Media Release

2016 full-year results

Full-year performance backed by positive fourth quarter

- **Surface Solutions Segment delivered good performance despite market headwinds**
- **Q4 2016 results confirmed bottom of trough reached in 2016 for manmade fibers business**
- **Repositioning of Drive Systems Segment led to improved operating profitability**
- **Group operating profitability with an EBITDA margin of 14.3 %**
- **Group net result of CHF 388 million**
- **Proposing dividend payout of CHF 0.30 per share as in previous year**
- **Executed first steps of Oerlikon's strategic roadmap**
- **Outlook 2017: sales and order intake to increase to around CHF 2.5 billion each, and operating profitability to be around prior-year level; however, given significant planned investment expenses in additive manufacturing, EBITDA margin expected to be around 13 %**

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

	FY 2016	FY 2015	Δ	Q4 2016	Q4 2015	Δ
Order intake[1]	2 413	2 537	-4.9 %	660	597	10.6 %
Order backlog[1]	447	431	3.7 %	447	431	3.7 %
Sales[1]	2 331	2 671	-12.7 %	613	657	-6.7 %
EBITDA[1]	334[3]	338[4]	-1.2 %	97[3]	-15[4]	>100 %
EBITDA margin[1]	14.3 %	12.7 %	–	15.8 %	-2.2 %	–
EBIT[1]	158[5]	-306[6]	>100 %	53[5]	-534[6]	>100 %
EBIT margin[1]	6.8 %	-11.4 %	–	8.6 %	-81.2 %	–
Result from continuing operations[2]	82	-402	>100 %	–	–	–
Net result[2]	388	-418	>100 %	–	–	–
ROCE (rolling 12-month)	5.7 %	-19.8 %	–	5.7 %	-19.8 %	–

[1] Continuing operations. [2] Reported annually and semi-annually only. [3] Includes restructuring and pension adjustments – FY 2016: CHF 19 million; Q4 2016: CHF 8 million. [4] Includes restructuring adjustments of CHF -112 million. [5] Includes restructuring, pension and impairment adjustments – FY 2016: CHF 18 million; Q4 2016: CHF 7 million. [6] Includes restructuring and impairment adjustments of CHF -588 million.

Pfäffikon Schwyz, Switzerland – February 28, 2017 – Dr. Roland Fischer, CEO of the Oerlikon Group: "In 2016, we delivered on the targets that we set. We performed well in the difficult market environment, boosted by the noticeable increase in sales and orders in the fourth quarter. This appears to signal a certain improvement in investment sentiments in several of our end markets. The Surface Solutions Segment's constant good performance in challenging markets confirmed the potential of this business and our strategy going forward. We see attractive opportunities in existing and new markets, in which we can extend our expertise. The decisive measures taken to mitigate the headwinds in the manmade fibers market resulted in positive operating profitability despite significantly lower sales, while the steps taken for drive systems led to an improved order intake and bottom line. Strategically, we executed the first initiatives of our strategy to become a global powerhouse in advanced materials and surface solutions, sharpened our market and customer focus, and increased our resilience and efficiency. Our first investments in additive manufacturing set us on the path to gaining a strong market position in the medium to long term. In 2017, we will continue executing our strategy, making investments in growth fields, including additive manufacturing, protecting our profitability and strengthening our technology position."

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Stable Group performance
Market conditions remained difficult in 2016. Challenging macroeconomics and geopolitical events such as China's economic slowdown, uncertainties in the European Union and the US and commodity price volatilities led to a fragile market landscape, dampening investments in markets. Almost all of Oerlikon's end markets such as filaments equipment, energy, construction and agriculture continued to face weak demand.

In this demanding market environment, Oerlikon delivered results in line with expectations. Full-year Group order intake stood at CHF 2 413 million, including a positive currency impact of 1.2 % and sales came in at CHF 2 331 million, including a positive currency impact of 1.2 %.

In 2016, the Surface Solutions Segment was the main income and profit generator for the Group and generated 53.1 % of Group sales and 82.9 % of Group EBITDA. The Manmade Fibers Segment contributed 20.6 %, and the Drive Systems Segment 26.3 % to the Group's sales. Regionally, Europe continued to account for the largest proportion of Group sales with 41.7 % (CHF 973 million), reflecting a 5 % decrease compared to 2015. Asia followed with 32.2 % (CHF 751 million), a 25 % reduction versus 2015, and North America contributed 21.3 % (CHF 496 million), a decline of 5 % compared to 2015. Sales in other regions accounted for 4.8 % (CHF 111 million). The ratio of the service revenues to total Group sales increased to 36.6 % (2015: 33.6 %).

Strong operating profitability, net profit and balance sheet
Despite demanding market conditions, Oerlikon was able to achieve a resilient EBITDA margin for 2016 of 14.3 %, corresponding to an EBITDA of CHF 334 million (including restructuring and pension adjustments totaling CHF 19 million); EBIT was CHF 158 million (including restructuring, pension and impairment adjustments totaling CHF 18 million), yielding a margin of 6.8 %. The Group net result amounted to CHF 388 million in 2016, which reflects underlying earnings per share of CHF 1.14.

In 2016, Oerlikon sustained its strong financial position. As of December 31, 2016, the Group had equity (attributable to shareholders of the parent) of CHF 1 826 million, representing an equity ratio of 48 % (2015: 38 %). The company also improved its financial flexibility with a new, unsecured syndicated revolving credit facility amounting to CHF 600 million. The facility comprises a revolving credit facility and an ancillary credit facility with a five-year term and two optional one-year extensions, which will reduce Oerlikon's annual financing costs by around CHF 0.5 million. The solid financial base enables Oerlikon to continue executing its organic and inorganic growth strategy going forward. The net cash position at the end of the year amounted to CHF 401 million (2015: CHF 79 million) and cash flow from operating activities before changes in net current assets was CHF 269 million (2015: CHF 393 million). The Group's return on capital employed (ROCE) was 5.7 % (2015: -19.8 %).

Progressed in strategic way forward
In 2016, Oerlikon executed the first steps in its transformation to become a global powerhouse in surface solutions and advanced materials and to position the company in markets characterized by attractive structural growth. Organizationally, the Group headquarters and the Surface Solutions Segment were merged, making the company leaner, more market-oriented and more focused on its surface solutions business. It successfully closed the sale of the vacuum business to Atlas Copco for an enterprise value of CHF 525 million, increasing funds and resources for strategic growth areas. One such area is additive manufacturing. In 2016, Oerlikon acquired citim GmbH in Germany, a leader in additive production technology. In addition, the company is investing in a new materials production facility in Michigan, USA, where advanced materials will be produced for additive manufacturing and high-end coatings. There will be costs incurred initially with these investments, but these investments are essential for the start-up phase and for building up the new business, in order to benefit from returns in the medium term. In the metal-based additive manufacturing market, estimated to reach almost CHF 2 billion by 2021, the Group plans to invest a total of around CHF 300 million to develop this business and targets to achieve around CHF 300 million in sales per year within the five-year period.

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The measures taken in the Manmade Fibers and Drive Systems Segments to lower the Segments' breakeven sales levels, make the businesses more resilient to market cycles and diversify the portfolio further into growth markets have started to bear fruit. The Manmade Fibers Segment expanded its staple fibers, texturing and bulked continuous filament (BCF – carpet yarn) businesses and significantly lowered its cost base through restructuring measures. The Drive Systems Segment made good progress in repositioning its business with its measures to streamline its product portfolio, increase its market reach in key markets, optimize its processes, and in restructuring.

Continued strong commitment to R&D
Oerlikon continued to strengthen its innovations and R&D. In 2016, the company filed 67 patents and invested 4 % (CHF 94 million) of its total sales in R&D, developing upgrades and innovations to meet customers' needs and demands. In doing so, Oerlikon aims to maintain its technology leadership position in its end markets to further support its strategic development.

Q4: a strong finish in 2016
For Q4 2016, the Oerlikon Group reported an increase in order intake year-on-year to CHF 660 million (Q4 2015: CHF 597 million). Sales came in at CHF 613 million (Q4 2015: CHF 657 million). The increase in order intake was seen in both the Manmade Fibers and Drive Systems Segments, but primarily attributed to a large order for filaments equipment, signaling the end of the down cycle. The lower year-on-year sales were mainly due to the market weakness in the agriculture and oil & gas sectors, and did not yet reflect the positive order trend in filaments equipment. Despite lower sales, the quarter saw strong operating profitability compared to the previous year, thanks to restructuring measures. EBITDA was at CHF 97 million (including restructuring and pension adjustments, totaling CHF 8 million), corresponding to a margin of 15.8 %. Q4 2015 EBITDA was CHF -15 million (including restructuring adjustments of CHF -112 million) and the margin was -2.2 %. Q4 2016 EBIT was CHF 53 million (including restructuring, pension and impairment adjustments, totaling CHF 7 million). Q4 2015 EBIT was CHF -534 million (including restructuring and impairment adjustments, totaling CHF -588 million).

Dividends
Returning value and capital to shareholders through annual dividend payments is important to Oerlikon. Accordingly, the Board of Directors will be recommending to shareholders a payout of CHF 0.30 per share at the Annual General Meeting of Shareholders (AGM), taking place on April 11, 2017, in Lucerne.

Outlook for 2017
Oerlikon's markets are fundamentally supported by medium- and long-term drivers such as globalization, mobility, energy and urbanization. However, weak global economic growth and unpredictable political and economic uncertainties could undermine end markets' development. Thus, the Group anticipates that 2017 will remain challenging. In 2017, Oerlikon will continue to invest in its strategic transformation. With the objective to continue protecting the company's operating profitability, Oerlikon expects to increase order intake and sales for the full year 2017 to around CHF 2.5 billion each, and to deliver an operating profitability around the same level as in 2016. However, given the substantial planned investment expenses for the additive manufacturing business, the EBITDA margin is expected to be around 13 %.

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Segment overview

Surface Solutions Segment

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

	FY 2016	FY 2015[1]	Δ	Q4 2016	Q4 2015	Δ
Order intake	1 236	1 233	0.2 %	319	319	0 %
Order backlog	80	81	-1.2 %	80	81	-1.2 %
Sales (to third parties)	1 238	1 229	0.7 %	324	325	-0.3 %
EBITDA	277[1]	264[2]	4.9 %	70	71[2]	-1.4 %
EBITDA margin	22.2 %	21.4 %	–	21.6 %	21.8 %	–

[1] Includes restructuring and pension adjustments of CHF 9 million. [2] Includes restructuring adjustment of CHF -2 million.

In 2016, the Surface Solutions Segment delivered constant results while facing difficult market conditions. This confirms the potential of this business and Oerlikon's strategy built on surface solutions and advanced materials. The Segment slightly grew its orders and sales compared to the previous year, with consistent demand in its end markets – automotive, aviation and power generation – and saw a positive development in general industries and tooling, where it outperformed peers and gained market share. Full-year order intake stood at CHF 1 236 million, including a positive currency impact of 1.3 % and sales came in at CHF 1 238 million, including a positive currency impact of 1.4 %.

The Segment also improved its operating profitability. Full-year EBITDA came in at CHF 277 million (including restructuring and pension adjustments totaling CHF 9 million), and the corresponding EBITDA margin was 22.2 % (2015: 21.4 %). By comparison, 2015 EBITDA was CHF 264 million (including restructuring adjustments of CHF -2 million). The Q4 2016 EBITDA margin of 21.6 % marks the ninth consecutive quarter in which the Segment achieved an EBITDA margin of over 20 %. EBIT was CHF 161 million for 2016 (including restructuring, pension and impairment adjustments totaling CHF 8 million), and the EBIT margin was 13.0 %. In 2015, EBIT was CHF 157 million (including restructuring adjustments of CHF -2 million) and the EBIT margin was 12.7 %.

The Segment addresses attractive markets with solid structural growth drivers. The technologies offered serve the growing demand from industrial customers for lighter and more durable materials with new or better properties that are able to deliver increased performance. Leveraging its leading technologies, strong market position and unique competencies in surface solutions and advanced materials, Oerlikon is well-placed to take advantage of a wide scope of growth opportunities. In addition, the Group has strong relationships with many key manufacturers in the aerospace, energy, automotive and tooling industries.

In 2016, the Segment continued to invest in new technologies and customer services, while building up new business opportunities such as additive manufacturing. To strengthen its technology and market position in the French coating market, it acquired DMX SAS (Dépots métalliques sous vide), Cluses, France, a specialist in physical vapor deposition (PVD) coatings for forming tools and precision medical implants and components. It opened new sites in South Korea and expanded an automotive competence center in India. To expand its offering and expertise in additive manufacturing, it acquired citim GmbH, a leader in additive manufacturing design and production of metal components based in Magdeburg, Germany. The Segment has also invested in a new state-of-the-art manufacturing facility in Plymouth Township, Michigan, USA, to produce advanced materials for additive manufacturing and high-end surface coatings. Furthermore, in 2016, it entered strategic partnerships with America Makes and the Shanghai Additive Manufacturing Association to establish business opportunities and develop an AM network in the USA and China. In 2016, new coating technologies of the key product families BALINIT® and BALITHERM® were launched and new alloyed additive manufacturing materials customized for specific applications were introduced to the market.

Manmade Fibers Segment

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

	FY 2016	FY 2015	Δ	Q4 2016	Q4 2015	Δ
Order intake	577	733	-21.3 %	195	151	29.1 %
Order backlog	270	237	13.9 %	270	237	13.9 %
Sales (to third parties)	481	794	-39.4 %	141	195	-27.7 %
EBITDA	16[1]	85[2]	-81.2 %	8[3]	-18[4]	>100 %
EBITDA margin	3.3 %	10.6 %	–	6.0 %	-9.4 %	–

[1] Includes restructuring adjustments of CHF 3 million. [2] Includes restructuring adjustments of CHF -43 million. [3] Includes restructuring adjustments of CHF 2 million. [4] Includes restructuring adjustments of CHF -42 million.

In 2016, the Manmade Fibers Segment continued to be impacted by the prevailing overcapacity in the filaments equipment market. China's 13th five-year plan (2016-2020) depicted a two-year consolidation period, and the Segment is currently in the middle of this period. The oversupply and resulting negative investment trend strongly affected the Segment's performance in 2016. The order intake stood at CHF 577 million, including a positive currency impact of 0.9 %, and sales came in at CHF 481 million, including a positive currency impact of 0.7 %.

Considering the significantly lower top lines, the Segment managed to deliver positive operating profitability as it reduced its cost base through restructuring. EBITDA was CHF 16 million (including restructuring adjustments of CHF 3 million), or 3.3 % of sales. In 2015, EBITDA was CHF 85 million (including restructuring adjustments of CHF -43 million) and the margin was 10.6 %. EBIT in 2016 was CHF -3 million (including restructuring adjustments of CHF 3 million), or -0.6 % of sales. In 2015, EBIT was CHF 67 million (including restructuring adjustments of CHF -43 million), at a margin of 8.4 %.

The Segment saw an increase in order intake and order backlog toward the end of 2016. This was due, on the one hand, to the Segment's measures taken to mitigate the negative impacts from the down cycle and to diversify its focus on other areas outside of the China-led filaments equipment market. On the other hand, first signs of positive momentum were noted in investments in filaments equipment, confirming that the market reached the bottom of its cycle in 2016. However, at the moment, the overall market for filaments equipment remains challenging with limited projects and is highly price competitive. This will impact the profitability of the Segment in 2017, and the margins are only expected to see an improvement over the medium term. The Segment will use the gradual market recovery to build and protect its market share, increase its installed customer base and increase share of recurring business.

In 2016, the Segment further developed its business in texturing, BCF, polymer processing and staple fibers, as well as in regional markets outside of China such as the USA, India and Turkey. In the Indian textile market, the Segment saw a first round of investments in 2016 and was able to secure approximately 80 % of all orders for filament spinning lines. To strengthen its staple fibers business, the Segment acquired the staple fibers technology portfolio from Trützschler, making it a leader in the synthetic staple fibers market. The Segment's joint venture Oerlikon Barmag Huitong Engineering recorded its first sale of a polycondensation system that will produce 60 000 tons of polyester every year. In 2016, the Segment introduced its new Plant Operation Center (POC) 4.0 for manmade fibers spinning and texturing systems, as well as 12 new manmade fiber spinning solutions at ITMA Asia, including the new eAFK HQ, the world's most productive automatic texturing machine with space-saving construction.

Drive Systems Segment

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

	FY 2016	FY 2015	Δ	Q4 2016	Q4 2015	Δ
Order intake	600	571	5.1 %	146	127	15.0 %
Order backlog	97	113	-14.2 %	97	113	-14.2 %
Sales (to third parties)	612	648	-5.6 %	148	137	8.0 %
EBITDA	51[1]	-19[2]	>100 %	20[3]	-70[2]	>100 %
EBITDA margin	8.4 %	-3.0 %	–	13.6 %	-51.3 %	–

[1] Includes restructuring adjustments of CHF 5 million. [2] Includes restructuring adjustments of CHF -68 million. [3] Includes restructuring adjustments of CHF 4 million.

In 2016, all of the Drive Systems Segment's end markets continued to be under pressure. Ongoing volatility in commodity prices and sluggish economic development resulted in equipment investments being kept on hold. The agriculture, construction, energy and mining sectors remained weak, although there are first indications that the trough in the oil & gas sector has been reached and the start of a slow recovery could be expected. Due to market developments, the Segment recorded lower sales in 2016. However, the Segment's strategic reshaping of its product portfolio has led to initial positive results. The Segment managed to increase its order intake year-on-year by winning customers and projects in several markets, such as in the US and European construction and transportation sectors, in the public transportation sector in China and in the agriculture market in India. Order intake stood at CHF 600 million, including a positive currency impact of 1.4 % and sales came in at CHF 612 million, including a positive currency impact of 1.4 %.

Thanks to the consistent execution of restructuring and process optimization measures, the Segment succeeded in delivering a significantly improved EBITDA, amounting to CHF 51 million (including restructuring adjustments of CHF 5 million), or 8.4 % of sales. In 2015, the EBITDA was CHF -19 million (including restructuring adjustments of CHF -68 million), and the margin was -3.0 %. In 2016, EBIT stood at CHF 12 million (including restructuring adjustments of CHF 5 million), or 2.0 % of sales. In 2015, EBIT was CHF -534 million (including restructuring and impairment adjustments, totaling CHF -544 million) and the margin was -82.3 %. Oerlikon will continue in its efforts and invest to establish a robust business foundation for the Drive Systems Segment in order to reposition the Segment for future opportunities.

To support customers in agriculture and construction, the Segment appointed new distribution partners in France, Brazil and the Gulf Region. To strengthen its position as a provider of solution/engineered products, it acquired the remaining shares of its UK-based Vocis subsidiary, an engineering firm providing transmission controls technology and developing new driveline controls. To extend the reach of key products to adjacent industries, the Segment introduced its fuel-consumption-saving hybrid electric technologies for off-highway vehicles. It also entered some targeted strategic partnerships and joint ventures, including for the Chinese mass transportation market and with customers in the areas of e-axles, e-drives and electronically controlled differentials. Together with Ashwoods Electric Motors, it developed an ultra-compact electric drive system for construction, with an integrated electric motor design that is up to 70 % smaller and lighter and yet 20 % more efficient than traditional solutions.

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Additional information
Oerlikon will present its results at a media roundtable today, starting at 09.00 hrs CET at the Four Points by Sheraton, Sihlcity, Zurich, and at an investors' and analysts' conference beginning at 11.00 hrs CET also at the Four Points by Sheraton, Sihlcity, Zurich. The analysts' conference will be broadcast live via webcast over the Group's website (www.oerlikon.com).

The Annual Report 2016 can be downloaded at www.oerlikon.com/annualreport-2016 and the media release, including a full set of tables, can be found at https://www.oerlikon.com/en/media/press-releases/ and https://www.oerlikon.com/en/investor-relations/.

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 has 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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