oerlikon

Annual Report **2015**

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Business report

Letter from the Chairman

Dear Shareholders

This first year as Chairman of Oerlikon has been a challenging albeit inspiring period. All in all, against the backdrop of the difficult geopolitical and market developments, Oerlikon did well in sustaining its strong operating profitability[1] and advancing its leading technology position.

At the end of 2014, the macroeconomic outlook was relatively optimistic. This was supported by the projections that China would sustain its growth level, Europe would be supported by the stimulus measures of the European Central Bank and the U.S. economic recovery would continue. Instead, the global economic and market challenges in 2015 turned out to be broader and greater than envisaged. China's economic deceleration and the change in its political agenda were chief among these challenges and reverberated throughout Asia and beyond. Europe experienced slower-than-expected economic recovery and political challenges, while economic growth in the USA was uneven and South America declined sharply, mainly due to the fall in commodity prices. The agricultural, automotive and textile industries were hit especially hard. Moreover, a continued and precipitous drop in oil prices had a harsh effect on the energy sector and on industrial companies around the world. Oerlikon serves customers in all these markets, and the difficult environment affected their investment capabilities, which inevitably impacted our performance.

However, it is important that we put these shorter-term developments into perspective. Major macroeconomic megatrends such as population growth, increases in mobility and energy needs, and urbanization will further drive the demand for technologies and solutions like ours. The automotive, aviation, energy, process engineering and textiles markets will continue to grow, but at the same time, they need to become more energy efficient, achieve higher levels of productivity, minimize the use of scarce resources and improve their environmental sustainability. We believe that a solution to these challenges will come from better materials processing, lighter and stronger materials and materials with new properties. Thus, we have set a new strategy to take better advantage of these opportunities.

In 2014, Brice Koch was appointed CEO. He was mandated with the task of defining Oerlikon's strategy and building the Group's foundation for the next phase of its development. In order to support this process, the Executive Committee and the Board of Directors were successively reinforced with members who have comprehensive market and technology knowledge.

Shortly after the newly formed Board was elected, we completed the review of the Group's strategy and sharpened it, putting a strong focus on our core competencies. Our objective is to transform the Group from an industrial conglomerate to a company with a clearly defined focus, building on our strengths and innovative technologies in surface solutions, advanced materials and materials processing. In principle, we want to be in businesses where we hold the number one or two market position, offering unrivaled and not "me-too" technologies and solutions.

Our new strategy targets markets in the automotive, aerospace, energy and tooling industries. To accelerate the execution of the strategy, we need an experienced industry expert with extensive experience in these key industries and markets. Dr. Roland Fischer brings in-depth expertise and the best set of leadership skills and management competencies to lead the company into its next phase of development.

The transformation of Oerlikon began back in 2012 with the first major divestment of the Solar Segment. In 2015, we accelerated the process, closing the sale of the Advanced Technologies Segment and moving forward with the divestment of the Vacuum Segment, which we announced in November and expect to close the transaction by the middle of 2016. As we progress with our transition, we will be using our strong balance sheet to fund organic and inorganic growth.

The acquisition of Metco in 2014 was of special significance in that its addition to Oerlikon and combination with Oerlikon Balzers has led to our ability to offer a broad, versatile portfolio of innovative materials, equipment and solutions. Coupled with a highly valued competence in application engineering and the largest global network of surface solutions production and service centers, we have created a strong platform for further growth. We are becoming a worldwide technology leader in surface solutions and advanced materials. Despite the fact that we performed well with the integration of Metco and sustained the strong profitability of the Segment in 2015, we have to do more. We must leverage the unique market position we hold with our surface technologies, advanced materials, components engineering and materials processing, and better capitalize on their potential going forward. As such, we need to further penetrate our existing markets, enter new markets and exploit synergies within the Segment to increase profitability.

In some key markets, such as aviation and automotive, we already hold strong market positions. We are also seeing that more and more industries are discovering the substantial value of surface technologies. Added to that, new industries such as medical devices or high-end consumer products are increasingly using surface solutions and advanced materials to develop innovative new

[1] Normalized EBITDA margin of 16.9 %: 2015 excluding restructuring costs; 2014 restated and normalized.

products and to increase their performance. Another promising area is metal-based additive manufacturing (AM). Although at an early stage of the market cycle, it is growing fast in technology development and industrial application. There are substantial opportunities to develop next-generation materials designed for AM production processes, and to provide novel and superior solutions for products that require customization.

For the manmade fibers business, we are currently seeing a trough in the market for chemical fibers, afflicted by overinvestment and overcapacity in the past few years. However, the long-term fundamentals for the manmade fibers market remain intact and are supported by strong sustainable structural growth and demand. The increasing global population will continue to drive clothing needs. We have also noted opportunities in new applications such as nonwoven technologies used in water and air filtration, and more energy-efficient and resource-effective production solutions such as recycling technologies. In addition, the threat of water scarcity makes the production of manmade fibers attractive, given its better environmental footprint. However, we anticipate that the next two years will continue to be difficult. To make this Segment even more robust, we have started to implement restructuring measures that will support us in balancing out some of the market's developments and ensuring that we are well positioned to benefit from the upswing over the medium term. We are also intensifying our efforts in developing the business in markets such as India, Southeast Asia, Russia and Latin America. These measures will support us to return to profitability even with lower top lines. We estimate that the fibers markets will regain momentum in 2018.

In 2015, almost all the sectors in the drive systems business such as construction, agriculture, mining and oil & gas suffered serious setbacks, triggered by negative economic and commodity orientations. These markets are long-term beneficiaries of the above-mentioned macroeconomic megatrends – including the constant and growing demand for mobility, food and energy. However, the headwinds faced by the markets have required us to account for a goodwill impairment for the Drive Systems Segment. To improve the Segment's competitiveness and to better weather market fluctuations, we have taken decisive actions to focus the business on key product lines serving long-term growth markets.

At Oerlikon, we have a strong commitment to research and innovation. Developing new and innovative technologies is a key cornerstone of our culture and strategy. Even in a challenging year such as 2015, we maintained our innovation momentum and invested around 4 % of our revenues in R&D – a notable percentage compared to many of our industry peers. And innovation is not limited to new technologies. We also apply our innovative mindset to our production, operational excellence, quality and service processes – all with the aim of offering better value to our customers and expanding our presence in key markets.

Our efforts in innovation and customer focus are supported by our programs to continuously improve our operational excellence and agility. Taking into account today's economic market environment and dynamics, we further increased efficiency, cost-effectiveness and the flexibility within our processes in areas such as go-to-market strategies, R&D, supply chain management and production. As the benefits from our operational excellence and cost initiatives gain traction, we will continue to strengthen the Group, making it more agile to respond to both changes and opportunities.

The geopolitical uncertainties and market difficulties in 2015 also led to turbulence in global stock markets. For companies reporting in Swiss francs, the Swiss National Bank's decision to remove the enforced ceiling of the Swiss franc to the euro added to the adverse developments. The share price of Oerlikon was impacted by these negative events and developed at an unsatisfactory rate. While we are naturally not pleased with the situation, we recognize that this is the current reality faced by the industry and our peers, which we cannot control.

However, one avenue for returning value and capital to shareholders that we can control at Oerlikon is through annual dividend payments, which is central for us. Thus, we will recommend a dividend payout of CHF 0.30 per share at the 2016 Annual General Meeting of Shareholders – the same amount paid out in the previous year.

I would like to take the opportunity here to extend, on behalf of the Board, our thanks to Brice Koch for his valuable contributions and for the strategic developments. I would also like to thank all employees of Oerlikon, my colleagues on the Board and the management team for their hard work and dedication, and customers around the world who build on our innovative technologies.

Last but not least, I would like to thank you, our shareholders, for the trust you place in us and in Oerlikon even during such challenging times. This change at the helm of Oerlikon is a decision for Oerlikon, and we are confident that we have the best person in place to advance the strategy of the Group, making it a company that can effectively seize future opportunities. The direction forward will empower us to build significant value for shareholders and all other stakeholders over the long term.

March 1, 2016

Sincerely

Prof. Dr. Michael Süss
Chairman of the Board of Directors

Letter from the CEO

Dear Shareholders

Our 2015 business year was marked by challenges from global economic developments that were not envisaged at the beginning of the year. Market sentiments shifted suddenly in the third quarter, rapidly deteriorated and affected our markets. We saw a sharp downturn in our manmade fibers business, primarily driven by China's review of its next five-year plan (2016–2020) for supporting new investments in polymer technologies. We also saw a continued downward slide in oil prices and subdued developments in the agricultural, construction and energy sectors.

We reacted immediately and promptly took actions, which led to our success in protecting a strong operating profitability with a normalized EBITDA margin of 16.9 %, excluding restructuring costs, and setting the path for Oerlikon to sustainably grow over the medium to long term, building on our key strengths and attractive market opportunities.

The Group's order intake for 2015 came in at CHF 2 537 million, while Group sales totaled CHF 2 671 million. At constant exchange rates, sales were CHF 2 818 million, representing a currency impact of 5.5 %. EBITDA stood at CHF 338 million, or normalized at CHF 450 million, excluding restructuring costs. Correspondingly, the operating profitability margins were 12.7 % and 16.9 %, respectively. The restructuring costs were a consequence of the market-driven resizing of the Manmade Fibers and Drive Systems Segments, and amounted to CHF 112 million. Including the restructuring costs and impairment charges for goodwill and fixed assets of CHF 476 million, the Group's EBIT was CHF –306 million and results from continuing operations amounted to CHF –402 million. The net result including these effects stood at CHF –418 million. Normalized, the underlying net result[1] following the exclusions amounted to CHF 207 million, reflecting an underlying earnings per share of CHF 0.61. These results underscore the fact that the company keeps delivering good operational performance also in a demanding environment.

The Group's financial position remained strong in 2015, with an equity ratio of 38 %. The net cash position at the end of the year amounted to CHF 79 million. Cash flow from operating activities before changes in net current assets was CHF 393 million, and the Group's return on capital employed (ROCE) was at 11.1 %, excluding the reorganization and impairment effects. In 2015, we strengthened our capital position by taking advantage of the favorable interest rate environment and our improved risk profile to extend the maturity of our syndicated credit facility to 2017 at a lower interest rate.

Supporting our strong profitability were comprehensive initiatives in Group-wide operational excellence and cost savings programs, focusing on manufacturing and supply chain management. In manufacturing, we further implemented value stream analysis, shop floor management and lean manufacturing principles at different sites and achieved productivity improvements and 97.9 % on-time delivery. In supply chain management, we further optimized our pooling of purchases, upgraded skills and streamlined processes over electronic platforms, resulting in mid-double-digit millions of gross savings in Swiss francs. We also held our first Global Health & Safety Day in 2015, reinforced our safety measures and further reduced the Group's global Lost Time Accident Frequency Rates by 32 %.

Following the decided strategic direction, we shared our plans at the Investor Day in November on how we will lead the company through the short-term market challenges, while developing the core businesses in the medium term. Oerlikon addresses attractive markets, where we have invaluable and well-established competitive advantages in technologies, services and customer relations. For instance, we see great potential in surface solutions, an area where there is growing demand from customers for lighter and more durable materials that are able to deliver increased performance. For our manmade fibers and drive systems businesses, we sustained both Segments' underlying operating profitability despite the tough market conditions, and are aligning them to current market dynamics to make them fitter. The measures initiated at the Manmade Fibers and Drive Systems Segments will significantly lower these Segments' respective breakeven sales levels, and together with Group-wide operational excellence measures, gross saving of up to CHF 100 million is expected.

The Surface Solutions Segment delivered solid results in 2015, driven by the combined solutions from Oerlikon Balzers and Oerlikon Metco. We successfully integrated Oerlikon Balzers and Oerlikon Metco into the Segment, opened new service and competence centers, and launched new joint solutions such as the extremely wear-resistant BALINIT® CROMA coating. We have only begun to uncover the potential of the newly strengthened surface solutions business, and we intend to swiftly capitalize on the opportunities we believe will shape tomorrow's industries. In becoming a global powerhouse in surface solutions and advanced materials, we will be using our strong balance sheet to fund growth and pursue investment opportunities. In 2015, we carried out a bolt-on acquisition of the business of Laser Cladding Services to expand our surface solutions' offering in this area, and gained access to additional customers in

[1] Excluding impairments, restructuring costs, amortization of acquired intangibles (from Metco, net of tax) and results from discontinued operations.

North America. A business where we see great opportunities is metal-based additive manufacturing (AM). We offer a unique market proposition to this highly promising sector as we have the expertise in both advanced materials and surface solutions. We have started to expand our product portfolio with innovative superalloy powders, optimized for state-of-the-art applications for all laser-based and electron beam AM processes, and launched the first AM materials under the MetcoAdd™ brand.

For the Manmade Fibers Segment, the extent and speed of China's economic deceleration in the third quarter of 2015 prompted China to review its 13th five-year plan. Consequently, the textile sector was severely impacted and extended the overcapacity of equipment, resulting in postponement of orders and weak demand. Despite the trough, the Segment delivered underlying operating profitability in 2015, and we have taken steps to make the Segment even more resilient by lowering its cost base and implementing further operational excellence initiatives to generate further productivity savings. The Segment will also be focusing stronger on developing its business in other regional markets outside of China, and in adjacent markets such as polycondensation. Through the joint venture with the Chinese company Huitong Chemical, signed in 2015, we are effectively the only company able to offer comprehensive industrial solutions, from continuous polycondensation to finished end products in chemical fiber spinning or PET bottle-grade material.

The Drive Systems Segment experienced pullback in its business due to negative developments in four out of six of its markets. The mining and construction sectors remained weak, while the oil & gas and agricultural sectors saw sharp decline in investments and shelving of projects. Those developments made it necessary for us to review the Segment's portfolio, and to focus on key product lines in long-term growth markets where the Segment enjoys a strong technology and market position. Further measures include a stronger focus on key customer accounts, high-value projects and extending product applications into adjacent industries with similar needs. The Segment will also undertake a reorganization, introduce a focused factory concept with defined lead factories for each global product line and improve its production and logistic processes.

We took another decisive action in 2015 – the announced sale of our Vacuum Segment to Atlas Copco, which is the ideal owner to unfold the full potential of the Vacuum Segment, as it has a strong position and broad expertise in the vacuum and compressor sector. The transaction is based on an enterprise value of CHF 525 million and is expected to close by the middle of 2016. Additionally, the divestiture of the Advanced Technologies Segment was completed in 2015. These actions enable us to reallocate critical resources to fund targeted investments and our growth plan.

In 2015, we invested CHF 103 million, or around 4 % of our sales, in R&D. In the Surface Solutions Segment, our progress included the expansion of the BALIQ™ family of coatings with further wear-resistant and extremely smooth and dense coatings, and the development of next-generation materials for environmental barrier coatings (EBC) optimized for effective protection of turbine engines against vapor and environmental factors. The Manmade Fibers Segment introduced an energy- and cost-saving carpet yarn finishing component called RoTac³ and a new version of a software solution that effectively manages the entire spinning and texturing production process – Plant Operation Center (POC). The Drive Systems Segment rolled out a new range of Torque Hub® for sprayer machines that increases efficiency and improves safety.

We continued to expand our global footprint in 2015. Milestones include our first service center offering both Oerlikon Balzers and Oerlikon Metco technologies in Guelph, Ontario, Canada, a new automotive competence center for surface solutions in Slovakia, a new sales office in Dubai and an AM center in Westbury, New York, USA. Today, we offer one of the largest surface solutions service networks in the industry, spanning over 145 centers in 37 countries. The Manmade Fibers Segment opened a new service center in Dalton, Georgia, USA, and a new technology center in Chemnitz, Germany. The Drive Systems Segment inaugurated its third plant in India. As we improved our proximity and services to customers, we increased the ratio of our service revenue to total Group sales to 33.6 %.

All in all, we proved our resilience and agility in 2015 and reacted well to the market developments. We strengthened our position as a technology leader, maintained our strong commitment to R&D, lowered our breakeven cost and improved and optimized our Group-wide processes and competences.

The challenging market developments are predicted to continue in 2016 and 2017, and the Group's focus is to continue protecting its solid profitability. Thus, order intake and sales are expected to be between CHF 2.3 billion and CHF 2.5 billion and the EBITDA margin to be in the mid-teens for the full year 2016.

Our markets are fundamentally supported by mid- and long-term drivers such as globalization, mobility, energy and urbanization. We are therefore convinced that the markets will recover and grow. With the defined strategy, Oerlikon will be able to partially offset the adverse market impacts. At this stage, it is important for Oerlikon to proceed with a strong strategy execution and the initiation of its next phase of development.

In closing, I would like to personally thank our customers, shareholders and employees for their trust and support over the past years. I am confident that the defined new strategy will have a far-reaching impact on Oerlikon's future, and will create sustainable future returns and value for Oerlikon and for its shareholders, customers and employees.

February 29, 2016

Best regards

Dr. Brice Koch
Chief Executive Officer

2015 in figures

2 537 million

Order intake in 2015
(in CHF)

2 671 million

Sales in 2015
(in CHF)

Normalized[1]:

16.9 %

Actual:

12.7 %

EBITDA margin

[1] Excluding restructuring costs.

Normalized[1]:

207 million

Actual:

–418 million

Net result in 2015 (in CHF)

[1] Excluding impairments, restructuring costs, amortization of acquired intangibles (from Metco, net of tax) and results from discontinued operations.

393 million

Operating cash flow[1]
(in CHF)

[1] Before changes in net current assets.

79 million

Net cash
(in CHF)

0.61

Earnings per share in 2015[1]
(in CHF)

[1] Based on normalized net result.

0.30

Dividend proposal for 2015
(in CHF)

Key figures of the Oerlikon Group

in CHF million	January 1 to December 31, 2015	January 1 to December 31, 2014
Order intake[1]	2 537	2 647
Order backlog[1]	431	643
Sales[1]	**2 671**	**2 825**
EBITDA[1, 4]	338	475
– as % of sales	12.7 %	16.8 %
EBIT[1, 5]	–306	323
– as % of sales	–11.4 %	11.4 %
Result from continuing operations[2]	–402	222
Result from discontinued operations, net of income taxes[2, 6]	–16	–20
Net result	**–418**	**202**
– as % of equity attributable to shareholders of the parent	–27 %	9 %
Cash flow from operating activities[7]	289	256
Capital expenditure for property, plant and equipment and intangible assets[1]	150	151
Total assets	4 097	4 966
Equity attributable to shareholders of the parent	1 554	2 188
– as % of total assets	38 %	44 %
Net cash[3, 8]	79	114
Net operating assets[1, 9]	1 875	2 486
Number of employees[1]	13 723	14 039
Personnel expense[1]	785	780
Research and development expenditure[1, 10]	103	96

[1] 2015 continuing operations, 2014 restated.
[2] 2014 restated.
[3] 2015 continuing operations, 2014 as reported.
[4] Includes one-time effects of CHF –112 million (restructuring).
[5] Includes one-time effects of CHF –588 million (restructuring expenses of CHF –112 million and impairment losses of CHF –476 million).
[6] Includes reclassification of translation differences amounting to CHF –21 million (previous year: CHF 0 million).
[7] Cash flow from operating activities before changes in net current assets amounts to CHF 393 million (previous year: CHF 427 million).
[8] Net cash includes cash and cash equivalents and marketable securities less current and non-current debt.
[9] Net operating assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets) less operating liabilities (excluding current loans and borrowings, non-current financial liabilities, current income tax payables and deferred tax liabilities).
[10] Research and development expenditure includes expenses recognized as intangible assets in the amount of CHF 22 million (previous year, restated: CHF 12 million).

Key share-related figures[1]

in CHF		January 1 to December 31, 2015	January 1 to December 31, 2014
Share price	Year high	12.70	15.65
	Year low	8.42	10.60
	Year-end	8.95	12.50
Shares outstanding at year-end		339 758576	339 758 576
Market capitalization at year-end in CHF million		3041	4 247
EBIT per share[2]		–0.90	0.96
Earnings per share (reported)		–1.24	0.59
Earnings per share [3]		**0.61**	**0.59**
Cash flow from operating activities per share		0.85	0.76
Equity per share[4]		4.58	6.50
Dividend per share		**0.30[5]**	**0.30[6]**

[1] Average number of shares with voting and dividend rights (undiluted).
[2] 2015 continuing operations, 2014 restated.
[3] 2015 based on normalized net result, 2014 reported.
[4] Attributable to shareholders of the parent.
[5] Dividend proposal for 2015, to be paid in 2016.
[6] For financial year 2014, paid in 2015.

2015 milestones

Group

Strategy: At the Investor Day in November, Oerlikon presented its strategy that is built on its key competencies in surface engineering, advanced materials and materials processing, with the aim to become a surface solutions and advanced materials powerhouse.

Divestments: To further focus the company and build on its businesses with leading market positions, Oerlikon closed the sale of the Advanced Technologies Segment and announced the divestment of the Vacuum Segment.

Acquisitions: To further expand the Surface Solutions Segment's technology portfolio and open up its access to key customers in the U.S. energy sector, Oerlikon acquired the business of Laser Cladding Services in Houston, Texas, USA.

Services: To further strengthen the company's resilience to market changes and to tap new business opportunities in the service business, Oerlikon improved its ratio of service revenues to total Group sales, which stands at 33.6 % at the end of 2015.

Markets

Additive manufacturing: To develop the business and opportunities in the additive manufacturing market, Oerlikon established a dedicated "Additive Manufacturing" business unit, where it can better leverage its unique market proposition built on the combination of its core expertise in both surface solutions and metal and ceramic-based powders and materials.

Thermal spray: To better serve markets and customers of the Surface Solutions Segment and explore new materials and technology opportunities in thermal spray applications, Oerlikon formed a new business unit "Metco Materials and Technology".

Polycondensation: To offer customers, from one single source, the ability to do the complete design, setting up, running and servicing of polycondensation plants, Oerlikon signed a joint venture with Huitong Chemical in China, creating the only company in the world that can offer a complete solution and an entirely integrated process – from raw materials all the way through to the textured yarn or the production of PET bottle-grade materials.

Proximity to customers

Surface Solutions Segment: To continuously improve the service network and customer proximity, the first joint technology service center in Guelph, Ontario, Canada for Oerlikon Balzers and Oerlikon Metco, a first automotive competence center in Veľká Ida, near Košice, Slovakia and a sales office in Dubai were opened.

Manmade Fibers Segment: To strengthen customer services, a new service center was opened in Dalton, Georgia, in the U.S.A., and a new technology center in Chemnitz, Germany. The Segment also began construction of a new customer service center in Vadodara, India.

Drive Systems Segment: To expand the presence in emerging markets, the distribution network was extended in Argentina, Chile, Colombia and Peru, where the business focuses on customers in the industrial, off-highway, construction and agriculture sectors. In addition, the Segment has reinforced its sales presence in the Middle East to develop markets and distribution networks in the region, focusing on Turkey, and in Russia to further develop the business in agriculture, construction, light commercial vehicles and trucks.

Innovations

New in family of BALINIT surface solutions: To provide a complete offering of extremely wear-resistant thin-film coatings, formerly from Oerlikon Metco, and the extensive production and service network from Oerlikon Balzers, BALINIT CROMA and BALINIT CROMA PLUS were added in the BALINIT family.

Next-generation woven carbon material: To ensure high-end friction and wear performance for synchronizer applications in the heavy duty truck market, the next-generation woven carbon material EF®9000 series was introduced to the market.

New metal-based superalloy powders: To provide strength and corrosion resistance at high temperatures, a new family of superalloy powders have been introduced. They are optimized for new applications in laser-based and electron beam additive manufacturing (AM). Under the MetcoAdd™ brand, gas atomized alloy powders designated for powder bed AM processes such as selective laser melting (SLM) and powder bed fusion, were also brought to market.

First AM-produced components: To demonstrate the capabilities of both the AM materials and the AM processes for components for aviation and industrial gas turbines, Oerlikon Metco's business line Eldim successfully produced blade locker prototypes using MetcoAdd materials.

New environmental barrier coatings (EBC): To ensure excellent thermal expansion that matches CMC (ceramic matrix composites) substrates and is optimized for effective protection against vapor and environmental factors, new EBC surface materials for turbine engines were introduced.

Next-generation BALIQ coatings: To bring wear resistance and extremely smooth and dense coatings for a wide range of applications to the next level, the BALIQ family was extended. The new coatings are based on S3p (Scalable Pulsed Power Plasma) technology, which enables a high degree of ionization, resulting in virtually droplet-free and highly dense coatings.

Improved yarn finishing component: To enable energy and cost savings in production by reducing the amount of compressed air required in yarn processing by up to 50 %, RoTac^3, was launched.

New software solution in fibers production: To provide a complete software solution that manages the entire spinning and texturing production process, a new version of the Plant Operation Center (POC), in line with Industry 4.0, was introduced.

WINGS product line expanded: To continuously offer innovative improvements for customers, the WINGS family gained two new additions. WINGS FDY (fully drawn yarn) PLUS, allows for a larger operation window and higher package weights, while the WINGS POY (partially oriented yarn) XS-Series offers modernization potential for conventional spinning plants.

New range of Torque Hub drives: To increase operational safety and efficiency, reduce maintenance costs and eliminate corrosive failures found on systems employing external service brakes, a new range of Torque Hub drives for sprayer machines was launched.

Power transfer unit (PTU) for Mercedes: To improve the clutch transmission's efficiency and weight, a new generation of central power transfer unit (PTU) that is assembled in the new 9F-DCT dual clutch transmission for Mercedes-Benz AMG was introduced.

33.6 %

Service revenues as a percentage of Group sales

32 %

Reduction in lost time accidents frequency rate compared to 2014

4 %

Percentage of Group sales devoted to research & development (R&D)

> 1 350

Number of engineers employed globally

86

Number of new patents filed

Oerlikon Group

Corporate structure
Oerlikon is a leading global technology Group providing market-leading technologies and services. The Group is structured in three Segments[1]: Surface Solutions, Manmade Fibers and Drive Systems, each operating under their own well-established brands and with their own market-specific strategies.

Oerlikon operates globally with 178 own sites in 37 countries. It has a long-standing presence in Asia, particularly in the emerging markets of China and India, a strong foundation in Europe and serves the most important markets in the Americas.

Sustainability and key Group developments
Oerlikon is committed to adhering to the principles of good corporate governance, in particular, the guidelines defined in the Swiss Code of Best Practice for Corporate Governance by Economiesuisse. Apart from the Articles of Incorporation, in which the purpose of the company, the corporate bylaws and statutes are officially filed, the Group has a clearly defined Code of Conduct covering the ethical and legal framework for all its business activities.

Sustainability at Oerlikon cuts across all areas of the business, from customer service, R&D, innovation and operational excellence (covering manufacturing, supply chain, health, safety and environment) to HR policy, risk management and compliance with legal, regulatory, ethical and internal requirements.

Strategy

Becoming a surface solutions powerhouse
In November 2015, Oerlikon announced at the Investor Day that it has embarked on a path forward to create long-term shareholder value. The strategy is based on unlocking the strengths and potential of Oerlikon's surface solutions business and shaping tomorrow's industries. Developments such as a growing population, rising demand for energy and increasing mobility are changing the world at a breakneck pace. These megatrends are transforming business models, societies and entire industries – and creating attractive opportunities for innovators. Key issues include how to reduce energy consumption, minimize the use of scarce resources and increase performance. Materials processing as well as new and intelligent materials and surfaces are destined to play a key role in providing solutions for these trends.

Oerlikon's Surface Solutions Segment is a technology leader in surface solutions and advanced materials, with a deep understanding of industry needs as well as a value proposition that has been strengthened by the successful merging of Oerlikon Balzers and Oerlikon Metco into the Segment. It offers customers a broad and versatile technology portfolio of coatings, materials and equipment, coupled with a highly valued service offering in the industry through strong application engineering competence and the most extensive global network of service and production centers.

The Segment will be supporting the development of stronger and lighter materials, or changing the properties of product materials. Such solutions can be material and lead to great value creation for customers by increasing the reliability of their products and delivering cost savings. Surface technologies can also permit the use of less costly or different base materials, increase productivity, improve energy efficiency, prolong product lifespans and reduce environmental impact.

Group structure and competence brands[1]

oerlikon

Surface Solutions Segment	Manmade Fibers Segment	Drive Systems Segment
oerlikon balzers	oerlikon barmag	oerlikon graziano
oerlikon metco	oerlikon neumag	oerlikon fairfield

[1] Continuing operations.

Investing in the surface solutions growth engine
Key markets such as automotive and aviation are experiencing solid underlying growth dynamics even in a low GDP environment. The company's ambition is to grow faster than these underlying markets. By adding new technologies such as laser cladding and additive manufacturing, the processes used to synthesize 3-dimensional objects, Oerlikon has increased the size of the total targeted market for its surface solutions business by around 20 % to CHF 11 billion.

To accelerate value creation and growth, Oerlikon will pursue organic growth opportunities by investing in the expansion of capacity, competences, technology upgrades and R&D to create new and exciting surface treatments and products. Additionally, the company will pursue selected acquisitions to further expand its services, technologies and market access through a combination of smaller bolt-on "string of pearls" acquisitions, or larger, more transformative deals to gain complementary or adjacent technologies.

Managing the cycle to strengthen Oerlikon's leading technology position
Oerlikon also enjoys strong technology leadership and holds valuable intellectual property in its manmade fibers business, where it is best in its class thanks to its technology and expertise. The Segment offers end-to-end systems covering every step in the process of manmade fiber production, from melt to yarn, fibers and nonwovens, and can provide customers with customized turnkey solutions.

The Segment is well-positioned to benefit from attractive medium term growth prospects in polyester markets thanks to key megatrends such as a growing population and the rising middle class, burgeoning demand for more eco-friendly and hard wearing yarns, and new applications in sectors such as construction or filtration that are driving demand for technical textiles.

Manmade fibers is a business that can deliver strong margins. In the near term, the Segment will be managed through the trough, resulting primarily from a generally weak global economy and overcapacity in China. But the long-term investment case remains attractive. By lowering costs, Oerlikon is positioning the Segment to capitalize on market recovery and growth prospects.

Focusing and fixing Drive Systems
Population and GDP growth in key markets such as China, India and South America will continue to deliver favorable longer-term opportunities for Oerlikon's Drive Systems Segment, which will focus on core products that serve the key sectors of agriculture, construction, automotive, transportation and energy.

Many of these end markets are currently experiencing weak demand and low-to-negative growth. To navigate market conditions and increase competitiveness and profitability, the Drive Systems Segment is executing a disciplined strategy based on four key pillars: streamlining the product portfolio; increasing the range of applications for existing technologies; creating focused factories to concentrate expertise and deliver process efficiency and economies of scale; and focusing on customers and orders that add value and profitability.

Customer service
To strengthen customer relationships and offer world-class services in close proximity to customers, Oerlikon continuously expands its global presence and customer service network. At the end of 2015, the Group has 178 sites after taking into account

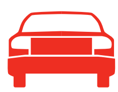
Growth drivers across Segments

Surface Solutions

- Engineering demands from customers for stronger and lighter materials
- Customer need for increased product performance, efficiency, extended product life and multi-functionality
- Stronger demand for environmentally friendly coating solutions
- Additive manufacturing

Manmade Fibers

- Growing population and rising middle class mean more demand for clothing and other fabrics
- Manmade fibers are more durable and increasingly used in industrial applications
- Demand for polycondensation solutions entirely supplied and managed from a single company



Drive Systems

- Automotive, transportation, energy, agriculture and construction are growth markets over the middle to long-term where technologies are key game changers the announced divestment of the Vacuum Segment. Oerlikon is represented by its own companies in almost all of the major markets in the world and operates according to the principle of “in the market for the market”. In selected growth markets, the Group partners with distributors and representatives. In 2015, Oerlikon’s service business amounted to CHF 897 million, and increased its ratio of service revenues to total Group sales to 33.6 % (restated FY2014: 29.4 %).

The production environment of many of Oerlikon’s customers involve complex systems of machinery, which need to work seamlessly. Such systems involve high capital investments. Oerlikon’s core competencies are centered on customer service and include an in-depth understanding of customers’ production processes and systems, the ability to anticipate customers’ needs and the ability to apply a breadth of competencies required to deliver a highly customized approach and close customer collaboration at all stages. By leveraging its strong materials processing and application engineering competence, Oerlikon often works in partnership with customers to solve problems at early stages of their product design and development.

For example, the coatings for cutting tools offered by Oerlikon’s Surface Solutions Segment can massively increase drilling speeds and significantly improve productivity. The Segment can then augment the customer benefit through its services business, which can regrind and recoat the tools multiple times, saving nearly half the cost of a new drill. Similarly, besides offering turnkey solutions for new chemical fiber plants, Oerlikon can service and maintain customer’s spinning plants and can even operate maintenance workshops at customer sites.

R&D and innovation

A key strength of the Group rests on developing leading-edge technology to maintain its competitive advantage and leadership position. Today, Oerlikon has value-enhancing proprietary technologies for surface solutions and advanced materials, the manufacturing of manmade fibers and polycondensation systems, and drives and shifting solutions for vehicles and machinery.

Many of the key megatrend challenges can be solved through engineering innovations. Increasing the efficiency of mobility, improving the performance and functionality of goods and systems, efficient use of energy, and contributing to environmental sustainability will continue to feature in the innovative technologies of Oerlikon. Oerlikon also seeks to enhance its processes and services through innovation to create further value for customers. The imperative for continuous improvement drives the creation of new innovative products, such as the Surface Solution Segment’s metal powders and coatings, which satisfy the growing demand for lighter materials, longer product lifespans, strengthened surface properties, increased performance and multi-functionalities.

In 2015, Oerlikon continued to invest around 4 % of Group sales in R&D, corresponding to CHF 103 million. More than 1 350 engineers and scientists work for the Group worldwide. In 2015, Oerlikon filed 86 patents for new inventions to protect its intellectual property.

Operational excellence

The Oerlikon Operational Excellence (OOE) program is centrally led by the Group Business Services function and focuses on three interrelated areas: world-class manufacturing, world-class procurement and health, safety and environment (HSE). As the Group strives to achieve world-class in all three areas, its ongoing initiatives have been gaining traction, showing material results from improvements in efficiency and productivity in its production and supply chain processes. Since its commencement, the Group’s HSE program has led to significant reductions in accidents and the associated lost time accident frequency rates (LTAFR). All in all, Oerlikon’s operational excellence programs contribute to improving the workplace for employees and to generating important cost savings for the Group.

In 2015, operational excellence was rolled out to the operations and customer service functions within the Manmade Fibers Segment, to the entire Drive Systems Segment in India, China and the EMEA region, and continued to be implemented within the Surface Solutions Segment. With the guidance of the Oerlikon Operational Excellence Academy, all line management personnel from the Drive Systems Segment in those regions were trained. Additionally, 70 % of blue collar employees were trained in operational excellence basics such as 5S, visual management and value walk. For daily management tasks and structural problem solving, line management uses shopfloor management, a methodology tool that measures and assesses key figures related to process transparency. Together with HSE, a Best Practice Sharing platform was set up, enabling all teams and members worldwide to share their experiences and successes regarding OOE and safety across all Segments.

Peer groups for benchmarking

Group (Swiss peers)	Group (International peers)	Surface Solutions Segment	Manmade Fibers Segment	Drive Systems Segment
ABB	GEA	Bodycote	Andritz	American Axle
Georg Fischer	General Electric	Kennametal	Dürr	Bharat Gears
Sulzer	Siemens	Praxair	Heidelberger Druckmaschinen	BorgWarner
	Sumitomo	Sandvik	Schweiter Technologies	Brembo
	ThyssenKrupp			Carraro
				Dana

World-class manufacturing

The application of the Oerlikon operational excellence program to manufacturing processes has yielded meaningful efficiencies, cost savings and innovation.
In 2015:

- Eight sites worldwide have begun value stream analysis projects with the aim of identifying improvements in areas such as net working capital, throughput time and cross-functional communications. The Neumünster site of the Manmade Fibers Segment, for instance, succeeded in decreasing throughput time by as much as 20 % in 2015.
- A total of 9 out of 17 sites from the Manmade Fibers and Drive Systems Segments are stably running shop floor management. Line managers use this central leadership tool to steer and guide employees, who in turn use it to address and resolve problems through an inclusive, bottom-up orientation.
- In the Manmade Fibers Segment, operational excellence is also being implemented in Beijing, Suzhou, Wuxi and Tongxiang in China to strengthen customer service by helping the workshops improve their performance and meet goals for quality assurance as well as on-time delivery, while improving working conditions.
- The Drive Systems Segment in Lafayette, Indiana, USA, took over the CTL production line from Danfoss. While transferring knowledge and rebuilding the assembly line, the Segment identified and implemented process enhancements and a U-shaped layout that yielded a more than 30 % improvement in productivity and a 50 % increase in flexibility. Similarly, the new Mercedes line in its plant in Luserna, Italy, uses a synchronized and balanced one-piece-flow and U-shaped assembly line, designed along lean manufacturing principles, which has generated a 25 % improvement in productivity.
- At the Surface Solutions Segment, further operational excellence structures and actions were defined to ensure medium-to-long term improvements in manufacturing productivity and stronger collaboration within the Segment.

World-class supply chain management

Optimizing the supply chain enables Oerlikon to benefit from higher operating efficiency, better use of resources and cost savings. Establishing close partnerships with strategically selected suppliers, pooling purchasing, creating knowledge networks, utilizing advanced procurement tools and streamlining processes are all part of Oerlikon's procurement harmonization program. In 2015, the initiatives yielded for the Group mid-double-digit millions of gross savings in Swiss francs. The program is centrally coordinated and implemented across the Group, with clear strategic and financial objectives. Oerlikon also ensures that its suppliers meet high quality and sustainability standards.
In 2015:

- The logistics team addressed more than 65 % of the Group's logistics spending using electronic requests for quotations and an online platform for freight tendering. They successfully completed several cross-functional projects in the "Maintenance Repair Operation" (MRO) category.
- For eProcurement, an eSourcing tool was implemented and deployed worldwide. Additionally, the Manmade Fibers Segment implemented the SupplyOne eP2P process in Remscheid, Germany. As a result, 16 % of transactions are automated, with 80 % requiring no manual application.
- STEP, the Savings Tracking Execution Platform, was deployed globally at the Surface Solutions Segment to accelerate the integration of supply management cost saving initiatives and serve as a vehicle to align processes.
- Under the Supply Chain Academy, two separate programs took place: (1) more than 170 employees have started with an online learning program on supply chain management; (2) 117 employees completed over 2 230 online learning modules and over 170 buyers worldwide were trained in procurement expert or category management in Europe, the United States, China and India.
- Thanks to Category Councils held in 2015, the first target panels have been drafted and will be implemented over the next year.

Health and Safety

Occupational health and safety are important elements of Oerlikon's sustainability strategy and form an integral part of the Group's business processes. HSE guidelines and monitoring are centrally coordinated, but the programs and processes are decentralized and implemented by the Segments and sites locally. The Visual Safety Leadership initiative plays a key role in this context, with a series of concrete measures aimed at cutting accident figures further and protecting the health of employees. The vision is "zero harm to people". The key performance indicator for measuring progress is the lost time accidents frequency rate (LTAFR) figure. In 2015, Oerlikon recorded an LTAFR of 0.51, a 32 % reduction from the LTAFR value of 0.75 at the end of 2014.
Additionally, in 2015:

- Oerlikon held its first Global Health & Safety day to promote ergonomics to employees globally through meaningful and engaging activities.
- The Surface Solutions Segment implemented safety initiatives with operational managers at all levels carrying out regular safety observation tours. The Segment also rolled out the permit-to-work system and the proper lock-out-tagout (LOTO) procedures globally, and defined strict rules for working-at-height. More than 200 people were trained on cranes and hoist safety. The Segment received an ISO 14001 recertification for its site in Balzers.
- The Manmade Fibers Segment began with the training of 400 employees in the operation of cranes and fastening of loads, where the ergonomic principles in workplaces were consistently implemented. It also expanded the fire alarm system to comprehensive monitoring and alerting in all production, storage and testing areas. In addition, the Segment also undertook a revision and execution of risk assessments at the Segment's sites in Germany and implemented a legal cadastre for HSE-related legislation.
- The Drive Systems Segment conducted an ergonomic risk assessment of its operations in Italy, followed by the launch of an action plan and organizational improvements. In addition, the Segment organized their own "HSE days" or "HSE weeks" to focus employee attention on health and safety issues in the workplace, and organized a machine safety workshop for maintenance staff.

Environment

Reducing energy consumption and minimizing the environmental impact of Oerlikon's global operations are focus areas at both the Group and Segment levels. In 2015, a new Health, Safety & Environmental Sustainability policy was drawn up. This policy is under review and will commit the Group to further strengthening the Group's health and safety measures, as well as coordinating and advancing the Group's contribution to environmental sustainability alongside its long-term goals of sustaining profitable growth and value creation for all stakeholders. Additionally, in the reporting year:

- The Surface Solutions Segment has obtained certification of all 14 of its Oerlikon Balzers sites in Germany for the ISO 50001 certified energy management system.
- The Manmade Fibers Segment successfully implemented its energy management certification in accordance with ISO 50001.
- The Drive Systems Segment in Italy achieved re-certification for ISO 14001, a standard for environmental management systems, and its new production site in Ahmedabad earned a Gold Rating certification from the Indian Green Building Council.

For Oerlikon, sustainability also means strengthening the Group's ability to provide customers with more sustainable products and services. A case in point within the Surface Solutions Segment is its PPD™ (Pulsed Plasma Diffusion) technology for the surface treatment of large forming tools. This is an environmentally friendly and more cost efficient alternative to the chrome-plating process for wear protection treatment of tools used in the automotive industry. In addition, the Segment's coatings for jet engine parts improve engine efficiency by 2 %, effectively saving 4.8 billion liters of fuel annually and cutting CO_2 emissions by 12.3 million tons per year.

Employees

Oerlikon fosters a culture that encourages employees' sense of responsibility and development, built on its core values of Integrity, Team Spirit, Excellence and Innovation. Oerlikon aims to be a preferred employer for current and potential new employees. Apart from competitive pay and a modern HR policy, Oerlikon runs various HR programs:

- Leadership Development: in 2015, a Group-wide leadership development program for mid-level leaders was put in place, following programs for senior leaders in 2014. Front-line leadership development programs were also expanded to increase leadership effectiveness given current and future demands.
- Talent recruitment: the Group offered further specific programs for graduates from universities and institutes of technology.
- Functional academies: The Operational Excellence Academy was expanded to further sites and internal trainers were first equipped to train shop floor employees to implement tools and best practices on a larger scale to optimize operational efficiencies. Procurement specialists trained through the Supply Chain Academy are on the way to achieving Procurement Excellence by the end of 2016.
- Apprenticeship: over 550 young people are currently completing their apprenticeship. The majority of them are at Drive Systems Segment. To date, the Surface Solutions Segment has trained over 1 400 interns.
- Diversity: in all markets, particularly in China and India, Oerlikon primarily employs local managers. The composition of senior management, known as the "Global Leaders", represents Oerlikon's diverse culture, with over 80 members from 12 countries.

Risk management

Oerlikon takes a comprehensive approach to risk management that identifies, assesses and controls all corporate risks relevant throughout the Group, including market, credit and operational risks. The risk management system is integrated throughout the company from an operational and management perspective. Further information about risk management can be found on pages 60 and 61.

Compliance

The Oerlikon Group ensures that business practices worldwide are in line with the Code of Conduct, internal regulations, as well as legal and regulatory requirements. Compliance is monitored at Group level, setting standards, recommending preventive measures and providing information, training and consultation. As a company listed on the SIX Swiss Exchange, Oerlikon complies with the legal and regulatory requirements specified by SIX and the Swiss government. Further details about compliance can be found on page 61.

Key sectors

Automotive

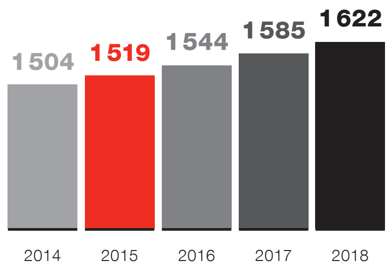
The automotive sector saw some growth in 2015 spurred on by low oil prices. However, recent economic uncertainty in China, the largest automotive market, and softness in Europe negatively impacted the general market, which is likely to continue in 2016. All three Oerlikon Segments deliver products and services directly and indirectly to this sector. In 2015, the Surface Solutions and Drive Systems Segments generated 26 % and 14 % of their sales, respectively, in this sector.

Fueled by long-term growth motors such as urbanization, a growing middle class and the desire for more mobility, the automotive sector remains attractive, and Oerlikon estimates the size of its targeted market in this sector to grow at a CAGR of 2.2 % over the next three years.

The demand for higher fuel efficiency, smaller engines and lower emissions are key drivers behind automotive technologies. Oerlikon's surface solutions allow the use of new and lighter materials, improve key components' efficiency and increase the resistance and durability of ever smaller parts. In the newly opened automotive competence center in Slovakia, the Surface Solutions Segment aims to coat 28 million engine parts for the European automotive industry by 2018. It also plans to invest in two new automotive competence centers in the USA and one in China. Winning Zanini Auto Group, an automotive exterior and interior parts' supplier, as a customer for its eco-friendly chrome-replacement ePD technology has opened up further opportunities for the Segment in this sector.

The Drive Systems Segment, a strong partner in delivering technologies for high-performance cars, sees opportunities in e-vehicle and hybrid solutions. The Manmade Fibers Segment delivers technologies for the production of technical textiles used in vehicles, such as tire cords, airbags, seat belts, upholstery, carpets and interior trim.

1 519 million
targeted market size in 2015 (CHF)



Targeted market size in the automotive sector*
in CHF million

* Oerlikon estimates

Aviation

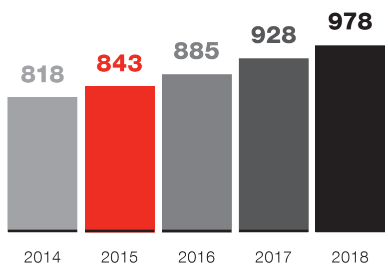
Boosted by increases in passenger and cargo movements, the commercial aviation market continued to grow in 2015. The Surface Solutions Segment delivers technologies for airplane components such as engine pylons, turbine blades and landing gear systems and generated 12 % of its 2015 sales from this sector.

Backlogs at Airbus and Boeing reportedly represent eight years of future production. Coupled with China's recent entry as a large airplane manufacturer, this market is expected to grow over 4 % in 2016[1]. Oerlikon's targeted market size in this sector is forecasted to grow at a CAGR of 5.1 % from 2015 to 2018.

New and improved technologies are going to be even more important in the design and production of next-generation aircrafts. In particular, future airplanes will need lighter yet durable materials, have engines that run efficiently at even higher temperatures, be fuel efficient, have lower carbon footprints and generate higher ROI to airlines. Innovative surface treatments will play a key role here. For instance, the Surface Solutions Segment developed in 2015 a new erosion protection coating to reduce solid particle erosion in aircraft compressor blades, thereby improving efficiency in that critical jet engine part. BALINIT DIAMOND, another product from the Segment, enables cutting tools to be extremely wear-resistant, sharp and smooth as required for the processing of carbon-fiber reinforced plastics (CFRP) that are increasingly used in aviation. The Segment's additive manufacturing (AM) offering is also another area with promising applications in this sector. The Manmade Fibers Segment also delivers production systems that make the fibers used in aircraft carpets and upholstery.

[1] Source: HSBC Global Capex Monitor H1 2015 and JP Morgan Electrical Equipment & Multi Industry report

843 million
targeted market size in 2015 (CHF)



Targeted market size in the aviation sector*
in CHF million

* Oerlikon estimates

Energy

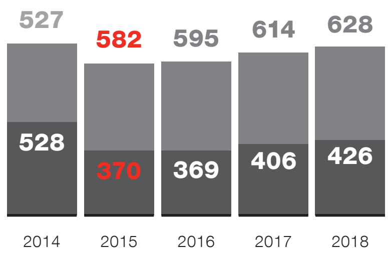
New crude supply in the U.S. and continued strong supply from OPEC and Russia contributed to a global oil glut in 2015. As a result, major oil companies slashed investments in exploration and production. The mining market was also weak in 2015 due to cuts in capital spending as a result of falling commodity prices. The power generation sector was the strongest of the three energy markets in 2015. The energy sector contributed 6 % of sales in the Surface Solutions Segment and 16 % in the Drive Systems Segment in 2015.

Although recovery is not expected in the short term, the worldwide oil market will eventually return to equilibrium and growth. The alternative energy market should experience strong future growth, especially in renewable sources such as wind, due to rising energy demand, replacement of older facilities and environmental concerns. Oerlikon forecasts its targeted market size in this sector to see a CAGR of 3.5 % over the next three years.

The Surface Solutions Segment sees promising opportunities in the alternative energy market as its surface solutions enable turbines used in wind farms and hydroelectric dams to withstand higher stresses. In oil & gas, the recent acquisition of the business of Laser Cladding Services adds to the expertise of the Segment in laser cladding and expands opportunities in the U.S. energy market. Laser cladding improves the corrosion resistance in the base metals used in turbine blades, drilling equipment and pump components, an important benefit at a time of intense cost reduction throughout the sector.

The Drive Systems Segment is a technology leader in gear solutions for the propulsion and rotation of industrial equipment used in oil & gas, such as gears and drives for mud and fracking pumps, marine winches, hoists and jack-up rigs, and stands to benefit when the oil and gas market recovers.

952 million
targeted market size in 2015 (CHF)



Targeted market size in the energy sector*
in CHF million

Oil & Gas Power Generation * Oerlikon estimates

Tooling

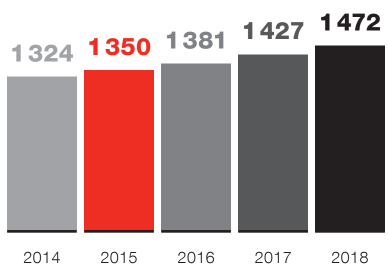
Machine tools constitute a major indicator of the health of the manufacturing sector. In 2015, the tooling industry saw slight growth despite a decline in capital investment in manufacturing due to reduced oil and other commodity prices, as well as the slowdown in China and Brazil. The Surface Solutions Segment serves the tooling market, in which it generated 36 % of its 2015 sales.

Over the next four years, the tooling market is estimated to grow by around 6 % worldwide[1], driven by demand for new equipment, for the replacement of older machines and the need for higher performance tools. Oerlikon's targeted market size for tooling is projected to grow at a CAGR of 2.9 % from 2015 to 2018.

Technologically, manufacturers need tools that improve production processes, enhance flexibility, efficiency and quality, and thereby lead to time and cost savings. These are the benefits that Oerlikon's surface coatings deliver. The Surface Solutions Segment provides wear-protection treatments that significantly improve performance and service life of tools used in cutting, metal forming, plastics processing and die casting that must function in increasingly harsh environments while requiring higher performance. The Segment's solutions are used for machining aluminum alloys and other non-ferrous metals, e.g. they are used in metal forming processes such as stamping and punching so that the tools will retain their form under heavy use, and also in casting where molds are treated to enhance hardness and thermal and chemical stability. The potential to combine additive manufacturing with more traditional processes presents further opportunities in the tooling market.

[1] Source: Oxford Economics Fall 2014 Global Machine Tool Outlook Report

1 350 million
targeted market size in 2015 (CHF)



Targeted market size in the tooling sector*
in CHF million

* Oerlikon estimates

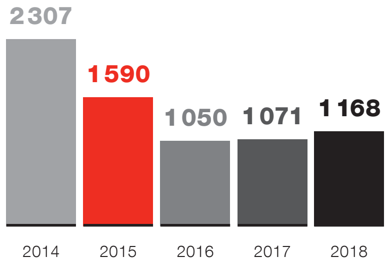
Apparels & industrial textiles equipment

The apparel and textile industry, driven by China's economic deceleration and the review of its 13th five year plan, faced overcapacity and unexpectedly entered a deeper trough in 2015. The Manmade Fibers Segment generates the majority of its revenues from this market.

The fibers equipment market in China is expected to continue to be difficult over the next few years. However, the apparel market is strongly supported by the fundamental need for clothing, while BCF (bulk continuous filaments) yarn satisfies the need for carpets and other home textiles. For technical textiles and geotextiles, there are compelling and increasing opportunities in industrial and construction applications, such as the increasing use of nonwoven technologies in water and air filtration, and more energy-efficient and resource-effective production solutions for recycling. All these factors sustain the demand for manmade fibers and lay the foundation for the upswing and return to growth in the medium term.

The Manmade Fibers Segment will protect its market and technology leadership position in this sector through innovations, improving services to customers and penetrating adjacent markets. In line with this, in 2015, the Segment opened a new technology center in Chemnitz, Germany and introduced innovations such as RoTac[3], a cost and energy-saving carpet yarn finishing process that requires up to 50 % less compressed air in carpet yarn production. It also improved its proximity to better serve US customers with a new service center in Dalton, Georgia, USA. In the adjacent market for polycondensation, a business with good market potential, the Segment's joint venture with Huitong Chemical, China's first polycondensation system manufacturing company, has created the only company in the world that can offer a single source solution, from continuous polycondensation to finished end products in chemical fiber spinning or PET bottle-grade material.

1 590 million
targeted market size in 2015 (CHF)



Targeted market size in the apparels & industrial textiles equipment sector*
in CHF million

* Oerlikon estimates

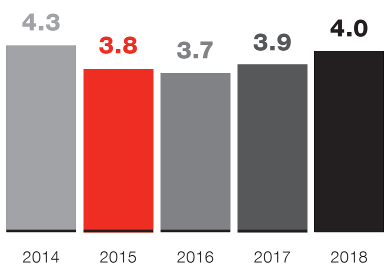
Agriculture

The agricultural market was under considerable pressure in 2015 as a result of low commodity prices, the rainfall deficit from the monsoons in India and economic weakness in China and Brazil. This led to the demand for higher performance agriculture equipment shrinking by more than 40 % since its peak in 2013. In 2015, the Drive Systems Segment generated 29 % of its sales from this market.

While market weakness is expected to continue into 2016, the longer-term market fundamentals remain intact since food is a critical and basic necessity, and the global population continues to grow. Oerlikon's targeted market size in agriculture is estimated to see a CAGR of 1.7 % from 2015 to 2018.

Technologically, this market needs solutions that can deliver higher productivity, energy efficiency and sustainability in food production. The ongoing market opportunity in agriculture for the Drive Systems Segment is based on its broad range of agricultural machinery applications, such as high-performance gears, which enable equipment manufacturers to improve efficiency, durability and performance. In 2015, the Segment introduced the new Torque Hub, a unique solution for modern agricultural sprayers that improves the safety, reliability and efficiency in larger and higher speed machines. Another technological advancement in 2015 was the development of differential housings and bevel sets coated with BALINIT CROMA, in cooperation with the Surface Solutions Segment, thus improving the mechanical features of the components used in agriculture machinery. The Drive Systems Segment will also continue to improve its services to customers. In 2015, it inaugurated its third plant in India to better serve agriculture customers with its offering of transmission synchronizers and CVT transmissions for tractors.

3.8 billion
targeted market size in 2015 (CHF)



Targeted market size in the agriculture sector*
in CHF billion

* Oerlikon estimates

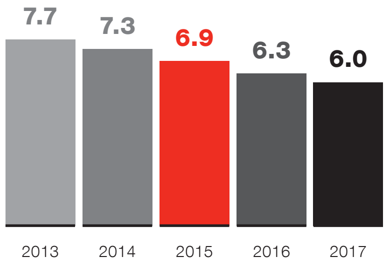
Key markets by regions

China

According to the International Monetary Fund (IMF), China's economy grew 6.9 % in 2015, lower than the 7.3 % in 2014. China's economic deceleration was unanticipated at the beginning of 2015 and is largely the result of overcapacity in key industries and a generally sluggish world economy. In 2015, Oerlikon generated 24 % of Group sales in China, where it employed over 1 500 people at 23 sites.

To sustain its economic growth, China's government is seeking to transform and upgrade the country's industrial structure. Its "One Belt One Road" strategy, for example, aims to redirect investments in infrastructure that enhance trade, coordination and connectivity across Asia. The government is also investing in digitizing manufacturing, along the lines of robotization, 3D printing and Industry 4.0. Another area is industrial services. With these programs and its 13th Five-Year Plan (2016–2020), a large number of new industries and new businesses have emerged, which could help balance out the economy.

China remains an important and attractive market for Oerlikon over the medium to long term, where it enjoys a good standing thanks to its leading technologies and its established trusted relationships with key customers and the relevant industrial associations. In particular, the Manmade Fibers Segment, which generates over 60 % of its sales in China, is a well-respected partner for the textile and apparel sector. For many years, it has been a VIP participant at the China Annual Textile Round Table Forum, organized by the CNTAC (China National Textile and Apparel Council). In the business of polycondensation, the Segment has also laid a strong foundation for potential growth through its joint venture with China's Huitong Chemical, creating the only company in the world to offer comprehensive industrial solutions, from continuous polycondensation to finished end products in chemical fiber spinning or PET bottle-grade material. The Chinese automotive market is another sector where the Group enjoys strong relationships with major domestic players, such as Dongfeng Motor, one of the largest Chinese automobile manufacturers. In 2015, the Group held an "Innovation Technology" and "Advanced Manufacturing" event with Dongfeng, featuring both its surface solutions and drive systems technologies.



China's GDP development*
in %

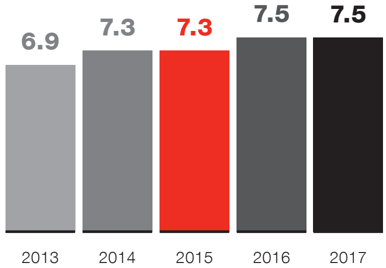
* Reported and estimated by the IMF

India

In a year when most emerging markets struggled, India proved to be a bright spot in the global economy, with robust growth in the services and manufacturing sectors helping fuel strong economic acceleration. According to the IMF, real GDP grew by 7.3 % in 2015, making India the fastest growing large economy, surpassing China. The country was not without its challenges. Its agriculture market was sluggish due to rainfall from the monsoons at 12 % below normal levels, and India also saw flat growth in its automotive industry. In 2015, India accounted for 5 % of Oerlikon's sales and the Group operated 16 sites across the country, with over 2 500 employees.

India has implemented some important structural and economic reforms and has an agenda to put in place further reforms to reduce supply bottlenecks and stimulate domestic and export trade. The IMF projects that India will grow slightly over the next two years.

The activities of Oerlikon in India, as in China, are focused mainly on serving customers based domestically. The Surface Solutions Segment, which has a regional network of 10 service and production centers, is expanding in step with the longer term growth of the automotive industry. With the opening of its third plant in Sanard, in the state of Gujarat, the Drive Systems Segment has increased its production capacity to better serve automotive customers with a range of high-tech products, from transmission synchronizers to assemblies for full and final transmissions, including continuously variable transmissions for agricultural tractors, transaxles for leisure vehicles and axles for wheeled loaders and other on- and off-road applications. Given India's growth in the textile industry, this market is gaining importance for the Manmade Fibers Segment, which has been operating in the country for more than thirty years. To reinforce its foothold in India, in 2015 the Segment began the construction of a new customer service center in Vadodara (former Baroda).



India's GDP development*
in %

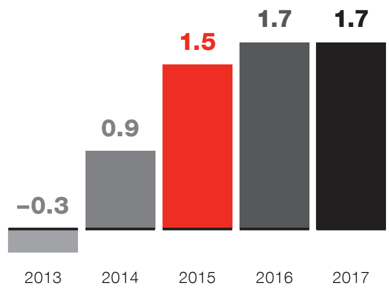
* Reported and estimated by the IMF

Europe

Europe began the year on a high note, with first-quarter GDP growth at 0.5 % – the equivalent of an annualized rate of 2.1 % – and the best showing since the recession in Europe ended in the spring of 2013. As the year progressed, Europe's recovery slowed and growth was uneven: France experienced an uptick late in 2015, but Europe's biggest economy, Germany, slowed along with Italy and Spain, while both Greece and Finland reported negative growth. Nonetheless, the region did benefit from a fall in energy prices and a policy of quantitative easing undertaken by the European Central Bank (ECB). The accommodative monetary policy kept the euro weak, boosting exports, and led to the Eurozone notching a large current account surplus. For the full year 2015, real GDP growth for the Euro Area was 1.5 %, according to the IMF. In 2015, Europe accounted for 38 % of Oerlikon's sales and serves as the base for the Group's global headquarters. A total of 6972 employees work at 83 sites across the continent, representing around 50 % of the Group's global workforce.

According to the IMF, Europe's GDP is expected to remain stable for the next few years at around 1.7 %, supported to a certain degree by the continued quantitative easing program by the ECB.

Europe is and will remain Oerlikon's most important region in terms of share of the Group's revenue and is also a vital research and development hub for Oerlikon – in which the Group continues to strongly invest in order to protect its technology and market competitiveness. In 2015, the Manmade Fibers Segment opened a new technology center in Chemnitz, Germany for the development and testing primarily of extrusion systems for tapes and monofilaments along with take-up heads and inline texturing devices, twisting machines and carbon fiber winders. The Surface Solutions Segment also strengthened its presence in Europe with the opening of its first automotive competence center in Slovakia. Italy remains a main hub for the Drive Systems Segment, where it continues to develop and produce innovative solutions for passenger, hybrid and electric vehicles, as well as for customers in the agricultural, oil & gas and construction sectors.



Europe's GDP development*
in %

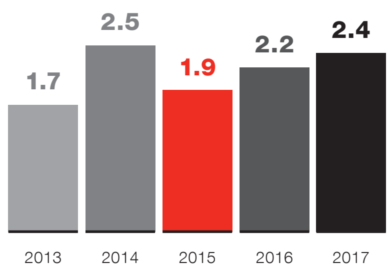
* Reported and estimated by the IMF (Euro Area)

Americas

After a slow start, the US economy regained momentum thanks to domestic consumption and labor markets. Its GDP grew 2.5 % according to the IMF. The Canadian economy contracted in the first half of 2015 as oil prices fell sharply, but managed 1.2 % growth for the full year. South America continued to decelerate, mainly due to weak commodity prices hurting investments, and contracted 0.3 % in 2015 according to the Economic Commission for Latin America and the Caribbean. In 2015, Oerlikon generated 19 % of its sales in North America, where it employed more than 1 850 employees at 38 sites.

Both Canada and the USA are expected to continue growing in 2016, according to the IMF. The US market will be supported by domestic demand from higher household incomes and a more robust job market, though the strong U.S. dollar and sluggish global demand will put some restraints on production and investments. For Canada, the federal stimulus in place until mid–2017 is expected to support near-term growth, but slumping oil prices might lead to further cutbacks in the energy sector.

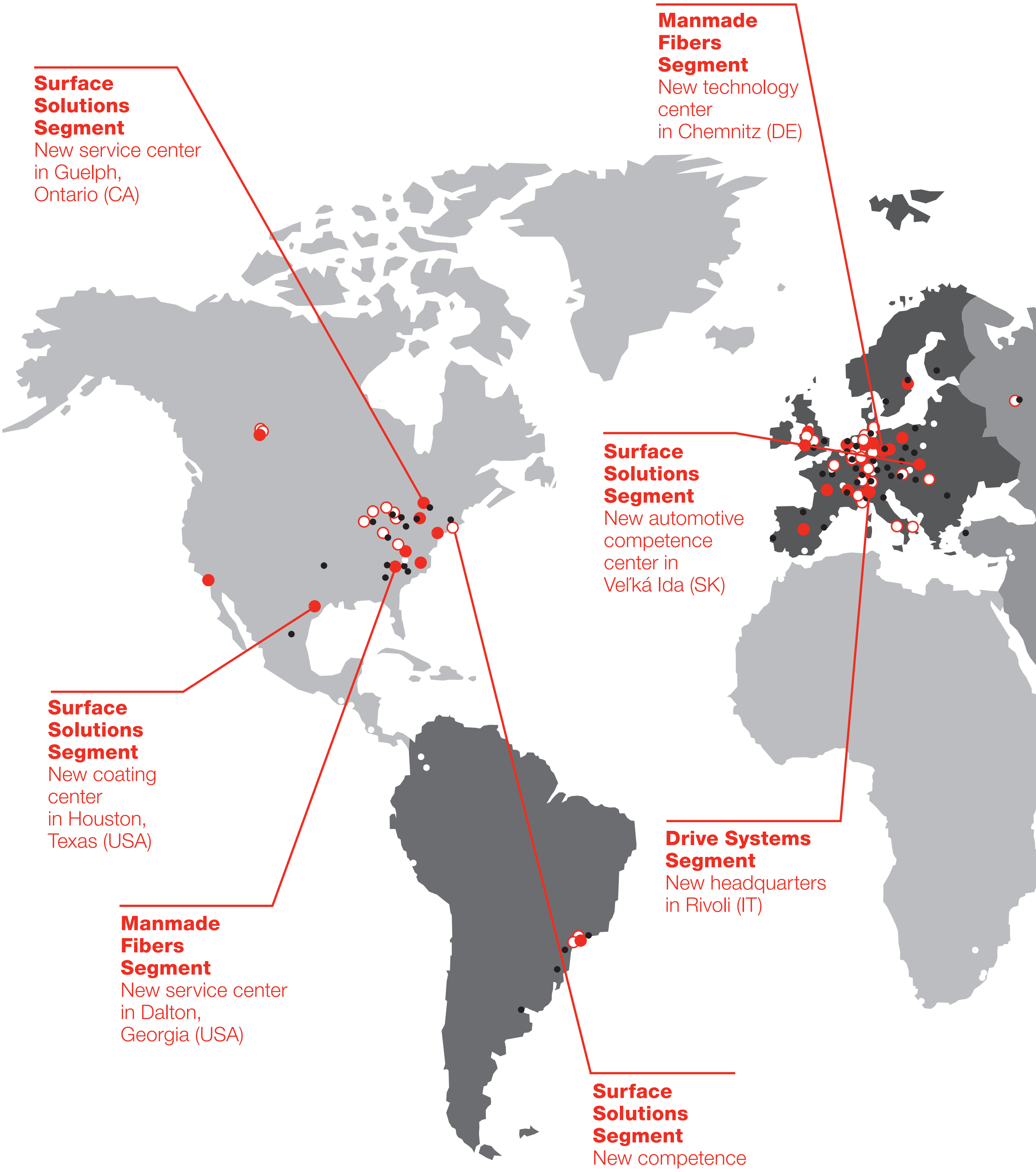
Oerlikon sees growth potential in the Americas for all three Segments. The Surface Solutions Segment currently operates a network of 33 service and production centers, and is a major supplier to the US automotive, aerospace, energy and food sectors. In 2015, the Segment opened its first technology service center in Guelph, Ontario, Canada, offering solutions from both Oerlikon Balzers and Oerlikon Metco for the automotive and aviation industries. The Segment acquired the business of Laser Cladding Services in Houston, Texas, to strengthen its offering for the energy industry. Based in North Carolina, the Manmade Fibers Segment serves mainly manufacturers of bulk continuous filaments (BCF) for carpet production. The Drive Systems Segment develops and produces drives and transmissions for the agriculture, construction, oil & gas and mining sectors from Indiana. In South America, all three Segments operate primarily in Brazil. In 2015, the Drive Systems Segment expanded its network through partners in Argentina, Chile, Colombia and Peru, focusing on the industrial, off-highway, construction and agricultural sectors.



North America's GDP development*
in %

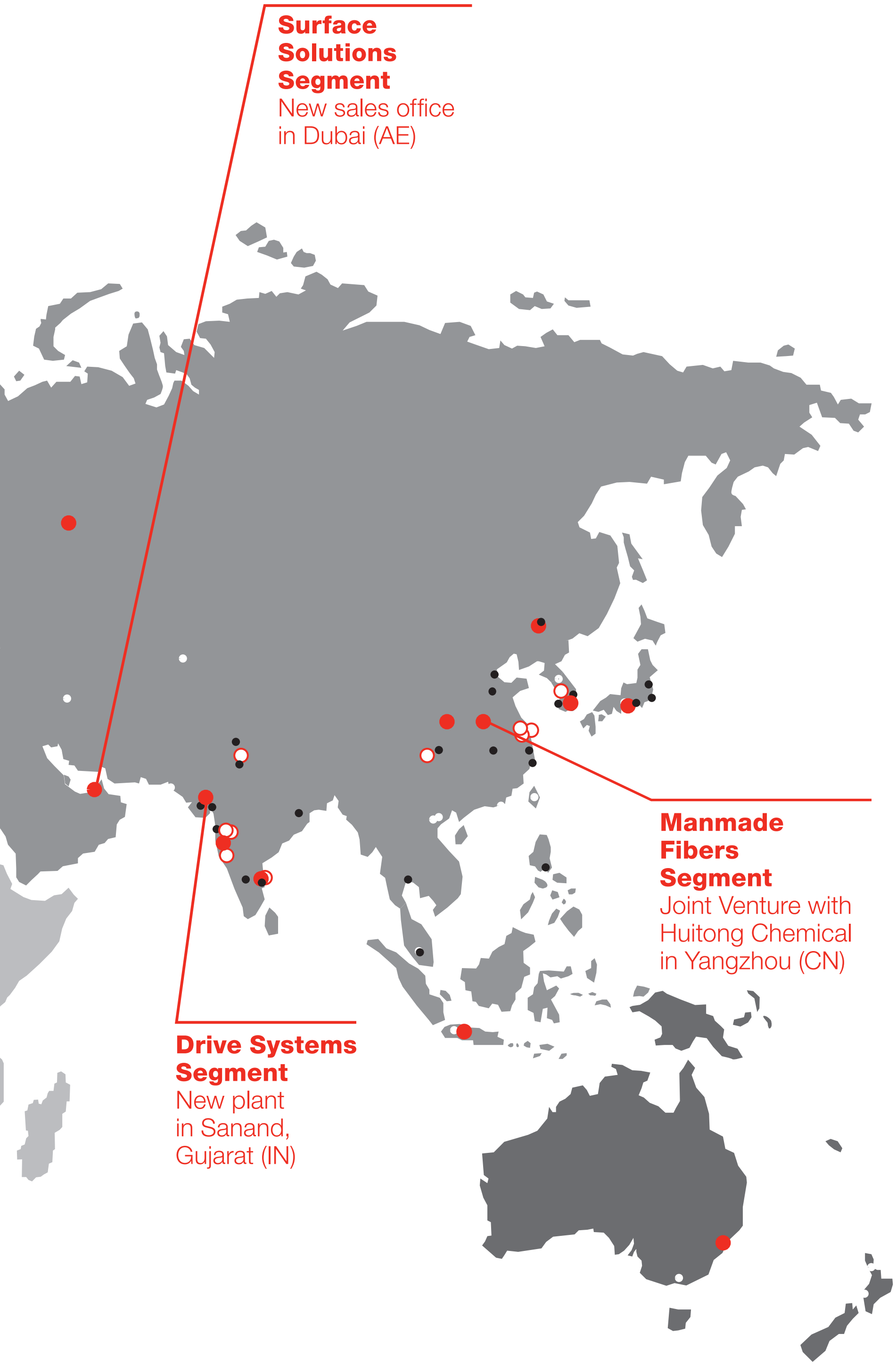
* Reported and estimated by the IMF (Canada & USA)

Our global presence[1]



Oerlikon has a strong global footprint with over 170 sites in 37 countries. The Group is strongly committed to R&D activities, which is reflected by its 52 production and R&D sites worldwide. In combination with its dense service network, Oerlikon brings its products and services in closer proximity to its customers, improving customer interaction, response times and satisfaction.

[1] Continuing operations.



58 **sites in Asia**

44	Surface Solutions Segment
8	Manmade Fibers Segment
6	Drive Systems Segment

83 **sites in Europe**

70	Surface Solutions Segment
3	Manmade Fibers Segment
8	Drive Systems Segment
2	Corporate

38 **sites in the Americas**

35	Surface Solutions Segment
2	Manmade Fibers Segment
1	Drive Systems Segment

52 **production and R&D sites**

35	Surface Solutions Segment
5	Manmade Fibers Segment
12	Drive Systems Segment

- Production and R&D sites
- New sites in 2015 (incl. production)
- Other Oerlikon sites (incl. production)
- Partners (distributors, representatives)

Group business review

In 2015, Oerlikon proved its resilience in the face of increasingly challenging global market conditions and succeeded in sustaining its operating profitability (normalized) while maintaining its technology leadership.

In response to market challenges, the Group took decisive action to protect its operating profitability and to align the Manmade Fibers and Drive Systems Segments with current market dynamics. It has also clearly defined its strategy for advancing its position as a global technology leader in surface solutions and advanced materials. In line with the strategy, the Group closed the sale of its Advanced Technologies Segment and announced the divestment of its Vacuum Segment in 2015, allowing the Group to increase its focus and better allocate resources to core businesses. That divestment, which is expected to close by the middle of 2016, is reported as “Discontinued Operations” in the 2015 full-year financial statements, and the 2014 accounts have been restated accordingly to facilitate comparison. The announced measures related to the Manmade Fibers and Drive Systems Segments resulted in restructuring costs of CHF 112 million and impairment charges of goodwill and fixed assets CHF 476 million.

Reflecting the difficult market conditions and adjusted for the announced divestment of the Vacuum Segment, Group order intake was lower by 4.2 % at CHF 2 537 million versus CHF 2 647 million in 2014 and order backlog decreased by 33.0 % to CHF 431 million compared with CHF 643 million at year-end 2014. Group sales declined by 5.5 % in 2015 to CHF 2 671 million from CHF 2 825 million in 2014. Including the previously mentioned restructuring costs, EBITDA stood at CHF 338 million, correlating to an EBITDA margin of 12.7 %. Excluding the restructuring costs, EBITDA was CHF 450 million, yielding an EBITDA margin of 16.9 %, that is, around the same level as in 2014, where restated and normalized EBITDA was CHF 477 million and EBITDA margin was 16.9 %. EBIT for 2015, including the restructuring and impairment charges, was minus CHF 306 million in 2015, that is, minus 11.4 % of sales. Normalized, EBIT was at CHF 282 million, or 10.6 % of sales. In 2014, normalized and restated EBIT was CHF 326 million, or 11.6 % of sales. Oerlikon’s net financial result remained relatively stable at minus CHF 33 million versus minus CHF 26 million in 2014. Tax expenses decreased slightly to CHF 63 million compared to CHF 75 million in 2014. The result from continuing operations was minus CHF 402 million and the net loss for 2015 was CHF 418 million. Excluding impairments, restructuring costs, amortization of acquired intangibles (from Metco, net of tax) and results from discontinued operations, normalized net result was CHF 207 million and this reflects underlying earnings per share of CHF 0.61. Cash flow from operating activities before changes in net current assets remained strong at CHF 393 million. Excluding the restructuring and impairment costs and adjusted for related tax effects, the Group’s normalized return on capital employed (ROCE) amounted to 11.1 %.

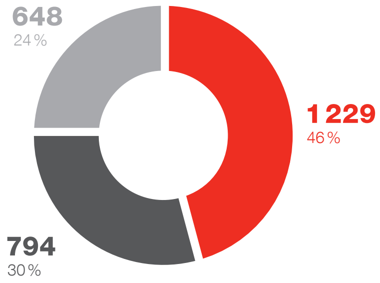
The successful integration of Oerlikon Metco and Oerlikon Balzers in the Surface Solutions Segment in 2015 created higher than expected synergies and has advanced the Group’s strategy to become a powerhouse in surface solutions and advanced materials. As part of that strategy, the Group intends to pursue additional investment opportunities through internal investments and acquisitions, including both larger, transformative transactions and smaller, bolt-on acquisitions. The first bolt-on acquisition was completed in 2015 – with the purchase of the business of Laser Cladding Services LLC. to extend the existing laser cladding services of the Surface Solutions Segment and expand its targeted market. The Group’s strong balance sheet supports its strategy to grow organically and inorganically.

The Group also strengthened its foothold in key countries to improve the proximity and quality of its services. The Surface Solutions Segment opened its first service center offering both Oerlikon Balzers and Oerlikon Metco technologies in Guelph, Ontario, Canada, its first Europe-based automotive competence center in Slovakia, a new sales office in Dubai and an additive manufacturing center in Westbury, New York, USA. The Manmade Fibers Segment opened a new service center in Dalton, Georgia, USA, and a new technology center in Chemnitz, Germany. The Drive Systems Segment inaugurated its third plant in India, appointed distributors as partners in Argentina, Chile, Colombia and Peru to further develop its South American business and reinforced its sales presence in the Middle East to develop markets and distribution networks in the region.

Performance in the Segments

The Surface Solutions Segment achieved strong and profitable growth in 2015 and successfully advanced its business. Order intake increased 27.8 % to CHF 1 233 million compared to CHF 965 million a year ago. Sales increased by 26.3 % to CHF 1 229 million compared with CHF 973 million in 2014. The growth in sales and order intake was attributable to the inclusion of Metco for the full year of 2015, but also to some organic growth. EBITDA for the Surface Solutions Segment increased to CHF 264 million, yielding an EBITDA margin of 21.4 %. In 2014, EBITDA was CHF 183 million and the EBITDA margin was 18.8 %. EBIT was at CHF 157 million, with an EBIT margin of 12.7 % (2014: CHF 98 million and margin of 10.0 %).

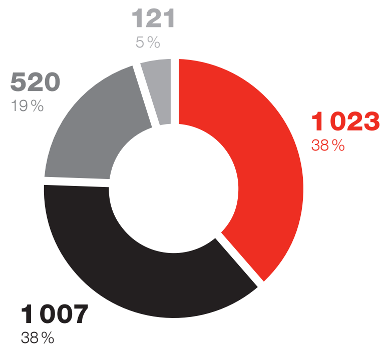
The profitable growth of the Surface Solutions Segment included the achievement of five consecutive quarters of an EBITDA margin over 20 %. The Segment addresses attractive markets and is tapping into opportunities presented by the increasing demand for lighter and more durable materials that can deliver better performance. The combined power of Oerlikon Balzers and Oerlikon Metco has resulted in the Segment being able to offer customers the most comprehensive technology portfolio of surface solutions and one of the most extensive global service networks, consisting of over 145 service and production centers in 37 countries. The Segment has also entered the exciting new, adjacent market of additive manufacturing, setting up a dedicated business unit, launching its first set of additive manufacturing materials, and 3D printed a first set of components to demonstrate its capabilities in additive manufacturing. In 2015, the Segment continued to bring to the market next-generation coating technologies for tools, such as INNOVENTA mega – a PVD system with extremely high



Sales 2015 by Segment[1]
in CHF million

- Surface Solutions Segment
- Manmade Fibers Segment
- Drive Systems Segment

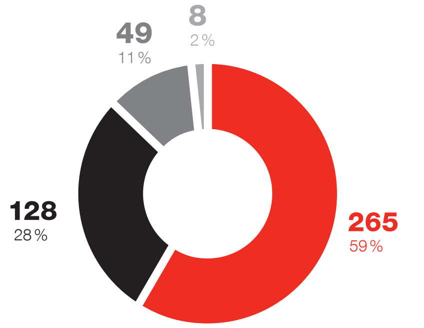
[1] Continuing operations.



Sales 2015 by region[1]
in CHF million

- Europe
- Asia Pacific
- North America
- Other regions

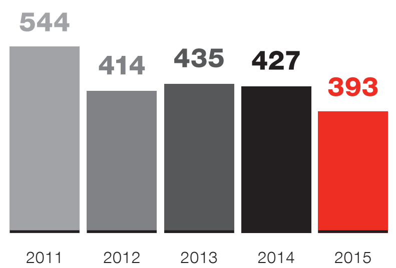
[1] Continuing operations.



EBITDA 2015 (normalized) by Segment[1]
in CHF million

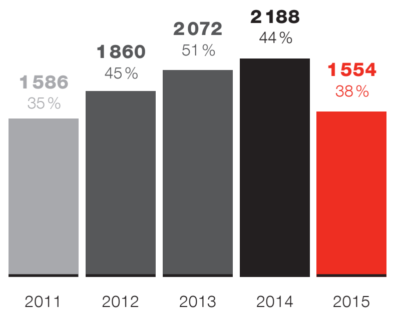
- Surface Solutions Segment
- Manmade Fibers Segment
- Drive Systems Segment
- Others

[1] Continuing operations.



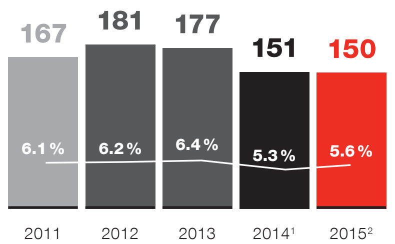
Operating cash flow[1]
in CHF million

[1] Before changes in net current assets.



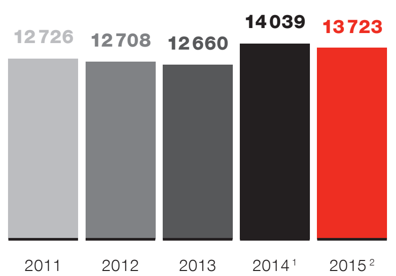
Equity[1]
in CHF million (as % of assets)

[1] Attributable to shareholders of the parent.



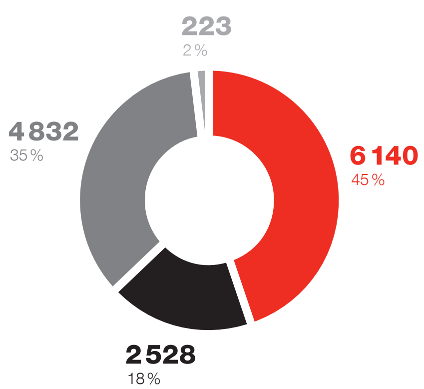
Capital expenditure
in CHF million

— In % of sales.
[1] Restated.
[2] Continuing operations.



Employees

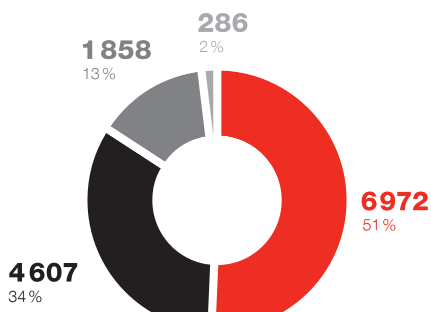
[1] Restated for announced divestment of Vacuum Segment; increase due mainly to Metco acquisition.
[2] Continuing operations.



Employees 2015 by Segment[1]

- Surface Solutions Segment
- Manmade Fibers Segment
- Drive Systems Segment
- Other

[1] Continuing operations.



Employees 2015 by region[1]

- Europe (EMEA)
- Asia Pacific
- North America
- Other regions

[1] Continuing operations.

throughputs – and BALINIT ALTENSA, the high-speed solution for productive gear cutting. Other technologies launched include new environmental barrier coatings to provide turbine engines effective protection against vapor and environmental factors and, in partnership with Stryker, a silver-containing antimicrobial PVD coating that provides better protection for medical components and instruments.

The Manmade Fibers Segment was confronted with major challenges in 2015, primarily caused by the unexpected economic slowdown in China and China government's review of its 13th five-year plan (2016–2020). That impacted China's textile sector, leading to overcapacity and order postponements. The new chemical handling rules in China, low oil prices, and a sluggish global economy also negatively affected the Segment. In reaction to the adverse market developments, the Segment has taken actions to restructure, lower its cost base, accelerate operational excellence programs and reduce fixed costs. These measures have led to a restructuring cost of CHF 43 million taken in 2015.

Order intake was lower by 18.6 % to CHF 733 million compared to CHF 901 million in 2014. Sales declined 26.0 % in 2015 to CHF 794 million versus CHF 1 073 million in 2014. EBITDA was impacted by restructuring costs and stood at CHF 85 million in 2015, corresponding to a margin of 10.6 %. Excluding restructuring costs, normalized EBITDA was CHF 128 million, or 16.1 % of sales. In 2014, EBITDA was CHF 217 million and the margin was at 20.3 %. Normalized EBIT in 2015 was CHF 110 million, or 13.8 % of sales (normalized EBIT in 2014: CHF 199 million, margin: 18.6 %). Including the restructuring costs, EBIT was CHF 67 million.

In 2015, the Segment strengthened its technology portfolio with a new version of the Plant Operation Center (POC), a complete software solution that manages the entire spinning and texturing production process, fully in line with Industry 4.0. It also introduced RoTac[3], the eco-friendly and energy efficient component for yarn tangling, and EvoTape, which enables greater process stability in efficient tape extrusion for the production of carpets, agricultural textiles and geotextiles. New additions to the successful WINGS line of products (Winding INtegrated Godet Solution), such as WINGS FDY PLUS that allows for a larger operation window and higher package weights, were also brought to market in 2015. The Segment also reinforced its position in the polycondensation market through a joint venture (JV) with Huitong Chemical in China, creating a company that can offer customers comprehensive industrial solutions, from continuous polycondensation to finished end products in chemical fiber spinning or PET bottle-grade material.

The Drive Systems Segment faced significant challenges in 2015 as four of its six markets, namely mining, oil & gas, agriculture and construction, saw tough developments triggered by plummeting oil and commodity prices and the slowdown in China. Decisive actions have been taken to streamline its business, sharpen its focus on products, adjacent markets and customers that will drive future growth, and improve the efficiency of its operations. Reflecting these actions, a restructuring charge of CHF 68 million was taken in 2015 and impairment charges of goodwill and fixed assets of CHF 476 million were recognized due to the expectation that the weakness in the above-mentioned four markets will continue.

Order intake declined 26.9 % to CHF 571 million compared to CHF 781 million in 2014. Segment sales decreased by 16.8 % in 2015 to CHF 648 million, compared to CHF 779 million a year ago. Normalized EBITDA for 2015, without the restructuring effects, stood at CHF 49 million, or 7.5 % of sales (2014: CHF 82 million, margin of 10.5 %). Including restructuring costs, EBITDA was minus CHF 19 million, or minus 3.0 % of sales. Normalized EBIT, excluding the restructuring costs and impairment charges, was CHF 10 million, or 1.6 % of sales (2014 normalized EBIT: CHF 41 million, margin of 5.3 %). EBIT, including both the restructuring and impairment charges, was minus CHF 534 million.

Notwithstanding the year's myriad of challenges, the Segment achieved a number of key developments. The Segment introduced a new range of Torque Hub drives for self-propelled agricultural sprayers and developed a new power transfer unit (PTU) for next generation clutch transmissions of Mercedes AMG models. In line with its efforts to improve manufacturing efficiency, new robotized cells were added, for example, at the plant in Rivoli, Italy. A new Mercedes assembly line installed in the plant in Luserna, Italy is another example where a synchronized and balanced one-piece flow and u-shaped line designed on lean manufacturing principles has resulted in a 25 % improvement in productivity. In addition, the Segment launched a joint research project with the Surface Solutions Segment to develop new friction materials and pursue other synergies.

A globally balanced business

Maintaining a portfolio of best-in-class businesses, global presence and services are important elements of the Oerlikon strategy. The Group's recently announced strategic plan has sharpened its focus on the drivers of future growth with strong emphasis on fostering its position to become a global powerhouse in surface solutions, advanced materials and materials processing.

The Surface Solutions Segment, the largest Segment of the Group, represented 46 % of Group sales. The Manmade Fibers Segment accounted for 30 % of Group sales, while the Drive Systems Segment had 24 % of Group sales. As an international company with a strong global footprint, Oerlikon operates over 170 sites in 37 countries. In 2015, Europe was the largest market for the Group, at 38.3 % of sales, reflecting a 2.4 % increase, amounting to CHF 1 023 million compared with CHF 999 million in 2014. Asia followed closely with 37.7 % of Group sales, although total sales came in 10.7 % lower at CHF 1 007 million, compared to CHF 1 128 million in 2014, mainly due to the lower volume generated in China. North America represented 19.5 % of Group sales in 2015, totaling CHF 520 million versus CHF 552 million in 2014, a decline of 5.8 %. Sales in other regions accounted for 4.5 % of Group sales at CHF 121 million.

In 2015, the ratio of Oerlikon's service revenues to total sales increased to 33.6 %, an improvement compared with 29.4 % in 2014.

Strong balance sheet with equity ratio of 38 %

As of December 31, 2015, Oerlikon's balance sheet amounted to CHF 4 097 million, compared to CHF 4 966 million at the same reporting date in 2014. The Oerlikon Group had equity (attributable to shareholders of the parent) of CHF 1 554 million, representing an equity ratio of 38 %, compared to CHF 2 188 million and an equity ratio of 44 % at December 31, 2014. The year-on-year decrease in the total balance sheet and equity primarily reflected the CHF 476 million of impairment charges of goodwill and fixed assets related to the Drive Systems Segment. Net cash amounted to CHF 79 million, compared with CHF 114 million at December 31, 2014.

During 2015, Oerlikon extended the maturity of its syndicated credit facility to June 2017 at a reduced interest rate, reflecting both the favorable interest rate environment and its improved risk profile. This enhanced the Group's debt maturity profile and capital position, thereby increased Oerlikon's financial flexibility. This strong financial foundation allows Oerlikon to further develop its portfolio in line with its clear direction and strategic plan to achieve long-term profitable growth.

Continued strong operating cash flow

Cash flow from operating activities before changes in net current assets remained strong at CHF 393 million compared with CHF 427 million in 2014. Net working capital[1] amounted to CHF 391 million[1], corresponding to 15 % of Group sales versus CHF 394 million[1], or 14 % of Group sales in 2014.

Disciplined investment and use of cash continued to be Oerlikon's top priorities. Capital expenditure (CAPEX) amounted to CHF 150 million, compared to CHF 151 million in 2014. Excluding amortization of acquired intangible assets, the CAPEX-to-depreciation ratio was 1.09 times, with the Group's target continuing to be between 1.0 to 1.2 times. Among the significant capital expenditures were: a service center for Oerlikon Balzers and Oerlikon Metco technologies in Guelph, Ontario, Canada; a new automotive competence center for the Surface Solutions Segment in Slovakia; and an Additive Manufacturing center in Westbury, New York, USA. Also, the Manmade Fibers Segment opened a new service center in Dalton, Georgia, USA, as well as a new technology center in Chemnitz, Germany. The Drive Systems Segment inaugurated its third plant in India and added robotized cells in Rivoli, Italy, to improve manufacturing efficiency.

Cash flow from investing activities amounted to minus CHF 107 million, mainly attributable to capital expenditure, compared with minus CHF 1 058 million in 2014, mainly due to the closing of the Metco transaction in addition to capital expenditure. Cash flow from financing activities amounted to minus CHF 142 million, primarily reflecting the dividend payments of CHF 105 million and interest paid of CHF 41 million. This compares with CHF 334 million in 2014, which included proceeds from the issue of financial debt consisting of the placement of two unsecured senior bonds and proceeds from capital increase due to the execution of warrants.

Primarily reflecting the Group's operating cash flow, Oerlikon reported a cash and cash-equivalent position at the end of 2015 of CHF 851 million compared to CHF 826 million for 2014.

Investments in research and development (R&D) remained a priority for Oerlikon in order to maintain and expand its leading technology positions. In 2015, R&D expenditures were CHF 103 million, or 3.9 % of Group sales, compared to CHF 96 million, or 3.4 % of Group sales, the previous year. Oerlikon remains committed to investing around 4 % of sales in products and services of the future.

We believe that dividends are an important means of delivering shareholder value. Accordingly, at the Annual General Meeting (AGM) of Shareholders, taking place on April 5, 2016, the Board of Directors will propose a dividend payout of CHF 0.30 per share, maintaining the same level of payout as in the prior year.

2015 key Group figures at a glance

- Order intake totaled CHF 2 537 million versus CHF 2 647 million in 2014, a decline of 4.2 %.
- Order backlog was CHF 431 million versus CHF 643 million in 2014.
- Sales decreased 5.5 % to CHF 2 671 million from CHF 2 825 million in 2014.
- EBITDA was CHF 338 million in 2015, a margin of 12.7 %. Excluding restructuring costs, normalized EBITDA was CHF 450 million in 2015, yielding an EBITDA margin of 16.9 %. In 2014, restated and normalized EBITDA was CHF 477 million, or 16.9 % of sales.
- EBIT for 2015, due to the restructuring and impairment charges, was minus CHF 306 million (2014 restated EBIT: CHF 323 million).
- The Group's result from continuing operations, including restructuring costs and impairment charges, was minus CHF 402 million versus CHF 222 million in 2014. Net result in 2015 including those effects and discontinued operations was minus CHF 418 million. Excluding impairments, restructuring costs, amortization of acquired intangibles (from Metco, net of tax) and results from discontinued operations, normalized net result was CHF 207 million, reflecting underlying earnings per share of CHF 0.61.
- Headcount totaled 13 723 compared with 14 039 employees worldwide in 2014.
- Normalized ROCE stood at 11.1 %, excluding restructuring and impairment charges and adjusted for related tax effects.
- The Board of Directors will propose at the 2016 AGM a dividend payout of CHF 0.30 per share, which is at the same level as in 2014.

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

Surface Solutions Segment

Order intake amounted to CHF 1 233 million

Sales came in at CHF 1 229 million

Maintained strong profitability year-on-year and sequentially, with an EBITDA margin of over 20 % for five consecutive quarters.

Acquired the business of Laser Cladding Services LLC to extend the existing service offering in laser cladding and gain access to further key customers in the U.S. energy sector.

Normalized[1]:

EBITDA margin stood at 21.6 %

Actual:

EBITDA margin stood at 21.4 %

[1] Excluding global footprint optimization.

Oerlikon Metco successfully integrated and a string of value-adding milestones such as joint products, services and competence centers with Oerlikon Balzers were achieved for customers.

Course set to become a global powerhouse in surface solutions and advanced materials, expanding the targeted market size by 20 % to CHF 11 billion.

Dedicated Additive Manufacturing business unit created to develop the business, product portfolio, R&D and partnerships in this fast emerging market.

Launched **next-generation innovations for wear protection of tools**: BALINIT ALTENSA (coating for high-speed gear cutting) and INNOVENTA mega (PVD system with extremely high throughputs).

Key figures

in CHF million	2015	2014	Δ %
Order intake	1 233	965	27.8 %
Order backlog	81	79	2.5 %
Sales (third parties)	**1 229**	**973**	**26.3 %**
EBITDA	**264**	**183**	**44.3 %**
– as % of sales	21.4 %	18.8 %	–
EBIT	**157**	**98**	**60.2 %**
– as % of sales	12.7 %	10.0 %	–
Research and development expenses	70	56	25.0 %

Best-in-Class
Sandvik Machining Solutions: 16.1 % operating profit margin (2015).

Profile
The Surface Solutions Segment, with its brands Oerlikon Balzers and Oerlikon Metco, is a global technology leader with over 80 years of developing engineered surface solutions for components and tools used in multiple industrial applications where superior surface mechanisms are required.

The addition of Metco in 2014 brought highly complementary technologies, competencies and addressable markets while expanding the technology and services portfolio of the Segment. The successful integration of Oerlikon Metco into the Segment has given the Segment a strong foundation upon which Oerlikon plans to build a global surface solutions and advanced materials powerhouse through internal investment and a "string of pearls" acquisition strategy in adjacent technologies. Implementation of that strategy is reflected in the recent acquisition of the business of Laser Cladding Services LLC, which extends the Segment's existing service offering in laser cladding and opens up its access to key customers in the US energy sector.

Oerlikon Balzers is a technology leader in its market, supplying service-driven physical vapor deposition (PVD) coatings and other surface technologies for precision components, metalworking and plastics processing tools. The environmentally friendly coatings of Oerlikon Balzers are extraordinarily thin, extremely hard and help to significantly reduce friction and wear. Oerlikon Metco's strengths lie in increasing production efficiency and reliability. With a strategic emphasis on serving customers in close proximity, the Segment operates one of the most extensive global networks, consisting of over 145 service and production centers among some 149 sites, spread across 37 countries and supported by over 6 100 employees.

Markets
The combination of Oerlikon Balzers and Oerlikon Metco expanded the Surface Solutions Segment's targeted market to some CHF 9 billion. With its new strategic imperative, the Segment is looking to add new technologies such as additive manufacturing, thereby expanding its targeted market by 20 % to CHF 11 billion. The Segment continues to address key sectors such as aviation, power generation, automotive, oil & gas, tools and metal and plastics processing in key global markets. While the underlying dynamics within each of its sectors are attractive, they have varying market cycles and short-term headwinds, with oil and gas hit especially hard over the past year. In terms of sales in 2015, the automotive sector, and the tools and components for general industry were the highest revenue generators. The Segment anticipates stronger growth in aviation and power generation, and eventually also in the oil & gas sector. Cutting across all these sectors, there is a clear need for greater productivity, energy efficiency, environmentally friendly surface solutions and also products with multi-functional properties and extended lifetimes.

Business performance
The Segment achieved strong growth in 2015. Order intake totaled CHF 1 233 million. Sales increased 26.3 % to CHF 1 229 million. EBITDA went up to CHF 264 million, corresponding to an EBITDA margin of 21.4 %. The EBITDA margin was sustained over 20 % for 5 consecutive quarters through year-end 2015. EBIT totaled CHF 157 million, or 12.7 % of sales.

Key developments
Oerlikon Balzers reached a breakthrough with its BALIQ family of coatings, which combines arc and sputtering technologies to produce wear-resistant, extremely smooth and dense coatings. It also introduced INNOVENTA mega, a new PVD coating equipment which achieves extremely high throughputs, and BALINIT ALTENSA, the high-speed coating solution for productive gear cutting. In the medical sector, working on a joint project with Stryker, the Oerlikon Balzers team created a silver-containing antimicrobial PVD coating that provides better protection for medical components and instruments. In aviation, a test is underway with a client on coatings to protect airplane engine compressor blades from erosion and thereby maintain the efficiency of the system and reduce service frequency.

Oerlikon Metco introduced important products in 2015 such as the new SinplexPro™ spray gun that yields significantly higher throughput and reduces coating processing time and costs thanks to its very stable plasma. It also launched new materials for Environmental Barrier Coatings (EBC) to provide turbine engines with protection against vapor and other environmental impacts. Additionally, Oerlikon Metco is currently developing a new release of its RotaPlasma®, a unique rotating plasma spray gun manipulator that greatly enhances the capabilities and efficiency in coating cylinder bore surfaces in aluminum and cast iron engine blocks. It also brought to the market its woven carbon friction material with high-end friction and wear performance for synchronizer applications in the heavy duty truck market.

The merging of Oerlikon Balzers and Oerlikon Metco's thin-film business and competencies resulted in new capabilities and product offerings such as the new BALINIT CROMA coatings and the low-temperature plasma nitriding process for stainless steel.

In 2015, the Segment extended its expertise into the adjacent market of additive manufacturing. This is a new area of focus for the Segment because of its potential in materials development and manufacturing, especially in combination with its core competencies. Successful inroads include the launch of a first set of specialized alloy materials for additive manufacturing, strengthening partnerships with leading academic institutions, as well as setting up an Additive Manufacturing Center of Competence in Westbury, New York, USA to support R&D activities. To further tap the promising opportunities and develop the business in this market, a new Additive Manufacturing business unit has been formed.

As part of Oerlikon's Group-wide operational excellence program, the Segment further improved cost controls and production capacity, for instance through optimized powder melting procedures, as it continues to roll-out and implement measures at various sites.

Manmade Fibers Segment

Order intake amounted to CHF 733 million

Sales came in at CHF 794 million

Normalized[1]:

EBITDA margin stood at 16.1 %

Actual:

EBITDA margin stood at 10.6 %

[1] Excluding restructuring costs.

Joint venture with China's Huitong Chemical created the only company that can offer a single-source solution, from continuous polycondensation to finished end products in chemical fiber spinning or PET bottle-grade material.

Following its debut early in the year, **RoTac³**, an innovative carpet yarn finishing component that is energy efficient, eco-friendly and improves the uniformity and quality of the yarn, has seen **substantial uptake by customers**.

Oerlikon Barmag marked a milestone when it delivered its **10 000th energy and cost-saving DTY** (Draw Textured Yarn) **machine** to a single customer, Century Synthetic Fiber in Vietnam.

During the world's largest textile exhibition, the ITMA 2015 in Milan, **orders exceeding CHF 50 million** were secured for Oerlikon Neumag's staple fiber plant engineering technologies.

Increased service revenues by taking a stronger customer-centric service partnership approach by both brands, Oerlikon Barmag and Oerlikon Neumag.

A new service center in **Dalton, Georgia, USA** and a new technology center in **Chemnitz, Germany,** were opened. Began construction of a new customer service center in **Vadodara, India**.

Key figures

in CHF million	**2015**	2014	Δ%
Order intake	733	901	–18.6 %
Order backlog	237	365	–35.1 %
Sales (third parties)	**794**	**1 073**	**–26.0 %**
EBITDA	**85**	**217**	**–60.8 %**
– as % of sales	10.6 %	20.3 %	–
EBIT	**67**	**197**	**–66.0 %**
– as % of sales	8.4 %	18.4 %	–
Research and development expenses	24	33	–27.2 %

Best-in-Class
Oerlikon Manmade Fibers Segment: 8.4 % EBIT margin (2015); followed by Andritz AG: 5.6 % EBIT margin (Q1 to Q3 2015).

Profile

The Manmade Fibers Segment, with its brands Oerlikon Barmag and Oerlikon Neumag, is a world market leader for solutions used in the manufacturing of manmade fibers. In 2015, it employed more than 2 500 employees at 13 sites worldwide. Synthetic textile fibers are processed into functional clothing, carpets and furnishings, and increasingly also into technical textiles for airbags and safety belts, as well as into geotextiles for road construction and other industrial applications. The Segment offers end-to-end systems, covering every step in the entire process of manmade fiber production, from melt to yarn. Oerlikon Barmag specializes in large-scale filament spinning and texturing systems for the manufacture and processing of polyester, polyamide and polypropylene. Oerlikon Neumag's core competencies are high-tech production systems for the manufacturing of bulked continuous filament (BCF) carpet yarns, synthetic staple fibers and nonwoven fabrics.

Markets

Oerlikon Barmag's key regional market over the past years has been China, where the Segment generates over 60 % of its sales. India is gaining importance for this competence brand, in which it sees high growth potential. Additionally, the Middle East is an up-and-coming market with attractive opportunities for Oerlikon Barmag's technologies. Oerlikon Neumag focuses primarily on the markets in the USA and Turkey, serving major carpet yarn manufacturers. Out of the world's 25 largest manmade fiber producers, which cumulatively account for more than 60 % of the annual production of filaments and fibers, 22 are customers of the Manmade Fibers Segment.

The global manmade fibers market went into an artificially created trough that resulted from a generally weak global economy and substantial overcapacity in China. The redefinition by China's government of the country's 13th Five Year Plan (2016–2020) exerted additional pressure on the investments in this market. These challenges are expected to remain over the next few years and weigh on growth prospects. The size of the targeted market for the Manmade Fibers Segment was valued at around CHF 1.6 billion in 2015 and is expected to decline over the next two years and recover in 2018.

In the medium-term, the apparel market, supported by the fundamental demand for clothing from a growing global population and the burgeoning demand for more eco-friendly and hard-wearing yarns, is expected to return to growth. The increasing application of technical textiles, geotextiles and carpet yarn (BCF) will also provide attractive opportunities for the Segment. For example, nonwoven technologies are progressively being used in water and air filtration and for energy-efficient and resource-effective production solutions such as recycling technologies.

Business performance

As a result of weak global economic conditions and overcapacity in China, the Manmade Fibers Segment reported sales of CHF 794 million. Order intake declined by 18.6 % to CHF 733 million (2014: CHF 901 million). A decisive plan of action is being executed to leverage the Segment's strengths while accounting for the challenging near-term market realities and positioning the business to benefit and prosper when the cycle turns. To that end, a provision of CHF 43 million was recognized in 2015 for a reorganization of the Segment. EBITDA, including restructuring costs, for 2015 stood at CHF 85 million, or 10.6 % of Segment sales. EBIT totaled CHF 67 million and the margin was 8.4 %.

Key developments

In 2015, the Segment introduced a new version of the Plant Operation Center (POC), a complete software solution that manages the entire spinning and texturing production process, fully in line with Industry 4.0. In addition to RoTac[3], the eco-friendly and energy efficient component for yarn tangling, the Segment launched EvoTape, which enables greater process stability in efficient tape extrusion for the production of carpets, agricultural textiles and geotextiles. The newest additions to the successful WINGS line of products (Winding INtegrated Godet Solution) were also brought to market in 2015. WINGS FDY PLUS, for fully drawn yarn, provides the highest yarn quality, a larger operation window and higher package weights. The WINGS POY XS-Series, for partially oriented yarn, offers various types for the modernization and upgrade of conventional spinning plants. With an extremely compact design, it can be used for nearly every building concept.

Through the joint venture with Huitong Chemical Engineering, the Segment reinforced its offering and expertise in polycondensation. The joint venture is today the only company in the position to offer customers a complete solution and an entirely integrated process – from raw materials all the way through to the textured yarn or the production of PET bottle-grade polyester.

In 2015, the Segment enhanced the value and quality of services to customers by extending its global footprint. A new technology center was opened in Chemnitz, Germany. In the United States, the Segment celebrated its 50-year anniversary of operations and opened a new service and repair center in Dalton, Georgia, USA. In India, where the Segment plans to ramp up its operations, the construction of a new site in Vadodara has begun.

Operational excellence initiatives were further carried out in 2015. In China, the Segment saw productivity increases in the production and service sites of Beijing, Suzhou, Wuxi and Tongxiang. The "After Sales Growth" initiative aims to strengthen and grow customer services by helping workshops improve their performance, meet quality assurance goals and also make working conditions safer for employees. One enhancement that resulted from the program is an improved grease distribution run for galettes overseen by the Suzhou repair teams, which led to meaningful time savings.

Drive Systems Segment

Order intake amounted to CHF 571 million

Sales came in at CHF 648 million

Normalized[1]:

EBITDA margin stood at 7.5 %

Actual:

EBITDA margin stood at –3.0 %

[1] Excluding restructuring costs.

The **new Torque Hub for self-propelled agricultural sprayers** offers a unique design solution and leading technology. Its brake design improves vehicle safety, reliability and efficiency.

A **new PTU** for next generation clutch transmissions of **Mercedes AMG** models was developed. The PTU supports auto-makers' moves to on-demand all-wheel drive on four-wheel drive platforms.

A **joint research project** with the Surface Solutions Segment was started to develop new friction materials and leverage Oerlikon Metco's expertise in surface solutions and its global scope.

The Segment was **chosen by ANFIA as one of the significant automotive OEM suppliers** to participate in the IATF meeting to determine certification for the new ISO/TS 16949 Vision 2016 standard.

A third plant in India, located in Sanand, was inaugurated for the Segment to better serve the construction, transportation, industrial and agricultural markets.

New robotized cells at the Segment's Rivoli Plant in Italy were installed to improve efficiency. Benefits include higher throughput, broader product line capability and lower set-up and other costs.

Key figures

in CHF million	**2015**	2014	Δ %
Order intake	571	781	–26.9 %
Order backlog	113	199	–43.2 %
Sales (third parties)	**648**	**779**	**–16.8 %**
EBITDA	**–19**	**82**	**n/a**
– as % of sales	–3.0 %	10.5 %	–
EBIT	**–534**	**41**	**n/a**
– as % of sales	–82.3 %	5.3 %	–
Research and development expenses	10	14	–28.6 %

Best-in-Class
BorgWarner: 11.7 % operating income margin (2015).

Profile

The Drive Systems Segment, with its brands Oerlikon Graziano and Oerlikon Fairfield, is a leading provider of gears, planetary drives, shifting solutions, power transfer units (PTUs) and differentials as well as e-drives and hybrids. With over 90 years of experience, one of the Segment's core competencies is its in-house engineering and manufacturing expertise in developing innovative solutions for the propulsion or rotation of mobile vehicles or industrial equipment. The Segment's technologies help improve the safety and efficiency of customers' products, and also reduce production and maintenance costs. The Segment's high-tech products can be found in operating machinery and equipment used in agriculture, construction, energy, mining, transportation and high-performance sports cars. Examples include tractors, trucks, on-/off-highway vehicles such as city buses and airport towing tractors, power plants, oil and gas platforms and underground mining machines. The Segment's innovations for electric and hybrid vehicles are targeted at reducing emissions and pollution, while meeting vehicle performance and engine efficiency targets.

The Drive Systems Segment is channeling its efforts and resources to focus on key accounts and a streamlined portfolio of high-value products and extend the range of its applications into adjacent industries. It is also adopting a focused factory approach, with defined lead factories for each global product line, in order to intensify expertise, process efficiency and economies of scale and scope.

Markets

The Drive Systems Segment provides its high-tech products to the agricultural, construction, energy, mining, transportation and automotive markets. With approximately 70 % of all agricultural machinery manufactured worldwide containing shifting solutions, the agricultural industry is and remains the most important market for the Segment, followed by the construction industry. The Segment counts among its customers well-known brands that manufacture machinery for those industries. In the high-performance automotive sector, complete systems from the Drive Systems Segment are used in premium sports car brands, as well as in electric and hybrid vehicles.

The Segment has a targeted market size of around CHF 15 billion in 2015, with the main geographic markets being Europe, the Middle East, Africa and Russia (EMEAR), the Americas, India and China. During the reporting year, four of the Segment's key markets, namely mining, oil & gas, agriculture and construction, faced severe headwinds caused by a substantial fall in commodity prices, with an attendant negative effect on the BRIC nations, which have driven world growth and market demand for more than a decade. The long-term drivers, including a growing world population, rising middle class, urbanization and increased mobility, will inherently support the recovery and growth of these markets. The Segment's redefined focus will serve to help the Segment meet these short to medium-term market challenges while optimizing its position to even more effectively meet customers' needs and seize new opportunities as they emerge.

Business performance

Due to the difficult market conditions, the Drive Systems Segment posted lower sales amounting to CHF 648 million and order intake declined to CHF 571 million. Decisive actions are underway to reorganize the Segment's operations and drive innovation to achieve new goals. These include investments in cutting-edge manufacturing technology and automation. They also entail streamlining initiatives ranging from reducing product count to carefully resizing the global workforce. As a result of these actions, an expense of CHF 68 million was recognized in 2015 for the reorganization of the Segment. Additionally, impairment charges of goodwill and fixed assets of CHF 476 million was accounted for in 2015 due to the current and expected medium-term weakness in four of the Segment's six markets.

The Segment's EBITDA for 2015, including restructuring costs, was minus CHF 19 million, or minus 3.0 % of Segment sales. Including costs for restructuring and goodwill impairment, EBIT totaled minus CHF 534 million, yielding an EBIT margin of minus 82.3 %. Normalized, excluding these one-off charges, Segment EBITDA for 2015 was CHF 49 million, or 7.5 % of sales, and EBIT was CHF 10 million, or 1.6 % of sales.

Key developments

One of the four strategic pillars in the strategy of the Drive Systems Segment is to expand the applications of its key products into adjacent markets and industries. The new Torque Hub for sprayer tractors is an important example of the Segment's innovations in this area as it successfully applied its expertise in engineered drive products for OEMs to create planetary drives for the off-highway equipment market. Another example is the Segment's success in expanding its core technology in bevel gear sets, among the most technically demanding gear configurations, into new markets and applications including differentials for commercial and all-terrain vehicles and electric cars, from its traditional agricultural and automotive applications. New orders in 2015 included a long-term agreement to supply gearing components and drive solutions to the agriculture and construction sectors in Latin America, Europe and India, as well as to supply planetary drives for compact tractor loaders for the off-highway market.

In addition to expanding its footprint in Latin America with distributors and in India with its third plant in Sanand, the Segment is extending its deep expertise into the area of service by establishing an aftermarket and service organization to support customers in the areas of R&D, testing, prototyping and aftermarket development. Increasing automation is another strategic pillar for the Segment. A new Mercedes assembly line in the Luserna Plant in Italy is a synchronized and balanced one-piece flow and u-shaped line designed on lean manufacturing principles and has resulted in a 25 % improvement in productivity. As a testament to the Segment's high regard and standing among customers, the Segment continued to win awards in 2015 from Club Car, one of the world largest manufacturers of golf cart and utility vehicles, John Deere, Mahindra and JCB, the largest agricultural and construction equipment manufacturers in the world.

Corporate governance report

Corporate governance

Oerlikon is committed to the principles of good corporate governance as they are defined, in particular, in the Swiss Code of Best Practice for Corporate Governance of economiesuisse. Through this commitment, Oerlikon aims to sustainably reinforce the trust placed in it by the company's present and future shareholders, lenders, employees, business partners and the general public.

Responsible corporate governance requires transparency with regard to the organization of management and control mechanisms at the uppermost level of the enterprise. Therefore, the SIX Swiss Exchange's "Directive on Information relating to Corporate Governance" (DCG) requires issuers to make available to investors certain key information, in an appropriate form, pertaining to corporate governance.

The framework of the DCG has been adopted; however, the section "Compensations, shareholdings and loans" has been moved to a separate chapter ("Remuneration report"). All statements in this section ("Corporate governance") are as of the balance sheet date, except where – in the case of material changes between the balance sheet date and the time this Annual Report went to print – otherwise indicated.

Further information regarding corporate governance can be found on the company website at www.oerlikon.com/en/investor-relations/investor-relations-new-governance/.

Group structure and shareholders

Operational Group structure

The Oerlikon Group is divided into the following four Segments: Manmade Fibers, Drive Systems, Vacuum and Surface Solutions. The operational responsibility lies with the Segments, each of which is overseen by its own Segment CEO. Business performance is reported according to this operational Group structure. For further information regarding the operational Group structure, see page 24 et seqq. ("Oerlikon Group operational review") and page 70 et seqq. (Financial report: "Key figures"/"Group").

Listed Group company

OC Oerlikon Corporation AG, Pfäffikon is listed on the SIX Swiss Exchange (symbol: OERL; securities number: 81682; ISIN: CH0000816824). On December 31, 2015, the company's market capitalization totaled CHF 3041 million. For further information on OC Oerlikon Corporation AG, Pfäffikon see page 129 et seqq.

Non-listed Group companies

OC Oerlikon Corporation AG, Pfäffikon as parent company of the Group, owns all of the Group companies either directly or indirectly, mostly with a 100% interest. The significant local companies included in the scope of consolidation are shown on page 138 et seqq. in their legal ownership structure, and on page 124 et seqq., they are listed by country together with each company's share capital, percentage of shares owned and number of employees.

Significant shareholders

	Shareholdings[1]	
	number of shares	in percent[2]
Renova Group[3] (composed of Liwet Holding AG, Zurich, Switzerland; Renova Innovation Technologies Ltd., Nassau, Bahamas; Lamesa Holding S.A., Panama, Republic of Panama[4])	146 222 889[4]	43.04
Chase Nominees Ltd., London	10 959 509[5]	3.23

[1] Source: disclosure notifications pursuant to Art. 20 of the Swiss Stock Exchange Law and share register.
[2] Basis: shares issued (339 758 576).
[3] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow.
[4] Source: disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published by SIX Exchange Regulation on December 17, 2015).
[5] Source: share register as at December 31, 2015.

The disclosure notifications pursuant to Art. 20 of the Swiss Stock Exchange Law that were submitted during the year under review are published on the electronic publication platform of SIX Swiss Exchange Ltd, Disclosure Office (www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Capital

The share capital of OC Oerlikon Corporation AG, Pfäffikon amounts to CHF 339758576, composed of 339758576 registered shares, each with a par value of CHF 1.00. The company also has conditional capital amounting to CHF 40 million for convertible and warrant bonds, etc., and CHF 7.2 million for employee stock option plans. The conditional capital for option rights granted to the Financial Creditors amounting to CHF 340353 is no longer relevant, because those option rights have expired with effect as of June 30, 2014, and can therefore no longer be exercised by the respective owners (see below).

Authorized capital and conditional capital in particular

Authorized capital: The company has no authorized capital.

Conditional capital for warrant and convertible bonds: Pursuant to Art. 11a of the Articles of Association, the company's share capital shall be increased by a maximum aggregate amount of CHF 40 million through the issuance of a maximum of 40 million registered shares with a par value of CHF 1.00 per share, by exercising the option and conversion rights granted in connection with bonds of the company or one of its Group companies. The subscription rights of shareholders are excluded in this regard. Current holders of option certificates and/or convertible bonds are entitled to acquire the new shares. When issuing warrant or convertible bonds, the Board of Directors can limit or exclude the preemptive subscription rights of shareholders (1) to finance and refinance the acquisition of enterprises, divisions thereof, or of participations, or of newly planned investments of the company, and (2) to issue warrant and convertible bonds on international capital markets. Insofar as preemptive subscription rights are excluded, (1) the bonds are to be placed publicly on market terms, (2) the exercise period for the option and conversion rights may not exceed seven years from the date the bond was issued, and (3) the exercise price for the new shares must at least correspond to the market conditions at the time the bond was issued.

Conditional capital for employee stock option plans: Pursuant to Art. 11b of the Articles of Association, the company's share capital will be increased by a maximum aggregate amount of CHF 7.2 million, excluding the preemptive subscription rights of current shareholders, through the issuance of a maximum of 7.2 million fully paid-in registered shares with a par value of CHF 1.00 each, by the exercise of option or conversion rights granted to the employees of the company or one of its Group companies under a stock option plan yet to be approved by the Board of Directors. The issuance of shares at less than the stock exchange price is permissible; further details shall be determined by the Board of Directors.

Conditional capital for warrants: Pursuant to Art. 11c of the Articles of Association, the company's share capital may be increased through the issuance of a maximum of 340 353 to be fully paid-in registered shares of a par value of CHF 1.00 each, i.e., in the par value of a maximum total amount of CHF 340 353, by the exercise of option rights that are granted to the financial creditors of the company under the Facility Agreement of June 7, 2007, with the amendments of June 26, 2007, of August 17, 2007, of March 5, 2008, and of June 8, 2009, ("Financial Creditors") for loans granted to the company or one of its Group companies. The option rights granted to the Financial Creditors have expired with effect as of June 30, 2014, and can therefore no longer be exercised by the respective owners. Correspondingly, the Board of Directors has decided to cancel Art. 11c of the Articles of Association.

Changes in capital
During 2015, there were no changes in capital.

Detailed information on changes in the equity capital of OC Oerlikon Corporation AG, Pfäffikon over the last three years can be found in the holding company's equity capital statement on page 136 of the Annual Report.

Shares and participation certificates
The equity securities of OC Oerlikon Corporation AG, Pfäffikon consist exclusively of 339 758 576 fully paid-in registered shares with a par value of CHF 1.00, all of which are equal with respect to their attendant voting rights, dividend entitlement and other rights. The registered shares of OC Oerlikon Corporation AG, Pfäffikon are in principle not certificated but instead issued as uncertificated securities within the meaning of the Swiss Code of Obligations and as intermediated securities in terms of the Intermediated Securities Act, respectively. Shareholders may at any time request that the company print and deliver their shares in certificate form free of charge, and the company may, at any time and without shareholders' approval, convert the uncertificated securities into share certificates, global certificates or collectively deposited securities. If registered shares are to be printed, OC Oerlikon Corporation AG, Pfäffikon may issue certificates covering multiples of registered shares. The share certificates bear the facsimile signatures of two members of the Board of Directors.

Profit-sharing certificates
OC Oerlikon Corporation AG, Pfäffikon has not issued any profit-sharing certificates.

Limitations on transferability and nominee registrations
There are no restrictions on the transfer of OC Oerlikon Corporation AG, Pfäffikon shares. The company recognizes only those parties entered in the share register as shareholders or usufructuaries. Fiduciary shareholders and nominees will also be entered in the share register.

Convertible bonds and options
As at December 31, 2015, there were neither convertible bonds nor options outstanding.

Stability and competence

The Oerlikon Board of Directors

Prof. Dr. Michael Süss
1963, German citizen
Chairman of the Board of Directors (since April 8, 2015)
Chairman of the Human Resources Committee (since April 8, 2015)
Chairman of the Strategy Committee (since April 8, 2015)

Professional background and education
Prof. Dr. Michael Süss was elected to the Board of Directors and as Chairman of the Board at the 2015 Annual General Meeting. Since the beginning of 2015, he holds the position of CEO at Georgsmarienhütte Holding, a traditional German steel company. Prior to that, Prof. Dr. Süss was a member of the Managing Board of Siemens AG and CEO of the Siemens Energy Sector. From 2008 to 2011, he served as CEO of the Fossil Power Generation Division of the Energy Sector and was a member of the Group Executive Management of the Siemens AG Power Generation Group from October 2006 to December 2007. Before joining Siemens, Prof. Dr. Süss worked in the aero engine and automotive industries, holding various management positions at BMW, Porsche and MTU. He graduated with a degree in Mechanical Engineering from the Technical University of Munich, Germany, and completed his doctorate in 1994 at the Institute for Industrial Science/Ergonomics at the University of Kassel (Dr. rer. pol.), Germany. On October 29, 2015, Michael Süss was awarded the honorary professorship of the TU Munich.

Other activities and vested interests
Prof. Dr. Süss is a Director of Renova Management AG.

Dr. Mary Gresens
1955, US citizen
Member of the Board of Directors (since April 8, 2015)
Chairman of the Audit Committee (since April 8, 2015)
Member of the Human Resources Committee (since April 8, 2015)

Professional background and education
Dr. Mary Gresens was elected to the Board of Directors at the 2015 Annual General Meeting. Dr. Gresens has over 30 years of experience as a business executive in the international automotive industry and teaches in the JC:HEM program at Georgetown University. In her last position, she was the owner and CEO of Barefoot Motors, LLC. Prior to that, she was the President of the Automotive Division for the Schaeffler Group and also assumed the position of CFO. Her other previously held positions include CFO of ITT Automotive Europe GmbH and Director of Strategic Development at Lear Corporation. Dr. Gresens served as a director on the Boards of various institutions such as Deutsche BP, Commerzbank and Gerling and is a Senior Member of the Society of Automotive Engineers. In addition to studies in engineering and business, she holds a Master's degree in International Policy and Practice from The George Washington University, USA, and a doctorate in Liberal Studies from Georgetown University, USA.

Other activities and vested interests
None

Mikhail Lifshitz
1963, Russian citizen
Member of the Board of Directors
Member of the Audit Committee

Professional background and education
Mikhail Lifshitz was elected to the Board of Directors at the 2013 Annual General Meeting. Since 2009, he has been Director of High-tech Assets Business Development of Renova Group, and since 2010 CEO of ROTEC, a company of Renova Group. From 2001 to 2009, he served as President of "Global Edge" Group of Companies, which he has owned since 1991. Mikhail Lifshitz holds a graduate degree in Electronic Engineering from the Bauman Moscow State Technical University.

Other activities and vested interests
Mikhail Lifshitz is Chairman of Ural Turbine Works (a company of Renova Group) and a Board member of DATADVANCE (an EADS company).

Gerhard Pegam
1962, Austrian citizen
Member of the Board of Directors
Member of the Strategy Committee

Professional background and education
Gerhard Pegam was elected to the Board of Directors at the 2010 Annual General Meeting. In 2012, he founded his own consulting firm. From June 2011 until June 2012, he was a Corporate Officer of TDK Corporation, Japan. From 2001 until 2012, he was CEO of EPCOS AG, Germany, and from 2009 until 2012, he additionally served as a board member of TDK-EPC Corp., the parent company of EPCOS AG. From 1982 to 2001, he held several management positions with EPCOS AG, the Siemens Group and Philips. Gerhard Pegam graduated from the Technical College Klagenfurt, Austria, with a diploma in Electrical Engineering.

Other activities and vested interests
Gerhard Pegam is a Board member of Süss MicroTec AG and Schaffner Holding AG.

Johan Van de Steen
1965, Belgian citizen
Member of the Board of Directors
(since April 8, 2015)
Member of the Audit Committee
(since April 8, 2015)

Professional background and education
Johan Van de Steen was elected to the Board of Directors at the 2015 Annual General Meeting. Since December 2014, Mr. Van de Steen holds the position as Head of Portfolio at Renova Management AG. Prior to that, he was Senior Operating Director, Head of Portfolio Group at the investment firm Strategic Value Partners. His extensive experience in portfolio management included serving as Partner & Member of the Executive Committee at Vision Capital and as Operating Partner at KKR (Kohlberg Kravis Roberts & Co.), both private equity investment companies. Mr. Van de Steen also previously held management positions at McKinsey & Co. and Siemens. He holds a Master's degree in Engineering from the Katholieke Universiteit Leuven, Belgium, and an MBA in Finance from INSEAD, France.

Other activities and vested interests
Johan Van de Steen is Head of Portfolio at Renova Management AG and a member of the Board of Directors of Schmolz + Bickenbach AG.

Hans Ziegler
1952, Swiss citizen
Member of the Board of Directors
Member of the Human Resources Committee
Member of the Strategy Committee

Professional background and education
Hans Ziegler was elected to the Board of Directors at the 2008 Annual General Meeting. Between 2009 and 2010, he additionally acted as Delegate and CEO ad interim. Since 1996, he has been the owner of a consultancy operating in Switzerland and abroad, specializing in corporate restructuring, turnaround management and repositioning. Between 1974 and 1995, he held management positions with the Globus Group, the Usego Trimerco Group, Alcon Pharmaceuticals, Ericsson and SBG. Hans Ziegler earned a degree as Business Economist (KSZ) from Kaderschule Zürich, Switzerland, and completed postgraduate courses in Business Administration and Information Technology at TCU in Dallas-Fort Worth, USA.

Other activities and vested interests
Hans Ziegler is member of the Supervisory Board of KUKA AG and the Board of Directors of Schmolz + Bickenbach AG.

Board of Directors

The rules and regulations governing the organization and duties of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon are to be found in the Swiss Code of Obligations, the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon and the Organizational and Governance Rules of OC Oerlikon Corporation AG, Pfäffikon.

Members of the Board of Directors

In the year under review, the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon was composed of Tim Summers (Chairman; until April 8, 2015), Prof. Dr. Michael Süss (Chairman; since April 8, 2015), Kurt J. Hausheer (until April 8, 2015), Mikhail Lifshitz, Gerhard Pegam, Carl Stadelhofer (until April 8, 2015), Hans Ziegler, Dr. Mary Gresens (since April 8, 2015) and Johan Van de Steen (since April 8, 2015). The three previous Board members who remain on the Board of Directors and the three new Board members were all reelected and elected, respectively, by the Annual General Meeting of Shareholders on April 8, 2015, for a term of office of one year.

In the three financial years preceding the reporting period, the members of the Board of Directors were not involved in the executive management of OC Oerlikon Corporation AG, Pfäffikon or any other Group company. They also do not have any significant business connections with companies of the Oerlikon Group.

Other activities and vested interests

Regarding the activities of the members of the Board of Directors in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups, and official functions and political posts, see page 38 et seqq.

Number of permitted mandates

Pursuant to Art. 32 of the Articles of Association, no member of the Board of Directors may hold more than four additional mandates in the supreme governing body of listed companies and ten additional mandates in the supreme governing body of legal entities that are required to be registered in the commercial register or a comparable foreign register. Not subject to these limitations are (1) mandates in inactive companies and in companies that are controlled by OC Oerlikon Corporation AG, Pfäffikon or which control OC Oerlikon Corporation AG, Pfäffikon and (2) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the Board of Directors shall hold more than ten such mandates. Mandates in different legal entities that are under joint control are deemed one mandate.

Elections and terms of office

Board members are elected annually by the General Meeting of Shareholders for a term of one year. They are eligible for reelection; a "year" means the period from one ordinary General Meeting of Shareholders to the next. In the event of elections for replacement or elections of additional members during the year, the period until the next ordinary General Meeting of Shareholders shall be deemed to constitute a year. Each member of the Board of Directors shall be elected individually. Only persons who have not completed their 70th year of age on the election date are eligible. The General Meeting of Shareholders may, under special circumstances, grant an exception to this rule and may elect a member of the Board of Directors for one or several terms of office provided that the total number of these additional terms of office does not exceed three.

Composition of the Board of Directors

Name (nationality)	Domicile	Position	Age	Joined	Term expires	Executive/non-executive
Prof. Dr. Michael Süss (DE)	DE	Chairman since April 8, 2015	52	2015	2016	Non-executive
Dr. Mary Gresens (US)	US	Member since April 8, 2015	60	2015	2016	Non-executive
Mikhail Lifshitz (RU)	RU	Member	52	2013	2016	Non-executive
Gerhard Pegam (AT)	DE	Member	53	2010	2016	Non-executive
Johan Van de Steen (BE)	CH	Member since April 8, 2015	50	2015	2016	Non-executive
Hans Ziegler (CH)	CH	Member	63	2008	2016	Non-executive
Tim Summers (GB)	CH	Chairman until April 8, 2015	48	2011	–	Non-executive
Kurt J. Hausheer (CH)	CH	Member until April 8, 2015	68	2008	–	Non-executive
Carl Stadelhofer (CH)	CH	Member until April 8, 2015	62	2008	–	Non-executive

Internal organizational structure

The Board of Directors is the ultimate supervisory body of the Oerlikon Group. It is responsible for the overall management, oversight and control of the Oerlikon Group, determines the Group strategy and oversees the CEO. It sets forth guidelines on the general and strategic direction of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group and periodically reviews their implementation.

The Board of Directors shall consist of at least three but not more than seven Board members, the majority of whom should be independent. In general, a Board member shall be deemed to be independent if, during the three years immediately prior to taking up office, he was neither a member of the executive management of OC Oerlikon Corporation AG, Pfäffikon, the Oerlikon Group, an Oerlikon Group company or an audit firm of any of them, nor close to any of the latter, and had no significant business relations, whether directly or indirectly, with the Oerlikon Group. Should the Board of Directors exceptionally assign certain executive tasks for a limited period of time to one of its Board members, such assignment alone shall as a rule not for itself qualify such Board member as a dependent member of the Board of Directors.

The Chairman of the Board of Directors shall ensure that the Board of Directors may and does effectively carry out its superintendence and oversight role on an informed basis. He shall endeavor, in close contact with the CEO, to provide the Board of Directors with optimal information regarding operating activities of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. Together with the CEO, the Chairman shall perform a leadership role in the implementation of the strategic orientation of the Group, as set out by the Board of Directors on a collegial basis, and shall represent OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group in relations with important shareholders, clients, further stakeholders and the general public.

The Chairman shall convene, prepare and chair Board meetings, and may convene meetings of the Board of Directors Committees. He shall coordinate the work of the Board of Directors and the Board of Directors Committees and shall ensure that Board members receive in a timely manner all information necessary to perform their duties. In cases of uncertainty, he shall delineate authorities between the Board of Directors, its Committees and the CEO, unless the entire Board of Directors intends to address the matter.

The Board of Directors may at any time create committees from among its members to assist it in the performance of its duties. These committees are permanent advisory groups supporting the Board of Directors with their particular expertise. Unless expressly stated in the Organizational and Governance Rules, the Chart of Competences or the relevant committee's rules and regulations, they shall not have any authority to decide matters in lieu of the Board of Directors. All cases in which the currently existing committees do in fact have authority to decide matters in lieu of the Board of Directors will be specified hereinafter. They may prepare, review and investigate matters of relevance within their field of expertise and submit proposals to the Board of Directors for deliberation, but must not themselves take resolutions beyond recommendations, proposals or motions to be submitted to the Board of Directors for deliberation.

There are currently three permanent Committees of the Board of Directors, namely the Audit Committee (AC), the Human Resources Committee (HRC) and the Strategy Committee (SC).

Membership of these Committees in the year under review was as follows:

Composition of Committees of the Board of Directors

Name (nationality)	Audit Committee (AC)	Human Resources Committee (HRC)	Strategy Committee (SC)
Prof. Dr. Michael Süss (DE)		Chairman since April 8, 2015	Chairman since April 8, 2015
Dr. Mary Gresens (US)	Chairman since April 8, 2015	Member since April 8, 2015	
Mikhail Lifshitz (RU)	Member		
Gerhard Pegam (AT)			Member
Johan Van de Steen (BE)	Member since April 8, 2015		
Hans Ziegler (CH)		Member	Member
Tim Summers (GB)		Chairman until April 8, 2015	Chairman until April 8, 2015
Kurt J. Hausheer (CH)	Chairman until April 8, 2015		
Carl Stadelhofer (CH)	Member until April 8, 2015	Member until April 8, 2015	

Audit Committee (AC)
As a rule, the AC shall be composed of at least three members of the Board of Directors. Members of the AC are not eligible if they perform any executive management duties within the Oerlikon Group while in office, or have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, or have been members of the Executive Committee in the preceding three years. In all cases, they must have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time. The majority of AC members, including its Chairman, must be experienced in the fields of finance and accounting and be familiar with internal and external auditing. As a separate advisory group, independent from the CEO, the AC shall advise the Board of Directors and exclusively follow the Board of Directors' instructions.

The AC monitors Group-wide operations with a view to providing a basis for assessment to the Board of Directors

- in relation to external audits: the relevance of the audit work plan and the price/performance ratio;
- in relation to internal audits: the relevance of the engagement of internal auditors and the professional performance of the auditors;
- in relation to the accounting and internal control systems: the relevance of the accounting system, financial strategy and planning, as well as financial risk control;
- in relation to annual and interim reports: the preparation of Oerlikon's financial statements and consolidated financial statements, annual business report, specific interim financial statements for publication, and the financial reports on operating results and cash flows of the Oerlikon Group; and in relation to corporate governance and compliance: the reasonableness of Oerlikon's corporate governance and compliance, the relevant guidelines and organization, particularly as instruments to ensure Group-wide compliance with relevant applicable laws and regulations.

The AC decides about the appointment and dismissal of the Head of Group Internal Audit.

Human Resources Committee (HRC)
As a rule, the HRC shall be composed of at least three members of the Board of Directors. Members of the HRC are not eligible if they perform any executive management duties within the Oerlikon Group while in office, or have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, or have been members of the Executive Committee in the preceding three years. In all cases, they must have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time.

The HRC supports the Board of Directors with regard to matters related to human resources, including compensation policies, performance assessment, appointments and succession planning, and other general topics related to human resources.

The HRC shall in particular support the Board of Directors in establishing and reviewing the Group's compensation strategy and in preparing the proposals to the General Meeting of Shareholders regarding compensation of the members of the Board of Directors and of the Executive Committee, and may submit proposals to the Board of Directors in other compensation-related issues. Furthermore, the HRC approves the Annual Pay Plan for the Group (including general salary increases), and the Group-wide compensation policies for non-managerial staff.

Strategy Committee (SC)
As a rule, the SC shall be composed of at least three members of the Board of Directors. All but one must be independent from the Oerlikon Group and not performing any executive management duties within the Oerlikon Group while in office, not have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, and not have been a member of the Executive Committee in the preceding three years.

The SC monitors that Oerlikon's strategy is properly implemented and complied with by the Executive Committee and all other management levels of the Oerlikon Group. Furthermore, it ensures that the Board of Directors becomes aware on a timely basis of changing trends, technologies, markets, habits and terms of trade that could jeopardize Oerlikon's strategy.

The SC has no authority to decide matters in lieu of the Board of Directors.

Work methods of the Board of Directors and its Committees

The Board of Directors meets at the invitation of its Chairman at least four times a year, or more often if necessary. The members of the Executive Committee attend the Board meetings by invitation. Each Board member and the CEO may request the Chairman to convene a Board meeting by stating the reasons for such a request.

In 2015, six physical Board meetings were held, lasting on average around eight hours and five minutes. In addition, seven telephone conferences were held (average duration: 30 minutes). Ten Board meetings were attended by all Board members.

The members of the HRC are elected by the General Meeting of Shareholders, whereas the Chairman of the HRC is appointed by the Board of Directors at the proposal of the Chairman of the Board. The members of the other Committees, i.e., the AC and the SC, as well as their respective chairmen, are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their term of office as a Board member. Those Board members who are not a member of a Committee have the right to attend Committee meetings with consultative vote. As a rule, the CEO, the CFO and the Head of Group Internal Audit should attend the meetings of the AC, and the CEO the meetings of the HRC and the SC. Additional persons (e.g., other members of the Executive Committee, representatives of the external auditors or Heads of Corporate Functions) may be invited, if required. At every Board meeting, each Committee Chairman provides the Board with an update on the current activities of his Committee and important Committee issues.

The AC and the SC meet at the invitation of their Chairmen at least four times a year, or more often if necessary. The HRC meets at the invitation of its Chairman at least three times a year, or more often if necessary.

In 2015, there were seven physical meetings of the AC, lasting on average around three hours and 50 minutes. The members of the AC participated in the meetings along with members of the Executive Committee and representatives of the Corporate Functions concerned (in particular Group Accounting & Reporting and Group Internal Audit). The external auditors (KPMG AG) took part in four AC meetings. In 2015, the HRC held four physical meetings, lasting on average around three hours and 55 minutes, and one conference call (duration: 20 minutes). The SC held six physical meetings, lasting on average around five hours and 45 minutes.

Definition of areas of responsibility

Pursuant to Art. 716b of the Swiss Code of Obligations and Art. 22 para. 3 of the Articles of Association, the Board of Directors has in principle delegated the operational management of the business of OC Oerlikon Corporation AG, Pfäffikon and of the Oerlikon Group to the CEO. The scope of tasks for which the Board of Directors bears responsibility essentially encompasses those inalienable and non-delegable duties defined by law. These include:

- The ultimate direction of the business of OC Oerlikon Corporation AG, Pfäffikon and issuing of the relevant directives
- Laying down the organization of OC Oerlikon Corporation AG, Pfäffikon
- Formulating accounting procedures, financial controls and financial planning
- Nominating and removing persons entrusted with the management and representation of OC Oerlikon Corporation AG, Pfäffikon and regulating the power to sign for OC Oerlikon Corporation AG, Pfäffikon
- The ultimate supervision of those persons entrusted with management of the OC Oerlikon Corporation AG, Pfäffikon with particular regard to adherence to law, to the Articles of Association and to the regulations and directives of the OC Oerlikon Corporation AG, Pfäffikon
- Issuing the Annual Report and the Compensation Report, preparing for the General Meeting of Shareholders and carrying out its resolutions
- Informing the court in case of indebtedness
- Determining the strategic direction and to approve the strategy for the Oerlikon Group and its Segments.

According to the company's Organizational and Governance Rules, it is also incumbent upon the Board of Directors to decide on the acquisition, divestiture, establishment, restructuring or liquidation of strategy-relevant companies or businesses, and on business transactions whose financial value exceeds certain amounts.

The CEO is responsible for all issues relating to the operational management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group, to the extent that such decisions are not expressly reserved to the Board of Directors or delegated to individual Group companies. The Executive Committee is the supreme advisory body advising the CEO with respect to the management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. The Executive Committee is chaired by the CEO. In the case of an Executive Committee member dissenting with a decision of the CEO, such member may immediately request the CEO to submit such matter to the Chairman of the Board of Directors for his recommendation. However, the CEO will take the final decision on all issues relating to the operational management.

More information regarding the areas of responsibility of the Board of Directors, the CEO and the Executive Committee can be found in the company's Organizational and Governance Rules published on the Oerlikon website at www.oerlikon.com/en/investor-relations/corporate-governance/investor-relations-new-statutes/.

Information and control instruments vis-à-vis the Executive Committee

The Board of Directors has a wide array of instruments that enable it to perform the tasks of monitoring strategic and operational progress as well as risk exposure. The instruments at its disposal include the following elements:

The Board of Directors' right of access to and the CEO's duty of information: The CEO reports at Board of Directors' meetings on its day-to-day operations, operating results and important business matters. Extraordinary occurrences (if any) must be immediately notified to the Chairman of the Board of Directors and to the Chairman of the relevant Committee. With the approval of the Chairman, members of the Board of Directors may also access specific business records and/or obtain information from any employees of the Oerlikon Group. The Board of Directors and its Committees regularly take advice from members of the Executive Committee in order to ensure that the most comprehensive and up-to-date information on the state of the company and all relevant elements are included in its decision making. Additionally, Heads of Business Units and Corporate Functions or other experts may be consulted on a case-by-case basis in order to gain detailed and comprehensive information on complex matters.

Accounting & reporting: The Group Accounting & Reporting function is responsible for the Group's Management Information System (MIS), which links all major Group companies and production sites directly with Group Headquarters to provide the Executive Committee and the Board of Directors with an institutionalized Group reporting on a monthly basis. This is consolidated to show the performance of each Business Unit and the Group and explains the reasons for any deviations from the key performance indicators. The Board of Directors may demand access to the relevant details at any time. Furthermore, Group Accounting & Reporting ensures compliance with International Financial Reporting Standards (IFRS).

Controlling: With regard to mid-term controlling, the key instruments are specific analyses prepared by the Segments, as well as annually updated 3-Year Business Plans on the Group and Segment level. In terms of short-term controlling, the Board of Directors receives the annual financial plan (budget) as well as periodic financial forecasts for the current fiscal year. In addition to the business updates provided by the CEO or CFO at the Board of Directors and Audit Committee meetings, the Board of Directors and the Executive Committee receive a monthly actual/target analysis of the key financials to assist them in the assessment of the Segments' performance and potential corrective measures. Furthermore, the Executive Committee holds regular business reviews and meetings on the Group and Segment level, examining current performance and outlook, market competitive dynamics, Segment product portfolios and scenarios explored to improve Segment value creation.

Risk management: Oerlikon has a risk management system in place with which the enterprise-wide risk management is centrally managed and decentrally implemented. A key component of it is the generation and semi-annual update of risk profiles for the Group as a whole, as well as for its individual Business Units. All types of risks, internal and external, such as market, credit and operational risks are considered, including compliance and reputational aspects, and actions are defined in order to mitigate the risk exposure. Internal risk reporting to the Executive Committee, the Audit Committee and the Board of Directors is performed semi-annually based on consolidated risk reports. On this basis, the Board of Directors monitors the risk profile of the Group and the risk mitigation actions. For further information regarding risk management, see page 60 et seqq. ("Risk management and compliance") and page 108 et seqq. ("Note 19 to the consolidated financial statements").

Compliance: There is a Group-wide compliance function in order to ensure compliance with legal, regulatory and internal regulations as well as the Group's ethical standards, in particular by preventive measures, training, information and consulting. The foundation of this program was laid and enhanced between 2009 and 2012, with a focus on key elements of a state-of-the-art compliance program, such as the Code of Conduct, risk assessment and an anticorruption program. Between 2013 and today, the focus was on behavioral aspects of leadership awareness while dealing with integrity issues, on implementing and revising the business partner integrity screening process and on establishing Oerlikon's Anti-Trust program. In 2015, the main emphasis was on implementing a data compliance program to enhance all aspects of dealing with data privacy and information security as well as on renewing Oerlikon's House of Policies. For further information regarding compliance, see page 60 et seqq. ("Risk management and compliance").

Internal audit: Group Internal Audit is an independent and objective assurance activity that assists Oerlikon in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Head of Group Internal Audit reports functionally to the Chairman of the AC and administratively to the CFO. The AC approves the budget, the resources and the internal audit plan for the following year every fall. Group Internal Audit closely coordinates their plans and activities with the external auditor. Group Internal Audit projects are selected on the basis of a Group-wide risk assessment in coordination with Group Risk Management. The annual audit plan strikes the appropriate balance between operational, financial, compliance and follow-up reviews. The results of internal audits are communicated to the management team responsible, the Executive Committee, the AC, the Chairman of the Board and the external auditors through formal audit reports. During 2015, Group Internal Audit conducted 20 internal audits.

External audit: The external auditor examines the books and accounts of OC Oerlikon Corporation AG, Pfäffikon and those of the Oerlikon Group, coordinating his audit plan with that of Group Internal Audit. On completion of the audit, the external auditor prepares a comprehensive auditor's report to inform the Audit Committee and the Board of Directors about the detailed findings of the audit, and prepares a summary thereof for the Annual General Meeting of Shareholders. Since 2003, the external audit has been carried out by KPMG AG. For further information regarding auditors, see page 49.

The continuing independence of the external auditors is ensured by written representations provided by the auditors and also by the monitoring of audit fees in relation to total fees for all services paid by Oerlikon to the audit firm.

Leadership and accountability

The Oerlikon Executive Committee

Dr. Brice Koch
1964, Swiss citizen
Executive Committee Member
since January 16, 2014,
Chief Executive Officer (CEO)*

Professional background and education
Dr. Brice Koch was appointed Chief Executive Officer effective January 16, 2014. From 2010 to 2013, he was a member of the Executive Committee of the ABB Group. From 2012 to 2013, he acted as Head of Power Systems Division and between 2010 and 2012, Dr. Koch served as Head of Marketing and Customer Solutions. From 2007 to 2009, he acted as Country Manager in China (Chairman and President of ABB China) and Region President ABB North Asia. Between 2002 and 2006, Dr. Koch held the position of Global Head of Transformers Business Unit, ABB, Switzerland/member of Power Products Division management team. From 1994 to 2001, he filled several management positions within ABB, Switzerland. Dr. Koch graduated from the Swiss Federal Institute of Technology (ETH), Zurich, Switzerland, with a degree in Mechanical Engineering (specializing in Economy and Management) and a PhD in Material Science.

Other activities and vested interests
Dr. Brice Koch is a member of the Board of Trustees of the ETH Foundation.

Jürg Fedier
1955, Swiss citizen
Executive Committee Member
since January 1, 2009,
Chief Financial Officer (CFO)*

Professional background and education
Jürg Fedier was appointed Chief Financial Officer effective January 1, 2009. From 2007 to 2008, he acted as CFO of Ciba, Switzerland. Between 2006 and 2007, he was Head of Finance of Dow Europe and a member of the Executive Board. From 2002 to 2006, Jürg Fedier served as Vice President Finance for Dow Chemical, Performance Chemicals, USA, and between 2000 and 2002 as Global Business Finance Director for Dow Chemical, Thermosets. From 1978 to 2000, he filled several management positions with Dow Chemical in the USA and in Asia. Jürg Fedier holds a Commercial Diploma from the College of Commerce in Zurich, Switzerland, and completed international executive management programs at the IMD, Switzerland, and the University of Michigan, USA.

Other activities and vested interests
Jürg Fedier is a member of the Board of Directors of Dätwyler Holding Inc.

Dr. Roland Herb
1963, German citizen
Executive Committee Member
since June 3, 2014
Segment CEO Surface Solutions*

Professional background and education
Dr. Roland Herb was appointed CEO of the Surface Solutions Segment effective June 3, 2014. Between 2010 and 2014, he served as Head of Tools of Oerlikon Balzers. From 2006 to 2010 Dr. Herb acted as Head of the strategic Business Units Tools, Forming Tools and Components of Oerlikon Balzers. Beyond that he assumed overall responsibility for global expansion and system sales. Between 1997 and 2006 Dr. Herb held further positions such as Project Manager R&D, Product Manager and Head of Equipment Business in Oerlikon. Various positions at different companies preceded his professional commitment with Oerlikon. Dr. Herb holds both an MSc and PhD in Physics from the University of Tübingen, Germany.

Other activities and vested interests
None

Georg Stausberg
1963, German citizen
Executive Committee Member
since January 1, 2015,
Segment CEO Manmade Fibers*

Professional background and education
Georg Stausberg has been Segment CEO Manmade Fibers since 2015. Between 2012 and 2014 he served as CTO and COO of the segment. From 2008 to 2012, Mr. Stausberg acted as CEO of the Business Unit Oerlikon Neumag. Between 2000 and 2008 he was leading the After Sales Division and the Gear Pump Divison of Barmag. From 1989 to 2000, Mr. Stausberg was acting as R&D Engineer at Barmag. He graduated from RWTH Aachen University with a degree in Mechanical Engineering (Dipl.-Ing.).

Other activities and vested interests
None

Dr. Bernd Matthes
1960, German and US citizen
Executive Committee Member
since April 1, 2014,
Segment CEO Drive Systems*

Professional background and education
Dr. Bernd Matthes was appointed Segment CEO Drive Systems effective April 1, 2014. Between 2009 and 2014, he served as President (and founder) of Automotive Strategy Consultants LLC. In 2009 Dr. Bernd Matthes acted as Vice President, President and General Manager DualTronic Transmissions at BorgWarner, Inc. From 2005 to 2009, he was Vice President, President and General Manager Transmission Systems at BorgWarner, Inc. Between 2002 and 2005, Dr. Matthes served as Vice President Operations Europe and General Manager DualTronic at BorgWarner Transmission Systems. From 1993 to 2002, he filled several management positions within BorgWarner, Germany. Dr. Matthes holds both a MSc and PhD in Mechanical Engineering from TU Darmstadt, Germany.

Other activities and vested interests
Dr. Bernd Matthes is a member of the Global Advisory Board, Center for Global Leadership and Understanding, Lawrence Technological University, Southfield, USA.

Dr. Martin Füllenbach
1968, German citizen
Executive Committee Member
since February 11, 2014,
Segment CEO Vacuum*

Professional background and education
Dr. Martin Füllenbach has been Segment CEO Vacuum since 2012. Between 2007 and 2012, Dr. Füllenbach served as Executive Vice President of Voith Turbo. From 2004 to 2007, he acted as Vice President Strategy & Business Development of Voith Turbo. From 2002 to 2003, Dr. Füllenbach was Vice President Program Planning Military Combat Aircraft at EADS. Between 1998 and 2002, he filled several management positions with EADS and DaimlerChrysler Aerospace. Dr. Martin Füllenbach holds a Master's degree in Economics from the University of the Federal Armed Forces in Munich, Germany, and a PhD in Economics from Friedrich-Alexander University Erlangen-Nürnberg, Germany.

Other activities and vested interests
None

* A description of the role and authority of the Members of the Executive Committee can be found in the company's Organizational and Governance Rules, published on the Oerlikon website at www.oerlikon.com/en/investor-relations/corporate-governance/investor-relations-new-statutes/.

Executive Committee

Management philosophy
The Oerlikon Group works with a decentralized management structure. This means that Group Headquarters determines strategic guidelines and sets operational targets, monitoring these with effective management processes and controlling; Segments and Business Units are then responsible for operations and for delivering on the agreed strategy and targets within given guidelines.

Members of the Executive Committee
On December 31, 2015, the Executive Committee consisted of Dr. Brice Koch, CEO (since January 16, 2014), Jürg Fedier, CFO (since January 1, 2009), Dr. Martin Füllenbach, Segment CEO Vacuum (Executive Committee member since February 11, 2014), Dr. Roland Herb, Segment CEO Surface Solutions (Executive Committee member since June 3, 2014), Dr. Bernd Matthes, Segment CEO Drive Systems (Executive Committee member since April 1, 2014) and Georg Stausberg, Segment CEO Manmade Fibers (Executive Committee member since January 1, 2015). As a consequence of the sale of the Advanced Technologies Segment, as of February 2, 2015, Andreas Dill (Executive Committee member since February 11, 2014) ceased to be a member of the Executive Committee.

With the exception of Andreas Dill, Dr. Roland Herb and Georg Stausberg, the members of Oerlikon's Executive Committee did not previously carry out tasks for OC Oerlikon Corporation AG, Pfäffikon or any other Group company. For further information, see page 46 et seqq.

Other activities and vested interests
Regarding the activities of the members of the Executive Committee in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, see page 46 et seqq.

Number of permitted mandates
Pursuant to Art. 32 of the Articles of Association, no member of the executive management may hold more than four additional mandates in the supreme governing body of listed companies and ten additional mandates in the supreme governing body of legal entities that are required to be registered in the commercial register or a comparable foreign register. Not subject to these limitations are (1) mandates in inactive companies and in companies that are controlled by OC Oerlikon Corporation AG, Pfäffikon or that control OC Oerlikon Corporation AG, Pfäffikon and (2) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the executive management shall hold more than ten such mandates. Mandates in different legal entities that are under joint control are deemed one mandate. According to the internal chart of competencies, board memberships in third party companies require for the CEO the approval of the Chairman of the Board, and for the other Executive Committee Members the approval of the CEO.

Management contracts
There are no management contracts with third parties.

Composition of the Executive Committee

Name	Nationality	Age	Position	Joined	In position since	Stepped down
Dr. Brice Koch	CH	51	CEO	2014	16.01.2014	
Jürg Fedier	CH	60	CFO	2009	01.01.2009	
Dr. Martin Füllenbach	DE	47	Segment CEO Vacuum	2014	11.02.2014	
Dr. Roland Herb	DE	52	Segment CEO Surface Solutions	2014	03.06.2014	
Dr. Bernd Matthes	DE/USA	55	Segment CEO Drive Systems	2014	01.04.2014	
Georg Stausberg	DE	52	Segment CEO Manmade Fibers	2015	01.01.2015	
Andreas Dill	CH	60	Segment CEO Advanced Technologies	2014	11.02.2014	02.02.2015

Shareholders' participation

Voting rights restrictions and representation
The right to vote and the other member rights may only be exercised by shareholders or beneficiaries who are registered in the share register. Any shareholder may appoint the independent proxy, another registered shareholder with written authorization or his legal representative to act as proxy to represent his shares at the General Meeting of Shareholders. The Chairman decides whether to recognize the power of attorney. Regarding the written or electronic issuing of the proxy and of instructions to the independent proxy, the Articles of Association do not contain any provisions that deviate from the legal provisions. Those entitled to vote in the General Meeting of Shareholders are the shareholders whose names are entered in the share register as voting-registered shareholders at such cut-off date as shall be determined by the Board of Directors. Otherwise, there are no restrictions on voting rights.

Statutory quorums
The Articles of Association of OC Oerlikon Corporation AG, Pfäffikon provide for no specific quorums that go beyond the provisions of corporate law.

Convocation of the Annual General Meeting of Shareholders
Supplemental to the statutory legal provisions, the company's Articles of Association provide for the convocation of an Annual General Meeting of Shareholders by a one-off announcement in the Swiss Official Gazette of Commerce.

Inclusion of items on the agenda
The Articles of Association provide that shareholders with a holding of CHF 1 000 000 nominal value are entitled to request that an item be included on the agenda, provided that their requests are submitted in writing and include the actual agenda item and the actual motions; this request is to be made at the latest ten weeks prior to the date of the General Meeting of Shareholders.

Inscriptions into the share register
The 43rd General Meeting of Shareholders will be held on April 5, 2016, in the KKL Luzern (Culture and Convention Center), Lucerne. Entitled to vote in the General Meeting of Shareholders are those shareholders whose names are inscribed into the share register as shareholders with voting rights at the cut-off date to be determined by the Board of Directors.

Right to inspect the minutes of the Annual General Meeting
The minutes of the 42nd General Meeting of Shareholders held on April 8, 2015, can be viewed on the Internet at www.oerlikon.com/en/investor-relations/investor-relations-new-generalmeeting/ and shareholders may also read the minutes at Group Headquarters upon prior notice. The minutes of the 2016 Annual General Meeting of Shareholders will be published on the Oerlikon website as soon as they have been compiled.

Changes of control and defense measures

Duty to make an offer
In accordance with the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon a person who acquires shares in the company is not required to make a public purchase bid pursuant to Art. 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading (opting out).

Clauses on changes of control
There are no change-of-control clauses in agreements and schemes benefiting Members of the Board of Directors and/or of the Executive Committee, as well as other members of the Oerlikon management.

Auditors

Duration of the mandate and term of office of the lead auditor
KPMG AG has been the auditor of the company since 2003, and was elected by the Annual General Meeting of Shareholders of May 23, 2003, for the first time. The auditor is elected by the Annual General Meeting of Shareholders for a one-year term of office. At the 42nd Annual General Meeting of Shareholders of April 8, 2015, KPMG was confirmed in that role for an additional year. The lead auditor responsible for the mandate, Mr. Thomas Affolter, has served in this function since the financial year that ended on December 31, 2012. In accordance with Art. 730a para. 2 of the Swiss Code of Obligations, the lead auditor's term of office is a maximum of seven years.

Auditing fees
In the calendar year 2015, KPMG invoiced the company for CHF 3 472 990 in global auditing fees.

Additional fees
In the calendar year 2015, KPMG invoiced the company for CHF 337 818 in additional services. The additional fees were mainly invoiced for worldwide general and project-specifically tax consultancy services.

Informational instruments pertaining to an external audit
In accordance with Art. 728b para. 1 of the Swiss Code of Obligations, the external auditors provide the Board of Directors, on an annual basis, with a comprehensive report with conclusions on the financial reporting and the internal controlling system as well as the conduct and the result of the audit. Furthermore, the external auditors conduct interim audits during the year, on which they report their findings to the Executive Committee and the AC.

Once the auditing work has been completed, the AC assesses the results and findings of the external audit, discusses its assessment with the lead auditor in charge and reports the relevant findings to the Board of Directors. Further to this, the AC submits proposals in response to the external auditors' recommendations, objections and other discovered deficiencies, if any, to the Board of Directors for deliberation, and monitors the implementation of any relevant action decided upon by the Board of Directors.

The Chairman of the AC meets regularly with the lead auditor and other representatives of the auditing firm. The latter also participate in meetings of the AC dealing with the relevant agenda points. In the reporting year, KPMG AG participated in four meetings of the AC.

On behalf of the Board of Directors, the AC evaluates the work done by the external auditors, based on the documents, reports and presentations issued by them as well as on the materiality and objectivity of their statements. Therefore, the AC consults with the CFO and the Head of Group Internal Audit. The fees paid to the external auditors are reviewed on a regular basis and compared with the auditing fees paid by other comparable listed Swiss companies. Auditing fees are negotiated by the CFO, evaluated by the AC and subject to the approval of the Board of Directors.

The AC submits a proposal to the Board of Directors for the election of external auditors by the Annual General Meeting of Shareholders.

Material changes since balance sheet date
Effective March 1, 2016, the Board of Directors appointed Dr. Roland Fischer as Chief Executive Officer (CEO) and member of the Executive Committee of the Oerlikon Group. He replaces Dr. Brice Koch, who joined Oerlikon in January 2014.

Information policy

General
Oerlikon provides its shareholders and the capital markets with transparent, comprehensive and timely information on relevant facts and developments, and in a manner that is in line with the principle of equal treatment of all stakeholders, including the public and all actual and potential market participants.

Apart from its detailed Annual Report and Half-Year Report, which are prepared in accordance with International Financial Reporting Standards (IFRS), Oerlikon publishes its key financial figures and a related commentary for the first and third quarters of its financial year. In this way, Oerlikon increases its communication and transparency. Additionally, Oerlikon issues press releases on key company news during the year to ensure that shareholders and market participants are informed of significant changes and developments in the company. The company's website, www.oerlikon.com, offers a permanently accessible platform for all current information concerning the company.

As a company listed on the SIX Swiss Exchange, OC Oerlikon Corporation AG, Pfäffikon is subject to the obligation to disclose price-sensitive information (ad hoc publicity obligation) to the public, including all market participants.

The publication medium for corporation notices is the Swiss Official Gazette of Commerce. The Board of Directors may select additional publishing media. Communications to registered shareholders shall be sent in writing to their address last notified to the company.

Press releases
Press releases published in 2015, along with previous releases dating back to January 2004, can be accessed on Oerlikon's website at www.oerlikon.com/pressreleases. Those interested in receiving the company's press releases regularly by e-mail can subscribe to the service at www.oerlikon.com/en/media/press-releases/registration-for-corporate-news/.

Financial calendar
For the financial calendar with Oerlikon's 2016 key financial disclosure events, please refer to page 69 under the "Financial report" section of this Annual Report. The financial calendar, including further details on dates of roadshows, conferences and events, can be found at www.oerlikon.com/en/investor-relations/investor-relations-new-financialcalendar.

Contact
Please refer to page 69 under the "Financial report" section of this Annual Report for contact information of the Oerlikon Group, Investor Relations and Corporate Communications.

Remuneration report

Shareholder letter

Dear Shareholders

It is with pleasure that as Chairman of the Human Resources Committee (HRC) I present to you the 2015 remuneration report of OC Oerlikon Corporation AG, Pfäffikon.

OC Oerlikon was among the first companies to implement the Compensation Ordinance by amending the Articles of Association and holding binding votes on the compensation of the Board of Directors and the Executive Committee. The work of the HRC in 2015 was mainly characterized by reviewing the compensation policy at OC Oerlikon with a view to the long-term strategy of the company, the position with respect to the relevant markets as well as alignment with business and individual performance. No changes were made in 2015 and the compensation systems for the Board of Directors and the Executive Committee remained unchanged.

The remuneration report 2015 does not differ in structure and continues to provide a high level of transparency. We continue to show the compensation of the Executive Committee in three perspectives, namely the effective compensation amounts that have been paid in 2015, the forward-looking target value amounts that have been granted in 2015 and their market value at the year-end. These perspectives enable shareholders to better interpret the amounts they are voting on – that is the target value amounts granted – and to monitor the relation between the company's performance and the Management's remuneration.

The proposal of the Board of Directors for the binding votes on remuneration will be published with the invitation for the Annual General Meeting of Shareholders (AGM) 2016.

Sincerely

Prof. Dr. Michael Süss
Chairman of the Human Resources Committee

With this remuneration report, Oerlikon meets the requirements of Articles 13–16 of the Compensation Ordinance and Para. 5 of the Annex to the Corporate Governance Directive (DCG) of the SIX Swiss Exchange, governing the disclosure of remuneration systems and compensation paid to members of the Board of Directors and the Executive Committee. Moreover, in regard to remuneration reporting, Oerlikon voluntarily complies with economiesuisse's Swiss Code of Best Practice for Corporate Governance.

The Articles of Association include rules on the principles applicable to performance-related pay and to the allocation of equity securities (Art. 30), additional amounts for payments to Executive Committee members appointed after the vote on pay at the AGM (Art. 29) and the vote on pay at the AGM (Art. 28). Details on these rules are available on our website, at the "Oerlikon – Investor Relations" webpage: http://www.oerlikon.com/en/investor-relations/corporate-governance/investor-relations-new-statutes/.

Compensation for the Board of Directors and the Executive Committee is made up of various components, which are described in detail in this report. This section discloses a summary of the following aspects for 2015:

- General principles of the compensation policy
- Setting and approving compensation
- Compensation system and compensation paid or granted to the Board of Directors in 2015
- Compensation systems and compensation paid or granted to the Executive Committee in 2015

Compensation policy

Attractive, motivating, fair and simple compensation for all staff is the foundation of Oerlikon's performance-based corporate culture. The compensation systems provide competitive base salaries and attractive incentive schemes. They give equal consideration to individual and company performance, reward excellence and promote an entrepreneurial attitude.

To determine competitive and equitable compensation, Oerlikon uses external and internal benchmarks. The company establishes its external equity by continuously surveying the markets in which it operates, and its internal equity is established by following a Performance Management process. Performance Management is a crucial element in assessing the achievement of expectations and targets in relation to individual and business results.

Determining compensation

The Human Resources Committee (HRC) supports the Board of Directors in all matters relating to the compensation and Performance Management systems in place at Oerlikon, in particular:

- the compensation policies for members of the Board of Directors, the Executive Committee and Group-wide managerial and non-managerial staff;
- the preparation of the proposals to the AGM regarding the aggregate compensation amounts for the Board of Directors and the Executive Committee
- the annual Pay Plan for the Group (including general salary increases);
- the objectives for the CEO and assessment of his performance;
- the performance assessment of Executive Committee members by the CEO.

The compensation policies for the Board of Directors and the Executive Committee require an ongoing review of whether or not the compensation offered is:

- competitive, transparent and fair, by analyzing comparable companies and salary trends in the market;
- commensurate with the company's results and individual performance;
- consistent with Oerlikon's values and long-term strategy.

This review is conducted by the HRC on an annual basis, reported to the Board of Directors following each meeting and forms the basis for the Board of Directors to approve in:

- December, the target compensation of the members of the Board of Directors and the Executive Committee for the following year;
- February, the fixed compensation of the members of the Board of Directors and the Executive Committee as well as the performance and variable compensation of members of the Executive Committee for the past year;
- February and October, Long-Term Incentive (LTI) grants, i.e. participants in equity programs and share awards allocated to them.

Based on the Compensation Ordinance, the aggregate amounts for compensation of the Board of Directors and the Executive Committee are subject to approval by the AGM. Within these confines, the internal approval and decision processes are as follows:

Approval process

Decision on	Prepared by	Set by	Approved by
Compensation of members of the Board of Directors (incl. Chairman)	Chairman	Human Resources Committee	Board of Directors
Compensation of the CEO, incl. fixed and variable compensation	Chairman	Human Resources Committee	Board of Directors
Compensation of members of the Executive Committee, incl. fixed and variable compensation	CEO	Human Resources Committee	Board of Directors

The Chairman of the Board of Directors is present at the meeting when decisions are approved by the Board of Directors, including his own remuneration. In his role as Chairman of the HRC, he is also involved in the determination of Board remuneration, including his own. Members of the Board of Directors, other than those of the HRC, do not participate in determining the remuneration of Directors.

The CEO is involved in determining the remuneration of members of the Executive Committee and is present when the Board of Directors approves it, except when concerning his own remuneration.

Board of directors

Compensation system

The compensation system applicable to the members of the Board of Directors consists of a fixed cash component and a fixed value of restricted stock units (RSU). The cash component depends on the responsibility, complexity and requirements of the tasks assumed. Each task is remunerated differently and the compensation components are cumulated, depending on the number of tasks assumed by each member, as per the chart below. The level of compensation for each of the components is set by the HRC, taking into account the expenditure of work required from Board and Committee members, and approved by the Board of Directors. The members of the Board of Directors are remunerated for their service from the date of their election and for the duration of their term of office.

Cash compensation

in CHF 000	Compensation	Expense allowance
Member of the Board of Directors	75	5
Chairman of the Board of Directors	75	10
Chairman of a Committee	50	
Member of a Committee	30	

The compensation is reviewed by the HRC on an annual basis and, if necessary, adjusted by the Board of Directors based on a proposal by the HRC prior to submitting the aggregate amount to a vote at the AGM.

No changes to the cash compensation for members of the Board of Directors have been made since 2012.

The value of the RSU is fixed (CHF 125 000 per Board member and CHF 280 000 for the Chairman of the Board). The number of RSU is determined by the share price at grant date. RSU are blocked from the grant date on the day of the AGM until the following AGM, at which time they are converted into Oerlikon shares. For Directors resigning their mandate prior to the end of the term, the number of RSU converted into Oerlikon shares may be reduced at the sole discretion of the Board of Directors. The RSU program is financed with treasury shares.

No changes to the equity compensation for members of the Board of Directors have been made since 2008.

Compensation 2015

No member of the Board of Directors served in an executive role in 2015. The Board of Directors consists of six members, of which 3 were replaced in 2015. Total compensation paid to the nine non-executive members of the Board of Directors in 2015 was CHF 1.8 million. Since all components are fixed, no ratio between fixed and variable compensation is presented.

Compensation of non-executive members of the Board of Directors (audited)

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash	RSU [3]	Other [4]	Total compensation 2015	Market Value per Dec 31, 2015 [5]	Total compensation 2014
Prof. Dr. Michael Süss [1]	C	C		C	128	280	10	418	348	–
Dr. Mary Gresens [1]			C	M	113	125	5	243	212	–
Mikhaill Lifshitz			M		105	125	19	249	218	252
Gerhard Pegam		M			105	125	19	249	218	252
Johan van de Steen [1]			M		77	125	10	212	181	–
Hans Ziegler		M		M	135	125	20	280	250	284
Tim Summers [2]	C	C		C	48	–	17	65	65	498
Kurt J. Hausheer [2]			C		34	–	7	41	41	270
Carl Stadelhofer [2]			M	M	37	–	9	46	45	284
Total					782	905	116	1 803	1 578	1 840
Mandatory Employer Contributions [6]								96	84	97

C(hairperson), M(ember)

[1] As of April 8, 2015
[2] Until April 8, 2015
[3] The fair value at grant date of RSU was CHF 11.9.
[4] Other compensation consists of social security contributions and an expense allowance which are paid by OC Oerlikon Corporation AG, Pfäffikon.
[5] The value per year-end is based on a share price of CHF 8.95
[6] The Compensation Ordinance requires the disclosure of employer contributions to social security.

Members of the Board of Directors did not receive any fees or other remuneration for additional services to OC Oerlikon or its subsidiaries in the 2015 business year. Neither OC Oerlikon nor its subsidiaries granted any guarantees, loans, advances or credit facilities to members of the Board of Directors or related parties in 2015 or 2014.

No compensation was paid to any former members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon, or a Group company, or related parties in 2015 or 2014.

Management

Compensation system

The compensation system for the Executive Committee consists of fixed and variable components. The fixed component entails a base salary commensurate with the role and local market level and, depending on local practice, includes allowances and fringe benefits. The variable component entails a performance-related annual cash bonus (Short-Term Incentive) and a three-year performance-related equity program (Long-Term Incentive). The mix between these components is defined by the profile, strategic impact and pay level of the role, as described hereinafter.

In 2015, the proportion of variable compensation of members of the Executive Committee was between 37 % and 91 % of base salary for the target STI and between 70 % and 175 % of base salary for the target LTI.

No members of the Executive Committee were present when decisions on their respective compensation were made.

Base salary

The base salary is determined primarily by the executive's tasks, responsibilities, skills and managerial experience, as well as market conditions, and is paid in cash. It was benchmarked with data from Towers Watson and Mercer against comparable positions in companies of comparable size in terms of revenue, employees and geographical scope that are operating in the general industry in some of the major markets in which we operate – including Switzerland, Germany, Italy and the USA. Towers Watson and Mercer also provide other compensation services to the Oerlikon Group and its subsidiaries.

Short-Term Incentive (STI) program

The Oerlikon Short-Term Incentive (STI) program is a simple and clear annual cash bonus aimed at motivating managers and specialists to focus their efforts on specific financial and individual objectives. It helps them to align their efforts, promotes initiative and contributes to the performance of individuals and the company.

The STI program for the Executive Committee consists of financial and individual objectives as well as strategic milestones. Financial objectives include Sales Growth, EBIT Margin, EBITDA margin and return on net assets (RONA) and account for 75 %, strategic milestones for 15 % and individual objectives for 10 % of the target bonus.

Financial objectives are set for each business on Group and Segment level and are aimed at increasing the growth, profitability and return on capital of the respective business.

Strategic milestones are defined for the Group and Segments to focus on the timely and incremental achievement of medium and longer-term business objectives.

Individual objectives include among other things the improvement of health, safety and environment throughout the Group for each member of the Executive Committee.

The Board of Directors approves the financial objectives and strategic milestones of members of the Executive Committee at their meeting at year-end for the following year. Individual objectives are approved at the meeting in February.

Financial targets are based on the annual budget and the payout on the actual financial results. A financial result at target corresponds to a payout of 100 % of target bonus, at the lower threshold 50 %, and below the lower threshold 0 %. No upper threshold exists for financial objectives, while strategic milestones and individual objectives are generally capped at 100 % of target bonus. In certain cases, a specific milestone or individual objective can be rewarded with more.

The HRC monitors the STI performance at each of their meetings during the year and endorses the required accruals which are at the basis of the disclosure below at the December meeting.

Finally, the HRC determines the overall STI payout, including the Executive Committee, based on factual business circumstances and reasonable business judgment in order to achieve a fair result originated from true performance, and will make a recommendation to the Board of Directors for a final decision in February. At this meeting, the HRC also recommends to the Board of Directors, the aggregate amount for variable pay components that are submitted to a vote to the AGM for approval.

For the Executive Committee, the average payout for the STI 2015 is 67 %. The average payout of the STI 2014 reached 108 %.

Long-Term Incentive (LTI) program

The Oerlikon Group aims to manage its business portfolio efficiently in order to create added value for its shareholders. To meet these ambitious goals, it is essential that the Oerlikon Group is able to attract, motivate and retain key employees. The Board of Directors therefore decided to issue a 2015 grant of the long-term Performance Share Program (LTI plan 2015) to reward the increase in total shareholder return (TSR) relative to that of peer companies. The Board of Directors decides every year on issuing a new grant under this program which has been in place since 2012.

The LTI plan 2015 is based on performance conditions measured over a period of three years from January 2015. The performance conditions are based on Oerlikon's TSR within a comparator group over a three-year period. The peer group is reviewed every year by the HRC.

List of companies:

Swiss Industry Group	Industry Group	Manmade Fibers	Drive Systems	Vacuum	Surface Solutions
ABB	General Electric	Andritz	American Axle	Atlas Copco	Bodycote
Sulzer	Siemens	Dürr	Brembo	Gorman Rupp	Kennametal
Georg Fischer	GEA	Heidelberger Druckmaschinen	Carraro	INFICON	Praxair
	Sumitomo	Schweiter SSM	Dana	Ingersoll Rand	Sandvik
	ThyssenKrupp		Bharat Gears	Pfeiffer Vacuum	
			BorgWarner		

TSR is a standard metric used for measuring stock performance. It is defined as the net change in share price plus any dividend distributions over a period of time. In this case, the performance period is three years.

TSR is measured with a starting value of the VWAP over the first 30 trading days of the first year and an ending value of the VWAP over the last 30 trading days of the third year. The rank of Oerlikon's TSR at the end of the performance period determines the effective number of Performance Share Awards (PSA). Participants can elect at the beginning of the plan whether the effective number of PSA is fully converted into shares or whether 70 % are received in shares and 30 % are sold upon vesting to receive the corresponding value in cash.

At Rank 3 or above of the peer group of 28 companies, a maximum payout of 200 % of target performance share awards (PSA) is converted into shares. At Rank 10 of the peer group, the payout is 100 %, at Rank 15 it is 80 % and at Rank 20 or below, it is 0 %.

In 2015, members of the Executive Committee received a portion of their compensation in the form of awards of OC Oerlikon Corporation AG, Pfäffikon, stock. Grants were made to all members of the Executive Committee to the LTI plan 2015. The LTI program is financed with treasury shares.

Shareholding requirement

Since 2012, members of the Executive Committee are required to build a significant personal shareholding in the business to further align the interests of the management and shareholders. The minimum threshold is a percentage of annual base salary.

Role	% of base salary
CEO	200 %
Other members of the Executive Committee	100 %

Current members of the Executive Committee are required to reach their minimum investment limit within a period of five years. The shareholding of the individuals is reviewed regularly. New members of the Executive Committee have five years during which to reach their minimum investment limit. Members of the Executive Committee are encouraged to retain and use their LTI shares, when vested, to meet this requirement of the remuneration policy.

Employment agreements

The employment contracts of Executive Committee members are of unlimited duration and end automatically when the member reaches retirement age. The contracts provide for a notice period of 12 months. Agreements of Executive Committee members contain a non-competition clause for the duration of 12 months following termination of employment which is compensated with up to an annual compensation.

Compensation 2015

Effective compensation

The following section discloses the actually received pay components in 2015, including salary and bonus payments, contributions to pension plans, fringe benefits as well as the actual value of equity plans at vesting date. This perspective reflects the income received by members of the Executive Committee in 2015 which amounted to CHF 12.3 million. The highest compensation effectively received by an individual member of the Executive Committee in 2015 was CHF 4 million.

Effective Compensation of members of the Executive Committee

	Fixed Compensation			Variable Compensation			
in CHF 000	Base Salary	Pension	Other[1]	Bonus[2]	LTI 2012–14 (effective value at vesting date)[3]	Total effective Compensation 2015	Total effective Compensation 2014
Total compensation to members of the Executive Committee[4]	3 813	921	106	2 829	4 592	12 261	13 310
Thereof highest paid to one individual: Dr. Brice Koch (CEO)	1 200	193	–	1 003	1 644	4 040	4 219

[1] Other compensation includes fringe benefits such as company car, car allowance, contributions to medical insurance or relocation.
[2] The bonus is determined on Group, Segment and individual level and depends on business and individual performance.
[3] The LTI plan 2012 vested in 2015 when some of the members of the Executive Committee received shares from the grant they had been given when they held other positions. Effective performance upon vesting was 157 % and the share price at vesting was CHF 12.3.
[4] The Executive Committee was reduced from 7 to 6 members on February 3, 2015 when the divestment of Oerlikon Advanced Technologies was completed.

Granted compensation

The following section discloses the granted pay components in 2015, including salary and bonus payments, contributions to pension plans, fringe benefits as well as the target value of equity programs at grant date. This perspective reflects the compensation potential provided to members of the Executive Committee in 2015 which amounted to CHF 11.8 million. The highest compensation granted to an individual member of the Executive Committee in 2015 was CHF 4.4 million.

Members of the Executive Committee did not receive any fees or other remuneration for additional services to OC Oerlikon or its subsidiaries in the 2015 business year. Neither OC Oerlikon nor its subsidiaries granted any guarantees, loans, advances or credit facilities to members of the Executive Committee or related parties in 2015 or 2014.

During 2015, no compensation was paid to former members of the Executive Committee or related parties, either by OC Oerlikon Corporation AG, Pfäffikon, or by any other company of the Oerlikon Group.

Granted Compensation of members of the Executive Committee (audited)

	Fixed Compensation			Variable Compensation				
in CHF 000	**Base Salary**	**Pension**	**Other**[1]	**Bonus**[2]	**LTI 2015-18** (target value at grant date)[3]	**Total granted Compensation 2015**	**Total granted Compensation 2015** (Market Value per Dec 31, 2015)[4]	**Total granted Compensation 2014**
Total compensation to members of the Executive Committee[5]	3 813	921	106	2 829	4 151	11 820	10 515	17 320
Thereof highest paid to one individual: Dr. Brice Koch (CEO)	1 200	193	–	1 003	2 019	4 415	3 869	8 668
Estimated Mandatory Employer Contributions[6]						627	561	917

[1] Other compensation includes fringe benefits such as company car, car allowance, contributions to medical insurance or relocation
[2] The bonus is determined on Group, Segment and individual level and depends on business and individual performance.
[3] The fair value at grant date in 2015 was CHF 12.7.
[4] The market value per year-end is based on a share price on Dec 31, 2015 of CHF 8.95. The performance of the LTI plan per December 31, 2015 is 0%. The effective performance of the plan will be determined per December 31, 2017 and the effective value at the time of vesting on April 30, 2018 and disclosed as effective compensation in the remuneration report the following year.
[5] The Executive Committee was reduced from 7 to 6 members on February 3, 2015 when the divestment of Oerlikon Advanced Technologies was completed.
[6] The Compensation Ordinance requires the disclosure of estimated employer contributions to social security.

Report of the statutory auditor to the General Meeting of OC Oerlikon Corporation AG, Pfäffikon, Freienbach

We have audited the accompanying remuneration report dated February 26, 2016, of OC Oerlikon Corporation AG, Pfäffikon for the year ended December 31, 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the section "Compensation 2015" of the board of directors on page 54 and section "Granted compensation" of the executive committee on page 58 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended December 31, 2015 of OC Oerlikon Corporation AG, Pfäffikon complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, February 26, 2016

Risk management and compliance

Oerlikon's Risk Management System

Oerlikon takes a company-wide, holistic approach to the identification, assessment and management of business risks. All organizational units and their business processes and projects are evaluated across the entire spectrum of market, credit and operational risks. The Risk Management System is a management tool that serves to integrate risk management within the company's executive ranks and organizational structure.

Objectives and principles

The Board of Directors has defined five primary objectives for the Risk Management System. First, it must help secure the company's continued existence and profitability by creating a transparent risk profile and continuously improving and monitoring it. Second, it must contribute to improving planning and supporting a better achievement of targets. Third, it must secure revenue and reduce potential risk-related expenses, which safeguards and enhances the company's value. Fourth, it must align total risk exposure with the company's risk-bearing capacity and ensure that the risk-return ratio of business activities is transparent. Finally, risk management must also help protect the company's reputation.

Organization

Roles and responsibilities within the Risk Management System are defined as follows:

- In accordance with Swiss stock corporation law, the Board of Directors has overall responsibility for supervising and monitoring risk management. Supported by the Audit Committee, it monitors the Group's risk profile on the basis of internal reporting. In addition, it reviews the Risk Management System's performance and effectiveness. The Board of Directors also uses internal auditing to fulfill and document its supervisory and monitoring duties.
- Pursuant to Oerlikon's Organizational and Governance Rules, the Chief Executive Officer (CEO), with the support of the Executive Committee, bears overall responsibility for structuring and implementing risk management (delegated management responsibility for risk management). He approves the risk management directive and is responsible for revising it, and also monitors the Group's risk profile and the implementation of risk mitigation actions.
- In accordance with the principle of risk ownership, the Segments and Group Departments (assessment units) bear responsibility for risks and damage/losses in their respective areas. Each is responsible for the implementation of the risk management process. Each assessment unit has a risk management coordinator who coordinates the unit's activities with Group Risk Management. The assessment units conduct risk assessments, establish risk mitigation actions and report the results to Group Risk Management. They continuously monitor their risk profiles and report damage/losses to Group Risk Management.
- As process owner, Group Risk Management is tasked with operation and further development of the Risk Management System. The Head of Group Risk Management assumes technical responsibility for risk management. Group Risk Management provides, among other things, methods and tools, supports the assessment units in conducting risk assessments and developing mitigation actions, and oversees the implementation of risk mitigation actions. Other responsibilities include calculating the total risk exposure and the risk-adjusted key performance indicators (KPI), monitoring risk-bearing capacity, internal reporting, conducting internal audits and providing training with respect to the Risk Management System. Group Risk Management also coordinates risk-related activities of other units as and when necessary.
- Central units and decentralized departments carry out certain risk-related activities. For example: Group Treasury (liquidity, foreign exchange and interest rate risks); Group Tax (tax risks); Group Legal Services (legal risks, compliance risks, including trade control); IT Security (IT risks); Security (security risks); and Insurance Management (insurable risks); etc.

Process and reporting

The assessment units conduct risk assessments semi-annually and prepare their risk profiles and mitigation action plans. The risk management process is coordinated with the budgeting/planning process and the forecasting process. From a methodological perspective, risk assessments are conducted according to a standard procedure comprising the following steps: preparation of the risk assessment, identification of risks, risk evaluation and planning of risk mitigation actions. The process is Group-wide supported by a risk management software. Internal risk reporting is done semi-annually to the Executive Committee, the Audit Committee and the Board of Directors based on consolidated risk reports.

Culture

Oerlikon's risk culture is shaped and developed by the Code of Conduct, training, best-practice sharing, continuous implementation of the risk management process and the Executive Committee and senior management, which act as role models. The risk management directive also contains statements illustrating the desired risk culture.

Current situation

Oerlikon operates in markets characterized by various uncertainties. The Segments have different risk profiles contingent upon strategy, the business model and operational implementation. From the perspective of the Group holding company, the following risks might impact Oerlikon's businesses and its performance:

Market risks

- Economic slowdown and business cycles: as a result, order intake, sales and profitability could decrease.
- Competition: Competition and overcapacity in various markets could exert pressure on prices or trigger a decline in orders. As a result, order intake, sales and profitability could decrease.
- Foreign currency effects (transaction and translation risk): Unfavorable currency developments, mainly with respect to the euro and US dollar, could trigger higher procurement costs and lower sales figures. In addition, profitability could decline as a result of local currencies being translated into the Group's reporting currency (Swiss franc).
- Country risks: For example, new or higher taxes and fees, currency appreciation or depreciation, higher interest rates, reduced growth, loss of proprietary information (intellectual property), etc., could cause sales to decline and costs to rise. As a result, profitability could decrease.

Credit risks

Credit risks arise when customers cannot meet their obligations as agreed. At present, there are no significant credit risks for the Group.

Operational risks

- Additional costs/warranties: Insufficient product quality or machines and equipment that fail to perform as promised could lead to additional costs (contractual warranty obligations). This could reduce profitability.
- Technology risks: If technologies do not prove successful in the market, order intake and sales targets may not be reached. Impairment charges may have to be reported.
- Legal: Oerlikon is exposed to numerous legal risks as a result of its international operations. These include, in particular, risks in the areas of competition and antitrust law, patent law, tax law and environmental protection law. Oerlikon has a valuable portfolio of industrial property rights, such as patents and trademarks. These property rights can become the target of attacks and infringements.
- Loss of key people/shortage of qualified skilled staff and managers: if key people leave the company and qualified skilled staff and managers are not available, sales and profitability targets may not be reached.

Compliance and ethics

There is a Group-wide compliance and ethics function to ensure compliance with legal, regulatory and internal regulations as well as the Group's ethical standards, in particular by preventive measures, training, information and consulting.

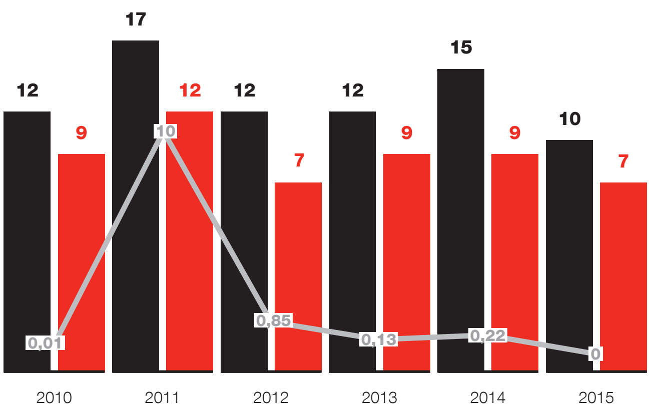
The focus in 2015 was on rolling out a new antitrust policy and the accompanying training sessions for the target group of about 1 500 managers. Furthermore, Oerlikon has implemented a data-compliance program and has created a new position and function dedicated to all aspects of data protection and data privacy. A cross-functional project supported the creation and establishment of a solid information security management system that is now up and running.

Oerlikon has completely revised its House of Corporate Policies. The new structure makes it much easier for employees to find, comprehend and comply with Oerlikon's internal rules and regulations. Our "Leading with Integrity" program has been further strengthened by widening the circle of leaders included and reinvolving those who participated in 2015.

The Compliance program has a three-pillar framework:

- **Prevention:** through policies, directives, training, the Code of Conduct, risk assessment, maturity assessment, compliance councils, internal controls and metrics, examples and Q&A in all employee meetings.
- **Early detection:** the "whistleblowing" hotline, continuous compliance reviews, controls and internal audits, allegation management process.
- **Response:** disciplinary action on compliance breaches, process adaptation, resolution plans, remediation of internal control systems, fine-tune policies.

As in 2013 and 2014, a regional compliance conference also took place in 2015, embracing the business side of things and building a stronger partnership between compliance and business.



Compliance cases 2010–2015 ytd

- Total number of cases
- Number of substantiated cases
- Financial Impact (in CHF million)

Financial report

Information for shareholders

2015 capital market development

While the global stock markets had a promising start to 2015 with major stock indices rising, the decision of the Swiss National Bank (SNB) to abandon the minimum exchange rate of the Swiss franc against the Euro put a sudden end to the growth of the Swiss stock market, leading to a drop of the Swiss Market Index (SMI) of almost 9 % in only one trading day. Although the Swiss stock market recovered from the weak start and showed a positive growth momentum in spring, non-market-friendly geopolitical developments and major global trends, from the Greek sovereign debt crisis and the Chinese stock market meltdown, to the refugee exodus and of course the global terrorist attacks as well as an ever-declining oil price, not only weighed on the SMI but also indices outside Switzerland. The SMI closed out the year at 8818 points, a decline of 1.8 % compared to 2014 (8983 points), while the SMI Mid (SMIM) showed more resilience and increased by 8.8 % in 2015 to 1906 points (2014: 1751 points).

Oerlikon share performance in 2015

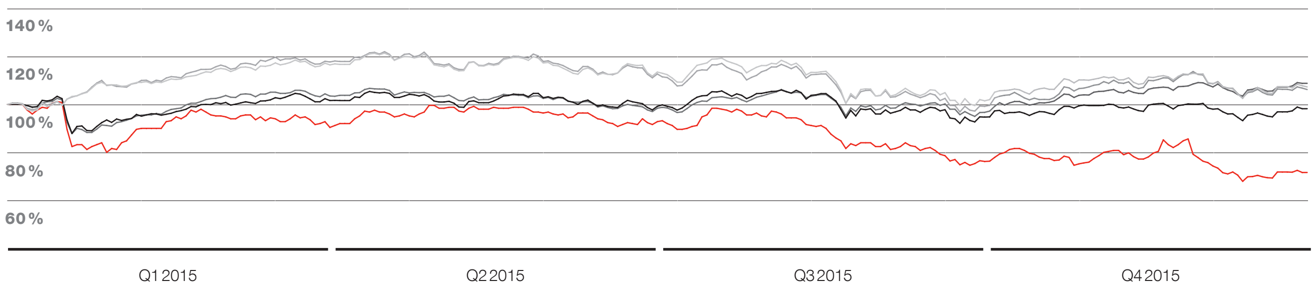
The Oerlikon share price reflected the ups and downs of the global economy in 2015. In the first quarter, the Oerlikon share price was burdened by a strong Swiss franc – in line with other Swiss values. The continuous recovery was abruptly interrupted by geopolitical developments, concerns about China's slowing growth and global overcapacity that weighed on industrial stocks, in particular from summer onward and especially in the manmade fibers industry. China's revised growth assumptions impacted the outlook for Oerlikon's Manmade Fibers Segment, which was also reflected in the share price development in the second half of the year. Although the announcement to divest the Vacuum Segment in mid-November was well received by the financial market and drove share price up, the Oerlikon share performance by the end of the year was unsatisfying. Share value decreased by 28.4 % and closed out 2015 at CHF 8.95 (2014 closing price: CHF 12.50). In intraday trading, the share price reached its annual high on January, 5, 2015, at CHF 12.70 and its lowest level on December 14, 2015, at CHF 8.42. Average daily trading volume on the 251 trading days in 2015 increased to around 1.2 million shares (2014: 1.0 million shares).

Analyst recommendations

Fourteen financial analysts covered Oerlikon in 2015 and published performance estimates and recommendations based on their analysis. Berenberg Bank and Kepler Cheuvreux reinitiated coverage during the course of the year following a suspension in 2014 after a change of analyst. Oerlikon provides analysts and investors with market consensus figures in order to facilitate an independent and transparent assessment of performance. This consensus is based purely on analyst estimates and in no way reflects the opinion of Oerlikon.

Oerlikon's portfolio transformations (divestment of the Advanced Technologies Segment and the announced divestment of the Vacuum Segment), the restructuring in the Drive Systems Segment and the adjusted guidance for the Manmade Fibers Segment as well as overall valuation pressure on industrial stocks led to a decrease in the analysts' average target price of 27 %, from CHF 15.19 to CHF 11.02 during 2015. As of December 31, 2015, nine out of fourteen analysts recommended the purchase of Oerlikon shares (buy/accumulate). There were five neutral (hold/neutral) and no negative (underperform/underweight) recommendations.

Oerlikon is seeking to expand the number of financial institutions covering the company, particularly outside of Switzerland, in order to broaden the opinions available in the financial markets and the basis for the consensus figures.



Development of the Oerlikon share price
Indexed; 100 % = closing price as of December 31, 2014

- OERL
- SMI
- SMIM
- STOXX Europe 600
- STOXX Europe 600 Industrial Goods & Services

Shareholder earnings

In 2015, Oerlikon paid a dividend to its shareholders for the fourth consecutive time, amounting to CHF 0.30 per share for the financial year 2014. Based on a sustainable, strong operational performance and solid financial position, the Board of Directors of Oerlikon will propose a stable dividend of CHF 0.30 per share from the capital contribution reserves for the financial year 2015 at the Annual General Meeting of Shareholders scheduled for April 5, 2016. This will be equivalent to a payout ratio of 49 % based on underlying earnings per share (EPS) of CHF 0.61 (2015 reported: EPS of CHF –1.24). Oerlikon's dividend policy allows for a dividend to be paid up to 50 % of the Group's underlying net result, subject to available funds. Based on the year-end closing price of CHF 8.95, Oerlikon shares yielded a return of 3.4 % in 2015.

Key share-related figures[1]

		2015	2014	2013	2012	2011
Year-end	in CHF	8.95	12.50	13.35	10.35	5.03
Year high	in CHF	12.70	15.65	13.70	10.85	7.85
Year low	in CHF	8.42	10.60	9.91	5.06	4.06
Year average	in CHF	11.02	13.20	11.86	8.20	6.05
Average daily trading volume	in thousands	1 226	1 039	1 236	1 463	1 600
Average daily trading volume	in CHF thousands	13 103	13 615	14 566	11 982	9 596
Shares outstanding at year-end	number	339 758 576	339 758 576	334 633 258	325 964 498	323 124 010
Market capitalization at year-end	in CHF million	3 041	4 247	4 467	3 374	1 625
Earnings per share (undiluted)	in CHF	–1.24	0.59	0.60	1.16	0.68
Earnings per share (diluted)	in CHF	–1.24	0.59	0.59	1.15	0.68
Price-earnings ratio		n/a	21.19	22.25	8.77	7.40
Payout ratio		49 %[2]	42 %[3]	36 %[4]	29 %	29 %
Dividend per share	in CHF	0.30[5]	0.30[6]	0.27[7]	0.25[8]	0.20[9]
Dividend yield		3 %	2 %	2 %	2 %	4 %
Equity per share[10]	in CHF	4.58	6.50	6.27	5.75	4.91
Cash flow from operating activities per share	in CHF	0.85	0.76	1.11	1.56	1.36

[1] Average number of shares with voting and dividend rights.
[2] Based on underlying EPS of CHF 0.61.
[3] Based on underlying EPS of CHF 0.72.
[4] Based on underlying EPS of CHF 0.76.
[5] Dividend proposed for financial year 2015, to be paid in 2016.
[6] For financial year 2014, paid in 2015.
[7] For financial year 2013, paid in 2014.
[8] For financial year 2012, paid in 2013.
[9] For financial year 2011, paid in 2012.
[10] Attributable to shareholders of the parent.

Listing on the stock exchange

The registered shares of OC Oerlikon Corporation AG, Pfäffikon, have been listed on the SIX Swiss Exchange since 1973, and are traded in the main segment.

Securities symbol	OERL
Securities number	81 682
Security type	Registered share
International Securities Identification Number (ISIN)	CH0000816824
Settlement currency	CHF
Stock exchange	SIX Swiss Exchange
Bloomberg ticker symbol	OERL S
Reuters ticker symbol	OERL.S

Weighting of the Oerlikon share in indices

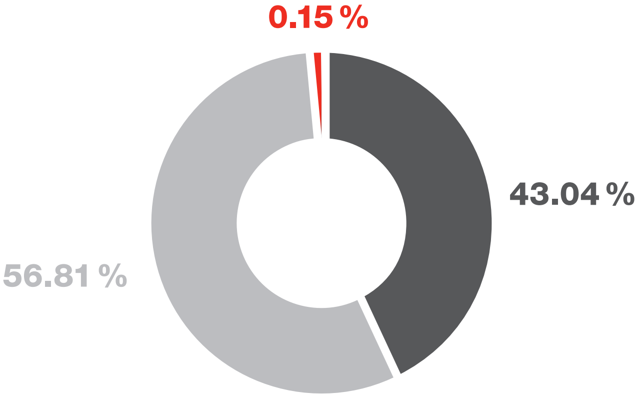
as of December 31, in %	2015	2014
SMIM	1.24948	1.9112
SMI Expanded	0.14312	0.2012
SPI	0.13479	0.1907
SPI Extra	0.81168	1.2584
SPI ex SLI	1.19557	1.8778
STOXX Europe 600	0.02053	0.0283
Swiss All Share	0.13342	0.1885
UBS 100 Index	0.13686	0.1932

Shareholder structure

The shareholder structure was essentially unchanged in 2015. Under the terms of the Swiss Federal Act on Stock Exchanges and Securities Trading (as of January 1, 2016, Financial Market Infrastructure Act, FMIA) shareholders whose holdings reach or exceed/fall short of a certain percentage of the share capital are required to disclose their holdings.

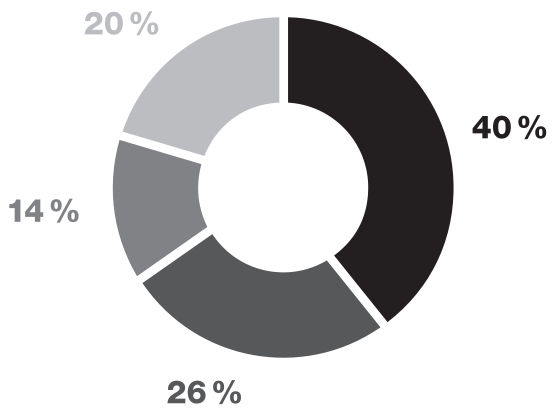
There were only minor changes in the holdings of the Renova Group, which remained Oerlikon's principal shareholder with 43.04 % of outstanding shares at the end of the year (2014: 42.61 %). At the end of December 2015, Oerlikon held 497 116 treasury shares (0.15 % of the share capital), which are intended to be used, among other things, as incentive instruments as part of the company's long-term compensation policy (2014: 1 208 319). The free float totaled 56.96 % (2014: 57.39 %) as of December 31, 2015. The number of registered shareholders decreased from around 15 600 in 2014 to about 15 000 in 2015.

Oerlikon regularly commissions an analysis of its shareholder base in order to track the composition of registered shareholders as well as that of nonregistered investors. The latest study of January 2016 shows that 9 % (Jan. 2015: 9 %) of the share capital is held by private investors, the vast majority of whom are based in Switzerland. The other 91 % is owned by professional investors, which include financial investors such as the Renova Group and institutional investors (investment funds), insurance companies and pension funds. The continued dialogue with the capital markets and the transformation of the Oerlikon portfolio resulted in increased investments mainly from institutional investors. They increased their percentage of shares to 42 % compared to 36 % a year ago. The regional distribution of the institutional holdings was also balanced at the beginning of 2016. The majority of institutional holdings remains in Switzerland, making up 40 % of all institutional shareholders. One year ago this percentage was 43 %. The percentage of institutional investors from North America slightly increased to 26 % (Jan. 2015: 25 %). Institutional shareholders from the UK and Ireland increased to 14 % (Jan. 2015: 7 %). The portion of institutional investors from the rest of the world decreased from 25 % to 20 %. These investors were mainly domiciled in France, the Netherlands, Germany and Scandinavia.



Shareholder structure
as of December 31, 2015

- OC Oerlikon
- Renova Group
- Others



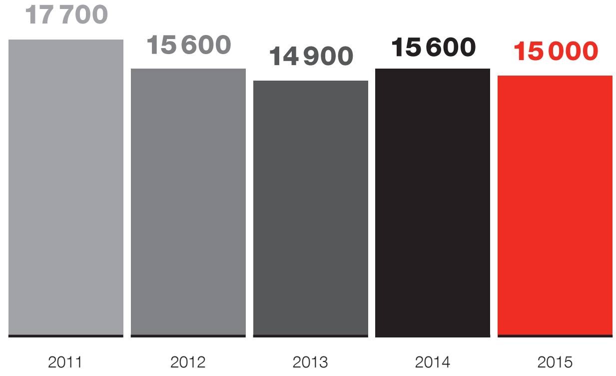
Regional distribution of institutional investors
as of December 31, 2015

- Switzerland
- North America
- United Kingdom and Ireland
- Others

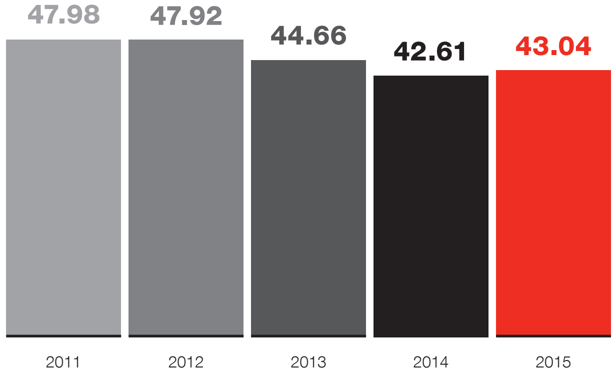
Shareholder structure

Shareholder	Dec. 2015 No. of shares	in %[3]	Dec. 2014 No. of shares	in %[3]	Dec. 2013 No. of shares	in %[4]
Renova Group[1] (composed of Liwet Holding AG, Zurich, Switzerland; Renova Innovation Technologies Ltd., Nassau, Bahamas; and Lamesa Holding S.A., Panama, Republic of Panama[2])	146 222 889[2]	43.04	144 764 860	42.61	149 435 408	44.66
OC Oerlikon Corporation AG, Pfäffikon	497 116	0.15	1 208 319	0.36	944 902	0.28
Others	193 038 571	56.81	193 785 397	57.03	184 252 948	55.06

[1] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow.
[2] Source: disclosure notification by Renova Group pursuant to Art. 20 of the Swiss Stock Exchange Law (published by SIX Exchange Regulation on December 17, 2015).
[3] Basis: shares issued (339 758 576).
[4] Basis: shares issued (334 633 258).



Number of registered shareholders
at year-end



Renova – a stable, long-term oriented anchor shareholder
holding in % at year-end

External financing

Prolongation of syndicated credit line
Oerlikon again successfully prolonged its syndicated credit agreement issued in July 2012. The unsecured credit agreement in the amount of CHF 700 million (Facility A) comprises a revolving cash facility of CHF 450 million and an ancillary tranche of CHF 250 million, for a term of three years starting in July 2012 with two additional extension options of one year each. With the use of the second extension option, the maturity profile was expanded until July 2017. No liquidity was drawn from the cash facility at the balance sheet date.

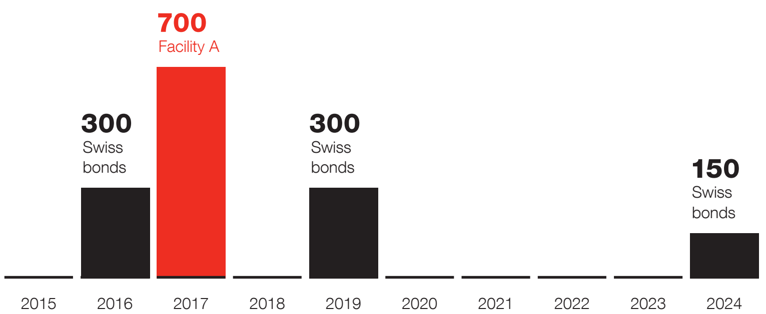
The unsecured EUR 120 million loan facility with the European Investment Bank (EIB), which was signed in December 2013, expired as of December 13, 2015.

Cash and cash equivalents amounted to CHF 840 million at the balance sheet date. The Group had total net cash of CHF 79 million, as of December 31, 2015.

Given its solid financial position, Oerlikon was not active in the debt market in 2015. At the 2015 balance sheet date, the Group had total loans and borrowings amounting to CHF 764 million, attributable primarily to the three outstanding domestic bonds. The creditworthiness of the domestic bonds was BBB– as assessed by UBS AG, BBB as assessed by the Zürcher Kantonalbank, and low BBB as assessed by Credit Suisse (all investment grade), all three assessments with a stable outlook.

Financing instruments
as of December 31, 2015

- Facility A CHF 700 million
  [1] No liquidity was drawn from the revolving cash facility (CHF 450 million) as of balance sheet date.
- Swiss bonds CHF 750 million



Maturity of financing instruments

- Facility A CHF 700 million
- Swiss bonds CHF 750 million

Outstanding bonds as of December 31, 2015

ISIN	Coupon	Maturity	Volume	Issue price	Price as of Dec. 31, 2015	Price as of Dec. 31, 2014
CH0186162639	4.25 %	July 13, 2016 Redemption at par	CHF 300 million	100 %	102.137 %	105.695 %
CH0244692528	1.25 %	June 17, 2019 Redemption at par	CHF 300 million	100 %	101.477 %	102.005 %
CH0244692536	2.625 %	June 17, 2024 Redemption at par	CHF 150 million	100 %	107.954 %	108.813 %

Financial calendar and contacts

Financial calendar

March 1, 2016
Q4/FY 2015 results and publication of Financial Report 2015

March 15, 2016
Publication of Annual Report 2015

April 5, 2016
2016 Annual General Meeting, KKL Lucerne

May 10, 2016
Q1 2016 results

August 2, 2016
Q2/HY 2016 results and publication of Interim Report 2016

November 2, 2016
Q3/9M 2016 results

Dates of roadshows, conferences and other events can be found in the financial calendar on our website at **www.oerlikon.com/en/investor-relations/investor-relations-new-financialcalendar**

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Key figures Oerlikon Group

Key figures Oerlikon Group

in CHF million	January 1 to December 31, 2015	January 1 to December 31, 2014
Order intake[1]	2 537	2 647
Order backlog[1]	431	643
Sales[1]	2 671	2 825
EBITDA[1, 4]	338	475
– as % of sales	12.7 %	16.8 %
EBIT[1, 5]	–306	323
– as % of sales	–11.4 %	11.4 %
Result from continuing operations[2]	–402	222
Result from discontinued operations, net of income taxes[2, 6]	–16	–20
Net result	–418	202
– as % of equity attributable to shareholders of the parent	–27 %	9 %
Cash flow from operating activities[7]	289	256
Capital expenditure for property, plant and equipment and intangible assets[1]	150	151
Total assets	4 097	4 966
Equity attributable to shareholders of the parent	1 554	2 188
– as % of total assets	38 %	44 %
Net cash[3, 8]	79	114
Net operating assets[1, 9]	1 875	2 486
Number of employees[1]	13 723	14 039
Personnel expense[1]	785	780
Research and development expenditure[1, 10]	103	96

[1] 2015 continuing operations, 2014 restated.

[2] 2014 restated.

[3] 2015 continuing operations, 2014 as reported.

[4] Includes one-time effects of CHF –112 million (restructuring).

[5] Includes one-time effects of CHF –588 million (restructuring expenses of CHF –112 million and impairment losses of CHF –476 million).

[6] Includes reclassification of translation differences amounting to CHF –21 million (previous year: CHF 0 million).

[7] Cash flow from operating activities before changes in net current assets amounts to CHF 393 million (previous year: CHF 427 million).

[8] Net cash includes cash and cash equivalents and marketable securities less current and non-current debt.

[9] Net operating assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets) less operating liabilities (excluding current loans and borrowings, non-current financial liabilities, current income tax payables and deferred tax liabilities).

[10] Research and development expenditure includes expenses recognized as intangible assets in the amount of CHF 22 million (previous year, restated: CHF 12 million).

Key share-related figures[1]

in CHF	January 1 to December 31, 2015	January 1 to December 31, 2014
Share prices		
Year high	12.70	15.65
Year low	8.42	10.60
Year-end	8.95	12.50
Shares outstanding at year-end	339 758 576	339 758 576
Market capitalization at year-end in CHF million	3 041	4 247
EBIT per share[2]	–0.90	0.96
Earnings per share	–1.24	0.59
Cash flow from operating activities per share	0.85	0.76
Equity per share[3]	4.58	6.50
Dividend per share	0.30[4]	0.30[5]

[1] Average number of shares with voting and dividend rights (undiluted).

[2] 2015 continuing operations, 2014 restated.

[3] Attributable to shareholders of the parent.

[4] Dividend proposal for 2015, to be paid in 2016.

[5] For financial year 2014, paid in 2015.

Key figures by Segment

in CHF million	**January 1 to December 31, 2015**	January 1 to December 31, 2014
Oerlikon Group[1]		
Order intake	2 537	2 647
Order backlog	431	643
Sales	2 671	2 825
EBITDA	338	475
– as % of sales	12.7 %	16.8 %
EBIT	–306	323
– as % of sales	–11.4 %	11.4 %
Net operating assets[2]	1 875	2 486
Number of employees	13 723	14 039
Surface Solutions Segment[3]		
Order intake	1 233	965
Order backlog	81	79
Sales	1 234	976
– thereof sales to third parties	1 229	973
EBITDA	264	183
– as % of sales	21.4 %	18.8 %
EBIT	157	98
– as % of sales	12.7 %	10.0 %
Net operating assets[2]	1 325	1 421
Number of employees	6 140	6 063
Manmade Fibers Segment		
Order intake	733	901
Order backlog	237	365
Sales	794	1 073
– thereof sales to third parties	794	1 073
EBITDA	85	217
– as % of sales	10.6 %	20.3 %
EBIT	67	197
– as % of sales	8.4 %	18.4 %
Net operating assets[2]	225	128
Number of employees	2 528	2 552
Drive Systems Segment		
Order intake	571	781
Order backlog	113	199
Sales	648	779
– thereof sales to third parties	648	779
EBITDA	–19	82
– as % of sales	–3.0 %	10.5 %
EBIT	–534	41
– as % of sales	–82.3 %	5.3 %
Net operating assets[2]	349	945
Number of employees	4 832	5 194

[1] 2015 continuing operations; 2014 restated.

[2] Net operating assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets) less operating liabilities (excluding current loans and borrowings, non-current financial liabilities, current income tax payables and deferred tax liabilities).

[3] Includes the key figures of Metco for seven months in 2014.

Consolidated income statement

in CHF million	Notes	**January 1 to December 31, 2015**	January 1 to December 31, 2014, restated[1]
Sales of goods		1 774	1 996
Services rendered		897	829
Total sales		**2 671**	**2 825**
Cost of sales		–1 903	–2 016
Gross profit		**768**	**809**
Marketing and selling		–158	–144
Research and development		–104	–103
Administration		–220	–228
Impairment of goodwill	13	–471	–
Other income	3	31	30
Other expense[2]	3	–152	–41
Result before interest and taxes (EBIT)		**–306**	**323**
Financial income	5	10	13
Financial expense	5	–43	–39
Result before taxes (EBT)		**–339**	**297**
Income taxes	6	–63	–75
Result from continuing operations		**–402**	**222**
Result from discontinued operations, net of income taxes	2	–16	–20
Net result		**–418**	**202**
Attributable to:			
Shareholders of the parent		–421	198
Non-controlling interests		3	4
Earnings per share in CHF	7	**–1.24**	0.59
Diluted earnings per share in CHF	7	**–1.24**	0.59
Earnings per registered share continuing operations in CHF		**–1.19**	0.65
Diluted earnings per registered share continuing operations in CHF		**–1.19**	0.64
Earnings per registered share discontinued operations in CHF	2	**–0.05**	–0.06
Diluted earnings per registered share discontinued operations in CHF	2	**–0.05**	–0.06

[1] Following the announcement of the divestment of the Vacuum Segment, the respective figures are presented as discontinued operations and 2014 figures have been restated. Refer to page 83 and Note 2.

[2] Thereof CHF –112 million (prior year: CHF –2 million) restructuring expenses.

Consolidated statement of comprehensive income

in CHF million	**January 1 to December 31, 2015**	January 1 to December 31, 2014
Net result	–418	202
Other comprehensive income		
Items that will never be reclassified to the income statement		
Remeasurement of defined benefit plans	–	–113
Income taxes on items that will never be reclassified to the income statement	–2	34
	–2	–79
Items that are or may be reclassified subsequently to the income statement		
Effective portion of changes in fair value of cash flow hedges	–1	–11
Conversion differences	–113	69
Income taxes on items that are or may be reclassified subsequently to the income statement	–1	3
	–115	61
Other comprehensive income for the period, net of taxes	**–117**	**–18**
Total comprehensive income for the period	**–535**	**184**
Attributable to:		
Shareholders of the parent	–537	180
Non-controlling interests	2	4

Consolidated balance sheet at December 31

Assets

in CHF million	Notes	2015	2014
Cash and cash equivalents	8	840	825
Current financial investments and derivatives	9	7	59
Trade and trade notes receivable	10	405	473
Other receivables	10	87	94
Current tax receivables		44	37
Inventories	11	360	511
Prepaid expenses and accrued income		12	23
Assets classified as held for sale	2	290	78
Current assets		**2 045**	**2 100**
Loans and other non-current financial receivables	10	23	25
Non-current financial investments	9	6	6
Property, plant and equipment	12	751	918
Goodwill and intangible assets	13	1 130	1 727
Deferred tax assets	6	142	190
Non-current assets		**2 052**	**2 866**
Total assets		**4 097**	**4 966**

Liabilities and equity

in CHF million	Notes	2015	2014
Trade payables	15	242	296
Other current financial liabilities and derivatives	15	310	18
Other current payables	15	62	72
Accrued liabilities	16	192	227
Current customer advances		132	294
Current income taxes payable		44	53
Current post-employment benefit liabilities	14	18	25
Other current provisions	17	96	69
Liabilities classified as held for sale	2	233	24
Current liabilities		**1 329**	**1 078**
Non-current loans and borrowings	18	458	760
Non-current post-employment benefit liabilities	14	434	661
Deferred tax liabilities	6	157	185
Other non-current provisions	17	147	81
Non-current liabilities		**1 196**	**1 687**
Total liabilities		**2 525**	**2 765**
Share capital		340	340
Treasury shares		–6	–15
Retained earnings and reserves		1 220	1 863
Equity attributable to shareholders of the parent		**1 554**	**2 188**
Non-controlling interests		18	13
Total equity		**1 572**	**2 201**
Total liabilities and equity		**4 097**	**4 966**

Consolidated cash flow statement[1]

in CHF million	Notes	**January 1 to December 31, 2015**	January 1 to December 31, 2014
Net result		–418	202
Income taxes		70	76
Interest expense (net)		34	33
Other financial income (net)		–	–3
Depreciation of property, plant and equipment	12	128	127
Amortization of intangible assets	13	52	41
Impairment losses on property, plant and equipment	12	5	1
Impairment losses on goodwill	13	471	32
Addition to other provisions (net)		139	50
Decrease in post-employment benefit liabilities		–5	–22
Gain on sale of property, plant and equipment and intangible assets		–3	–5
Loss/gain on sale of discontinued operations, net of tax	2	21	–1
Income taxes paid		–99	–106
Other non-cash items		–2	2
Cash flow from operating activities before changes in net current assets		393	427
Decrease in receivables, prepaid expenses and accrued income		54	17
Decrease in inventories		41	31
Decrease in payables, accrued liabilities and use of other provisions		–59	–90
Decrease in customer advances		–134	–131
Non-cash impact on net current assets due to hedge accounting		–6	2
Cash flow from changes in net current assets		–104	–171
Cash flow from operating activities		**289**	**256**
Purchase of property, plant and equipment		–122	–143
Purchase of intangible assets		–40	–25
Acquisition of subsidiaries, net of cash acquired	2	–11	–921
Proceeds from/payments relating to sale of discontinued operations[2]	2	45	–12
Proceeds from sale of property, plant and equipment		9	21
Purchase of financial investments		–55	–
Proceeds from sale of financial investments		61	11
Interest received		6	8
Dividends received		–	3
Cash flow from investing activities		**–107**	**–1 058**
Dividends paid		–105	–94
Purchase of treasury shares		–2	–14
Proceeds from capital increase		–	30
Proceeds from issue of financial debt (net of transaction costs)		–	489
Repayment of financial debt		–	–42
Proceeds from foundation of subsidiaries with non-controlling interests		6	–
Interest paid		–41	–36
Other proceeds related to financing activities		–	1
Cash flow from financing activities		**–142**	**334**
Conversion adjustments to cash and cash equivalents		–15	14
Increase (+)/ decrease (–) in cash and cash equivalents		**25**	**–454**
Cash and cash equivalents at the beginning of the year[3]		826	1 280
Cash and cash equivalents at the end of the year[4]		851	826
Increase (+)/ decrease (–) in cash and cash equivalents		**25**	**–454**

[1] The cash flow statement is presented without any effects from discontinued operations as well as assets and liabilities held for sale. Refer to Note 2 for cash flow from discontinued operations.

[2] 2015: Net of cash disposed of.

[3] 2015: Includes CHF 1 million, which are included in “Assets classified as held for sale” in the respective balance sheet.

[4] Includes CHF 11 million (last year: CHF 1 million), which are included in “Assets classified as held for sale” in the balance sheet as of December 31, 2015.

Consolidated statement of changes in equity

in CHF million	Share capital[1]	Additional paid-in capital[2]	Treasury shares[3]	Conversion differences	Retained earnings	Hedge accounting	Income taxes	**Total equity attributable to shareholders**	Non-controlling interests	**Total share-holders' equity**
Balance at January 1, 2014	**335**	**1 384**	**–10**	**–410**	**709**	**7**	**57**	**2 072**	**12**	**2 084**
Net result	–	–	–	–	198	–	–	198	4	202
Changes in fair value of cash flow hedges	–	–	–	–	–	–11	3	–8	–	–8
Remeasurement of defined benefit plans	–	–	–	–	–113	–	34	–79	–	–79
Conversion differences	–	–	–	69	–	–	–	69	–	69
Other comprehensive income for the period	**–**	**–**	**–**	**69**	**–113**	**–11**	**37**	**–18**	**–**	**–18**
Total comprehensive income for the period	**–**	**–**	**–**	**69**	**85**	**–11**	**37**	**180**	**4**	**184**
Capital increase	5	25	–	–	–	–	–	30	–	30
Dividend distributions	–	–90	–	–	–	–	–	–90	–4	–94
Share-based payments	–	–	5	–	5	–	–	10	–	10
Purchase of treasury shares	–	–	–14	–	–	–	–	–14	–	–14
Transfer of treasury shares	–	–	4	–	–4	–	–	–	–	–
Contributions and distributions	**5**	**–65**	**–5**	**–**	**1**	**–**	**–**	**–64**	**–4**	**–68**
Acquisition of subsidiaries with non-controlling interests	–	–	–	–	–	–	–	–	1	1
Acquisition of non-controlling interests without a change in control	–	–	–	–	0	–	–	0	–	0
Changes in ownership interests	**–**	**–**	**–**	**–**	**0**	**–**	**–**	**0**	**1**	**1**
Total transactions with owners of the company	**5**	**–65**	**–5**	**–**	**1**	**–**	**–**	**–64**	**–3**	**–67**
Balance at December 31, 2014	**340**	**1 319**	**–15**	**–341**	**795**	**–4**	**94**	**2 188**	**13**	**2 201**
Net result	–	–	–	–	–421	–	–	–421	3	–418
Changes in fair value of cash flow hedges	–	–	–	–	–	–1	–1	–2	–	–2
Remeasurement of defined benefit plans	–	–	–	–	0	–	–2	–2	–	–2
Conversion differences	–	–	–	–112	–	–	–	–112	–1	–113
Other comprehensive income for the period	**–**	**–**	**–**	**–112**	**0**	**–1**	**–3**	**–116**	**–1**	**–117**
Total comprehensive income for the period	**–**	**–**	**–**	**–112**	**–421**	**–1**	**–3**	**–537**	**2**	**–535**
Dividend distributions	–	–102	–	–	–	–	–	–102	–3	–105
Share-based payments	–	–	11	–	–4	–	–	7	–	7
Purchase of treasury shares	–	–	–2	–	–	–	–	–2	–	–2
Contributions and distributions	**–**	**–102**	**9**	**–**	**–4**	**–**	**–**	**–97**	**–3**	**–100**
Foundation of subsidiaries with non-controlling interests	–	–	–	–	–	–	–	–	6	6
Changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**6**
Total transactions with owners of the company	**–**	**–102**	**9**	**–**	**–4**	**–**	**–**	**–97**	**3**	**–94**
Balance at December 31, 2015	**340**	**1 217**	**–6**	**–453**	**370**	**–5**	**91**	**1 554**	**18**	**1 572**

[1] The share capital of OC Oerlikon Corporation AG, Pfäffikon, consists of 339 758 576 fully-paid registered shares (previous year: 339 758 576) of nominal value CHF 1 each. In 2014, 5 125 318 new shares were issued based on exercises of warrants. On December 31, 2015, conditional capital amounted to CHF 47 200 000 (previous year: CHF 47 540 353).

[2] As of December 31, 2015, additional paid-in capital includes CHF 990 million (previous year: CHF 1 092 million) of legal reserves in OC Oerlikon Corporation AG, Pfäffikon.

[3] As of December 31, 2015, the Group held 497 116 own shares (previous year: 1 208 319).

Significant accounting principles

Company operations
OC Oerlikon Corporation AG, Pfäffikon, is a Swiss public company located in Churerstrasse 120, Pfäffikon, canton of Schwyz, Switzerland. It is the ultimate parent company of the Oerlikon Group, a leading high-tech industrial Group specializing in machine and plant engineering, and a provider of innovative industrial solutions and cutting-edge technologies for surface solutions, manmade fibers manufacturing, drive systems and vacuum.

Apart from its activities in Switzerland, the Oerlikon Group operates primarily in EU member states, North America and Asia, and has a workforce of 15383 employees (full-time equivalents).

Basis of preparation
The consolidated financial statements of OC Oerlikon Corporation AG, Pfäffikon, have been prepared in accordance with International Financial Reporting Standards (IFRS) and Swiss company law. These accounting standards have been applied consistently in all periods presented in this report. The consolidated financial statements are presented in Swiss francs (CHF). The consolidated financial statements were approved by the Board of Directors on February 26, 2016, and will be submitted to the Annual General Meeting of Shareholders on April 5, 2016, for approval. All standards issued by the International Accounting Standards Board (IASB) and all interpretations of the IFRS Interpretations Committee (IFRIC) effective at the date of the consolidated financial statements have been taken into account. All line item amounts in the consolidated financial statements are presented in millions of Swiss francs, and all such amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus, an addition of the figures presented can result in rounding differences. Values of assets and liabilities have been determined in accordance with the historical cost convention, with the exception of derivative financial instruments and financial assets held for trading purposes, which are stated at fair value. These consolidated financial statements are published in English and German. If there is any divergence in the wording, the English original text is authoritative.

Judgments, estimates and assumptions
Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the values of reported revenues, expenses, assets, liabilities and contingent liabilities at the reporting date. These estimates and assumptions are constantly being revised. Depending on the issues involved, revision of such assumptions can have an effect on the current period, as well as potentially on future periods. These estimates, judgments and assumptions are based on historical experience and other factors that are believed to be reasonable and justified as expectations of future events. However, actual results can differ from these estimates. Moreover, consistent application of the chosen accounting principles can require management to make decisions that may have a material impact on the amounts reported in the annual financial statements. Above all, assessment of business transactions that involve complex structures or legal forms calls for decisions on management's part. The most important accounting estimates are to be found in:

Business combinations: Where the Group acquires control of another business, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business shall be recognized, separately from goodwill. This process involves management making an assessment of the fair value of these items. Management judgment is particularly involved in the recognition and measurement of the following items:
- Intellectual property. This may include technologies, patents, licenses, trademarks and similar rights for currently marketed products.
- Customer relationships.
- Contingencies such as legal, tax and environmental matters.
- The recoverability of any accumulated tax losses previously incurred by the acquired company.

In all cases, management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items (refer to Note 2 for details).

Impairment of value: At December 31, 2015, the Group had CHF 751 million in property, plant and equipment, CHF 469 million in goodwill and CHF 661 million in other intangible assets. A detailed test for impairment of the carrying amount is carried out for goodwill and other intangible assets with indefinite useful life annually or, as for all other assets, if there is any indication of a loss of value. Goodwill is allocated to the cash-generating units (CGUs) that are expected to benefit from the synergies of the business combination which gave rise to the goodwill. The recoverable amount of the CGUs is determined based on fair value less cost of disposal calculations. In the same way, future cash flows from the use of tangible fixed assets can be estimated and the carrying value tested, using the same rules. These tests use estimates of future cash flows to be expected from use of the assets concerned, or from their possible sale. Actual cash flows may vary significantly from these estimates following changes of plan for the use of assets such as land and buildings, technological obsolescence or market changes (refer to Note 12 for impairment of property, plant and equipment and Note 13 for impairment of goodwill and intangible assets).

Provisions and contingent liabilities: At December 31, 2015, the Group had CHF 243 million in provisions and CHF 4 million in contingent liabilities. In the ordinary course of their business, companies of the Group may become involved in litigious conflict or disagreement with third parties. Provisions are made to cover the Group's exposure in such matters, based on a realistic estimate of the economic outflow that may result. However, the ultimate resolution of such disputes can give rise to claims against the Group, which may not be fully covered by provisions or insurance. Specific warranty provisions are set up for known warranty claims as required, and also for situations where it is known from recent experience that the company is exposed to claims, usually for technical reasons. Besides this, a general provision is made for other possible claims, based on experience and linked to sales volumes. In cases where the company has entered into contractual obligations whose cost exceeds the economic benefit to be expected, corresponding provisions are made. These are based on management's estimates (refer to Note 17 for provisions and Note 23 for contingent liabilities).

In connection with the sale of the Advanced Technologies Segment and the Natural Fibers and Textile Components Business Units, the Group has assumed certain customary obligations such as warranty obligations and indemnifications. To assess the impact of these obligations, management had to make assumptions (refer to Note 2 for details).

Pensions: At December 31, 2015, the carrying amount of the Group's defined benefit obligations is CHF 1 249 million. The estimates and assumptions used are based on future projections and actuarial calculations that have been determined together with the actuaries (refer to Note 14 for details).

Taxes on income: At December 31, 2015, the Group had a current tax receivable of CHF 44 million, a current income tax liability of CHF 44 million, a deferred tax asset of CHF 142 million and a deferred tax liability of CHF 157 million. Estimates are used initially to determine amounts receivable and payable in respect of current and deferred taxes on income. These estimates are based on interpretation of existing tax law and regulation. Many internal and external factors can influence the final determination of amounts receivable or payable, such as changes in tax law, changes in tax rates, the level of future profits and fiscal audits carried out by the tax authorities (refer to Note 6 for details).

Adoption of new and revised accounting standards
The IASB has published a number of new and revised standards and interpretations, which have been applied by the Oerlikon Group since January 1, 2015:

- IAS 19 Amendments – Employee Contributions
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

The new and revised accounting standards and interpretations have no material impact on the Group's results or financial position.

Newly published accounting standards not early adopted
The IASB has published a number of new and revised standards and interpretations that will come into force later and have not been implemented ahead of their effective dates. Their effects on the Oerlikon Group's financial statements have not yet been fully analyzed, but an initial review has been conducted, and the expected effects of each standard and interpretation are presented in the following table:

Standard/interpretation	Impact level	Effective date	Planned application by Oerlikon
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	*	January 1, 2016	Reporting year 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	*	January 1, 2016	Reporting year 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	*	January 1, 2016	Reporting year 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	*	January 1, 2016	Reporting year 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	*	See footnote [1] below	Reporting year 2016
Annual Improvements to IFRSs 2012–2014 Cycle	*	January 1, 2016	Reporting year 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	*	January 1, 2016	Reporting year 2016
Disclosure Initiative (Amendments to IAS 1)	**	January 1, 2016	Reporting year 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	***	January 1, 2017	Reporting year 2017
Disclosure Initiative (Amendments to IAS 7)	***	January 1, 2017	Reporting year 2017
IFRS 15 – Revenue Recognition	***	January 1, 2018	Reporting year 2018
IFRS 9 – Financial Instruments	***	January 1, 2018	Reporting year 2018
IFRS 16 – Leases	***	January 1, 2019	Reporting year 2019

* No impact or no significant impact is expected on the consolidated financial statements of the Oerlikon Group.
** The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentation.
*** The impact on the consolidated financial statements cannot yet be determined with sufficient reliability.

[1] The effective date for these amendments was due to be January 1, 2016. In December 2015 the IASB has postponed the effective date for an indefinite period of time, as it believes that they could be affected by the outcome of its current research project on equity accounting. Early adoption continues to be permitted.

Principles of consolidation

Subsidiaries
December 31 is the uniform closing date for all subsidiaries included in the consolidated financial statements. Subsidiaries are all entities over which OC Oerlikon Corporation AG, Pfäffikon, has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Oerlikon Group from the date on which control commences until the date on which control ceases.

Non-controlling interests are recorded separately under equity in the consolidated financial statements. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

All significant consolidated subsidiaries held are shown in the listing at the end of the notes.

Disposal of subsidiaries
When the Group ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the income statement. Amounts previously recognized in other comprehensive income that may be reclassified to the income statement are reclassified to the income statement. Any retained interest in the former subsidiary is remeasured to its fair value at the date when control is lost.

Associates
Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies (generally accompanying a shareholding of between 20 % and 50 % of the voting rights). Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and the comprehensive income of the investee after the date of acquisition until the date on which significant influence ceases.

Joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Oerlikon Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method (see above under "Associates").

Business combinations and goodwill
The Oerlikon Group accounts for business combinations using the acquisition method when control is transferred to the Group (see above under "Subsidiaries"). At the date of their initial consolidation, the identifiable assets acquired and liabilities assumed of subsidiaries are measured at fair value. Goodwill is measured at the acquisition date as the fair value of the consideration transferred plus the amount of non-controlling interests in the acquiree less the recognized net assets. Transaction costs are expensed as incurred, except if related to the issue of debt or equity.

Translation of foreign currencies
The accounts of foreign entities are prepared in the relevant functional currency and translated into Swiss francs in accordance with IAS 21. An entity's functional currency is the currency of the primary economic environment in which the entity operates, or its local currency. In the consolidation, assets and liabilities of foreign subsidiaries are translated into Swiss francs at the exchange rate prevailing on the balance sheet date, while income, expenses and cash flows are translated using average rates for the year. Differences resulting from the application of different exchange rates are recognized in other comprehensive income. Exchange gains and losses, as recorded in the individual company accounts of subsidiaries, are included in the income statement. Excluded from this rule are specific long-term intercompany monetary items that form part of the net investment in a foreign subsidiary, whose exchange translation differences are recognized in other comprehensive income. In the year that a foreign entity is divested, the cumulative translation differences recorded in other comprehensive income are reclassified to the income statement as part of the gain or loss upon disposal.

Elimination of intercompany profits
Profits on intercompany sales not yet realized through sales to third parties, as well as profits on transfers of fixed assets and investments in subsidiaries, are eliminated.

Segment information
The Segment reporting of the Oerlikon Group is in accordance with the "management approach" and based on the internal structure and reporting. The Executive Committee is an advisory body to the Chief Executive Officer (CEO). The CEO performs the function of the Chief Operating Decision Maker (CODM), assesses performance and makes resource allocation decisions. The internal reporting to the Executive Committee and the Board of Directors is based on uniform Group accounting principles, which correspond to those used in the consolidated financial statements. Intersegment pricing is determined on an arm's length basis.

According to the internal Segment reporting, the Group consists of the following reportable Segments:

- Surface Solutions Segment supplies PVD coatings that increase the performance of tools and precision components and offers specialized components and innovative surface engineering products and services.
- Manmade Fibers Segment develops and manufactures textile machinery.
- Drive Systems Segment manufactures gears and other components for power transmission, mainly in motor vehicles.

Assets

Cash and cash equivalents are placed with various financial institutions with top-quality international ratings. Time deposits included therein mature in three months or less from the date of acquisition. Cash and cash equivalents are stated at nominal value.

Financial assets and derivative financial instruments: Marketable securities are held at fair values, with their values adjusted as required through the income statement. Gains or losses are measured by reference to fair value.

Regular-way purchases or sales of financial assets are recognized at settlement date. Gains and losses from changes in the fair value of financial investments available for sale are temporarily recorded in other comprehensive income until such investments are sold or disposed of, at which time the gains or losses are transferred to the income statement. Any loss from value impairment is immediately recorded in the income statement.

Forward contracts and options are utilized systematically and mainly for the purpose of reducing business-related foreign currency and interest rate risks. These transactions are concluded with first-rate financial institutions and, as a general rule, have usually a term to maturity of up to 12 months. These derivative financial instruments are stated at fair value. If all requirements are fulfilled with regard to documentation, probability of occurrence, effectiveness and reliability of valuation, hedge accounting is applied in accordance with IAS 39. Until the hedged underlying business transactions are accounted for, the unrealized profits and losses resulting from the valuation of derivative financial instruments at fair value are recorded in other comprehensive income, with no impact on the income statement.

Trade receivables: Receivables are stated at the original invoiced amount less any necessary value adjustments for default risks. These risks are insured with third parties only in exceptional cases. Value adjustments are set at varying levels corresponding to risks recognized in the different Business Units.

Inventories: Inventories of raw materials, purchased components and trade merchandise are carried at the lower of cost or net realizable value, using FIFO and weighted average cost valuation methods. Self-made components, work in progress and finished goods are carried at production cost. This includes all related material and labor costs, as well as a reasonable allocation of indirect production costs. Recognizable reductions in value resulting from excess inventory, reduced replacement cost or sales price and similar are taken into account through appropriate write-downs of inventory items.

Property, plant and equipment: Tangible fixed assets are recorded at historical purchase or production costs, less necessary depreciation. Components of PP&E that have a differing useful life are recorded separately and depreciated accordingly (component approach). Depreciation is calculated on a straight-line basis according to the expected useful life of the asset, as follows:

IT hardware	3–7 years
Company cars	4–7 years
Trucks and electric vehicles	5–10 years
Technical installations and machines	5–15 years
Other operating and business equipment	3–15 years
Central building installations	10–25 years
Leasehold improvements	Duration of rental contract (max. 20 years) or, if shorter, individual useful life
Plant and administrative buildings – used operationally	20–60 years

Estimated useful lives and residual values are examined annually.

Fixed assets under financial leasing agreements are treated identically to fixed assets owned.

Major spare parts and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period.

Intangible assets and goodwill: Intangible assets are identifiable nonmonetary assets without physical substance from which future economic benefits are expected to flow to the Group. Intangible assets are amortized on a straight-line basis over their useful lives, where these can be clearly determined, for example software over two to three years or development costs generally over five years. In the case of intangible assets with indefinite useful lives, an impairment test of the asset value is conducted annually at the balance sheet date, or earlier on the occurrence of a triggering event. Goodwill is not amortized, but instead tested annually for possible value impairment.

Liabilities

Current and non-current financial liabilities: Current and non-current financial liabilities are initially valued at fair value less directly attributable costs. Subsequent valuation is at amortized cost adjusted using the effective interest rate method. The financial liabilities consist mainly of three unsecured bonds.

Current and non-current provisions: Provisions are set up for obligations arising from past events if the future outflow of resources is more likely than not and can be estimated reliably. Other provisions represent uncertainties, for which a best estimate is made in arriving at the amount reserved. Non-current provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money.

Restructuring provisions: Provisions are established in cases where a detailed restructuring plan exists and the Group has informed those concerned, or the restructuring process has started.

Onerous contracts: Provisions are established when unavoidable estimated costs to fulfill a contract exceed the related contract revenues. The difference is provided against income in the current period. When accounts are prepared, the related risks are reassessed systematically by all Business Units and all costs are adjusted as required. This reassessment is based on the “most likely outcome”, which uses assumptions regarding technical feasibility and timely realization of the projects and includes a quantification of the risks. The actual future obligation can vary from these estimates.

Warranty provisions: Provisions are established for known customer claims and also for potential warranty exposure.

Product liability: Provisions are established for known claims; potential exposure is not provided for.

Acquirees contingent liabilities: In a business combination, a contingent liability of the acquiree is recognized in acquisition accounting if it is a present obligation that arises from past events and its fair value can be measured reliably. The probability of payment being required is not relevant in determining whether a contingent liability that is a present obligation should be recognized in a business combination, but this probability will impact its fair value. A contingent liability recognized is initially measured at its fair value. Subsequently, it is measured at the higher of its acquisition-date fair value and the amount that would be recognized in accordance with the requirements for provisions above. A contingent liability initially recognized in a business combination is not derecognized until it is settled, cancelled or it expires.

Post-employment benefit liabilities: The Oerlikon Group operates various post-employment benefit schemes, including both defined benefit and defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity. The Group will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability (asset) recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, taking into account any asset ceiling. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements of the net defined benefit liability (asset) are charged or credited to other comprehensive income in the period in which they arise.

Current and past-service costs are recognized immediately in the income statement (operating result).

Net interest on the net defined benefit liability comprises interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of asset ceiling. The net interest is calculated using the same discount rate that is used in calculating the defined benefit obligation, applied to the net defined liability at the start of the period, taking into account any changes from contribution or benefit payments. Net interest on the net defined benefit liability is recognized in the income statement (financial result).

The contributions to defined contribution plans are recognized in the income statement (operating result) when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Treasury shares: Treasury shares are shown as a reduction of shareholders' equity. Gains or losses arising from the sale of treasury shares are also shown in the consolidated statement of changes in equity, in retained earnings.

Income statement

Sales of goods and services: Sales of goods and services are recognized when the transaction occurs, when the amounts involved are reliably known and when it is considered likely that the related economic benefit will flow to the Oerlikon Group. Sales of goods are booked at such time as the risk and reward of ownership of the goods passes to the customer.

Long-term contracts are accounted for under the "Percentage of Completion" (POC) method. In the Manmade Fibers Segment, the percentage of completion is determined by measuring costs incurred to date as a proportion of extrapolated total contract cost (cost-to-cost method).

Revenues from services that have been rendered are recorded in the income statement, according to the level of completion at the balance sheet date.

Research and development: Development costs are recognized as intangible assets if they meet the criteria for such recognition set forth in IAS 38. The cost capitalized comprises all costs directly attributable to the development process. After the development phase is complete, the asset is amortized over its estimated useful life, usually five years.

Other income and expenses: Other income consists of income from real estate, investments, licenses, patents, income from a risk and revenue share agreement and non-operating assets. Other expense consists of non-operating expenses, restructuring expenses, taxes not based on income, expenses related to a risk and revenue share agreement and integration costs.

Financial expenses: Interest expense is charged to the income statement without restriction. In principle, borrowing costs are recognized in the income statement by using the effective interest rate method. Borrowing costs that can be directly allocated to the construction, build-up or purchase of a qualified asset are capitalized through the costs of the assets.

Current income taxes: Current income taxes are accrued on the basis of income reported locally for the financial year by the individual Group companies in keeping with the current year taxation principle. The valuation of assets and liabilities pertaining to both current and deferred taxation calls for extensive use of judgment and estimation.

Deferred taxes: Wherever local company tax values differ from Group values (temporary differences), deferred taxes are determined and recorded by applying tax rates enacted or substantially enacted at the balance sheet date to the differences (balance sheet liability method). Taxes on dividends from subsidiaries are only accrued when distributions are contemplated. The value of deferred tax assets deriving from tax losses carried forward is subject to annual review. Tax losses are only recognized as assets if they are expected to be realized within the next five years, offset against taxable profits of Group companies individually or in tax groups. In countries or companies where realization of the losses cannot be foreseen, no asset is recognized. Management believes that its estimates are appropriate and that uncertainties in the valuation of tax assets and liabilities have been appropriately addressed. Deferred tax is not recognized for: a) temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting profit nor taxable profit or loss; b) temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and c) taxable temporary differences arising on the initial recognition of goodwill.

Earnings per share: Earnings per share (EPS) is based on the portion of consolidated net profit attributable to shareholders of OC Oerlikon Corporation AG, Pfäffikon, divided by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share also take into account additionally all potential equity securities that could have come into existence as the result of an exercise of option rights.

Discontinued operations and assets and liabilities classified as held for sale

A component of the Group is reclassified into "discontinued operations" if its divestment is intended, and if it fulfills the criteria for being classified as "held for sale" and for being presented as discontinued operations. Non-current assets and disposal groups held for sale are carried at the lower of their carrying amount or fair value less cost to sell, and any value impairments are recognized in the income statement. Depreciation of non-current assets ceases when the respective qualification as assets held for sale is met.

All disclosures in the notes to the consolidated financial statements refer to continuing operations, except where otherwise indicated.

Risks

Financial risk management/financial instruments: Due to its international activities, the Group is exposed to various financial risks, such as market risk (including foreign exchange risk, interest rate risk and pricing risk), credit risk and liquidity risk. The Group's financial risk management aims to limit any adverse effects that the markets may have on the Group's financial health, at an acceptable hedging cost. Risk limitation does not mean complete exclusion of financial risks, rather it means following a policy of economically sensible management of the Group's finances within an agreed framework of documented authority. The Group uses derivative financial instruments to hedge certain risks. Only preapproved instruments are used, and as a fundamental rule, no speculative transactions are conducted in the areas of foreign exchange or interest rates. No hedges are entered into without a corresponding base transaction. Management monitors and steers such risks continuously with the support of Group Treasury, which identifies and evaluates all financial risks, working with the Group's operating companies and hedging the risks as appropriate. The Group has documented guidelines for financial risk management, covering the use of derivative and non-derivative financial instruments and policies for use of surplus funds.

Foreign exchange risks: Risks related to fluctuations in foreign currencies are in certain instances hedged at Group level (refer to Note 19 "Financial instruments").

Interest rate risks: Risks related to fluctuations in interest rates are monitored by Group Treasury and in certain instances hedged at Group level (refer to Note 19 "Financial instruments").

Credit risks: Risks of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations are monitored locally by the individual Group companies (refer to Note 19 "Financial instruments").

Liquidity risks: The Oerlikon Group supervises and manages the Group's liquidity centrally to ensure that outstanding financial liabilities can at all times be met within their maturity period and at an acceptable financing cost (refer to Note 19 "Financial instruments").

Contingent liabilities

Contingent liabilities represent potential obligations whose impact depends on the occurrence of one or more future events that cannot be influenced. Contingent liabilities are also existing obligations that are not expected to result in a future outflow of benefits, or where the outflow of benefits cannot reliably be quantified.

Participation plans/share-based payments

Members of the Executive Committee and senior management may receive a portion of their compensation as a long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon, shares under various plans. The fair value is determined on the day such share-based remuneration is granted and charged to the income statement on a straight-line basis over the vesting period within operating results, with a corresponding increase in equity (equity settled plans).

Related party transactions

Members of the Board of Directors or Executive Committee, significant shareholders and companies controlled or jointly controlled by any of those individuals as well as post-employment benefit plans of the Group are deemed to be related parties.

Adjustment of previously reported figures

Certain comparative figures for 2014 have been restated, reclassified or supplemented to conform to the current year. The following changes to the manner of presentation have been made:

Discontinued operations: Following the announcement of the divestment of the Vacuum Segment, the respective figures are shown as discontinued operations and certain 2014 figures have been restated in accordance with IFRS 5. The effects of the adjustments to the 2014 consolidated income statement are as follows:

Consolidated income statement

in CHF million	January 1 to December 31, 2014, as reported	Vacuum	**January 1 to December 31, 2014, restated**
Sales of goods	2 298	–302	1 996
Services rendered	917	–88	829
Total sales	**3 215**	**–390**	**2 825**
Cost of sales	–2 264	248	–2 016
Gross profit	**951**	**–142**	**809**
Marketing and selling	–205	61	–144
Research and development	–129	26	–103
Administration	–249	21	–228
Other income	34	–4	30
Other expense	–42	1	–41
Result before interests and taxes (EBIT)	**360**	**–37**	**323**
Financial income	15	–2	13
Financial expense	–45	6	–39
Result before taxes (EBT)	**330**	**–33**	**297**
Income taxes	–83	8	–75
Result from continuing operations	**247**	**–25**	**222**
Result from discontinued operations	–45	25	–20
Net result	**202**	**–**	**202**

Notes to the consolidated financial statements

Group structure

Note 1

Subsidiaries

A list of Oerlikon's subsidiaries can be found on pages 124–125.

During the financial year 2015, the following significant changes in the Group structure have occurred:

Divestments

On December 22, 2014, the Oerlikon Group signed an agreement with Evatec AG to divest the Advanced Technologies Segment. The transaction was closed on February 2, 2015. The following companies were sold as part of this transaction: Oerlikon Advanced Technologies AG and Oerlikon Deutschland Vertriebs GmbH. Further information can be found in Note 2 "Acquisitions and Divestments".

Non-controlling interests

The following Group companies have non-controlling interests as at December 31:

		Non-controlling interests in %	
Company	**Country**	**2015**	2014
Oerlikon Barmag Huitong (Yangzhou) Engineering Co., Ltd.	China	40.00	–
Zigong Golden China Speciality Carbides Co., Ltd.	China	40.00	40.00
Oerlikon Balzers Sandvik Coating Oy	Finland	49.00	49.00
Vocis Limited	Great Britain	49.00	49.00
Fairfield Atlas Ltd.	India	1.81	1.81
Oerlikon Balzers Coating Luxembourg S.à r.l.	Luxembourg	40.00	40.00
Oerlikon Balzers Coating Philippines Inc.	Philippines	0.01	0.01
Oerlikon Balzers Coating Korea Co. Ltd.	South Korea	10.10	10.10
Oerlikon Balzers Sandvik Coating AB	Sweden	49.00	49.00
Oerlikon Balzers Coating (Thailand) Co. Ltd.	Thailand	0.01	0.01
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi	Turkey	0.01	0.01

The interests that non-controlling interests have in the Oerlikon Group's activities and cash flows are not material.

Foundation of a subsidiary

As of July 9, 2015, OC Oerlikon Textile Holding AG entered into an agreement with Huitong Chemical Engineering Technique Co., Ltd., to found Oerlikon Barmag Huitong (Yangzhou) Engineering Co., Ltd. (Oerlikon's share being 60 %). The agreement provided for the sale of the engineering and EPC-business for certain polymers of Huitong Chemical Engineering Technique Co., Ltd., to the newly founded company. This asset deal was closed on October 31, 2015. Further information can be found in Note 2 "Acquisitions and Divestments".

Significant prior-year changes in Group structure

Acquisitions

On June 2, 2014, Oerlikon completed the acquisition of all outstanding equity interests of the Metco Division from the Sulzer Group. The following material companies were acquired as part of this transaction: Oerlikon Metco Management AG, Oerlikon Metco AG, Oerlikon Metco Holding GmbH, Oerlikon Metco Europe GmbH, Oerlikon Metco WOKA GmbH, Oerlikon Metco (Canada) Inc., Oerlikon Metco (US) Inc., Oerlikon Metco Surface Technology (Shanghai) Co. Ltd., Oerlikon Metco Coatings GmbH, Oerlikon Friction Systems (Germany) GmbH, Oerlikon Friction Systems (US) Inc., Oerlikon Eldim (NL) B.V., Oerlikon Metaplas GmbH (refer to Note 2 "Acquisitions and Divestments").

Acquisitions and Divestments

Note 2

Acquisitions
On October 31, 2015, Oerlikon acquired the engineering and EPC-business for certain polymers of Huitong Chemical Engineering Technique Co., Ltd. The business seller is the 40 % minority shareholder in Oerlikon's newly founded subsidiary Oerlikon Barmag Huitong (Yangzhou) Engineering Co., Ltd., and the asset purchase was part of the cooperation agreement. The newly founded company strengthens the Manmade Fibers Segment's position in the growing business of designing, setting-up and servicing polycondensation plants.

On November 23, 2015, Oerlikon acquired the business of Laser Cladding Services, LLC., (Houston, Texas, USA). The company specializes in laser cladding applications for the energy industry. The acquisition extends and improves the Surface Solutions Segment's service offering in laser cladding and opens up access to key customers in the US energy sector.

The total consideration for the two acquisitions amounts to CHF 16 million, out of which CHF 11 million was paid in cash in the reporting period and a further CHF 5 million is payable within the next two years. There are no further variable purchase price components.

The goodwill of CHF 3 million arising from the acquisitions is mainly attributable to the value of expected synergies and economies of scale expected from combining the operations of the acquired businesses with the Oerlikon Group. Goodwill in the amount of CHF 2 million is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for the two acquisitions and the fair value of assets acquired at the acquisition date.

Consideration at the date of acquisition

in CHF million	2015
Cash	11
Consideration payable within the next 2 years	5
Total consideration	**16**

Recognized amounts of identifiable assets acquired

in CHF million	2015
Trade and other receivables	1
Property, plant and equipment	1
Intangible assets	11
Total identifiable net assets	**13**
Goodwill	3
Total	**16**

Acquisition-related costs amounting to CHF 1 million have been recognized under other expense in the consolidated income statement for the year ended December 31, 2015.

Since their acquisition, the acquired businesses have contributed below CHF 1 million to total sales and below CHF 1 million to the net result of the Oerlikon Group. Had the transactions taken place at January 1, 2015, the Group's total sales and net result for the year ended December 31, 2015 would have amounted to approximately CHF 2 690 million and CHF –417 million, respectively. These amounts have been determined based on the assumption that the fair value adjustments at the acquisition date would have been the same at January 1, 2015.

Acquisition of Metco from the Sulzer Group
On June 2, 2014, Oerlikon completed the acquisition of all outstanding equity interests of the Metco Division from the Sulzer Group. Together with Oerlikon's existing Coating business, Metco forms the new Surface Solutions Segment and serves industries such as power generation, aviation, automotive and other specialized markets. Metco is complementary to Oerlikon Balzers in terms of its technological strengths, business models, market access and geographical footprint. As a result of the transaction, Oerlikon's addressable growth market in Surface Solutions is expanding.

The total consideration was CHF 957 million in cash and there are no further variable purchase price components.

The goodwill of CHF 357 million arising from the acquisition is mainly attributable to the value of expected synergies and economies of scale expected from combining the operations of Metco and Oerlikon Balzers. None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for Metco and the fair value of assets acquired and liabilities assumed at the acquisition date.

Acquisitions and Divestments

Note 2 (cont.)

Consideration at the date of acquisition

in CHF million	June 2, 2014
Cash	759
Settlement of pre-existing Metco intragroup financing	198
Total consideration	**957**

Recognized amounts of identifiable assets acquired and liabilities assumed

in CHF million	June 2, 2014
Cash and cash equivalents	36
Trade and other receivables	131
Inventories	154
Property, plant and equipment	157
Intangible assets	457
Other non-current assets	23
Trade and other payables	–100
Provisions	–70
Other non-current liabilities	–49
Income taxes payable	–19
Deferred tax liabilities, net	–120
Total identifiable net assets	**600**
Goodwill	357
Total	**957**

The above amounts represent the final allocation of the purchase price. Compared to the preliminary allocation of the purchase price, the goodwill increased by CHF 3 million, mainly due to additional litigation cases identified.

Acquisition-related costs amounting to CHF 13 million have been recognized under other expense in the consolidated income statement for the year ended December 31, 2014.

From the date of acquisition June 2, 2014 to the end of the year 2014, the acquired business has contributed CHF 423 million to total sales and CHF 9 million to net income of the Oerlikon Group. Had the transaction taken place at January 1, 2014, the Group's total sales and net income for the year ended December 31, 2014, would have amounted to approximately CHF 3 515 million and CHF 230 million, respectively. These amounts have been determined based on the assumption that the fair value adjustments at the acquisition date would have been the same at January 1, 2014.

Contingent liabilities of CHF 64 million have been recognized primarily due to environmental liabilities as well as certain litigation and potential tax risks. Any potential cash outflow is estimated to occur during the next 20 years. The selling shareholders of Metco have contractually agreed to indemnify Oerlikon for an amount up to CHF 20 million related to certain of these environmental liabilities. During 2014, compared to the preliminary purchase price allocation, the amount recognized for the contingent liabilities increased by CHF 2 million due to additional litigation cases identified. Otherwise there was no change to the contingent liabilities and the indemnification asset as of December 31, 2014, except for unwinding of discount, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

Acquisitions and Divestments

Note 2 (cont.)

Divestment of the Vacuum Segment

On November 20, 2015, the Oerlikon Group signed an agreement with Atlas Copco to divest the Vacuum Segment. Consequently, the Vacuum Segment is presented as a disposal group held for sale and as discontinued operations. As per December 31, 2015, the disposal group held for sale comprised assets of CHF 290 million and liabilities of CHF 233 million. The disposal group was not a discontinued operation or classified as held for sale as of December 31, 2014, and the comparative consolidated income statement has been restated to show the discontinued operation separately from the continuing operations.

Cumulative exchange differences relating to foreign operations to be disposed of previously recognized in other comprehensive income will be reclassified to the income statement on disposal of the Segment, i.e., when control of the subsidiaries is lost. As at December 31, 2015, the cumulative exchange differences concerned were negative (CHF –38 million) and therefore management assumes that a loss will be reclassified from other comprehensive income to the income statement on disposal.

The transaction is expected to close by the middle of the year 2016, subject to regulatory merger approvals in a number of countries and the standard closing conditions.

Divestment of the Advanced Technologies Segment

On December 22, 2014, the Oerlikon Group signed an agreement with Evatec AG to divest the Advanced Technologies Segment. Consequently, the Advanced Technologies Segment was presented as a disposal group held for sale and as discontinued operations as per December 31, 2014, comprising assets of CHF 76 million less liabilities of CHF 24 million. The transaction closed on February 2, 2015, resulting in the derecognition of assets of CHF 82 million and liabilities of CHF 23 million.

The total consideration amounts to CHF 61 million (including CHF 3 million for the settlement of pre-existing intragroup financing). CHF 56 million of the total consideration has been received as cash and cash equivalents and CHF 5 million are included in an escrow account.

The Oerlikon Group incurred a loss on disposal from this transaction in the amount of CHF 20 million in 2015, which is included in the result from discontinued operations, net of income taxes. This amount includes a loss on the reclassification of cumulative exchange differences up to the closing date previously recognized in other comprehensive income in the equity of CHF 21 million. The loss is fully attributable to the shareholders of the parent.

In connection with this divestment, Oerlikon has assumed certain customary obligations such as warranty obligations and indemnifications. The indemnification obligations cover in particular employment-, intellectual property- and business-related topics. The duration and overall liability caps for these indemnifications vary, but are customary for transactions of this nature.

Divestment of the Natural Fibers and Textile Components Business Units

On December 3, 2012, the Oerlikon Group signed an agreement with the Jinsheng Group of China to divest the Natural Fibers and Textile Components Business Units from its Textile Segment. The sale was closed on July 3, 2013. The final determination of the purchase price was subject to a customary financial adjustment mechanism. This process was closed in the second quarter of 2014, the respective income statement effect for OC Oerlikon was a loss of CHF 1 million net of tax. In the second half year of 2014, the reassessment of the tax liabilities related to the sale resulted in an income of CHF 2 million. In connection with the divestment, Oerlikon has assumed certain customary obligations such as warranty obligations and indemnifications. The indemnification obligations cover in particular employment-, intellectual property- and environment-related topics. The duration and overall liability caps for these indemnifications vary, but are customary for transactions of this nature. Most (but not all) of the warranty obligations and indemnifications have lapsed with effect as of June 30, 2015.

Acquisitions and Divestments

Note 2 (cont.)

Result from discontinued operations

in CHF million	January 1 to December 31, 2015 Advanced Technologies Segment[2]	Vacuum Segment	**Total**	January 1 to December 31, 2014, restated Natural Fibers and Textile Components	Advanced Technologies Segment	Vacuum Segment	**Total**
Sales	**1**	**360**	**361**	**–**	**81**	**390**	**471**
Total expenses	–2	–350	**–352**	–	–129	–357	**–486**
Result before taxes (EBT) from operating activities	**–1**	**10**	**9**	**–**	**–48**	**33**	**–15**
Income taxes	–	–4	**–4**	–	2	–8	**–6**
Result from operating activities	**–1**	**6**	**5**	**–**	**–46**	**25**	**–21**
Gain (+)/loss (–) on sale of discontinued operations before reclassification of translation differences	3	–	**3**	–4	–	–	**–4**
Reclassification of translation differences[1]	–21	–	**–21**	–	–	–	**–**
Income tax on sale of discontinued operations	–3	–	**–3**	5	–	–	**5**
Net result from discontinued operations	**–22**	**6**	**–16**	**1**	**–46**	**25**	**–20**
Attributable to:							
Shareholders of the parent	–22	6	**–16**	1	–46	25	**–20**
Earnings per share in CHF	–0.06	0.02	**–0.05**	0.00	–0.14	0.07	**–0.06**
Diluted earnings per share in CHF	–0.06	0.02	**–0.05**	0.00	–0.14	0.07	**–0.06**

[1] In the year that a foreign entity is divested, the cumulative translation differences recorded in other comprehensive income (equity) are reclassified to the income statement as part of the gain or loss upon disposal.

[2] Includes minor amounts relating to the sale of the Natural Fibers and Textile Components Business Units.

Cash flow from discontinued operations

in CHF million	January 1 to December 31, 2015 Advanced Technologies Segment	Vacuum Segment	**Total**	January 1 to December 31, 2014, restated Natural Fibers and Textile Components	Advanced Technologies Segment	Vacuum Segment	**Total**
Cash flow from operating activities	–	38	**38**	–	–5	48	**43**
Cash flow from investing activities	–	–9	**–9**	–12	–1	–14	**–27**
Cash flow from financing activities	–	–4	**–4**	–	–	–5	**–5**
Net cash flows from discontinued operations	**–**	**25**	**25**	**–12**	**–6**	**29**	**11**

Acquisitions and Divestments

Note 2 (cont.)

Disposal group and assets classified as held for sale
The assets and liabilities of the disposal group classified as held for sale and the assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are presented separately in the balance sheet. Based on the decision to sell the disposal group, an impairment review was performed which revealed no need for impairment (in the previous year, a loss of CHF –32 million was recognized on goodwill and included in the result from discontinued operations relating to the divestment of the Advanced Technologies Segment). Fair value less cost to sell has been determined based on the expected sales proceeds as contractually agreed with the third party buyer. This is a level 3 fair value measurement.

At December 31, 2015 and 2014, the following assets and liabilities have been classified as held for sale:

Assets classified as held for sale

	2015	2014
in CHF million	**Vacuum**	Advanced Technologies
Cash and cash equivalents	11	1
Trade receivables	52	24
Other receivables, prepaid expenses and accrued income	10	2
Inventories	75	32
Property, plant and equipment[1]	88	5
Goodwill	–	7
Intangible assets	20	5
Deferred tax assets	34	2
Total assets classified as held for sale	**290**	**78**

[1] 2014 includes CHF 2 million related to the sale of properties in the Manmade Fibers Segment in Germany.

Liabilities classified as held for sale

	2015	2014
in CHF million	**Vacuum**	Advanced Technologies
Trade payables	21	9
Accrued liabilities	14	7
Other current liabilities	13	3
Current post-employment benefit liabilities	5	–
Other current provisions	7	4
Non-current post-employment benefit liabilities	166	1
Other non-current provisions	3	–
Deferred tax liabilities	4	–
Total liabilities classified as held for sale	**233**	**24**

Effect of the disposal of the Advanced Technologies Segment on the balance sheet

in CHF million	February 2, 2015
Cash and cash equivalents	–11
Trade receivables	–19
Other receivables	–2
Inventories	–34
Property, plant and equipment	–3
Goodwill and intangible assets	–11
Deferred tax assets	–2
Trade payables	9
Other current liabilities	3
Accrued liabilities	6
Other current provisions	4
Non-current post-employment benefit liabilities	1
Net assets	**–59**
Consideration received (cash and cash equivalents)	53
Settlement of pre-existing intragroup financing	3
Cash and cash equivalents disposed of	–11
Net cash inflow	**45**

Other income and expense

Note 3

in CHF million	2015	2014, restated
Licensing, patent and know-how income	1	1
Other income	30	29
Other income	**31**	**30**
Taxes not based on income	–9	–7
Impairment of property, plant and equipment	–5	–1
Restructuring expenses[1]	–112	–2
Other expense	–26	–31
Other expense	**–152**	**–41**
Other income and expense, net	**–121**	**–11**

[1] Refer to Note 17 "Provisions".

Expenses included in EBIT

Note 4

in CHF million	2015	2014, restated
Personnel expense		
Salaries and wages	613	615
Social security and other employee benefits[1]	172	165
Total	**785**	**780**
Depreciation and amortization		
– Property, plant and equipment	120	116
of which in:		
Cost of sales	106	100
Marketing and selling	1	1
Research and development	4	4
Administration	9	11
– Intangible assets	48	35
of which in:		
Cost of sales	6	4
Marketing and selling	16	11
Research and development	24	19
Administration	2	1
Total	**168**	**151**

[1] Included in the expense for social security and other employee benefits is CHF 37 million (previous year, restated: CHF 31 million) attributable to specific post-employment benefit plans of the individual companies. The remainder includes the legally required benefit contributions of Group companies, as well as other social security expenses.

Financial income and expense

Note 5

in CHF million	2015	2014, restated
Interest income	7	8
Other financial income	1	5
Net gain on hedging transactions recognized in the income statement	2	–
Financial income	**10**	**13**
Interest on financial debt	–26	–24
Interest on liabilities for defined benefit plans, net	–11	–11
Other financial expense	–4	–4
Foreign currency loss, net	–2	–
Financial expense	**–43**	**–39**
Financial expense, net	**–33**	**–26**

Income taxes

Note 6

in CHF million	2015 Continuing operations	2015 Discontinued operations	2015 Total	2014, restated Continuing operations	2014, restated Discontinued operations	2014, restated Total
Current income tax expense	–75	–7	**–82**	–87	–	**–87**
Deferred tax income (+)/expense (–)	12	–	**12**	12	–1	**11**
Total	**–63**	**–7**	**–70**	**–75**	**–1**	**–76**

Analysis of tax expense

in CHF million	2015	2014, restated
Result before taxes from continuing operations	–339	297
Result before taxes from discontinued operations	–9	–19
Total	**–348**	**278**
Tax expense from continuing operations	–63	–75
Tax expense from discontinued operations	–7	–1
Total	**–70**	**–76**
Expected tax income (+)/expense (–)[1]	41	–85
Difference between actual and expected tax income/expense	**–111**	**9**

The difference between the tax income/expense calcuated using the weighted average tax rate of Oerlikon Group (expected tax income/expense) of 11.7 % (previous year expected tax expense: 30.7 %) and the effective tax expense arises from the factors mentioned below.

Non-taxable income and non-deductible expenses[1]	–74	–9
Unrecognized deferred taxes on current-year losses	–31	–3
Non-refundable withholding tax	–9	–7
Utilization of not recognized tax loss carry forwards from previous periods	–	1
Income tax for prior years	3	1
Recognition of previously not recognized tax losses	–	24
Other effects	–	2
Difference between actual and expected tax income/expense	**–111**	**9**

[1] The expected tax income/expense is calculated from the various profits and losses of the individual group companies, using local tax rates. From these a composite tax rate is developed, averaged over the whole Group. This composite tax rate is in 2015 influenced by the impairment of the Drive Systems Segment.

Deferred taxes

Note 6 (cont.)

Composition of deferred taxes

in CHF million	**2015** Deferred tax balances **Assets**	**2015** Deferred tax balances **Liabilities**	2014 Deferred tax balances Assets	2014 Deferred tax balances Liabilities
Trade receivables	3	1	2	1
Other receivables and accruals	–	8	–	19
Inventories	24	1	37	1
Financial assets	–	9	–	7
Property, plant and equipment	25	41	23	44
Assets classified as held for sale	–34	–	–2	–
Intangible assets	10	190	12	211
Assets	**28**	**250**	**72**	**283**
Trade payables	1	–	2	–
Other current and non-current liabilities	19	4	16	8
Financial liabilities	3	–	4	–
Liabilities classified as held for sale	–	–4	–	–
Provisions	151	2	166	7
Liabilities	**174**	**2**	**188**	**15**
Deferred tax asset from recognized tax loss carry forwards[1]	35	–	43	–
Offsetting	–95	–95	–113	–113
Total	**142**	**157**	**190**	**185**

[1] As per end of 2015 tax loss carry forwards of CHF 199 million for federal taxes and CHF 84 million for state/local taxes were recognized (previous year: CHF 261 million for federal taxes and CHF 38 million for state/local taxes).

Movement in deferred tax balances during the year

in CHF million	**Balance January 1, 2015**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Other[1]**	**Balance December 31, 2015[2]**
Total	**5**	**12**	**–3**	**1**	**15**

[1] Effect of potential disposal of the Vacuum Segment.

[2] Without deferred tax assets and deferred tax liabilities classified as held for sale.

in CHF million	Balance January 1, 2014	Recognized in profit or loss	Recognized in other comprehensive income	Acquired in acquisitions (see Note 2)	Other[1]	Balance December 31, 2014
Total	**76**	**11**	**37**	**–120**	**1**	**5**

[1] Effect of disposal of the Advanced Technologies Segment.

Unrecognized deferred tax liabilities:

At December 31, 2015, there are temporary differences of CHF 446 million (previous year: CHF 423 million) with regard to investments in subsidiaries for which no deferred tax liabilities with a potential tax effect of CHF 50 million (previous year CHF 49 million) were recognized since the Group controls the timing of the reversal of the related taxable temporary differences and management is satisfied that they will not reverse in the foreseeable future.

Deferred taxes

Note 6 (cont.)

Utilization of tax loss carry forwards is limited as follows:

	2015		2014		**2015**		2014	
	Tax losses not recognized as deferred tax assets		Tax losses not recognized as deferred tax assets		**Total tax loss carry forwards**		Total tax loss carry forwards	
in CHF million	**federal tax**	**state/local tax**	federal tax	state/local tax	**federal tax**	**state/local tax**	federal tax	state/local tax
1 year	–	2	–	1	–	2	1	1
2 years	2	1	–	15	2	1	13	15
3 years	9	47	2	22	29	47	23	22
4 years	9	13	10	30	18	13	18	30
5 years	10	19	10	25	33	94	28	53
over 5 years	408	319	63	140	555	328	263	150
Total	**438**	**401**	**85**	**233**	**637**	**485**	**346**	**271**

Compared to previous year tax, loss carry forwards not recognized increased (increase of CHF 353 million for federal taxes and CHF 168 million for state/local taxes). This is mainly due to impairments booked on the investment value of subsidiaries of the Drive Systems Segment in local/tax accounts of holding companies. Furthermore, new legislation in Switzerland requires testing of the share values of investments based on stand-alone basis, which leads to certain impairments in the statutory books and thus also for tax purposes.

The deferred tax on not recognized tax loss carry forwards would amount to CHF 69 million in 2015 (previous year: CHF 30 million).

Earnings per share

Note 7

Earnings per share of CHF –1.24 (previous year: CHF 0.59) have been calculated on the basis of a net result of CHF –421 million (previous year: CHF 198 million), attributable to shareholders of the parent, and the average weighted number of outstanding shares (issued shares less treasury shares). In 2015, the average weighted number of shares entitled to vote and receive dividends amounted to 339 070 889 (previous year: 336 683 696). Diluted earnings per share amounted to CHF –1.24 (previous year: CHF 0.59). The average weighted number of shares used in the calculation of diluted earnings per share amounted to 339 070 889 (previous year: 338 065 341).

Number of outstanding shares	2015	2014
Total shares issued at year-end	339 758 576	339 758 576
Weighted average number of shares outstanding for the year	339 070 889	336 683 696
Effect of potential exercise of option rights	–	1 381 645
Weighted average number of shares diluted for the year	339 070 889	338 065 341

Cash and cash equivalents

Note 8

in CHF million	2015	2014
Cash, postal and bank current accounts	292	406
Time deposits	517	379
Money market funds[1]	31	40
Total	**840**	**825**

[1] AAA rated money market fund available on a daily basis.

CHF 134 million (previous year: CHF 185 million) of total cash and cash equivalents are held in countries in which local exchange control regulations with regards to capital export exist. If the Group complies with legal and tax regulations, such liquid funds are at its disposition within a reasonable period of time.

Cash and cash equivalents are held in the following currencies:

Currency

in CHF million	2015	2014
CHF	473	383
EUR	59	187
USD	45	55
CNY	132	98
Other	131	102
Total	**840**	**825**

Financial investments

Note 9

in CHF million	2015	2014
Deposits	1	52
Debt and equity securities	2	3
Derivatives used for hedging	4	4
Current financial investments and derivatives	**7**	**59**
Investments in associates and joint arrangements	5	5
Other investments	1	1
Non-current financial investments	**6**	**6**
Total	**13**	**65**

Loans and receivables

Note 10

in CHF million	2015	2014
Current		
Trade receivables	399	423
Trade notes receivable	6	50
Other receivables[1]	87	94
Non-current		
Loans and other non-current financial receivables	23	25
Total	**515**	**592**

[1] Other receivables include:
– Receivables from Swiss and foreign tax authorities (VAT) and insurance companies.
– Accrued sales under the POC method for orders that are not completely pre-financed by customer advances.

Inventories

Note 11

in CHF million	2015 Gross value	2015 Value adjustment	2015 Net value	2014 Gross value	2014 Value adjustment	2014 Net value
Raw material and components	129	–18	**111**	179	–24	**155**
Work in progress	134	–5	**129**	185	–8	**177**
Finished goods and trade merchandise	146	–26	**120**	211	–32	**179**
Total	409	–49	**360**	575	–64	**511**

Amounts charged to the income statement for write-downs of inventories in the reporting year were CHF 4 million (previous year, restated: CHF 5 million). In 2015, inventories of CHF 1 193 million (previous year, restated: CHF 1 289 million) were recognized as an expense during the period and included in cost of sales.

Construction contracts according to the percentage of completion method (POC)
The accrued sales under the POC method pertain to customer orders in the Manmade Fibers Segment, summarized as follows:

in CHF million	2015	2014
POC sales recognized as revenue in the period	368	635
Aggregate contract costs incurred and recognized contract profits to date	28	72
Gross amount due from customers for contract work as an asset	11	20
Net amount of customer advances for POC projects[1]	27	52

[1] This amount is included in the current customer advances totaling CHF 132 million (previous year: CHF 294 million).

Property, plant and equipment

Note 12

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	**2015 Total**
Cost					
Balance at January 1, 2015	1 468	516	75	30	2 089
Conversion differences	–60	–33	–5	–2	–100
Changes in the scope of consolidated companies	1	–	–	–	1
Additions	77	2	–	43	122
Disposals	–7	–3	–2	–	–12
Reclassifications to assets held for sale	–133	–96	–10	–3	–242
Transfers	35	6	–	–44	–3
Balance at December 31, 2015	1 381	392	58	24	1 855
Accumulated depreciation and impairment losses					
Balance at January 1, 2015	–926	–245	–	–	–1 171
Conversion differences	23	18	–	–	41
Depreciation	–111	–17	–	–	–128
Impairment losses	–3	–1	–1	–	–5
Disposals	4	3	–	–	7
Reclassifications to assets held for sale	96	56	–	–	152
Balance at December 31, 2015	–917	–186	–1	–	–1 104
Net Group values at December 31, 2014	542	271	75	30	918
Net Group values at December 31, 2015	**464**	**206**	**57**	**24**	**751**
Of which assets held under finance leases	1	1	7	–	9

Open purchase commitments for property, plant and equipment at the end of 2015 amounted to CHF 9 million (previous year: CHF 8 million).

Property, plant and equipment

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	**2014 Total**
Cost					
Balance at January 1, 2014	1 253	455	71	32	1 811
Conversion differences	34	5	–	1	40
Changes in the scope of consolidated companies	92	46	11	8	157
Additions	82	5	2	54	143
Disposals	–18	–6	–9	–	–33
Reclassifications to assets held for sale	–28	–1	–	–	–29
Transfers	53	12	–	–65	–
Balance at December 31, 2014	1 468	516	75	30	2 089
Accumulated depreciation and impairment losses					
Balance at January 1, 2014	–841	–228	–	–	–1 069
Conversion differences	–15	–	–	–	–15
Depreciation	–109	–18	–	–	–127
Impairment losses	–1	–	–	–	–1
Disposals	16	1	–	–	17
Reclassifications to assets held for sale	24	–	–	–	24
Balance at December 31, 2014	–926	–245	–	–	–1 171
Net Group values at December 31, 2013	412	227	71	32	742
Net Group values at December 31, 2014	**542**	**271**	**75**	**30**	**918**
Of which assets held under finance leases	1	1	7	–	9

Goodwill and intangible assets

Note 13

in CHF million	Goodwill	Brands	Technology and development costs	Other intangible assets	**2015 Total**
Cost					
Balance at January 1, 2015	1 214	229	102	566	2 111
Conversion differences	–79	–17	–5	–27	–128
Changes in the scope of consolidated companies	3	–	–	11	14
Additions	–	–	25	14	39
Disposals	–	–	–	–1	–1
Reclassifications to assets held for sale	–	–	–28	–16	–44
Transfers	–	–	–	3	3
Balance at December 31, 2015	1 138	212	94	550	1 994
Accumulated amortization and impairment losses					
Balance at January 1, 2015	–210	–	–54	–120	–384
Conversion differences	12	–	4	1	17
Amortization	–	–	–9	–43	–52
Impairment losses[1]	–471	–	–	–	–471
Disposals	–	–	–	1	1
Reclassifications to assets held for sale	–	–	15	10	25
Balance at December 31, 2015	–669	–	–44	–151	–864
Net Group values at January 1, 2015	1 004	229	48	446	1 727
Net Group values at December 31, 2015	**469**	**212**	**50**	**399**	**1 130**

[1] Relates to Drive Systems Segment.

The capitalized development costs pertain to the Segments as follows:

Capitalized development costs for the period

in CHF million	**2015**	2014
Surface Solutions Segment	10	11
Manmade Fibers Segment	10	1
Drive Systems Segment	2	–
Vacuum Segment (discontinued operations)	3	2
Advanced Technologies Segment (discontinued operations)	–	2
Total	**25**	**16**

Goodwill and intangible assets

Note 13 (cont.)

Goodwill and brands are attributed to the Segments as follows:

Goodwill and brands	2015	2014	2015	2014
in CHF million		Goodwill		Brands
Surface Solutions Segment	365	387	21	22
Manmade Fibers Segment	104	113	125	135
Drive Systems Segment	–	504	66	72
Total	**469**	**1 004**	**212**	**229**

Goodwill and other intangible assets with indefinite useful life are allocated to those cash-generating units (CGUs) that are expected to benefit from the relevant business combination. The Segments correspond to CGUs and are the lowest level at which goodwill is monitored by management. Goodwill and intangible assets with indefinite useful life are tested annually for possible impairment of value, using discounted cash flow analysis.

Asset values used in the impairment testing are based on fair value less costs to sell (FVLCS) and on the latest forecasts approved by management. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. The forecast period used for future cash flows covers the years 2016 to 2020. The discount rates used are based on the weighted average cost of capital (WACC) derived from peer groups adjusted to specific risks of the businesses concerned and the countries in which they operate. The capital costs were determined using the capital asset pricing model (CAPM).

IAS 36 requires that CGUs containing goodwill be tested for impairment whenever there are indications that goodwill may be impaired. Accordingly, Oerlikon completed a goodwill test for its Oerlikon Drive Systems Segment in November 2015. As a result of the impairment test performed, the recoverable amount was lower than its carrying amount, leading to an impairment of the goodwill for Oerlikon Drive Systems. Therefore, Oerlikon recognized a loss of CHF –471 million in its 2015 results.

The impairment loss resulted from both, reduced sales and margins during the forecast period as well as expected weakness in key markets impacting the medium to long-term outlook. As an additional consequence of the market changes, the Board of Directors approved a reorganization of the Drive Systems Segment.

The annual goodwill impairment tests carried out at Segment level for Oerlikon Surface Solutions and Manmade Fibers supported the carrying amounts and therefore, no need for impairment was identified.

Detailed results of the impairment testing are presented below for goodwill allocated to Surface Solutions, Manmade Fibers and Drive Systems, representing 100 % of the net book value at December 31.

The following growth and pre-tax discount rates were used:

Growth and discount rates per Segment	2015	2014	2015	2014
		Growth rates[1]		Discount rates
Surface Solutions Segment	2.0 %	2.0 %	10.6 %	10.4 %
Manmade Fibers Segment	2.0 %	2.0 %	8.8 %	9.2 %
Drive Systems Segment	2.0 %	2.5 %	11.3 %	10.5 %

[1] For periods following the five-year plan period 2016 to 2020 (previous year: 2015 to 2019).

For the Manmade Fibers as well as the Surface Solutions Segment, neither a reduction of the growth rate of the terminal value to 0.5 % (previous year: 0.5 %), nor an increase in the discount rate by 1.5 % (previous year: 1.5 %) would give rise to an impairment of goodwill.

Following the goodwill impairment loss recognized for the Drive Systems Segment, the recoverable amount was equal to the carrying amount. Any adverse movement in a key assumption would lead to potential further impairments on the remaining asset base.

Goodwill and intangible assets

Note 13 (cont.)

Previous year

in CHF million	Goodwill	Brands	Technology and development costs	Other intangible assets	**2014 Total**
Cost					
Balance at January 1, 2014	926	208	97	121	1 352
Conversion differences	20	–2	–1	8	25
Conversion differences	357	23	–	434	814
Additions	–	–	16	9	25
Disposals	–	–	–	–6	–6
Reclassifications to assets held for sale	–89	–	–10	–	–99
Balance at December 31, 2014	1 214	229	102	556	2 111
Accumulated amortization and impairment losses					
Balance at January 1, 2014	–264	–	–47	–98	–409
Conversion differences	4	–	–	–	4
Amortization	–	–	–12	–29	–41
Impairment losses[1]	–32	–	–	–	–32
Disposals	–	–	–	7	7
Reclassifications to assets held for sale	82	–	5	–	87
Balance at December 31, 2014	–210	–	–54	–120	–384
Net Group values at January 1, 2014	662	208	50	23	943
Net Group values at December 31, 2014	**1 004**	**229**	**48**	**446**	**1 727**

[1] Relating to the divestment of the Advanced Technologies Segment.

Post-employment benefits

Note 14

in CHF million	2015 Total	2015 due within 1 year	2015 due beyond 1 year	2014 Total	2014 due within 1 year	2014 due beyond 1 year
Net defined benefit liability[1]	607	22	585	666	23	643
Other employee benefit liabilities	17	1	16	21	2	19
Subtotal	**624**	**23**	**601**	**687**	**25**	**662**
Net defined benefit liability classified as held for sale	–171	–5	–166	–1	–	–1
Other employee benefit liabilities classified as held for sale	–1	0	–1	–	–	–
Total on the balance sheet	**452**	**18**	**434**	**686**	**25**	**661**
Post-employment benefit assets	**0**	–	0	**0**	–	0
Post-employment benefit liabilities	**452**	18	434	**686**	25	661

[1] In 2015, net defined benefit liability related to funded plans was CHF 208 million, including CHF 8 million classified as held for sale, and unfunded plans of CHF 399 million, including CHF 163 million classified as held for sale (previous year: funded CHF 213 million, including CHF 1 million classified as held for sale, and unfunded CHF 453 million).

Post-employment benefit expense:

in CHF million	2015 Total	2015 Defined benefit	2015 Defined contribution	2014 Total	2014 Defined benefit	2014 Defined contribution
Pension cost (operating)[1]	**42**	22	20	**37**	18	19
Pension cost (financial)[2]	**14**	14	–	**16**	16	–
Total post-employment benefit plan cost in the income statement	**56**	36	20	**53**	34	19

[1] Pension cost (operating) of CHF 5 million is included in result of discontinued operations (previous year, restated: CHF 6 million).

[2] Pension cost (financial) of CHF 4 million is included in result of discontinued operations (previous year, restated: CHF 5 million).

Post-employment benefits

Note 14 (cont.)

Defined benefit plans
The Group's material defined benefit pension plans are located in Germany, the USA, and Switzerland and account for 95 % of the Group's net defined benefit liability (previous year: 95 %). Usually, the plans are established as trusts independent of the Group and are funded by payments from Group companies and by employees. The cash funding of these plans is designed to ensure that present and future contributions should be sufficient to meet future liabilities. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. Most of the major plans in Germany are unfunded and, as the result the Group pays pensions to retired employees directly from its own financial resources.

Pension plans in Germany
17 unfunded and 6 funded defined benefit plans existed in 2015 (previous year: 18 and 6 respectively). These pension arrangements are governed by the German Occupational Pensions Act (BetrAVG). The employer is required by German law to increase pension payments every three years according to price inflation, as measured by the Consumer Price Index ("Verbraucherpreisindex – VPI") or according to comparable pay grades. In case of unfunded pension plans, the Group pays pensions to retired employees directly from its own financial resources. Funded pension plans are administered through a Contractual Trust Agreement (CTA). In a CTA arrangement, the assets are outsourced to an independent entity (e.g. a trust), which has the sole purpose of financing, paying out and ensuring benefits. The transferred assets are completely segregated from the employer's assets to protect these assets against the risk of the employer's insolvency. The employer is free to determine the scope and the kinds of assets that are to be transferred to the Trust and used for funding the pension liabilities. No minimum funding requirements or regular funding obligations apply to CTAs. Based on a special trust agreement between the employer and the Trust, the Trust acquires legal title in the transferred assets while the economic ownership rests with the employer. By creating the CTA, the employer creates additional insolvency protection for the beneficiaries.

Pension plans in the USA
2 funded and 2 unfunded defined benefit plans existed in 2015 (previous year: 2 and 2 respectively). The pension plan for members of Fairfield Manufacturing Company hired prior to March 2004 is non-contributory for the employees. The plan is a final-average pay design defined benefit plan. A member's benefit is based on a percentage of their final average pay multiplied by service and payable as a monthly life annuity. A lump sum payment is generally not available. The plan does not provide for automatic pension increases. This plan has been closed to new members since 2004. The Oerlikon USA Holding, Inc. Pension Plan is non-contributory for the employees. The plan uses a final-average-pay-based formula, with benefits based on members' years of service and final average pay earned while in the employ of a participating company. This plan has been closed to new members since 2006 and benefit accruals under the plan ceased in January 2010. Participants receive their benefits in the form of monthly annuities, which are actuarially reduced for early retirement and/or election of a form of payment providing for continued payments after the participant's death to a surviving beneficiary. Some participants have the option of receiving their benefits in a single lump-sum payment in lieu of an annuity. The plan does not provide for automatic pension increases. The companies' contributions to the defined benefit plan are made based on US pension funding regulations, in the form of cash. Employees joining Fairfield Manufacturing Company and Oerlikon USA Holding after specified dates participate in a defined contribution pension plan.

Pension plans in Switzerland
8 funded defined benefit plans existed in 2015 (previous year: 8 plans). These plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The pension plan assets are held within a separate foundation and cannot revert to the employer. The Board of Trustees, the most senior governing body of the collective foundation, is responsible for investment strategy and policy. This Board is composed of equal numbers of employees and employer representatives. The plans provide old age, disability and death-in-service (survivors') benefits to plan participants, their spouses and children, as defined in pension plan rules compliant with the BVG, which specifies the minimum benefits to be provided. Pension funds are financed according to a level premium system, which means that every insured person directly finances his/her own retirement benefits and saves up for his/her retirement. The insured and the employer usually pay equal contributions to the pension fund in case of retirement benefits. The employer must contribute an amount that equals at least the contributions of all employees together. Disability and survivors' benefits are funded via risk contributions; the corresponding benefits are defined based on the current salary.

The following risks arise from the 8 funded defined benefit plans (5 autonomous, 2 partly-autonomous and 1 fully insured):

The autonomous pension institutions bear the risks from the savings process, the asset management and the demographic risks (longevity, death, disability). The respective pension institution may change the funding system (contributions and future benefits) at any time. In case of a deficit according to BVG and if there are no other measures, the pension institution may require contributions for financial recovery by the employer.

The partly-autonomous pension institutions insure the demographic risks with a life insurance company, but bear the risks from the savings process and asset management. The respective pension institution may change the funding system (contributions and future benefits) at any time. In case of a deficit according to BVG and if there are no other measures, the pension institution may require contributions for financial recovery from the employer. With respect to the insured demographic risks, there are further risks, namely that the insurance coverage is only of a temporary nature (cancellation by the life insurance company) and that the inherent risks of the plan result in variable insurance premiums over time.

The fully insured pension institutions insure all investment and demographic risks with a life insurance company. The coverage ratio of the plan according to BVG is always 100 %. However, there are risks that the insurance coverage is only of a temporary nature (cancellation by the life insurance company) and that the inherent risks of the plan result in variable insurance premiums over time.

Post-employment benefits

Note 14 (cont.)

Movement in net defined benefit liability
The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

	Defined benefit obligation		Fair value of plan assets		Adjustment to asset ceiling		Net defined benefit liability	
in CHF million	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Balance at January 1	**1 371**	**1 098**	**–716**	**–562**	**11**	**18**	**666**	**554**
Included in the income statement								
Current service cost (employer)	23	20	–	–	–	–	**23**	**20**
Past service cost	–	–2	–	–	–	–	**–**	**–2**
Gains on settlement	–1	–	–	–	–	–	**–1**	**–**
Interest expense on defined benefit obligation	27	34	–	–	–	–	**27**	**34**
Interest income on plan assets	–	–	–13	–18	–	–	**–13**	**–18**
Administration cost (excl. cost for managing plan assets)[1]	0	0	–	–	–	–	–	–
Total in the income statement[2]	**49**	**52**	**–13**	**–18**	**–**	**–**	**36**	**34**
Included in other comprehensive income								
Remeasurements gain (–)/loss (+) arising from:	–3	144	4	–24	–1	–7	**–**	**113**
– Actuarial gain (–)/loss (+) arising from:								
– demographic assumptions	–3	24	–	–	–	–	–3	24
– financial assumptions	2	120	–	–	–	–	2	120
– experience adjustments	–2	–	–	–	–	–	–2	–
– Return on plan assets excluding interest income	–	–	4	–24	–	–	4	–24
– Change in effect of asset ceiling excluding interest expense/income	–	–	–	–	–1	–7	–1	–7
Effect of movements in exchange rates	–63	17	8	–19	–	–	**–55**	**–2**
Total in other comprehensive income	**–66**	**161**	**12**	**–43**	**–1**	**–7**	**–55**	**111**
Other								
Employer contributions[3]	–	–	–18	–33	–	–	**–18**	**–33**
Employee contributions[4]	8	8	–7	–7	–	–	**1**	**1**
Benefits paid/deposited	–47	–65	24	39	–	–	**–23**	**–26**
Effect of business combination and disposal	–66	117	66	–92	–	–	**–**	**25**
Total in other	**–105**	**60**	**65**	**–93**	**–**	**–**	**–40**	**–33**
Balance at December 31	**1 249**	**1 371**	**–652**	**–716**	**10**	**11**	**607**	**666**

of which:

in CHF million								
– Germany	519	594	–65	–71	–	–	454	523
– USA	266	286	–183	–202	–	–	83	84
– Switzerland	430	456	–399	–440	10	11	41	27

[1] Administration costs are less than CHF 1 million (2014: less than CHF 1 million).
[2] Pension costs of CHF 9 million are included in result of discontinued operations (previous year, restated: CHF 11 million).
[3] Employer contributions to defined benefit plans for 2016 are expected to be approximately CHF 18 million.
[4] Including employee contributions in unfunded plans in the USA.

Post-employment benefits

Note 14 (cont.)

The plan assets consist of the following:

in CHF million	**2015** Total	Quoted	Unquoted	%	2014 Total	Quoted	Unquoted	%
Equity instruments, of which in:	**129**	129	–	20 %	**145**	145	–	20 %
– Consumer markets	29	29	–	5 %	35	35	–	5 %
– Energy	8	8	–	1 %	11	11	–	2 %
– Financial services	28	28	–	4 %	27	27	–	4 %
– Industrial and manufacturing	25	25	–	4 %	19	19	–	3 %
– Information technology	23	23	–	4 %	5	5	–	0 %
– Pharmaceuticals and health care	16	16	–	2 %	43	43	–	6 %
– Other	–	–	–	0 %	5	5	–	0 %
Debt instruments, of which in:	**149**	149	–	23 %	**222**	222	–	31 %
– Government bonds	45	45	–	7 %	65	65	–	9 %
– Corporate bonds - investment grade	104	104	–	16 %	157	157	–	22 %
Real estate, of which in:	**103**	47	56	16 %	**106**	48	58	15 %
– Germany[1]	8	–	8	1 %	9	–	9	1 %
– Switzerland	95	47	48	15 %	97	48	49	14 %
Cash and cash equivalents	**16**	16	–	2 %	**52**	52	–	7 %
Investment funds	**201**	54	147	31 %	**147**	121	26	21 %
Other	**54**	38	16	8 %	**44**	35	9	6 %
Total plan assets	**652**	**433**	**219**	**100 %**	**716**	623	93	100 %

[1] Real estate in Germany with a fair value of CHF 8 million (previous year: CHF 9 million) is rented by a Group company, with an annual rent of CHF 1 million (previous year: CHF 1 million).

Plan assets

In the Group's financial statements, the difference between the actual return on plan assets and interest income is a remeasurement recorded directly to other comprehensive income. During 2015, the actual return on plan assets was a gain of CHF 9 million (previous year: gain of CHF 42 million). The recognition of a net defined benefit asset is limited to the present value of any economic benefits available from refunds from the plans or reductions in future contributions to the plans.

Post-employment benefits

Note 14 (cont.)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date for significant defined benefit plans in Germany, USA and Switzerland (expressed as weighted averages):

Assumptions used in actuarial calculations	2015			2014		
in percentage	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate	2.3	4.2	0.8	2.2	3.9	1.2
Future salary increases	1.0	2.2	1.0	1.0	2.2	1.4
Future pension increases	1.7	–	–	1.8	–	–

The discount rate is determined by reference to market yields at the end of the reporting period on AA and AAA rated corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the obligations.

Longevities

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date are provided below:

Longevities	2015			2014		
in years	Germany	USA	Switzerland	Germany	USA	Switzerland
Retiring at the end of the reporting period:						
– Males	20.1	20.6	21.5	20.1	20.9	21.4
– Females	24.3	23.0	24.9	24.2	23.4	24.8
Retiring 20 years after the end of the reporting period:						
– Males	22.8	22.3	21.6	22.7	22.6	21.5
– Females	26.9	24.7	25.4	26.7	25.1	25.3

	2015			2014		
Weighted average duration of the defined benefit obligation	Germany	USA	Switzerland	Germany	USA	Switzerland
Number of years	13.0	11.6	15.0	12.9	12.3	14.3

The Group's major pension plans give members lump sum or annuity benefit payment options. The Group values its pension liabilities on the assumption that the choices made by members who will retire in the future will be consistent with choices made by members who have retired recently.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation in 2015					
	Increase			Decrease		
Sensitivity analysis	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate (0.5 % movement)	–33	–16	–31	33	17	35
Future salary increases (0.5 % movement)	4	2	4	–4	–2	–4
Future pension increases (0.5 % movement)	26	–	–	–23	–	–
Future mortality (1 year movement)	–30	–7	–13	22	7	14

	Defined benefit obligation in 2014					
	Increase			Decrease		
Sensitivity analysis	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate (0.5 % movement)	–36	–18	–31	41	20	36
Future salary increases (0.5 % movement)	4	2	4	–4	–2	–4
Future pension increases (0.5 % movement)	28	–	–	–26	–	–
Future mortality (1 year movement)	–32	–8	–14	26	7	14

Current financial liabilities

Note 15

in CHF million	2015	2014
Bank overdrafts	–	1
Bond[1]	300	–
Current loans and borrowings	6	6
Derivatives used for hedging	4	11
Total other current financial liabilities and derivatives	**310**	**18**
Trade payables	242	296
Other payables	62	72
Total current financial liabilities	**614**	**386**

[1] Refer to Note 18 “Loans and borrowings”.

Accrued liabilities

Note 16

in CHF million	2015	2014
Accrued personnel expenses	83	105
Accrued material expenses	29	49
Other accrued liabilities	80	73
Total accrued liabilities	**192**	**227**

Provisions

Note 17

in CHF million	Product warranties	Acquiree's contingent liabilities[1]	Restructuring[2]	Other provisions[3]	2015 Total
Balance at January 1, 2015	53	70	4	23	**150**
Conversion differences	–3	–1	1	–3	**–6**
Additions[4]	32	2	109	12	**155**
Amounts used	–22	–	–3	–4	**–29**
Amounts reversed	–12	–1	–	–4	**–17**
Reclassifications to liabilities held for sale	–7	–	–	–3	**–10**
Balance at December 31, 2015	**41**	**70**	**111**	**21**	**243**
of which:					
Due within 1 year	38	–	45	13	**96**
Due beyond 1 year	3	70	66	8	**147**

[1] Acquiree’s contingent liabilities pertain to the Surface Solutions Segment. Contingent liabilities have been recognized primarily due to environmental liabilities as well as certain litigation and potential tax risks. Any potential cash outflow is estimated to occur during the next 20 years.

[2] The restructuring provision pertains to the Drive Systems (CHF 66 million), Manmade Fibers (CHF 44 million) and Surface Solutions (CHF 1 million) Segment. The restructuring of the Manmade Fibers Segment is due to a need to adapt the Segment’s structure and lower its cost base measurably. The Drive Systems Segment reorganization includes mainly the resizing of the organization. The restructuring provison relates mostly to personnel expenses.

[3] Other provisions cover various risks which occur in the normal course of business. They consist mainly of provisions for pending litigation, technical risks and onerous contracts.

[4] Includes unwinding of discount for non-current provisions.

Loans and borrowings

Note 18

in CHF million	2015	2014
Current		
Bond	300	–
Loans and borrowings	6	6
Total current loans and borrowings	**306**	**6**
Non-current		
Bonds	449	748
Finance lease liabilities	5	7
Other loans and borrowings	4	5
Total non-current loans and borrowings	**458**	**760**
Total loans and borrowings	**764**	**766**

The terms and conditions of outstanding loans are as follows:

2015

in CHF million	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Syndicated loan/Revolving Credit Facility	CHF	Libor + 0.65 %	2017	–	–
Bond[1]	CHF	4.25 %	2016	300	300
Bond[1]	CHF	1.25 %	2019	300	299
Bond[1]	CHF	2.625 %	2024	150	150
Finance lease liabilities[2]	var.	var.	2016–2027	5	5
Various current and non-current liabilities[3]	var.	var.	var.	10	10
Total loans and borrowings					**764**

2014

in CHF million	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Syndicated loan/Revolving Credit Facility	CHF	Libor + 2.25 %	2016	–	–
Bond[1]	CHF	4.25 %	2016	300	299
Bond[1]	CHF	1.25 %	2019	300	299
Bond[1]	CHF	2.625 %	2024	150	150
EIB loan	EUR	Libor + 1.06 %	2019–2020	–	–
Finance lease liabilities[2]	var.	var.	2015–2027	7	7
Various current and non-current liabilities[3]	var.	var.	var.	11	11
Total loans and borrowings					**766**

[1] Face value differs from book value, because CHF 1 million, originally CHF 3 million (previous year: CHF 2 million), of directly attributable transaction costs related to the financing of the bonds were deducted and are being expensed over the term of the bonds.

[2] The finance leases are secured by contract provisions normal for such leases.

[3] Various currencies including: CHF, EUR, USD, PLN.

Loans and borrowings

Note 18 (cont.)

Syndicated loan facility
The unsecured syndicated credit facility includes a CHF 700 million credit facility consisting of a revolving cash facility of CHF 450 million and an ancillary facility of CHF 250 million with an initial maturity in 2015 and two additional one-year extension options. In 2014 and 2015, the maturity was prolonged at first to 2016 and afterwards to 2017. As of December 31, 2015, the drawn revolving credit facility balance was zero. The ancillary credit facility had an unused amount of CHF 198 million, and the amount of CHF 52 million was used for issuing guarantees.

In addition to extending the syndicated facility, the terms were renegotiated in June 2015. The margin was thereby substantially reduced. As per December 31, 2015, the interest rate of the loan under the syndicated credit facility is defined as Libor plus a margin of 0.65 % per year, subject to a margin grid based on the ratio of Net Debt to EBITDA (within a range of 0.65 % and 1.5 %).

As of December 31, 2015, the syndicated credit facility contains the following financial covenants, which are tested quarterly:

– Total Equity

– Total Borrowings/EBITDA

– EBITDA/Net Interest Expense

Bonds
On July 13, 2012, the Oerlikon Group issued a 4 year CHF 300 million straight bond with a nominal interest of 4.25 % (effective interest: 4.46 % with a maturity date at July 13, 2016).

On June 17, 2014, the Oerlikon Group issued a 5 year CHF 300 million straight bond with a nominal interest of 1.25 % (effective interest: 1.33 %) and a 10 year CHF 150 million straight bond with a nominal interest of 2.625 % (effective interest: 2.625 %).

Loan with the European Investment Bank (EIB)
On December 13, 2013, the Oerlikon Group signed an unsecured EUR 120 million loan facility with the European Investment Bank (EIB) to finance research and development costs of selected Segments in Germany and Liechtenstein. The facility had to be drawn within 24 months after contract signing. As per December 13, 2015, the drawn amount was zero. Therefore, the facility expired.

Financial instruments

Note 19

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2015, including their levels in the fair value hierarchy, are as follows:

	Carrying amount					Fair value			
in CHF million	Fair value – held for trading	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value									
Foreign exchange contracts	–	4	–	–	**4**	–	4	–	**4**
Debt and equity securities	2	–	–	–	**2**	2	–	–	**2**
Total	**2**	**4**	**–**	**–**	**6**	**2**	**4**	**–**	**6**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	840	–	**840**				
Deposits	–	–	1	–	**1**				
Trade and other financial receivables	–	–	421	–	**421**				
Loans and other non-current financial receivables	–	–	23	–	**23**				
Total	**–**	**–**	**1 285**	**–**	**1 285**				
Financial liabilities measured at fair value									
Foreign exchange contracts	–	4	–	–	**4**	–	4	–	**4**
Total	**–**	**4**	**–**	**–**	**4**	**–**	**4**	**–**	**4**
Financial liabilities not measured at fair value[1]									
Bonds	–	–	–	749	**749**	773	–	–	**773**
Finance lease liabilities	–	–	–	5	**5**				
Trade and other payables	–	–	–	247	**247**				
Accrued financial liabilities	–	–	–	109	**109**				
Other loans and borrowings	–	–	–	10	**10**				
Total	**–**	**–**	**–**	**1 120**	**1 120**				

[1] With the exception of the bonds, the Group has not disclosed the fair values for financial assets and liabilities not measured at fair value because their carrying amounts are a reasonable approximation of fair values.

Financial instruments

Note 19 (cont.)

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2014, including their levels in the fair value hierarchy, are as follows:

	Carrying amount					Fair value			
in CHF million	Fair value – held for trading	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value									
Foreign exchange contracts	–	4	–	–	**4**	–	4	–	**4**
Debt and equity securities	3	–	–	–	**3**	3	–	–	**3**
Total	**3**	**4**	**–**	**–**	**7**	**3**	**4**	**–**	**7**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	825	–	**825**				
Deposits	–	–	52	–	**52**				
Trade and other financial receivables	–	–	491	–	**491**				
Loans and other non-current financial receivables	–	–	25	–	**25**				
Total	**–**	**–**	**1 393**	**–**	**1 393**				
Financial liabilities measured at fair value									
Foreign exchange contracts	–	11	–	–	**11**	–	11	–	**11**
Total	**–**	**11**	**–**	**–**	**11**	**–**	**11**	**–**	**11**
Financial liabilities not measured at fair value[1]									
Bonds	–	–	–	748	**748**	786	–	–	**786**
Finance lease liabilities	–	–	–	7	**7**				
Trade payables	–	–	–	296	**296**				
Accrued financial liabilities	–	–	–	108	**108**				
Other loans and borrowings	–	–	–	11	**11**				
Total	**–**	**–**	**–**	**1 170**	**1 170**				

[1] With the exception of the bonds, the Group has not disclosed the fair values for financial assets and liabilities not measured at fair value because their carrying amounts are a reasonable approximation of fair values.

Measurement of fair values

The different levels of fair values have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 1 fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume providing information on an ongoing basis. Instruments included in level 1 comprise investments in various debt and equity instruments via investment funds.

Level 2 fair values

The following table shows the valuation used in measuring level 2 fair values:

Type of financial instruments	Valuation technique
Foreign exchange contracts	The fair values of foreign exchange hedging contracts are based on broker quotes. Similar contracts traded in an active market and the quotes reflect the actual transactions in similar instruments.
Other financial assets and liabilities	Discounted cash flow

Level 3 fair values

No financial instruments were included in level 3 fair values.

Transfers between level 1 and 2

There were no transfers between level 1 and 2 during the year.

Financial instruments

Note 19 (cont.)

Financial risk management
The Group has exposure to the following risks arising from financial instruments:

– credit risk
– liquidity risk
– market risk

Credit risk
Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's customer receivables, investment securities and cash placed with banks.

The credit or default risk associated with operating receivables is monitored locally by the individual Group companies. These companies follow a credit policy defined by each operating unit, under which each new customer is analyzed individually for creditworthiness before payment and delivery terms and conditions are offered. Credit ratings are reviewed regularly, and limits are set and monitored on an ongoing basis.

Trade receivables are valued at the original invoiced amount less any necessary value adjustments for default risks. These risks are insured with third parties only in exceptional cases.

As a fundamental principle, the Group places funds only with first-rate domestic and foreign banking institutions, and Group Treasury periodically assesses the relevant ratings and credit default swaps of these bank institutions.

The Oerlikon Group's maximum credit risk from financial instruments is reflected in the book values of the individual financial assets per year-end. There are no commitments or obligations which might lead to an exposure exceeding these book values. The maximum credit risk is therefore:

in CHF million	**2015**	2014
Cash and cash equivalents	840	825
Deposits	1	52
Debt and equity securities	2	3
Derivatives used for hedging	4	4
Trade and other financial receivables	421	491
Loans and other non-current financial receivables	23	25
Total	**1 291**	**1 400**

At December 31, trade and trade notes receivable are distributed geographically (by location of the Group company) as follows:

in CHF million	**2015**	2014
Asia	117	170
Europe	211	204
North America	71	92
Other	6	7
Total	**405**	**473**

No concentrations of risk to the Group are expected from the outstanding receivables.

Financial instruments

Note 19 (cont.)

At December 31, the aging of trade and trade notes receivable was as follows:

in CHF million	2015 Gross amount	2015 Value adjustment	2014 Gross amount	2014 Value adjustment
Current (not due)	**332**	**–1**	**393**	**–**
Total past due	**83**	**–9**	**95**	**–15**
0–30 days	51	–1	52	–1
31–60 days	11	–	15	–
61–90 days	7	–1	6	–
91–120 days	3	–	3	–1
over 120 days	11	–7	19	–13
Total	**415**	**–10**	**488**	**–15**

Allowance for doubtful debts are based on the difference between the nominal value of receivables and the amounts considered collectible. Amounts considered collectible are developed from experience. A receivable is considered to be doubtful if certain facts are known that suggest that a debtor is in significant financial difficulty and that amounts receivable from that source are unlikely to be received at all, or only in part.

Reconciliation of changes in allowance accounts for credit losses:

in CHF million	2015	2014
Balance at January 1	–15	–12
Change in scope of consolidation companies	–	–3
Reclassifications to assets held for sale	2	2
Additional impairment losses charged to income	–2	–5
Reversal of impairment losses	3	2
Write-off	1	1
Conversion differences	1	–
Balance at December 31	**–10**	**–15**

Financial instruments

Note 19 (cont.)

Liquidity risk
Liquidity risk is the risk that the Oerlikon Group may be unable to discharge its financial liabilities in a timely manner or at an acceptable cost. Oerlikon supervises and manages the Group's liquidity centrally, in order to ensure that outstanding financial liabilities can at all times be met within their maturity period and at an acceptable financing cost. Group Treasury prepares and provides the relevant decision support and arranges for the availability of the relevant funds once approval is given.

Oerlikon's liquidity is monitored using short-, medium- and long-term rolling forecasts, about which senior management is kept informed. On the basis of these plans, Oerlikon mobilizes the necessary liquid funds and takes any further steps necessary in a timely manner.

The remaining contractual maturities of financial liabilities as of December 31 are as follows:

						2015
in CHF million	**Carrying amount**	**Contractual cash flow**	**within 1 year**	**1 to 5 years**	**more than 5 years**	**of which secured**
Trade and other payables	247	247	247	–	–	–
Loans and borrowings[1]	759	816	322	327	167	–
Finance lease liabilities	5	5	–	1	4	–
Accrued financial liabilities	109	109	109	–	–	–
Non-derivative financial liabilities	**1 120**	**1 177**	**678**	**328**	**171**	**–**
Foreign exchange contracts used for hedging	–	638	636	2	–	–
– thereof: for hedging fx-outflows	–	304	303	1	–	–
– thereof: for hedging fx-inflows	–	334	333	1	–	–
Derivative financial instruments[2]	**–**	**638**	**636**	**2**	**–**	**–**
Total	**1 120**	**1 815**	**1 314**	**330**	**171**	**–**

[1] Loans and borrowings mainly include three Swiss franc bonds of CHF 750 million, maturing in July 2016, June 2019 and June 2024, with capitalized transaction costs of CHF 1 million. The contractual cash flows include mainly future interest payments of the Swiss franc bonds until maturity and commitment fees of the syndicated credit facility.

[2] Contractual cash flows relate to underlying transactions that cover the contractual cash flows almost completely.

						2014
in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
Trade payables	296	296	296	–	–	–
Loans and borrowings[1]	759	854	32	643	179	–
Finance lease liabilities	7	7	–	2	5	–
Accrued financial liabilities	108	108	108	–	–	–
Non-derivative financial liabilities	**1 170**	**1 265**	**436**	**645**	**184**	**–**
Foreign exchange contracts used for hedging	7	634	632	2	–	–
– thereof: for hedging fx-outflows	3	347	347	–	–	–
– thereof: for hedging fx-inflows	4	287	285	2	–	–
Derivative financial instruments[2]	**7**	**634**	**632**	**2**	**–**	**–**
Total	**1 177**	**1 899**	**1 068**	**647**	**184**	**–**

[1] Loan and borrowings mainly include three Swiss franc bonds of CHF 750 million, maturing in July 2016, June 2019 and June 2024, with capitalized transaction costs of CHF 2 million. The contractual cash flows include mainly future interest payments of Swiss franc bond until maturity and commitment fees of the syndicated credit facility as well as the EIB loan.

[2] Contractual cash flows relate to underlying transactions that cover the contractual cash flows almost completely.

Financial instruments

Note 19 (cont.)

Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may change as a result of fluctuations in market prices. The Oerlikon Group is exposed in particular to fluctuations in foreign exchange and interest rates. The Group also has a minor risk from exposure to fluctuations in raw material prices.

Foreign exchange risk

Foreign exchange transaction risk

Due to its most significant markets, the Group is primarily exposed to exchange risks versus the USD and EUR. If costs and revenues of Group companies are incurred or earned in differing or in non-functional currencies, the underlying business transactions are hedged on a centrally coordinated basis by means of commonly used financial instruments. Group companies make regular plans for receipt or payment of cash in foreign currencies and advise these to Group Treasury, which hedges the related exchange risks using external contracts with first-class banks.

The Group's hedging strategy for exchange risks distinguishes between the routine business of supplying components or spare parts and the Group's project activities. For the routine business, cash flows in foreign currencies are hedged for a whole year in advance, based on the annual budget. The hedging quota, i.e., the percentage of the base volume to be hedged, is set forth in the related guidelines. Periodically, a check is made as to whether the latest forecast of business volumes calls for an increase or a reduction in the hedging volume. For projects, the exchange risks are hedged when the contract is entered into. For special transactions that do not fall into either category – routine or project – the hedging strategy can be determined for individual cases.

Foreign exchange translation risk

Translation exposure arises from consolidation of foreign currency denominated financial statements of the Group's subsidiaries. The Group's consolidated financial statements are reported in Swiss francs. The translation risk arising from foreign subsidiary balance sheets which effects the consolidated Group equity is not hedged.

Foreign exchange economic risk

The Group policy is not to hedge long-term foreign exchange risk.

The following rates were used to convert the most important foreign currencies in the financial statements:

	Average rates		Change	Year-end rates		Change
	2015	2014	14/15	**2015**	2014	14/15
1 USD	0.963	0.915	5.2%	0.990	0.989	0.1%
1 EUR	1.069	1.215	– 12.0%	1.082	1.203	– 10.0%
100 CNY	15.330	14.850	3.2%	15.260	15.950	– 4.3%
100 HKD	12.420	11.800	5.3%	12.780	12.750	0.2%
100 JPY	0.796	0.866	– 8.1%	0.823	0.827	– 0.5%
1 SGD	0.701	0.722	– 3.0%	0.701	0.748	– 6.3%

Sensitivity analysis

For the sensitivity analysis, the two most important currencies were selected in which the Group holds significant amounts of receivables and payables. Based on a two-year volatility of 8.68% (USD/CHF) and 9.21% (EUR/CHF), a corresponding change in exchange rates on December 31, 2015, would have changed the equity and the income statement by the amounts listed below.

31 December	**2015**		2014	
Effect in CHF million	Equity	Income statement	Equity	Income statement
USD	–1	4	–2	5
EUR	–1	3	–1	1

A 8.68% (USD/CHF) and 9.21% (EUR/CHF) weakening of the Swiss franc against the above currencies would have had the same but opposite effect on the above currencies to the amounts shown above, assuming all other variables remain constant. In the previous period, the sensitivity analysis was calculated with 9.99% (USD/CHF) and 5.15% (EUR/CHF).

Financial instruments

Note 19 (cont.)

The Group's exposure to foreign exchange risk was as follows, based on nominal amounts as of December 31:

	2015[1]			2014[2]		
in million	**EUR**	**USD**	**CHF**	EUR	USD	CHF
Trade receivables	9	32	1	10	39	1
Trade payables	3	8	1	6	8	2
Net financial position	27	33	1	11	35	1
Gross exposure consolidated balance sheet	**39**	**73**	**3**	**27**	**82**	**4**
Foreign exchange risk in business operations	**–16**	**67**	**–10**	**–22**	**83**	**–16**
Open foreign exchange forward contracts	**4**	**–85**	**7**	**5**	**–105**	**13**
Net exposure	**27**	**55**	**–**	**10**	**60**	**1**

[1] Continuing operations.

[2] As reported.

Interest rate risk

Oerlikon is mainly exposed to interest rate risk in relation to its liquid funds, which are placed at variable rates or held as short-term investments.

Group Treasury prepares and provides the relevant decision support for senior management (Board of Directors, senior financial management) and arranges for hedging against interest rate fluctuations, once approval is given. Such hedging is carried out using derivative financial instruments, such as interest rate swaps and interest rate caps.

As of December 31, the interest rate profile of the Group's interest-bearing financial instruments was:

	2015	2014
in CHF million	**Net carrying amount**	Net carrying amount
Fixed rate interest		
Financial assets	2	3
Financial liabilities	–764	–766
Total	**–762**	**–763**
Variable rate interest		
Financial assets	841	877
Financial liabilities	–	–1
Total	**841**	**876**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have decreased (increased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Income statement	
Effect in CHF million	**100 bp increase**	**100 bp decrease**
2015		
Cash flow sensitivity	7	–7
2014		
Cash flow sensitivity	7	–7

The assumption in the underlying sensitivity analysis is that an increase as well as a decrease by 100 bp has a full impact on interest income and expense. Due to the overall low interest rate environment, a decrease by 100 bp would lead to a negative average interest rate. The tax impact has been included in all figures regarding interest sensitivity.

A change of 100 basis points in interest rates would have no impact on Group equity.

Financial instruments

Note 19 (cont.)

Derivative assets and liabilities

in CHF million	**2015** Contract volume	**2015** Fair value positive	**2015** Fair value negative	2014 Contract volume	2014 Fair value positive	2014 Fair value negative
Foreign exchange contracts	**638**	**4**	**4**	**634**	**4**	**11**
Interest-rate derivatives	**–**	**–**	**–**	**–**	**–**	**–**
Interest-rate swaps	–	–	–	–	–	–
Interest caps[1]	–	–	–	–	–	–
Total	**638**	**4**	**4**	**634**	**4**	**11**

[1] As a hedge against the interest rate risk inherent in the interest rate of the syndicated loan, two interest caps were taken out in June 2010 for a nominal amount of CHF 600 million. The interest caps matured in June 2014.

Based on the Group's business activities, the following main currency pairs are hedged: EUR/USD, EUR/CHF, EUR/CNY, USD/CHF, USD/INR, EUR/INR and USD/CNY. Positive and negative changes in fair values of currency derivatives are offset by the corresponding gain or loss on the underlying hedged transactions. The maximum risk of counterparty non-performance is equal to the positive deviation from fair value as per year-end. In view of the reputation of the counterparties, this risk is deemed to be minimal. In principle, the maturities of currency and interest-rate hedges correspond to the maturity of the underlying base transaction. If the maturity of the base transaction shifts, the maturity of the hedge contract will be shifted correspondingly (roll-over/swaps). Thus, the cash flows deriving from the hedge contracts are synchronized with the impact of the base transaction in the income statement. The hedging transactions are first recorded in other comprehensive income, then recycled to the income statement when the base transaction is recorded. For this reason, there is no need for a separate presentation of the maturities of hedge contracts and their underlying transactions.

Maturity structure of open foreign exchange contracts and interest-rate derivatives at December 31:

in CHF million	**Carrying amount**	**Expected cash flows**	**6 months or less**	**6–12 months**	**1–2 years**	**2–5 years**	**more than 5 years**
Foreign exchange contracts							
2015	–	**638**	597	40	1	–	–
2014	–7	**634**	586	46	2	–	–

Netting of financial assets and liabilities
No significant netting of financial assets and liabilities occured in 2015 and 2014.

Capital management

Note 20

Oerlikon Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital using the ratios shown below:

in CHF million	**2015**	2014
Total assets	4 097	4 966
Equity attributable to shareholders of the parent	1 554	2 188
Equity ratio in %	**38 %**	**44 %**
Interest-bearing debt	764	766
Total equity	1 572	2 201
Debt-to-equity ratio	**0.5**	**0.3**
Average equity	1 887	2 143
Net result attributable to shareholders of the parent	–421	198
Return on equity	**–22 %**	**9 %**

With an equity ratio of 38 % (previous year 44 %), the Oerlikon Group is within the target range of its financial policy. The current outstanding bonds have an investment grade rating.

OC Oerlikon participation plans

Note 21

On December 31, 2015, the following equity-settled plans were open, pursuant to which the holder is entitled to shares of OC Oerlikon Corporation AG, Pfäffikon:

Restricted Stock Units (RSU)
Members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon, receive a portion of their compensation by means of Restricted Stock Units (RSU) which are allocated on the day of the Annual General Meeting of Shareholders and vest upon the next Annual General Meeting of Shareholders, at which time they are converted into Oerlikon shares. For Directors resigning their mandate prior to the end of the term, the number of RSU converted into shares is determined at the sole discretion of the Board of Directors. The fair value for the 2015 plan is based on the stock price at grant date of CHF 11.9.

Year of allocation	Outstanding on 1.1.	Granted in 2015	Forfeited in 2015	Exercised in 2015	Outstanding on 31.12.	Fair value at grant date	Expenses 2015 in CHF million	Vesting period
2014	64 139	–	–	64 139	–	14.2	0.2	16.04.14–08.04.15
2015	–	76 049	–	–	76 049	11.9	0.7	09.04.15–06.04.16
Total	**64 139**	**76 049**	**–**	**64 139**	**76 049**		**0.9**	

Performance Share Awards (PSA)
Members of the Executive Committee and senior management may receive a portion of their compensation as long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon, shares that are based on performance conditions and a vesting period of three years. Their achievement determines the effective number of total Performance Share Awards (PSA). Upon vesting, the effective number of PSA is converted into shares.

Performance conditions for the 2013, 2014 and 2015 plans are based on the rank of the Total Shareholder Return (TSR) of Oerlikon over a three-year period within a peer group consisting of 28 companies including OC Oerlikon. TSR is measured with a starting value of the Volume Weighted Average Share Price (VWAP) over the first 30 trading days of the first year and an ending value of the VWAP over the last 30 trading days of the third year, assuming that dividends are reinvested in the issuing entities' stock as they are paid. The rank of Oerlikon's TSR at the end of the performance period determines the effective number of total shares. At rank 3 of the peer group or above a maximum payout of 200 % of target performance share awards (PSA) are converted into shares. At rank 10 of the peer group, the payout is 100 %, at rank 15 it is 80 % and at rank 20 or below it is 0 %.

For the 2015 plan, the fair value at grant date was CHF 12.7 and was calculated using a Monte Carlo Simulation. Main assumptions include a stock price of CHF 12.3 and an average expected volatility of the peer group of 29.0 %.

Year of allocation	Outstanding on 1.1.	Granted in 2015	Forfeited in 2015	Exercised in 2015	Outstanding on 31.12.	Fair value at grant date[1]	Expenses 2015 in CHF million[2]	Vesting period
2012	650 151	–	36 828	613 323	–	n.a.	1.9	01.05.12–30.04.15
2013	520 951	9 479	78 482	22 209	429 739	11.1	1.7	01.05.13–30.04.16
2014	560 708	14 532	107 929	5 359	461 952	14.2	2.2	01.05.14–30.04.17
2015	–	681 321	48 572	–	632 749	12.7	1.6	01.05.15–30.04.18
Total	**1 731 810**	**705 332**	**271 811**	**640 891**	**1 524 440**		**7.4**	

[1] The fair values relate to the awards granted in 2015.

[2] The total expense of CHF 7.4 million (previous year CHF 10.8 million) includes income related to discontinued operations in the amount of CHF 0.1 million (previous year, restated: expense of CHF 0.6 million).

Related party transactions

Note 22

Related parties include members of the Board of Directors, the Executive Committee, employee benefit plans or important shareholders as well as companies under their control. Transactions with related parties are generally conducted at arm's length.

Primary shareholder
The share capital of CHF 339 758 576 consists of 339 758 576 registered shares, each with a par value of CHF 1.00. On December 31, 2015, conditional capital amounted to CHF 47 200 000.

The shareholders registered as holding more than 5 % of the shares as at December 31, 2015, were:

		Share ownership[1]
Shareholder	Number of shares	in %
Renova Group[2]	146 222 889[3]	43.04 %

[1] Source: Disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published on December 17, 2015).

[2] Beneficial owner (as per disclosure notification): Viktor V. Vekselberg, Zug and Moscow, Renova Group is composed of Liwet Holding AG, Zürich, Switzerland; Renova Innovation Technologies Ltd., Nassau, Bahamas, and Lamesa Holding S.A., Panama, Republic of Panama.

[3] At the end of 2014, the Renova Group held (as per disclosure notification) 144 764 860 shares (42.61 % of the issued Oerlikon shares).

Share ownership, options and related instruments
The disclosure below follows Art. 663c Para. 3 of the Swiss Code of Obligations, which requires disclosure of share ownership, options and related instruments individually for each member of the Board of Directors and Executive Committee, including shares, options and related instruments held by persons closely related to, and by companies controlled by members of the Board of Directors and Executive Committee.

Members of the Board of Directors	Number of shares	Number of Restricted Stock Units (RSU)
Prof. Dr. Michael Süss (since April 8, 2015)	none	23 529
Dr. Mary Gresens (since April 8, 2015)	none	10 504
Mikhail Lifshitz	15 004	10 504
Gerhard Pegam	15 004	10 504
Johan Van de Steen (since April 8, 2015)	none	10 504
Hans Ziegler	194 105	10 504
Tim Summers (until April 8, 2015)	none	none
Kurt J. Hausheer (until April 8, 2015)	8 100	none
Carl Stadelhofer (until April 8, 2015)	200	none
Total	**232 413**	**76 049**

Prof. Dr. Michael Süss (Chairman), Mikhail Lifshitz (Board Member) and Johan Van de Steen (Board Member) are also in senior positions at Renova Group. Mr. Prof. Dr. Süss is a Director of Renova Management AG. Mr. Lifshitz is Director High-tech Assets Business Development of the Renova Group, CEO of ROTEC and Chairman of the Board of Ural Turbine Works. Mr. Van de Steen is Head of Portfolio at Renova Management AG. The 200 shares of Mr. Stadelhofer are held by a related party.

Members of the Executive Committee	Number of shares	Number of Performance Share Awards (PSA)
Dr. Brice Koch	120 124	418 138
Jürg Fedier	450 270	220 567
Dr. Martin Füllenbach	2 594	43 124
Dr. Roland Herb	13 001	56 446
Dr. Bernd Matthes	16 709	65 321
Georg Stausberg	none	30 538
Andreas Dill (until February 2, 2015)	24 890	none
Total	**627 588**	**834 134**

Related party transactions

Note 22 (cont.)

Overview on the compensation of the Board of Directors and the Executive Committee

in CHF thousand	Executive Committee 2015	Executive Committee 2014	Board of Directors 2015	Board of Directors 2014
Short-term employee benefits	6 748	8 448	898	926
Post-employment benefits	921	894	–	–
Share-based payments	4 382	5 603	913	961
Total	**12 051**	**14 945**	**1 811**	**1 887**

Disclosures required by the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies on Board and Executive compensation are shown in the Remuneration Report.

Group and associated companies
An overview of the Group subsidiary companies can be found on pages 124 and 125. Transactions between the parent company and its subsidiaries as well as between the Group subsidiaries themselves have been eliminated in the consolidated annual financial statements.

In Germany, a Group company rents property from its pension fund. The fair value of the real estate included in the fair value of the assets of the pension fund is CHF 8 million (previous year: CHF 9 million) and the annual rent is CHF 1 million (previous year: CHF 1 million).

Participation plans: see Note 21.

During the year under review, there were no other related party transactions.

Contingent liabilities

Note 23

Contingent liabilities as of December 31, 2015, amount to CHF 4 million (previous year: CHF 6 million) mostly for excise and custom duties.

Payments under non-cancellable operating leases

Note 24

in CHF million	2015	2014
Due in 1st year	30	33
Due in 2nd year	18	20
Due in 3rd year	16	15
Due in 4th year	15	11
Due in or beyond 5th year	59	48
Total	**138**	**127**

The expenses of operating leases charged to the income statement amount to CHF 21 million (previous year, restated: CHF 21 million).

Pledged assets

Note 25

As of December 31, 2015, no assets (as last year) were pledged as a security.

Subsequent events

Note 26

No events occurred between the balance sheet date and the date on which this report was approved by the Board of Directors that could have a significant impact on the consolidated financial statements 2015.

Segment information

in CHF million	Surface Solutions Segment 2015	Surface Solutions Segment 2014[4]	Manmade Fibers Segment 2015	Manmade Fibers Segment 2014	Drive Systems Segment 2015	Drive Systems Segment 2014	Total Segments 2015	Total Segments 2014[6]
Order intake	**1 233**	**965**	**733**	**901**	**571**	**781**	**2 537**	**2 647**
Order backlog	**81**	**79**	**237**	**365**	**113**	**199**	**431**	**643**
Sales								
Sales to third parties	1 229	973	794	1 073	648	779	2 671	2 825
Sales to other Segments	5	3	–	–	–	–	5	3
Eliminations	–5	–3	–	–	–	–	–5	–3
	1 229	**973**	**794**	**1 073**	**648**	**779**	**2 671**	**2 825**
Sales by market region to third parties								
Asia/Pacific	331	270	595	778	81	80	1 007	1 128
Europe	595	482	104	107	324	410	1 023	999
North America	243	166	65	135	212	251	520	552
Other regions	60	55	30	53	31	38	121	146
	1 229	**973**	**794**	**1 073**	**648**	**779**	**2 671**	**2 825**
Sales by location to third parties								
Asia/Pacific	295	232	265	279	103	110	663	621
thereof China	88	64	260	274	25	28	373	366
Europe	640	522	508	776	275	373	1 423	1 671
thereof Switzerland	101	94	–	–	–	–	101	94
Germany	351	266	508	776	–	–	859	1 042
Italy	35	28	–	–	268	368	303	396
North America	256	179	21	18	270	296	547	493
Other regions	38	40	–	–	–	–	38	40
	1 229	**973**	**794**	**1 073**	**648**	**779**	**2 671**	**2 825**
Capital expenditure for property, plant and equipment and intangible assets[5]								
Asia/Pacific	17	16	1	4	9	17	27	37
Europe	46	43	20	18	20	20	86	81
North America	25	16	1	–	5	11	31	27
Other regions	3	4	–	–	–	–	3	4
	91	**79**	**22**	**22**	**34**	**48**	**147**	**149**
EBITDA	**264**	**183**	**85**	**217**	**–19**	**82**	**330**	**482**
EBIT	**157**	**98**	**67**	**197**	**–534**	**41**	**–310**	**336**
Other material items								
Research and development expense	–70	–56	–24	–33	–10	–14	–104	–103
Depreciation and amortization	–107	–85	–18	–20	–39	–41	–164	–146
Impairment of property, plant and equipment	–	–1	–	–	–5	–	–5	–1
Impairment of goodwill	–	–	–	–	–471	–	–471	–
Restructuring expenses	–1	–	–43	–2	–68	–	–112	–2
Net operating assets	**31.12.15**	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14
Operating assets[2]	1 583	1 684	586	615	577	1 149	2 746	3 448
Operating liabilities[3]	–258	–263	–361	–487	–228	–204	–847	–954
	1 325	**1 421**	**225**	**128**	**349**	**945**	**1 899**	**2 494**
Number of employees (full-time equivalents)	**31.12.15**	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14
Asia/Pacific	1 565	1 539	909	933	2 133	2 232	4 607	4 704
Europe	3 256	3 214	1 569	1 576	1 927	1 949	6 752	6 739
North America	1 036	1 019	50	43	772	1 013	1 858	2 075
Other regions	283	291	–	–	–	–	283	291
	6 140	**6 063**	**2 528**	**2 552**	**4 832**	**5 194**	**13 500**	**13 809**

[1] Discontinued operations include the Vacuum Segment, the Advanced Technologies Segment and the Natural Fibers and Textile Components Business Units.

[2] Operating assets include current and non-current operating assets (including goodwill and brands), whereas cash and cash equivalents, current financial investments, current income tax receivables as well as deferred tax assets are not included.

[3] Operating liabilities include current and non-current operating liabilities, whereas current loans and borrowings, non-current financial liabilities, current income tax payables and deferred tax liabilities are not included.

Group / Eliminations		Total from continuing operations		Discontinued operations[1]		Total incl. discontinued operations	
2015	2014[6]	**2015**	2014[6]	**2015**	2014[6]	**2015**	2014
–	**–**	**2 537**	**2 647**	**381**	**462**	**2 918**	**3 109**
–	**–**	**431**	**643**	**62**	**92**	**493**	**735**
–	–	2 671	2 825	361	471	3 032	3 296
–5	–3	–	–	–	–	–	–
5	3	–	–	–	–	–	–
–	**–**	**2 671**	**2 825**	**361**	**471**	**3 032**	**3 296**
–	–	1 007	1 128	123	170	1 130	1 298
–	–	1 023	999	154	190	1 177	1 189
–	–	520	552	72	101	592	653
–	–	121	146	12	10	133	156
–	**–**	**2 671**	**2 825**	**361**	**471**	**3 032**	**3 296**
–	–	663	621	105	118	768	739
–	–	373	366	55	64	428	430
–	–	1 423	1 671	177	246	1 600	1 917
–	–	101	94	–	34	101	128
–	–	859	1 042	177	212	1 036	1 254
–	–	303	396	–	–	303	396
–	–	547	493	78	107	625	600
–	–	38	40	1	–	39	40
–	**–**	**2 671**	**2 825**	**361**	**471**	**3 032**	**3 296**
–	–	27	37	2	4	29	41
3	2	89	83	10	12	99	95
–	–	31	27	–	–	31	27
–	–	3	4	–	1	3	5
3	**2**	**150**	**151**	**12**	**17**	**162**	**168**
8	**–7**	**338**	**475**	**5**	**33**	**343**	**508**
4	**–13**	**–306**	**323**	**–7**	**–15**	**–313**	**308**
–	–	–104	–103	–24	–44	–128	–147
–4	–5	–168	–151	–12	–17	–180	–168
–	–	–5	–1	–	–	–5	–1
–	–	–471	–	–	–32	–471	–32
–	–	–112	–2	–	–	–112	–2
31.12.15	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14
19	40	2 765	3 488	244	348	3 009	3 836
–43	–48	–890	–1 002	–63	–94	–953	–1 096
–24	**–8**	**1 875**	**2 486**	**181**	**254**	**2 056**	**2 740**
31.12.15	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14	**31.12.15**	31.12.14
–	–	4 607	4 704	421	399	5 028	5 103
220	227	6 972	6 966	1 140	1 305	8 112	8 271
–	–	1 858	2 075	90	109	1 948	2 184
3	3	286	294	9	8	295	302
223	**230**	**13 723**	**14 039**	**1 660**	**1 821**	**15 383**	**15 860**

[4] Includes Metco for seven months.
[5] Does not include non-current assets acquired through business combinations.
[6] Restated.

Reconciliation to the consolidated income statement and balance sheet

in CHF million	2015	2014, restated
EBIT	–306	323
Financial income	10	13
Financial expense	–43	–39
EBT	**–339**	**297**
Operating assets (continuing operations)	2 765	3 488
Non-operating assets[1]	1 332	1 478
Total assets	**4 097**	**4 966**
Operating liabilities (continuing operations)	890	1 002
Non-operating liabilities[2]	1 635	1 763
Total liabilities	**2 525**	**2 765**

[1] Including assets classified as held for sale (for 2014 including assets relating to discontinued operations).

[2] Including liabilities classified as held for sale (for 2014 including liabilities relating to discontinued operations).

Geographical information on non-current assets

in CHF million		2015	2014
Asia/Pacific		**276**	**314**
thereof	China	111	136
Europe		**1 374**	**2 102**
thereof	Switzerland	830	1 405
	Germany	307	449
	Italy	131	148
North America		**250**	**246**
thereof	USA	241	238
Other regions		**10**	**14**
Total		**1 910**	**2 676**

Non-current assets do not include deferred tax assets.

Information about major customers

In 2015 and 2014, no customer represented 10 % or more of the company's third-party sales.

Companies by country

Country	Name, registered office of significant companies by country	Currency	Share capital[1]	Group owns %	Number of employees
Austria	Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00	122
Belgium	Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE	EUR	620 000	100.00	50
Brazil	Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	30 662 100	99.99	106
Brazil	Oerlikon Leybold Vacuo do Brasil Ltda., Jundiaí, SP/BR	BRL	3 500 000	100.00	9
Brazil	Oerlikon Textile do Brasil Máquinas Ltda., Porto Alegre, RS/BR	BRL	16 385 000	100.00	–
Canada	Oerlikon Metco (Canada) Inc., Fort Saskatchewan, CA	CAD	100	100.00	71
China	Oerlikon (China) Technology Co. Ltd., Suzhou/CN	USD	30 000 000	100.00	365
China	Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00	385
China	Oerlikon Barmag Huitong (Yangzhou) Engineering Co. Ltd., Yangzhou/CN	CNY	100 000 000	60.00	31
China	Oerlikon China Equity Ltd., Hong Kong/CN	HKD	253 910 000	100.00	–
China	Oerlikon Drive Systems (Suzhou) Co. Ltd., Suzhou/CN	USD	12 000 000	100.00	114
China	Oerlikon Leybold Vacuum (Tianjin) Co. Ltd., Tianjin/CN	USD	4 960 000	100.00	148
China	Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN	USD	200 000	100.00	123
China	Oerlikon Metco Surface Technology (Shanghai) Co. Ltd., Shanghai/CN	CHF	9 500 000	100.00	240
China	Oerlikon Textile China Investments Ltd., Hong Kong/CN	HKD	266 052 500	100.00	–
China	Oerlikon Textile Far East Ltd., Hong Kong/CN	HKD	100 000	100.00	10
China	Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN	USD	7 000 000	100.00	147
China	Oerlikon Textile Systems Far East Ltd., Hong Kong/CN	HKD	250 000	100.00	–
China	Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN	USD	1 112 200	100.00	224
China	Transmission Trading Limited, Hong Kong/CN	HKD	94 380 000	100.00	–
Finland	Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI	EUR	2 500	51.00	7
France	Oerlikon Balzers France SAS, Ferriàres-en-Brie/FR	EUR	4 000 000	100.00	157
France	Oerlikon Leybold Vacuum France SAS, Villebon-sur-Yvette/FR	EUR	3 095 800	100.00	161
Germany	Dr. Schippers Unterstützungskasse GmbH, Remscheid/DE	EUR	26 000	100.00	–
Germany	Oerlikon Balzers Coating Germany GmbH, Bingen/DE	EUR	511 300	100.00	810
Germany	Oerlikon Deutschland Holding GmbH, Köln/DE	EUR	30 680 000	100.00	–
Germany	Oerlikon Friction Systems (Germany) GmbH, Bremen/DE	EUR	1 000 000	100.00	120
Germany	Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE	EUR	100 000	100.00	81
Germany	Oerlikon Leybold Vacuum GmbH, Köln/DE	EUR	1 200 100	100.00	822
Germany	Oerlikon Metaplas GmbH, Bergisch Gladbach/DE	EUR	1 000 000	100.00	135
Germany	Oerlikon Metco Coatings GmbH, Salzgitter/DE	EUR	1 000 000	100.00	70
Germany	Oerlikon Metco Europe GmbH, Kelsterbach/DE	EUR	1 000 000	100.00	108
Germany	Oerlikon Metco WOKA GmbH, Barchfeld/DE	EUR	1 000 000	100.00	138
Germany	Oerlikon Real Estate GmbH, Köln/DE	EUR	50 000	100.00	–
Germany	Oerlikon Surface Solutions Holding GmbH, Kelsterbach/DE	EUR	17 345 100	100.00	–
Germany	Oerlikon Textile GmbH & Co. KG, Remscheid/DE	EUR	41 000 000	100.00	1569
Germany	Oerlikon Vacuum Holding GmbH, Köln/DE	EUR	25 000	100.00	–
Germany	Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Köln/DE	EUR	25 000	100.00	–
Germany	Oerlikon Vermögens-Verwaltungs GmbH, Köln/DE	EUR	25 000	100.00	–
Germany	W. Reiners Verwaltungs-GmbH, Remscheid/DE	EUR	38 346 900	100.00	–
Great Britain	Graziano Trasmissioni UK Ltd., St. Neots/UK	GBP	40 000	100.00	8
Great Britain	Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK	GBP	2 000 000	100.00	48
Great Britain	Oerlikon Leybold Vacuum UK Ltd., Chessington/UK	GBP	300 000	100.00	28
Great Britain	Vocis Limited, Warwick/UK	GBP	200	51.00	26
India	Fairfield Atlas Ltd., Kolhapur/IN	INR	273 205 400	98.19	838
India	Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN	INR	267 124 900	100.00	1181
India	Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	100.00	250
India	Oerlikon Friction Systems (India) Ltd., Chennai	INR	7 100 000	100.00	120
India	Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN	INR	2 000 000	100.00	25
India	Oerlikon Textile India Pvt. Ltd., Mumbai/IN	INR	57 360 000	100.00	132
Italy	Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	129 100	100.00	81
Italy	Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT	EUR	58 697 400	100.00	1886
Italy	Oerlikon Leybold Vacuum Italia S.r.l., Milano/IT	EUR	110 000	100.00	15
Japan	Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP	JPY	450 000 000	100.00	34
Japan	Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00	147
Liechtenstein	OC Oerlikon Balzers AG, Balzers/LI	CHF	1 000 000	100.00	105
Liechtenstein	Oerlikon (Liechtenstein) Holding AG, Balzers/LI	CHF	120 000	100.00	–
Liechtenstein	Oerlikon Balzers Coating AG, Balzers/LI	CHF	1 000 000	100.00	187
Luxembourg	Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niederkorn/LU	EUR	1 000 000	60.00	22
Malaysia	Oerlikon Balzers Coating Malaysia Sdn. Bhd., Kuala Lumpur/MY	MYR	2 000 000	100.00	22
Mexico	Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX	MXN	71 458 000	100.00	109
Netherlands	Oerlikon Eldim (NL) B.V., Lomm/NL	EUR	396 400	100.00	261
Netherlands	Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL	EUR	462 900	100.00	12

Country	Name, registered office of significant companies by country	Currency	Share Capital[1]	Group owns %	Number of employees
Netherlands	SAC Oerlikon Automotive Components B.V., Rotterdam/NL	EUR	11 500 000	100.00	–
Philippines	Oerlikon Balzers Coating Philippines Inc., Muntinlupa/PH	PHP	15 000 000	99.99	9
Poland	Oerlikon Balzers Coating Poland Sp. z o.o., Polkowice Dolne/PL	PLN	5 000 000	100.00	86
Russia	Oerlikon Rus LLC, Moscow/RU	RUB	1 700 000	100.00	3
Russia	OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00	10
Singapore	Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00	24
Singapore	Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG	SGD	300 000	100.00	27
Slovakia	Oerlikon Balzers Coating Slovakia s.r.o., Bratislava/SK	EUR	11 060 000	100.00	61
South Korea	Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90	191
South Korea	Oerlikon Leybold Vacuum Korea Ltd.,Gyeonggi-do/KR	KRW	7 079 680 000	100.00	34
Spain	Oerlikon Balzers Coating Spain S.A.U., Antzuola/ES	EUR	150 300	100.00	71
Spain	Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES	EUR	168 300	100.00	13
Sweden	Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00	52
Switzerland	InnoDisc AG, Windisch/CH	CHF	100 000	100.00	–
Switzerland	OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH	CHF	339 758 600	100.00	–
Switzerland	OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH	CHF	2 000 000	100.00	85
Switzerland	OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach SZ/CH	CHF	112 019 600	100.00	–
Switzerland	OC Oerlikon Textile Schweiz AG, Pfäffikon, Freienbach SZ/CH	CHF	14 160 000	100.00	–
Switzerland	Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00	28
Switzerland	Oerlikon Drive Systems GmbH, Pfäffikon, Freienbach SZ/CH (formerly Oerlikon Licensing Arbon GmbH)	CHF	20 000	100.00	7
Switzerland	Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	500 000	100.00	30
Switzerland	Oerlikon Leybold Vacuum Schweiz AG, Pfäffikon, Freienbach SZ/CH (formerly Oerlikon Leybold Vacuum Schweiz AG)	CHF	300 000	100.00	8
Switzerland	Oerlikon Metco AG, Wohlen, Wohlen/CH	CHF	5 000 000	100.00	191
Switzerland	Oerlikon Surface Solutions AG, Trübbach, Wartau/CH (formerly Oerlikon Trading AG, Trübbach)	CHF	10 000 000	100.00	233
Switzerland	OT Textile Verwaltungs GmbH, Arbon/CH	CHF	20 000	100.00	–
Switzerland	Unaxis GmbH, Freienbach SZ/CH	CHF	20 000	100.00	–
Taiwan	Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW	TWD	20 000 000	100.00	29
Thailand	Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	99.99	59
Turkey	Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	99.99	45
USA	Fairfield Manufacturing Company Inc., Wilmington, DE/US	USD	10 000	100.00	773
USA	Melco Industries Inc., Denver, CO/US	USD	2 407 100	100.00	–
USA	Oerlikon Balzers Coating USA Inc., Wilmington, DE/US	USD	20 000	100.00	407
USA	Oerlikon Friction Systems (US) Inc., Dayton, OH/US	USD	1 000	100.00	178
USA	Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US	USD	1 375 000	100.00	90
USA	Oerlikon Management USA Inc., Pittsburgh, PA/US	USD	500 000	100.00	–
USA	Oerlikon Metco (US) Inc., Westbury, NY/US	USD	1 000	100.00	380
USA	Oerlikon Textile Inc., Charlotte, NC/US	USD	3 000 000	100.00	49
USA	Oerlikon USA Holding Inc., Wilmington, DE/US	USD	40 234 000	100.00	–
USA	TH Licensing Inc., Wilmington, DE/US	USD	10	100.00	–

[1] Share capital partly rounded to full hundred. Some articles of association and trade registers still contain old European currencies that are converted to EUR.

Report of the Statutory Auditor to the annual General Meeting of Shareholders of OC Oerlikon Corporation AG, Pfäffikon, Freienbach

Report of the Statutory Auditor on the Consolidated Financial Statements
As statutory auditor, we have audited the accompanying consolidated financial statements of OC Oerlikon Corporation AG, Pfäffikon, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on pages 72 to 123 for the year ended December 31, 2015.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

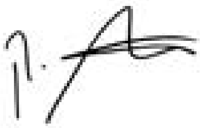
Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG



Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, February 26, 2016

Five-year summary of key figures

in CHF million	**2015**	2014	2013	2012	2011
Order intake[1]	2 537	2 647	2 779	2 802	2 878
Order backlog[1]	431	643	800	834	971
Sales[1]	2 671	2 825	2 770	2 906	2 731
EBITDA[1, 3]	338	475	483	547	450
– as % of sales	13 %	17 %	17 %	19 %	16 %
EBIT[1, 4]	–306	323	359	421	318
– as % of sales	–11 %	11 %	13 %	14 %	12 %
Net result	–418	202	201	380	224
– as % of equity attributable to shareholders of the parent	–27 %	9 %	10 %	20 %	14 %
Cash flow from operating activities[5]	393	427	435	414	544
Capital expenditure for property, plant and equipment and intangible assets[1]	150	151	177	181	167
Total assets	4 097	4 966	4 094	4 158	4 573
Equity attributable to shareholders of the parent	1 554	2 188	2 072	1 860	1 586
– as % of total assets	38 %	44 %	51 %	45 %	35 %
Net cash[2, 6]	79	114	981	339	–86
Net operating assets[1, 7]	1 875	2 486	1 586	1 575	2 205
Number of employees[1]	13 723	14 039	12 660	12 708	12 726
Personnel expense[1]	785	780	737	765	740
Research and development expenditure[1, 8]	103	96	101	106	102

[1] 2015 continuing operations, 2014 restated, 2013, 2012 and 2011 as reported.

[2] 2015 continuing operations, 2014, 2013, 2012 and 2011 as reported.

[3] Includes one-time effects of CHF –112 million (restructuring).

[4] Includes one-time effects of CHF –588 million (restructuring expenses of CHF –112 million and impairment losses of CHF 476 million).

[5] Before changes in net current assets.

[6] Net cash includes cash and cash equivalents and marketable securities less current and non-current debt.

[7] Net operating assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets) less operating liabilities (excluding current loans and borrowings, non-current financial liabilities, current income tax payables and deferred tax liabilities).

[8] Research and development expenditure includes expense recognized as intangible assets.

OC Oerlikon Corporation AG, Pfäffikon

Income statement of OC Oerlikon Corporation AG, Pfäffikon

in CHF	Notes	2015	2014
Income from investments	3.1	116 521 449	64 418 618
Financial income	3.2	20 293 447	18 517 267
Other income	3.3	47 165 145	51 192 209 *
Total income		**183 980 041**	**134 128 094**
Financial expense	3.4	–65 675 835	–33 756 372
Personnel expense		–1 758 078	–2 510 096 *
Other expense	3.5	–29 626 643	–41 298 357 *
Result before taxes and adjustment on loans and investments		**86 919 485**	**56 563 269**
Valuation adjustments on loans and investments	3.6	–195 746 430	–8 490 496
Result before taxes		**–108 826 945**	**48 072 773**
Direct taxes		–162 697	–142 079 *
Result for the year		**–108 989 642**	**47 930 694**

* The previous year's figures were adjusted to the new structure (refer to Note 1.1 "General aspects").

Balance sheet at December 31 of OC Oerlikon Corporation AG, Pfäffikon

Assets

in CHF	Notes	2015	%	2014	%
Cash and cash equivalents	2.1	616 160 746	17.2	603 671 594	15.8
Receivables					
– from third parties		180 925	0.0	394 912	0.0
– from companies in which the entity holds an investment	2.2	655 317 472	18.3	745 954 354	19.4 *
Other current receivables		–	0.0	9 343 839	0.2
Prepaid expenses and accrued income		344 778	0.0	643 291	0.0
Current assets		**1 272 003 921**	**35.5**	**1 360 007 990**	**35.4**
Non-current financial assets					
– from third parties		289 620	0.0	448 747	0.0
– from companies in which the entity holds an investment	2.3	575 210 984	16.1	709 763 307	18.5 *
Investments	2.4	1 732 261 588	48.4	1 766 789 584	46.1
Non-current assets		**2 307 762 192**	**64.5**	**2 477 001 638**	**64.6**
Total assets		**3 579 766 113**	**100.0**	**3 837 009 628**	**100.0**

Liabilities and equity

in CHF	Notes	2015	%	2014	%
Current interest-bearing payables					
– due to third parties	2.5	300 000 000	8.3	–	0.0
– due to companies in which the entity holds an investment	2.6	234 308 362	6.6	306 509 035	8.0 *
Current payables					
– due to third parties		243 671	0.0	244 207	0.1
– due to companies in which the entity holds an investment		146 338	0.0	518 966	0.1 *
Accrued liabilities and deferred income		20 606 927	0.7	27 382 141	0.7 *
Current liabilities		**555 305 298**	**15.6**	**334 654 349**	**8.9**
Non-current interest-bearing payables					
– due to third parties	2.7	450 000 000	12.5	750 000 000	19.4
– due to companies in which the entity holds an investment	2.8	404 163 924	11.3	372 706 525	9.8
Provisions	2.9	50 117 482	1.3	57 854 615	1.5 *
Non-current liabilities		**904 281 406**	**25.1**	**1 180 561 140**	**30.7**
Total liabilities		**1 459 586 704**	**40.7**	**1 515 215 489**	**39.6**
Share capital	2.10	339 758 576	9.5	339 758 576	8.9
Legal capital reserves					
– Reserves from capital contributions	2.11	919 799 445	25.7	1 021 385 622	26.6
Legal retained earnings					
– General legal retained earnings		70 593 765	2.0	70 593 765	1.8
Voluntary retained earnings					
– Free reserves and statutory reserves		293 910 850	8.2	293 910 850	7.7
– Available earnings					
– Profit brought forward		610 980 916	17.1	563 062 009	14.6 *
– Result for the year		–108 989 642	–3.0	47 930 694	1.2
Treasury shares	2.12	–5 874 501	–0.2	–14 847 377	–0.4 *
Total equity		**2 120 179 409**	**59.3**	**2 321 794 139**	**60.4**
Total liabilities and equity		**3 579 766 113**	**100.0**	**3 837 009 628**	**100.0**

* The previous year's figures were adjusted to the new structure (refer to Note 1.1 "General aspects").

Notes to the financial statements of OC Oerlikon Corporation AG, Pfäffikon

Principles (1)
General aspects (1.1)
These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. Certain reclassifications have been made to the 2014 balance sheet and income statement to conform to the 2015 presentation. The respective positions have been marked with an asterisk (*).

Financial assets (1.2)
Financial assets include non-current loans from third parties and from companies in which the entity holds an investment. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized profits are not recognized.

Treasury shares (1.3)
Treasury shares are recognized at acquisition cost and deducted from shareholder's equity at the time of acquisition. In case of a resale, the gain or loss is recognized directly in the equity in the position profit brought forward.

Non-current interest-bearing payables (1.4)
Interest-bearing payables are recognized in the balance sheet at nominal value.

Foregoing a cash flow statement and additional disclosures in the notes (1.5)
As OC Oerlikon Corporation AG, Pfäffikon, has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing payables and audit fees in the notes as well as a cash flow statement in accordance with the law.

Information on balance sheet items (2)
Cash and cash equivalents (2.1)
This item consists of current balances denominated in Swiss francs, Euros and US dollars and is held with European banks.

Current receivables from companies in which the entity holds an investment (2.2)
The current receivables from companies in which the entity holds an investment consists mainly cash pool deposits in Swiss francs, Euros and US dollars.

Non-current financial assets from companies in which the entity holds an investment (2.3)
The non-current financial assets from companies in which the entity holds an investement consists mainly of non-current deposits in Swiss francs, Euros and US dollars. A subordination agreement in the amount of CHF 88.8 million has been issued to a group company.

Investments (2.4)
OC Oerlikon Corporation AG, Pfäffikon, holds on the balance sheet date significant investments which are listed in the table on page 135. These investments are recorded at historical costs less any valuation adjustments.

Current interest-bearing payables due to third parties (2.5)
The current interest-bearing payables due to third parties contains a current bond.

Conditions on outstanding bond:

	CHF thousand
	2012–2016
Nominal value at December 31, 2015	300 000
Nominal value at December 31, 2014	300 000
Interest	4.250 %
Duration in years	4
Maturity	**July 13, 2016**

Additional information about the bond can be found in Note 18 of the Group's consolidated financial statements on pages 107 and 108.

Current interest-bearing payables due to companies in which the entity holds an investment (2.6)
The current interest-bearing payables due to companies in which the entity holds an investment contains mainly cash pool debts in Swiss francs, Euros and US dollars.

Non-current interest-bearing payables due to third parties (2.7)
The non-current interest-bearing payables due to third parties contains the following non-current bonds.

Conditions on outstanding bonds:

	CHF thousand	CHF thousand
	2014–2019	**2014–2024**
Nominal value at December 31, 2015	300 000	150 000
Nominal value at December 31, 2014	300 000	150 000
Interest	1.250 %	2.625 %
Duration in years	5	10
Maturity	**June 17, 2019**	**June 17, 2024**

Additional information about the bonds can be found in Note 18 of the Group's consolidated financial statements on pages 107 and 108.

Non-current interest-bearing payables due to companies in which the entity holds an investment (2.8)
The non-current interest-bearing payables due to companies in which the entity holds an investment contains long-term loans, mainly in Swiss francs, Euros, Hong Kong dollars, and Chinese yuan.

Provisions (2.9)
Provisions cover mainly risks related to investments and other risks.

Share capital (2.10)
The share capital of CHF 339 758 576 (previous year: CHF 339 758 576) consists of 339 758 576 (previous year: 339 758 576) registered shares, each with a par value of CHF 1.00. On December 31, 2015, conditional capital amounted to CHF 47 200 000 (previous year: CHF 47 540 353).

Notes to the financial statements of OC Oerlikon Corporation AG, Pfäffikon

Reserves from capital contributions (2.11)
OC Oerlikon Corporation AG, Pfäffikon, shows as of December 31, 2015, reserves from capital contributions of CHF 919 799 445. Thereof CHF 268 706 303 are not yet available for distribution due to the current practice of the Swiss Federal Tax Authorities. Dividend distributions can be done out of available reserves from capital contribution first. Available reserves from capital contributions amount to CHF 651 093 142. In 2015, the value of available reserves from capital contributions has changed due to dividend payment of CHF 101 581 892 and legal fees of CHF 4 285.

Reserves from capital contributions:

in CHF	available	not available yet	**Total**
Balance at January 1, 2015	752 679 319	268 706 303	1 021 385 622
Dividend payment	–101 581 892	–	–101 581 892
Legal fees	–4 285	–	–4 285
Balance at December 31, 2015	**651 093 142**	**268 706 303**	**919 799 445**

Treasury shares (2.12)
Treasury shares are shown directly in equity. All reserves for treasury shares were reversed at January 1, 2015.

in CHF	Amount	Number of treasury shares	Lowest rate	Highest rate	Average rate of treasury shares
Balance at January 1, 2015	14 847 377	1 208 319	–	–	–
Acquisitions	1 563 126	146 247	8.716	12.379	10.548
Allocation to board members	–688 695	–56 048	–	–	12.288
Allocation to management	–9 847 307	–801 402	–	–	12.288
Balance at December 31, 2015	5 874 501	497 116	–	–	–

in CHF	Amount	Number of treasury shares	Lowest rate	Highest rate	Average rate of treasury shares
Balance at January 1, 2014	10 357 673	944 902	–	–	–
Acquisitions	13 642 618	1 059 364	11.450	15.342	13.396
Allocation to warrant holders	–4 093 224	–355 951	–	–	11.499
Allocation to board members	–727 452	–63 260	–	–	14.200
Allocation to management	–4 332 238	–376 736	–	–	14.200
Balance at December 31, 2014	14 847 377	1 208 319	–	–	–

Information on income statement items (3)
Income from investments (3.1)
The income from investments consists only of dividend incomes from companies in which the entity holds an investment.

Financial income (3.2)
Financial income mainly includes interest incomes from loans from companies in which the entity holds an investment.

Other income (3.3)
Other income consists mainly of trademark fees.

Financial expense (3.4)
Financial expense includes interest expenses due to companies in which the entity holds an investment and due to third parties as well as net exchange losses.

Other expense (3.5)
Other expense consists mainly of management fees charged by OC Oerlikon Management AG, Pfäffikon.

Valuation adjustments on loans and investments (3.6)
The valuation adjustments on loans and investments result from the weakness in key markets, impacting the medium-to-long-term outlook in Segment Drive Systems and the principle of individual valuation required by Swiss Law on Accounting and Financial Reporting.

Other information (4)
Joint and several liability in favor of group companies (4.1)
VAT group
OC Oerlikon Corporation AG, Pfäffikon, belongs to a VAT group and therefore all participants are jointly liable to the Swiss Federal Tax Administration for the value added tax debts of the whole group.

Cash Pooling group
All participants are jointly liable for any liabilities related to the Cash Pooling.

Full-time equivalents (4.2)
OC Oerlikon Corporation AG, Pfäffikon, does not have any employees.

Contingent liabilities (4.3)
The contingent liabilities relate primarily to corporate guarantees and bank guarantees in favor of companies in which the entity holds an investment and amount to CHF 256 million (previous year: CHF 324 million).

Notes to the financial statements of OC Oerlikon Corporation AG, Pfäffikon

Significant shareholders (4.4)

Significant shareholders registered as holding more than 5 % of the shares as at December 31, 2015, were:

Share ownership[1]

	2015		2014	
Shareholder	Number of shares	in %	Number of shares	in %
Renova Group[2]	146 222 889	43.04 %	144 764 860	42.61 %

[1] Source: disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published on December 17, 2015).

[2] Beneficial owner (as per disclosure notification): Viktor V. Vekselberg, Zug and Moscow, Renova Group is composed of Liwet Holding AG, Zürich, Schweiz; Renova Innovation Technologies Ltd., Nassau, Bahamas and Lamesa Holding S.A., Panama, Republic of Panama.

Equity owned by Executive Committee and the Board of Directors, including any related parties (4.5)

Members of the Board of Directors:

	2015	2014
	Number of shares	Number of shares
Prof. Dr. Michael Süss (since April 8, 2015)	none	none
Dr. Mary Gresens (since April 8, 2015)	none	none
Mikhail Lifshitz	15 004	7 917
Gerhard Pegam	15 004	7 917
Johan Van de Steen (since April 8, 2015)	none	none
Hans Ziegler	194 105	185 246
Tim Summers (until April 8, 2015)	none	77 844
Kurt J. Hausheer (until April 8, 2015)	8 100	194 508
Carl Stadelhofer (until April 8, 2015)	200	143 705
Total	**232 413**	**617 137**

Prof. Dr. Michael Süss (Chairman), Mikhail Lifshitz (Board Member) and Johan Van de Steen (Board Member) are also in senior positions at Renova Group. Prof. Dr. Süss is a Director of Renova Management AG. Mr. Lifshitz is Director High-tech Assets Business Development of the Renova Group, CEO of ROTEC and Chairman of the Board of Ural Turbine Works. Mr. Van de Steen is Head of Portfolio at Renova Management AG. The 200 shares of Mr. Stadelhofer are held by a related party.

Members of the Executive Committee:

	2015	2014
	Number of shares	Number of shares
Dr. Brice Koch	120 124	31 851
Jürg Fedier	450 270	350 849
Dr. Martin Füllenbach	2 594	none
Dr. Roland Herb	13 001	3 656
Dr. Bernd Matthes	16 709	none
Georg Stausberg	none	none
Dr. Hans Brändle (until June 2, 2014)	none	40 000
Stefan Kross (until December 31, 2014)	none	39 561
Andreas Dill (until February 2, 2015)	24 890	8 541
Total	**627 588**	**474 458**

None of the members of the Board or Management hold conversion or option rights.

Shares or options on shares for members of the Board of Directors, Executive Committee and Senior Management (4.6)

Shares or options on shares are used for share-based compensation of members of the Board of Directors compensated by OC Oerlikon Corporation AG, Pfäffikon, as well as of the Executive Committee and Senior Management employed by other companies of the group. The number of shares is calculated based on fair value at grant date.

The allocation was as follows:

	2015		2014	
in CHF thousand	Number of shares	Amount	Number of shares	Amount
Allocated to authorized members	781 381	8 972	946 642	13 489

For year 2015 781 381 shares are allocated in total and the granted value for share-based-programms amounts to CHF 9.0 million. Thereof, 76 049 allocated shares and a granted value of CHF 0.9 million relates to the Board of Directors. Another 362 635 allocated shares and a granted value of CHF 4.6 million is attributed for the Executive Committee.

For year 2014 946 642 shares are allocated in total and the granted value for share-based-programms amounts to CHF 13.5 million. Thereof, 64 139 allocated shares and a granted value of CHF 0.9 million relates to the Board of Directors. Another 579 822 allocated shares and a granted value of CHF 8.0 million is attributed for the Executive Committee.

Significant events after the balance sheet date (4.7)

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

Investments

Company	Place of business	Currency	2015 Share Capital	2014 Share Capital	2015 Capital and share of votes in %	2014 Capital and share of votes in %
InnoDisc AG	Windisch AG/CH	CHF	100 000	100 000	100.00	100.00
OC Oerlikon Management AG, Pfäffikon	Freienbach SZ/CH	CHF	2 000 000	2 000 000	100.00	100.00
OC Oerlikon Textile Holding AG, Pfäffikon	Freienbach SZ/CH	CHF	112 019 600	112 019 600	100.00	100.00
Oerlikon Balzers Coating India Ltd.	Pune/IN	INR	70 000 000	70 000 000	78.40	78.40
Oerlikon Balzers Coating (Thailand) Co. Ltd.	Chonburi/TH	THB	80 000 000	80 000 000	99.99	99.99
Oerlikon Balzers Coating Korea Co. Ltd.	Pyongtaek/KR	KRW	6 300 000 000	6 300 000 000	89.10	89.10
Oerlikon Balzers Coating Luxembourg S.à.r.l.	Differdange-Niedercorn/LU	EUR	1 000 000	1 000 000	60.00	60.00
Oerlikon Balzers Coating Poland Sp. z o.o.	Polkowice Dolne/PL	PLN	5 000 000	5 000 000	100.00	100.00
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi	Bursa/TR	TRY	2 500 000	2 500 000	99.99	99.99
Oerlikon Balzers Sandvik Coating AB	Stockholm/SE	SEK	11 600 000	11 600 000	51.00	51.00
Oerlikon Deutschland Holding GmbH	Cologne/DE	EUR	30 680 000	30 680 000	6.00	6.00
Oerlikon Drive Systems GmbH, Pfäffikon	Freienbach SZ/CH	CHF	20 000	20 000	100.00	100.00
Oerlikon Balzers France SAS	Ferrières-en-Brie/FR	EUR	4 000 000	4 000 000	100.00	100.00
Oerlikon IT Solutions AG, Pfäffikon	Freienbach SZ/CH	CHF	500 000	500 000	100.00	100.00
Oerlikon Surface Solutions AG, Trübbach, Wartau/CH	Wartau SG/CH	CHF	10 000 000	8 000 000	100.00	100.00
Oerlikon USA Holding Inc.	Wilmington DE/USA	USD	40 234 000	40 234 000	62.00	62.00
Oerlikon Vermögens-Verwaltungs GmbH	Cologne/DE	EUR	25 000	25 000	100.00	100.00
OOO Oerlikon Balzers Rus	Elektrostal/RU	RUB	1 000 000	1 000 000	100.00	100.00
OT Textile Verwaltungs GmbH	Arbon TG/CH	CHF	20 000	20 000	100.00	100.00
PT. Oerlikon Balzers Artoda Indonesia	Bekasi/ID	IDR	18 000 000 000	18 000 000 000	42.00	42.00
Unaxis GmbH	Freienbach SZ/CH	CHF	20 000	20 000	90.00	90.00
Oerlikon Graziano S.p.A.	Cascine Vica Rivoli/IT	EUR	58 697 400	58 697 400	16.34	0.00

Changes in equity of OC Oerlikon Corporation AG, Pfäffikon

in CHF million	Share capital	Reserves from capital contributions	General legal retained earnings	Free reserves and statutory reserves	Available earnings*	Treasury shares	Total equity
Balance at January 1, 2014	**334.6**	**1 086.1**	**70.6**	**293.9**	**563.1**	**–10.4**	**2 337.9**
Changes in capital increase	5.2	25.3	0.0	0.0	0.0	0.0	30.5
Changes in treasury shares	0.0	0.0	0.0	0.0	0.0	–4.5	–4.5
Dividend payment	0.0	–90.1	0.0	0.0	0.0	0.0	–90.1
Result for the year	0.0	0.0	0.0	0.0	47.9	0.0	47.9
Balance at December 31, 2014	**339.8**	**1 021.3**	**70.6**	**293.9**	**611.0**	**–14.9**	**2 321.7**
Changes in capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in treasury shares	0.0	0.0	0.0	0.0	0.0	9.0	9.0
Dividend payment	0.0	–101.5	0.0	0.0	0.0	0.0	–101.5
Result for the year	0.0	0.0	0.0	0.0	–109.0	0.0	–109.0
Balance at December 31, 2015	**339.8**	**919.8**	**70.6**	**293.9**	**502.0**	**–5.9**	**2 120.2**

* The reserves for treasury shares recorded as of January 1, 2014, in the amount of CHF 10.4 million have been released and allocated to the available earnings in order to comply with the presentation requirements of the Swiss Law on Accounting and Financial Reporting.

Proposal of the Board of Directors

The available earnings amount to:

in CHF	**2015**
Retained earnings brought forward	610 980 916
Result for the year	–108 989 642
Available earnings	501 991 274

The Board of Directors proposes to the Annual General Meeting of Shareholders that the available earnings are to be appropriated as follows:

Balance to be carried forward	501 991 274

The Board of Directors proposes to the Annual General Meeting of Shareholders a distribution of a dividend, distributed from reserves from capital contributions:

Dividend from reserves from capital contributions (without withholding tax) of CHF 0.30 on dividend bearing shares with a nominal value of CHF 1.00 each	103 000 000

The company will not pay dividend on treasury shares held by OC Oerlikon Corporation AG, Pfäffikon.

Pfäffikon SZ, February 26, 2016

On behalf of the Board of Directors
Chairman

Prof. Dr. Michael Süss

Report of the Statutory Auditor to the General Meeting of Shareholders of OC Oerlikon Corporation AG, Pfäffikon, Freienbach

Report of the Statutory Auditor on the Financial Statements.

As statutory auditor, we have audited the accompanying financial statements of OC Oerlikon Corporation AG, Pfäffikon, which comprise the income statement, balance sheet and notes on pages 130 to 136 for the year ended December 31, 2015.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Thomas Affolter
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, February 26, 2016

Legal structure

Legal structure of significant companies as per December 31, 2015

OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH
–InnoDisc AG, Windisch/CH
–OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH
–Oerlikon Balzers Coating India Pvt. Ltd., Pune/IN
· Oerlikon Friction Systems (India) Ltd., Pune/IN
–Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH
–Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR
–Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niedercorn/LU
–Oerlikon Balzers Coating Poland Sp.z o.o., Polkowice Dolne/PL
–Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR
–Oerlikon Balzers Sandvik Coating AB, Stockholm/SE
· Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI
–Oerlikon Balzers France SAS, Ferrières-en-Brie/FR
–Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH
–Oerlikon Drive Systems GmbH, Pfäffikon, Freienbach SZ/CH
· Transmission Trading Ltd., Hongkong/CN
· · Oerlikon Drive Systems (Suzhou) Co. Ltd., Suzhou/CN
–Oerlikon Surface Solutions AG, Trübbach, Wartau/CH
· Oerlikon (Liechtenstein) Holding AG, Balzers/LI
· · Oerlikon Balzers Coating AG, Balzers/LI
· · OC Oerlikon Balzers AG, Balzers/LI
· Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP
· Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
· Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT
· Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG
· Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT
· Oerlikon Balzers Coating Spain S.A.U, Antzuola/ES
· Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX
· Oerlikon Balzers Coating Malaysia Sdn. Bhd., Kuala Lumpur/MY
· Oerlikon Balzers Coating Philippines, Inc., Muntinlupa/PH
· Oerlikon Balzers Coating UK Ltd., Milton Keynes/GB
· Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR
· Oerlikon Metco (Canada) Inc., Fort Saskatchewan, CA
· Oerlikon Eldim (NL) B.V., Lomm/NL
· Oerlikon Metco AG, Wohlen, Wohlen/CH
· Oerlikon Balzers Coating SA, Brügg, Brügg/CH
· Oerlikon Balzers Coating Slovakia s.r.o., Bratislava/SK
–Oerlikon USA Holding Inc., Wilmington, DE/US
· Oerlikon Balzers Coating USA Inc., Wilmington, DE/US
· Oerlikon Metco (US) Inc., Westbury NY/US
· Oerlikon Friction Systems (US) Inc., Dayton OH/US
· Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US
· Oerlikon Management USA Inc., Pittsburgh, PA/US
· Fairfield Manufacturing Company Inc., Wilmington, DE/US
· · TH Licensing Inc., Wilmington, DE/US
· · · Fairfield Atlas Ltd., Kolhapur/IN
· Melco Industries Inc., Denver, CO/US
· Oerlikon Textile Inc., Charlotte, NC/US
–Oerlikon Vermögens-Verwaltungs GmbH, Cologne/DE
–OOO Oerlikon Balzers Rus, Elektrostal/RU
–OT Textile Verwaltungs GmbH, Arbon/CH

Legal structure of significant companies as per December 31, 2015

– OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach SZ/CH
- · OC Oerlikon Textile Schweiz AG, Pfäffikon, Freienbach SZ/CH
  - · Oerlikon Textile China Investments Ltd., Hongkong/CN
    - · Oerlikon (China) Technology Co. Ltd., Suzhou/CN
      - · Oerlikon Metco Surface Technology (Shanghai) Co. Ltd., Shanghai/CN
    - · Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN
  - · Oerlikon China Equity Ltd., Hongkong/CN
- · W. Reiners Verwaltungs-GmbH, Remscheid/DE
  - · Oerlikon Textile GmbH & Co. KG, Remscheid/DE
    - · Oerlikon Deutschland Holding GmbH, Cologne/DE
      - · Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE
      - · Oerlikon Surface Solutions Holding GmbH, Kelsterbach/DE
        - · Oerlikon Balzers Coating Germany GmbH, Bingen/DE
        - · Oerlikon Metco Europe GmbH, Kelsterbach/DE
        - · Oerlikon Metaplas GmbH, Bergisch Gladbach/DE
        - · Oerlikon Metco Coatings GmbH, Salzgitter/DE
          - · Oerlikon Friction Systems (Germany) GmbH, Bremen/DE
        - · Oerlikon Metco WOKA GmbH, Barchfeld/DE
      - · Oerlikon Leybold Vacuum GmbH, Cologne/DE
        - · Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW
        - · Oerlikon Leybold Vacuum Korea Ltd., Gyeonggi-do/KR
        - · Oerlikon Leybold Vacuum (Tianjin) Co. Ltd., Tianjin/CN
        - · Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN
        - · Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE
        - · Oerlikon Leybold Vacuum France SAS, Villebon-sur-Yvette/FR
        - · Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN
        - · Oerlikon Leybold Vacuum Italia S.r.l., Milano/IT
        - · Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP
        - · Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL
        - · Oerlikon Leybold Vacuum Schweiz AG, Pfäffikon, Freienbach SZ/CH
        - · Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG
        - · Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES
        - · Oerlikon Leybold Vacuum UK Ltd., Chessington/GB
        - · Oerlikon Leybold Vacuo do Brasil LTDA., Jundiaí, SP/BR
      - · Oerlikon Real Estate GmbH, Cologne/DE
      - · Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Cologne/DE
    - · Oerlikon Textile Far East Ltd., Hongkong/CN
      - · Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN
    - · Oerlikon Textile India Pvt. Ltd., Mumbai/IN
  - · Dr. Schippers Unterstützungskasse GmbH, Remscheid/DE
  - · Oerlikon Vacuum Holding GmbH, Cologne/DE
- · Oerlikon Textile do Brasil Máquinas Ltda., Porto Alegre, RS/BR
- · Oerlikon Textile Systems Far East Ltd., Hongkong/CN
- · Oerlikon Barmag Huitong (Yangzhou) Engineering Co., Ltd, Yangzhou/CN
- · SAC Oerlikon Automotive Components B.V., Rotterdam/NL
  - · Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT
    - · Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN
    - · Graziano Trasmissioni UK Ltd., St. Neots/GB
    - · Vocis Limited, Warwick/GB

– Unaxis GmbH, Freienbach SZ/CH
- · Oerlikon Rus LLC, Moscow/RU

Glossary

Corporate

AGM	Annual General Meeting
CAGR	Compound Annual Growth Rate
CAPEX	Capital expenditure
EBIT(DA)	Earnings before interest and tax (depreciation and amortization)
EMEAR	Europe, Middle East, Africa, Russia
EPS	Earnings per share
HSE	Health, Safety and Environment
KPI	Key performance indicator
LTAFR	Lost time accidents frequency rate
OOE	Oerlikon Operational Excellence
ROCE	Return on capital employed
SMI	Swiss Market Index: Switzerland's blue-chip stock market index. It is made up of 20 of the largest and most liquid Swiss Performance Index (SPI) large- and mid-cap stocks.
SMIM	Swiss Market Index Mid: consists of 30 biggest mid-cap Swiss companies which are not already covered in the SMI.
STOXX Europe 600	Stoxx Europe 600 Index: represents large, mid and small capitalization companies across 18 countries of the European region
STOXX Europe 600 Industrial Goods & Services	Derived from STOXX Europe 600. Constitutes the largest stocks of the industrial goods and services industry in Europe

Surface Solutions Segment

AM	Additive Manufacturing: the process of joining materials to make objects, usually layer by layer. A common subtype of AM is 3D printing.
BALINIT ALTENSA	A PVD coating that enables extreme cutting speeds, maximized productivity und perceptibly longer service lives for high-end gear cutting tools.
BALINIT CROMA	Unique offering of thin-film coatings for plastics processing and general engineering applications, originally from Oerlikon Metco.
BALIQ	Wear-resistant, extremely smooth coatings, based on Oerlikon Balzers' S3p technology, with revolutionary properties for a unique spectrum of applications.
CMC	Ceramic matrix composites: a subgroup of composite materials and a subgroup of technical ceramics, consisting of ceramic fibres embedded in a ceramic matrix
Composite material	A material made from two or more constituent materials with significantly different physical or chemical properties that, when combined, produce a material with characteristics different from the individual components
ePD	Embedded PVD for Design Parts: an environmentally friendly coating technology for metallization of plastic.
EBC	Environmental Barrier Coatings: to provide turbine engines effective protection against vapor and environmental factors
HiPIMS	High Power Impulse Magnetron Sputtering: a method for PVD of thin films based on magnetron sputter deposition, resulting in a high degree of ionization and virtually droplet-free and highly dense coatings.
INNOVENTA mega	PVD coating system for tools with extremely high throughputs.
MetcoClad	A welding process utilizing an infinitely controllable laser beam as its heat source.
MetcoAdd	Brand of materials (superalloy powders) of the AM business unit of the Surface Solutions Segment
PPD technology	Pulsed-Plasma Diffusion: a cost-effective and environmentally friendly technology to harden and provide long-lasting protection of large manufacturing production tools and dies. Using hydrogen and nitrogen in an electrical discharge, this technology uses no hazardous chemicals, and is an alternative to hard chrome-plating.
PVD	Physical vapor deposition: a variety of methods used to deposit thin films onto various workpiece surfaces through condensation of the desired thin film material vapourized in vacuum.
S3p technology	Scalable Pulsed Power Plasma: a coating technology that combines the advantages of arc and sputtering technologies, with high ionisation and virtually no droplets. This results in extremely smooth and dense coatings for a wide variety of applications.
SLM	Selective laser melting: an additive manufacturing process that uses 3D CAD data as a digital information source and energy in the form of a high-power laser beam, to create three-dimensional metal parts by fusing fine metal powders together
Superalloy powders	Used to produce superalloys, or high-performance alloys, which exhibit excellent mechanical strength and creep resistance at high temperatures, good surface stability, and corrosion and oxidation resistance

Manmade Fibers Segment

BCF	Bulked Continuous Filament: yarn for carpet production, usually polypropylene or polyester
EvoTape	Tape production system that enables greater process stability in efficient tape extrusion for the production of carpets, agricultural textiles and geotextiles.
HMLS	High-modulus low-shrinkage polyester yarns for tire cords
Manmade Fiber	Chemical or synthetic fibers
POC	Plant operation center, a complete software solution that manages the entire spinning and texturing production process.
POY	Pre-oriented yarn: spun yarn that is not completely drawn
RoTac³	Rotating tangle unit: an energy-saving yarn component used in the tangling or intermingling step in the production of BCF yarn
WINGS	Winding INtegrated Godet Solution: a family of winder technology by Manmade Fibers Segment
WINGS FDY PLUS	Latest winder technology for fully drawn yarn
WINGS POY XS	Latest winder technology for partially oriented yarn

Drive Systems Segment

4SED	4-Speed Electric Drive: four-speed seamless shift electric transmission
PTU	Power transfer unit applied in automotives
Torque Hub	Drive for industrial machinery and off-highway mobile equipment

This annual report is also available in German.
The English language version of Oerlikon's Annual Report is the binding version.

Disclaimer and cautionary statements

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