durable, more efficient and environmentally sustainable products. A Swiss company with over 100 years of tradition, Oerlikon's operates its business in three Segments (Surface Solutions, Manmade Fibers and Drive Systems) with a global footprint of over 13 500 employees at more than 180 locations in 37 countries and sales of CHF 2.3 billion in 2016. The company invested CHF 94 million in R&D in 2016 and has over 1 000 specialists developing innovative and customer-oriented products and services.

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