

Financial Restructuring / Annual Results 2009

On the way to recovery

- Comprehensive financial restructuring measures agreed, which will strengthen the equity base of the company by up to CHF 1.3 billion and reduce net debt by up to approximately 77 percent (subject to approval by the shareholders at the Annual General Meeting to be held on 18 May 2010).¹
- In the financial year 2009, the unprecedented slowdown of the global economy led to a strong decline in sales volumes and a significant net loss. One-time charges of approximately CHF 350 million further impacted the company's earnings.
- Operational restructuring measures led to recurring savings of CHF 237 million in 2009. Operational restructuring will continue until the end of 2011, resulting in expected aggregate recurring savings compared to 2008 of up to CHF 400 million p.a.
- Investments in Research & Development remained high at CHF 210 million, representing 7.3 percent of sales, up from 5.3 percent in the prior year.
- 2010 will continue to be a year of operational and financial restructuring. The company expects moderate growth and a return to operational profitability in the second half of 2010.

Key figures of the Oerlikon Group as per 31 December 2009*

in CHF millions	1 January to 31 December 2009	1 January to 31 December 2008	Delta
Orders received	2 996	4 209	-28.8%
Orders on hand	997	1 147	-13.1%
Sales	2 877	4 632	-37.9%
EBITDA	-165	471	-
EBIT	-589	-59	-
Net result	-592	-422	-
Cash flow from operating activities before changes in net current assets	-92	411	-
Restructuring costs	107	66	-
Employees	16 369	18 372	-10.9%

* Continuing operations, 2008 restated

Pfäffikon SZ, 1 April 2010 – Oerlikon Group today announces its annual results for 2009 as well as the successful conclusion of negotiations with

¹ For further details of the financial restructuring plan see the separate press release "Agreement on comprehensive financial restructuring measures establishes sustainable, long-term capital structure and provides basis for future profitable growth of Oerlikon", disclosed in parallel today.

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its lenders and main shareholder Renova regarding a comprehensive financial restructuring of the company. The agreed restructuring package, which includes a CHF 1 000 million rights offering, will be implemented in the first half of 2010. The agreed measures are expected to strengthen the equity base of Oerlikon by up to CHF 1.3 billion and reduce net debt by CHF 1 050-1 300 million (approximately 77 percent) as further summarized below. "Together with the ongoing operational restructuring, the financial restructuring will provide the basis for bringing Oerlikon's business segments back to profitability and support their sustainable long-term development," says Vladimir Kuznetsov, Chairman of the Board of Directors. Hans Ziegler, CEO of Oerlikon Group, comments: "We are returning Oerlikon to a solid and sustainable operational and financial footing which will put us in a position to generate profitable growth again in the future".

The substantial indebtedness resulting from the debt-financed acquisition of Saurer in November 2006 combined with the subsequent unprecedented downturn of the global economy in 2008 and 2009 have had a significant detrimental effect on Oerlikon's financial position. The abrupt and substantial drop in demand for Oerlikon's products and services during the economic downturn has heavily impacted the Group's profitability and has made the current level of debt unsustainable.

The company has now reached agreement with its largest shareholder Renova and the lenders of the CHF 2.5 billion syndicated loan facilities regarding a comprehensive financial restructuring of Oerlikon. Cornerstones of the financial restructuring include:

- a capital decrease in the form of a nominal value reduction from CHF 20 to CHF 1 per share;
- a subsequent capital increase by means of a CHF 1,000 million rights offering of 268.7 million new shares to existing shareholders at an issue price of CHF 3.72 per share, with a commitment of Renova to exercise its subscription rights and a backstop commitment by the lenders to subscribe for any remaining new shares

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for which rights have not been exercised in the rights offering (other than by Renova) against conversion of debt;

- a possible further capital increase of up to CHF 150 million through the issuance of up to 40.4 million additional new shares to the lenders against conversion of debt in a nominal amount equal to the issue price of CHF 3.72;
- warrants granted to the lenders to purchase shares corresponding to between 1 percent and 5 percent of Oerlikon's share capital on a fully diluted basis expiring on 30 June 2014, such shares to come from a newly proposed conditional capital;
- an option granted to the lenders to purchase part or all of Oerlikon's 1.3 million treasury shares (representing 9.3 percent of the current share capital) at market value by 14 April 2010 against conversion of debt;
- a waiver of between CHF 25 million and CHF 125 million of debt by the lenders; and
- the conclusion of a new facility agreement with the lenders with three tranches in a total amount of approximately CHF 1,490-1,740 million (depending on the take-up of the rights offering) and maturity on 30 June 2014, which will replace the remaining outstanding portion of the existing syndicated loan facilities. The new facility agreement also contains a requirement that a majority of the members of the Board of Directors be independent from Renova and any other party or group of parties controlling more than 20 percent of Oerlikon's voting rights.

All measures together are expected to result in a reduction in Oerlikon's net financial debt of approximately CHF 1,050-1,300 million. All measures are mutually dependent on each other and the capital changes have to be approved by Oerlikon's Annual General Meeting of shareholders on 18 May 2010.¹

"The financial restructuring will significantly strengthen our equity base and reduce Oerlikon's indebtedness to a sustainable level. In addition, it will remove short-term refinancing risk and repayment risk until maturity of the new loan facilities in June 2014. Together with the ongoing operational restructuring, the financial restructuring will lay the foundation for bringing Oerlikon's business back to profitability and support its sustainable long-term development", comments Jürg Fedier, CFO of Oerlikon Group.

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2009 annual results

While the business environment remains challenging, the proposed financial restructuring provides the basis for a sustainable, long-term development of Oerlikon. “We have yet to complete our operational restructuring, but have already begun to prepare for the anticipated recovery”, says COO Thomas Babacan.

The 2009 business year was one of the most difficult in the history of Oerlikon, characterized by the severe global economic crisis. The resulting weak market demand coupled with the increased difficulty in project financing in the industrial sector led to an unprecedented freeze in capital spending in nearly all industries in which the Oerlikon Group is active. Consequently, the Oerlikon Group was severely affected by a sharp drop in business volume. Orders received were down 28.8 percent from CHF 4.2 billion in 2008 to CHF 3.0 billion in 2009. As of December 31, 2009, orders on hand amounted to CHF 1.0 billion (previous year: CHF 1.1 billion). Sales declined 37.9 percent from CHF 4.6 billion in 2008 to CHF 2.9 billion in 2009.

To adjust the cost base to the lower business volume and to ensure the Group's future viability, management announced numerous operational measures early on, including

- comprehensive operational restructuring and cost-cutting initiatives;
- further streamlining of the operating business portfolio;
- reduction of net working capital and tightening of investments; and
- management changes both at Group level and within the segments.

Details of operational restructuring measures

The restructuring team worked closely with the business units to identify more than 700 individual measures including consolidating sites, discontinuing product lines, temporary factory closures, granting extended employee vacations,

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reduced working hours and many more. The aim of these efforts is to cut recurring costs by a total of up to CHF 400 million p.a. by the end of 2011 in comparison with 2008. Around CHF 237 million in recurring cost reductions were already achieved in 2009. Total restructuring costs in 2009 amounted to CHF 107 million. A total of nearly 2 000 jobs were cut and another 1 100 staff left the company through divestments during the same period of time. Headcount at the end of 2009 was 16 369. More than 6 000 employees were working short-time at some point during the year and more than 4 000 were still doing so at the end of the year. Restructuring measures still in the planning and implementation phase include the reduction of another 1 700 positions by the end of 2011. In 2010 restructuring costs are expected to range between CHF 50 million and CHF 70 million.

To preserve liquid funds, Oerlikon made considerable efforts in all operating units to further reduce net working capital. On a Group level, net working capital was reduced by more than CHF 300 million during 2009. Oerlikon also significantly reduced capital expenditure throughout the year. Investments in 2009 amounted to CHF 130 million, a decrease of 61 percent compared to 2008. The ratio of capital expenditure to depreciation hence decreased to 0.6 for the financial year (previous year: 1.4).

The 2009 operating cash flow before changes in net current assets amounted to CHF –92 million (previous year: CHF 411 million) while the cash flow from operating activities was CHF 90 million (previous year: CHF 123 million). Cash flow from investing activities was CHF –18 million (previous year: CHF –300 million).

Group result impacted additionally by specific items

Further, the Group result was negatively impacted by an impairment on goodwill in the Oerlikon Textile segment and the write-down of inventories at Oerlikon Solar.

The early adoption of the revised IAS 36 standard in 2009 provides for allocations and evaluation of goodwill at the business unit level. Previously, goodwill was allocated and hence tested at the segment level. The result of this reallocation is that over- and under-coverage cannot be aggregated and compensated between the business units. This led to a goodwill impairment of CHF 202 million at Oerlikon Textile. Furthermore, Oerlikon announced an extraordinary write-down in the Solar segment of CHF 40 million. Due to technological advances in manufacturing and product design coupled with continued challenges on the market, management and the Board of Directors decided to revalue the inventory.

On the other hand, net income was positively impacted by the release of a tax provision in the amount of CHF 50 million and the result from discontinued operations (divestment of the business units Space, Esec, Optics, Wafer Etch during the course of the year) in the amount of CHF 104 million.

In sum, the Group's operational performance in 2009 resulted in EBIT of CHF –589 million (previous year: CHF –59 million) and a loss of CHF –592 million (previous year: CHF –422 million). The Group's 2008 result was impacted by goodwill impairment of CHF 345 million.

Technology driven and research-intensive industrial company

Despite the global economic crisis and stringent cost-cutting measures, investments in strategic research & development (R&D) remained strong with a view to preserving and even expanding the Group's technical and competitive edge. CHF 210 million were spent on R&D in 2009 (previous year: CHF 246 million), which represents 7.3 percent of sales (2008: 5.3 percent). Even though R&D investments were focussed in 2009, R&D spending was increased in some segments, in particular in Solar. Oerlikon thus remains an innovative enterprise even in challenging times.

Outlook 2010

2010 will again be characterized by operational and financial restructuring. While the fundamental course was set in 2009, 2010 will be a crucial year to successfully complete the implementation of these measures whereby few elements of the operational restructuring will carry on into 2011. The financial restructuring measures announced today are expected to be implemented during the first half of 2010 and to bring the financial position of the group back to a sustainable level. In parallel to ongoing restructuring efforts, Oerlikon is taking all necessary steps to benefit to the maximum from market upturns.

Where markets are concerned, Oerlikon Group expects modest recovery of business volumes in 2010 which should then pick up in 2011 and the years thereafter. Oerlikon Textile and Oerlikon Advanced Technologies expect a meaningful increase in sales in 2010 compared to 2009. Oerlikon Coating and Oerlikon Vacuum expect moderate growth. Oerlikon Drive Systems expects sales in 2010 to remain stable at a low level. Oerlikon Solar will concentrate on working on its orders on hand and is forecasting a lower level of sales than in the previous year. However, due to the fact that orders are typically large-volume in this segment, it would take only one single change in orders to significantly alter this situation. High restructuring and financing costs will also impact the 2010 Group result. CEO Hans Ziegler comments: "Overall we expect to see slight growth in volumes in the current financial year and a return to operational profitability in the second half of the year."

Segment overview: Signs of recovery

During the period under review, operational business at the segment level has shown initial signs of stabilization and a trend reversal in the main business areas in the second half of 2009. Starting from extremely low levels, Oerlikon Textile, Coating, Vacuum and Advanced Technologies saw some considerable growth in new orders, sales and improved profitability (before restructuring costs) compared to the first half of 2009.

Oerlikon Textile: The segment posted new orders of CHF 1 170 million in 2009 (–14.2 percent year-on-year), with orders on hand totaling CHF 489 million (previous year: CHF 443 million), sales of CHF 1 046 million (–38.1 percent) and EBIT of CHF –424 million (previous year: CHF –281 million). Included in the EBIT are restructuring costs of CHF 49 million and a goodwill impairment charge of CHF 202 million. The 2008 result was negatively impacted by a goodwill impairment charge of CHF 200 million and restructuring costs of CHF 55 million. Due to worsening market conditions, restructuring programs initiated were extended during the course of the year. Targeted cost savings were achieved: fixed costs could be reduced by over 20 percent and hence the break-even point was lowered by CHF 400 million. A comparison between the two halves of the year in 2009 indicates that recovery in the textile machinery sector began in mid-2009. The markets for synthetic fiber systems and textile machinery components, in particular, picked up markedly followed by a steady upward trend for natural fiber equipment, especially in India and Indonesia. All in all, new orders received by Oerlikon Textile during the second half of the year were up by more than 45.8 percent compared to the first six months while sales increased by 43.3 percent.

Oerlikon Coating: Timely, systematic cost-cutting measures enabled Oerlikon Coating to finish 2009 with a positive operating result before restructuring costs of CHF 12 million (previous year: CHF 83 million) despite an unprecedented 36.0 percent drop in sales to CHF 326 million. Reported EBIT came out at CHF –4 million (previous year: CHF 78 million). A comparison between the first

and second halves of the year shows signs of recovery: sales during the second half of 2009 improved steadily to end 6 percent above the sales in the first six months of the year; reported EBIT rose from CHF –6 million to CHF 2 million during this period. This improvement was largely attributable to the fact that the segment was continually adjusting its global network of coating centers to accommodate the markets' shift toward Asia. In 2009 three new coating centers were opened in China, thus bringing the segment's total number of sites in China to seven (24 in Asia as a whole). Positive development in other emerging markets such as Eastern Europe is also continuing. A coating center in Russia started operations in the first quarter of 2010. End of 2009, Oerlikon Coating operated coating centers at 85 sites around the world, making it the sector's undisputed market leader.

Oerlikon Solar: In 2009, the Solar segment posted sales of CHF 442 million (–26.1 percent year-on-year). Orders received amounted to CHF 511 million (–9.7 percent) and orders on hand totaled CHF 317 million (previous year: CHF 429 million). EBIT was CHF –78 million (previous year: CHF 107 million), including restructuring costs of CHF 9 million and a write-down of inventory of around CHF 40 million. Due to the nature of the projects at Oerlikon Solar, which consist of a small number of large volume orders, a direct comparison between the two halves of the year in 2009 is not meaningful for this segment. The decrease in sales at Oerlikon Solar is due to the financial crisis and the global economic slowdown, which resulted in new projects and follow-on orders being cancelled or postponed. Also, conventional silicon wafer technology became more competitive from a cost point of view. Additionally, a follow-on order from a Taiwanese customer had to be cancelled. However, despite the difficult market environment, the company succeeded in winning two important orders: Russia's Hevel LLC ordered a 120 MW end-to-end production line for Micromorph® modules and Greece's HelioSphera placed a follow-on order.

Oerlikon Vacuum: Extensive cost-cutting measures also enabled Oerlikon Vacuum to finish 2009 with a positive operating result before restructuring costs of CHF 10 million, despite a sharp 30.3 percent drop in sales to CHF 324 million. EBIT amounted to CHF –3 million (previous year: CHF 49 million). Orders received came in at CHF 325 million (–29.3 percent) and orders on hand were stable at CHF 68 million as at 31 December 2009. A comparison between the two halves of the year in 2009 showed a 17.4 percent sales growth during the second six months as well as a 24.1 percent improvement in orders received.

Oerlikon Drive Systems: In 2009, the Drive Systems segment posted a 51.4 percent decline in orders received to CHF 569 million as well as a 45.2 percent drop in sales to CHF 660 million. Orders on hand stood at CHF 93 million at the end of 2009 (previous year: CHF 183 million). EBIT including restructuring costs of CHF 16 million fell to CHF –50 million (previous year: CHF 65 million).

Oerlikon Advanced Technologies: 2009 was a year of transformation for the Advanced Technologies segment. The business units Oerlikon Space, Esec and Optics as well as Oerlikon Systems' wafer etch business were sold. At the same time, targeted investments in research and development were made to drive forward the realignment towards future-oriented advanced nanotechnology applications.

Advanced Technologies' performance showed two clearly divergent trends during 2009. The weak semiconductor market caused sales for the year as a whole to decline 52.4 percent to CHF 79 million (previous year: CHF 166 million). Orders on hand stood at CHF 30 million (+25.0 percent) and orders received amounted to CHF 95 million (–31.2 percent). EBIT was CHF –7 million in 2009, including restructuring costs of CHF 4 million (previous year: CHF –88 million including a goodwill impairment of CHF 52 million and restructuring costs of CHF 3 million). The trend in new orders reflects most clearly how the recovery in this business is picking up speed, together with some initial successes in the area of advanced nanotechnology. Orders received in the second half of 2009

were up 96.9 percent over the first six months and sales rose 82.1 percent. EBIT also improved during the second half of the year to end at CHF 6 million compared to CHF –12 million in the first six months.

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About Oerlikon

Oerlikon (SIX: OERL) is a leading high-tech industrial group specializing in machine and plant engineering. The company is a provider of innovative industrial solutions and cutting-edge technologies for textile manufacturing, thin-film coating, drive, vacuum, solar energy systems and advanced nanotechnology. A Swiss company with a tradition going back 150 years, Oerlikon is a global player with around 16,000 employees at 157 locations in 36 countries and sales of CHF 2.9 billion in 2009. The Company invests more than CHF 200 million annually in R&D, with over 1 200 specialists working on future products and services. The operative businesses rank either first or second in their respective global markets.

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