

Surface solutions business sustained operating profitability in demanding market environment

Dr. Roland Fischer, CEO

Jürg Fedier, CFO

Q2 / H1 2016 Business Update

August 2, 2016



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Solid operational performance – Organizational structure to be transformed in line with strategy

Q2 2016 performance

- Surface Solutions Segment with solid result and return to sequential growth and strong profitability
- Drive Systems Segment with sequential sales growth
- Manmade Fibers Segment challenges remain
- Group book-to-bill >1
- Group EBITDA (13.9 %) sequentially improved despite lower sales
- Full-year guidance confirmed

CEO assessment after 100 days @ Oerlikon

- Great technology, competencies and portfolio
- Long-term customer relations in key growth markets
- Challenging market situation in several key markets
- Potential to expand into new markets and industries (expertise, competencies and funding)
- Address growth opportunities more actively
- Need to create a more agile organization

CEO priorities

- Secure execution of Group and Segment strategy
- Accelerate growth in additive manufacturing
- Further strengthen and develop people/leadership
- Increase customer proximity
- Expand customer and market base
- Drive digitalization of Oerlikon
- Optimize global footprint
- Optimize Group-wide cost structure

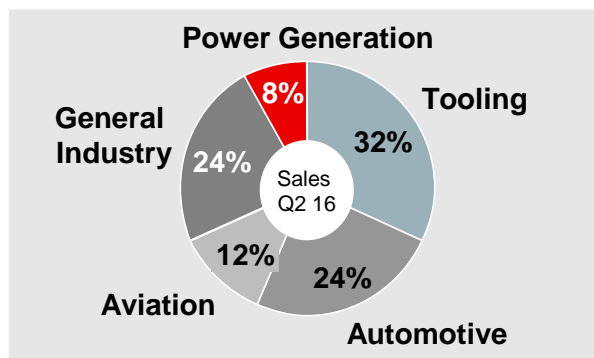
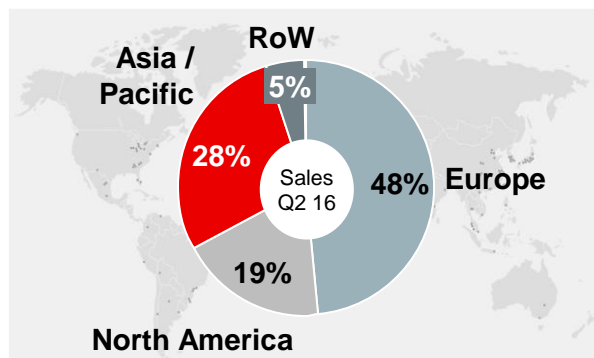
Transformation of organizational structure

- Integration of Group's Headquarters and Surface Solutions Segment into one single organization
- Leaner and more market-focused organization
- CEO Roland Fischer to lead Surface Solutions businesses with immediate effect
- Roland Herb appointed Chief Commercial Officer for Surface Solutions – relinquishes role as Segment CEO and Group Executive Committee Member
- New structure expected to be in place Jan. 2017

Surface Solutions Segment – Back to top-line growth and strong profitability in Q2



| in CHF million | Q2 16 | Q2 15 | y-o-y | y-o-y ex FX | H1 16 | y-o-y | y-o-y ex FX |
|---------------------------------|-------|-------|---------|-------------|-------|---------|-------------|
| Order intake | 311 | 299 | 4.0% | 1.2% | 617 | 0.2% | -1.8% |
| Sales (3 rd parties) | 315 | 309 | 1.9% | -0.7% | 609 | 0.0% | -2.1% |
| EBITDA | 71 | 69 | 2.9% | – | 133 | 2.3% | – |
| In % of sales | 22.4% | 22.2% | 0.2 pp | – | 21.7% | 0.4 pp | – |
| EBIT | 43 | 42 | 2.4% | – | 76 | 0.0% | – |
| In % of sales | 13.4% | 13.6% | -0.2 pp | – | 12.4% | -0.1 pp | – |



Operational performance:

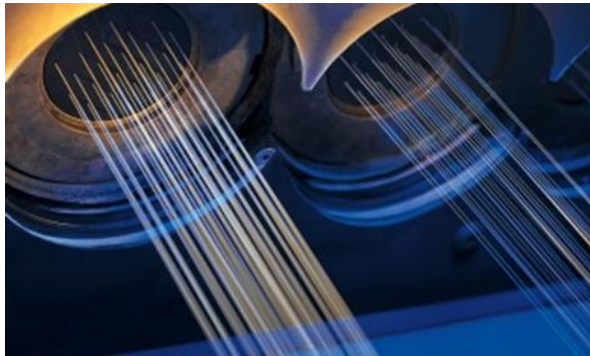
- Order intake and sales with slight growth, despite low to negative growth in industrial production (IP)
- Lower commodity prices in materials business still impacting top-line
- Good growth in TF¹ service business, lower equipment sales volume and strict cost management → strong profitability
- AM² with good growth albeit at a low base & development of strategic partnerships

Market development:

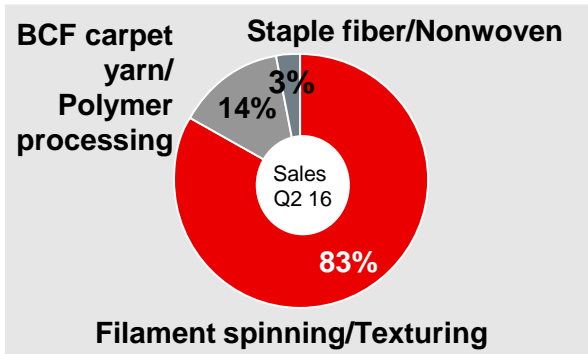
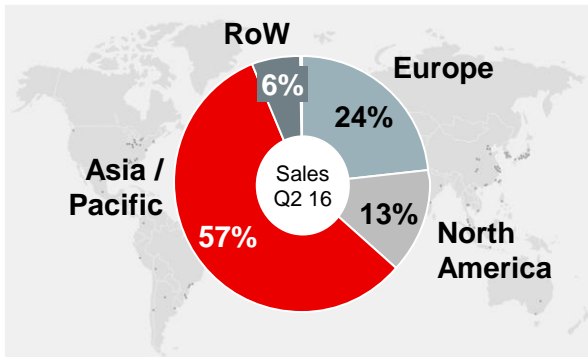
- Tooling in Europe/Asia stable, strong in India and softer in the US – major tool manufacturers with negative growth
- Automotive market overall stable with some weakness in Europe, slight growth in the US and positive momentum in Asia
- Aviation picking up slightly (new engine generations) - MRO³ activity remains low
- Power Generation with positive signals in IGT⁴ from new generation turbine programs
- Oil & Gas remains on low level

¹ TF = Thin-film; ² AM = Additive Manufacturing (3D printing); ³ MRO = Maintenance, Repair & Overhaul; ⁴ IGT = Industrial Gas Turbines

Manmade Fibers Segment – Continued challenges in filament market in China



| in CHF million | Q2 16 | Q2 15 | y-o-y | y-o-y ex FX | H1 16 | y-o-y | y-o-y ex FX |
|---------------------------------|-------|--------|----------|-------------|-------|----------|-------------|
| Order intake | 125 | 197 | -36.5% | -38.4% | 249 | -37.9% | -39.4% |
| Sales (3 rd parties) | 98 | 209 | -53.1% | -54.4% | 237 | -43.2% | -44.5% |
| EBITDA | -2 | 37 | >-100% | – | 7 | -90.4% | – |
| In % of sales | -1.6% | 17.6 % | -19.2 pp | – | 3.0% | -14.6 pp | – |
| EBIT | -6 | 32 | >-100% | – | -2 | >-100% | – |
| In % of sales | -6.1% | 15.6 % | -21.7 pp | – | -0.8% | -16.4 pp | – |



Operational performance:

- Order intake sequentially flat driven by DTY¹ business mainly in China and large Staple Fiber orders (Turkey)
- Sales impacted by timing of projects and shifting of some projects
→ expected to pick up in H2
- Slightly negative EBITDA
→ low sales level not fully absorbable by restructuring and strict cost control

Market development:

- 3 phase model from China's 13th 5-year plan confirmed
→ first 1-2 years focusing on increasing capacity utilization
- DTY¹ and Staple Fibers continue positive trend from Q1
- Demand for specialties / niche products increases
→ limited top-line potential
- BCF² markets in North America and Europe show some recovery
→ projects under negotiation

¹ DTY = Draw-textured yarn (during texturing, pre-oriented yarn is permanently crimped using friction); ² BCF = Bulked continuous filament (carpet yarn)

The release of the 13th Chinese five-year plan confirmed our latest assessment

Main tasks of China's chemical fiber industry¹

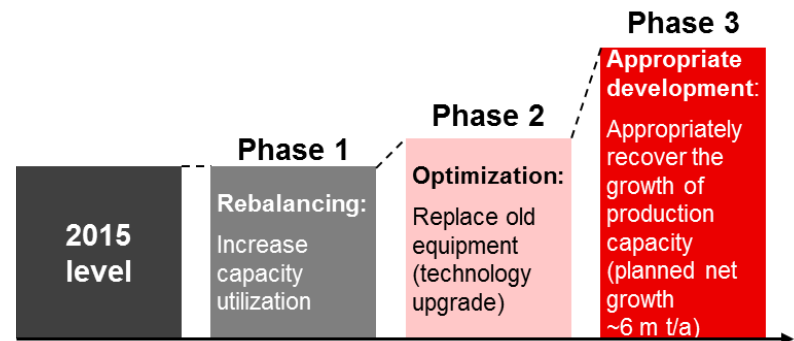
Industry tasks according to 13th Chinese five-year plan (2016 – 2020):

- 1) **Speed up restructuring** and ensure industry transformation / revitalization
- 2) Push forward **technological progress** and improve innovation ability, e.g. new functional fibers or industrial production of high-performance fibers
- 3) Develop **intelligent manufacturing** and facilitate integration of industrialization with information technology → encourage enterprises to set up smart factories
- 4) Develop **green manufacturing** and promote reclamation of resources, e.g. new dyeing technologies and recycling technologies for scrapped PET bottles/chips
- 5) Develop **innovative modes of growth** and improve soft power of industry, e.g. increase publicity of brands, improve the industry's quality testing systems

Industry development targets

Release of 13th Chinese five-year plan confirmed latest assessment as of November 2015:

- **Average annual growth rate** of capacity expected to be around 3% (statement as of Nov. 2015: around 3%) ✓
- Chinese government controlling the installation of new production capacity to **improve utilization** of existing capacity (utilization rate in 2015: 76%) ✓
- **Three overlapping phases** in 13th five-year plan: ✓

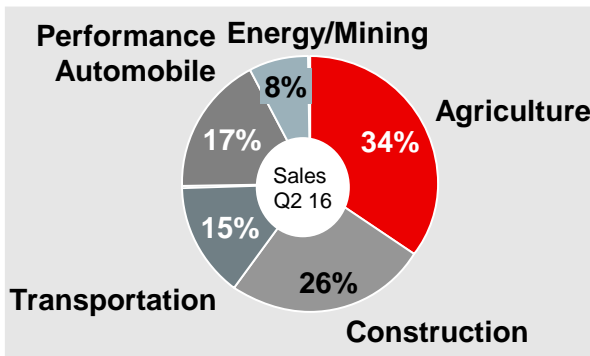
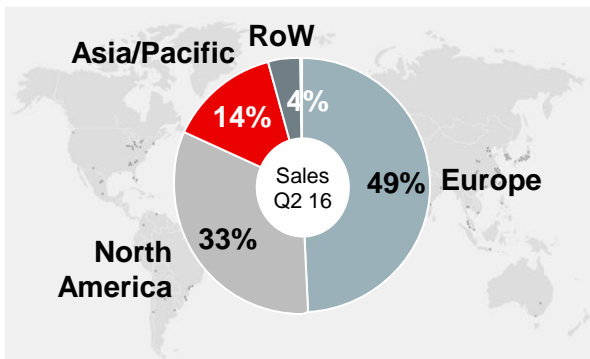


¹ Source: China National Textile and Apparel Council

Drive Systems Segment – Order intake gaining momentum and profitability sequentially up



| in CHF million | Q2 16 | Q2 15 | y-o-y | y-o-y ex FX | H1 16 | y-o-y | y-o-y ex FX |
|---------------------------------|-------|--------|---------|-------------|-------|---------|-------------|
| Order intake | 158 | 143 | 10.5% | 7.2% | 315 | 0.0% | -2.4% |
| Sales (3 rd parties) | 164 | 171 | -4.1% | -6.5% | 323 | -8.8% | -11.1% |
| EBITDA | 12 | 17 | -29.4% | – | 21 | -40.0% | – |
| In % of sales | 7.1% | 10.0 % | -2.9 pp | – | 6.4% | -3.6 pp | – |
| EBIT | 1 | 7 | -85.7% | – | -1 | >-100% | – |
| In % of sales | 0.6% | 4.0 % | -3.4 pp | – | -0.2% | -4.4 pp | – |



Operational performance:

- Good recovery of order intake due to incremental new business wins despite negative end market development
- Slight sequential improvement of sales and operational excellence/restructuring → profitability sequentially improved (year-on-year impacted by product mix)
- Voluntary retrenchment programs → 110 FTE contracts signed in Italy

Market development:

- Continued low demand for agricultural equipment (larger tractors & combines); Turkey however with strong growth & India showing signs of recovery
- Construction in Europe at reduced levels, China remains weak and US mixed, India showing signs of recovery
- Transportation in US and China with significant decline in heavy freight rail
- Oil and mining equipment markets remain depressed

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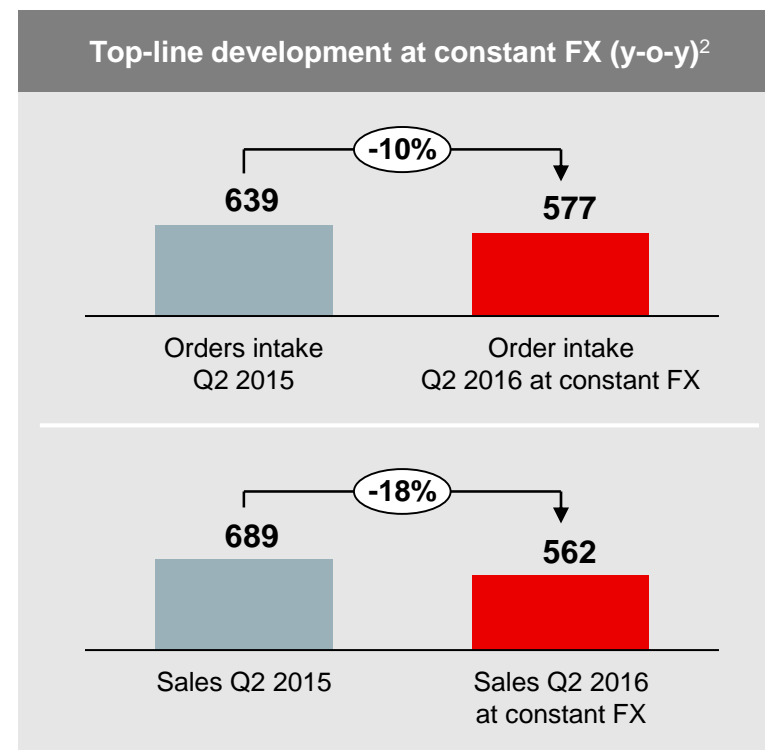
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Group performance driven by Surface Solutions and affected by Manmade Fibers



| in CHF million ¹ | Q2 16 | Q2 15 | y-o-y | H1 16 | y-o-y |
|---------------------------------|-------|--------|---------|-------|---------|
| Order intake | 594 | 639 | -7.0% | 1 181 | -11.3% |
| Sales (3 rd parties) | 577 | 689 | -16.3% | 1 169 | -15.3% |
| EBITDA | 80 | 123 | -35.0% | 157 | -35.1% |
| In % of sales | 13.9% | 17.8 % | -3.9 pp | 13.4% | -4.1 pp |
| EBIT | 36 | 81 | -55.6% | 68 | -56.7% |
| In % of sales | 6.2% | 11.7 % | -5.5 pp | 5.8% | -5.6 pp |

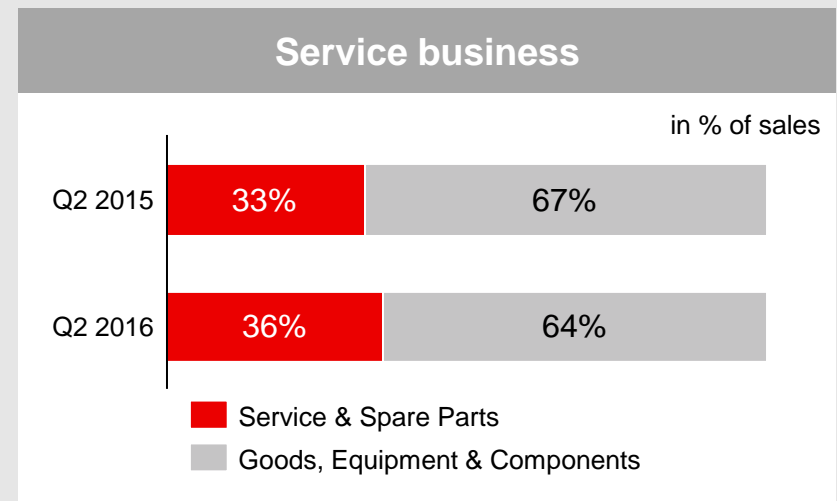
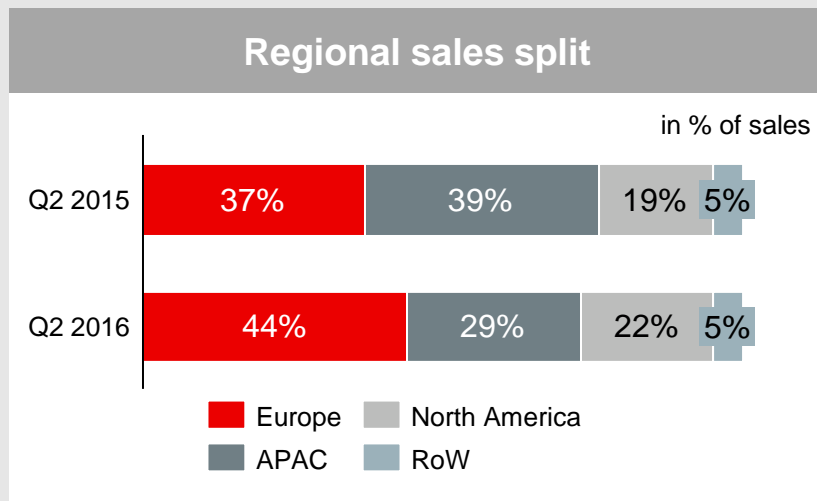
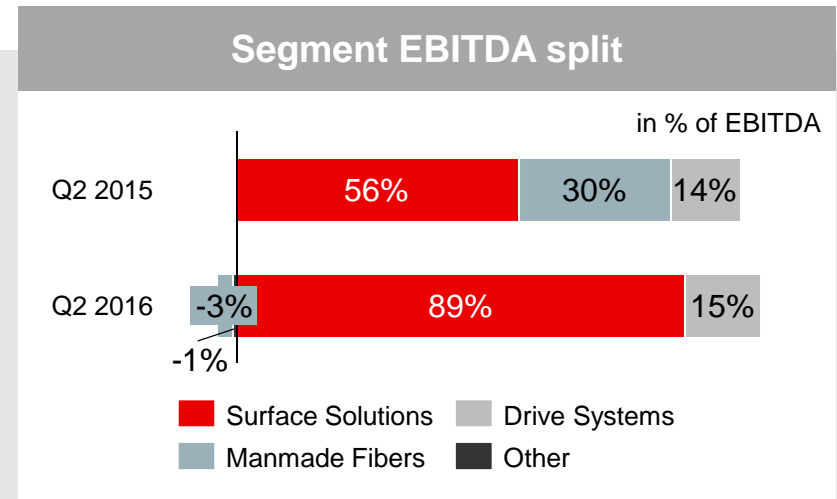
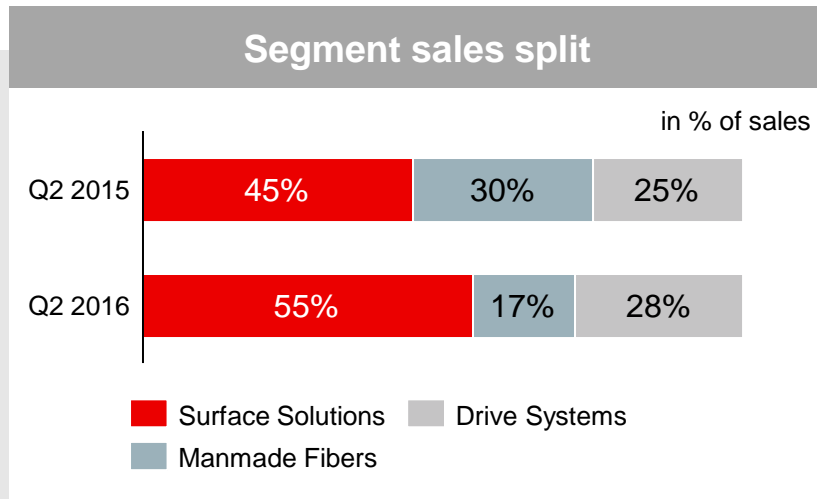
- Group orders and sales in Q2 and half-year below prior year, mainly due to manmade fibers market
- Surface Solutions Segment with solid Q2 results, improved sequentially and year-on-year
- Drive Systems Segment with new customer wins and sequential sales growth in Q2



| Sales growth | Q2 16 vs. Q2 15 (y-o-y) | Q2 16 vs. Q1 16 (q-o-q) |
|-----------------|-------------------------|-------------------------|
| Reported | -16.3% | -2.5% |
| Performance | -18.7% | -2.0% |
| FX translation | +2.4% | -0.5% |

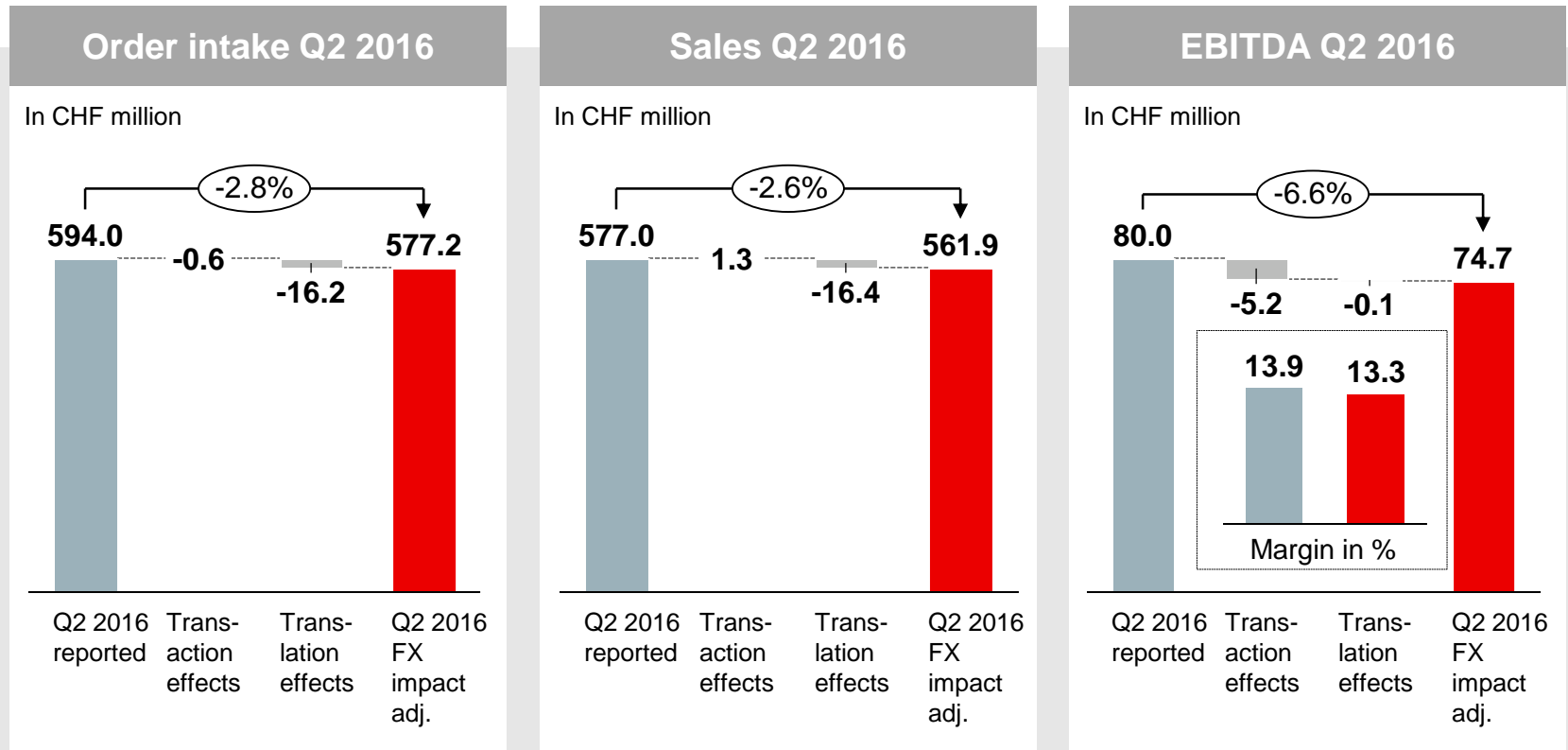
¹ Continuing operations; Q2 / H1 2015 restated for the announced sale of the Vacuum Segment; ² Percentage change calculated on unrounded figures

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



¹ Continuing operations

FX impact on Orders, Sales and EBITDA in Q2 2016¹



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

¹ Continuing operations

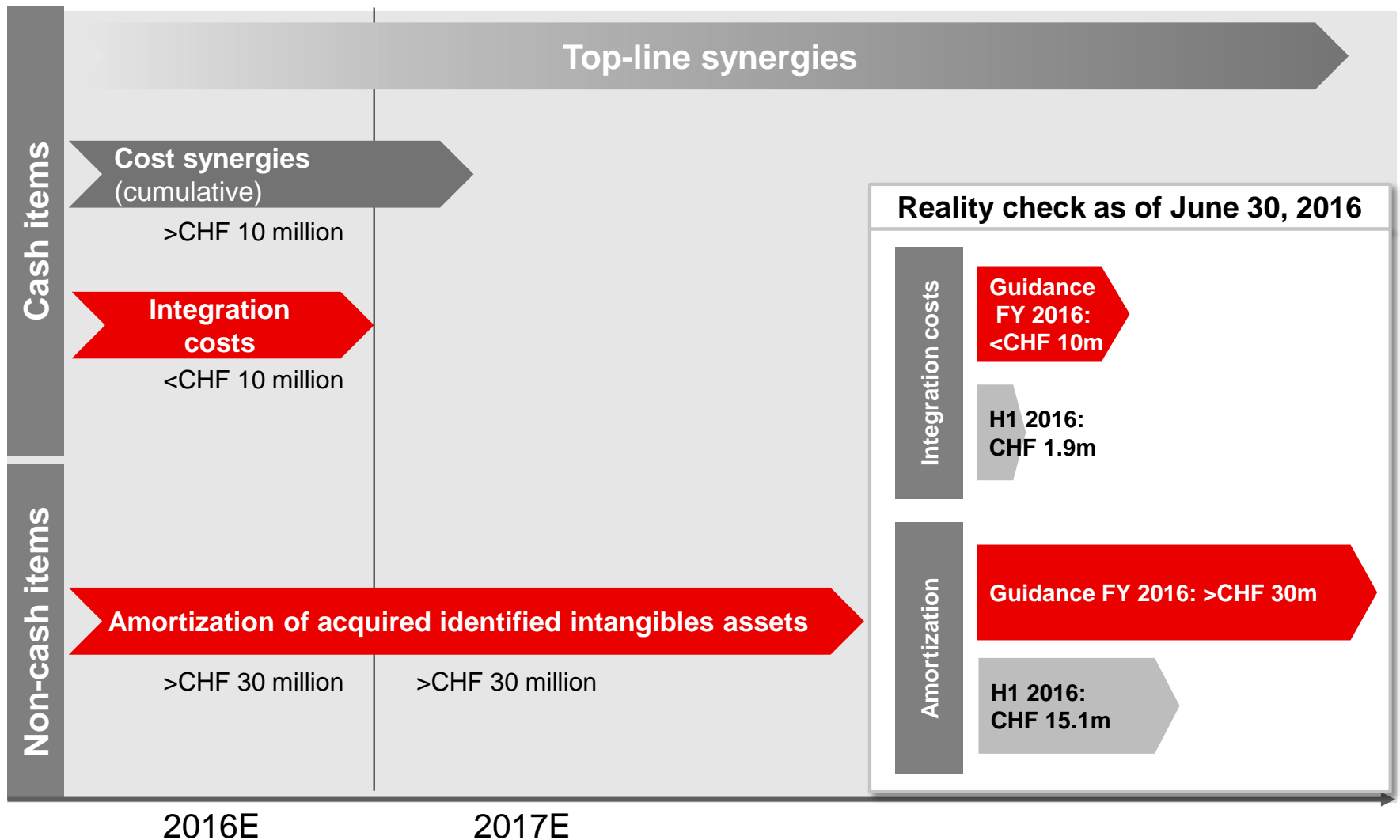
Key figures Oerlikon Group



| in CHF million | H1 2016 | H1 2015 | Δ |
|--|--------------|--------------------|-------------------|
| Order intake ¹ | 1 181 | 1 332 | -11.3% |
| Order backlog ¹ | 401 | 540 | -25.7% |
| Sales ¹ | 1 169 | 1 380 | -15.3% |
| EBITDA ¹ % of sales | 157 13.4% | 242 17.5% | -35.1% -4.1 pp |
| EBIT ¹ % of sales | 68 5.8% | 157 11.4% | -56.7% -5.6 pp |
| Result from continuing operations ¹ % of sales | 31 2.7% | 98 7.1% | -68.4% |
| Net income | 43 | 87 | -50.6% |
| EPS | 0.12 | 0.25 | -50.6% |
| Cash flow from operating activities ² | 144 | 225 | -36.0% |
| Net operating assets (incl. goodwill and brands) | 1 889 | 1 875 ³ | +0.7% |

¹ H1 2016 continuing operations, H1 2015 restated for announced sale of Vacuum Segment; ² before changes in net current assets; ³ As of Dec. 31, 2015

Financial impact of Metco transaction – Reality check confirms initial assumptions



Net income impacted by lower top-line and some CHF 10 million one-off costs

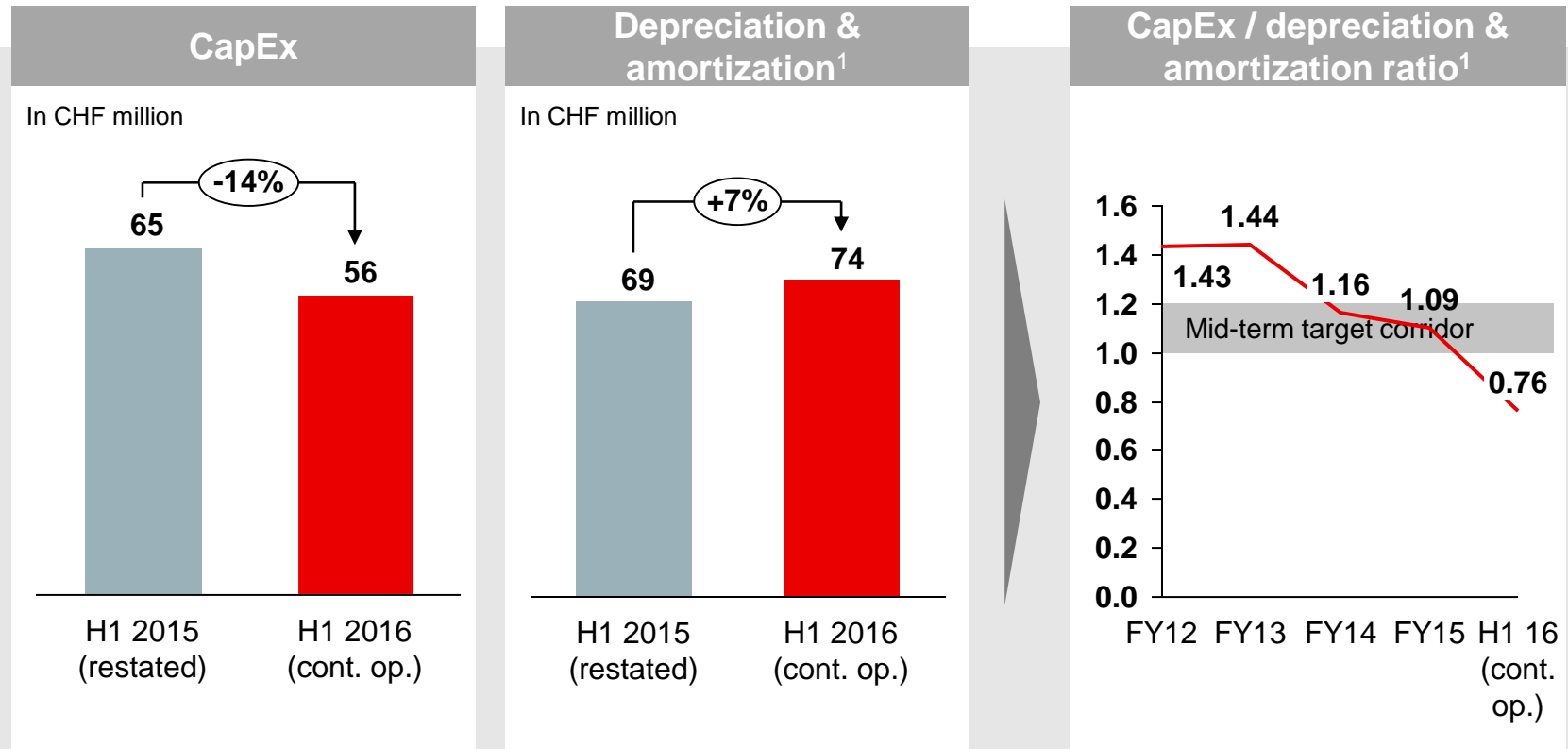
| in CHF million | H1 2016 | H1 2015 ¹ | Δ |
|---|--------------|----------------------|-------------------|
| Result before interest and taxes (EBIT) ¹ in % of sales | 68 5.8% | 157 11.4% | -56.7% -5.6 pp |
| Financial result ¹ | -13 | -18 | 27.8% |
| Result before taxes (EBT) ¹ in % of sales | 55 4.7% | 139 10.1% | -60.4% -5.4 pp |
| Income taxes ¹ in % of EBT | -24 43.6% | -41 29.5% | 41.5% 14.1 pp |
| Result from continuing operations ¹ in % of sales | 31 2.7% | 98 7.1% | -68.4% -4.4 pp |
| Result from discontinued operations ² | 12 | -11 | >100% |
| Net income | 43 | 87 | -50.6% |

¹ H1 2016 continuing operations, H1 2015 restated for announced sale of Vacuum Segment; ² H1 2015 restated

Strong unleveraged balance sheet with an equity ratio of 35%

| in CHF million | H1 2016 | FY 2015 |
|--|--------------|--------------|
| Cash and cash equivalents | 756 | 840 |
| Trade and trade notes receivable | 392 | 405 |
| Inventories | 378 | 360 |
| Assets classified as held for sale | 307 | 290 |
| Property, plant and equipment | 723 | 751 |
| Goodwill and intangible assets | 1 136 | 1 130 |
| Total other assets | 374 | 321 |
| Total assets | 4 066 | 4 097 |
| Trade payables | 226 | 242 |
| Current customer advances | 147 | 132 |
| Liabilities classified as held for sale | 247 | 233 |
| Non-current loans and borrowings | 459 | 458 |
| Non-current post-employment benefit provisions | 550 | 434 |
| Total other liabilities | 1 003 | 1 026 |
| Total liabilities | 2 632 | 2 525 |
| Total equity | 1 434 | 1 572 |
| Total equity ratio | 35% | 38% |
| Net liquidity | 0 | 79 |

Group CapEx / depreciation ratio at 0.76 due to timing of CapEx projects



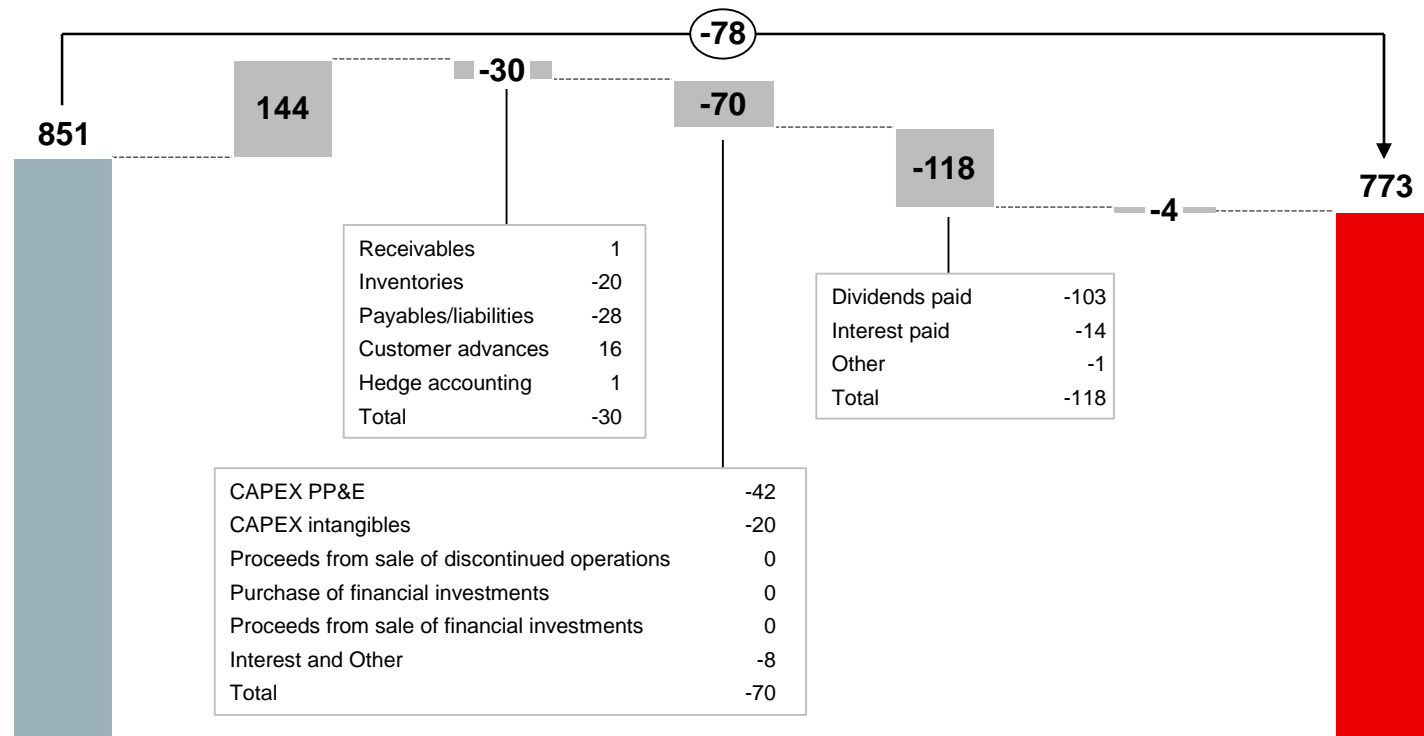
- Surface Solutions Segment ratio of 0.95¹ due to investments in footprint and expansion
- Manmade Fibers Segment ratio of 0.56 due to ongoing restructuring and market cycle
- Drive Systems Segment ratio at 0.45 due to timing of CapEx projects

¹ Excluding amortization of acquired intangible assets

Solid operating cash flow in H1 2016

Consolidated cash flow statement H1 2016

In CHF million



Cash and cash equivalents at the beginning of the period¹

Operating activities before changes in net current assets

Changes in net current assets

Investing activities

Financing activities

Conversion adjustments to cash and cash equivalents

Cash and cash equivalents at the end of the period¹

¹ Includes cash and cash equivalents that are included in «Assets classified as held for sale»

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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. Positive results from the Surface Solutions Segment endorse the strategic direction and course of the Group
2. Organizational structure transformed in line with Group strategy
3. Full-year guidance for 2016 confirmed

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H1 2016 key figures by Segment

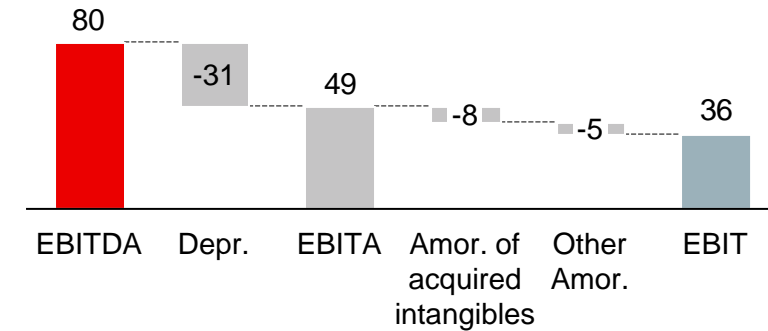
| in CHF million | Surface Solutions | Manmade Fibers | Drive Systems |
|--|-------------------|-------------------|------------------|
| Order intake Δ to H1 2015 | 617 0.2% | 249 -37.9% | 315 0.0% |
| Order backlog Δ to H1 2015 | 91 12.3% | 209 -33.7% | 101 -29.9% |
| Sales (to 3rd parties) Δ to H1 2015 | 609 0.0% | 237 -43.2% | 323 -8.8% |
| EBITDA Δ to H1 2015 | 133 2.3% | 7 -90.4% | 21 -40.0% |
| EBITDA margin¹ Δ to H1 2015 | 21.7% +0.4 pp | 3.0% -14.6 pp | 6.4% -3.6 pp |
| EBIT Δ to H1 2015 | 76 0.0% | -2 >-100% | -1 >-100% |
| EBIT margin¹ Δ to H1 2015 | 12.4% -0.1 pp | -0.8% -16.4 pp | -0.2% -4.4 pp |
| Net operating assets Δ to FY 2015 | 1 356 +2.3% | 213 -5.3% | 343 -1.7% |
| No. of employees Δ to FY 2015 | 6 264 +2.0% | 2 305 -8.8% | 4 939 +2.2% |

¹ as % of sales

EBITDA to EBIT bridge per Segment

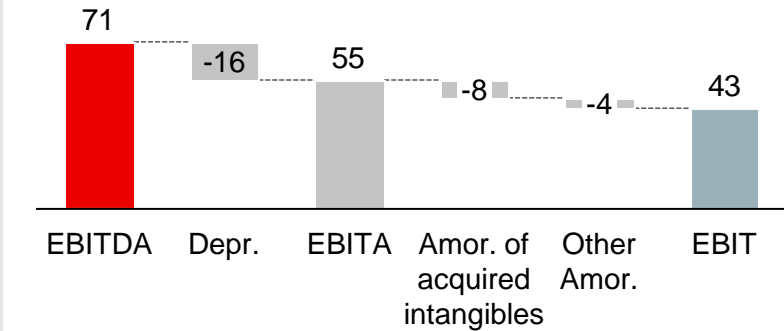
Oerlikon Group – Q2 2016

In CHF million



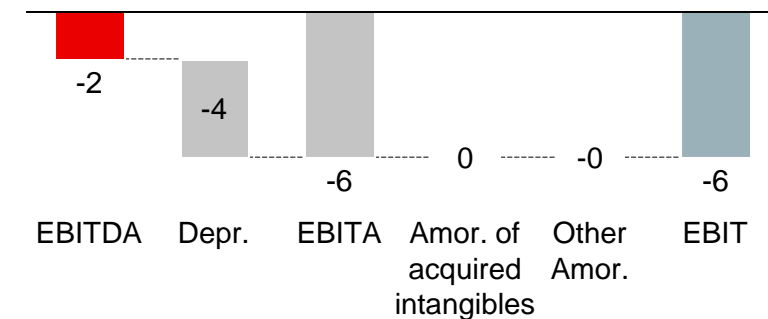
Surface Solutions Segment – Q2 2016

In CHF million



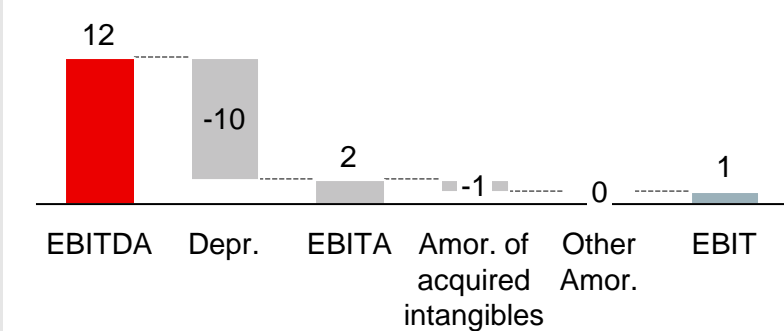
Manmade Fibers Segment – Q2 2016

In CHF million



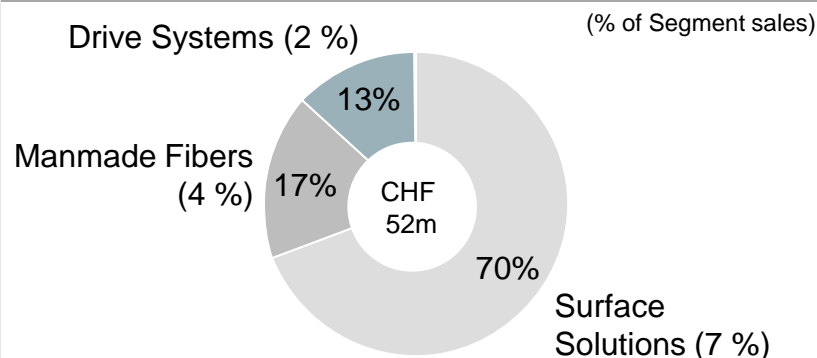
Drive Systems Segment – Q2 2016

In CHF million

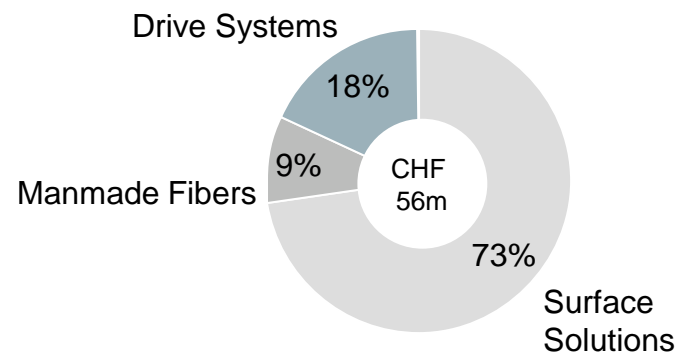


R&D and CapEx on Segment level¹

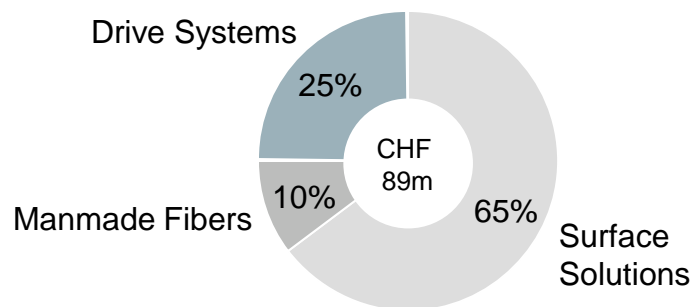
R&D expenses H1 2016



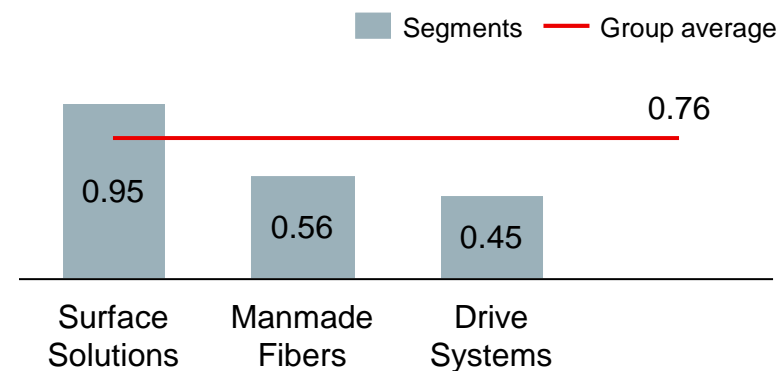
CapEx H1 2016



Depreciation & Amortization H1 2016²



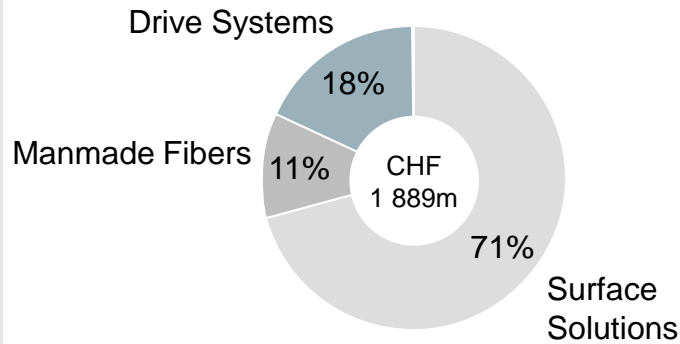
CapEx / Depr. & Amort. H1 2016³



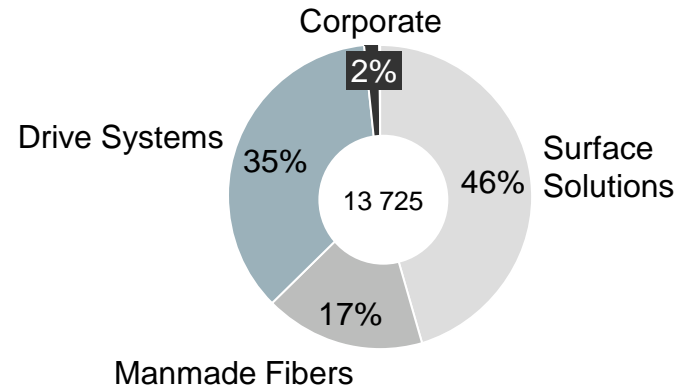
¹ H1 2016 continuing operations; ² Reported; ³ Excluding CHF 15.1 million amortization of acquired intangible assets in Surface Solutions Segment

Asset allocation and employees on Segment level¹

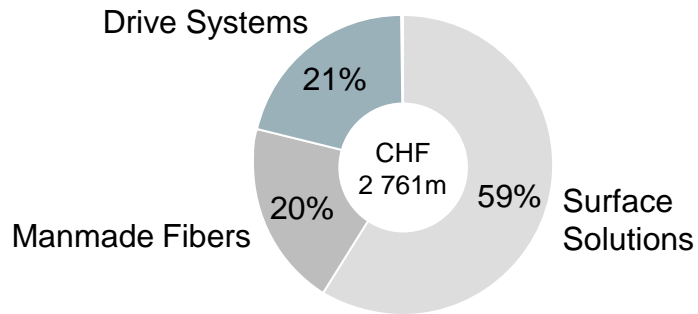
Net operating assets H1 2016



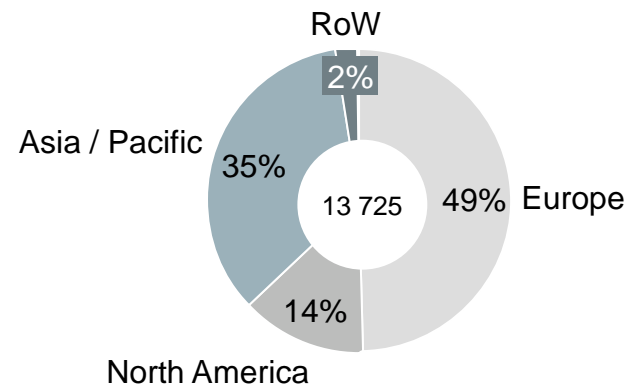
Employees (FTE) by Segment H1 2016



Operating Assets H1 2016



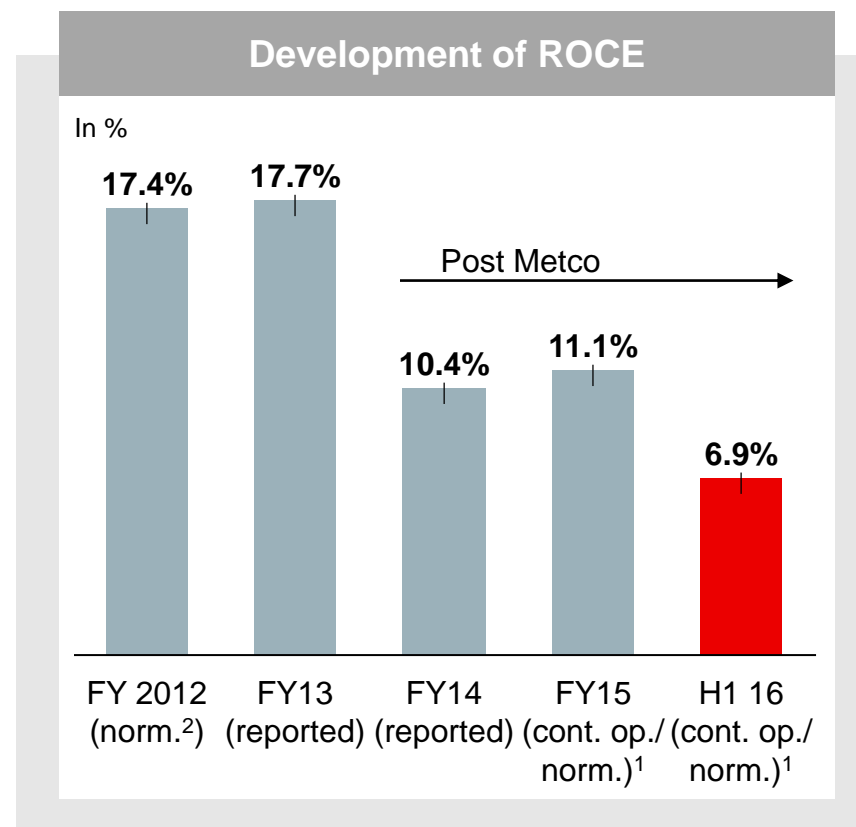
Employees (FTE) by Region H1 2016



¹ H1 2016 continuing operations

Normalized Return On Capital Employed (ROCE) excl. one-time effects at 6.9 %

| Oerlikon Definition of ROCE (rolling 12 month) | H1 2016 | FY 2015 |
|---|--------------|--------------|
| EBIT (normalized) ¹ | 193 | 282 |
| - Total current income tax (norm.) ¹ | -73 | -88 |
| - Total deferred tax income | 13 | 12 |
| NOPAT (normalized) | 133 | 206 |
| Net Operating Assets | 1 889 | 1 875 |
| + Current income tax receivables | 45 | 44 |
| + Deferred tax assets | 181 | 142 |
| - Current income tax payables | -41 | -44 |
| - Deferred tax liabilities | -158 | -157 |
| Capital Employed | 1 917 | 1 860 |



- NOPAT lower due to lower top-line / profitability in Manmade Fibers Segment
- Lower operating asset base due to announced divestment of Vacuum Segment and impairments
- Reported ROCE for H1 2016 of -23.1 % due to one-time restructuring costs and impairments in Q4 15

¹ Normalized EBIT excl. one-time restructuring costs of CHF 112 million and impairments of CHF 476 million in Q4 2015; Current income taxes adjusted accordingly

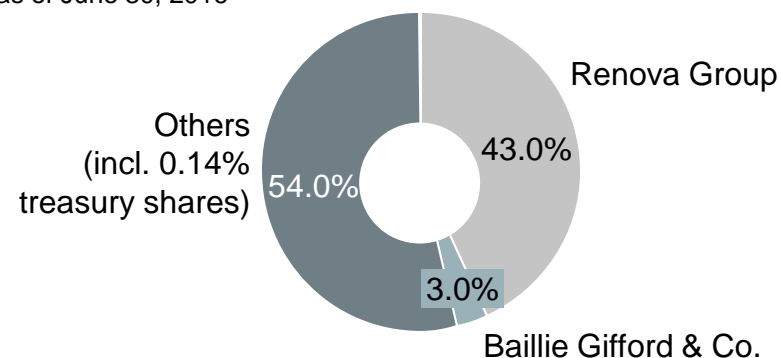
² Normalized EBIT excl. one-time effect of sale of Arbon property of CHF 39 million

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

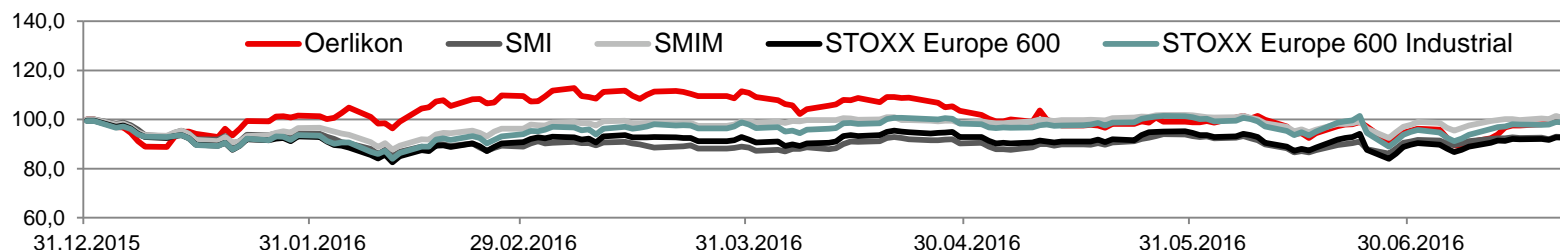
Oerlikon shareholder structure¹

as of June 30, 2016



Oerlikon share price development

as of July 22, 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 – 8 Buy/Accumulate & 6 Hold/Neutral

| Broker | Analyst | Recommendation | Date of last update | Target price |
|-------------------------|-------------------------|---------------------------------|---------------------|--------------|
| AlphaValue | Pierre-Yves Gauthier | Buy | 21.07.2016 | 12.90 |
| Baader Helvea | Reto Amstalden | Buy | 18.07.2016 | 12.50 |
| Bank am Bellevue | Alessandro Foletti | Hold | 11.05.2016 | 8.70 |
| Berenberg Bank | Sebastian Künne | Hold | 27.05.2016 | 9.20 |
| Credit Suisse | Patrick Laager | Outperform | 25.05.2016 | 11.00 |
| Jefferies | Graham Phillips | Buy | 26.07.2016 | 11.00 |
| Kepler Cheuvreux | Hans-Joachim Heimbürger | Hold | 18.07.2016 | 8.00 |
| MainFirst | Michael Inauen | Outperform | 11.05.2016 | 11.50 |
| Mirabaud Securities LLP | Thomas Baumann | Buy | 10.05.2016 | 11.50 |
| RBC Capital Markets | Wasi Rizvi | Outperform | 22.07.2016 | 10.00 |
| Société Générale | Christophe Quarante | Hold | 25.05.2016 | 9.50 |
| UBS | André Rudolf von Rohr | Buy | 20.07.2016 | 10.50 |
| Vontobel | Michael Foeth | Hold | 12.05.2016 | 11.00 |
| Zürcher Kantonalbank | Armin Rechberger | Marketweight | 11.05.2016 | - |
| Consensus | | 8 positive 6 neutral | | 10.61 |

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|--------------------------|--|
| March 01, 2016 | Q4 / FY 2015 results and publication of Annual Report 2015 - Annual Press Conference |
| April 5, 2016 | Annual General Meeting of Shareholders - KKL Lucerne |
| May 10, 2016 | Q1 2016 Results - Media & Analyst Conference Call |
| August 2, 2016 | Q2 / HY 2016 results and publication of Interim Report 2016 - Media & Analyst Conference Call |
| November 02, 2016 | Q3 / 9M 2016 results - Media & Analyst Conference Call |

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