oerlikon

Media Release

Increase in orders received signals beginning of recovery

Q1 2010 results confirm positive trends since H2 2009

- Book-to-bill ratio increases from 0.9 to 1.3
- Financial restructuring agreement reached
- Clear priorities for the remainder of 2010:
  - Implementation of financial and operational restructuring measures
  - Continued stringent capital management during the recovery
- Oerlikon confirms expectations for 2010 with modest recovery of business volumes and an expected return to operational profitability (before restructuring costs) in the second half of the year across the portfolio.

Key figures for the Oerlikon Group as of March 31, 2010

In CHF million (continuing operations)	**Q1/2010**	Q1/2009	**Delta**
Orders received	**937**	571	+64 percent
Orders on hand	**1,202**	1,124	+7 percent
Sales	**705**	634	+11 percent
EBIT	**-14**	-114	
Net result	**-104**	-167	
Cash flow from operating activities before changes in net current assets	**23**	-68	

***Pfäffikon SZ, May 18, 2010* – In Q1 2010, the Oerlikon Group was able to build on the positive trends observed since the second half of 2009. A significant increase of 64 percent in orders received compared to Q1 2009 to CHF 937 million reflects an improvement in Oerlikon's businesses and markets. Sales grew by 11 percent to CHF 705 million compared to Q1 2009. EBIT improved from CHF -114 million in Q1 2009 to CHF -14 million in Q1 2010. Net financial expenses reached CHF -86 million, driven by increased interest expenses and a one-time write-off of capitalized fees under the existing debt facilities. As a consequence, Q1 2010 showed a net loss of CHF 104 million. "The significant increase in orders received indicates the continuation of the recovery which we have seen since the second half of 2009 for the majority of our segments. The improvement in our key markets and operations as well as the financial restructuring we are currently implementing provide support for the successful turnaround of Oerlikon", says CEO Hans Ziegler.**

Orders received for the Oerlikon Group's continuing operations were up 64 percent year-on-year from CHF 571 million in Q1 2009 to CHF 937 million in Q1 2010. Orders received also showed an increase of 33 percent in comparison to Q4 2009, thus confirming the positive trend that has set in since the businesses stabilized in the second half of 2009. Orders on hand as of 31 March, 2010 amounted to CHF 1 202 million vs. CHF 1 124 million at 31 March, 2009 (+7 percent). Sales increased by 11 percent year-on-year to CHF 705 million in the first quarter of 2010 (Q1 2009: CHF 634 million). In the same period, the Group's book-to-bill ratio improved from 0.9 to 1.3.

Compared to the prior year's first quarter, the majority of Oerlikon's segments experienced a steady inflow of new orders. Oerlikon Textile and Advanced Technologies more than doubled their orders received, while Oerlikon Coating, Vacuum and Drive Systems posted significant growth rates. In the absence of large orders for end-to-end solutions, Oerlikon Solar received a few after-sales orders as expected.

In a year-on-year comparison, the positive development of Group sales was predominantly driven by Oerlikon Textile, which increased its sales to third parties by approx. 48 percent compared to Q1 2009. The remaining operations of the Oerlikon Advanced Technologies segment achieved growth in sales to third parties of 44 percent, while sales at Oerlikon Coating and Vacuum grew by approx. 12 and 20 percent respectively. Although Oerlikon Drive Systems is recovering from a low level and recorded its second consecutive quarter of improving sales, sales in Q1 2010 were still 20 percent below the Q1 2009 level. Based on the percentage-of-completion accounting method, Oerlikon Solar recognized some sales on existing contracts with its customers Hevel and Heliosphera, as no major shipments were scheduled. "We are benefiting from a broader recovery of global textile markets, combined with an overall improvement in the market environment for manufacturing industries. However, we still have a considerable way to go before Oerlikon will operate again in a satisfying profitable manner", says COO Thomas Babacan.

EBIT improved from CHF -114 million in Q1 2009 to CHF -14 million in Q1 2010. With the exception of Oerlikon Drive Systems, all of Oerlikon's segments were able to improve their operating result. As a consequence of the decrease in sales, Oerlikon Drive Systems posted a loss at EBIT level of CHF -5 million, compared to a small positive EBIT of CHF 1 million in the same period in the previous year. "Overall, we believe we are well on our way to reaching operational profitability before restructuring costs at Group level in the second half of the year," says CEO Hans Ziegler.

The Group's quarterly net loss of CHF 104 million was mainly impacted by net financial expenses of CHF -86 million (prior year CHF -21 million). The increase in net financial expenses was due to higher debt levels compared to the previous period, higher interest rates as a result of the amendment of the existing credit facilities in June 2009 as well as one-time write-offs of previously capitalized fees in the amount of CHF 29 million, which related to the existing syndicated loan facilities, as a consequence of the agreed financial restructuring. The Group's net loss was further impacted by income taxes of CHF -5 million (prior year CHF -5 million) and a small positive contribution from discontinued operations of CHF 1 million (prior year CHF -27 million).

Operational restructuring: In the first three months of 2010, Oerlikon continued to focus on the implementation of the initiated operational restructuring measures. CHF 1 million of restructuring costs were charged to the income statement in Q1 2010 and more than CHF 18 million were paid out of provisions set up in the financial year 2009. As previously announced, further restructuring costs in the range of CHF 50–70 million are expected to be booked in the current year to finalize the ongoing programs. The Group's headcount remained almost unchanged at 16 386 full-time equivalents, compared to 16 369 as of December 31, 2009. The Oerlikon Textile, Vacuum and Solar segments further reduced their workforce by a total of about 100 employees. In contrast, Oerlikon Drive Systems selectively increased its workforce to a similar extent, predominantly through temporary positions in India. "In some business areas capacities still need to be aligned with the changed market environment. This requires the continued and disciplined implementation of our operational restructuring measures", says COO Thomas Babacan.

Capital management: Stringent capital management continued throughout the first quarter of 2010. Capital expenditures remained significantly below depreciation levels. The Group's net working capital increased by around CHF 80 million due to lower factoring activities and selective inventory build-ups to support expected further growth.

Outlook

Most of Oerlikon's major end markets – from automotive to tooling, process industry, semiconductors, mining and gas – are currently posting solid growth rates. Exceptions are solar thin-film applications, which currently meet only very limited market demand, and agriculture applications in Drive Systems. Overall, the Group expects the generally positive order trends to continue in the second quarter of 2010 and beyond. The Group expects to return to operational profitability (EBIT before restructuring costs and impairments) in the second half of the year. "Overall, the Q1 results mark a good starting point for the year, on the basis of which we can confirm our 2010 expectations," says CEO Ziegler.

Over a typical textile cycle such as the years 2003 – 2005, annual sales of Oerlikon Textile were in the range of approximately CHF 1.8 billion and CHF 1.9 billion, with an EBIT in the range of approximately 4 to 6 percent of sales. Based on Oerlikon's technology leadership, the restructured cost base as well as the improved net working capital management following completion of the operational restructuring, Oerlikon considers this historic performance to be indicative of the Textile segment's mid-term profit potential. Similarly, Oerlikon believes the years 2006 to 2008 to be representative of the mid-term potential of its Oerlikon Coating segment, with annual sales broadly in the range of CHF 450 million to CHF 550 million and an EBIT between 15 and 20 percent of sales. As Oerlikon believes that it is well positioned to continue its expansion in Asia as well as to launch innovative products, it expects its Coating segment to return to similar EBIT margin levels in the future. Oerlikon's Vacuum segment generated annual sales of about CHF 400 million to CHF 500 million over a typical cycle such as the financial years

OC Oerlikon Management AG, Pfäffikon
Churerstrasse 120
P.O. Box
CH-8808 Pfäffikon SZ

Telephone +41 58 360 96 96
Fax +41 58 360 91 96
www.oerlikon.com

2006 to 2008. During the same period, the segment's EBIT was in the range of 10 to 12 percent of sales. By leveraging its existing sales and services network as well as through the launch of new products, Oerlikon intends to reach a similar EBIT margin in the Vacuum segment again in the medium term. Oerlikon's Drive Systems segment had annual sales of approximately CHF 900 million to CHF 1.2 billion in the financial years 2006 to 2008, with an EBIT in the range of about 5 to 8 percent of sales. Assuming that Oerlikon can complete the ongoing operational restructuring as envisaged and increasingly focus on niche markets with attractive growth potential, such as the agriculture, mining and transportation markets, as well as expand its sales in the Asian region, Oerlikon believes the segment's EBIT margin achieved in those years to be indicative of its potential in the medium term.

Segment Overview

Oerlikon Textile

In Q1 2010, orders received by Oerlikon Textile increased to CHF 521 million from CHF 236 million (+121 percent), while orders on hand grew to CHF 711 million (+42 percent) and sales to third parties rose to CHF 289 million (+48 percent) compared to Q1 2009. EBIT improved from CHF -70 million in Q1 2009 to CHF -12 million in Q1 2010. The comparison with the previous year clearly shows that the textile machinery sector is recovering and that Oerlikon Textile's comprehensive restructuring activities are starting to take effect. The market recovery that started in the second half of 2009, in particular in the synthetic fiber sector served by Oerlikon Barmag, also showed its positive impact in nearly all other business units as well. Market growth in all sectors can no longer be solely attributed to government subsidy programs that were initiated last year in various countries including China and India. Instead, an increasing number of orders are now coming from a wider and thus in Oerlikon's assessment more sustainable customer base. The ongoing restructuring measures are expected to be completed by the end of 2010, with the aim of bringing Oerlikon Textile back to profitability.

Oerlikon Coating

Oerlikon Coating continued its positive performance: Orders received grew by 12 percent to CHF 94 million compared to CHF 84 million in the same period of the previous year. Sales to third parties also increased by 12 percent from CHF 84 million in Q1 2009 to CHF 94 million in Q1 2010. EBIT turned positive from CHF -2 million in Q1 2009 to CHF 9 million in Q1 2010. The increase in sales was primarily due to the recovery in the tooling, components and high-volume automotive sectors. Asia in particular posted strong growth, while Europe and the Americas showed a recovery which was also above expectations. The opening of three new coating centers in China significantly contributed to the sales increase in Asia. The positive trend for Oerlikon Coating is expected to continue into the next quarter and beyond.

Oerlikon Solar

Oerlikon Solar's sales to third parties decreased by 24 percent to CHF 39 million in Q1 2010 from CHF 51 million in Q1 2009. The decrease in sales was primarily due to declining customer orders in the last quarter of 2009 as a result of customer funding problems and the hesitation to invest in thin-film technology. As no large equipment orders were placed in the thin-film market in the first quarter of 2010 overall, Oerlikon Solar continued to complete existing orders, notably from its Russian customer Hevel. Orders received in Q1 2010 amounted to CHF 8 million (-27 percent vs. Q1 2009), while orders on hand amounted to CHF 267 million (-32 percent vs. Q1 2009). EBIT in Q1 2010 was CHF -24 million (Q1 2009: -32 million), as higher R&D costs related to achieving the technology roadmap were offset by improved margins.

Oerlikon Vacuum

There are clear indications that the markets for vacuum technology are recovering. Orders received in Q1 2010 were up 44 percent to CHF 108 million compared to Q1 2009, orders on hand amounted to CHF 85 million (+20 percent), and sales to third parties were up 20 percent to CHF 90 million. EBIT improved from CHF 1 million in Q1 2009 to CHF 5 million in Q1 2010.

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Oerlikon Drive Systems

The markets for Oerlikon Drive Systems remained challenging. Orders received for Oerlikon Drive Systems in Q1 2010 rose by 16 percent to CHF 184 million (vs. CHF 158 million in Q1 2009), orders on hand stood at CHF 109 million (-25 percent vs. CHF 145 million in Q1 2009) and sales to third parties amounted to CHF 170 million (-20 percent compared to CHF 213 million in Q1 2009). The decrease in sales was primarily due to the late-cyclical nature of Oerlikon Drive Systems' businesses. The recovery from the worldwide recession in these markets will therefore take longer compared to other market sectors and business units. While Oerlikon Fairfield's market is showing initial signs of recovery, Oerlikon Graziano customers are still cautious and are ordering at a very low level. However, from a quarterly perspective, Q1 2010 showed a continuation of positive order and sales growth for the segment that began in the second half of 2009, indicating further stabilization of the business. EBIT in Q1 2010 amounted to CHF -5 million (Q1 2009: CHF 1 million). The restructuring process at Oerlikon Graziano is progressing according to plan. Following the closure of operations in the Czech Republic, the Cento plant in Italy is expected to close by the end of July 2010. An incentive redundancy agreement (mobilità) has been signed recently for the overall restructuring plan in the Italian operations and is scheduled for implementation in Q2 2010. The related restructuring costs of approx. CHF 50 million will impact segment earnings in the next quarter. Although Oerlikon believes that most market segments have bottomed out, a significant recovery of the Drive Systems segment is not yet in sight. Earnings in 2010 will continue to be impacted by low volumes and restructuring costs.

Oerlikon Advanced Technologies

Due to favorable conditions in the semiconductor and optical disk markets, Oerlikon Advanced Technologies continued its positive development, albeit from low levels. Adjusted for the disposal of the Wafer-Etch business in 2009, order intake in Q1 2010 more than tripled to CHF 22 million from Q1 2009, orders on hand increased by 88 percent to CHF 30 million and sales to third parties rose by CHF 44 percent to CHF 23 million. The newly launched Solaris system and the optical disk business contributed to the upswing in sales in the first quarter of 2010. EBIT amounted to CHF 1 million compared to CHF -10 million in Q1 2009. The segment is expected to show further growth over the next quarters due to ongoing market and customer demand.

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For further information, please contact:

Burkhard Böndel Corporate Communications Phone +41 58 360 96 02 Fax +41 58 360 91 93 pr@oerlikon.com www.oerlikon.com	Frank Heffter Corporate Investor Relations Phone +41 58 360 96 22 Fax +41 58 360 91 93 ir@oerlikon.com www.oerlikon.com

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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