

Surface Solutions with double digit growth – Group guidance raised

Dr. Roland Fischer, CEO

Jürg Fedier, CFO

Q1 Business Update

May 2, 2017



1 Q1 2017 Business Update

2 Q1 2017 Financial Review

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Positive Q1 performance across all Segments result in raised guidance for FY 2017

Q1 2017 at a glance

Execution of Group strategy

- Organic investments in Additive Manufacturing (Surface Solutions Segment)
- Smaller acquisitions in Surface Solutions (Materials, PVD)
- Strategic participations in Drive Systems (e-mobility) and Manmade Fibers (Nonwovens)
- Repositioning efforts in Drive Systems Segments well under way
- Manmade Fibers ramping up to meet increasing demand

Operational performance

- Strong order growth in all Segments – Group Order Intake up 21.1% yoy.
- Group Sales increased by 2.7% – excluding FX growth of 4.0%
- Book-to-bill of 1.17
- The core business Surface Solutions saw double-digit growth in orders and sales.
- Higher EBITDA margin (Q1 2017 14.2% versus 13.0% in Q1 2016) due to operating leverage and disciplined cost management.
- Share of service revenues was 37.4 % of total Group sales (Q1 2016: 36.2 %).

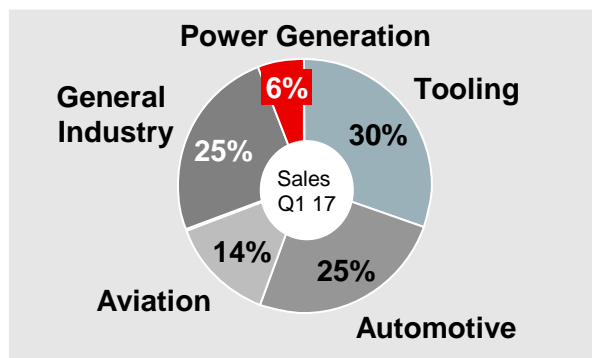
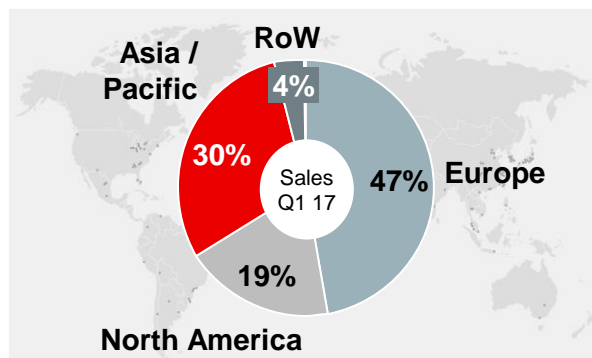
Guidance 2017 increased

- Order intake and sales are expected to come in at around CHF 2.6 billion
- Reported EBITDA margin guidance approaching 14 % with full absorption of the unchanged planned expenses for additive manufacturing ramp-up

Surface Solutions Segment – Good momentum in all key end markets and regions



in CHF million	Q1 2017	Q1 2016	y-o-y	y-o-y ex FX
Order intake	352	306	+15.0%	+16.1%
Sales (3 rd parties)	332	294	+12.9%	+14.0%
EBITDA	70	62	+12.9%	–
In % of sales	21.0%	20.9%	+0.1 pp	–
EBIT	40	33	+21.2%	–
In % of sales	12.1%	11.3%	+0.8 pp	–



Operational performance:

- Stellar growth in orders and sales across all industries
- Coating Services (Tools and Precision Components) contributed strongly to growth
- Automotive (coating service / friction systems) strong in Asia
- Increase in Thermal Spray equipment and materials sales – positive commodity prices effect (~CHF1m) on top-line
- Good EBITDA profitability at 21% absorbing AM ramp up
- Acquisitions in Materials / PVD

Market development:

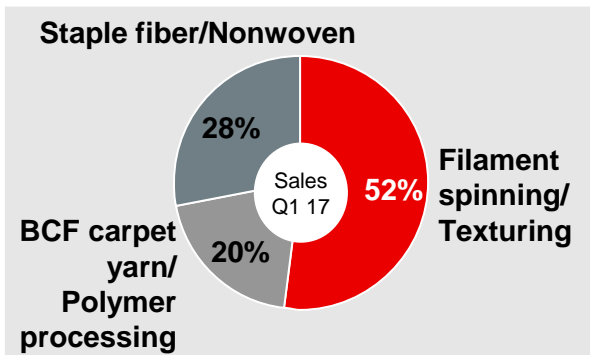
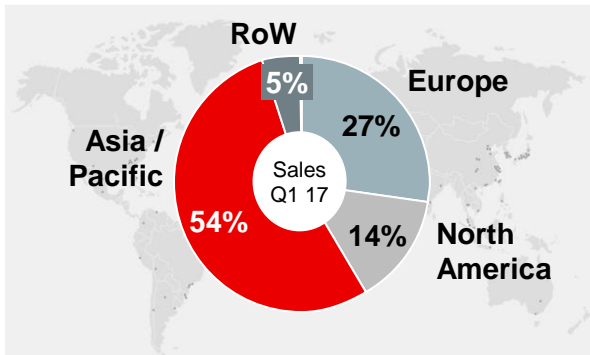
- Tooling market recovering in the US and Europe, strong demand in Asia/Japan
- Aerospace market with continued growth and increased MRO¹ business
- Automotive market with ongoing growth driven by Asia
- Power Generation flattish
- Oil & Gas maintaining on low levels
- IP² with improved momentum => General Industry

¹ MRO = Maintenance, Repair & Overhaul; ² IP = Industrial Production

Manmade Fibers Segment – Maintaining strong order intake momentum in Q1



in CHF million	Q1 2017	Q1 2016	y-o-y	y-o-y ex FX
Order intake	178	124	+43.5%	+47.1%
Sales (3 rd parties)	106	139	-23.7%	-21.9%
EBITDA	0.2	9	-97.8%	–
In % of sales	0.2%	6.2%	-6.0 pp	–
EBIT	-5	4	<-100.0%	–
In % of sales	-4.7%	3.0%	-7.7 pp	–



Operational performance:

- Large Filament project orders from China and India in Q1.
- Staple Fibers significant contribution to order intake
- Solid Carpet Yarn orders and accompanied by a strong after sales business
- Sales driven by project timing – to accelerate in coming quarters
- EBITDA at CHF 0.2m in line with expectation / sales level
- Strategic partnership in Nonwovens

Market development:

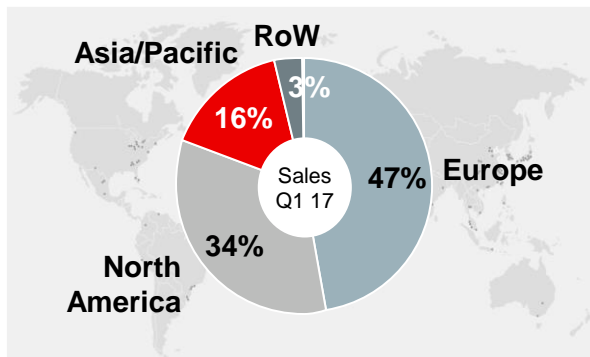
- China's market sentiment fully in line with 5-Years-Plan
- Tier 1 customers driving market consolidation in Filament market in China
- Positive market sentiment in Staple Fibers
- Solid development in Texturing and BCF¹ (US and Europe)
- Increased interest in polymer processing solutions
- Pricing slightly improving, but remains challenging

¹ Bulked continuous filament (carpet yarn)

Drive Systems Segment – Reshaping initiatives lead to order growth and margin improvement



in CHF million	Q1 2017	Q1 2016	y-o-y	y-o-y ex FX
Order intake	182	158	+15.2%	+16.2%
Sales (3 rd parties)	170	159	6.9%	+8.0%
EBITDA	14	9	+55.6%	–
In % of sales	8.4%	5.8%	+2.6pp	–
EBIT	3	-2	>100%	–
In % of sales	2.0%	-1.0%	+3.0pp	–

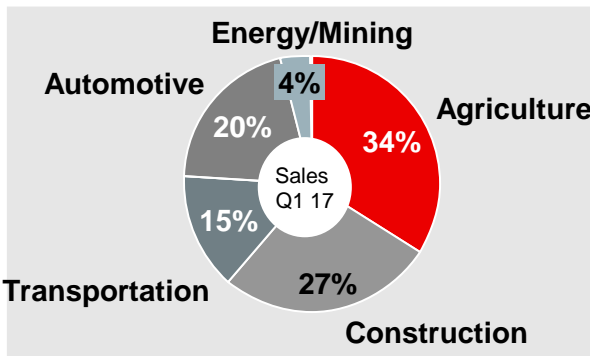


Operational performance:

- Q1 orders increased based on new project wins in agriculture in Brazil/India and in e-mobility
- Q1 sales improved driven by strong demand in construction, agricultural and automotive end markets
- All regions contributed to sales growth
- Reshaping /restructuring measure lead to higher EBITDA margin of 8.4%
- Strategic stake in e-mobility partnership with Ashwoods

Market development:

- Agricultural overall bottoming → Still tough in the US, positive in India/Brazil, first signs of improvements in Europe
- Construction equipment with reduced level in the US, some recovery in China and Europe, positive in India
- Transportation market mixed
- Mining and O&G remain weak
- Automotive with increasing activities in e-vehicles



1 Q1 2017 Business Update

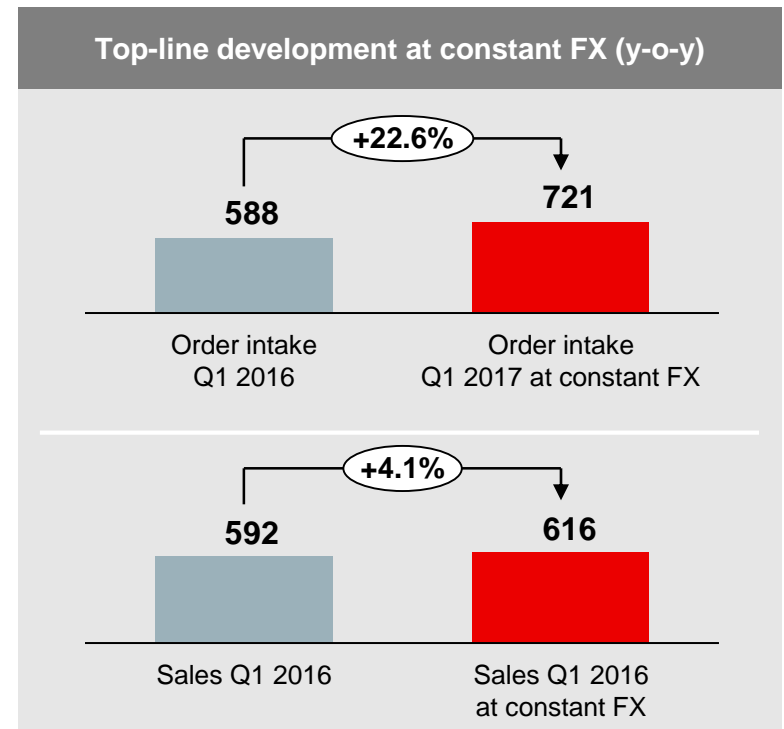
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Overall Group performance builds on good performance in all Segments

in CHF million	Q1 17	Q1 16	y-o-y
Order intake	712	588	+21.1%
Sales	608	592	+2.7%
EBITDA	86	77	+11.7%
In % of sales ¹	14.2%	13.0%	+1.2pp
EBIT	39	32	+21.9%
In % of sales ¹	6.5%	5.5%	+1.0 pp



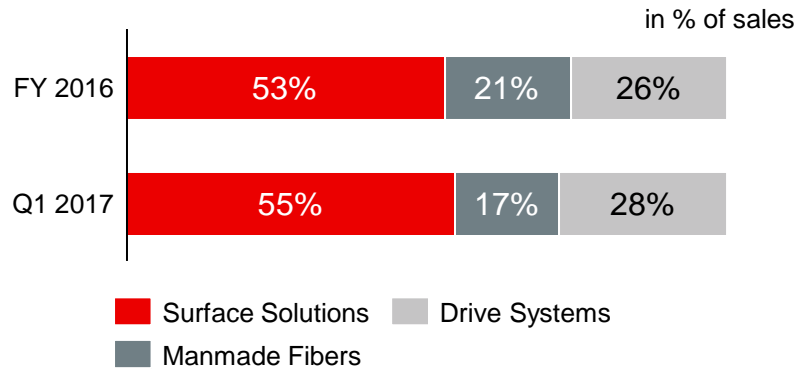
- Surface Solutions Segment with double-digit sales and order growth and sustainable profitability
=> 10th consecutive quarter with EBITDA margin >20%
- Manmade Fibers and Drive Systems Segments with improved order sentiment
- Group book-to-bill clearly >1

Sales growth	Q1 17 vs. Q1 16 (y-o-y)	Q1 17 vs. Q4 16 (q-o-q)
Reported	+2.7%	-0.8%
Performance	+3.9%	+0.0%
FX translation	-1.2%	-0.8%

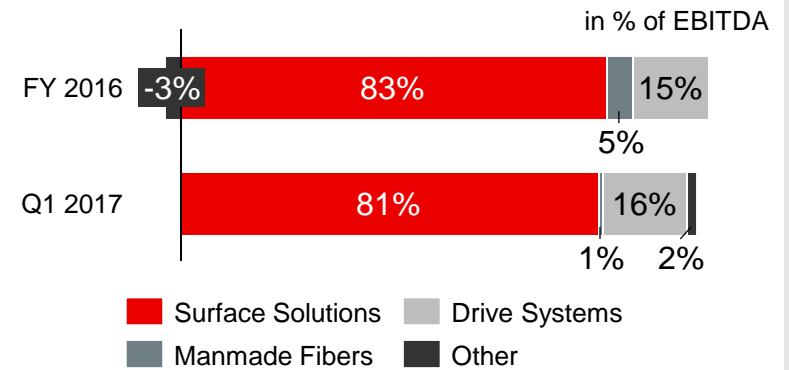
¹ Margins calculated on unrounded figures

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

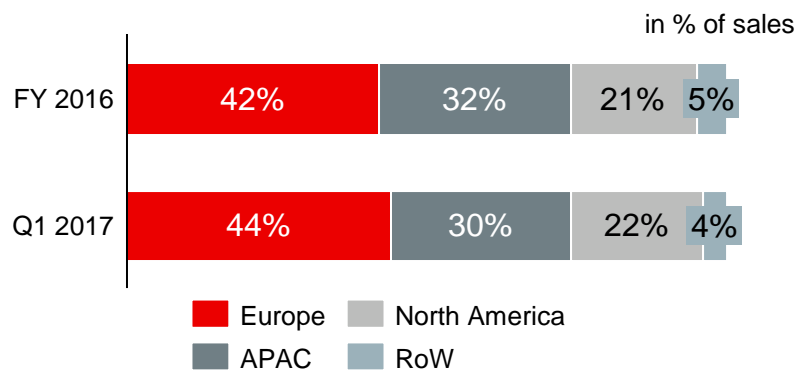
Segment sales split



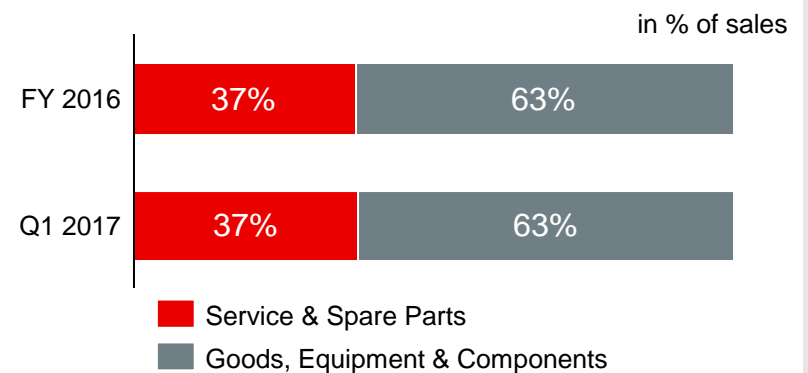
Segment EBITDA split



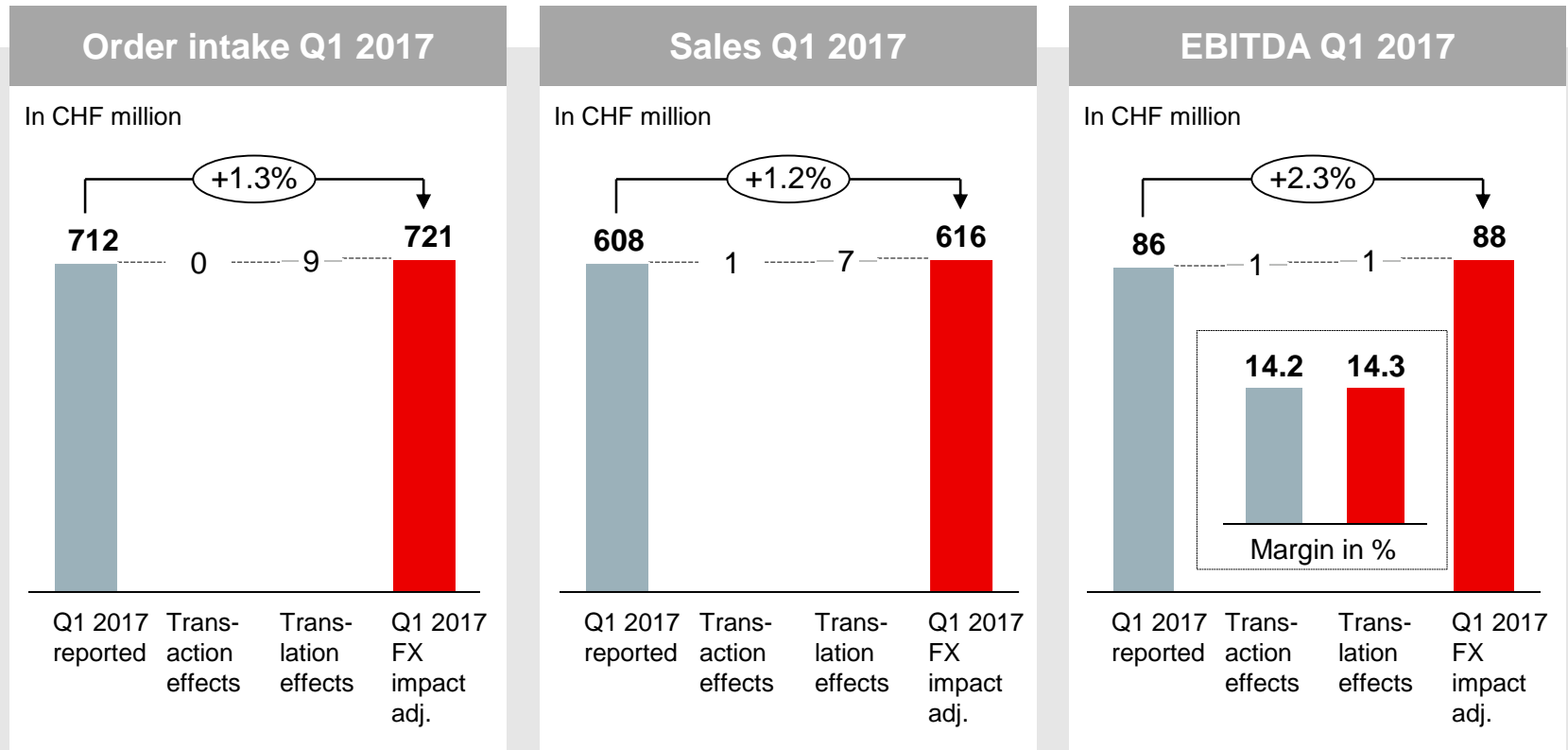
Regional sales split



Service business



FX impact on Orders, Sales and EBITDA in Q1 2017



- Top-line impact mainly related to currency translation as a result of reporting currency CHF
- Devaluation of CNY & EUR against CHF vs. appreciation of USD & INR against CHF
- Impact on EBITDA margin negligible

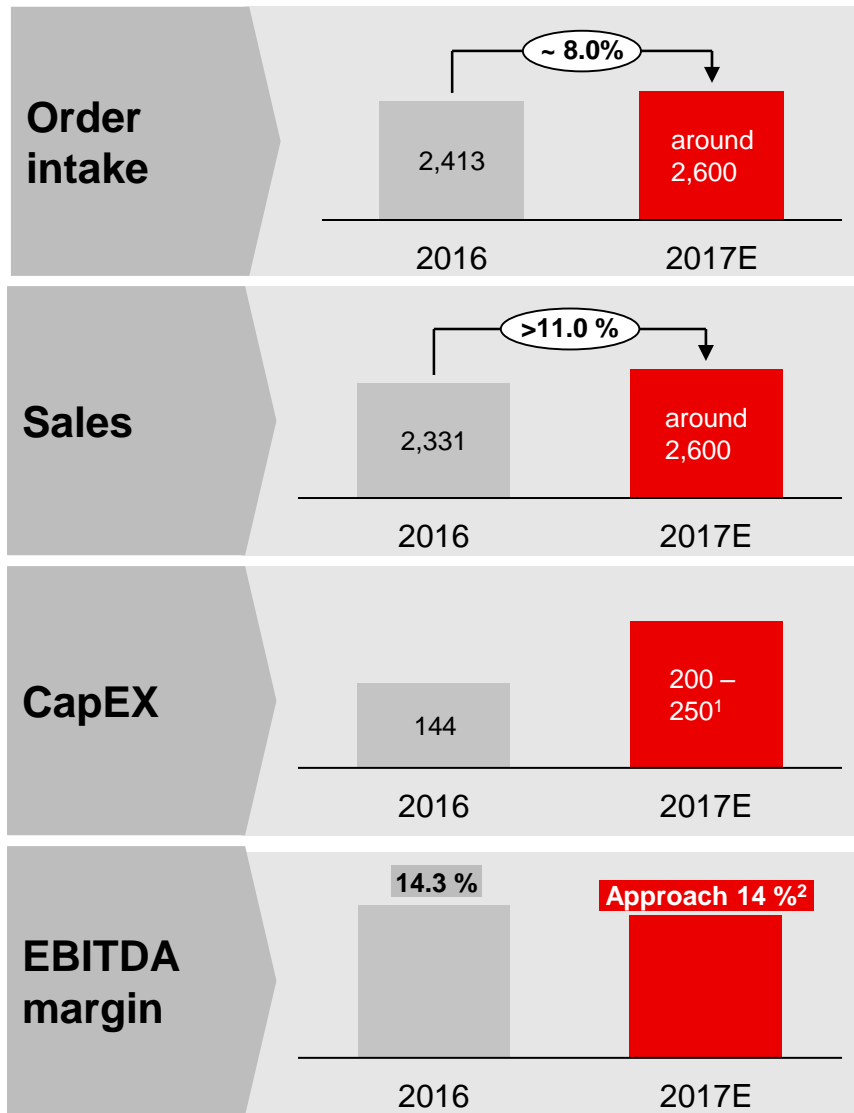
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2017 Group guidance increased – Positive sentiment in various end-markets



Underlying Group/Segment assumptions

Oerlikon Group

- Economic and political environment to remain uncertain
- Around 8% order growth and >11% organic sales growth
- Reported EBITDA margin approach 14 %
- Smaller acquisitions included in guidance

Surface Solutions Segment

- ~ 5 % organic sales and order growth (excluding AM and smaller acquisitions, reported ~6 %)
- Confirming EBITDA margin in corridor of 20 – 22 % excluding AM investments (reported 18 – 20 %)

Manmade Fibers Segment

- Positive sentiment in filament and staple fibers equipment
- Order intake to increase to around CHF 650m
- Sales up to CHF 650m, dependent on project timings
- Margin expected at upper end of guided corridor of 4 - 6%

Drive Systems Segment

- Order intake to grow 5-7 % due to new business wins and potential recovery of end markets
- Sales increase of 4-5 %
- EBITDA margin improving towards double-digit figure as result of continued execution of repositioning initiatives

¹ Including CHF 70 - 75m related to Additive Manufacturing (AM); ² Including full absorption of all related unchanged investment expenses in AM

Create a global surface solutions and advanced materials powerhouse

1. Continued execution of Group strategy
2. Strong operational performance across all Segments in Q1 – Book-to-Bill at 1.17
3. 2017 guidance raised

Thank you.



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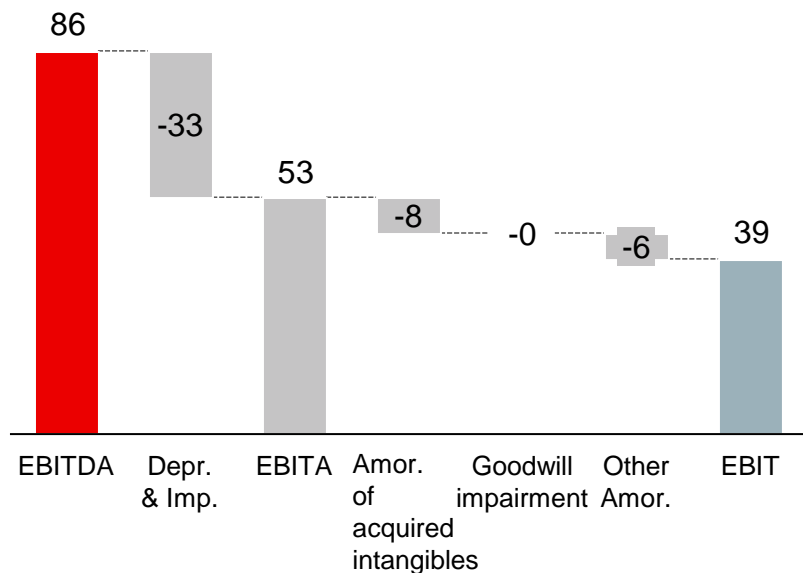
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EBITDA to EBIT bridge for Oerlikon Group

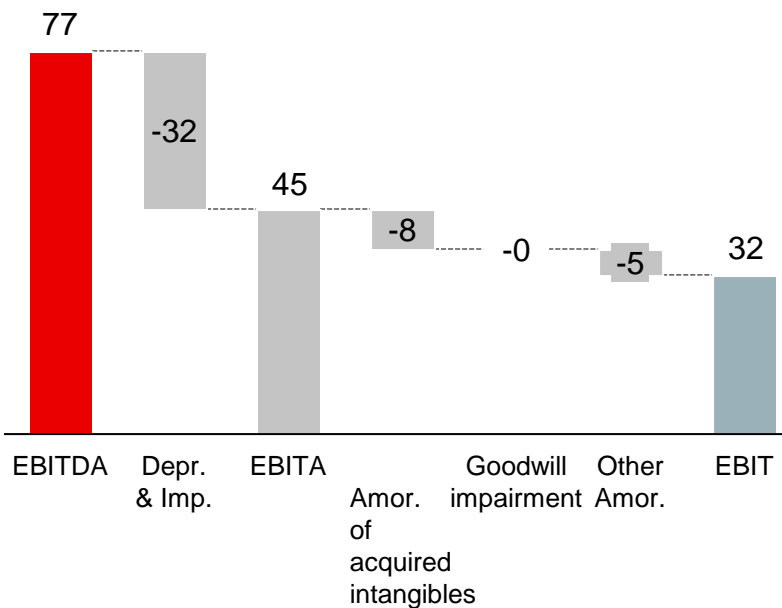
EBITDA to EBIT bridge – Q1 2017

In CHF million



EBITDA to EBIT bridge – Q1 2016

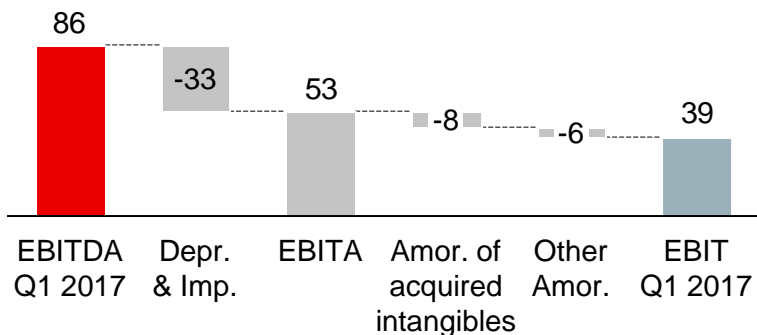
In CHF million



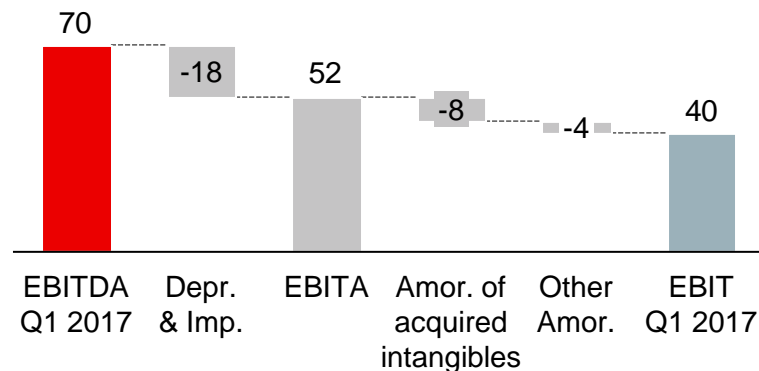
- Amortization of identified acquired intangible assets mainly attributable to Metco transaction

EBITDA to EBIT bridge per Segment Q1 2017

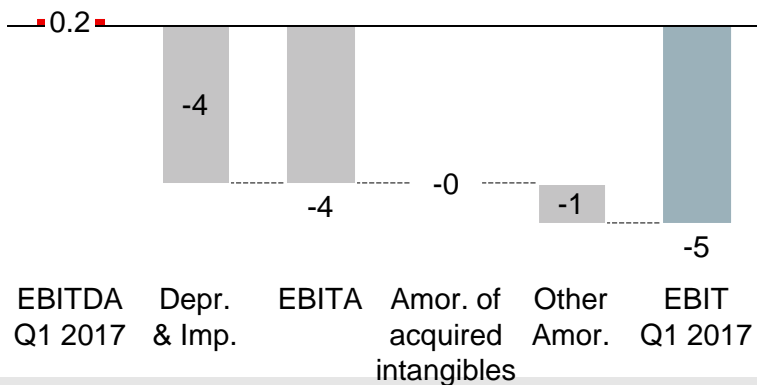
Oerlikon Group



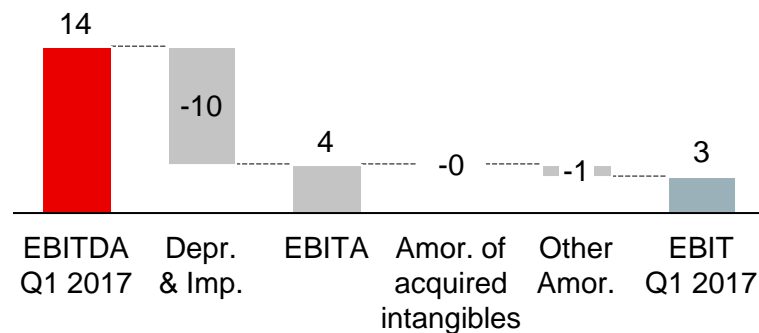
Surface Solutions Segment



Manmade Fibers Segment

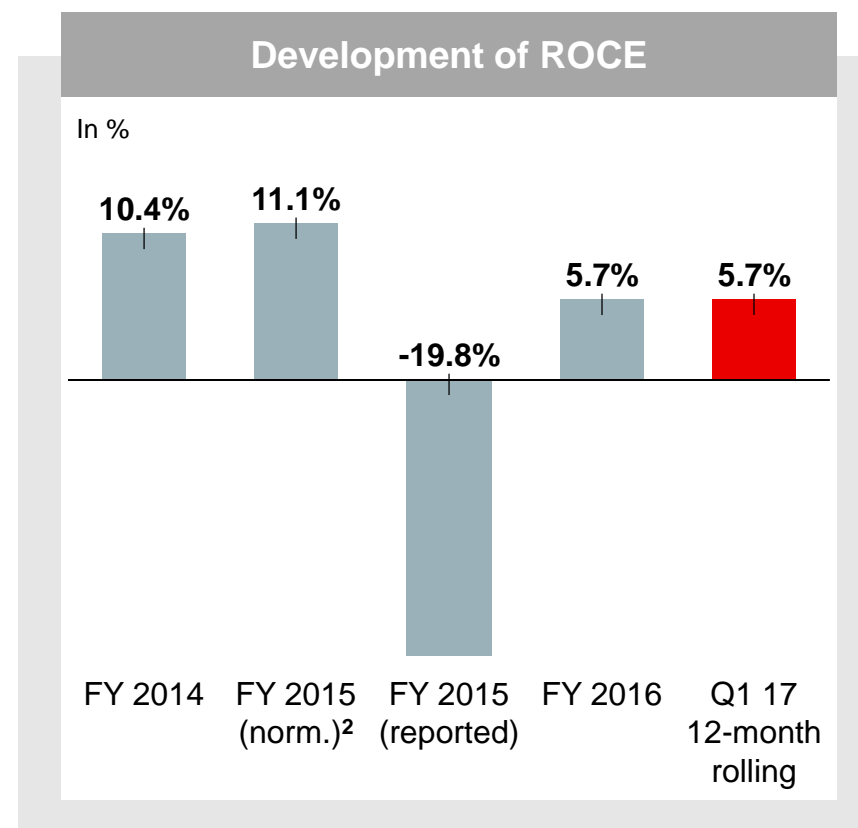


Drive Systems Segment



Return On Capital Employed (ROCE)

Oerlikon Definition of ROCE	Q1 2017 ¹	FY 2016
EBIT	165	158
- Total current income tax	-68	-65
- Total deferred tax income	11	12
NOPAT	108	105
Net Operating Assets	1 907	1 867
+ Current income tax receivables	44	41
+ Deferred tax assets	156	159
- Current income tax payables	-52	-44
- Deferred tax liabilities	-154	-159
Capital Employed	1 901	1 864

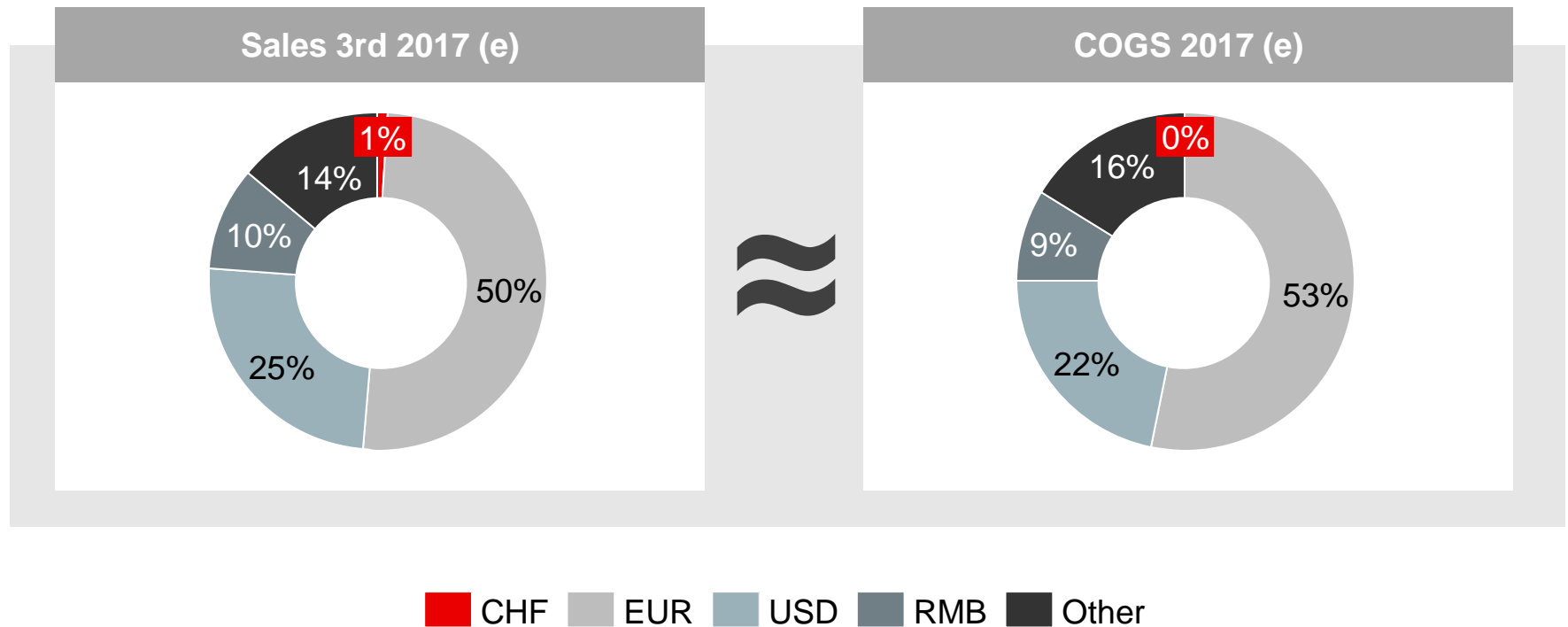


- Q 1 2016 ROCE^{1,2}: 9.0% => Lower NOPAT year-on-year due to the decline in operating profitability of the Manmade Fibers Segment over the 12-month period (Q3 2015 to Q1 2016)
- Sequentially flat ROCE

¹ 12-months rolling

² Normalized EBIT excl. one-time restructuring costs of CHF 112 million and impairments of CHF 476 million; Current income taxes adjusted accordingly

Balanced FX profile across the Group – Limited Swiss franc exposure



- No major currency mismatch – natural hedge in place
- Limited transaction risk
- Translation effects from reporting currency CHF
- Main currencies in “Others” are INR and JPY

2016 key figures by Segment

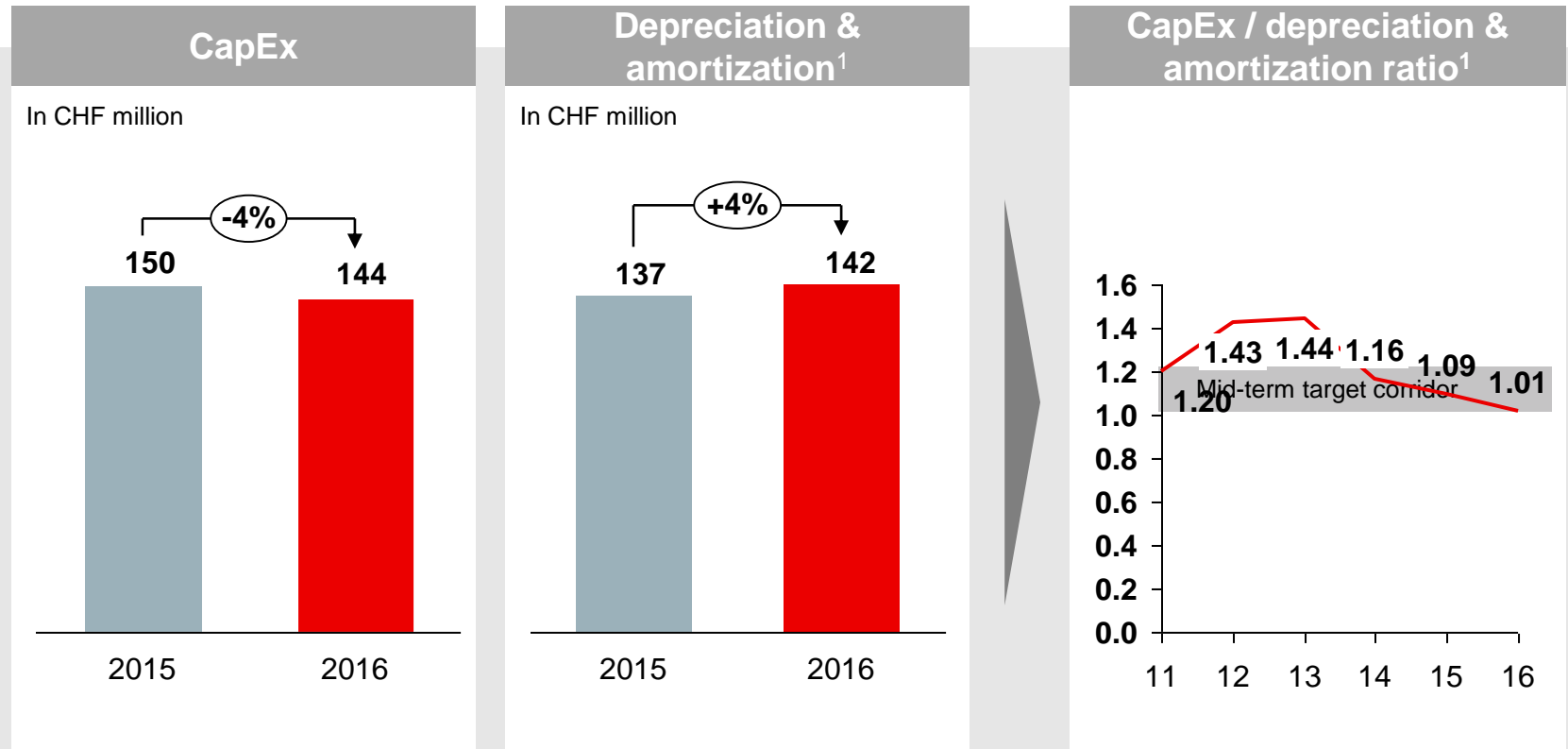
in CHF million	Surface Solutions	Manmade Fibers	Drive Systems
Order intake Δ to 2015	1 236 +0.2%	577 -21.3%	600 +5.1%
Order backlog Δ to 2015	80 -1.2%	270 +13.9%	97 -14.2%
Sales (to 3 rd parties) Δ to 2015	1 238 +0.7%	481 -39.4%	612 -5.6%
EBITDA Δ to 2015	277 +4.9%	16 -81.2%	51 >100%
EBITDA margin ¹ Δ to 2015	22.2% +0.8 pp	3.3% -7.3 pp	8.4% +11.4 pp
EBIT Δ to 2015	161 +2.5%	-3 >-100%	12 >100%
EBIT margin ¹ Δ to 2015	13.0% +0.3 pp	-0.6% -9.0 pp	2.0% +84.3 pp
Net operating assets Δ to 2015	1 372 +3.5%	163 -27.6%	360 +3.2%
No. of employees Δ to 2015	6 528 +6.3%	2 278 -9.9%	4 819 -0.3%

¹ as % of sales

Strong unleveraged balance sheet with an equity ratio of 48 %

in CHF million	2016	2015
Cash and cash equivalents	751	840
Trade receivables	369	405
Inventories	353	360
Assets classified as held for sale	0	290
Property, plant and equipment	745	751
Goodwill and intangible assets	1 154	1 130
Total other assets	453	321
Total assets	3 825	4 097
Trade payables	239	242
Current customer advances	167	132
Liabilities classified as held for sale	0	233
Non-current loans and borrowings	466	458
Non-current post-employment benefit provisions	436	434
Total other liabilities	677	1 026
Total liabilities	1 985	2 525
Total equity	1 840	1 572
Total equity ratio	48%	38%
Net cash	401	79

Group CapEx / depreciation ratio within mid-term target corridor¹



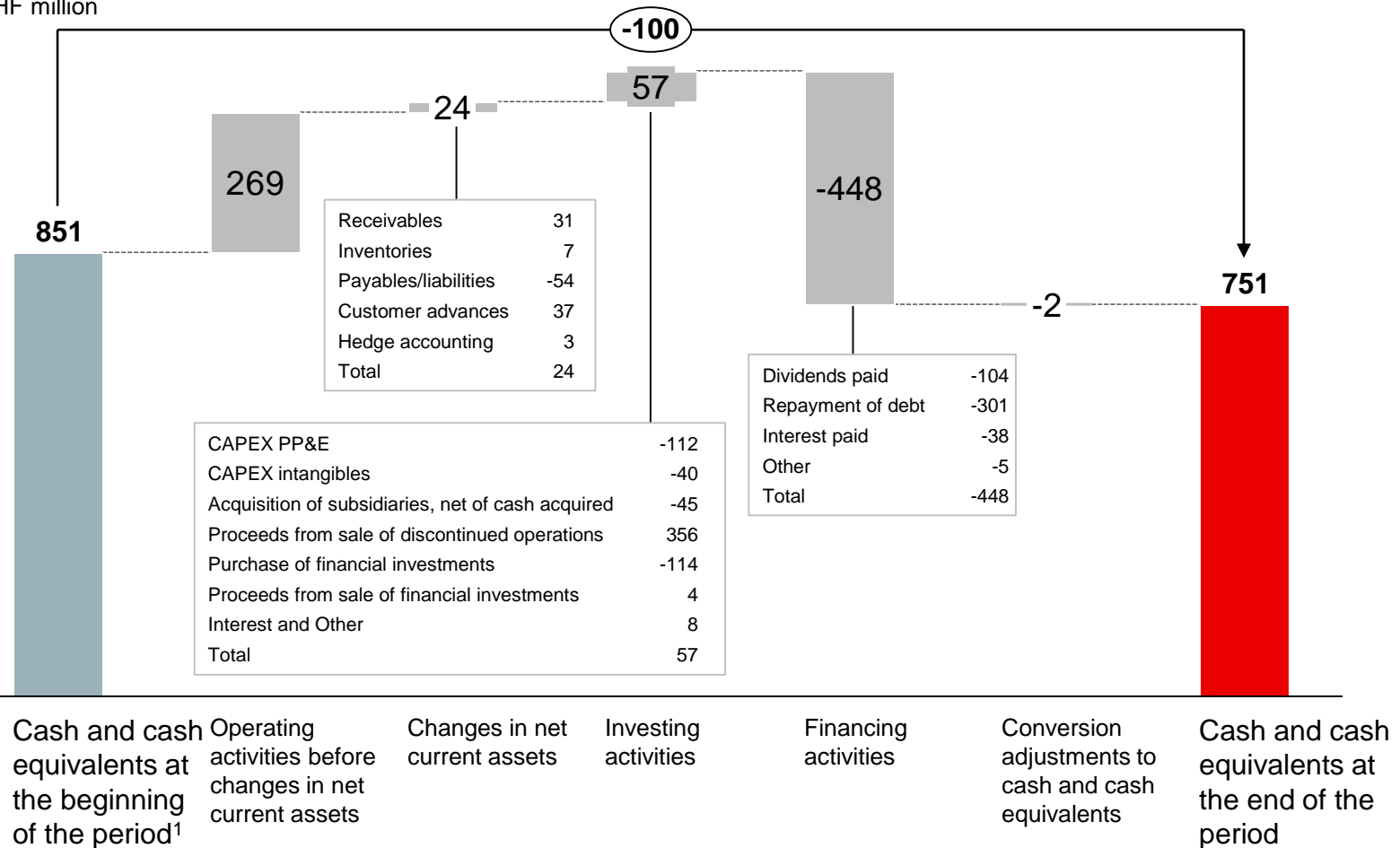
- Surface Solutions Segment ratio of 1.13 due to investments in additive manufacturing as well as capacity and footprint expansion
- Manmade Fibers Segment ratio of 0.84
- Drive Systems Segment ratio at 0.79

¹ Excluding amortization of acquired intangible assets

Strong operating cash flow in 2016 – Repayment of financial debt (Bond)

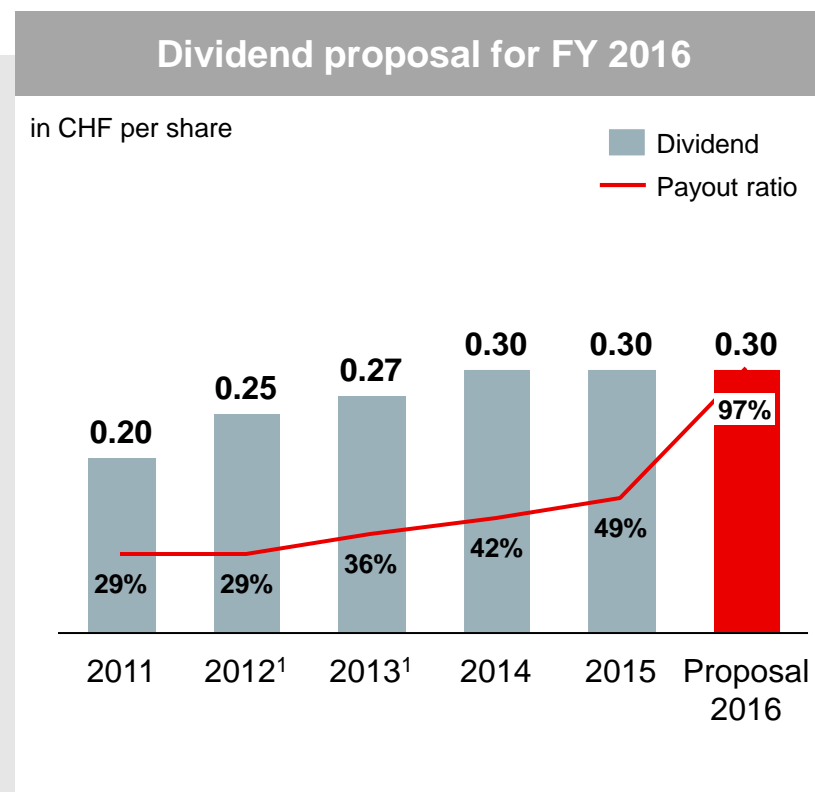
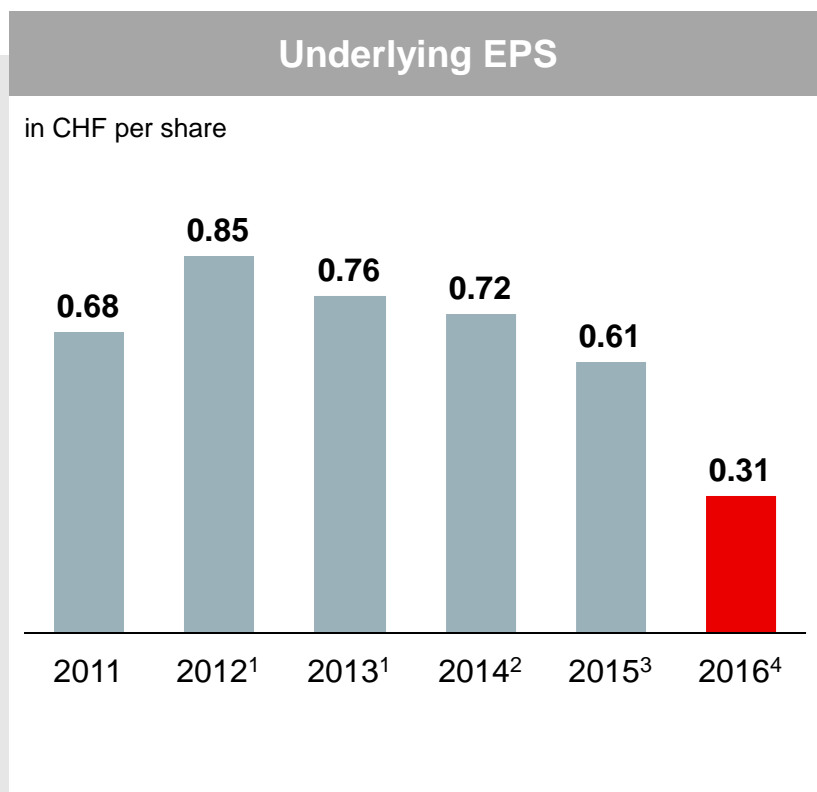
Consolidated cash flow statement 2016

In CHF million



¹ Includes CHF 11 million cash and cash equivalents that were included in «Assets classified as held for sale»

Stable dividend of CHF 0.30 per share proposed backed by divestment proceeds



- Proceeds from Vacuum divestment allow to maintain stable dividend – exceeding dividend policy
- Dividend to be distributed from the capital contribution reserve
- Dividend policy of up to 50% of underlying net result confirmed, subject to available funds

¹ Restated for divestment; ² Underlying EPS from continuing operations (reported EPS CHF 0.59);

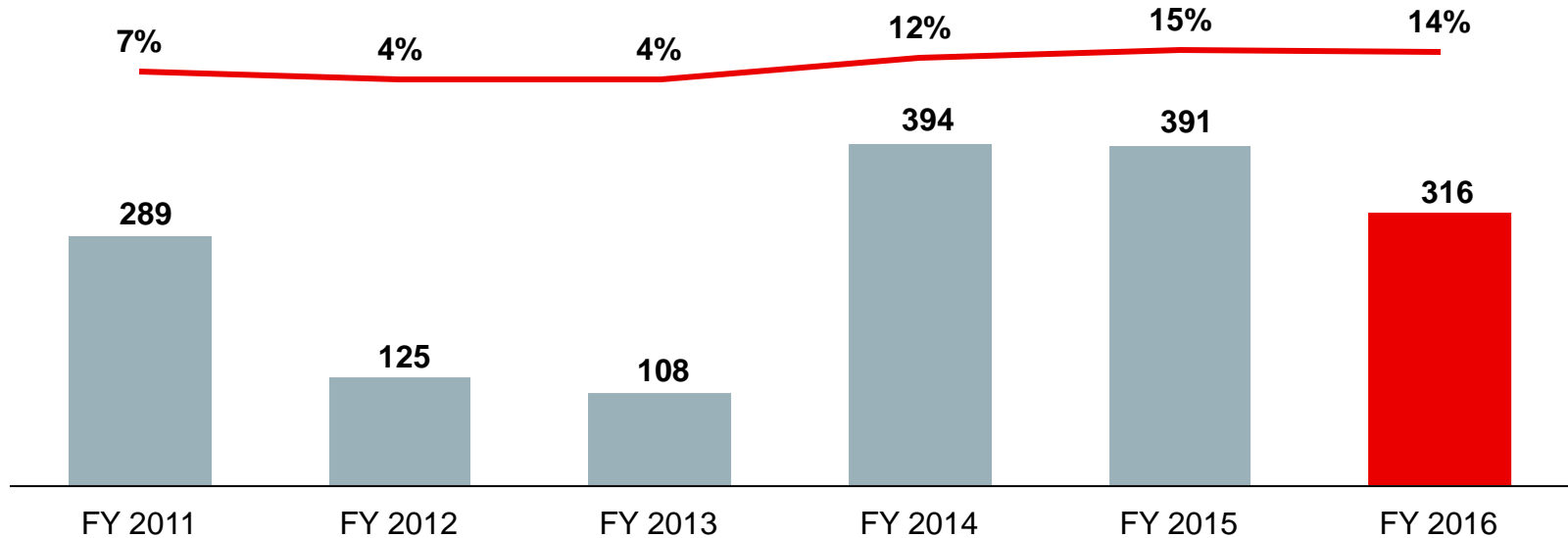
³ Underlying EPS from cont. op., normalized for restructuring costs, impairments and amortization of acq. intangible assets (Metco) net of tax (reported EPS CHF -1.24);

⁴ Underlying EPS from continuing operations normalized for amortization of acquired intangible assets (Metco) net of tax (reported EPS CHF 1.14)

Active net working capital management and increased customer advances

Net working capital¹ FY 2011 – 2016

In % of sales; in CHF million



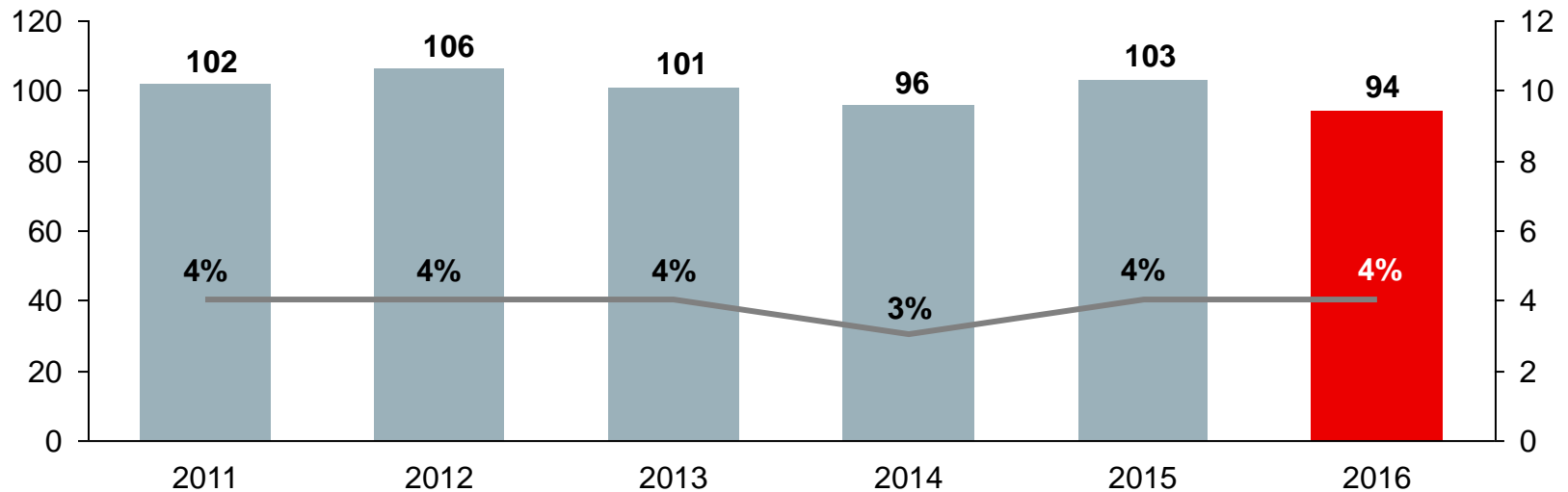
- Net working capital reduced to 9% of sales due to increased customer advances up by CHF 35 million to CHF 167 million mainly in the Manmade Fibers Segment
- Active net working capital management with declined receivables and lower inventories

¹ Net working capital is defined as trade receivables + inventories – trade payables – current customer advances

Constant range of investments in R&D at high level of CHF 94 million in 2016

Investments in R&D (expenditure) in the range of around 4 % of sales

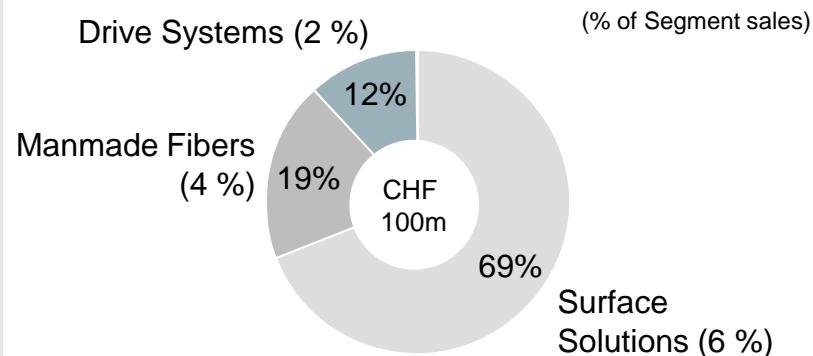
In CHF million; as % of sales



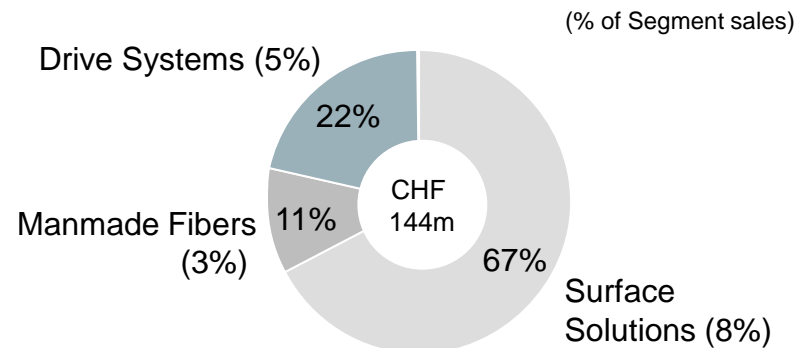
- R&D essential to secure technological leadership
- Constant range of around 4 % of sales
- Focus on Surface Solutions Segment representing 67% of Group R&D expenditure

R&D and CapEx on Segment level¹

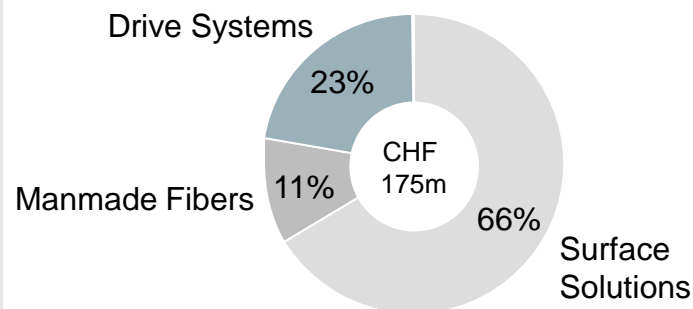
R&D expenses FY 2016



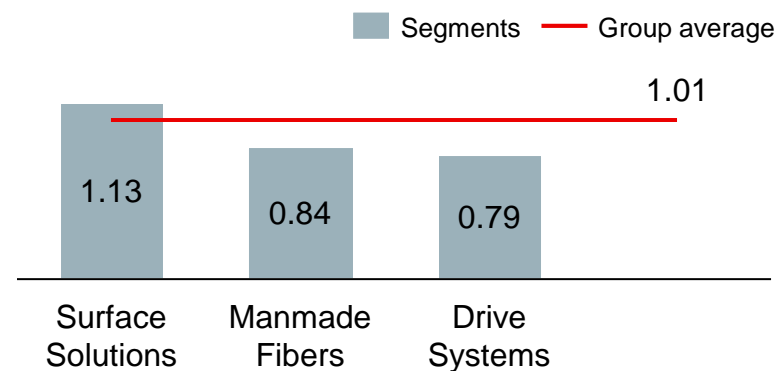
CapEx FY 2016



Depreciation & Amortization FY 2016²



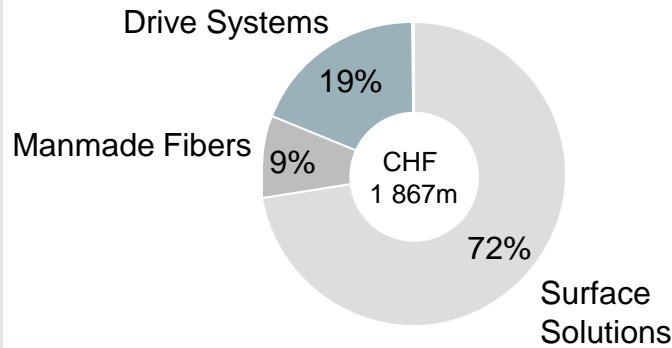
CapEx / Depr. & Amort. FY 2016³



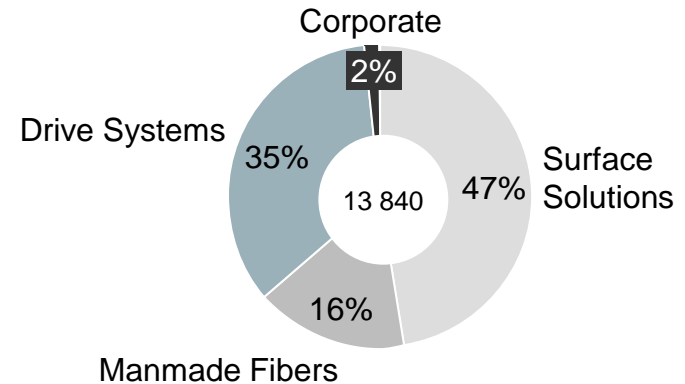
¹ FY 2016 continuing operations; ² Reported; ³ Excluding CHF 30 million amortization of acquired intangible assets in Surface Solutions Segment

Asset allocation and employees on Segment level¹

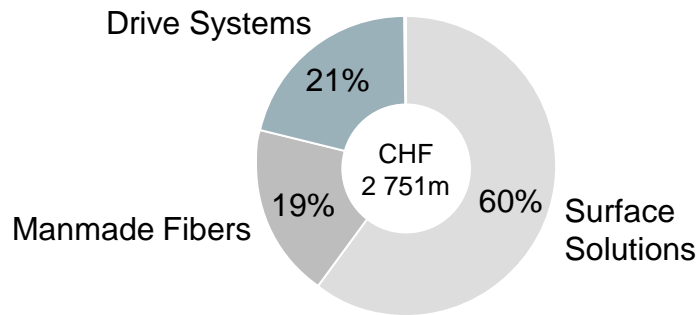
Net operating assets FY 2016



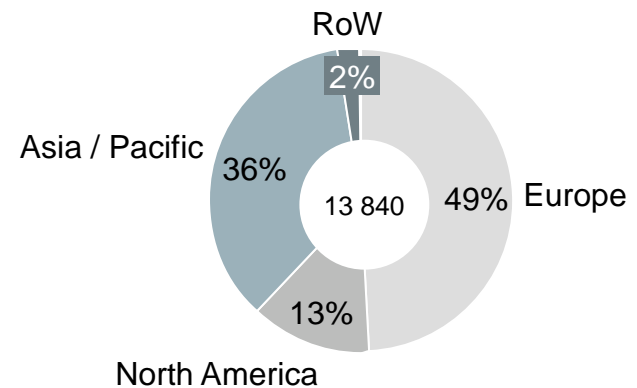
Employees (FTE) by Segment FY 2016



Operating Assets FY 2016



Employees (FTE) by Region FY 2016



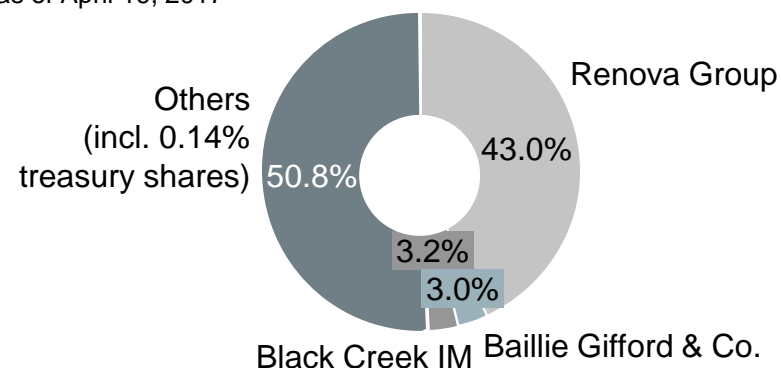
¹ FY 2016 continuing operations

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 (April 17, 2012)
- Addition to STOXX Europe 600 (June 18, 2012)
- Addition to SPI Select Dividend 20 (Mach 20, 2017)

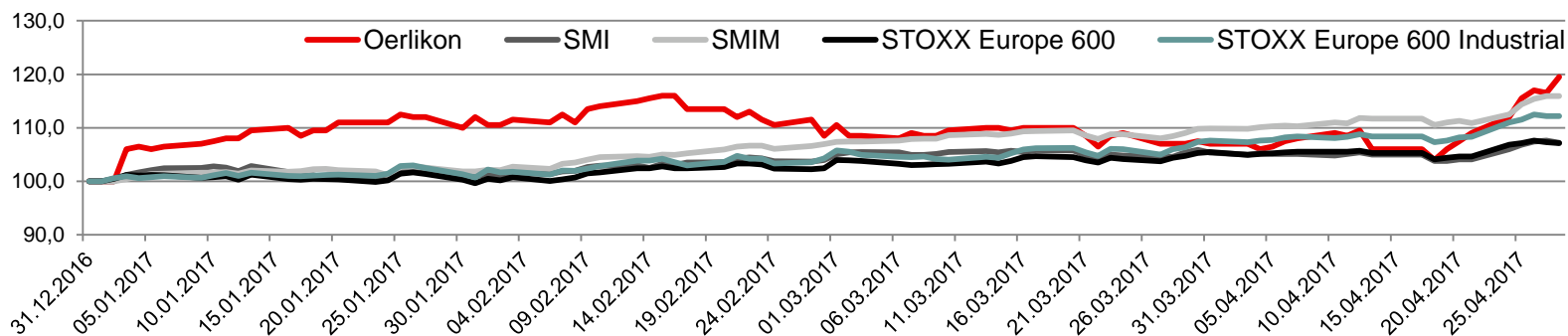
Oerlikon shareholder structure¹

as of April 19, 2017



Oerlikon share price development

as of May 1, 2017, indexed; 100 percent = closing price per December 31, 2016



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 & 6 Hold/Neutral

Broker	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Pierre-Yves Gauthier	Add	02.03.2017	12.70
Baader Helvea	Reto Amstalden	Buy	21.04.2017	12.50
Berenberg Bank	Sebastian Künne	Hold	28.02.2017	9.40
Credit Suisse	Patrick Laager	Outperform	21.04.2017	12.50
Jefferies	Graham Phillips	Hold	04.04.2017	10.50
Kepler Cheuvreux	Torsten Sauter	Hold	25.04.2017	10.90
MainFirst	Michael Inauen	Outperform	25.04.2017	12.20
Mirabaud Securities LLP	Thomas Baumann	Buy	28.02.2017	12.50
RBC Capital Markets	Wasi Rizvi	Outperform	28.04.2017	13.00
Société Générale	Christophe Quarante	Hold	01.03.2017	11.50
UBS	Fabian Häcki	Buy	28.02.2017	13.00
Vontobel	Michael Foeth	Hold	01.03.2017	11.00
Zürcher Kantonalbank	Armin Rechberger	Marketweight	28.02.2017	-
Consensus		7 positive 6 neutral		11.81

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

April 10, 2018

Annual General Meeting of Shareholders
- KKL Lucerne

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