Oerlikon a global leader in surface solutions and advanced materials

Jefferies 2017 Industrials Conference

Andreas Schwarzwälder
Senior Vice President, Head of Investor Relations
New York, August 09, 2017
Key facts Oerlikon Group FY 2016

- $2.3 billion sales
- 3 segments
- >13,500 employees
- >180 locations
- 37 countries

>13,500 employees
2.3 CHF billion sales
3 segments
>180 locations
37 countries

Version September 2012

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Oerlikon’s strategic priorities confirmed – focus on execution / operational performance

- Creating a global surface solutions and advanced materials powerhouse
- Organic investments: innovation, markets and technologies
- Additive Manufacturing
- M&A

- Manage market cycle
- Execution of structural adoptions concluded
- Readiness for post-trough period

- Repositioning to allow for value-creating options
- Remaining end market challenges
- Drive innovation and market share

Group 2017: Enlarge platform for mid-term growth
- Strengthen technological leadership (Innovation, expansion, collaboration)
- Grow existing business (Penetration, new markets/applications, service)
- Identify and develop new opportunities – organic and inorganic
- Further develop organization (Structure, capabilities, capacity, footprint)
Oerlikon covers a broad range of complementary surface technologies

**Bulk treatment**
- HARDENING

**Surface treatment**
- NITRIDING
  - Plasma nitriding
- THIN-FILM COATING
  - PVD
  - PECVD (PACVD)
- THICK-FILM COATING
  - Thermal spray
What we do – Surface Solutions Segment

Starting point

- Oerlikon Balzers as Oerlikon’s primary surface solutions business
- Oerlikon Balzers is a global leader in thin-film coatings for reduction of wear and friction mainly for tools and automotive industry
- Global footprint with more than 140 coating centers

Investing in technology expansion & growth

- Acquisition of Sulzer Metco in 2014 to expand technology portfolio
- Metco is a global leader in Thermal Spray, a thicker layer coating technology mainly for thermal protection of e.g. aero and gas turbine blades

Global surface solutions & advanced materials powerhouse

- Foundation of a new business unit “Additive manufacturing” in 2015 to address the promising 3D printing market
- Oerlikon already today providing metal based powders; Leverage global footprint for production incl. post treatment (coatings)
We will grow the Segment along three strategic directions – organic and inorganic

- Grow service business
  - Continue expansion of thin-film and thermal spray service business

- Grow equipment & materials business
  - Increase number of thermal spray powders
  - Continue expansion of thermal spray equipment

- Business development
  - Grow additive manufacturing business (powders & post-treatment)
  - Complement technology portfolio
  - Develop new products / applications / end markets / regions

Leverage combined strength and interdependencies between coating services, equipment & materials
Additive Manufacturing – becoming a business in a growth market

**Additive Manufacturing**
- AM is moving from lab/machines to a business
- Aerospace/defense, medical/dental and general industry as major AM segments
- Small series production and prototyping drive the market currently
- Prototyping and Tooling will remain an important factor as entry points to production opportunities
- Mass production in AM is not yet a reality
- Logical step for Oerlikon to develop from surface into the structure – leverage expertise

**Market segment dynamics***

**Oerlikon Value Proposition**
“Industrializing AM for reliability, productivity performance”

**Footprint**

Oerlikon driving additive manufacturing
development

Value proposition: End-to-end offering with strong interface management

- Development and certification of additive manufacturing (AM) tailored materials
- Complete powder portfolio in large & small batch sizes
- Distribution competence serving different routes to market
- Strong material handling competence
- Optimized machine parameters and software solutions
- End-to-end coverage of digital process parameters
- Automation of process (linkage of hardware and software tools)
- Conventional and tailored AM finishing technologies
- Product design engineering for AM (design for function)
- Application engineering competence
- Optimized production process chain through end-to-end management
- Customer understanding through partnerships

Industrialization of AM value chain is key to reach series production level
Strategic AM investment with impacts on Group in 2017 and beyond

Industrialize AM – become an integrated service player and a leading materials manufacturer:
- Expand in high volume manufacturing of specialized powders/alloys (CapEx & M&A)
- Enlarge service market shares gaining economies of scale and scope (CapEx & M&A)
- Increase applications engineering & design (Organic & M&A)

**AM Investments**

**AM Investment Case**

- **Sales (incl. M&A)**
  - CHF M
  - 2016: <10, 2017E: ~20, 2019E: >100, 2021E: ~300

- **CapEx**
  - CHF M

- **EBITDA margin**
  - In %
  - 2016-2021: >20%


Invest Deliver

In %

CHF M

Cum.

~300

~170
Surface Solutions Segment – Strong underlying profitable growth

<table>
<thead>
<tr>
<th></th>
<th>in CHF million</th>
<th>Q2 17</th>
<th>Q2 16</th>
<th>y-o-y</th>
<th>y-o-y ex FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td></td>
<td>342</td>
<td>311</td>
<td>10.0%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Sales (3rd parties)</td>
<td></td>
<td>340</td>
<td>315</td>
<td>7.9%</td>
<td>8.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td>70</td>
<td>71</td>
<td>-1.4%</td>
<td>–</td>
</tr>
<tr>
<td>In % of sales</td>
<td></td>
<td>20.6%</td>
<td>22.4%</td>
<td>-1.8 pp</td>
<td>–</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td>40</td>
<td>43</td>
<td>-7.0%</td>
<td>–</td>
</tr>
<tr>
<td>In % of sales</td>
<td></td>
<td>11.6%</td>
<td>13.4%</td>
<td>-1.8 pp</td>
<td>–</td>
</tr>
</tbody>
</table>

### Operational performance:
- Profitable growth in orders and sales across all industries
- Acquisitions and material surcharges in total added ~CHF 6m to top-line in Q2
- Solid growth trends in coating services for tooling and automotive/friction systems
- EBITDA profitability above 20% incl. AM ramp up costs
- Key partnership agreement with GE Additive signed
- Technology acquisition in materials (Scoperta Inc.)

### Market development:
- Strong tooling market in all regions, especially strong demand from Asia/Japan
- Noticeable uptake in general industries (IP¹)
- Stable upward trend in automotive; Asia in particular
- Aerospace market remains healthy driven by new engine programs and MRO² business
- Power generation with slight industry growth
- Some recovery in oil & gas

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

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Manmade Fibers Segment
What we do –
Manmade Fibers Segment

Main business
Filament spinning equipment
- Global market and technology leader in filament spinning equipment
- Project business with average order size of CHF 20-50 million (up to CHF 200 million)
- Key markets are China, India, US and Turkey

Value chain expansion
Polycondensation
- “From melt to yarn” strategy
- Joint venture with Huitong Chemical to provide polycondensation plants for either direct spinning process or PET production

Reducing filament equipment exposure
- Leading market and technology position in BCF (carpet yarn)
- Acquisition of Trützschler’s staple fiber technology portfolio to strengthen areas outside Chinese filament business
- Business opportunities in nonwovens area
Manmade Fibers Segment – Market recovery continues / order book is translating into sales

### Operational performance:

- Large filament project orders from China, India, Turkey and South America.
- Orders in CP², texturing, staple fibers, BCF¹
- Sales pick up as a result of order book execution and project timings
- Ongoing ramp-up in production capacities with focus on quality of work, processes and costs
- EBITDA margin impacted by ramp up and project profiles ➔ improvement in H2

### Market development:

- Continued project activities by Tier 1 customers in Filament market in China
- Pricing improving, but remains challenging
- Positive market sentiment in staple fibers maintains
- Activities in BCF¹ (US / Turkey) exceeding expectations
- Positive trend in texturing continues
- Increased interest in Melt-to-Yarn / Fiber solutions

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1 Bulked continuous filament (carpet yarn)  
2 Continuous Polymerization
Drive Systems Segment
What we do – Drive Systems Segment

- Broad technology portfolio for attractive end-markets
- Gears, shifting solutions & planetary drives
- i.e. e-drives/hybrids

- Agriculture Machinery
- Constructions Machinery
- Transportation
- Energy and Mining
- Automotive (Sports Cars and e-mobility)

- Streamlining of product portfolio with main focus on product lines gears, shifting solutions and planetary drives

- The Segment’s latest innovations for electric and hybrid vehicles are targeted at reducing emissions and environmental pollution
Drive Systems Segment – Reshaping initiatives and end-markets drive top line and profitability

Operational performance:
- New customers and projects in the agriculture, construction, automotive and transportation markets
- Sales growth mainly driven by agricultural, construction and automotive (incl. e-mobility)
- All regions contributing to sales growth
- Higher volumes and reshaping measure lead to an improved EBITDA margin of 10.8%

<table>
<thead>
<tr>
<th></th>
<th>Q2 17</th>
<th>Q2 16</th>
<th>y-o-y</th>
<th>y-o-y ex FX</th>
<th>H1 17</th>
<th>y-o-y</th>
<th>y-o-y ex FX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>184</td>
<td>158</td>
<td>16.5%</td>
<td>16.1%</td>
<td>365</td>
<td>15.9%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Sales (3rd parties)</td>
<td>176</td>
<td>164</td>
<td>7.3%</td>
<td>7.0%</td>
<td>346</td>
<td>7.1%</td>
<td>7.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>19</td>
<td>12</td>
<td>58.3%</td>
<td>–</td>
<td>33</td>
<td>57.1%</td>
<td>–</td>
</tr>
<tr>
<td>In % of sales</td>
<td>10.8%</td>
<td>7.1%</td>
<td>3.7 pp</td>
<td>–</td>
<td>9.6%</td>
<td>3.2 pp</td>
<td>–</td>
</tr>
<tr>
<td>EBIT</td>
<td>8</td>
<td>1</td>
<td>&gt;100%</td>
<td>–</td>
<td>11</td>
<td>&gt;100%</td>
<td>–</td>
</tr>
<tr>
<td>In % of sales</td>
<td>4.5%</td>
<td>0.6%</td>
<td>3.9 pp</td>
<td>–</td>
<td>3.3%</td>
<td>3.5 pp</td>
<td>–</td>
</tr>
</tbody>
</table>

Market development:
- Agricultural overall improving; with exception of 100+ HPT\(^1\) and large combines in the US
- Construction recuperated with growth in the US and Europe and notably higher investments in China and India
- Transportation market mixed
- A slight increase in the US energy market through shale oil and gas
- Automotive with increasing activities in e-vehicles, good demand for high-perform. cars

\(^1\) HPT = horsepower tractors
Oerlikon Group Q2 and Outlook
Overall Group performance builds on good performance in all Segments

<table>
<thead>
<tr>
<th>in CHF million¹</th>
<th>Q2 17</th>
<th>Q2 16</th>
<th>y-o-y</th>
<th>H1 17</th>
<th>y-o-y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order intake</td>
<td>724</td>
<td>594</td>
<td>21.9%</td>
<td>1 436</td>
<td>21.6%</td>
</tr>
<tr>
<td>Sales (3rd parties)</td>
<td>689</td>
<td>577</td>
<td>19.4%</td>
<td>1 297</td>
<td>10.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>92</td>
<td>80</td>
<td>15.0%</td>
<td>178</td>
<td>13.4%</td>
</tr>
<tr>
<td>In % of sales</td>
<td>13.4%</td>
<td>13.9%</td>
<td>-0.5 pp</td>
<td>13.7%</td>
<td>0.3 pp</td>
</tr>
<tr>
<td>EBIT</td>
<td>44</td>
<td>36</td>
<td>22.2%</td>
<td>84</td>
<td>23.5%</td>
</tr>
<tr>
<td>In % of sales</td>
<td>6.4%</td>
<td>6.2%</td>
<td>0.2 pp</td>
<td>6.5%</td>
<td>0.7 pp</td>
</tr>
</tbody>
</table>

- Surface Solutions Segment with continued strong order and sales growth and sustainable profitability => 11th consecutive quarter with EBITDA margin >20%
- Manmade Fibers and Drive Systems Segments with improved order and sales sentiment
- Group book-to-bill clearly >1

¹ Margins calculated on unrounded figures
2017 Group guidance confirmed—Positive sentiment continuous

**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

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**Order intake**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,413</td>
<td>around 2,600</td>
</tr>
</tbody>
</table>

**Sales**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,331</td>
<td>around 2,600</td>
</tr>
</tbody>
</table>

**CapEX**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>144</td>
<td>200 – 250(^1)</td>
</tr>
</tbody>
</table>

**EBITDA margin**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14.3%</td>
<td>Approach 14%(^2)</td>
</tr>
</tbody>
</table>

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\(^1\) Including CHF 70 - 75m related to Additive Manufacturing (AM); \(^2\) Including full absorption of all related unchanged investment expenses in AM
Summary –
3 key messages of today’s presentation

1. Clear priorities for the portfolio with focus on profitable growth in Surface Solutions – organic and M&A

2. Q2 with strong operational performance in all Segments

3. Full-year guidance for 2017 confirmed
Thank you.
OC Oerlikon Management AG, Pfäffikon
Churerstrasse 120
CH – 8808 Pfäffikon SZ
Switzerland

Andreas Schwarzwälder
Head of Investor Relations
Senior Vive President

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