

Q1/2009: Global recession causes sharp decline of business volume

Oerlikon enforces strict corporate program

- Orders received at CHF 599 million, minus 46 percent vs. first quarter of 2008
- Sales at CHF 657 million, down 42 percent
- Execution on top priorities:
 - restructuring of Oerlikon Textile and Graziano, group-wide contingency measures
 - financial stability, amendment of syndicated loan progresses as planned
 - portfolio focusing ongoing
- Continued R&D-investments into core technologies, notably Solar technology roadmap

Key figures for the Oerlikon Group as of 31 March 2009

In CHF million (continued operations)	Q1/2009	Q1/2008	Delta
Orders received	599	1 114	-46%
Orders on hand	1 298	1 713	-24%
Sales	657	1 133	-42%

Pfäffikon SZ, April 23, 2009 – The Oerlikon Group was impacted by the global recession in the first quarter of 2009. Even Oerlikon’s core businesses, which proved to be largely resilient in 2008, felt the global economic crisis. In anticipation of a challenging market environment in 2009, Oerlikon has rolled out a corporate program consisting of three defined work streams. “We respond to the current market situation with major restructuring and broad contingency measures, steps to secure our financial stability, as well as further focusing the portfolio,” says CEO Dr. Uwe Krüger.

Orders received for the Oerlikon Group’s continued operations were down to CHF 599 million or -46 percent, year-on-year. Orders on hand amounted to CHF 1 298 million (-24 percent). Sales fell by 42 percent year-on-year to CHF 657 million in the first quarter of 2009. The cause for this decline in volume is the worsening global recession, which has taken hold of Oerlikon’s main markets, in addition to the continuing crisis in the financial sector. These factors led to a general reduction in demand and made it considerably more difficult to finance large projects in machinery and plant engineering, notably in Solar and Textile. “The declining market, first broadly experienced in Q4 2008, deteriorated further at the beginning of 2009. Counter measures enforced earlier in the

year will help to alleviate the impact of this severe downturn predominantly in the second half of 2009,” comments Dr. Krüger.

The continued weakness of the global textile market resulted in a drop in Oerlikon Textile sales of 58 percent year-on-year to CHF 196 million in the first quarter of 2009. Oerlikon’s core businesses Coating, Solar and Vacuum posted decreases in sales of over 30 percent due to the worldwide reduction in industrial production. Oerlikon Drive Systems was hit hard mainly by the downturn in transportation-related industries, with a 31 percent decline to CHF 213 million.

In anticipation of a further deterioration, all business units developed contingency plans at the end of 2008. These plans were expanded and embedded into a comprehensive corporate program in early 2009 with three areas of focus – restructuring and contingency measures, securing the company’s financial stability and further focusing the portfolio on the core interface and surface technologies. All work streams are now under full implementation.

Restructuring: In the first three months of 2009, the Group’s headcount was reduced by nearly 700 employees to a total number of 17 710. At Group level almost 6 000 employees are working shorter hours. Oerlikon Textile is rigorously executing on its Simplify program, including a reduction of the production sites by 50 percent, product portfolio pruning by 25 percent and reduction of fixed costs by 20 percent until 2010. Short time work was nearly doubled to approx. 2,000 employees. Further measures aim to reduce the break even point by additional CHF 200 million to a total reduction of CHF 500 million until 2010 (compared to 2007). Oerlikon Drive Systems is in the process of improving operational flexibility and profitability via an extensive package of measures. Nearly 3 000 workers are on short time. Oerlikon Balzers announced in March that it would cut another 250 jobs worldwide. Oerlikon Solar will reduce its headcount by 60 positions. At Oerlikon Vacuum 750 employees are currently working shorter hours. Despite these tough times, Oerlikon continues to honor its obligations as a company that trains young people. The number of new apprentices at the Balzers/Trübbach location will climb to almost 100 people in 2009.

Financing: Steps to optimize cash flow, reduce working capital and to strengthen the balance sheet in the medium term were also rolled out. Besides a reduction in capital expenditure to below depreciation levels, a strict focus on key R&D projects, further cuts in discretionary spending and the sale of non-operational real estate is targeted. Together with defined working capital reductions, a potential of more than CHF 300 million has been identified. At the same time, the company is in the process to amend the syndicated facility. Results are expected in the second quarter 2009. Equity market transactions are in consideration.

Portfolio: Progress continues to further streamline the portfolio. The sale of Oerlikon Esec to the Dutch company BE Semiconductor Industries N.V. is closed and the management buy-out of the Etch business in St. Petersburg, Florida (USA) is completed. This brings Oerlikon Group's overall exposure to the semi-conductor industry down to less than three percent of sales. Additional disposals are being evaluated.

"Through the consequent execution on all three work streams of our corporate program we are convinced that Oerlikon will sustain in this adverse business environment", says Oerlikon CEO Dr. Krüger.

Outlook

Oerlikon continues to refrain from any detailed sales or profit forecasts for the current year due to the ongoing low visibility in major markets. Although on a low level, the sequential order increase of 19 percent in the early cycle Textile business in the first quarter of 2009 indicates the possibility for a recovery in other markets. Specifically for Oerlikon Solar, a normalization of the business is expected for the second half of 2009. "We are cautiously optimistic that current negotiations with our customers will result in at least one large order by then." says CEO Dr. Krüger. Broadly sized stimulus packages as well as increased willingness of banks to finance new businesses will help to improve the current business environment.

Segment performance

Oerlikon Textile

Oerlikon Textile sales for the first quarter were at CHF 196 million (-58 percent), new orders stood at CHF 236 million (-45 percent) and orders on hand amounted to CHF 502 million (-31 percent). The sharp decline compared to the first quarter 2008 reflects the ongoing weakness in the global textile market. However, in comparison to the last quarter of 2008, new orders increased by 19 percent and orders on hand rose by 13 percent. The book-to-bill ratio of more than 1 indicates that the textile machinery market has bottomed out. First signs of a recovery are visible on the Chinese market. The government stimulus measures, particularly in the chemical fiber market, are bearing the first signs of fruit. The current restructuring program (Simplify Oerlikon Textile) will be consistently implemented as announced. 50 percent of manufacturing sites, 25 percent of the product portfolio and 20 percent of fixed costs will be reduced by 2010. Additional measures aim to reduce the break even point by an additional CHF 200 million to a total reduction of break even of CHF 500 million by 2010 (compared to 2007). In order to achieve these goals in a quick and flexible manner, Oerlikon Textile will no longer serve as an integrated total solution provider. The individual business units have now direct responsibility and report to the COO of the Oerlikon Group, Thomas Babacan.

Oerlikon Coating

The Oerlikon Coating segment felt the full force of the global recession in the first quarter of 2009. Sales were down from CHF 123 million to CHF 84 million or by 32 percent. The service business, which contributes about 90 percent of segment sales, was hit even harder with a 38 percent decrease. The troubled automotive and tool industries caused the decline in sales at Oerlikon Coating. The segment implemented comprehensive measures at the end of 2008, which began to take effect in the first quarter of 2009. In the reporting period, additional steps were taken: 250 positions were cut worldwide, and two coating centres in Europe will be closed. Despite these actions, Oerlikon Coating continued its regional expansion and opened three new coating centres in Asia. They are the world leader in the coating industry with 87 centres in 31 countries. Plans to open a coating centre in Russia mid-year remain in place. The segment expects to see some recovery in demand in the second half of 2009.

Oerlikon Solar

Oerlikon Solar was not able to win any significant new orders in the first quarter, so it continues to complete existing orders. Sales were down by 32 percent to CHF 51 million. Orders received stood at CHF 11 million (-40 percent), and orders on hand amounted to CHF 390 million (-3 percent). Due to the global financial crisis, Oerlikon Solar clients have delayed orders and investments for expansion. Through shorter working hours for 200 employees and the redundancy of 60 positions, the segment is adjusting its capacities to the current situation. Investments in Research & Development are not affected by the downsizing – the R&D roadmap to achieve grid parity in 2010 will continue as planned. Together with the Japanese company, Tokyo Electron (TEL), a leading global supplier of innovative semiconductor production equipment, Oerlikon Solar announced a strategic sales and service cooperation, thereby strengthening its presence in the Asian market. Oerlikon Solar anticipates that the conditions for financing will improve in the second half of 2009, and that by the end of the year normal business conditions with strong growth will return. Stimulus programs and subsidies for renewable energy as announced, for instance by the Chinese, Japanese and US government, will additionally increase demand. The medium- and long-term market outlook for thin-film silicon solar modules with double digit growth rates remains unchanged. Oerlikon Solar is cautiously optimistic that ongoing customer negotiations will result in new orders during the course of the year.

Oerlikon Vacuum

The worldwide downturn in the capital goods market strongly impacted Oerlikon Leybold Vacuum. Sales decreased 36 percent to CHF 75 million. New orders stood at CHF 75 million (-42 percent), and orders on hand amounted to CHF 71 million (-16 percent). All regions and markets, such as the process industry, analysis, research and solar were affected. The solutions business remained largely stable. In answer to the weak market environment, Oerlikon Vacuum has shortened working hours for 750 employees. Additionally, the segment has applied cost saving measures since the fourth quarter of 2008. Further steps cannot be ruled out. The segment was still able to continue the roll out of new innovative products in the first quarter, such as the new generation of RUVAC root pumps. With the continuation of its product offensive, the segment is gearing up for the next upturn in the economic cycle.

Oerlikon Drive Systems

Oerlikon Drive Systems segment sales decreased by 31 percent to CHF 213 million in the first quarter of 2009. Orders received shrank by 51 percent to CHF 158 million, orders on hand fell by 34 percent to CHF 145 million. Following years of exceptional growth, the segment is now feeling the full brunt of the recession in its markets. In addition to the high performance car market, other markets affected by the downturn include construction machinery, agriculture, as well as rail and transportation. Although moderately affected by the recession, the energy sector (oil, mining, wind energy) remains the most stable. Oerlikon Drive Systems is adapting to the market situation with comprehensive restructuring measures and continued focus on globalization efforts, particularly as it relates to capturing new business opportunities and market share in China and India. Moreover, the integration of both business units, Graziano and Fairfield, will continue, such as with purchasing and supplying customers. In addition to its established business, Oerlikon Drive Systems will focus in particular on tapping new future growth markets in the Clean Technologies sector with new products such as zero emissions electric drives and new developments related to renewable energy. The segment does not foresee a market recovery in the second quarter of 2009.

Oerlikon Advanced Technologies

The Advanced Technologies segment, which includes the business units Oerlikon Space and Oerlikon Systems, saw sales decline by 7.4 percent to CHF 39 million. Adjusted by portfolio effects of Oerlikon Systems (sale of the Magnetic Media and Etch business in St. Petersburg, Florida, USA), the segment's sales grew by almost 2 percent. New orders were down by 61 percent to CHF 34 million and orders on hand fell by 30 percent to CHF 190 million. The progress in the Advanced Nanotechnology area of the Oerlikon Systems business unit was not yet able to compensate for the weak semiconductor and optical disc markets. The organization in Asia will move from an own sales structure to representatives and agents in order to reduce fixed costs. Oerlikon Space, in contrast, continued its growth trajectory in the first quarter of 2009 in a highly regulated market.

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About Oerlikon

Oerlikon (SIX: OERL) is one of the world's leading international high-tech industrial groups specializing in machine and plant engineering. The company is a leader in the field of industrial solutions and innovative technologies for textile manufacture, thin-film solar and thin-film coating, drive, precision and vacuum systems. With roots in Switzerland and a long tradition stretching back 100 years, Oerlikon is a global player with a workforce of almost 18 000 at 180 locations in 37 different countries. The company's sales amounted to CHF 4.8 billion in 2008 and it ranks either first or second in the respective global markets.