

Surface Solutions Segment's solid performance confirms strategic direction

Dr. Roland Fischer, CEO

Jürg Fedier, CFO

Q3 / 9M 2016 Business Update

November 2, 2016

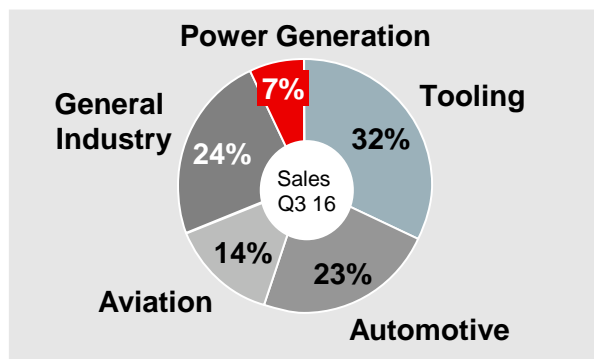
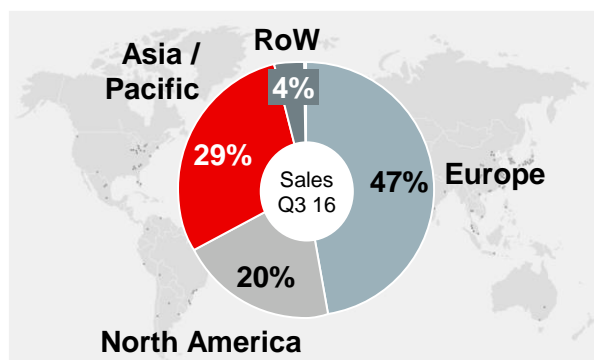


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Surface Solutions Segment – Organic sales growth in weak industrial production environment



in CHF million	Q3 16	Q3 15	y-o-y	y-o-y ex FX	9M 16	y-o-y	y-o-y ex FX
Order intake	300	299	0.3%	-1.1%	917	0.2%	-1.6%
Sales (3 rd parties)	305	296	3.0%	+1.5%	915	1.2%	-0.7%
EBITDA	74	63	17.5%	–	206	6.7%	–
In % of sales	24.1%	21.3%	2.8pp	–	22.5%	1.2pp	–
EBIT	45	38	18.4%	–	121	6.1%	–
In % of sales	14.8%	12.8%	2.0pp	–	13.2%	0.6pp	–



Operational performance:

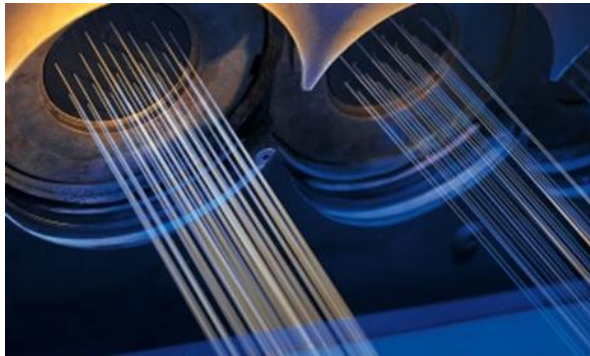
- Organic sales growth (ex FX) driven by aviation and tooling customers; slightly lower in power generation and auto
- Lower commodity prices in materials business continued to impact top-line
- Stable TF¹ service business, overall higher equipment sales
- EBITDA benefited from non-recurring items related to pension plan adjustments (~CHF 8 million CHF) → underlying operating margin slightly above prior year's level

Market development:

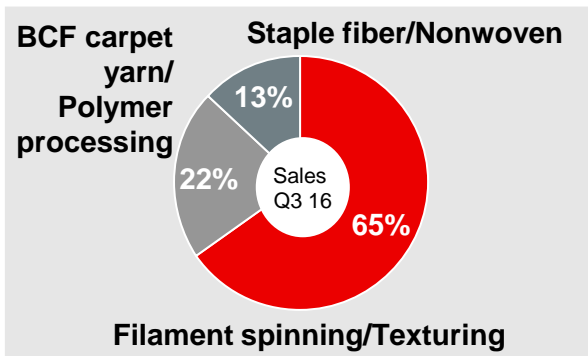
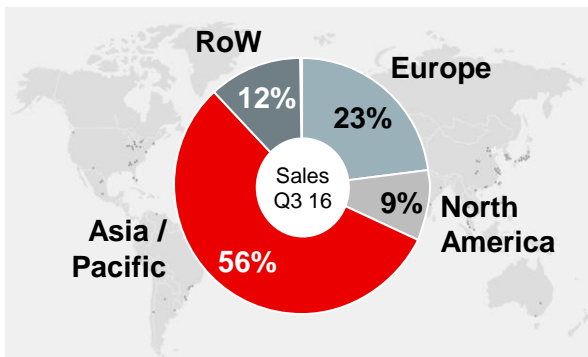
- Tooling in Europe/US softening, positive development in China, gaining market share in Japan
- Automotive market overall stable with some weakness in Europe/USA compensated by strong development in Asia
- Aviation continued to be strong driven by new engine programs
- Power Generation stable with potential from new generation IGT² programs
- Oil & Gas remains on low level

¹ TF = Thin-film; ² IGT = Industrial Gas Turbines

Manmade Fibers Segment – Sequential improvements indicate trough levels in 2016



in CHF million	Q3 16	Q3 15	y-o-y	y-o-y ex FX	9M 16	y-o-y	y-o-y ex FX
Order intake	134	181	-26.0%	-26.1%	383	-34.2%	-35.3%
Sales (3 rd parties)	103	181	-43.1%	-42.8%	340	-43.1%	-44.0%
EBITDA	1	30	-96.7%	–	8	-92.2%	–
In % of sales	0.6%	16.3%	-15.7pp	–	2.3%	-14.9pp	–
EBIT	-4	25	>-100%	–	-6	>-100%	–
In % of sales	-4.1%	13.9%	-18.0pp	–	-1.8%	-16.8pp	–



Operational performance:

- Declining top-line and profitability (year-on-year) driven by downturn in filament market in China
- Sequentially improved sales in staple fibers and BCF¹
- EBITDA improvement (sequentially) due to slightly higher sales and restructuring
- Innovations presented at ITMA Asia → accelerating project discussions with customers

Market development:

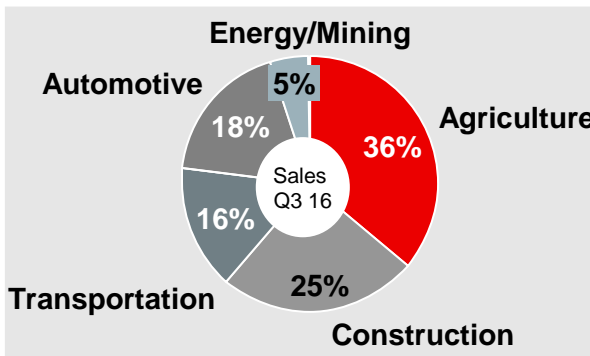
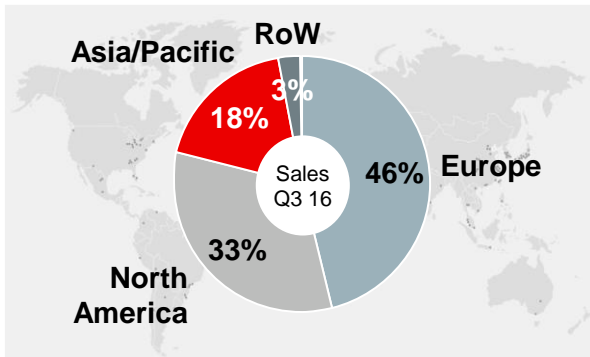
- Chinese filament equipment business shows first signs that shelved investments plans for filament equipment are being resurrected and evaluated → Trough to be reached in 2016
- Positive market prospects for business areas outside filament spinning equipment (Texturing, BCF¹, Plastic Processing & Staple Fibers)
- Challenges heading into 2017 from competitive environment and limited project landscape

¹ BCF = Bulked continuous filament (carpet yarn)

Drive Systems Segment – Higher order intake in weak markets, sequential margin improvement



in CHF million	Q3 16	Q3 15	y-o-y	y-o-y ex FX	9M 16	y-o-y	y-o-y ex FX
Order intake	138	129	7.0%	6.7%	453	2.0%	0.2%
Sales (3 rd parties)	141	157	-10.2%	-10.6%	463	-9.4%	-11.2%
EBITDA	10	16	-37.5%	–	31	-39.2%	–
In % of sales	7.3%	10.1%	-2.8pp	–	6.7%	-3.3pp	–
EBIT	1	6	-83.3%	–	0	-100.0%	–
In % of sales	0.5%	4.0%	-3.5pp	–	0.0%	-4.1pp	–



Operational performance:

- Higher order intake y-o-y related to new project wins and gain of market share (agriculture Asia and Europe)
- Securing joint development projects for products and applications (e-drives)
- Lower sales y-o-y related to drop in energy volumes; not compensated by slightly higher agriculture sales
- Sequentially, EBITDA margin further improved despite lower sales → reshaping initiatives

Market development:

- Agricultural and construction markets continued to be under pressure, positive in India only
- No near-term signals for any significant upturn in oil & gas and mining industry
- Automotive sector remains strong driven by high-performance cars and hybrid / e-drives applications
- Transportation with reduced demand in rail equipment and heavy trucks in the US; Commercial vehicles stable in Europe and growing in India

Update on Drive Systems Segment – Key reshaping initiatives progressing well

Initiative	Description	Progress
Product portfolio	<ul style="list-style-type: none"> Reduce product width and depth with a clear focus on orders with high value added in the area gears, shifting solutions, planetary drives, e-drives/hybrids & PTUs/differentials Transform business from “build to print” to solution/engineered product provider 	<ul style="list-style-type: none"> Improved order quality by reducing number of customers by around 50 Reduced complexity by reducing number of suppliers by more than 300 Selling lower volume products via distributors Acquired 100% of VOCIS (from 51%), an engineering company focused on driveline controls development
Market reach	<ul style="list-style-type: none"> Increase range of applications by rolling out key products into adjacent industries with similar applications, i.e. commercial and utility vehicles 	<ul style="list-style-type: none"> Increased market and customer reach through strategic partnerships (e.g. for electric motors) and by targeting a joint venture for the Chinese mass transportation market Increased internal capabilities and partnerships led to joint development projects with customers in the area of e-axles, e-drives and electronically controlled differentials
Operational excellence	<ul style="list-style-type: none"> Implementation of a focused factory concept with clear lead factories for product lines Improve customer satisfaction Reduce operating costs / increase productivity, i.e. through technology upgrade in Italian plants 	<ul style="list-style-type: none"> Luserna as first “focused factory” for product line gearboxes Quality improvement & customer satisfaction: Won preferred supplier status with multiple customers and was recognized through six customer awards CapEx of CHF 20-30 million planned for technology upgrade in production facilities worldwide Shop-floor reorganization: Manufacturing lay-out optimization / modernization → increase efficiency/reduce staff
Restructuring	<ul style="list-style-type: none"> ~70% of revenues generated in highly cyclical end markets (e.g. agriculture, oil & gas, mining) Major end markets experiencing a significant downturn at the same time → Measures required to adjust organizational set-up to secure profitability 	<ul style="list-style-type: none"> End of 2015: Reduction of ~250 FTEs in the US End of Q3 2016: Reduction of in total ~500 FTEs globally <ul style="list-style-type: none"> USA: ~350 FTEs (incl. voluntary leaves and early retirements) Europe/China: ~150 FTEs thanks to successful execution of first voluntary leave programs in Italy; additional program in preparation

1 Q3 2016 Business Update

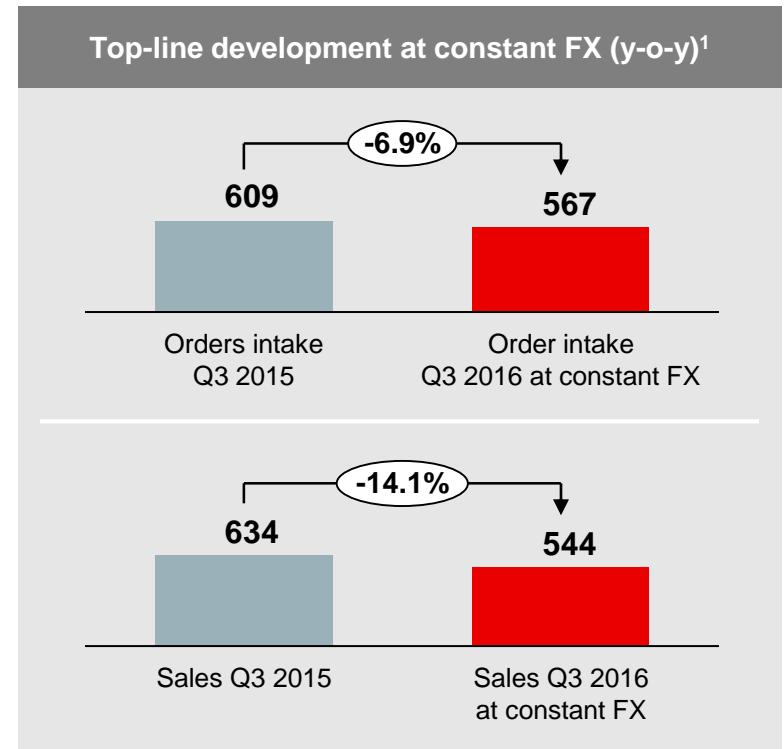
2 Q3 / 9M 2016 Financial Review

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Overall Group performance builds on solid performance of Surface Solutions Segment

in CHF million	Q3 16	Q3 15 ¹	y-o-y	9M 16	y-o-y
Order intake	572	609	-6.1%	1 753	-9.7%
Sales (3 rd parties)	549	634	-13.4%	1 718	-14.7%
EBITDA	81	111	-27.0%	238	-32.6%
In % of sales ²	14.7%	17.5%	-2.8pp	13.8%	-3.7pp
EBIT	37	70	-47.1%	105	-53.9%
In % of sales ²	6.8%	11.1%	-4.3pp	6.1%	-5.2pp

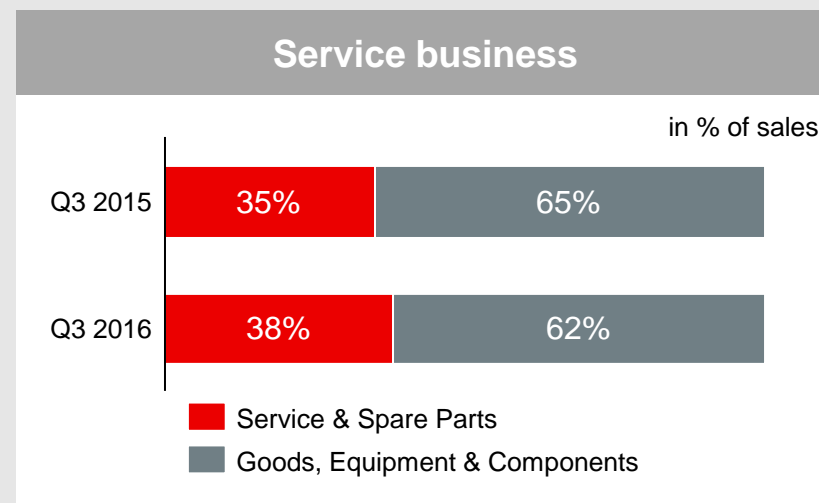
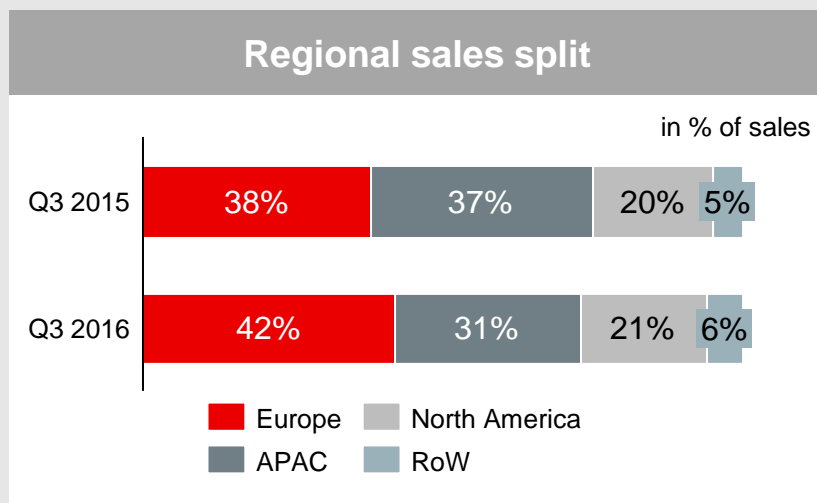
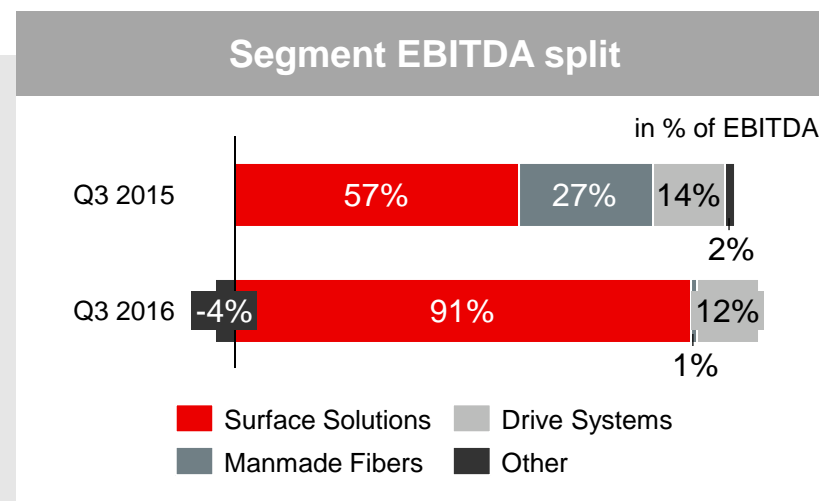
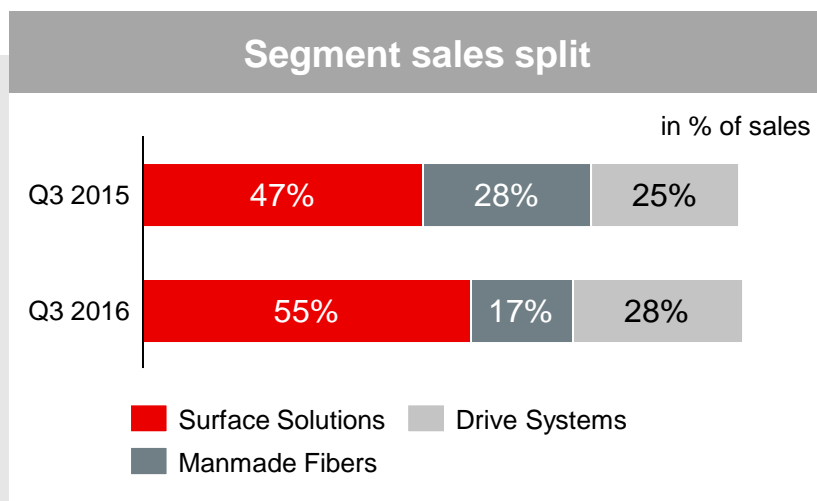


- Manmade Fibers and Drive Systems Segments' weak end markets impact Group top-line and profitability
- Surface Solutions Segment with organic sales growth and strong profitability
- Group book-to-bill >1

Sales growth	Q3 16 vs. Q3 15 (y-o-y)	Q3 16 vs. Q2 16 (q-o-q)
Reported	-13.4%	-4.9%
Performance	-13.9%	-4.7%
FX translation	+0.5%	-0.2%

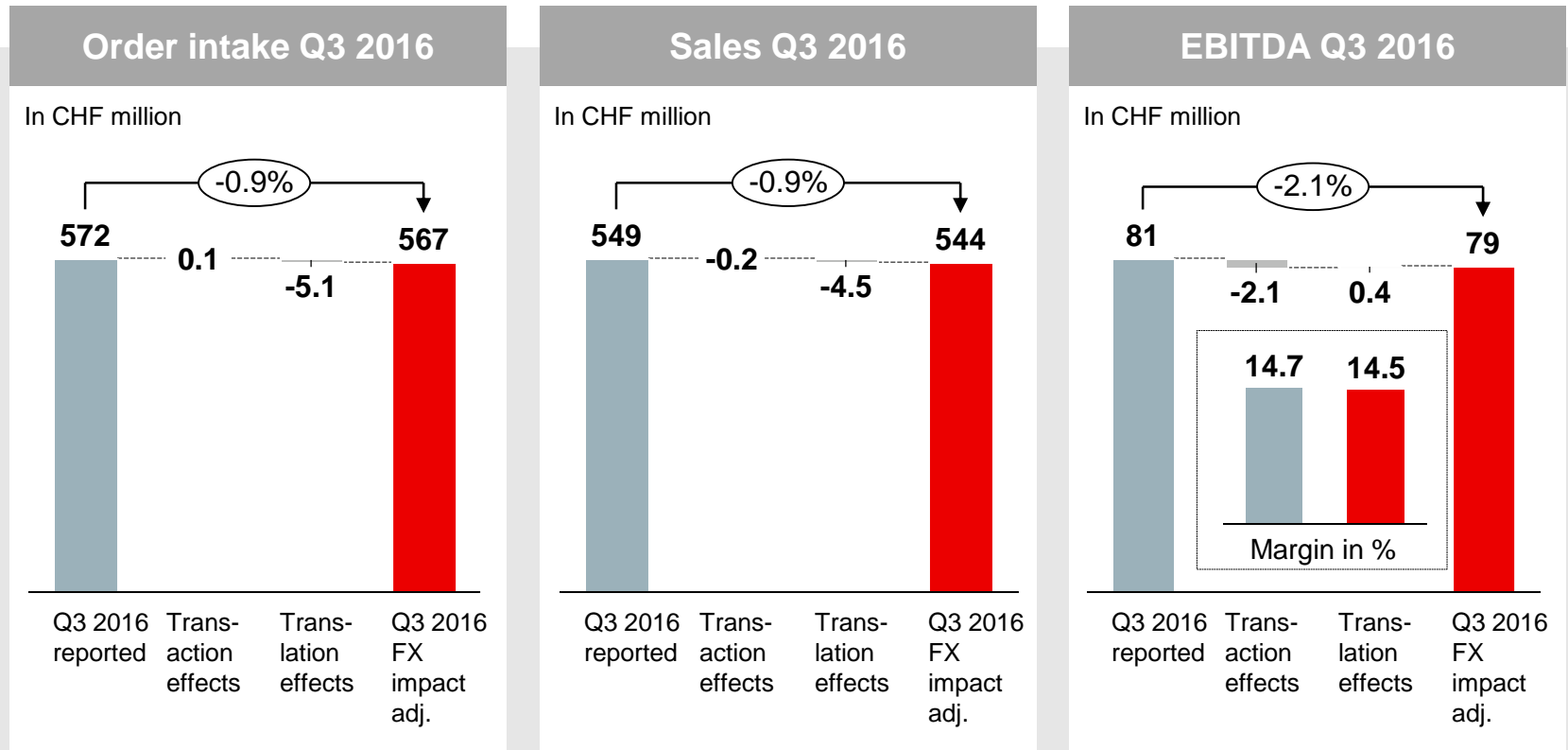
¹ Continuing operations; Q3 / 9M 2015 restated for the sale of the Vacuum Segment; ² Margins calculated on unrounded figures

Business split¹ – Surface Solutions Segment remains value driver of the Group



¹ Continuing operations

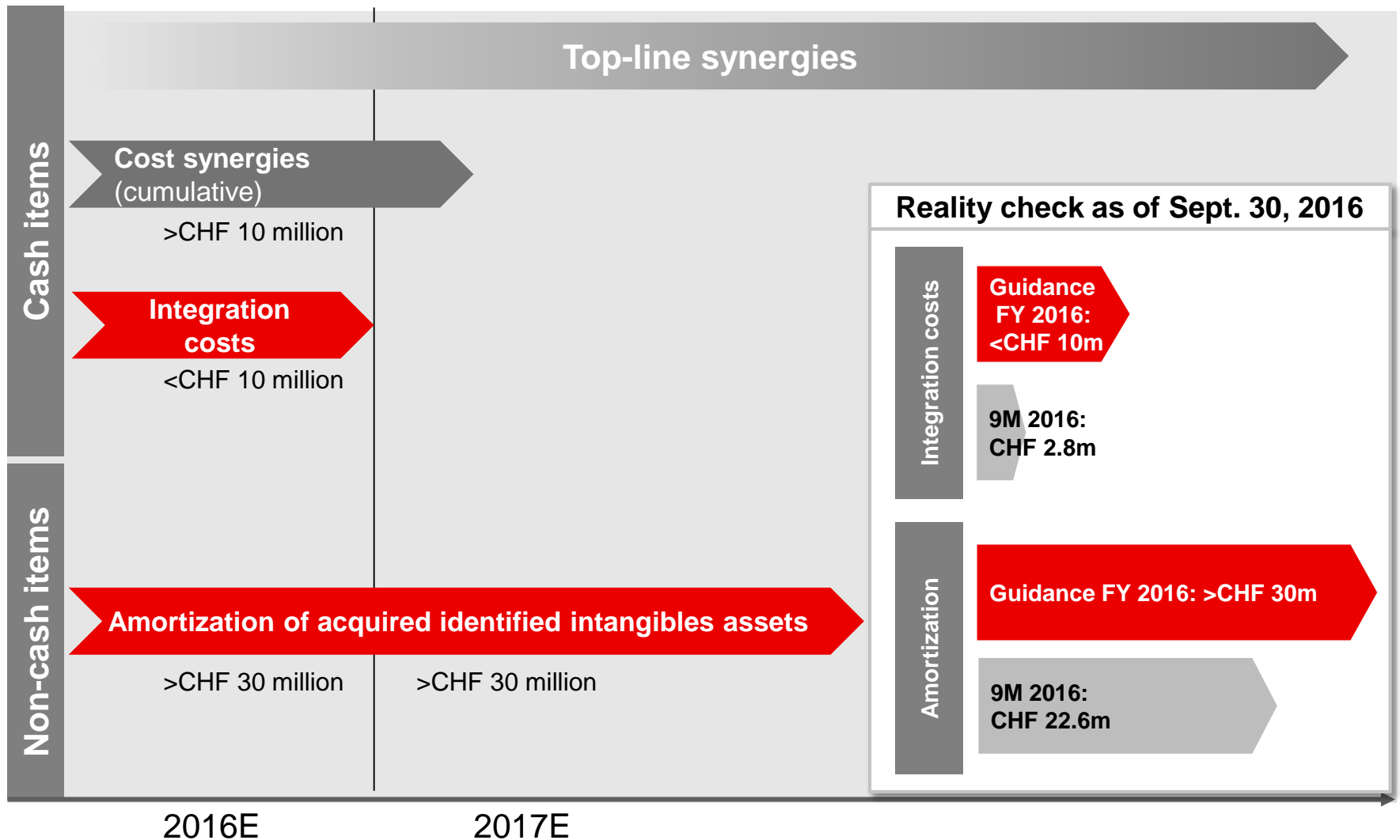
FX impact on Orders, Sales and EBITDA in Q3 2016¹



- Top-line impact mainly related to currency translation as a result of reporting currency CHF
- Appreciation of USD & EUR against CHF overcompensated devaluation of CNY & INR against CHF
- Transaction effect on EBITDA due to manufacturing cost base in India and China (devaluation of local currencies against EUR & USD)

¹ Continuing operations

Financial impact of Metco transaction – Reality check confirms initial assumptions



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2016 outlook confirmed – Focus to protect profitability in challenging environment

Group Guidance

Oerlikon expectations for financial year 2016:

- Order intake and sales within the range of CHF 2.3 billion to CHF 2.5 billion
- EBITDA margin around mid-teens

Underlying assumptions and market conditions:

- Short term: Continued competitive market environment / no improvement in world economic growth anticipated
- Mid/long-term: Attractive growth markets with confirmed underlying drivers
- Continued organic growth in Surface Solutions Segment supported by market growth, increasing number of applications and market penetration
- New market reality in manmade fibers industry impacting Segment and Group top-line
- Demand slowly recovering from trough levels in Drive Systems Segment

1. Surface Solutions with organic growth and solid underlying profitability
2. Reaching the trough in Manmade Fibers in 2016 and further progress in reshaping initiatives in Drive Systems
3. Full year guidance for 2016 confirmed

1 Q3 2016 Business Update

2 Q3 / 9M 2016 Financial Review

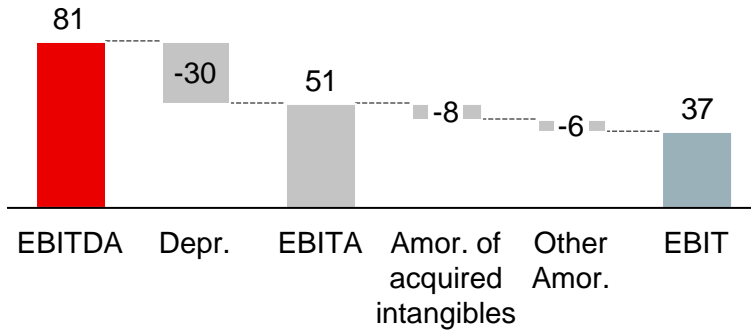
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EBITDA to EBIT bridge per Segment

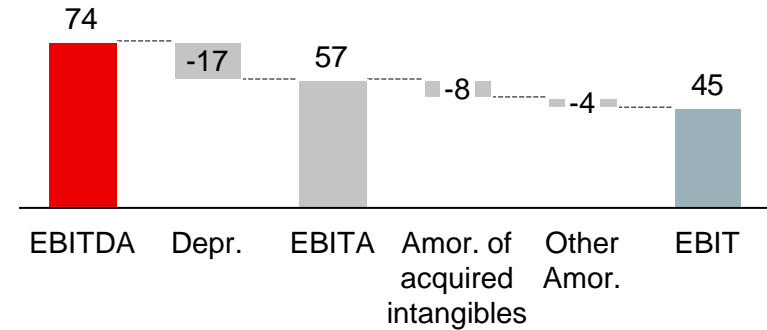
Oerlikon Group – Q3 2016

In CHF million



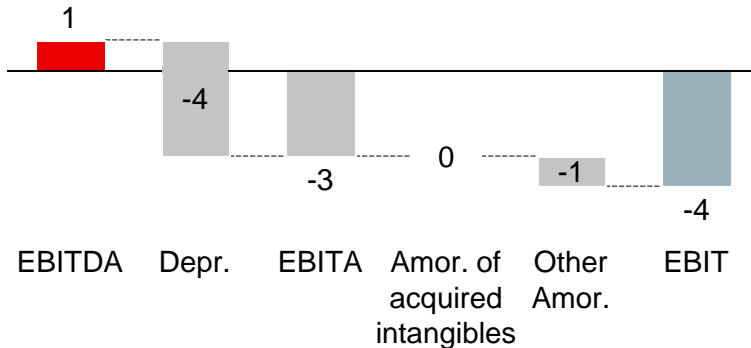
Surface Solutions Segment – Q3 2016

In CHF million



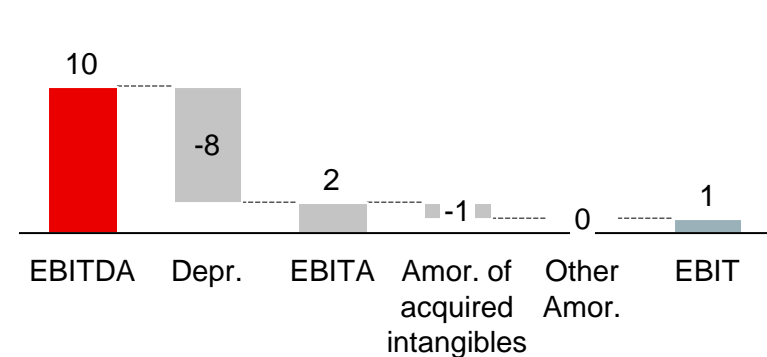
Manmade Fibers Segment – Q3 2016

In CHF million



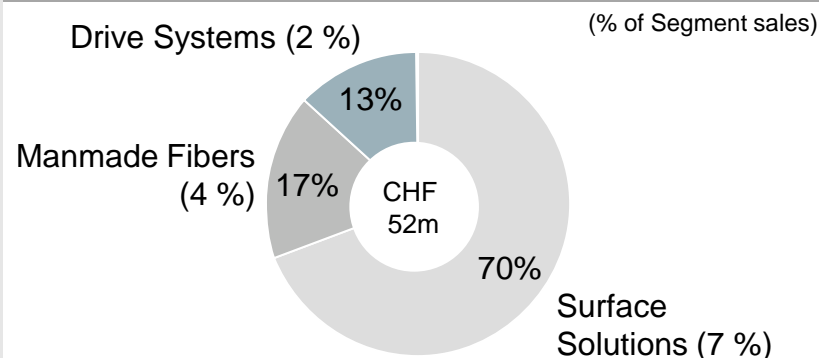
Drive Systems Segment – Q3 2016

In CHF million

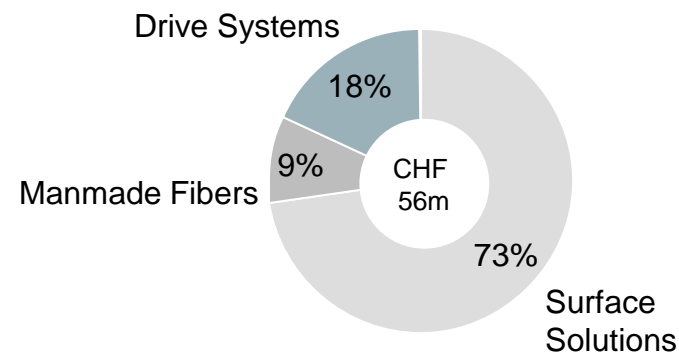


R&D and CapEx on Segment level¹

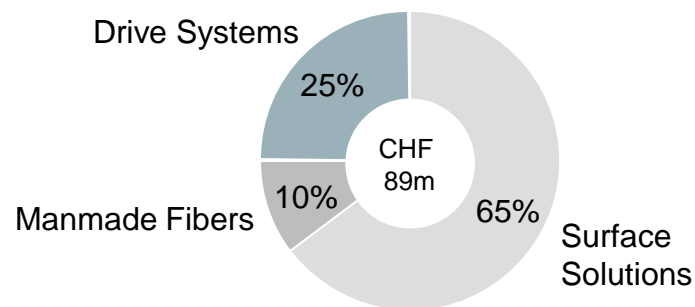
R&D expenses H1 2016



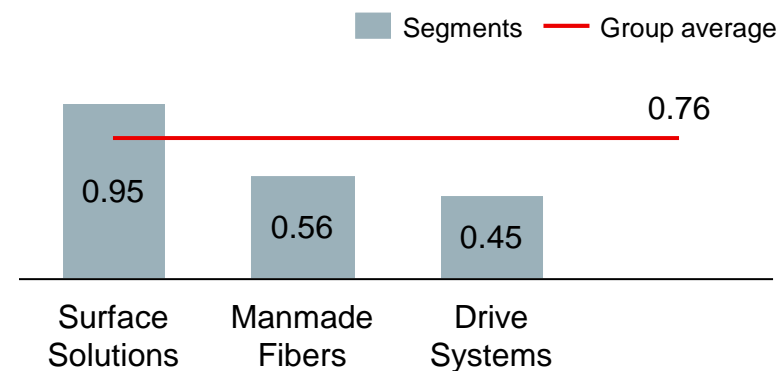
CapEx H1 2016



Depreciation & Amortization H1 2016²



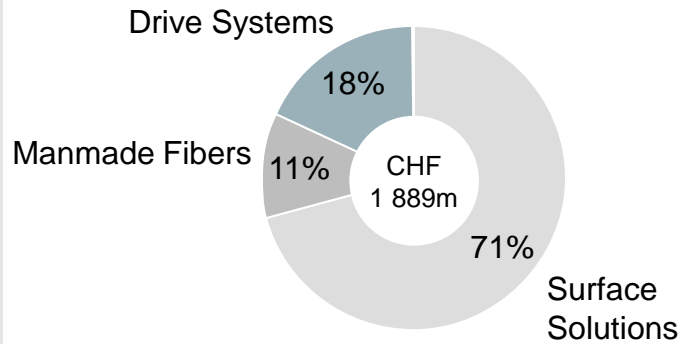
CapEx / Depr. & Amort. H1 2016³



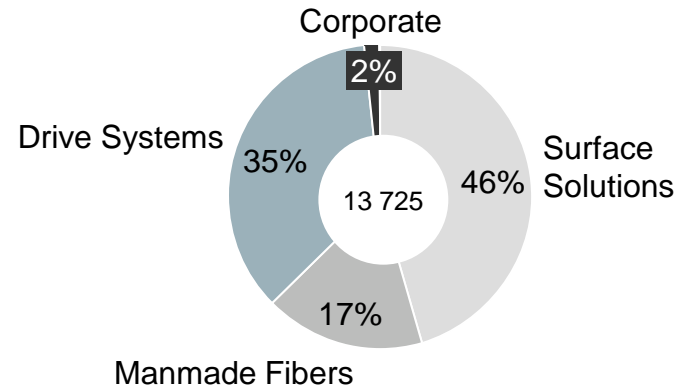
¹ H1 2016 continuing operations; ² Reported; ³ Excluding CHF 15.1 million amortization of acquired intangible assets in Surface Solutions Segment

Asset allocation and employees on Segment level¹

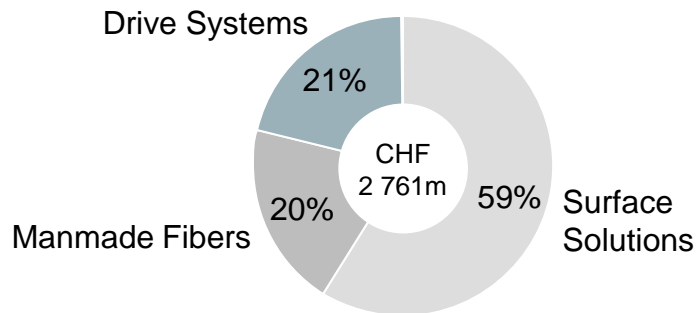
Net operating assets H1 2016



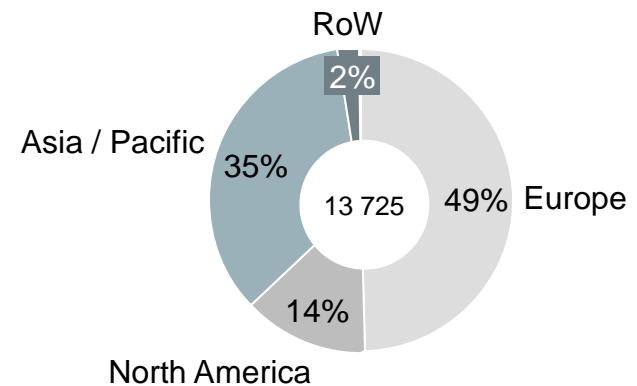
Employees (FTE) by Segment H1 2016



Operating Assets H1 2016



Employees (FTE) by Region H1 2016



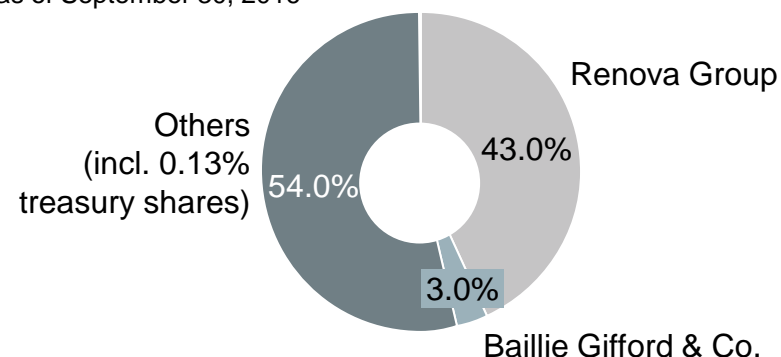
¹ H1 2016 continuing operations

Oerlikon shares

- Listed on Swiss Exchange (SIX) since 1973
- Securities symbol: OERL
- Securities number 81 682
- ISIN: CH0000816824
- No. of shares outstanding: 339 758 576 shares
- Re-entry to Swiss SMIM on April 17, 2012
- Addition to STOXX Europe 600 as of June 18, 2012

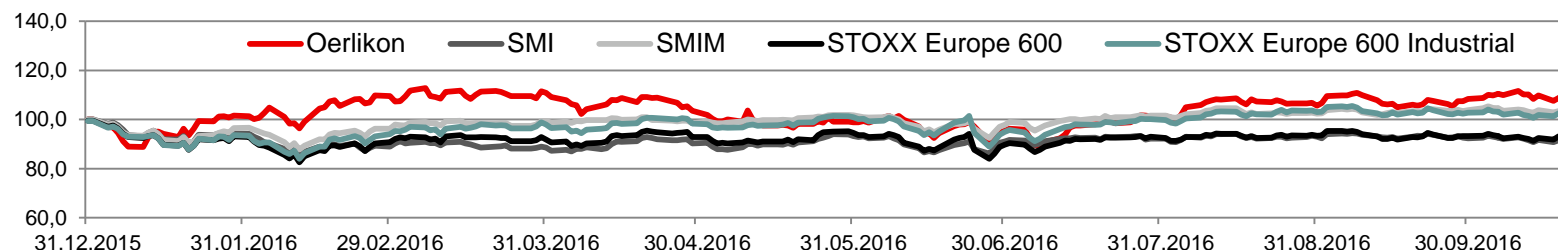
Oerlikon shareholder structure¹

as of September 30, 2016



Oerlikon share price development

as of October 21, 2016, indexed; 100 percent = closing price per December 30, 2015



¹ Based on latest notification by Renova (as of December 17, 2015 of 146 222 889 shares) and Baillie Gifford (as of February 17, 2016, of 10 326 470 shares)

Coverage – 7 Buy/Accumulate & 7 Hold/Neutral

Broker	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Pierre-Yves Gauthier	Buy	06.10.2016	12.30
Baader Helvea	Reto Amstalden	Buy	05.08.2016	12.50
Bank am Bellevue	Alessandro Foletti	Hold	05.08.2016	8.90
Berenberg Bank	Sebastian Künne	Hold	05.10.2016	9.40
Credit Suisse	Patrick Laager	Outperform	21.10.2016	11.00
Jefferies	Graham Phillips	Hold	20.10.2016	10.50
Kepler Cheuvreux	Hans-Joachim Heimbürger	Hold	14.09.2016	8.00
MainFirst	Michael Inauen	Outperform	24.10.2016	11.50
Mirabaud Securities LLP	Thomas Baumann	Buy	03.08.2016	11.50
RBC Capital Markets	Wasi Rizvi	Outperform	03.08.2016	11.00
Société Générale	Christophe Quarante	Hold	02.08.2016	9.50
UBS	André Rudolf von Rohr	Buy	16.09.2016	10.50
Vontobel	Michael Foeth	Hold	12.05.2016	11.00
Zürcher Kantonalbank	Armin Rechberger	Marketweight	27.10.2016	-
Consensus		7 positive 7 neutral		10.58

February 28, 2017

Q4 / FY 2016 results and publication of Annual Report 2016
- Annual Press Conference

April 11, 2017

Annual General Meeting of Shareholders
- KKL Lucerne

May 2, 2017

Q1 2017 Results
- Media & Analyst Conference Call

August 8, 2017

Q2 / HY 2017 results and publication of Interim Report 2017
- Media & Analyst Conference Call

October 31, 2017

Q3 / 9M 2017 results
- Media & Analyst Conference Call

**OC Oerlikon Management AG, Pfäffikon
Churerstrasse 120
CH – 8808 Pfäffikon SZ
Switzerland**

**Andreas Schwarzwälder
Head of Investor Relations**

**Phone: +41-58-360-9622
Mobile: +41-79-810-8211
E-mail: ir@oerlikon.com**



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