

oerlikon

Annual Report 2018

Short Version

A photograph of a modern industrial factory floor. The scene is filled with rows of large, grey industrial machines, likely part of a production line. In the foreground, a blue pallet truck with yellow handles is positioned on a polished, reflective floor. The ceiling features a complex network of pipes and lighting fixtures, creating a bright and industrial atmosphere. The overall color palette is dominated by greys, blues, and metallic tones.

2018 was a year we successfully executed our strategy and further transformed our portfolio.

We delivered excellent financial results and further invested in our growth.

We will continue to innovate to help customers succeed, invest in our future and deliver on our strategy.

2018 at a Glance

- 23.5 % increase in Group order intake year-over-year
- 26.2 % increase in Group sales year-over-year
- Maintained strong Group EBITDA margin after offsetting significant investment expenses in surface solutions and additive manufacturing businesses
- Steady growth in the surface solutions business: organically and through four technology-strengthening acquisitions
- Built a strong operational and R&D footprint in Europe and in the US to develop and grow additive manufacturing business
- Record top-line growth and double-digit operating profitability in the manmade fibers business
- Successfully closed sale of Drive Systems to Dana Incorporated on February 28, 2019
- Significantly improved Group net income (+ 62.3 % to CHF 245 million), driven by strong operating performance in all businesses
- Proposing a dividend payout of CHF 1.00 per share, including an extraordinary per-share dividend of CHF 0.65 as share of proceeds from the sale of drive systems

Order intake

2.7 billion

23.5 % above prior year

Sales

2.6 billion

26.2 % above prior year

EBITDA margin

15.6 %

At prior year's level

Net income

245 million

62.3 % above prior year

Operating cashflow¹

429 million

6.2 % above prior year

Net cash

398 million

20.2 % below prior year

Earnings per share

0.71

61.4 % above prior year

Dividend proposal

1.00

Including an extraordinary per-share dividend of CHF 0.65

¹ Before changes in net current assets.

All financial figures in CHF.

All financial figures except net cash in 2017 are restated and 2018 figures are reported with Drives Systems Segment as discontinued operations.

Leading Technology & Engineering Group

Oerlikon

Oerlikon engineers materials, equipment and surfaces to enable its customers' products to have high-performance properties, functions and an extended lifespan. The Group is committed to continually investing and delivering valued technologies, products and services for customers to meet challenges in their markets. For instance, Oerlikon's technologies enable the reduction of fuel usage in cars and airplanes, make tools more durable and save energy in the manufacturing of fibers and yarn.

A Swiss company with around 100 years of tradition, Oerlikon operates its business in two Segments – Surface Solutions and Manmade Fibers – following the divestment of the Drive Systems Segment. It has a global footprint of more than 10500 employees at 175 locations in 37 countries and generated sales of CHF 2.6 billion in 2018.

Sales by Segment



Surface Solutions Segment

A world-leading supplier of advanced materials and surface technologies. Over 80 years of know-how in advanced materials and surface solutions engineering for components and tools used in a wide range of industrial applications where superior materials and surface performance are required. Progressing from surface to structure, additive manufacturing was established as a business of the segment.

Manmade Fibers Segment

A world market leader for solutions and systems used to manufacture manmade fibers. Over 95 years of competence in enabling customers to produce high-quality synthetic fibers, which are processed into clothing, carpets, airbags, safety belts, hygiene products, industrial textiles and geotextiles. The segment also offers consulting, engineering, lifecycle management and smart (Industry 4.0-based) plant solutions.



Sales (in CHF)
1511 million

10.3% above prior year



EBITDA margin
18.6%



Sales (in CHF)
1098 million

57.3% above prior year



EBITDA margin
11.7%

Letter from the Chairman

Dear Shareholders

I am pleased to report that 2018 was a record year for Oerlikon. Our excellent results clearly show that we have the right strategy and also underline our ability to transform our portfolio and successfully turn our businesses around.

When I took on the position of Chairman of the Board of Directors in 2015, we were faced with the challenge of outlining a strategy that would enable Oerlikon to succeed in the medium and long term. At that time, Oerlikon was a conglomerate with a diversified portfolio, and certain businesses were experiencing highly cyclical market conditions. We took the decision to focus on areas where we have strong core competencies and attractive growth markets where we hold number 1 or number 2 positions.

The sale of the vacuum business in 2016 was a strategic step in the defined direction. In 2018, we reached the next significant milestone with the agreement to divest the Drive Systems Segment to Dana Incorporated, and we closed the sale in February 2019. Back in 2015, the drives business had too many product lines and its resources were spread across many markets. We streamlined the business, concentrating on profitable products and areas such as the hybrid and e-drive solutions. We optimized processes and restructured the segment to enable it to better manage the impact of cyclical markets. Our efforts paid off and the drives business was successfully repositioned. This was reflected in the strong performance the Drive Systems Segment delivered in 2018, which led to the sale of the business at a good enterprise and cash value of around CHF 600 million. The next step following these divestments is investment. We have been deploying – and will continue to deploy – cash and our healthy balance sheet to grow our business both organically and through targeted M&A.

The current market environment is rather volatile and uncertain, and marked by protectionist views and ongoing trade tension. Against such a background, we are exercising caution and carefully evaluating each opportunity. We closed six technology acquisitions in 2018. For example, we bought DiSanto Technology to open up for us the additive manufacturing medical market, while with AC-Automation, we can now offer our manmade fibers customers large-scale plant automation solutions. We

will continue to enhance our technology portfolio and market reach with further acquisitions. However, we will do so with care as it is our responsibility to secure value and get the best deal for Oerlikon to support its growth. This also means declining to execute potential transactions, which we did several times in 2018.

In 2018, we further invested in our structural growth and achieved 21.2% organic sales growth. Each year, we add at least two to three coating centers, while expanding several existing facilities to serve customers on their doorstep. This is also an important part of our defined strategy – our close proximity makes us more accessible and available to respond quickly to customers' needs. Currently, we have 175 sites globally, offering sales, key account management, equipment manufacturing, coating services and after-sales services.

Our R&D pipeline is filled for the next few years as we continue to invest at least 4% of our revenues in developing new and improved innovative solutions for customers. We launched a large number of new coating equipment, coatings, alloys and services in 2018. For our materials business, we now have the unique competency to very rapidly develop new alloys customized according to what our customers need. This is thanks to our Rapid Alloy Development (RAD) software algorithm, which enables us to develop and launch new alloys in weeks instead of months or years.

I am also proud to say that we are developing technologies that not only add value for customers, but also contribute to improving the environment. For instance, our physical vapor deposition (PVD) coatings and ePD (embedded PVD for Design parts) solutions are wear resistant protection technologies that are excellent eco-friendly chrome replacements. Our SUMEBore coatings for automotive engine cylinders are light, fuel-economical and compact solutions that can reduce oil consumption by up to 80%. It is a known fact that the production of manmade fibers has a much lower water footprint compared to growing and producing natural fibers. Furthermore, our manmade fibers technologies help customers save up to 30% of the energy used in production compared to conventional technologies.

Our goal is to stay ahead of the competition with innovation. We want to maintain our number one technology and market positions, and to reach number one if we are not there yet. We are currently spearheading multiple digitalization initiatives in the areas of automation, robotization and complete smart plant systems. We have also launched a digital hub in Munich, Germany, where a dedicated team will be spurring and boosting digital growth in Oerlikon by instilling digital thinking and inspiring new working methods, which will help raise efficiency and productivity in our daily work.

Another significant pillar of our strategy is additive manufacturing. Market adoption and industrialization of additive manufacturing has been slower than expected. However, our commitment to this business remains unchanged. We see this as a marathon rather than a sprint. The launching of a new business requires investment and commitment to reap benefits over the longer term. Through our investments over the past years, we now have a strong operational and production footprint in Europe and in the US, and have begun powder sales in China. We have also established top partnerships with major industry leaders such as Boeing, GE Additive and Lufthansa Technik, as well as academic institutions like the TU Munich, to collaborate on advancing the industrialization of additive manufacturing. All these position us excellently to lead and develop our additive manufacturing business in the aerospace and medical industries, which are markets at the forefront of additive manufacturing adoption, but also in other industries. We firmly believe in the potential of additive manufacturing and that this business will be one of the central pillars of Oerlikon's medium and long term future.

Our strategy has supported our growth over the past few years and provides us with a strong foundation to sustain future growth. We realize that the global economy is showing signs of slowing down. Certain markets, like automotive, are presently facing challenges. However, we have proven that we are able to achieve a higher sales growth rate in end markets compared to the market growth rate. In the automotive industry, for example, we achieved more than 5% growth compared to the industry's 3% growth rate over the past three years.

For our manmade fibers business, we delivered record-breaking results in 2018 with the upturn of the filament equipment market. Realistically, this market cannot continue to deliver double-digit growth over the long term. Having said that, we have succeeded in evening out our top-line growth with an order pipeline that extends into 2021. Furthermore, we have shown that we have effective measures in place. During the trough peri-

ods of the last cycle, we never once delivered negative annual results and always had a positive cash flow. Additionally, we have built up other business areas in this segment. For instance, we launched an Industry 4.0 digital solution for the textile industry, and are excited to soon be able to offer customers a groundbreaking fully networked smart plant solution with extended features.

The innovation and execution across our business would not be possible without the hard work of our employees. The results from our employee engagement survey in 2017 were very encouraging and gave us valuable insights, which were used as the basis for our 2018 HR initiatives. We launched a leadership development program, High Potential in Horizons, and ran further high-performance team workshops to facilitate increased engagement and performance among employees. We also initiated a Culture Change Champion program to drive cultural transformation and build a more collaborative culture as ONE Oerlikon. We firmly see these actions as cornerstones to develop and motivate our talented team of employees.

As announced, we intend to broaden the industrial experience on the Board with the nomination of an additional independent member of the Board for election at the upcoming 2019 Annual General Meeting of Shareholders. Pending shareholders' approval, the addition will increase the total number of independent Board members to four and expand strategic and operational experience on the Board to support our growth.

To conclude, I would like to personally thank our employees, our management team and my colleagues on the Board of Directors for their hard work and commitment. I would also like to express my gratitude to our partners and customers for their confidence in our solutions and technologies. And to you, our shareholders, I thank you for your unwavering support and am pleased to announce that the Board will be proposing to issue a dividend payout of CHF 1.00 per share, comprising an ordinary dividend consistent with the previous year of CHF 0.35 and an extraordinary dividend of CHF 0.65 as a share of proceeds from the sale of the drive systems business.

March 5, 2019

Best regards



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

Letter from the CEO

Dear Shareholders

2018 was a record year of exceptional performance for Oerlikon, exemplified by our strong top-line growth and operating profitability. The underlying success of our strategy drove revenue and the EBITDA margin in line with our full-year targets. We continued to execute our mission to become a global powerhouse in advanced materials, surface solutions and polymer processing, addressing our customers' needs and helping them resolve critical industry challenges and succeed in their businesses.

While we benefited from a strong macro-environment during the first half of 2018, increasing trade, political and economic concerns drove pressures in the global market toward the end of the year. However, we are pleased to have successfully navigated this environment as the demand for our technologies and services drove a substantial increase in sales over the previous year.

Reporting the sold drive systems business as discontinued operations, Oerlikon's sales improved by 26.2% to CHF 2.6 billion (2017: CHF 2.1 billion) in 2018, while orders increased by 23.5% to CHF 2.7 billion (2017: CHF 2.2 billion). Group sales in 2018 includes a positive currency impact of 1.7%. Group EBITDA was higher at CHF 406 million, corresponding to an operating profitability margin of 15.6% after absorbing operating expenses related to investments in our businesses. Net income for 2018 increased by 62.3% to CHF 245 million (2017: CHF 151 million) and earnings per share were CHF 0.71. Compared to 2017, results from continuing operations improved by 82.1% to CHF 173 million (2017: CHF 95 million). With an equity ratio of 44%, the Group's financial position remained strong in 2018. The Group's return on capital employed (ROCE) was 12.1%. Our net cash position at the end of the year amounted to CHF 398 million, and cash flow from operating activities before changes in net current assets was CHF 429 million. Our strong financial base enables us to further invest in our core strategic businesses and new technologies and to support our future growth.

Over the past year, we continued to execute our strategy, which is underscored by the impressive results across our business. We achieved a major milestone by signing

the agreement to divest the Drive Systems Segment to Dana Incorporated in 2018, and are pleased to have successfully closed the transaction on February 28, 2019. With this sale behind us, we will be investing further, primarily in our Surface Solutions Segment, including targeting acquisitions to strengthen our portfolio.

In 2018, the acquisitions of DIARC, Sucotec, DiSanto Technology and Eicker expanded our offering and presence in multiple markets and regions. For example, the DiSanto acquisition allowed Oerlikon to expand into the contract manufacturing market for additively produced medical components, particularly for orthopedic implants and instruments. The acquisition of DIARC is in line with Oerlikon Balzers' strategy to increase its foothold in the automotive industry and enhance its surface treatment portfolio, while also extending its geographic footprint in Finland. With Sucotec, Oerlikon Balzers expanded its offering with high-quality chemical vapor deposition systems for the tooling market. Finally, Oerlikon added innovative expertise in plasma nitriding to its portfolio – a heat treatment technology to increase the reliability and wear-resistance of metal parts. These acquisitions provide us with important advances in new technologies, allowing us to better address our customers' needs.

We also further strengthened our market-leading position in our Manmade Fibers Segment. In the first half of 2018, we completed the acquisition of AC-Automation, enabling the Segment to deliver additional large-scale plant automation solutions for customers in the textile industry. In 2018, we filed 87 patents and invested more than 4% of our total sales in R&D, reflecting our commitment to develop cutting-edge solutions for our customers.

In 2018, our surface solutions business delivered strong revenues of CHF 1.5 billion and an EBITDA margin of 18.6%. Performance in this business was driven by our end-market strengths in the aerospace, automotive and general industries. A noteworthy mention was the sale and on time delivery of our environmentally friendly ePD coating system, INUBIA I6, to Shanghai Dafangwuyu Automobile Company for chrome-like metallization of plastic parts. In our thermal spray business, we also succeeded to win new customers like Caterpillar and Moore's Industrial Service by bundling our materials, equipment and services into a total solution offering.

While we completed a number of acquisitions in 2018 to provide levers for additional growth, we also made good progress integrating our 2017 acquisitions, including Scoperta, DiaPac and Primateria. In 2018, we conducted an integration pulse check with employees from six of our acquisitions and received constructive feedback.

Importantly, in 2018, we continued our innovative work in additive manufacturing. We increased our traction for additive manufacturing services in the aerospace industry as evidenced by the five-year deal signed with Boeing to develop standard materials and processes for metal-based additive manufacturing, the collaboration with RUAG to qualify and accelerate series production of 3D-printed space components, and the agreement with Lufthansa Technik to establish replicable processes and standards for maintenance, repair and overhaul applications. Additionally, Oerlikon secured long-term agreements with large customers for additive manufacturing materials, representing a shift from transactional sales to contractual relationships with key customers. To further promote collaboration in additive manufacturing, Oerlikon hosted a second successful Munich Technology Conference with over 1 000 participants, including world-renowned decision makers and industry leaders.

Our global footprint continued to expand in 2018, highlighted by the 13 additional production and service sites in close proximity to our customers. For example, a large coating center in Bielefeld, Germany, for machining, forming and plastics processing, an advanced materials production center in Plymouth Township, Michigan, USA, a new coating center in Manesar, India, and a new coating center in Johor, Malaysia, to better serve customers in the respective regions.

We also launched a number of innovative new technologies. SurfaceOne, a highly compact thermal spray coating system with an intuitive and customizable user interface, was officially introduced to the market. SurfaceOne was recognized with the Red Dot Design Award and the International Design Excellence Award for its exceptional build and capability. Our INNOVENTA family was completed with the launch of the INNOVENTA mega and INNOVENTA kila coating machines, which provide the ideal platform to process large-sized metal-forming tools, die casting molds and saw blades.

2018 was a record year for our manmade fibers business. We increased orders and sales substantially by 44.8% and by 57.3% respectively, and also improved the EBITDA margin to 11.7%. The growth reflects healthy market demand in filament equipment, primarily in China, as well as notable contributions from India and Turkey. Growth was also supported by strong demand for texturing equipment, mainly in China, and an increase in sales for carpet yarn, primarily in the U.S. The magnitude of orders in 2018 has resulted in a robust pipeline, with project lead times reaching into 2021, ensuring our ability to sustain our top-line development at a high level over the next few years.

During the year, we divested our tape and monofilament business to the Starlinger Group to allow us to focus on our filament, staple fiber and nonwoven businesses. Following this strategy, we are partnering with Shaoyang Textile Machinery to jointly advance sales of our nonwoven solutions in the highly attractive hygiene market, also outside of China. In 2018, we introduced the new Staple FORCE S 1100 – an easily configurable plant that spins, draws, crimps, cuts and bales in a single process step, using a highly user-friendly process control system.

We are pleased with our performance in 2018, and look toward delivering good results in 2019. While we recognize there are global challenges, the prospects in our end markets remain attractive. We completed a number of critical milestones this past year, leaving us well-positioned to continue executing our strategy. We expect our surface solutions business to continue growing at 4–6% annually and our manmade fibers business to sustain its top line development over the next few years. We will continue to invest significantly in our future and thus, in 2019, we expect the Group's order intake and sales to each exceed CHF 2.7 billion and EBITDA margin, after operating expenses from investments, to exceed 16%.

In 2019, we will continue to drive our organic structural growth through further market-leading innovations, better alignment with customer needs, footprint expansion and digitalization initiatives. We look forward to further creating value for our customers with our unique, leading technologies, and maintaining profitable growth across our business.

In closing, I would like to personally thank our employees for their hard work and dedication, our partners and customers for their trust in our technologies and services, and finally, our shareholders for your continued support of Oerlikon.

March 5, 2019

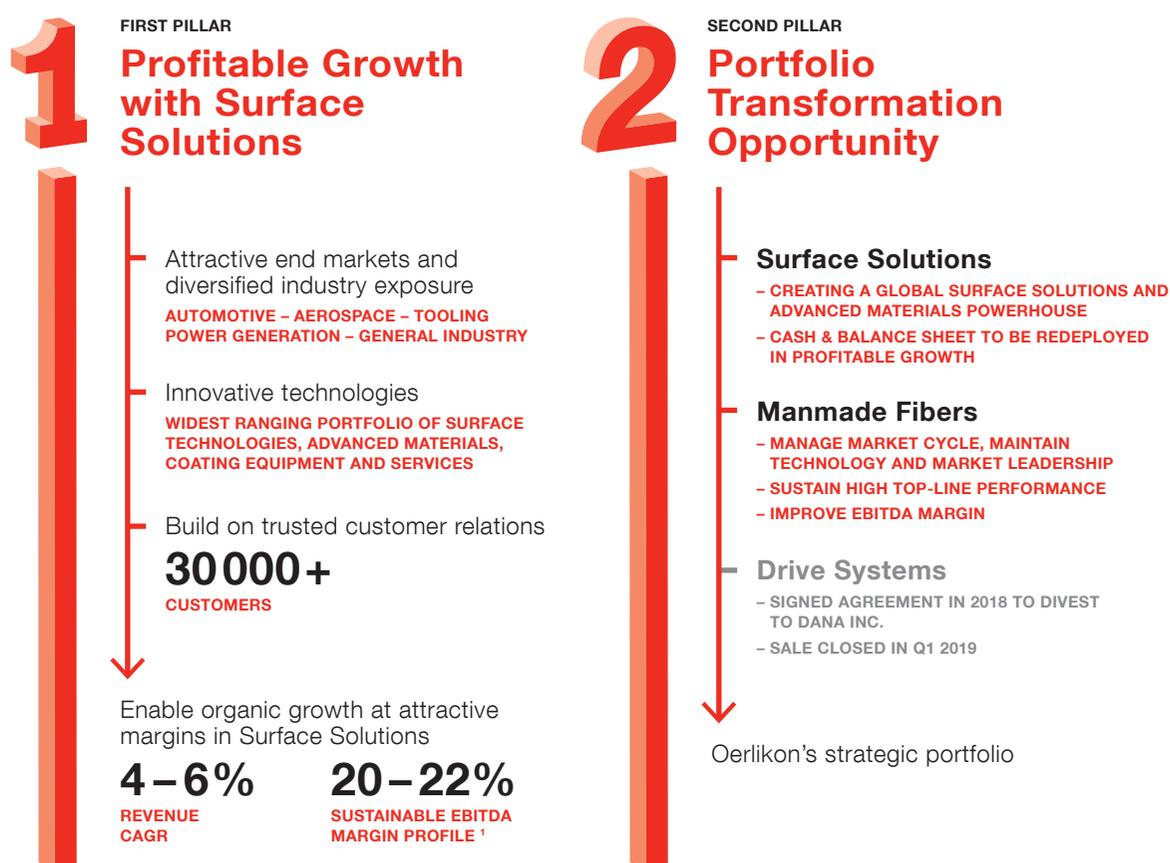
Best regards



Dr. Roland Fischer
Chief Executive Officer

Oerlikon's Investment Proposition

Oerlikon offers an attractive investment proposition as a market leader in advanced materials, surface solutions and materials processing. Serving over 30000 customers including OEMs and tier 1 clients in attractive end markets, Oerlikon has a diversified industry exposure, a dedicated business model and a proven record of delivering stronger performance than the average market growth rate. The Group's proven innovation and technology leadership is supported by strong R&D teams at 41 sites and through more than 50 partnerships. In addition, Oerlikon's client-facing model and global network of production and service centers facilitate the deepening of well-established relationships with customers.



Our Business Model



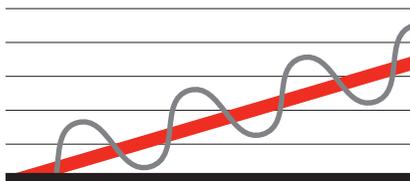
¹ excl. investments in AM

Mid-Term Growth Strategy

Oerlikon draws on its broad and versatile portfolio of advanced materials, surface technologies, processing equipment and services, as well as its global footprint to further develop its business and sustain mid-term growth. To propel its profitable growth, the Group focuses on three key growth drivers: addressing growth markets and industries, securing structural growth and expanding through targeted M&A.

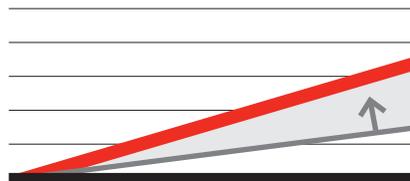
THREE KEY DRIVERS OF PROFITABLE GROWTH

1 End market exposure to cyclical but growing markets



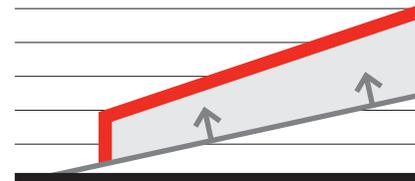
Mid-term market growth
Addressing growth markets and industries

2 Oerlikon has the ability to outgrow end market trends



A structural growth company
Securing steady growth as a structural growth company

3 Supporting structural growth with acquisitions



M&A Opportunities
Expanding through targeted M&A

SECURING STRUCTURAL GROWTH

Align solutions to customer & market needs

- Build a stronger client-facing structure in industries
- Create a more integrated sales and management structure
- Increase key account management
- Increase top-selling

Expand technology leadership

- Filled innovation pipeline for materials, equipment and coating solutions
- Invest 4% of revenue in R&D annually
- File 80–100 new patents annually to expand our suite of intellectual property

Strengthen foothold in regions

- Global footprint of 175 sites in 37 countries to serve customers in close proximity
- Continue strengthening business development in 8 target countries
- Open two to three new coating centers per year

Value chain expansion

- Add pre- and post-treatment and consulting services
- Rox regrinding – added re-coating of tools as new business
- Polycondensation for manmade fibers business (same equipment, process and system used for textile fibers was repurposed for producing pellets used to manufacture PET bottles)

Improve operational excellence

- Automation, robotization and other smart manufacturing and Industry 4.0 initiatives at production sites to increase efficiency and productivity
- Digitalization initiatives such as digital hub and smart sensors
- Improve supply chain management

Group Business Review

Oerlikon delivered impressive results in 2018, exemplified by double-digit top-line growth and strong operating profitability in both of its Segments: Surface Solutions and Manmade Fibers. With the divestment of the Drive Systems Segment to Dana Incorporated, this business was reported as discontinued operations in 2018. Despite increasingly complex trade, regulatory and geopolitical conditions during the latter half of 2018, Oerlikon successfully navigated the environment and capitalized on sustained demand in its industrial and regional markets. These results underscore the strength of the company's initiatives to drive future growth.

Reflecting the progress of its strategy and ability to generate results, the Oerlikon Group's order intake increased by 23.5% in 2018 to CHF 2731 million (including a positive currency impact of 1.7%) compared with CHF 2211 million in 2017, while order backlog increased by 20.2% to CHF 596 million at year-end 2018 versus CHF 496 million at year-end 2017. Group sales grew 26.2% in 2018 to CHF 2609 million (including a positive currency impact of 1.7%) from CHF 2068 million in 2017. The ratio of Group service sales to total Group sales was 38.1% in 2018 versus 44.8% in 2017.

The Oerlikon Group achieved strong year-on-year growth in operating profitability in 2018, as measured by both EBITDA and EBIT. Group EBITDA increased 26.1% to CHF 406 million, yielding a margin of 15.6%. This compares to Group EBITDA of CHF 322 million and a margin of 15.6% in 2017. Group EBIT stood at CHF 243 million, or 9.3% of sales in 2018 while in 2017 EBIT was CHF 168 million, or 8.1% of sales.

The Oerlikon Group was solidly profitable in 2018, with income from continuing operations of CHF 173 million, compared with CHF 95 million in 2017, an increase of 82.1%. After including net results of discontinued operations of CHF 73 million in 2018, net income totaled CHF 245 million in 2018, or earnings per share of CHF 0.71, versus CHF 151 million or earnings per share of CHF 0.44 in 2017. The tax expense for 2018 was CHF 68 million, while in 2017, it was CHF 64 million.

Cash flow from operating activities before changes in net current assets increased 6.2% to CHF 429 million in

2018, compared with CHF 404 million in 2017. The Group's return on capital employed (ROCE) was 12.1% in 2018. In 2017, the reported ROCE figure of 8.2% includes the drive systems business.

Surface Solutions Segment

The Surface Solutions Segment remained the largest contributor to Oerlikon's sales and profits in 2018, representing 58% of total Group sales and 70% of total Group EBITDA. The strong performance of this segment during 2018 further validates the effectiveness of Oerlikon's strategy to become a global leader in advanced materials, surface solutions and materials processing.

The segment's order intake increased 11.5% in 2018 to CHF 1574 million compared to CHF 1412 million in 2017. Order backlog climbed 55.6% to CHF 193 million from CHF 124 million in 2017. The segment's sales increased 10.3% in 2018 to CHF 1511 million from CHF 1370 million in 2017. Sales growth was seen in all regions and across industries, and particularly notable in aerospace and general industries, as well as in the U.S.

The Surface Solutions Segment achieved an EBITDA margin of 18.6% in 2018 compared to 20.1% in 2017. The EBITDA margin is lower year-over-year due to significant operating expenses for investments in future growth businesses, such as additive manufacturing and ePD. EBITDA for the segment totaled CHF 283 million in 2018, a slight increase from CHF 276 million in 2017. The EBIT stood at CHF 144 million in 2018, or 9.5% of sales, while EBIT was CHF 149 million in 2017, or 10.8% of sales.

The Segment continued to enhance its market portfolio and expand into new technologies in 2018 with the execution of four strategic acquisitions. These acquisitions included DIARC Technology, to increase Oerlikon Balzer's surface treatment product offering and expand its geographical footprint into Finland; DiSanto Technology, to provide the Group's additive manufacturing business access to the new sector of medical component manufacturing; Sucotec, to add CVD technology capability for the tooling market; and Eicker, to further strengthen the Group's position as a key supplier of nitriding solutions for the automotive industry.



Oerlikon provides customers highly qualified surface solutions equipment and services at over 160 production sites in 37 countries.

In 2018, Oerlikon further strengthened its operational and production footprint in Europe and in the U.S. for its additive manufacturing business. It has also begun additive manufacturing powder sales in China. Additionally, it entered new partnerships with industry leaders, including Boeing, RUAG Space and Lufthansa Technik to advance the industrialization of additive manufacturing. Oerlikon has also started developing advanced materials such as superalloy powders for 3D printing at its new state-of-the-art facility in Plymouth, Michigan.

Manmade Fibers Segment

The Manmade Fibers Segment posted record-level sales and operating profitability improvement in 2018. Segment order intake increased 44.8% to CHF 1 157 million in 2018 compared with CHF 799 million in 2017. Sales jumped 57.3% in 2018 to CHF 1 098 million from CHF 698 million in 2017.

These results reflected a healthy demand in its core filament equipment market for fibers, which consequently boosted orders and sales for texturing systems. In the U.S., the robust demand for carpet yarn equipment also contributed to the strong performance. Additionally, the segment's nonwoven business posted an impressive increase in sales in 2018, underlining its initial success in establishing a foothold in this market.

The Segment experienced growth across all its key regional markets, most notably in China, the U.S. and Latin America. The segment continued to gain market share and has generated a robust order pipeline with deliveries into 2021, laying the groundwork for sustaining a high level of top-line results over the next few years.

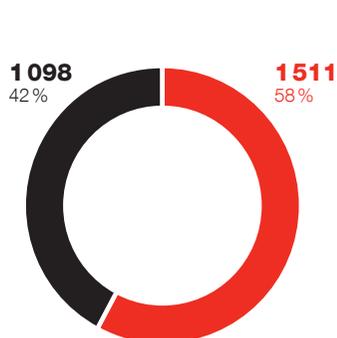
Segment profitability also improved substantially in 2018, with EBITDA more than doubling (up 129%) to CHF 128 million, or 11.7% of sales, versus CHF 56 million, or 8.0% of sales, in 2017. EBIT stood at CHF 106 million, or 9.6% of sales, in 2018, while EBIT in 2017 was at CHF 33 million, or 4.7% of sales.

To solidify its market position, the segment made two strategic acquisitions during 2018. With AC-Automation, the segment extended its smart plant portfolio with a large-scale plant automation solution for customers in the textile and packaging industries. Acquiring the technologies from PE Polymer Engineering Plant Construction enabled the segment to expand its product range to cover the entire polyamide process chain for fibers and filaments. In line with its strategy to focus on its core businesses, the segment divested its tapes and monofilament business to the Austrian Starlinger Group. In 2018, the segment also signed an agreement with Shaoyang Textile Machinery in China in order to penetrate the disposable nonwovens market.

A globally balanced business

Maintaining a portfolio of innovative technologies, a global presence and industry-leading scope of comprehensive services continue to be key components of Oerlikon's growth strategy. The Surface Solutions Segment contributed 58% to total Group sales in 2018, while the Manmade Fibers Segment accounted for approximately 42% of Group sales.

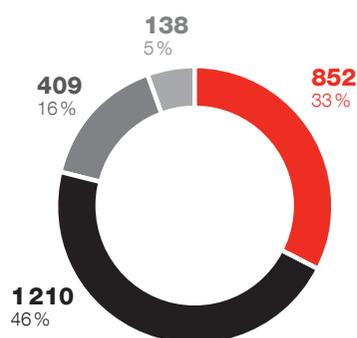
With a strong global footprint, Oerlikon operates over 175 sites in 37 countries, with 79 sites in Europe, 52 sites in Asia-Pacific and 44 sites in the Americas. Asia-Pacific accounted for the largest proportion of Group sales in 2018. Sales in Asia-Pacific amounted to CHF 1 210 million, or 46% of Group sales, versus CHF 884 million, or 43% of Group sales, in 2017. Europe was the second largest regional contributor to Group sales in 2018, with sales totaling CHF 852 million, or 33% of sales, compared with CHF 775 million, or 37% of sales, in 2017. Group sales in North America totaled CHF 409 million, or 16% of Group sales, in 2018, versus CHF 300 million, or 15% of Group sales, in 2017. Sales in other regions remained at 5% of Group sales in 2018 with sales of CHF 138 million, compared to CHF 109 million in 2017.



Sales 2018 by Segment¹
in CHF million

■ Surface Solutions Segment
■ Manmade Fibers Segment

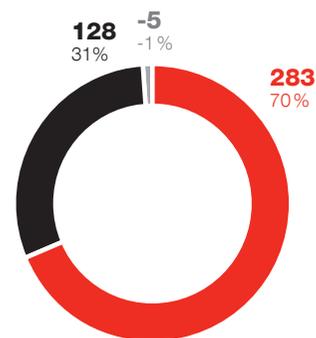
¹ Continuing operations.



Sales 2018 by region¹
in CHF million

■ Europe
■ Asia-Pacific
■ North America
■ Other regions

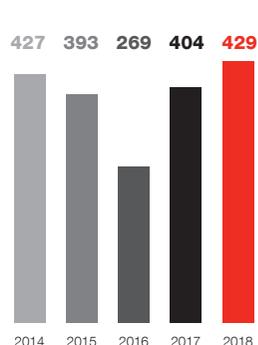
¹ Continuing operations.



EBITDA 2018 by Segment¹
in CHF million

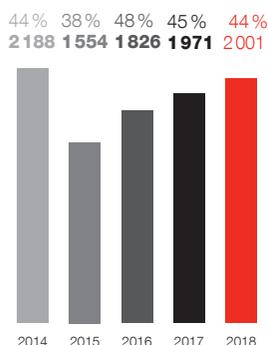
■ Surface Solutions Segment
■ Manmade Fibers Segment
■ Others

¹ Continuing operations.



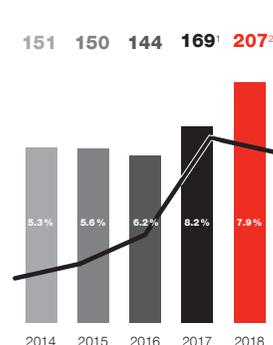
Operating cash flow¹
in CHF million

¹ Before changes in net current assets.



Equity¹
in CHF million (as % of assets)

¹ Attributable to shareholders of the parent.

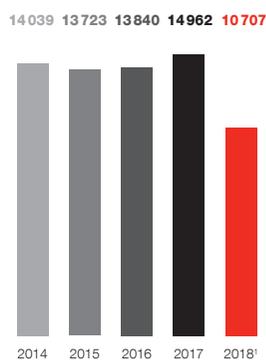


Capital expenditure
in CHF million

— In % of sales

¹ Restated.

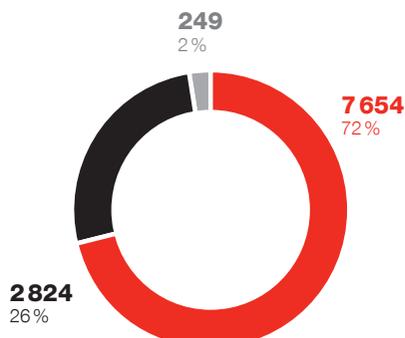
² Continuing operations.



Employees (FTE)² 2018

¹ Following divestment of Drive Systems Segment.

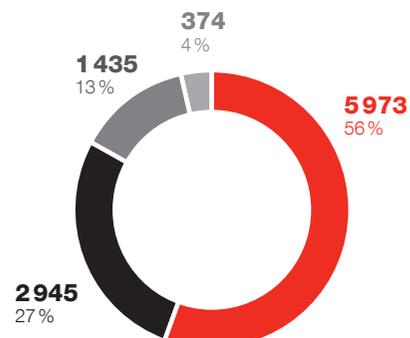
² FTE = Full-time equivalents.



Employees (FTE) 2018 by Segment¹

■ Surface Solutions Segment
■ Manmade Fibers Segment
■ Others

¹ Continuing operations.



Employees (FTE) 2018 by region¹

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

¹ Continuing operations.

Solid balance sheet strength with equity ratio of 44 %

As of December 31, 2018, Oerlikon's balance sheet totaled CHF 4 545 million, compared to CHF 4 363 million at year-end 2017. The Oerlikon Group had equity (attributable to shareholders of the parent) of CHF 2 001 million, representing an equity ratio of 44 %, compared to CHF 1 971 million, or an equity ratio of 45 % as at December 31, 2017. The year-on-year increase in the total balance sheet and continued strong equity ratio primarily reflected the improved cash and cash equivalent positions due to higher customer advances. This was offset by higher capital expenditure and an increased dividend payment. As a result, net liquidity at the end of 2018 was CHF 398 million compared to CHF 499 million at 31 December 2017.

Strong operating cash flow

Cash flow from operating activities before changes in net current assets increased 6.2 % in 2018 to CHF 429 million compared with CHF 404 million in 2017. Net working capital, defined as trade and trade note receivables plus inventories minus trade payables and current customer advances, totaled minus CHF 79 million in 2018 versus CHF 167 million in 2017.

Capital expenditure (CAPEX) amounted to CHF 207 million, compared to CHF 169 million in 2017. Excluding amortization of acquired intangible assets, the CAPEX-to-depreciation ratio was 1.7 times, which is higher than the Group's target of between 1.0 to 1.2 times due to significant investments in additive manufacturing and in building up promising surface solutions businesses such as ePD.

Cash flow from investing activities was minus CHF 342 million in 2018, compared with minus CHF 237 million in 2017, attributable primarily to capital expenditure for plant and equipment. Cash flow from financing activities amounted to minus CHF 149 million in 2018, mainly for dividend payments of CHF 118 million, repayment of financial debt of CHF 5 million and interest paid of CHF 16 million, compared with minus CHF 132 million in 2017, which included dividend payments of CHF 104 million, repayment of financial debt of CHF 6 million and interest paid of CHF 18 million. Oerlikon reported a cash and cash-equivalent position at the end of 2018 of CHF 764 million compared with CHF 871 million at the end of 2017.

Oerlikon invested more than 4 % of its revenues in research and development (R&D) in 2018. R&D expenditure for the year was CHF 120 million, or 4.6 % of Group sales, compared with CHF 101 million, or 4.9 % of Group sales, in 2017. Oerlikon believes that a dividend payout is an important means of returning value to shareholders. Based on the strong performance in 2018, the Board of Directors will recommend a dividend payout of CHF 1.00 per share at the 46th Annual General Meeting of Shareholders on April 9, 2019. The proposed dividend comprises an ordinary dividend consistent with the previous year of CHF 0.35 and an extraordinary dividend of CHF 0.65 as a share of proceeds from the sale of the drive systems business.

Oerlikon Barmag WINGS spinning systems for FDY provides optimized production processes, low material waste rates and around 30 % reduction in energy consumption than previous systems.



2018 Key Group Figures at a Glance

- Order intake totaled CHF 2731 million versus CHF 2211 million in 2017, an increase of 23.5%.
- Order backlog increased 20.2% to CHF 596 million versus CHF 496 million in 2017
- Sales increased 26.2% to CHF 2609 million from CHF 2068 million in 2017.
- EBITDA increased 26.1% to CHF 406 million, or 15.6% of sales, versus CHF 322 million, or 15.6% of sales, in 2017.
- EBIT increased 44.6% to CHF 243 million, or 9.3% of sales from CHF 168 million, or 8.1% of sales, in 2017.
- The result from continuing operations increased to CHF 173 million from CHF 95 million in 2017, an increase of 82.1%.
- Net income totaled CHF 245 million, or earnings per share of CHF 0.71, versus net income of CHF 151 million, or earnings per share of CHF 0.44, in 2017
- Headcount (FTEs) totaled 10727, compared with 14902 employees worldwide in 2017 due to the divestment of Drive Systems Segment.
- ROCE stood at 12.1%. In 2017, it was 8.2% including drive systems business.
- The Board of Directors will recommend a dividend payout of CHF 1.00 per share at the 2019 AGM. This comprises an ordinary dividend of CHF 0.35 and an extraordinary dividend of CHF 0.65 as a share of proceeds from the sale of the drive systems business.

Oerlikon Group

Corporate Structure

Oerlikon is a leading global technology and engineering Group providing market-leading solutions and services for surfaces and manmade fiber production in diverse industries. Following the divestment of the Drive Systems Segment, the Group is structured in two Segments: Surface Solutions and Manmade Fibers. Each Segment offers technologies and solutions under well-established industry competence brands and adopts strategies specific to customers' needs and requirements in the respective market.

oerlikon

Surface Solutions Segment

oerlikon
balzers

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metco

oerlikon
am

Manmade Fibers Segment

oerlikon
barmag

oerlikon
neumag

Information for Shareholders

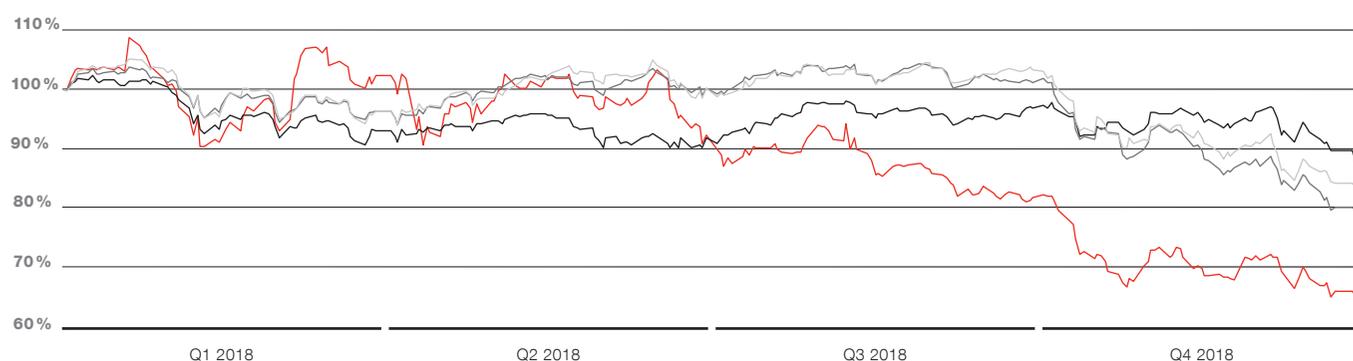
2018 Capital Market Development

Overall, 2018 was dominated by increasing economic uncertainty and political imponderables, such as Brexit or the growing trade conflict between the world's two largest economies – the U.S. and China. For the year, the S&P 500 fell 6.2%, the Dow Jones dropped 5.6% and the Nasdaq Composite shed 3.9%, marking the worst annual performance for all three since 2008. In Europe, the Stoxx Europe 600 Industrial fell 15.2% for 2018, its biggest decline since 2008. The Swiss Market Index (SMI) closed out the year at 8429 points, a decrease of 10.2% compared to 2017 (9382 points), while the SMI Mid (SMIM) decreased by 18.9% in 2018 to 2102 points (2017: 2592 points).

Oerlikon Share Performance in 2018

Oerlikon shares had a good start into 2018, reaching their annual high on January 19, 2018, at a share price of CHF 18.27, following the announcement of record orders in the Manmade Fibers Segment in mid-January. The starting trade conflict impacted global markets and

also affected the Oerlikon share price, resulting in a period of decline during the first quarter. The full-year earnings announcement beat expectations in terms of results and guidance and provided for a positive closing of the first quarter of 2018 for the Oerlikon share. The second quarter started with a sharp decline for Oerlikon's share price after the U.S. had imposed sanctions against Russian individuals. As soon as the market understood the Oerlikon shareholding and implications, the share price recovered, also backed by strong first-quarter results. Global geopolitical fears over a trade war and Brexit impacted global markets and also affected the Oerlikon share price. Concerns of a global industrial slowdown resulted in a period of decline, which started toward the end of the second quarter and continued for the second half of the year. The Oerlikon share price closed out 2018 at CHF 11.04 (2017 closing price: CHF 16.45), a decrease of 32.9%. Average daily trading volume on the 249 trading days in 2018 increased slightly to around 1.1 million shares (2017: 0.8 million shares).



Development of the Oerlikon share price

Indexed; 100% = closing price as of December 31, 2017

- OERLIKON
- SMI
- SMIM
- STOXX Europe 600 Industrial

Analyst Recommendations

Thirteen financial analysts covered Oerlikon in 2018 and published performance estimates and recommendations based on their analyses. 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.

Despite delivering on strategy and reporting strong operating results, several analysts had reduced their price target on multiple contraction, which led to a decrease in the analysts' average target price of 2%, from CHF 16.15 to CHF 15.78 during 2018 (with a range from CHF 13.50 to CHF 17.50 at year-end). As of December 31, 2018, seven out of thirteen analysts recommended the purchase of Oerlikon shares (buy/outperform). There were six neutral (hold/neutral) and no negative (sell/underperform) 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. After the 2018 balance sheet date, Deutsche Bank had initiated coverage in January 2019 with a buy recommendation and a price target of CHF 15.00.

Shareholder Earnings

In 2018, Oerlikon paid a dividend to its shareholders amounting to CHF 0.35 per share for the financial year 2017. Based on a strong underlying performance improvement, solid financial position and as a share of some of the proceeds from the successful sale of the Drive Systems Segment, the Board of Directors of Oerlikon will propose a dividend of CHF 1.00 per share mainly from the capital contribution reserves for the financial year 2018 at the Annual General Meeting of Shareholders scheduled for April 9, 2019. This comprises an ordinary dividend payout consistent with the previous year of CHF 0.35 and an extraordinary dividend of CHF 0.65 as share of some proceeds from the sale of the drive business. The ordinary dividend proposal (CHF 0.35) will be equivalent to a payout ratio of 59% based on underlying earnings per share (EPS) of CHF 0.59 (reported EPS: CHF 0.71). Based on the year-end closing price of CHF 11.04 and the overall dividend proposal of CHF 1.00, Oerlikon shares yielded a return of 9.1% in 2018.

The dividend policy remained unchanged and the proposed dividend payout can be based on up to 50% of the Group's underlying net result and beyond after considering the Group's financial position and affordability from the balance sheet.

Listing on the Stock Exchange

The registered shares of OC Oerlikon Corporation AG, Pfäffikon have been listed on 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 %	2018	2017
SMIM	1.58064	1.90844
SMI Expanded	0.19724	0.25345
SPI	0.18333	0.23534
SPI Extra	0.98289	1.20843
SPI ex SLI	1.36792	1.67437
STOXX Europe 600	0.02659	0.03257
Swiss All Share	0.18205	0.23284
UBS 100 Index	0.18730	0.24010

Key Share-Related Figures¹

		2018	2017	2016	2015	2014
Year-end	in CHF	11.04	16.45	10.00	8.95	12.50
Year high	in CHF	18.27	16.95	10.10	12.70	15.65
Year low	in CHF	10.59	10.05	7.76	8.42	10.60
Year average	in CHF	14.56	13.18	9.26	11.02	13.20
Average daily trading volume (SIX)	in thousands	1 177	831	1 107	1 226	1 039
Average daily trading volume (SIX)	in CHF thousands	16 689	10 996	10 217	13 103	13 615
Shares outstanding at year-end	number	339 758 576	339 758 576	339 758 576	339 758 576	339 758 576
Market capitalization at year-end	in CHF million	3 751	5 589	3 398	3 041	4 247
Earnings per share (undiluted)	in CHF	0.71	0.44	1.14	-1.24	0.59
Earnings per share (diluted)	in CHF	0.71	0.44	1.14	-1.24	0.59
Price-earnings ratio		16.06	37.39	8.77	n.a.	21.19
Payout ratio		59% ²	70% ³	97% ⁴	49% ⁵	42% ⁶
Dividend per share	in CHF	1.00 ⁷	0.35 ⁸	0.30 ⁹	0.30 ¹⁰	0.30 ¹¹
Dividend yield		9.1%	2%	3%	3%	2%
Equity per share ¹²	in CHF	5.90	5.80	5.38	4.58	6.50
Cash flow from operating activities per share	in CHF	1.48	1.41	0.86	0.85	0.76

¹ Average number of shares with voting and dividend rights.

² Based on an EPS of CHF 0.59 and an ordinary dividend of CHF 0.35.

³ Based on underlying EPS of CHF 0.50.

⁴ Based on underlying EPS of CHF 0.31.

⁵ Based on underlying EPS of CHF 0.61.

⁶ Based on underlying EPS of CHF 0.72.

⁷ Dividend proposal for the financial year 2018, to be paid in 2019, comprising of an ordinary dividend of CHF 0.35 and an extraordinary dividend of CHF 0.65.

⁸ For the financial year 2017, paid in 2018.

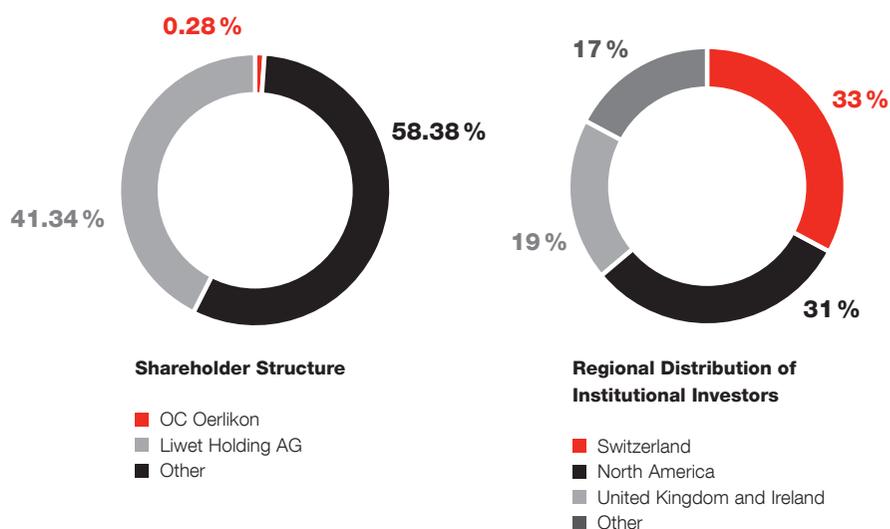
⁹ For the financial year 2016, paid in 2017.

¹⁰ For the financial year 2015, paid in 2016.

¹¹ For the financial year 2014, paid in 2015.

¹² Attributable to shareholders of the parent.

Shareholder Structure



Under the terms of the 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. The holdings of Liwet Holding AG, which remained Oerlikon's principal shareholder, was 41.34% of outstanding shares at the end of the year (2017: 43.34%). On August 21, 2018, Black Creek Investment Management Inc. disclosed that their voting rights exceeded the threshold of 3% of outstanding shares. On October 23, 2018, BlackRock Inc. reported that their voting rights exceeded the threshold of 3% of outstanding shares. At the end of December 2018, Oerlikon held 942,398 treasury shares (0.28% 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 (2017: 322,194). The free float totaled 58.38% (2017: 56.88%) as of December 31, 2018. The number of registered shareholders slightly decreased from around 13,300 in 2017 to about 13,200 in 2018.

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 from January 2019 shows that the share capital held by private investors slightly increased to 8% (January 2018: 7%), the vast majority of whom are based in Switzerland. The other 82% is owned by professional investors, which include financial investors such

as Liwet Holding AG and institutional investors (investment funds), insurance companies and pension funds. The percentage of shares from institutional investors was stable at 40%.

Oerlikon saw ongoing endorsement of institutional investors to take larger positions in the company. The ten largest positions all exceeded 1% of the shares outstanding as investors value the execution of Oerlikon's strategy as well as the underlying performance improvement and disciplined use of cash. The 25 largest shareholders besides Liwet Holding AG slightly increased their proportion of the shares outstanding to 32%, compared to 30% in the prior year.

The regional distribution of the institutional holdings was also balanced at the beginning of 2019. The majority of institutional holdings remains in Switzerland, making up 33% of all institutional shareholders. One year ago, this percentage was 35%. The percentage of institutional investors from North America strongly increased to 31% (January 2018: 25%). Institutional shareholders from the UK and Ireland decreased to 19% (January 2018: 24%). The portion of institutional investors from the rest of the world marginally increased to 17%, from 16% last year. The vast majority of these investors was domiciled in continental Europe.

15600 15000 14500 13300 13200



Number of registered shareholders
at year-end

Shareholder Structure

Shareholder	Dec. 2018 No. of shares	in % ⁵	Dec. 2017 No. of shares	in % ⁵	Dec. 2016 No. of shares	in % ⁵
Liwet Holding AG, Zurich, Switzerland ¹	140484860 ²	41.34	146222889 ³	43.04	146222889 ⁴	43.04
OC Oerlikon Corporation AG, Pfäffikon, Switzerland	942398	0.28	322194	0.09	465473	0.14
Other	198331318	58.38	193213493	56.87	182743744	53.78

¹ The shares of Liwet Holding AG, Zurich, are ultimately held as follows:

(a) 44.46% by Columbus Trust, a trust established under the laws of Cayman Islands, whose ultimate beneficiary is Mr. Viktor F. Vekselberg, Moscow, Russian Federation and Zug, Switzerland.

(b) 19.455% by Amapola Development Inc, Panama and Polaris Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Evgeny Olkhovik, Moscow, Russia.

(c) 19.455% by Ali International Ltd., Bahamas and Olympia Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Andrey Lobanov, London, United Kingdom.

(d) 16.63% by Next Generation Trust, a trust established under the laws of Cyprus, whose ultimate beneficiaries are Alexey Valerievich Moskov, Irina Arkadievna Matveeva, Mikhail Sergeevich Sivoldaev, Rinat Shavkiatovich Khalikov, Igor Vladimirovich Cheremikin and Andrey Alekseevich Shtorkh.

² Source: Disclosure notification published by SIX Exchange Regulation on May 25, 2018.

³ Source: Disclosure notification published by SIX Exchange Regulation on November 15, 2017.

⁴ Source: Disclosure notification published by SIX Exchange Regulation on December 17, 2015.

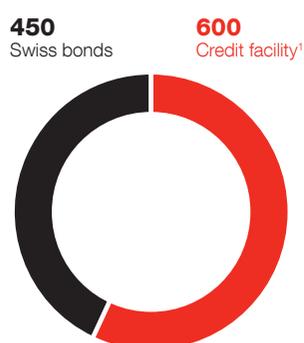
⁵ Basis: shares issued (339758576).

External Financing

Syndicated Credit Facility Agreement

On December 7, 2016, Oerlikon signed an agreement for an unsecured syndicated revolving credit facility amounting to CHF 600 million. The facility comprises a revolving credit facility and an ancillary credit facility with a five-year term and two optional one-year extensions. The first option was successfully concluded in November 2017, the second extension option was not used, defining the final maturity date to 2022. No liquidity was drawn from the cash facility at the balance sheet date.

Cash and cash equivalents amounted to CHF 764 million at the balance sheet date. The Group had total net cash of CHF 398 million as of December 31, 2018.



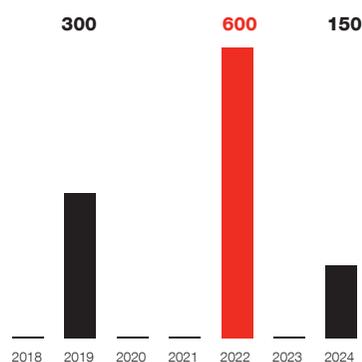
Financing instruments
as of December 31, 2018

- Credit facility CHF 600 million
¹ No liquidity was drawn as of the balance sheet date.
- Swiss bonds CHF 450 million

Other Debt Instruments

At the 2018 balance sheet date, the Group had non-current loans and borrowings amounting to CHF 194 million, attributable primarily to the outstanding domestic bond. The creditworthiness of the domestic bond was BBB- as assessed by UBS, BBB as assessed by Zürcher Kantonalbank, and low BBB as assessed by Credit Suisse (all investment grade). Credit Suisse's and UBS's assessments remain unchanged with a stable outlook. Zürcher Kantonalbank has raised its outlook to positive in August 2018. Since 2017, fedafin AG is also covering Oerlikon's bonds.

Oerlikon's debt financing structure and related maturity profile will be reviewed during the course of 2019.



Maturity of financing instruments
as of December 31, 2018

- Credit facility CHF 600 million
- Swiss bonds CHF 450 million

Outstanding bonds as of December 31, 2018

ISIN	Coupon	Maturity	Volume	Issue price	Price as of Dec. 31, 2018	Price as of Dec. 31, 2017
CH0244692528	1.25 %	June 17, 2019 Redemption at par	CHF 300 million	100 %	100.546 %	101.755 %
CH0244692536	2.625 %	June 17, 2024 Redemption at par	CHF 150 million	100 %	110.824 %	113.883 %

Key figures Oerlikon Group

Key figures Oerlikon Group

in CHF million	January 1 to December 31, 2018	January 1 to December 31, 2017
Order intake ¹	2731	2211
Order backlog ¹	596	496
Sales ¹	2609	2068
EBITDA ¹	406	322
- as % of sales ¹	15.6%	15.6%
EBIT ¹	243	168
- as % of sales ¹	9.3%	8.1%
Result from continuing operations ²	173	95
Result from discontinued operations, net of income taxes ²	73	56
Net income ²	245	151
- as % of equity attributable to shareholders of the parent ²	12%	8%
Cash flow from operating activities ^{2, 4}	498	478
Capital expenditure for property, plant and equipment and intangible assets ¹	207	169
Total assets ²	4545	4363
Equity attributable to shareholders of the parent ²	2001	1971
- as % of total assets ²	44%	45%
Net cash ^{3, 5}	398	499
Net operating assets ^{1, 6}	1523	1949
Number of employees (full-time equivalents) ¹	10727	9798
Personnel expense ¹	782	681
Research and development expenditure ^{1, 7}	116	95

¹ 2018 continuing operations, 2017 restated.

² 2017 restated.

³ 2018 continuing operations, 2017 as reported.

⁴ Cash flow from operating activities before changes in net current assets amounts to CHF 429 million (previous year, restated: CHF 404 million).

⁵ Net cash includes cash and cash equivalents, deposits and marketable securities less current and non-current debt.

⁶ 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 financial liabilities, non-current loans and borrowings, current income tax payables and deferred tax liabilities). Net operating assets from continuing operations as per December 31, 2017 amounted to CHF 1 566 million.

⁷ Research and development expenditure includes expenses recognized as intangible assets in the amount of CHF 30 million (previous year, restated: CHF 24 million).

Key share-related figures¹

in CHF	January 1 to December 31, 2018	January 1 to December 31, 2017
Share price		
Year high	18.27	16.95
Year low	10.59	10.05
Year-end	11.04	16.45
Shares outstanding at year-end	339758576	339758576
Market capitalization at year-end in CHF million	3751	5589
EBIT per share ²	0.72	0.50
Earnings per share	0.71	0.44
Cash flow from operating activities per share	1.48	1.41
Equity per share ³	5.90	5.81
Dividend per share	1.00 ⁴	0.35 ⁵

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

² Continuing operations.

³ Attributable to shareholders of the parent.

⁴ Dividend proposal for 2018, to be paid in 2019, comprising of an ordinary dividend of CHF 0.35 and an extraordinary dividend of CHF 0.65.

⁵ For financial year 2017, paid in 2018.

Key figures by Segment

in CHF million	January 1 to December 31, 2018	January 1 to December 31, 2017, restated ³
Oerlikon Group¹		
Order intake	2731	2211
Order backlog	596	496
Sales	2609	2068
EBITDA	406	322
– as % of sales	15.6%	15.6%
EBIT	243	168
– as % of sales	9.3%	8.1%
Net operating assets ²	1523	1949
Number of employees (full-time equivalents)	10727	9798
Surface Solutions Segment		
Order intake	1574	1412
Order backlog	193	124
Sales	1519	1376
– thereof sales to third parties	1511	1370
EBITDA	283	276
– as % of sales	18.6%	20.1%
EBIT	144	149
– as % of sales	9.5%	10.8%
Net operating assets ²	1584	1519
Number of employees (full-time equivalents)	7654	7079
Manmade Fibers Segment		
Order intake	1157	799
Order backlog	403	372
Sales	1098	698
– thereof sales to third parties	1098	698
EBITDA	128	56
– as % of sales	11.7%	8.0%
EBIT	106	33
– as % of sales	9.6%	4.7%
Net operating assets ²	–59	69
Number of employees (full-time equivalents)	2824	2496

¹ Continuing operations.

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, non-current post-employment benefit liabilities and deferred tax liabilities). Net operating assets from continuing operations as per December 31, 2017 amount to CHF 1566 million.

³ With the adoption of the new accounting standard IFRS 15, prior-year figures have been restated. In addition, following the announcement of the divestment of the Drive Systems Segment, the respective figures are presented as discontinued operations and 2017 figures have been restated. Refer to the section "Adjustments" of the "Significant accounting principles".

Consolidated income statement

in CHF million	Notes	January 1 to December 31, 2018	January 1 to December 31, 2017, restated ¹
Sales of goods		1 615	1 140
Services rendered		995	928
Total sales	26	2 609	2 068
Cost of sales		-1 817	-1 405
Gross profit		793	663
Marketing and selling		-184	-162
Research and development		-120	-101
Administration		-257	-230
Other income	3	42	30
Other expense	3	-30	-32
Result before interest and taxes (EBIT)		243	168
Financial income	5	21	10
Financial expense	5	-24	-19
Result before taxes (EBT)		240	159
Income taxes	6	-68	-64
Result from continuing operations		173	95
Result from discontinued operations, net of income taxes	2	73	56
Net income		245	151
Attributable to:			
Shareholders of the parent		240	148
Non-controlling interests		5	3
Earnings per share in CHF	7	0.71	0.44
Diluted earnings per share in CHF	7	0.71	0.44
Earnings per registered share continuing operations in CHF		0.50	0.27
Diluted earnings per registered share continuing operations in CHF		0.50	0.27
Earnings per registered share discontinued operations in CHF	2	0.21	0.16
Diluted earnings per registered share discontinued operations in CHF	2	0.21	0.16

¹ With the adoption of the new accounting standard IFRS 15, prior-year figures have been restated. In addition, following the announcement of the divestment of the Drive Systems Segment, the respective figures are presented as discontinued operations and 2017 figures have been restated. Refer to the section "Adjustments" of the "Significant accounting principles".

Consolidated statement of comprehensive income

in CHF million	Notes	January 1 to December 31, 2018	January 1 to December 31, 2017, restated ¹
Net income		245	151
Other comprehensive income			
Items that will never be reclassified to the income statement			
Remeasurement of defined benefit plans ²	14	-10	39
Income taxes on items that will never be reclassified to the income statement		2	-16
		-8	23
Items that are or may be reclassified subsequently to the income statement			
Changes in fair value of hedges ³		-7	6
Conversion differences		-73	70
Income taxes on items that are or may be reclassified subsequently to the income statement		2	-1
		-78	75
Other comprehensive income for the period, net of taxes		-86	98
Total comprehensive income for the period		159	249
Attributable to:			
Shareholders of the parent		155	245
Non-controlling interests		4	4

¹ With the adoption of the new accounting standard IFRS 15, the prior-year figures have been restated.

² Thereof CHF -1 million relating to discontinued operations (previous year: CHF 9 million).

³ Thereof CHF -1 million relating to discontinued operations (previous year: CHF 1 million).

Consolidated balance sheet

Assets

in CHF million	Notes	December 31, 2018	December 31, 2017, restated ¹	January 1, 2017, restated ¹
Cash and cash equivalents	8	764	871	751
Current financial investments and derivatives	9	133	101	121
Trade and trade notes receivable	10	305	447	369
Current contract assets	26	31	40	12
Other receivables	10	92	113	80
Current income tax receivables		17	28	41
Inventories	11	343	461	351
Prepaid expenses and accrued income		19	15	11
Assets classified as held for sale	2	866	–	–
Current assets		2571	2076	1736
Loans and other non-current financial receivables	10	24	23	22
Non-current financial investments	9	29	18	6
Property, plant and equipment	12	667	845	745
Goodwill and intangible assets	13	1 139	1 229	1 154
Post-employment benefit assets	14	5	20	3
Deferred tax assets	6	110	151	159
Non-current contract assets	26	1	1	1
Non-current assets		1974	2287	2090
Total assets		4545	4363	3826

Liabilities and equity

in CHF million	Notes	December 31, 2018	December 31, 2017, restated ¹	January 1, 2017, restated ¹
Trade payables	15	277	366	240
Current contract liabilities	26	450	375	166
Current financial liabilities and derivatives	15	309	5	6
Other current payables	15	63	57	60
Accrued liabilities	16	201	203	178
Current income taxes payable		65	65	44
Current post-employment benefit liabilities	14	15	17	18
Other current provisions	17	38	76	71
Liabilities classified as held for sale	2	363	–	–
Current liabilities		1780	1 164	783
Non-current loans and borrowings	18	194	463	466
Other non-current liabilities		24	37	–
Non-current post-employment benefit liabilities	14	329	419	436
Deferred tax liabilities	6	132	165	159
Other non-current provisions	17	65	126	141
Non-current liabilities		743	1 210	1 202
Total liabilities		2524	2 374	1 985
Share capital		340	340	340
Treasury shares		–13	–4	–5
Retained earnings and reserves		1 674	1 635	1 492
Equity attributable to shareholders of the parent		2001	1 971	1 827
Non-controlling interests		21	18	14
Total equity		2021	1 989	1 841
Total liabilities and equity		4545	4 363	3 826

¹ With the adoption of the new accounting standard IFRS 15, prior-year figures have been restated. Refer to the section "Adjustments" of the "Significant accounting principles".

Consolidated cash flow statement¹

in CHF million	Notes	January 1 to December 31, 2018	January 1 to December 31, 2017, restated ²
Net income		245	151
Income taxes		94	63
Interest expense (net)		7	11
Depreciation of property, plant and equipment	12	120	130
Amortization of intangible assets	13	65	61
Impairment losses on property, plant and equipment	12	1	5
Addition to other provisions (net)		1	26
Decrease in post-employment benefit liabilities		-19	-18
Gain from sale of non-current assets		-2	-
Gain on sale of discontinued operations, net of income taxes	2	-	-6
Income taxes paid		-75	-41
Other non-cash items		-8	22
Cash flow from operating activities before changes in net current assets		429	404
Increase in receivables, contract assets, prepaid expenses and accrued income		-6	-120
Increase in inventories		-83	-88
Increase in payables, accrued liabilities and use of other provisions		73	91
Increase in contract liabilities		84	191
Non-cash impact on net current assets due to hedge accounting		1	-
Cash flow from changes in net current assets		69	74
Cash flow from operating activities		498	478
Purchase of property, plant and equipment		-232	-202
Purchase of intangible assets	13	-49	-35
Acquisition of subsidiaries, net of cash acquired	2	-19	-26
Acquisition of associates and other investments		-18	-11
Purchase of financial investments		-36	-14
Proceeds from sale of property, plant and equipment		3	5
Proceeds from sale of financial investments		-	40
Interest received		9	6
Cash flow from investing activities		-342	-237
Dividends paid		-118	-104
Purchase of treasury shares		-14	-
Repayment of financial debt		-5	-6
Proceeds from financial debt		3	-
Acquisition of non-controlling interests		-	-9
Proceeds from foundation of subsidiaries with non-controlling interests		-	5
Interest paid		-16	-18
Cash flow from financing activities		-149	-132
Conversion adjustments to cash and cash equivalents		-19	11
Decrease/increase in cash and cash equivalents		-12	120
Cash and cash equivalents at the beginning of the year	8	871	751
Cash and cash equivalents at the end of the year ³	8	858	871
Decrease/increase in cash and cash equivalents		-12	120

¹ The cash flow statement includes effects from discontinued operations as well as assets and liabilities held for sale. Refer to Note 2 for cash flow from discontinued operations.

² With the adoption of the new accounting standard IFRS 15, prior-year figures have been restated. Refer to section "Adjustments" of the "Significant accounting principles".

³ 2018: Includes CHF 94 million, which are included in "Assets classified as held for sale" in the balance sheet as of December 31, 2018.

Segment information

in CHF million	Surface Solutions Segment		Manmade Fibers Segment		Total Segments		Group/ Eliminations	
	2018	2017	2018	2017	2018	2017 ⁷	2018	2017 ⁷
Order intake¹	1574	1412	1157	799	2731	2211	-	-
Order backlog¹	193	124	403	372	596	496	-	-
Sales¹								
Sales to third parties	1511	1370	1098	698	2609	2068	-	-
Sales to other segments	8	6	-	-	8	6	-8	-6
Eliminations	-8	-6	-	-	-8	-6	8	6
	1511	1370	1098	698	2609	2068	-	-
Sales by market region to third parties¹								
Asia/Pacific	447	435	763	449	1210	884	-	-
Europe	691	627	161	148	852	775	-	-
North America	306	247	103	53	409	300	-	-
Other regions	67	61	71	48	138	109	-	-
	1511	1370	1098	698	2609	2068	-	-
Sales by location to third parties¹								
Asia/Pacific	408	389	374	198	782	587	-	-
thereof China	143	138	366	191	509	329	-	-
Europe	736	669	698	477	1434	1146	-	-
thereof Switzerland	128	101	-	-	128	101	-	-
Germany	353	332	698	477	1051	809	-	-
Italy	38	37	-	-	38	37	-	-
North America	323	269	28	22	351	291	-	-
thereof USA	286	240	28	22	314	262	-	-
Other regions	44	44	-	-	44	44	-	-
	1511	1370	1098	698	2609	2068	-	-
Timing of revenue recognition								
At a point in time	1511	1370	411	287	1921	1658	-	-
Transferred over time	-	-	688	410	688	410	-	-
	1511	1370	1098	698	2609	2068	-	-
Capital expenditure for property, plant and equipment and intangible assets²								
Asia/Pacific	49	35	1	1	50	36	-	-
Europe	71	74	24	17	95	91	12	3
North America	44	37	-	-	44	37	-	-
Other regions	5	2	-	-	5	2	1	-
	169	148	26	18	195	166	13	3
EBITDA¹	283	276	128	56	411	332	-5	-10
EBIT¹	144	149	106	33	250	182	-7	-14
Other material items								
Research and development expense	-89	-80	-31	-22	-120	-101	-1	-
Depreciation and amortization	-137	-125	-22	-21	-159	-146	-2	-4
Impairment of property, plant and equipment	-1	-2	-	-2	-1	-4	-	-
Restructuring expense/income	-	-6	-	-	-	-6	-	-
Net operating assets^{1,3}	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
Operating assets ⁴	1929	1829	667	669	2596	2498	56	34
Operating liabilities ⁵	-345	-310	-726	-600	-1071	-910	-58	-56
	1584	1519	-59	69	1525	1588	-3	-22
Number of employees (full-time equivalents)	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
Asia/Pacific	1871	1787	1074	956	2945	2743	-	-
Europe	4047	3740	1687	1481	5734	5221	239	214
North America	1372	1226	63	59	1435	1285	-	-
Other regions	364	326	-	-	364	326	10	9
	7654	7079	2824	2496	10478	9575	249	223

	Total from continuing operations		Discontinued operations ⁶		Total incl. discontinued operations	
	2018	2017 ⁷	2018	2017	2018	2017
	2731	2211	854	773	3585	2984
	596	496	195	191	791	687
	2609	2068	845	726	3454	2794
	-	-	-	-	-	-
	2609	2068	845	726	3454	2794
	1210	884	177	147	1387	1031
	852	775	330	321	1182	1096
	409	300	290	235	699	535
	138	109	47	23	185	132
	2609	2068	845	726	3454	2794
	782	587	233	192	1015	779
	509	329	74	68	583	397
	1434	1146	369	339	1803	1485
	128	101	-	-	128	101
	1051	809	-	-	1051	809
	38	37	363	333	401	370
	351	291	243	195	594	486
	314	262	243	195	557	457
	44	44	-	-	44	44
	2609	2068	845	726	3454	2794
	1921	1658	845	726	2766	2384
	688	410	-	-	688	410
	2609	2068	845	726	3454	2794
	50	36	33	30	83	66
	107	94	34	30	142	124
	44	37	7	8	51	45
	6	2	-	-	6	2
	207	169	75	68	282	237
	406	322	120	98	526	420
	243	168	97	56	340	224
	-120	-101	-12	-12	-132	-114
	-161	-150	-24	-41	-185	-191
	-1	-4	-	-1	-1	-5
	-	-6	12	4	12	-2
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
	2652	2532	720	683	3372	3215
	-1129	-966	-273	-300	-1402	-1266
	1523	1566	447	383	1970	1949
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
	2945	2743	2973	2730	5918	5473
	5973	5435	1757	1745	7729	7180
	1435	1285	751	689	2186	1974
	374	335	-	-	374	335
	10727	9798	5480	5164	16207	14962

¹ With the adoption of the new accounting standard IFRS 15 the prior-year figures have been restated. Refer to section "Adjustments" of the "Significant accounting principles".

² Does not include non-current assets acquired through business combinations.

³ For 2017 the Drive Systems Segment is shown under discontinued operations.

⁴ 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.

⁵ 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.

⁶ Discontinued operations in 2018 include the Drive Systems Segment. In 2017, discontinued operations include the Drive Systems Segment and the Vacuum Segment.

⁷ With the reclassification of the Drive Systems Segment to discontinued operations the prior-year figures have been restated. Refer to the "Significant accounting principles".

Five-year summary of key figures

in CHF million	2018	2017	2016	2015	2014
Order intake ¹	2731	2211	2413	2537	2647
Order backlog ¹	596	496	447	431	643
Sales ¹	2632	2068	2331	2671	2825
EBITDA ^{1,4}	406	322	334	338	475
- as % of sales ^{1,4}	16%	16%	14%	13%	17%
EBIT ^{1,4}	243	168	158	-306	323
- as % of sales ^{1,4}	9%	8%	7%	-11%	11%
Net result ³	245	151	388	-418	202
- as % of equity attributable to shareholders of the parent ³	12%	8%	21%	-27%	9%
Cash flow from operating activities ^{3,6}	429	404	269	393	427
Capital expenditure for property, plant and equipment and intangible assets ¹	207	169	144	150	151
Total assets ³	4545	4363	3825	4097	4966
Equity attributable to shareholders of the parent ³	2001	1971	1826	1554	2188
- as % of total assets ³	44%	45%	48%	38%	44%
Net cash ^{2,7}	398	499	401	79	114
Net operating assets ^{1,8}	1523	1949	1867	1875	2486
Number of employees ¹	10727	9798	13840	13723	14039
Personnel expense ¹	782	681	796	785	780
Research and development expenditure ^{1,9}	116	95	94	103	96

¹ 2018 continuing operations, 2017 restated, 2016, 2015 and 2014 as reported.

² 2018 continuing operations, 2017, 2016, 2015 and 2014 as reported.

³ 2017 restated.

⁴ 2015 includes one-time effects of CHF -112 million (restructuring).

⁵ 2015 includes one-time effects of CHF -588 million (restructuring expenses of CHF -112 million and impairment losses of CHF -476 million).

⁶ Before changes in net current assets.

⁷ Net cash includes cash and cash equivalents and marketable securities less current and non-current debt.

⁸ 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 financial liabilities, non-current loans and borrowings, current income tax payables and deferred tax liabilities). Net operating assets from continuing operations as per December 31, 2017 amounted to CHF 1566 million.

⁹ Research and development expenditure includes expense recognized as intangible assets.

Financial Calendar and Contacts

FINANCIAL CALENDAR

March 5, 2019

Q4/FY 2018 results and publication of Annual Report 2018

April 9, 2019

2019 Annual General Meeting of Shareholders, KKL Lucerne

May 7, 2019

Q1 2019 results

August 7, 2019

Q2/HY 2019 results and publication of Interim Report 2019

November 5, 2019

Q3/9M 2019 results

Dates of roadshows, conferences and other events can be found in the financial calendar on our website at www.oerlikon.com/en/investors.

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The full version of the Annual report 2018 can be downloaded from www.oerlikon.com/annualreport-2018/.
The English language version of Oerlikon's Annual Report is the binding version.

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