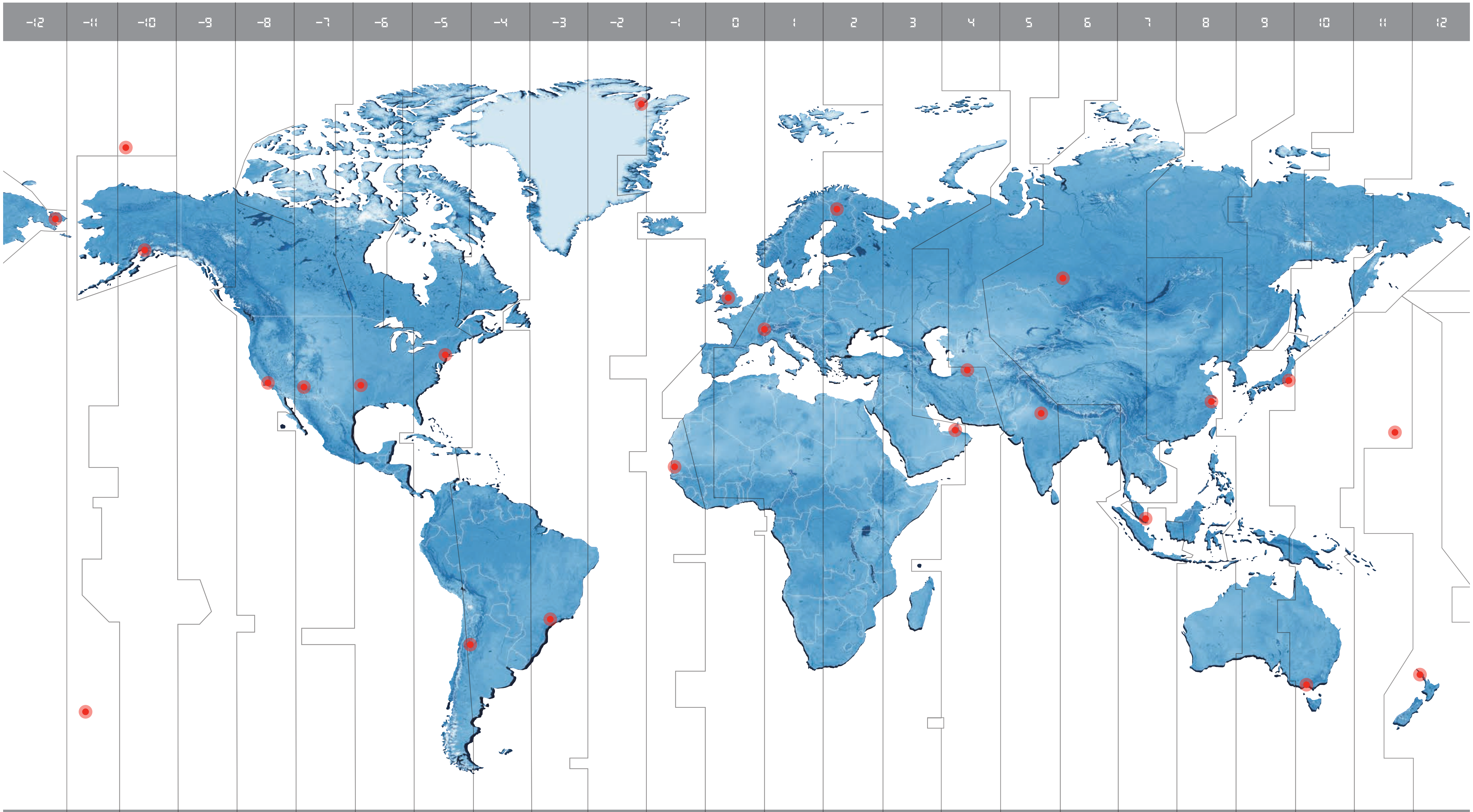
oerlikon

Annual Report **2013**

Oerlikon: 24 hours around the globe

Discover how our technologies impact your everyday life. Hidden in plain sight, we facilitate the production of high-tech applications for nearly all aspects of life, most notedly applications for the production and processing of foodstuffs, manmade fibers and functional wear; the building of infrastructure; mobility; energy production; and the manufacture of electronic equipment. Oerlikon: innovative industrial solutions for a better life.

Oerlikon: 24 hours around the globe – and part of your life



Time zone	Longitude	Time	Location
-12	180°	00:27	Uelen, Siberia
-11	165°	01:27	Pacific Ocean
-10	150°	02:27	Chukchi Sea, Alaska
-9	135°	03:27	Anchorage, Alaska
-8	120°	04:27	Los Angeles, USA
-7	105°	05:27	Phoenix, USA
-6	90°	06:27	Dallas, USA
-5	75°	07:27	New York, USA
-4	60°	08:27	Santiago, Chile
-3	45°	09:27	São Paulo, Brazil
-2	30°	10:27	Nord, Greenland
-1	15°	11:27	Dakar, Senegal
0	0°	12:27	Birmingham, England
1	15°	13:27	Geneva, Switzerland
2	30°	14:27	Levi, Finland
3	45°	15:27	Dubai, UAE
4	60°	16:27	Ashgabat, Turkmenistan
5	75°	17:27	New Delhi, India
6	90°	18:27	Novosibirsk, Russia
7	105°	19:27	Singapore, Singapore
8	120°	20:27	Shanghai, China
9	135°	21:27	Tokyo, Japan
10	150°	22:27	Melbourne, Australia
11	165°	23:27	Pacific Ocean
12	180°	24:27	Auckland, New Zealand

Key figures Oerlikon Group 2013

(in CHF million)

	2013	2012	Change (abs.)	Change (%)
Order intake[1]	**2 893**	**2 802**	**+91**	**+3.2**
Sales[1]	**2 883**	**2 906**	**–23**	**–0.8**
EBITDA[1]	**492**	**547**	**–55**	**–10.1**
EBIT[1]	**366**	**421**	**–55**	**–13.1**
Operating cash flow*	**435**	**414**	**+21**	**+5.1**
Result from continuing operations	**259**	**218**	**+41**	**+18.8**

Key figures Oerlikon Group

in CHF million	**January 1 to December 31, 2013**	January 1 to December 31, 2012
Order intake[1]	2 893	2 802
Order backlog[1]	825	834
Sales[1]	2 883	2 906
EBITDA[1]	492	547
– as % of sales	17 %	19 %
EBIT[1]	366	421
– as % of sales	12.7 %	14.5 %
Result from continuing operations[2]	259	218
Result from discontinued operations, net of income taxes[3]	–58	162
Net income[2]	201	380
– as % of equity attributable to shareholders of the parent	10 %	20 %
Cash flow from operating activities[4]	367	506
Capital expenditure for property, plant and equipment and intangible assets	180	181
Total assets[2]	4 094	4 158
Equity attributable to shareholders of the parent[2]	2 072	1 860
– as % of total assets	51 %	45 %
Net cash[5]	981	339
Net operating assets[6]	1 586	1 575
Number of employees[1]	12 860	12 708
Personnel expense[1]	766	765
Research and development expenditure[1, 7]	122	106

[1] Continuing operations.

[2] 2012 restated for IAS 19 (revised), see page 99.

[3] Includes reclassification of translation differences amounting to CHF –114 million (previous year: CHF –7 million).

[4] Cash flow from operating activities before changes in net current assets amounts to CHF 435 million (previous year: CHF 414 million).

[5] Net cash includes cash and cash equivalents 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, financial assets, current tax receivables and deferred tax assets) less operating liabilities (excluding financial liabilities, current income taxes payable and deferred tax liabilities).

[7] Research and development expenditure includes expense recognized as intangible assets in the amount of CHF 14 million (previous year: CHF 15 million).

Key share-related figures[1]

in CHF	**January 1 to December 31, 2013**	January 1 to December 31, 2012
Share price		
Year high	13.70	10.85
Year low	9.91	5.06
Year-end	13.35	10.35
Shares outstanding at year-end	334 633 258	325 964 498
Market capitalization at year-end in CHF million	4 467	3 374
EBIT per share	1.11	1.30
Earnings per share[2]	0.60	1.16
Cash flow from operating activities per share	1.11	1.56
Equity per share[3]	6.27	5.75
Dividend per share	0.27[4]	0.25[5]

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

[2] 2012 restated.

[3] Attributable to shareholders of the parent.

[4] Dividend proposal for 2013, to be paid in 2014.

[5] For financial year 2012, paid in 2013.

* Before changes in net current assets.

Contents

Shareholders' letter

Dear Shareholders

It is a pleasure for me to report to you on a further successful year for your company in which we continued to improve our competitiveness. In a difficult environment, we performed well in 2013, and increased profitability in important areas such as the Manmade Fibers Segment. Portfolio-streamlining measures were completed on schedule with the sale of the Natural Fibers and Textile Components Business Units. Together with cash flow from operational activities, we have been deliberate in accumulating substantial liquid funds. Oerlikon today is in a strong financial position.

In the context of our dividend policy introduced three years ago, the Board of Directors will recommend to the Annual General Meeting of Shareholders an increased dividend of CHF 0.27 per share, the third consecutive dividend and the second increase in a row.

The capital markets recognized our continuing strategic and operational achievements over the past year with a rise in share price of 29%. We once again outperformed indices such as the Swiss Market Index and the STOXX Europe 600.

Moving forward from this strong foundation, we continue to invest in growth. In 2013, we invested in our global production and sales network, along with development projects in new technologies and products; the sums involved were well in excess of depreciation and amortization.

At the beginning of 2014, we welcomed the arrival of Dr. Brice Koch as our new CEO. Thanks are due to our CFO Jürg Fedier, who managed the company as acting CEO during the transition phase and preserved stability and continuity. The Board of Directors is confident that with Brice Koch and Jürg Fedier as well as the wider Executive Committee we have an excellent management team focusing on growth. With the announcement on January 31, 2014, that we will acquire the business of Sulzer Metco to complement our Coating Segment, we have already made further progress. The combination of the two complementary businesses will form the global technology leader for Surface Solutions and at the same time be the largest Segment of Oerlikon. This step is consistent with our strategy to build our portfolio around our core competencies in high-tech growth markets by using our strong financial position to invest in a disciplined manner in adjacent technologies and markets.

An important event in 2013 was the Swiss people's endorsement of the "Minder Initiative". The new laws will make their mark at the 2014 Annual General Meeting of Shareholders. Shareholders will be able to elect directly the Chairman of the Board of Directors and the members of the Compensation Committee, as well as vote prospectively on the total compensation of the Board of Directors and the fixed compensation of the Executive Committee. The changes to the Articles of Association required for the implementation of the new regulations will also be presented to shareholders for approval.

Looking forward at the world economy, there are unresolved, fundamental challenges remaining, such as high levels of state indebtedness among developed industrial nations, sluggish growth in Europe especially and budget disputes in the USA. Growth rates in emerging markets and consumer confidence in general remain fragile. Efficiency and prudence continue to be key to our future.

On behalf of the Board of Directors, I offer thanks to our shareholders, employees, customers and business partners for their commitment and support to date.

February 25, 2014

Sincerely

Tim Summers
Chairman of the Board of Directors

Dear Shareholders

In a difficult global economic climate, we continued our high level of operational performance in 2013. With EBIT of CHF 366 million our profitability margin attained 12.7 %, a double-digit percentage for the third year in succession. New orders reached CHF 2.9 billion, a 3.2 % increase. As expected, sales of CHF 2.9 billion were around the previous year's level. Operationally we have met and outperformed the expectations of the capital markets as well as our own planning. With our 2013 results we count sustainably among the top performers in the industrial sector.

Thanks to strong operational cash flow and an inflow of liquid funds from the sale of the former textile business areas, our net liquidity rose to CHF 981 million, while equity ratio increased once more from 45 % to 51 %. Oerlikon's operating performance, financial position and flexibility are thus sustainably strong.

Almost all the Segments contributed to good performance in 2013. The Coating Segment, the highest-margin Segment, led the field, followed by the Manmade Fibers Segment. Despite considerable challenges in its end markets – especially the automotive industry – the Coating Segment successfully maintained high profitability of 20.5 % EBIT margin and grew EBIT to CHF 105 million, which marks a record result in the Segment's history. With renewed increases in sales and profit, the Manmade Fibers Segment achieved a record result as well and finds itself at a historic high. Both Segments are at Best-in-Class level compared to their peers. The Vacuum Segment also made progress in a difficult market environment and posted a solid result; sales increased at the Advanced Technologies Segment, where heavy investment in research and development impacted profitability. There were unsatisfactory results from the Drive Systems Segment, which was most affected by market downturns. Corresponding countermeasures are being actively implemented. As a result, profitability increased sequentially in the course of the year.

The driving forces behind our performance are systematically implemented operational and strategic measures in the following areas:

- Innovation: we increased our investments in R&D by 15 % to CHF 122 million, as well as bringing new and groundbreaking technologies to market – for example the Coating Segment with its new-generation BALIQ™ coatings.
- Regional expansion: we have further extended our global production and service network by starting construction of a new factory in India (Drive Systems Segment), opening more coating centers in Asia and the US as well as setting up new sales and services organizations for the Vacuum Segment in Brazil and India.
- Operational excellence: efforts continued to raise our operating processes to world-class standards.

Summing up, Oerlikon has emerged even stronger from the year under review, and ready to introduce steps necessary for medium- to long-term growth – both organic and through targeted acquisitions of companies and technologies. To this end we shall be deploying the financial resources at our disposal with utmost discipline, to ensure that transactions create added shareholder value. Executing this strategy, we recently announced that we have signed an agreement to acquire Sulzer Metco, investing in adjacent technologies and new markets. We expect to complete this acquisition in the course of the third quarter of 2014. Our financial position will remain strong after the transaction, maintaining our ability to continue with the execution of our growth strategy.

I would like to thank our around 13 000 employees around the globe for their great commitment. Only through their hard work can we continue to be successful.

February 25, 2014

Best regards

Jürg Fedier
Chief Financial Officer (CFO) and
Interim Chief Executive Officer (CEO) during 2013

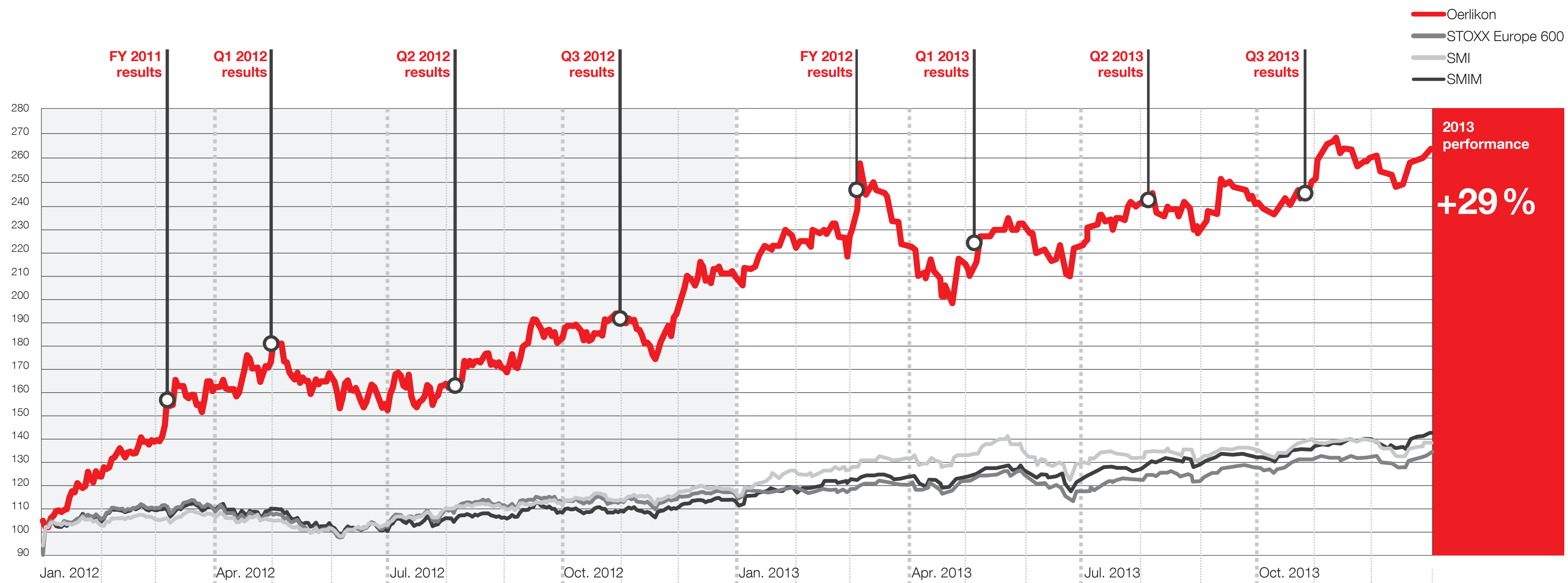
I. Profile

1.0 Information for investors

1. The Oerlikon share price rose by 29 % to CHF 13.35 in 2013 and outperformed market indices.
2. Strong balance sheet with net liquidity of CHF 981 million.
3. For the third time in a row, the Board of Directors will propose the distribution of a dividend payment with an increase of 8 % to CHF 0.27 per share.

Development of the Oerlikon share price

Indexed; 100 % = closing price as of December 31, 2011



Oerlikon corporate actions

- Announcement of Solar divestment
- Sale of Arbon property
- Announcement of Italian footprint adjustment in Drive Systems
- Pilatus Flugzeugwerke AG divestment
- Dividend payment of CHF 0.20 per share
- Swiss bond issue
- Signing of new credit facility
- Opening of Chinese headquarters in Shanghai
- Divestment of Melco in Textile Segment
- Refinancing completed
- Announcement of new Vacuum CEO
- Regulatory approval to divest Solar Segment
- Announcement of Natural Fibers and Textile Components divestment
- Sale of Solar Segment completed
- Announcement of new Drive Systems CEO
- CEO Michael Buscher leaves the company
- Announcement of new Board member (Mikhail Lifshitz)
- Dividend payment of CHF 0.25 per share
- Oerlikon Systems named best supplier
- Oerlikon closes divestment of natural fibers businesses
- Oerlikon Balzers enters aerospace market
- Oerlikon confirms participation in the auction process of Sulzer Metco
- Announcement of Dr. Brice Koch as new CEO

External factors

- Troika agrees on second bailout package for Greece
- ECB second loan
- S&P downgrades Spain
- Elections in Greece
- Spain announces request for EU aid for banks
- The Eurogroup grants financial assistance to Spain's banking sector
- ECB announces unlimited bailout program
- Federal Court rules that Germany can proceed with its contribution to bailout program
- Chinese Communist Party elects new leadership
- US elections
- Decisions on US fiscal cliff
- Italian elections
- Venezuela's president Hugo Chavez dies
- US fiscal cliff; reductions in spending authority
- Cyprus parliament rejects bank levy
- New pope elected
- New government in place in Italy
- World Bank cuts forecast from 2.4 % to 2.2 %
- Fed mentions a possible stop to the stimulus program for end of 2013
- Fed announces continuation of treasury stimulus plan
- IMF reduces global growth expectation
- China reports unexpected decline in exports
- Ghouta chemical attack
- US and Russia agree Syria chemical weapons deal
- Fed announces decision to continue with treasury stimulus plan
- US government shutdown
- US Congress raises US debt ceiling and ends shutdown
- EU cuts 2014 Eurozone growth forecast
- Iran agrees to limit its nuclear program
- Fed announces plan to reduce bond buying program
- S&P downgrades France to AA

Analyst recommendations

	After FY 2011	After Q1 2012	After Q2 2012	After Q3 2012	After FY 2012	After Q1 2013	After Q2 2013	After Q3 2013	Year-end 2013
Buy	6	8	8	8	6	7	6	8	8
Hold	3	2	3	2	3	3	3	4	4
Sell	0	0	0	0	0	0	1	0	0

1.1 Oerlikon in the capital markets

2013 capital market development

2013 was a good year for equity investors, despite the challenging political and economic market environment. The worldwide main indices reported new record highs in 2013 and closed higher than in the previous year. The Swiss Market Index (SMI) climbed by 20 % and the STOXX Europe 600 Index by 18 % in 2013.

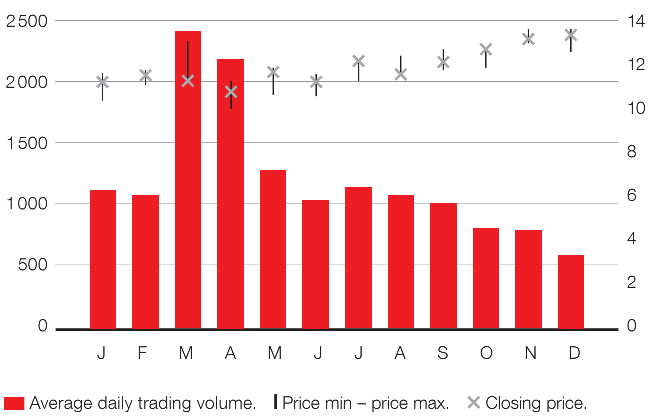
In 2013, the development of the US fiscal and monetary policy significantly impacted the global capital markets. Ongoing budget discussions, including the government standstill and the uncertainty regarding the continuation of the bond purchase program by the Federal Reserve, caused insecurity among investors. From a European perspective, the forming of the government in Italy and the banking crisis in Cyprus were driving the stock markets. Reduced growth in Asia and China, in particular, negatively impacted investors' sentiment. Despite all the negative news from abroad, the Swiss stock market showed positive performance. The SMI increased from 6 822 points to 8 203 points (+20 %). The SMIM even increased by 28 % from 1 244 points to 1 594 points.

Oerlikon share performance in 2013

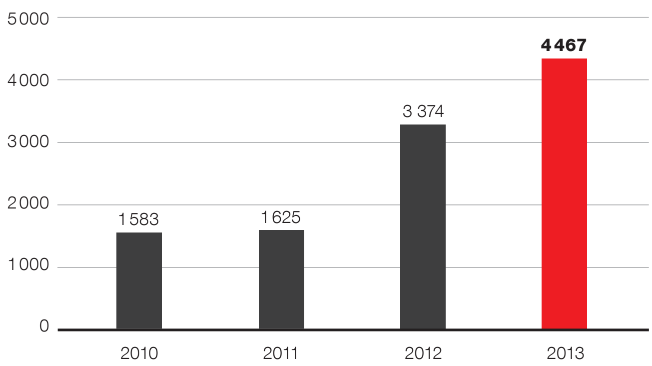
Following strong share performance in 2012, which saw the share increase by more than 100 %, the Oerlikon share continued to rise in 2013, despite the uncertain economic environment. Share value increased by 29 % and closed out 2013 at CHF 13.35 (2012 closing price: CHF 10.35). The Oerlikon share beat the general market development as measured by the indices SMI (+20 %), SMIM (+28 %) and STOXX Europe 600 (+17 %). In intraday trading, the share reached its lowest level on April 23 at CHF 9.91 and its annual high on November 11 at CHF 13.70.

Average daily trading volume on the 249 trading days in 2013 sustained at a high level of around 1.2 million shares (2012: 1.5 million shares).

Price range and trading volume 2013 (SIX Swiss Exchange)
in thousand shares / in CHF



Market capitalization
in CHF million, at year-end



Key share-related figures[1]

		2013	2012 restated	2011	2010	2009
Year-end	in CHF	13.35	10.35	5.03	4.90	31.68
Year high	in CHF	13.70	10.85	7.85	12.30	86.20
Year low	in CHF	9.91	5.06	4.06	3.69	20.82
Year average	in CHF	11.86	8.20	6.05	4.86	n/a
Average daily trading volume	in thousands	1236	1463	1600	879	98
Average daily trading volume	in CHF thousands	14566	11982	9596	4373	n/a
Shares outstanding at year-end	Number	334633258	325964498	323124010	323085471	14142437
Market capitalization at year-end	in CHF million	4467	3374	1625	1583	448
Earnings per share (undiluted)	in CHF	0.60	1.16	0.68	0.01	–54.27
Earnings per share (diluted)	in CHF	0.59	1.15	0.68	0.01	–54.27
Price-earnings ratio		22.25	8.77	7.40	490.00	–0.58
Payout ratio		35%[2]	29%[3]	29%	0%	0%
Dividend per share	in CHF	0.27[4]	0.25[5]	0.20[6]	0.00	0.00
Dividend yield		2%	2%	4%	–	–
Equity per share[7]	in CHF	6.27	5.75	4.91	6.92	38.44
Cash flow from operating activities per share	in CHF	1.11	1.56	1.36	2.47	7.02

[1] Average number of shares with voting and dividend rights.
[2] Based on underlying EPS of CHF 0.77.
[3] Based on underlying EPS of CHF 0.85.
[4] Dividend proposed for 2013, to be paid in 2014.
[5] For financial year 2012, paid in 2013.
[6] For financial year 2011, paid in 2012.
[7] 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	81682
Security type	Registered share
International Securities Identification Number (ISIN)	CH0000816824
Settlement currency	CHF
Stock exchange	SIX Swiss Exchange
First trading day	22.12.1975
Bloomberg ticker symbol	OERL S
Reuters ticker symbol	OERL.S

Weighting of the Oerlikon share in indices

as of December 31, 2013, in %

	2013	2012
SMIM	2.0443	2.0155
SMI Expanded	0.2128	0.1892
SPI	0.1998	0.1770
SPI Extra	1.3328	1.2644
SPI ex SLI	1.9268	1.8295
STOXX Europe 600	0.0282	0.0255
Swiss All Share	0.1979	0.1763
UBS 100 Index	0.2102	0.1795

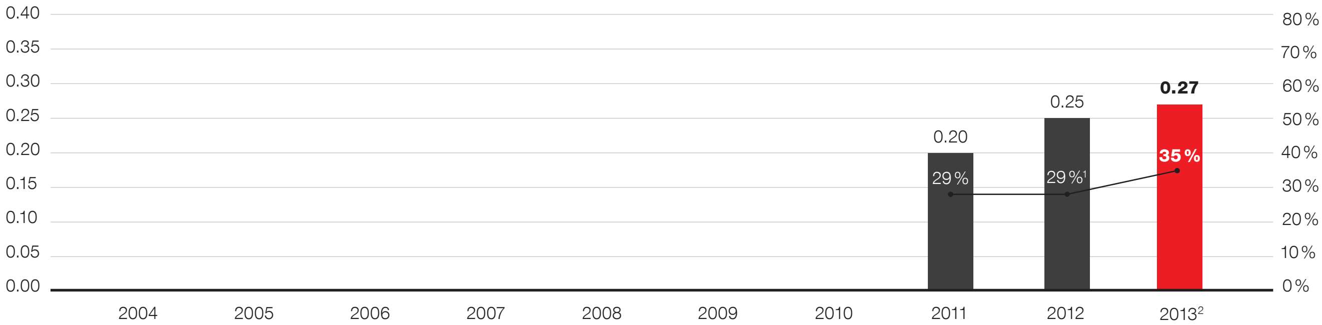
Shareholder earnings

Oerlikon adheres to its dividend policy introduced by the Board of Directors in 2011 and distributes up to 40 % of net profit to shareholders, subject to the level of funds available.

For 2013, Oerlikon generated earnings per share (EPS) of CHF 0.60. At the Annual General Meeting of Shareholders on April 15, 2014, the Board of Directors will propose the distribution of a dividend higher by 8 % of CHF 0.27 per share from the capital contribution reserves. This is equivalent to a payout ratio of 35 % based on the underlying earnings per share of CHF 0.77 (without the effect of the sale of the Natural Fibers and Textile Components Business Units).

Based on the year-end closing price of CHF 13.35, the Oerlikon share yielded a return of 2 % in 2013.

Dividend
in CHF, in % of earning per share



Dividend 2013. Dividend 2011/12. Payout ratio.

[1] Payout ratio based on underlying EPS of CHF 0.85.
[2] Proposed to the AGM; payout ratio based on underlying EPS of CHF 0.77.

Credit ratings and financing

At the 2013 balance sheet date, the Group had outstanding non-current financial liabilities amounting to CHF 303 million attributable primarily to the domestic bonds. The creditworthiness of the domestic bonds, assessed by UBS AG and the Zürcher Kantonalbank, was BBB– (investment grade) with a stable outlook.

Oerlikon also has a syndicated credit agreement for CHF 700 million, issued in July 2012. The unsecured credit agreement comprises a revolving cash facility of CHF 450 million and an ancillary tranche of CHF 250 million, with a term of three years and two additional extension options of one year each. No liquidity was drawn from the cash facility at the balance sheet date.

In December 2013, Oerlikon signed an unsecured EUR 120 million (app. CHF 150 million) loan facility with the European Investment Bank (EIB) to finance research and development of selected segments in Germany and Liechtenstein.

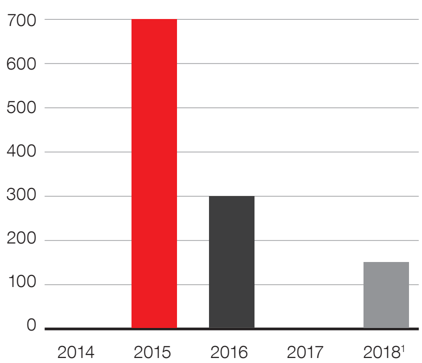
Cash and cash equivalents amounted to CHF 1 280 million at the balance sheet date. The Group had total net liquidity of CHF 981 million, as at December 31, 2013.

Financing instruments
as of December 31, 2013

Facility A CHF 700 million[1].
Swiss bond CHF 300 million.
EIB loan app. CHF 150 million.

[1] No liquidity was drawn from the revolving cash facility (CHF 450 million) was drawn as of balance sheet date.

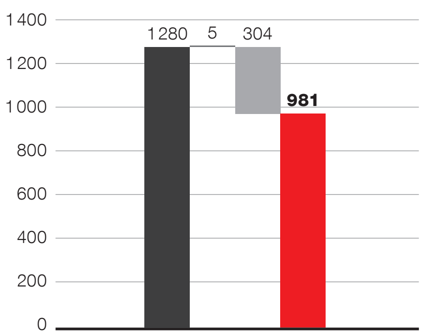
Maturity of financing instruments



Facility A CHF 700 million (prolongation options until 2017).
Swiss bond CHF 300 million.
EIB loan app. CHF 150 million.

[1] Maturity depends on the amortization schedule and timing of utilization.

Net liquidity
in CHF million, as of December 31, 2013



Cash and cash equivalents.
Other.
Non-current loans and borrowings.
Net liquidity.

1.2 Shareholder structure

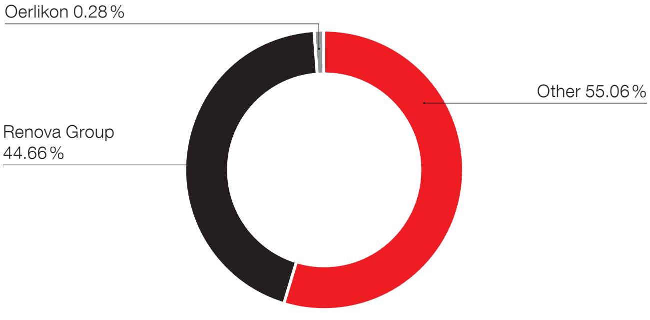
The shareholder structure was essentially unchanged in 2013. Under the terms of the Federal Act on Stock Exchanges and Securities Trading, shareholders whose holdings reach or exceed/fall short of a certain percentage of the share capital are required to disclose their holdings. In January 2013, BlackRock Group, New York, reported that it had exceeded the 3 % limit and in September the 5 % limit (last level in November: 5.21 %, including financial instruments). Subsequent to the balance sheet date, BlackRock Group, New York, disclosed on February 6, 2014, that the position excluding financial instruments amounted to 4.63 %. There were also only smaller changes in the holdings of the Renova Group, which remains Oerlikon's principal shareholder with a share of 44.66 % at the end of the year (2012: 47.92 %).

At the end of December 2013, Oerlikon held 944 902 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 (2012: 902 248).

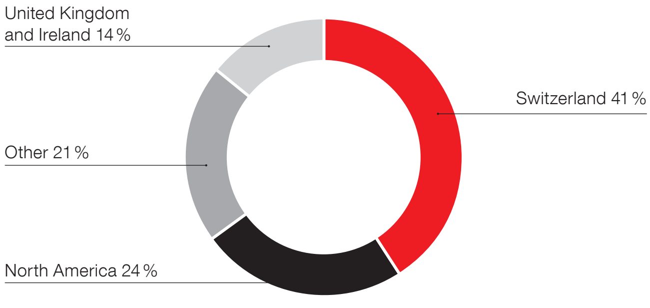
The free float totaled 55.3 % (2012: 51.8 %) as at December 31, 2013. The number of registered shareholders fell from 15 600 in 2012 to about 14 900 in 2013.

Oerlikon regularly commissions an analysis of the shareholder base in order to track the composition of registered shareholders as well as that of non-registered shares. The latest study in January 2014 shows that 5 % (2012: 8 %) of the share capital is held by private investors, the vast majority of whom are based in Switzerland. The other 95 % 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 37 % compared to 32 % a year ago. The regional distribution of the institutional shareholdings was also balanced in 2013. Most of the institutional shareholding is still in Switzerland, making up 41 % of all institutional shareholders. One year ago this percentage was 42 %. The percentage of institutional investors from North America increased to 24 % (2012: 21 %). Institutional shareholders from the UK and Ireland represent 14 % (2012: 22 %). The portion of institutional investors from the rest of the world rose from 15 % to 21 %, predominantly driven by investors in France, Germany and the Netherlands.

Shareholder structure
as of December 31, 2013



Regional distribution of institutional investors
as of December 31, 2013



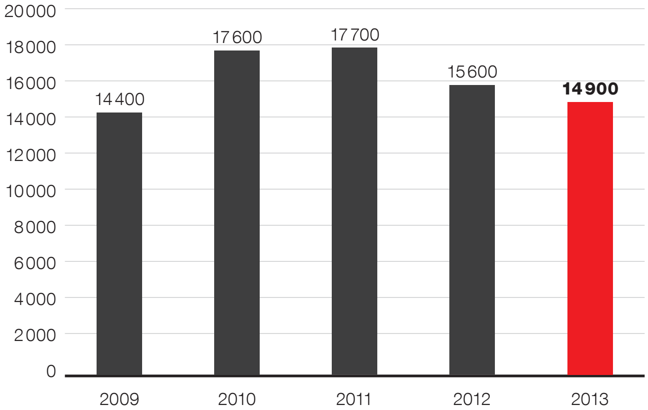
Shareholder structure

Shareholder	Dec. 2013 No. of shares	in %	Dec. 2012 No. of shares	in %	Dec. 2011 No. of shares	in %
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])	149 435 408[2]	44.66[3]	156 210 954	47.92[4]	155 035 964	47.98
OC Oerlikon Corporation AG, Pfäffikon	944 902	0.28	902 248	0.28	589 011	0.18
Other	184 252 948	55.06	168 851 296	51.80	167 499 035	51.84

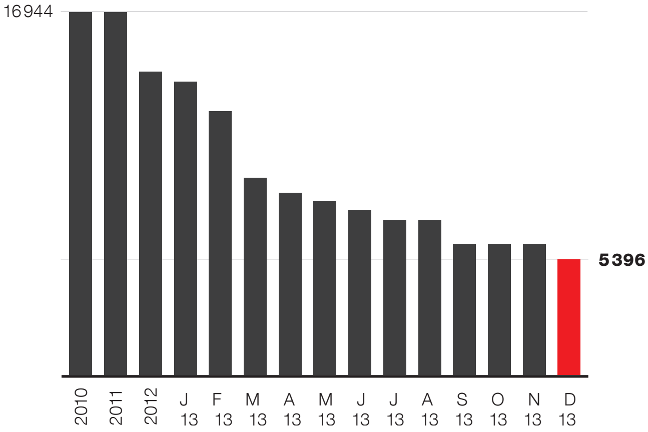
[1] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow.
[2] Source: disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published by SIX Exchange Regulation on August 6, 2013).
[3] Basis: shares issued (334 633 258).
[4] Basis: shares issued (325 964 498).

In the course of the 2010 refinancing process, financial creditors were granted 16 944 182 options (warrants), with the right to purchase one OC Oerlikon Corporation AG, Pfäffikon, bearer share. The options have terms extending no later than June 30, 2014. The exercise price after the dilution adjustments is currently CHF 5.72 and must be fully paid in cash. In the 2013 reporting period, a total of 8 668 760 options were exercised. There were still 5 396 395 options outstanding as at December 31, 2013.

Number of registered shareholders
at year-end



Warrants (outstanding)
in thousand



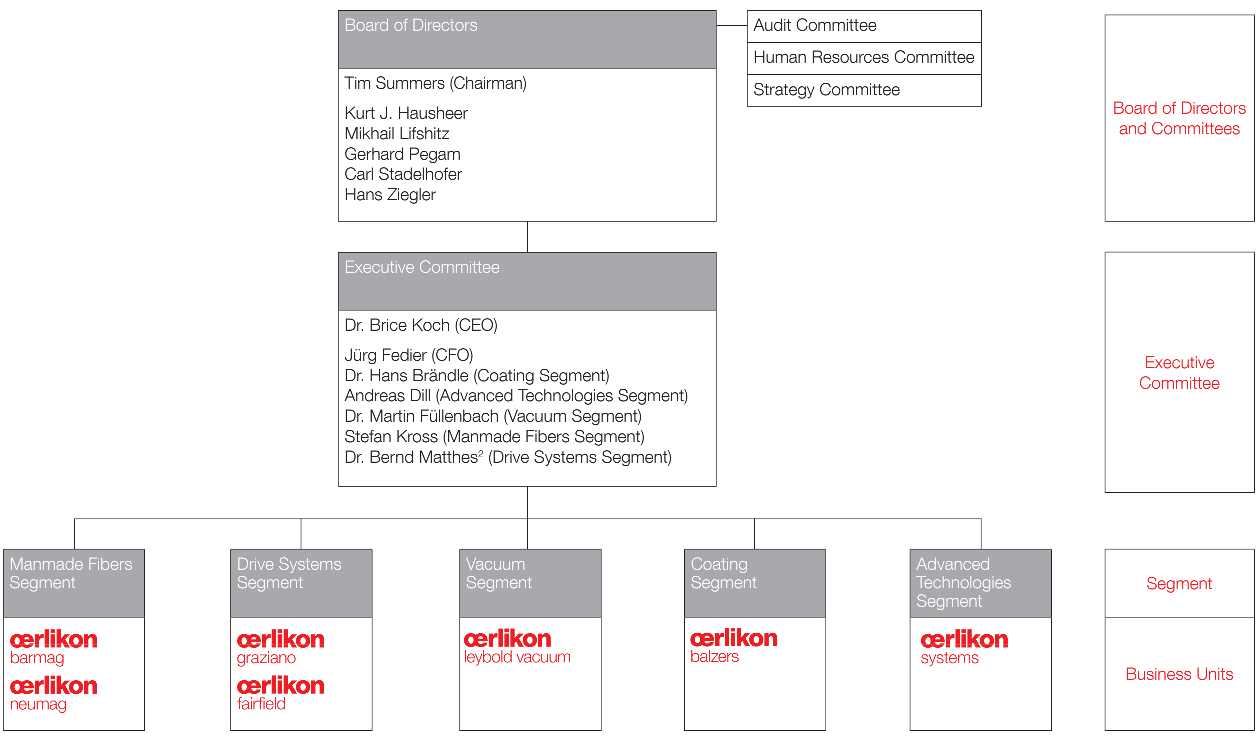
2.0 Oerlikon Group

1. Oerlikon creates innovative industrial solutions for a better life.

2. Innovation is at the very core of Oerlikon's culture and the key differentiator for our customers as well as for the company itself.

3. With a regional footprint of over 150 sites in 34 countries, Oerlikon is a global player with a strong position in emerging markets such as China and India.

Group Structure[1]



[1] Status at the time this annual report went to print.
[2] Starting April 1, 2014.

Innovative solutions for industrial applications

Oerlikon is an industrial group specializing in machine and plant engineering. In 2013 the company had a total of around 13000 employees working at over 150 sites in 34 countries and generated sales of CHF 2.9 billion.

The Group comprises five Segments: Manmade Fibers, Drive Systems, Vacuum, Coating and Advanced Technologies. The Segments' business areas span plants, provide various after sales services, develop and implement processes for synthetic fiber manufacturing, transmission systems and drive solutions, vacuum systems, surface solutions and production solutions for semiconductors and nanotechnology applications.

Oerlikon's technology is everywhere

Oerlikon's customers operate primarily in the markets for food, functional wear, transportation, infrastructure, energy and electronics. For example, the Group's customers include 22 of the 25 largest polyester manufacturers. Oerlikon also supplies globally operating manufacturers of agricultural vehicles and construction machinery, leading microchip producers and almost all major car manufacturers and their suppliers.

End products produced or processed with Oerlikon plants or processes can be found at every turn in people's everyday lives: functional sportswear keeps people warm, rugs make homes cozier, nonwoven materials insulate structures, hybrid vehicles and city buses improve mobility, vacuum packaging keeps food fresh, smartphones guarantee availability and LED lights save energy.

Unique products and solutions

The key factors that set the company apart are innovative industrial solutions with maximum customer benefit: synthetic fiber manufacturers, for example, can increase their productivity by 20% with the latest WINGS POY 1800 yarn winder. With the CLUSTERLINE® 300 II, more than twice as many power semiconductors can be produced at the same time, and BALIQ™ coatings extend the service life of microtools by a factor of 30.

The foundation for all of Oerlikon's activities is research and development (R&D), with 2013 Group investments of CHF 122 million (an increase of 15% compared to 2012). This is one reason why every Segment is a market and technology leader. More than 1000 highly qualified engineers focus on the development of unique products and solutions to help customers become more competitive in their markets: at the core of these activities are greater productivity and efficiency, lower energy consumption and less use of space as well as environmentally friendly and sustainable industrial processes.

Global network of sites

Oerlikon develops each global market with a range of products and solutions tailored to the needs of local customers. This strategy is successful due to the company's worldwide presence: Oerlikon operates in a closely knit network with over 150 sites in 34 countries. Most technology and development centers are concentrated in the domestic European market. China is the most important single market, accounting for 30 % of total sales. Other emerging countries, such as India and Brazil, also provide important growth opportunities.

This global coverage is most evident in the Coating Segment: it offers its services in 93 coating centers in 34 countries. The Manmade Fibers, Drive Systems and Vacuum Segments have also gradually expanded their production capacities, for example in China and India. As a result, they can capitalize on market opportunities that are being created in these countries thanks to growing domestic demand. Oerlikon efficiently ensures the highest level of availability of the often business-critical systems and processes with its worldwide network of service sites on all continents.

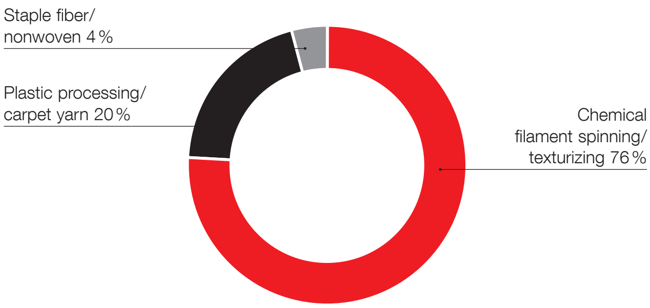
Manmade Fibers Segment

The Oerlikon Barmag and Oerlikon Neumag brands represented in the Manmade Fibers Segment are pioneers in synthetic fiber manufacturing.

Oerlikon Barmag is the leader in filament spinning systems and texturing machines used, for example, in the production and processing of polyester, polyamide and nylon. The WINGS (Winder INtegrated Godet Solution) winding systems for POY (partially oriented yarn) and FDY (fully drawn yarn) stand out by virtue of their consumption of 30 % less energy and of taking up less production space in a company's spinning facilities. The core competences of Oerlikon Neumag are systems used in the production of BCF (bulked continuous filament) carpet yarn, synthetic staple fibers and nonwoven fabrics. The Segment also offers the engineering and construction of polycondensation and polymerization systems, spanning all of the different steps involved in manmade fiber production ranging from molten plastic to yarn. Manmade fibers are processed into functional wear, carpets and upholstery, or into technical textiles such as airbags, seatbelts and geotextiles.

The main markets of Oerlikon Barmag are India and China, while Oerlikon Neumag's focus is on the USA, Turkey and China. 22 of the 25 largest synthetic fiber producers, who together account for 60 % of the annual production of filaments and fibers, are customers of the Segment. This includes global companies, such as Shenghong, Tongkung, Newfengming, Indorama and Wellknown Polyesters. The Manmade Fibers Segment has production facilities in Europe and Asia, while R&D is concentrated in Germany and China. The Segment maintains the world's largest technical center for manmade fibers in Remscheid.

Market Segments Manmade Fibers



Drive Systems Segment

The Oerlikon Graziano and Oerlikon Fairfield brands represented in the Drive Systems Segment are globally operating leading suppliers of transmission components and drive systems.

The Segment focuses its activities on transmission systems for high-performance sports cars and components as well as on drive solutions for agricultural vehicles, construction machines and on-/off-highway vehicles, such as city buses or airport towing tractors. The Segment also offers drive solutions for mobile and stationary industrial applications, such as for the energy industry or surface mining. The products in this Segment can be found, for example, in wind power systems, on oil and gas drilling platforms and in tunnel boring machines. One core competence of the Drive Systems Segment is the engineering of individual solutions ranging from tailored synchronizer rings all the way to seamlessly integrated power trains. Another specialty is the development of transmission solutions especially optimized for electric or hybrid vehicles.

The Segment's main markets are Europe, the USA, India and China. In addition to manufacturers of premium class sports cars, such as Aston Martin, Audi, Lamborghini and McLaren, the Segment's customers include many manufacturers of construction machines and agricultural equipment, such as Caterpillar, John Deere and CNH. Around 70 % of all globally produced agricultural machines contain synchronizer rings or clutch components made by Oerlikon Graziano. The Segment has production facilities in Europe, India, the USA and China. Its UK-based subsidiary VOCIS is a leading developer of monitoring software for drive systems.

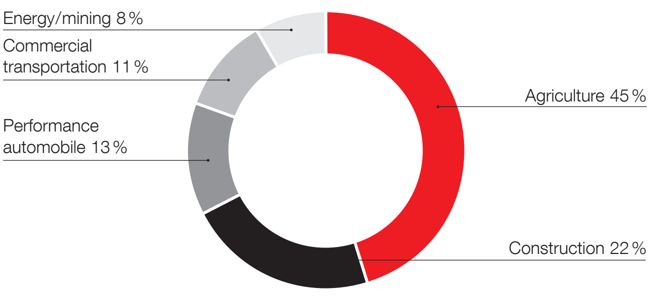
Vacuum Segment

The Vacuum Segment offers a wide range of fore- and high-vacuum pumps, complete with the corresponding accessories, under the Oerlikon Leybold Vacuum brand.

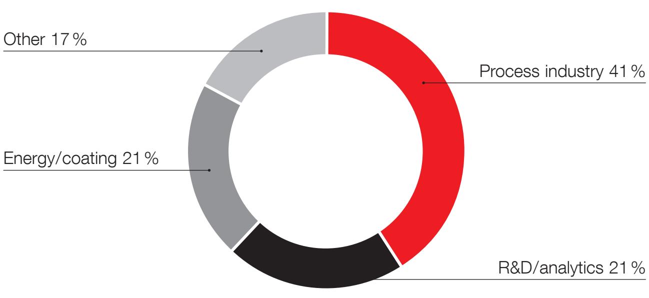
The Segment's products, such as high-vacuum pumps in the TURBOVAC family or dry-compressing models in the DRYVAC series, are unique thanks to their extremely high level of efficiency, quality and flexibility. Their most important areas of application are production methods in the process industry, analytics and applications in scientific research. The Segment's core competences include, in addition to the standard products, the engineering of tailored, complex vacuum solutions for industrial applications with sophisticated performance parameters, such as those required in steel degassing or AMOLED (active-matrix organic light-emitting diode) display production.

Pumps and solutions from Oerlikon Leybold Vacuum are in use around the whole world. For many large customers, they create the cleanest production conditions necessary for the manufacture of semiconductors, displays, coated architectural glass or solar cells. Vacuum systems are also used to finish steel or to process and package food products. This Segment's customers include Danieli, Böhler Edelstahl, Joopin and Marlen, as well as leading companies in the area of display production. In addition to the world's largest vacuum chamber in Karlsruhe, the CERN particle accelerator in Geneva is equipped with pumps from this Segment. Oerlikon Leybold Vacuum operates within a global network with 28 of its own production facilities and service centers as well as around 50 sales organizations.

Market Segments Drive Systems



Market Segments Vacuum



Coating Segment

The Coating Segment is the global leader in thin-film coatings with the Oerlikon Balzers brand.

Coatings from Oerlikon Balzers, such as BALINIT® or BALIQ™, are extremely hard, adhesive and resistant to wear. They can be used to fundamentally improve the surface properties of precision tools or components. The Segment's core business consists of the global coating service it offers in its own centers, where tools for metal processing or molding, for example, are coated to increase their effectiveness and service life and thus boost productivity. Special coatings are the only way that precision parts for automotive or airplane components can fulfill the continuously changing requirements made in terms of durability and efficiency. The coatings are also increasingly used in the luxury goods and watch industries. ePD™ technology gives synthetic components a high-quality and environmentally friendly chrome look, even in complex fields of application such as the automotive industry.

Customer proximity is one of the key success factors in the Coating Segment. To be able to offer the best possible service, Oerlikon Balzers operates a dense network of 93 coating centers in 34 countries, where more than 200 million tools and components are processed annually. The Segment's more than 20000 customers include well-known companies from the automotive and aerospace industries. Oerlikon Balzers develops its own technologies and processes used in its coating service. This is an important factor that sets the Segment apart and makes it the undisputed market and technology leader.

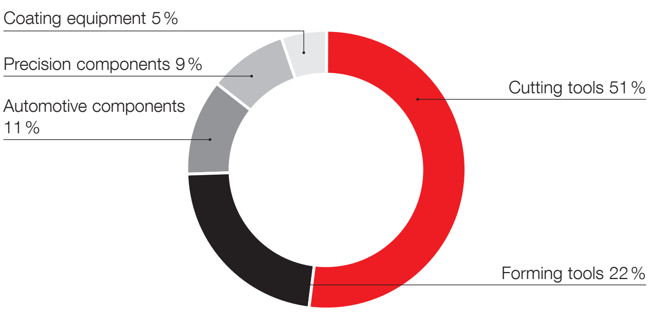
Advanced Technologies Segment

The Advanced Technologies Segment focuses, with the Oerlikon Systems brand, on production systems for the semiconductor and nanotechnology market.

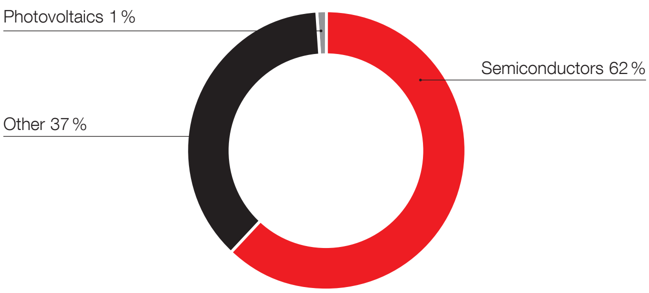
The Segment's core competence is its extensive knowledge in thin-film coating processes, which it uses as the basis for the creation of production facilities and corresponding solutions. In the area of semiconductors, the key applications of systems, such as CLUSTERLINE® or HEXAGON, are the advanced packaging of semiconductor components and processing of extremely thin wafers to produce power semiconductors, such as insulated gate bipolar transistor (IGBT) switching modules. The advanced packaging process enables the manufacture of ultracompact, high-performance chips that are installed in cell phones, tablet computers or vehicle electronic systems. Other end products include read-and-write heads for hard drives, LEDs, chips for mobile telephony and Micro-Electro-Mechanical Systems (MEMS). The SOLARIS system is used, among other things, to manufacture touch panel screens and crystalline solar cells.

Oerlikon Systems supplies a broad customer base that is mostly concentrated in Asia, similar to the centers of the semiconductor industry. Customers include ASE, Amkor, ABB, Bosch, Infineon, Osram and Seagate. Today, the majority of cell phones sold globally contain chips produced on systems produced by Oerlikon Systems. The Segment operates a technology center in Balzers in the Principality of Liechtenstein. Customers receive support services and training from a network of 17 distribution, service or spare parts centers (incl. sales agents) around the world.

Market Segments Coating



Market Segments Advanced Technologies



2.1 Positioned in long-term growth markets

Oerlikon focuses its activities on strategic growth markets with long-term potential. In the areas of food, functional wear, transportation, infrastructure, energy and electronics, the Group Segments supply various market players operating at the lower levels of the value chain. Thanks to innovative and efficient machines, systems and tailored industrial solutions, Oerlikon's customers generate measurable added value in these markets.

Food

- Transmissions for agricultural vehicles and machines
- Systems for the manufacture of geotextiles and nonwoven fabrics for agriculture
- Vacuum systems for food processing
- Coatings for the packaging industry

Four of Oerlikon's five Segments are active in the food market at different levels of the value chain. The Drive Systems Segment supplies manufacturers of agricultural vehicles and machines with transmission components and drive solutions for tractors, trucks or combine harvesters. Around 70 % of all globally produced agricultural machines contain synchronizer rings or clutch components from Oerlikon Graziano. Soil is stabilized in agriculture with geotextiles produced using systems from the Manmade Fibers Segment. Nonwoven manmade fibers protect plants from weather conditions. Vacuum systems from the Vacuum Segment are used in the processing phase to extract the ambient air when packaging food, increasing shelf life. The coatings of the Coating Segment are used in the packaging industry and are applied, for example, to forming tools used to manufacture PET bottles. The food market will continue to be attractive over the long term due to steady population growth. According to estimates by the United Nations, global food demand will increase disproportionately higher than the increase in population and rise by 70 % by 2050. This will mainly be caused by the increasing demand for higher quality and industrially processed food products from the new middle classes in the emerging economies.

Functional Wear

- Polycondensation systems for the production of molten plastics
- Filament spinning systems and texturing machines for manmade fiber production

Oerlikon's Manmade Fibers Segment focuses on the functional wear market. By supplying the world's largest manufacturers of manmade fibers, such as polyester, polyamide and nylon, with production and processing systems, it spans all production steps from the production of the molten plastics through to the finished yarn. Around 50% of all manufactured manmade fibers end up in the clothing and functional wear market, as they are often made entirely of polyester. Manmade fibers are also increasingly combined with natural fibers to meet the demand for more functional clothing for various purposes, such as sports or the outdoors. Polycondensation takes place at the beginning of the manufacturing process. The molten plastic, which is the basic material for manmade fibers, is produced from organic raw materials. Oerlikon offers the engineering and construction of corresponding systems. This Segment's core competences include systems for filament spinning and texturing used to produce and finish enormous quantities of manmade fibers. Currently, more than 50 million tons of manmade fibers are produced annually. This volume increases every year by around 5%, primarily driven by the global population increase and the rising standard of living in the emerging economies. An important factor is the constant increase in technical applications.

Transportation

- Surface Solutions for airplane and vehicles components
- Transmissions for locomotives, cars, buses and airport towing tractors
- Production solutions for technical textiles used in vehicles or airplanes
- Systems for the manufacture of microchips, touch screen panels and LEDs for vehicle electronic systems

Four of Oerlikon's five Segments focus on the transportation and automotive market. In the aerospace industry, airplane components, such as turbine blades, tail assembly systems and landing gears are treated by various Surface Solutions produced by the Coating Segment. Thin-film coatings are also used by automotive manufacturers: to treat stamping and forming tools in order to increase their productivity and extend their service life, and to coat precision components such as those found in diesel injection pumps, to boost their performance. The Drive Systems Segment offers transmission components and drive systems for locomotives, sports cars, electric vehicles, hybrid vehicles, city buses and airport towing tractors. Every modern vehicle contains several kilos of textile products, including airbags, seatbelts and interior lining for the passenger area. Airplanes need carpets and upholstery materials. These kinds of textiles are mostly made of manmade fibers. Vehicles also continue to feature an increasing amount of electronics. Equipment manufactured by the Advanced Technologies Segment is used to produce the ultracompact microchips necessary for these applications. Solutions in this Segment are also used to produce touch screen panels or LED lights that are used in virtually every vehicle. The transportation and automotive market will continue to be a growth market over the long term: the newly emerging middle class, mainly in China and India, is stimulating the sustained demand for vehicles.

Infrastructure

- Transmissions for construction machines and commercial vehicles
- Solutions for the manufacture of technical textiles for the construction industry
- Vacuum systems for architectural-glass coating and steel degassing
- Solutions for the production of carpets and home textiles

Three of Oerlikon's five Segments focus on the infrastructure market and the construction sector. The Drive Systems Segment offers transmission components and drive solutions for the construction industry. They are used in construction machines such as diggers, wheel loaders and road graders, as well as in commercial vehicles such as trucks. The Manmade Fibers Segment has production solutions for technical textiles, which are increasingly used in the construction industry. Applications with high growth potential include, for example, nonwoven material panels to insulate roof areas along with geotextiles to stabilize roads, embankments or walls, as well as reinforced fiber concrete. Vacuum systems of the Vacuum Segment create the cleanest process conditions necessary for the coating of architectural glass, thereby making it impermeable to UV radiation. The pumps are used in metallurgy, for example in steel degassing. Increasing construction activity results in growing demand for carpets and other home textiles, such as curtains or tablecloths, which can be efficiently manufactured using the systems of the Manmade Fibers Segment. The infrastructure and construction market is continuing to experience strong growth, due not only to general population growth but also to increasing urbanization, particularly in emerging economies such as China or Brazil.

Energy

- Surface Solutions for turbine blades
- Drive solutions for extracting oil, gas and coal
- Transmissions for wind power systems
- Production solutions for solar cell production
- Systems for the manufacture of power semiconductors and energy storage
- Vacuum systems for solar cell and power semiconductor production

Four of Oerlikon's five Segments are active in the energy market. The Coating Segment, for instance, delivers Surface Solutions for turbine blades. The Drive Systems Segment offers drive systems for stationary industrial applications used on oil or gas drilling platforms. In the area of renewable energies, Oerlikon transmission components are installed in wind power systems. The Advanced Technologies Segment has developed proven and efficient production solutions for coating crystalline solar cells. Systems from Oerlikon Systems are used to manufacture power semiconductors. Electronic components are key for efficient and low-loss switching of electricity, for example in electric and hybrid vehicles, and are also used to feed solar or wind power into the grid. The Segment also offers solutions for the manufacture of thin-film batteries and supercapacitors for energy storage. The production of solar cells and power semiconductors requires the cleanest of conditions. The pumps from the Vacuum Segment make these production processes possible for many manufacturers. The energy market remains dynamic: global population growth and the increase in the rate of urbanization and industrialization go hand in hand with steadily rising energy consumption. While fossil fuels still make up the largest percentage, electricity generation from renewable energy sources is gaining in importance around the world.

Electronics

- Production solutions for ultracompact microchips
- Systems for the production of MEMS and LED lights
- Vacuum systems for the production of displays and semiconductors

Two of Oerlikon's five Segments are active in the electronics market. The Advanced Technologies Segment offers production systems for the manufacture of ultracompact microchips and touch screen panels. These kinds of chips are used in cell phones and smartphones, MP3 players, tablet computers, game consoles and navigation devices. Thanks to the advanced packaging process, various functional levels can be loaded onto the chips. Most cell phones contain chips manufactured using machines made by Oerlikon. LED lights, considered sustainable because of their low consumption and long service life, are produced with systems made by Oerlikon Systems. Production solutions for MEMS create, for example, the possibility for self-focusing camera lenses for smartphones. Vacuum systems from the Vacuum Segment are used, among other things, in the production of AMOLED displays. These types of screens are installed in smartphones and tablets. The pumps are used by various semiconductor manufacturers or in other electronic components and create the best possible conditions in clean rooms. The growing middle class in the emerging economies is driving the explosion in demand for electronic devices and boosting the semiconductor market. According to current projections, more than 2 billion people will have at least one smartphone by 2015. Demand is also being stimulated by new products such as intelligent TVs or set-top boxes for digital TV.

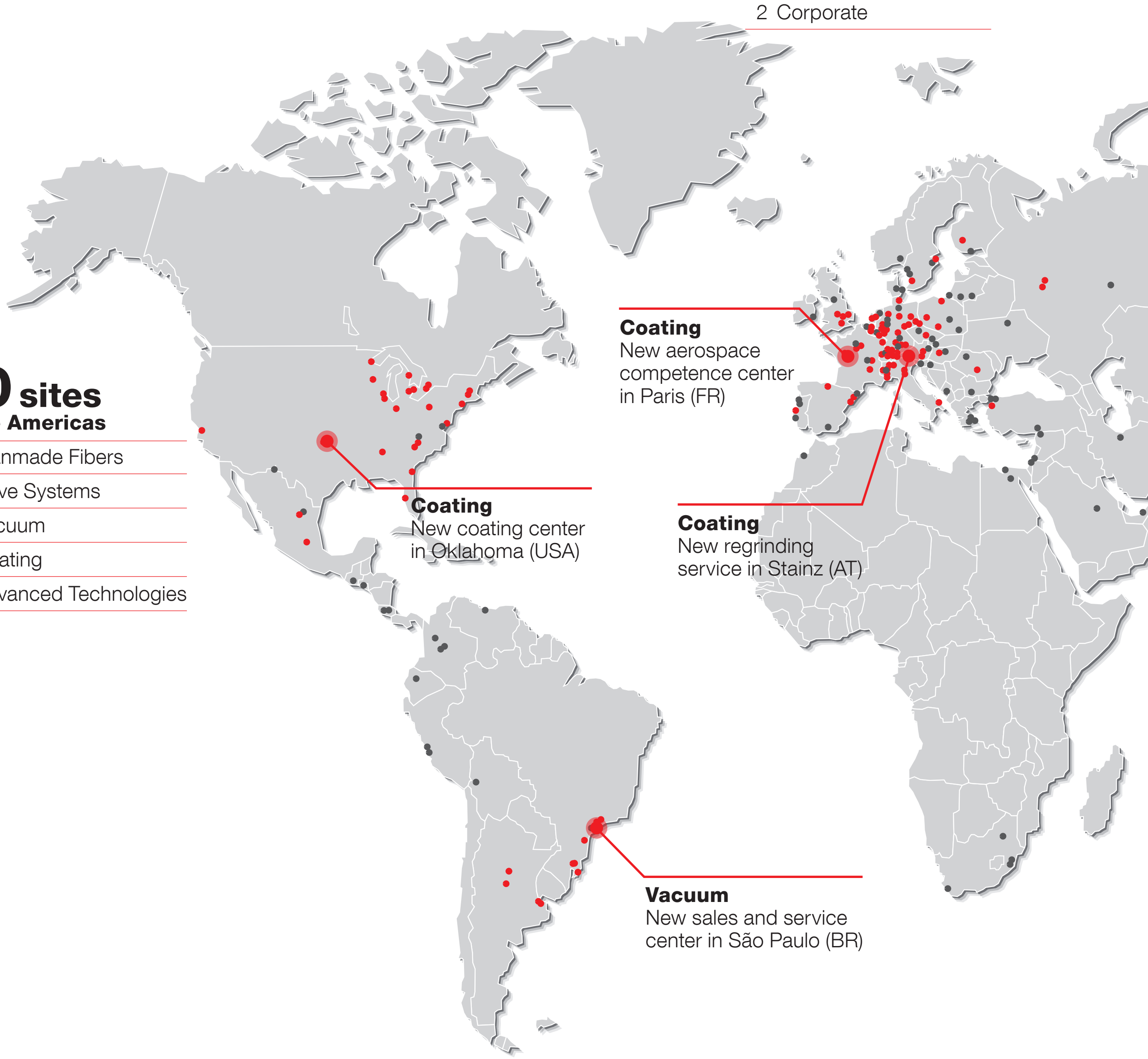
2.2 Optimizing our global presence

65 sites in Europe

3	Manmade Fibers
7	Drive Systems
12	Vacuum
39	Coating
2	Advanced Technologies
2	Corporate

30 sites in the Americas

1	Manmade Fibers
2	Drive Systems
2	Vacuum
24	Coating
1	Advanced Technologies



- New locations in 2013.
- Oerlikon locations.
- Representatives.

60 sites
in Asia

6	Manmade Fibers
7	Drive Systems
14	Vacuum
33	Coating
0	Advanced Technologies

Global footprint

Oerlikon has a strong global footprint with over 150 sites in 34 countries. Thanks to this global presence, the Segments can provide their customers with innovative products and services both quickly and efficiently wherever they are. Effective and proactive service also guarantees the highest level of availability and productivity of the systems and processes.

Oerlikon's 10 largest sites

Site	Number of employees	Segments
Greater Noida (IN)	1 228	Drive Systems
Remscheid (DE)	961	Manmade Fibers
Belgaum (IN)	915	Drive Systems
Lafayette (US)	902	Drive Systems
Rivoli (IT)	853	Drive Systems
Cologne (DE)	799	Vacuum
Balzers (LI)	719	Coating, Advanced Technologies
Suzhou (CN)	652	Coating, Drive Systems, Manmade Fibers
Bari (IT)	461	Drive Systems
Neumünster (DE)	397	Manmade Fibers

Well placed in Asia's emerging markets

Asia: In an accelerating growth region, with a strong background in new technologies, Oerlikon has the core competencies to meet the needs and demands of a sophisticated market, a growing population, a newly emerging middle class and an increase in urbanization. To succeed in this region is to understand the local cultures, customers and regulations. With a long history and presence in the region, Oerlikon is in a strong position to drive the business forward.

Long heritage in China

China: Last year, the Group generated 30 % of revenue in the second-largest economy in the world, employing 1 501 people at 22 sites there.

This success is driven by continuously focusing on the unique features of the Chinese market and the long-standing presence of the individual Segments. Oerlikon Barmag, a brand in the Manmade Fibers Segment, has been operating in China since 1984 and had a hand in building up the manmade fibers industry from the outset.

Oerlikon Leybold Vacuum also has a long-standing presence in China, which extends back to 1985. Over the last two years, the Segment has gradually increased its capacities at the production site in Tianjin.

Another success story in China is Oerlikon Balzers. The market and technology leader opened its first coating center in Suzhou in 2004. Its network now encompasses 11 centers scattered across the entire country. The most recent center opened in 2013 in Changchun, the capital of Jilin province.

The shared-service concept in Suzhou played a major role in allowing Oerlikon to reap the maximum benefits from growth in China over the last few years. Certain services from areas not involved in operations, such as IT, financing, administration or HR development, are provided there centrally for all Segments. This allows newcomers from other Segments to set up successful operations much more quickly than if they had to establish this kind of basic infrastructure on their own. Covering 70 000 square meters, the office and production complex in Suzhou is one of Oerlikon's largest sites. The Manmade Fibers, Coating and Drive Systems Segments are now all represented there. The latter built its first Chinese plant in Suzhou and began producing products and services geared toward the local market around two years ago.

Focus on growing domestic market

India: Oerlikon is represented at 16 sites with 2 547 employees in the most important South Asian growth market, generating 5 % of revenue there last year. According to forecasts, the economy on the subcontinent is growing around six times faster than in the OECD countries.

Oerlikon's activities in India, as is the case in China, mainly focus on the growing domestic market. The Drive Systems Segment has the most prominent presence in India. The Segment has been active on the subcontinent since 1999 and operates two large production facilities in Greater Noida and Belgaum. Last year, the foundation stone was laid for construction of the third plant in Sanand in the state of Gujarat. In this hub of the Indian automobile industry, Oerlikon will in future concentrate on manufacturing drive systems for agricultural vehicles, construction machines, commercial vehicles and industrial applications. The new production site will be constructed on a site approximately 12 hectares in size and will result in the creation of around 500 new jobs. After the site becomes operational, half of all the Drive Systems Segment's employees will work in India.

In keeping pace with the growth of the automobile industry, the regional expansion of Oerlikon Balzers is also progressing in India. The Coating Segment, for instance, opened its eighth coating center in India in Punjab. The city is an important location for the Indian auto parts and tractor industries.

All signs also point to growth for Oerlikon Leybold Vacuum. In 2013, the Segment moved into its new sales and service center in the Bangalore industrial hub. This step to increase capacity was necessary due to the growing demand for pumps and vacuum solutions. This will allow the provision of even more efficient services on site in the future, with clear improvements in the sales structures.

Strong service footprint in Europe

Europe: Although Oerlikon is continuously expanding its activities in emerging markets such as China and India, Europe continues to be the solid foundation for global business, specifically for its services. In Europe, 6614 employees work at 65 sites which represents around half of the global headcount.

The R&D activities of the Segments remain strong in Europe. For example, the most state-of-the-art technical center for manmade fibers development in the world is located in Remscheid at the head office of Oerlikon Barmag, where more than 100 engineers and technicians develop groundbreaking products and services. This research center also came up with the WINGS concept that is used to manufacture manmade fibers even more efficiently.

Oerlikon Balzers also develops its leading market systems and processes for hard coatings in Europe. The new BALIQ™ coating generation, developed in Liechtenstein and introduced to the market in 2013, makes it possible to efficiently coat microdrills and threading tools for the first time ever. In Balzers, Oerlikon Systems also laid the foundation for its success on the international semiconductor market. The CLUSTERLINE® 300 II, a production solution for microchips that will also be used to produce power semiconductors in the future, emerged from the technology center of the Advanced Technologies Segment.

Over the last few years, Oerlikon has invested significantly in its European sites to keep them globally competitive in the long run. The production workflows in the Manmade Fibers, Vacuum and Drive Systems Segments were significantly optimized. Oerlikon Leybold Vacuum in Cologne put the new logistics center into operation last year, significantly increasing production efficiency. In Remscheid, Oerlikon Barmag optimized processes in winding unit production, thus boosting output.

Russia also has considerable potential. A local office was opened in Moscow so that Oerlikon can benefit from the future growth of the Russian economy, which will allow all activities in the country to be managed more effectively. The Coating Segment is already active in Russia with its own coating center. In November 2013, the Vacuum Segment signed a contract with a leading distributor for the Commonwealth of Independent States (CIS) region. The Manmade Fibers and Drive Systems Segments are also stepping up efforts in this promising growth market.

Good base for further growth

The Americas: A very important market region for Oerlikon is North and South America, where the Group currently has a total of 1629 employees at 30 sites. Around 15% of total revenue is generated in North, Central and South America.

The head office of Oerlikon Fairfield, a brand in the Drive Systems Segment, is located in Lafayette in the US state of Indiana. The most important customers include manufacturers of agricultural vehicles and construction machines such as John Deere and Caterpillar.

With its dense network of coating centers, Oerlikon Balzers is an important supplier for the American automobile industry. Last year, the 14th coating center in North America opened in Oklahoma City, where well-known customers from the aerospace industry, manufacturers of agricultural or off-road vehicles as well as companies from the energy sector are concentrated. The Segment operates a total of 22 coating centers in the USA and South America.

Brazil also continues to receive special attention. Oerlikon Leybold Vacuum opened an office in São Paulo in August. Until now, business was handled through distributors and agents. In order to serve different industrial markets better, the decision was made to engage dedicated sales and service personnel. The increased customer proximity through Oerlikon's local presence is a key prerequisite for future growth in the largest economy in South America.

2.3 Operational excellence

Oerlikon's unstinting focus on its operational excellence is driving continuous improvement toward Best-in-Class levels in the areas of Health and Safety, Operations, Procurement, Research & Development, IT and Real Estate. Oerlikon monitors its progress by benchmarking itself against leading companies, using a variety of key performance metrics, comparing performance in all aspects of the company, from logistical concerns such as On Time Delivery, Lost Time Accident Frequency Rate (LTAFR) to key financial figures such as RONA, EBIT margin and order intake. Oerlikon has identified peer groups to compare its operational performance for both the Group and Segments. This benchmarking process helps steer the operational management of the company and is fundamental to management incentive pay.

Oerlikon Operational Excellence (OOE) moves forward

In 2013 Oerlikon rolled out a Group-wide Operational Excellence (OOE) program, following deep analysis and strong improvements by individual activities and projects in the Segments in 2012. A 2012 analysis of the status quo in the Segments, in operations and among operations management yielded valuable information regarding the positioning of Oerlikon in direct comparison with the competition, allowing the identification of strengths and weaknesses within the operations systems. This in turn highlighted the need for increased expertise in the area of lean process management, with the first focus being on manufacturing.

Oerlikon has seen significant improvements by empowering staff as individuals and by strengthening the role of teams. Staff are encouraged to ask questions, which enable teams to work together, under the leadership of a designated OOE expert using the 5S methodology: sorting, streamlining workflow, systematic cleaning, standardizing and sustainability. Teamwork is a key factor in achieving employee engagement and is the basis of all lean activities.

The success of the introduction of the OOE program to one of the sites has resulted in continuous improvements to the workplace by providing a clean, well-organized and transparent work environment. This has empowered the staff and garnered positive reactions from customers who visit the site. This approach has led directly to a reduction of materials in assembly and significant improvements in On Time Delivery.

Peer Groups for benchmarking

Group (Swiss Peers)	Group (International Peers)	Manmade Fibers Segment	Drive Systems Segment	Vacuum Segment	Coating Segment	Advanced Technologies Segment
ABB	GEA	Andritz	American Axle	Atlas Copco	Bodycote	Aixtron
Georg Fischer	General Electric	Dürr	Bharat Gears	Inficon	Kennametal	Applied Materials
Sulzer	Siemens	Heidelberger Druckmaschinen	BorgWarner	Ingersoll Rand	Praxair	Lam Research
	Sumitomo		Brembo	Pfeiffer Vacuum	Sandvik	Singulus
	ThyssenKrupp	Schweiter Technologies	Carraro			Ulvac
			Dana			Veeco Instruments

Visual Safety Leadership starts to show results

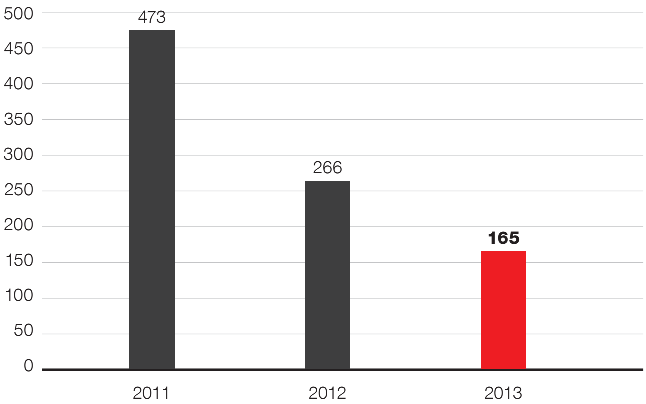
During 2013, Oerlikon progressed well on the path toward its vision of “Zero Harm to People”. Progress is measured using the Lost Time Accident Frequency Rate (LTAFR) as the main metric. Starting with the 2012 results as the baseline (Oerlikon Group: 1.76), the 2013 target was set at 1.23, which represents a 30 % reduction. For 2014, another reduction of 30 % will be required beyond the 2013 target – and this process will continue until the value falls below 0.4 as shown in the table below.

At the end of 2013, Oerlikon achieved an LTAFR of 1.28. This was made possible by a number of actions: communication of the Oerlikon Health & Safety Policy; participation of nearly all top and senior managers in a one-day course on Visual Safety Leadership; two-day courses on Safety Leadership for middle managers in all Segments; on-site safety reviews at all the major production sites.

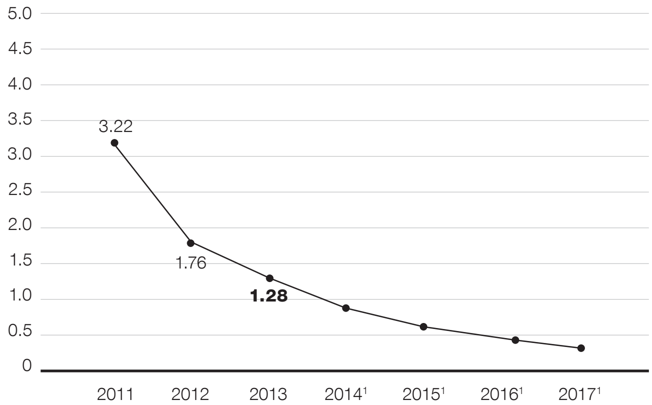
Additionally, all Segments started their own initiatives based on the new policy. In the Manmade Fibers Segment’s plant in Suzhou, weekly safety observation tours by senior management were introduced, and resulted in an immediate, positive impact on housekeeping operations. At the Drive Systems Segment plant in Belgaum, India, a group of workers volunteered to celebrate the Indian National Safety Day in combination with an Oerlikon safety day. Oerlikon Leybold Vacuum launched an extensive campaign to improve the use of safety glasses. At the end of September 2013, the Coating Segment celebrated its first global HSE (Health, Safety and Environment) day – on the same day as all its locations around the world. And the Advanced Technologies Segment opened a review regarding safety procedures when prototyping.

All the initiatives mentioned are excellent examples of Visual Safety Leadership. Oerlikon will continue on this journey by consistently turning the “safety wheel” introduced in 2012: the new Health & Safety Handbook, which was introduced in October, will strengthen systematic working everywhere; refresher training will guarantee a lasting effect; an emphasis on reporting and dealing with near misses and instances requiring first aid will lead to a stronger learn and share mentality, and events such as HSE days involving also the families of the employees will help to create awareness of safety-related issues, which is a prerequisite for sustainability.

Lost time accidents



Absolute number.



Rate (per 200 000 working hours).

[1] Targets.

II. Operations

3.0 Oerlikon Group operational review

1. The Oerlikon Group continued to deliver a strong operational performance, achieving an EBIT margin of 12.7 %.

2. With a net liquidity of CHF 981 million and an equity ratio of 51 %, Oerlikon further improved its financial position following the divestment of the natural fibers businesses.

3. Second consecutive dividend increase to CHF 0.27 per share (payout ratio of 35 %).

4. Outlook 2014: organic sales growth, stable order intake and stable profitability.

Key figures Oerlikon Group[1]

in CHF million	**2013**	2012
Order intake	2 893	2 802
Order backlog	825	834
Sales	2 883	2 906
EBIT	366	421
EBIT margin	12.7 %	14.5 %

[1] Continuing operations.

In 2013, the Oerlikon Group sustained its strong performance despite a challenging economic environment in major end markets. The continued expansion of its global footprint, as well as the rollout of new products and technologies, achieved further improvements in operational excellence and completed a major step in the strategic transformation of the Group. The company continued to improve its competitiveness and to figure among the top performers in the industrial sector.

The operational result was bolstered by the ongoing execution of the Group's strategy based on the following core elements: Innovation, regional expansion, operational excellence and portfolio shaping. The Manmade Fibers and Coating Segments were the main drivers behind this sustainable performance. Regionally, Asia and, once again, China, in particular, were the main contributors to these results. The divestment of the Natural Fibers and Textile Components Business Units led to a more balanced portfolio and regional split. The Group's return on capital employed (ROCE) of 17.7 % (2012: 17.4 %, on a like-for-like basis) proves that Oerlikon has again created substantial value.

In 2013, for the second time in series of nearly 10 years, a dividend was paid out to shareholders; a signal of the business model's sustainability. For this reporting year, the Board of Directors will propose to the Annual General Meeting of Shareholders on April 15, 2014, an increased dividend (+8 %) of CHF 0.27 per share. This will be the second consecutive increase of the dividend payment and equivalent to a payout ratio of 35 % based on underlying earnings per share of CHF 0.77.

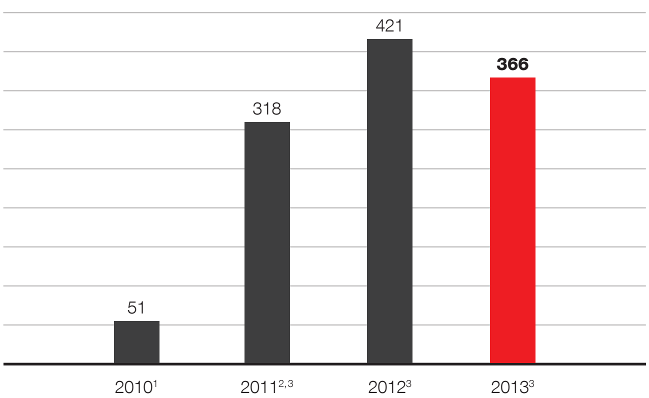
Based on its dominant financial position with a net liquidity of CHF 981 million, optimized operations and a shaped portfolio, the Oerlikon Group is now entering into the next phase of the company's development, focusing on growth – organically and by potential acquisitions.

2013 key Group figures at a glance

Operationally, the Group was able to deliver on the outlook provided at the beginning of the year:

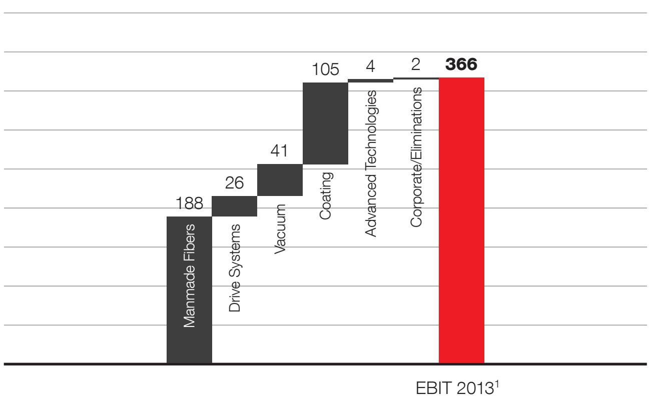
- Order intake increased by 3.2 % to CHF 2 893 million (2012: CHF 2 802 million), which was better than expected.
- Order backlog was reduced by 1.1 %, coming in at CHF 825 million (2012: CHF 834 million).
- Sales were similar to the prior year's level with CHF 2 883 million (2012: CHF 2 906 million).
- EBITDA amounted to CHF 492 million (2012: CHF 547 million), which is equivalent to an EBITDA margin of 17.1 %.
- The EBIT margin was 12.7 %, compared to 14.5 % in 2012, which included a substantial one-time effect; EBIT reached CHF 366 million (2012: CHF 421 million).
- The Group's result from continuing operations increased by 18.8 % from CHF 218 million to CHF 259 million.
- Headcount slightly increased to 12 860 employees worldwide (2012: 12 708).
- Oerlikon continues to generate value: ROCE – on a like-for-like basis – increased to 17.7 %, compared with 17.4 % in 2012 (reported ROCE in 2012: 19.7 %).
- The Board of Directors will propose an increased dividend of CHF 0.27 per share (2012: CHF 0.25) to the Annual General Meeting of Shareholders.

EBIT
in CHF million



[1] As reported. [2] Restated. [3] Continuing operations.

EBIT by Segment
in CHF million



[1] Continuing operations.

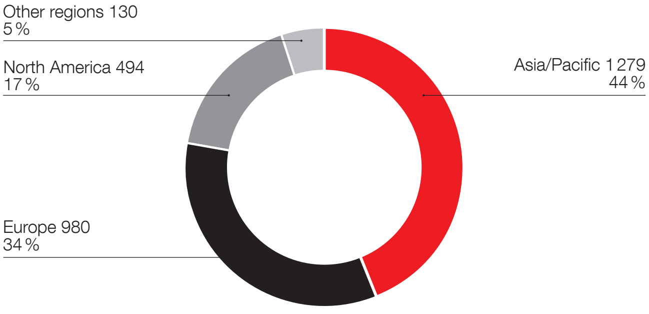
Currency impacts on sales and profitability were negligible.

With these operational results the Oerlikon Group outperformed most of its peers in terms of profitability and value creation in 2013.

Performance in the Segments

The Manmade Fibers Segment – formerly Textile Segment – performed at a historical high, again increasing sales by 2.4 % to CHF 1 130 million (2012: CHF 1 103 million). Order intake was sustained at a high level of CHF 1 073 million (2012: CHF 1 039 million), signaling that the expected market normalization has not yet started. Order backlog was CHF 541 million (2012: CHF 602 million). EBIT in 2013 reached CHF 188 million, compared to CHF 186 million in 2012, which included a one-time effect amounting to CHF 39 million for the sale of property in Arbon, Switzerland. Adjusted for this effect, the underlying EBIT margin increased from 13.4 % to 16.6 %. With these results, the Manmade Fibers Segment is operating at a Best-in-Class level among its peers. Driving forces were a continued strong market demand, especially from China, for Oerlikon's leading WINGS technology for filament yarn spinning, as well as for BCF carpet yarn equipment from the US. The increase of operational profitability was the result of ongoing efficiency gains at the sites in Remscheid, Germany, and Suzhou and Wuxi, China. A favorable product mix, as well as a successful transaction and management carve out, minimized the impact of negative synergies from the divestment of the natural fibers businesses.

Sales 2013 by market region[1]
in CHF million



[1] To third parties, continuing operations.

The Drive Systems Segment was affected by a challenging market environment. Weakness in the construction, infrastructure and heavy-duty off-highway equipment markets in the US and China, coupled with customers' high stock levels, have had a significant impact on the Segment. The Segment was also impacted by reduced equipment demand from the mining and natural-gas industries in the US energy sector. Sales were CHF 734 million, down 11.1 % year-on-year. However, one-time project orders from the energy market increased order intake by 3.4 % to CHF 792 million (2012: CHF 766 million). EBIT amounted to CHF 26 million, down 62.9 % year-on-year due to lower overall sales volume and disproportionately lower sales in the Segment's higher-margin products and services. The comprehensive mitigation actions, under way since the beginning of 2013, limited the negative effects, resulting in a sequential improvement quarter for quarter.

The Vacuum Segment reported solid operations with steady growth. Order intake increased by 7.2 % to CHF 404 million (from CHF 377 million a year ago) despite a demanding market for vacuum applications. The same was true for total sales, which increased by 6.1 % to CHF 400 million (2012: CHF 377 million), resulting in market share gains. Drivers for the Segment were the analytics, R&D and coating industries, predominantly in China and the US. With major orders for steel degassing, nuclear and electronic production applications, the Segment strengthened its position in these discerning markets. Anticipatory investments in the optimization of manufacturing, footprint and logistics impacted profitability. EBIT went up by 7.9 % to CHF 41 million (2012: CHF 38 million). The EBIT margin rose from 10.2 % in 2012 to 10.3 % in 2013.

Despite a challenging market environment, notably in the automotive sector, the Coating Segment achieved a record result in its history with further growth of 1.8 % to achieve a total sales volume of CHF 511 million (2012: CHF 502 million), sustaining a high profitability of 20.5 % EBIT margin (2013 EBIT: CHF 105 million). With these results, the Coating Segment is operating at a Best-in-Class level among its peers. The successful execution of its strategy to expand the range of markets and applications (such as regrinding and PPD™) offset headwinds from the tooling industry. With the opening of three new coating centers in the US, China and the Philippines, the Coating Segment now operates 93 sites in 34 countries; a new competence center near Paris is addressing the special needs of aerospace customers. At the world's foremost trade show for metal working (EMO) in Hanover, Germany, the Segment launched a revolutionary new generation of coatings under the brand name BALIQ™, fostering its technology leadership.

The Advanced Technologies Segment was affected by a weak semiconductor market, where the expected recovery for the second half of 2013 was delayed. The Segment's order intake was CHF 114 million in 2013, maintaining a similar level as in 2012 (2012: CHF 119 million). The Segment ended the year with a high order backlog of CHF 25 million, which is stable in comparison to the previous year. Total sales rose by 8.7 % to CHF 113 million, primarily due to an increase in demand for touch screen panel applications. The Segment reported a slightly lower EBIT of CHF 4 million (EBIT margin of 3.7 %), compared to an EBIT of CHF 7 million (EBIT margin of 6.6 %) in 2012, as a result of a substantial increase in its investment in R&D.

Expansion in growth markets

A key reason behind Oerlikon's sustainable success is its strong global presence: the Group operates over 150 sites in 34 countries. The Asian growth markets once again made a positive contribution to Oerlikon's business performance in 2013. Asia grew by 1 % and recorded sales of CHF 1 279 million, presently accounting for 44 % of the Group's total sales. Sales in Europe grew by 1 % to CHF 980 million, accounting for 34 % of total Group sales, while North America recorded sales of CHF 494 million, representing a decrease of 1 % and accounting for 17 % of Group sales. The share of other regions in Group sales was 5 % (2012: 6 %).

In order to meet the needs of local customers even more effectively, the Group continued to focus on Asia, which is still the most important growth region globally.

The Drive Systems Segment started construction on its third plant in India and expects it to be in operation in early 2015. The factory is being set up in Sanand in the state of Gujarat, an established hub for automotive companies. The new plant will allow Drive Systems to deliver high-tech products and solutions at a competitive price by leveraging talent from local markets in an area where most of the current and prospective customers are based. The Vacuum Segment strengthened its position in India, with new regional headquarters in Bangalore. Oerlikon's position in Brazil was enhanced by a new regional headquarters and service site for the Vacuum Segment in São Paulo.

The Coating Segment continued its regional expansion in Asia with new coating centers in Changchun, China, and Manila, Philippines. Additionally, the Segment opened a site in Oklahoma, in the US. The Coating Segment now operates 33 coating centers in Asia, accounting for 35 % of all 93 centers globally. Regrinding shops were added in four centers and a new generation of PPD™ equipment was introduced in China and Japan.

Portfolio shaping

Oerlikon announced the completion of the sale of its Natural Fibers and Textile Components Business Units to the Jinsheng Group from China on July 4, 2013. The completion of the transaction marked the latest strategic milestone in shaping Oerlikon's portfolio; it was the ninth strategic portfolio measure in the past three years. From the transaction, Oerlikon received net cash in the amount of CHF 502 million, after transaction costs.

This move significantly reduced Oerlikon's exposure to the textile business as a whole and effectively removed the company from the most cyclical part thereof, natural fibers. Focusing exclusively on the high-performing, less cyclical manmade fibers market reduces the textile share of sales from 53 % (including the discontinued natural fibers businesses) to 39 % of the Oerlikon Group's sales. The manmade fiber area is predicted to be the fastest growing in the textile business in the long run, and Oerlikon, a market leader with cutting-edge technology, is ideally positioned to benefit disproportionately from this growth.

With the exit from the natural fibers businesses, Oerlikon's Textile Segment was renamed the Manmade Fibers Segment. Under the brands Oerlikon Barmag and Oerlikon Neumag, Oerlikon provides comprehensive solutions and services for the production of manmade fibers, nonwovens, carpet yarns and synthetic staple fibers and is the global market and technology leader in this market.

Strengthened financial position, high ROCE

For the third consecutive year, the Oerlikon Group reported a strengthened financial position, fueled by the ongoing strong operational performance and cash proceeds from the divestments. Financial strength was further improved by signing a CHF 150 million credit for R&D projects, standing with the European Investment Bank (EIB).

The operational result (EBIT) stood at CHF 366 million (2012: CHF 421 million). Oerlikon's net financial result was minus CHF 32 million for full-year 2013 (2012: minus CHF 94 million), benefiting from the repositioning of the balance sheet in 2012. Tax expenses were down at CHF 75 million (2012: CHF 109 million) corresponding to a reduced tax rate of 22.5 %. The decline in the tax rate is predominantly related to the divestment of the natural fibers businesses.

The Group's result from continuing operations grew by 18.8 % to CHF 259 million compared to CHF 218 million a year ago. Including various noncash accounting effects from the divestments in 2013, net income was CHF 201 million (2012: CHF 380 million).

The Group's performance led to a return on capital employed (ROCE) of 17.7 % as of year-end 2013, versus a ROCE of 19.7 % at year-end 2012 (as reported). Excluding the one-time effect of the Arbon property sale, 2012 amounted to 17.4 %.

Strong equity ratio of 51 %, strong cash flow

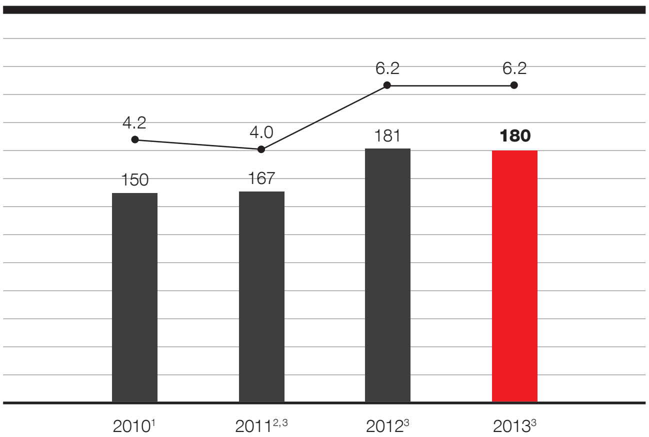
Strong operational performance in 2013 and the portfolio adjustments further strengthened Oerlikon's balance sheet. As at the reporting date, the Group had equity attributable to shareholders of CHF 2 072 million, putting the equity ratio at 51 % compared with 45 % at year-end 2012.

The equity position was positively affected by the execution of warrants and the related issuance of some 9 million new shares.

Disciplined investment and use of cash continued to be Oerlikon's top priorities. Capital expenditure (CapEx) amounted to CHF 180 million, in line with the prior year's level of CHF 181 million. The CapEx to depreciation ratio was again above 1, indicating a return to growth over the medium to long term. Focus areas were Europe, with investments to improve operations and the regional position of all Segments, and the Asian growth markets in China and India, notably in the Drive Systems and Coating Segments.

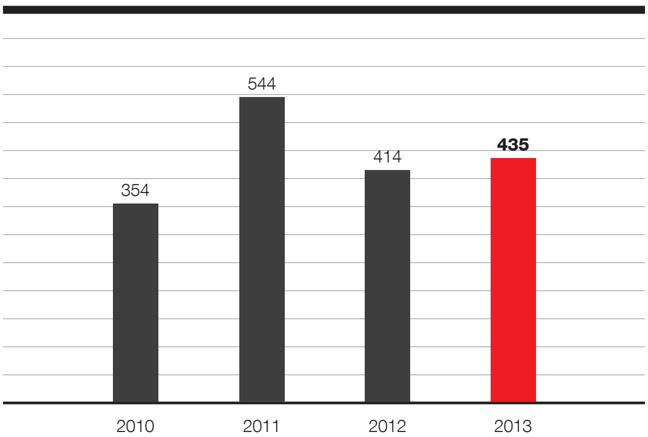
The main investment activities aimed at increasing efficiency and thereby capacity within the Manmade Fibers Segment, and included the ramp-up in China and the building of the third plant in the Drive Systems Segment in India, the erection of a new logistics center in Cologne, Germany, as well as capacity expansion in the Vacuum Segment in Tianjin, China, and the creation of three new coating centers, including capacity expansion in existing centers in the Coating Segment.

Capital expenditure
in CHF million



[1] As reported. [2] Restated. [3] Continuing operations. In % of sales.

Operating cash flow[1]
in CHF million



[1] Before changes in net current assets.

Cash flow from operating activities before changes in net current assets increased by 5.1 % to CHF 435 million (2012: CHF 414 million). Net working capital (defined as trade receivables + inventories – trade payables – current customer advances) amounted to CHF 108 million, which corresponds to 4 % of sales. The divestment of the Natural Fibers and Textile Components Business Units resulted in a cash flow from investing activities that amounted to CHF 360 million.

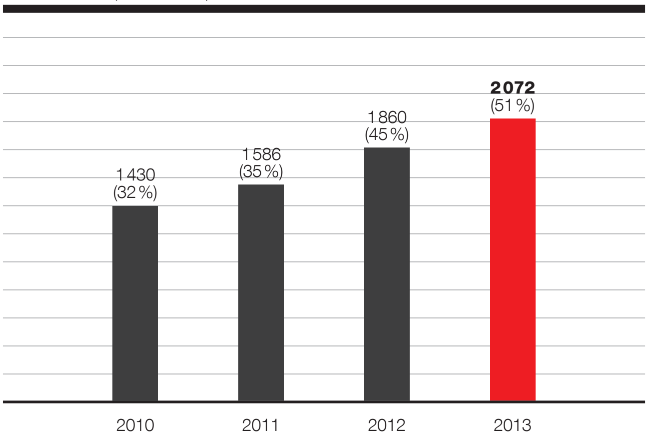
As a consequence, Oerlikon achieved a new record net liquidity of CHF 981 million, almost three times higher than year-end 2012 (2012: CHF 339 million).

Innovation

In 2013, Oerlikon continued to strengthen prospects for the future through substantial investment in R&D. R&D expenditures in 2013 increased by 15.1 % to CHF 122 million (2012: CHF 106 million). As a percentage of total Group sales, investments in new technologies remained unchanged at around 4 %.

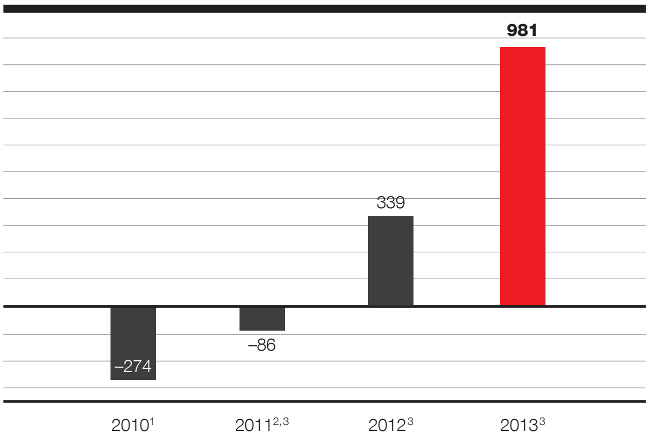
Successful R&D efforts across the Group resulted in new products and/or solutions in 2013. The Manmade Fibers Segment launched the WINGS POY 1800, a major advancement of the highly successful WINGS (Winding INtegrated Godet Solution) technology. The WINGS POY 1800 boosts manmade fibers productivity by 20 %, due to the increased number of bobbins able to be wound simultaneously. The Drive Systems Segment maintained its already promising position in the market of electric vehicles with the new gearbox concept 4 Speed Electric Drive (4SED). 4SED uses, for the first time, four shifts compared to conventional electric car transmissions with only one shift. Working with multiple gears, 4SED significantly improves the efficiency of the drive by up to 15 %, resulting in a higher range for the electric car. The Vacuum Segment launched a new turbo molecular pump called TURBOVAC i/iX. The new patented multi-inlet principle, which combines several pump units in one housing, considerably reduces the total cost of ownership (TCO) compared to individual components. The Coating Segment presented the first two coatings, based on the revolutionary S3p™ (Scalable Pulsed Power Plasma) coating technology. S3p™ was introduced to the market two years

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



[1] Attributable to shareholders of the parent.

Net debt/liquidity
in CHF million



[1] As reported. [2] Restated. [3] Continuing operations.

ago and uniquely integrates different coating technologies which, until then, did not seem combinable. Branded BALIQ™, this new coating generation allows for new applications such as micro drills, increasing tool lifetime by a factor of 30. The Advanced Technologies Segment made its CLUSTERLINE® equipment applicable for the production of power semiconductors in the wafer format of 300 millimeters instead of the commonly used 200 millimeters. The larger format more than doubles the productivity of wafer backside metallization.

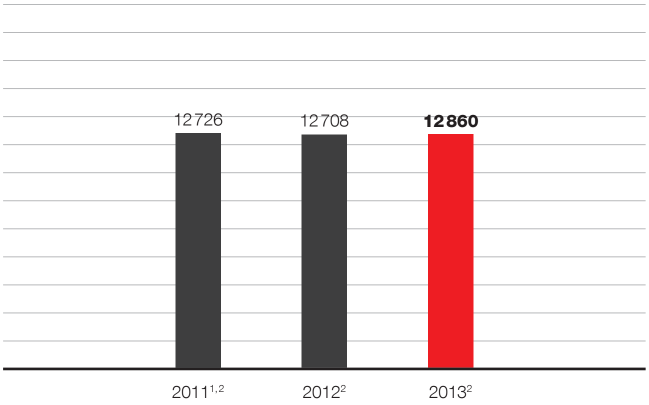
Operational excellence

Fundamental to the continuation of the Group's strong profitability is the underlying operational performance, which has been improved by major enhancements to processes through ongoing operational excellence programs. The consistent implementation of these initiatives has enhanced process efficiency and stability to a marked degree. In 2013, Oerlikon launched a Group-wide operational excellence program to harmonize methods and processes across the Group and to ensure a Best-in-Class approach within the whole organization.

Dividend

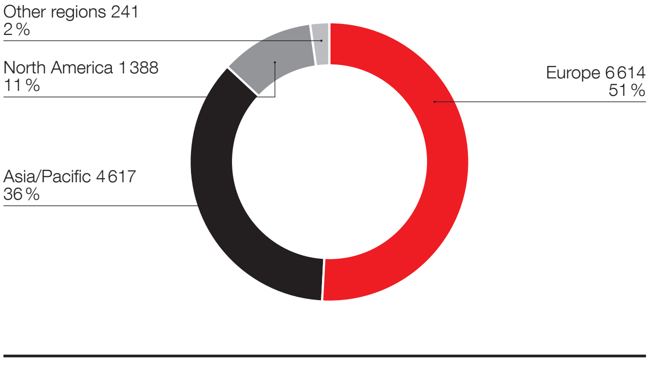
In 2013, for the second consecutive time within the last decade, Oerlikon paid a dividend of CHF 0.25 per share to its shareholders. Based on a sustainable, strong operational performance and strong cash position, the Board of Directors of Oerlikon will propose an increased dividend of CHF 0.27 per share to the Annual General Meeting of Shareholders on April 15, 2014. This represents the second consecutive increase and follows a stable and progressive payout approach in line with the company's dividend policy.

Employees



[1] Restated. [2] Continuing operations.

Employees 2013 by region[1]



[1] Continuing operations.

Management

In March 2013, former CEO Dr. Michael Buscher left the company to take up a new position. CFO Jürg Fedier was appointed interim CEO until January 15, 2014. Dr. Brice Koch was announced as the new CEO on November 1, 2013. Dr. Brice Koch (1964) has held a number of successful leadership roles over the last 20 years. In his last position, he was a member of the ABB Group Executive Committee and Head of the USD 8 billion Power Systems division. Dr. Brice Koch holds a PhD in material science from the Swiss Federal Institute of Technology (ETH), Zurich. On February 11, 2014, Oerlikon announced the expansion of its Executive Committee to include all five Segment CEOs – a measure intended to bolster the market experience and operational potential of this body.

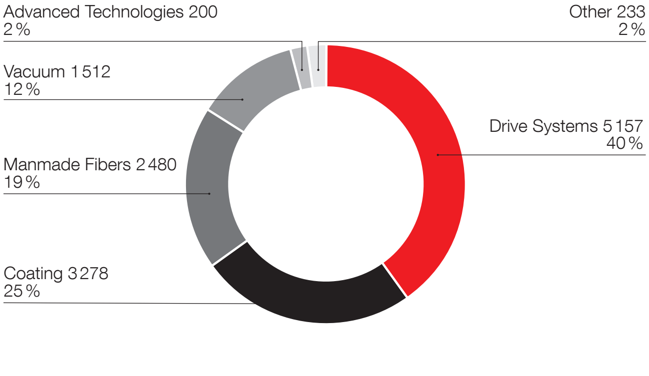
Outlook for 2014

With nine strategic transactions to shape the portfolio and with significant underlying operational improvements Oerlikon has, since 2010, created a sustainable level of profitability, shifting the focus of the Group toward the acceleration of growth in the future.

The Oerlikon Group forecasts for 2014:

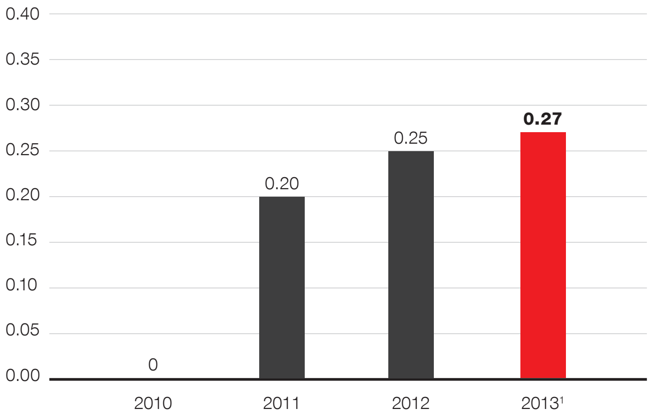
- Organic sales growth
- Stable order intake and stable profitability

Employees 2013 by Segment[1]



[1] Continuing operations.

Dividend per share
in CHF



[1] Proposed.

3.1 Manmade Fibers Segment

Dhunseri

Expanding the value chain

DPTL is an Indian company with an annual revenue of CHF 400 million, manufacturing bottle grade PET resins, which are sold globally to be used for packaging food and beverages, edible oil and pharmaceuticals. Oerlikon Barmag is the technology supplier for DPTL's second plant, which was commissioned in Haldia in West Bengal, India, in 2012. The plant has a sanctioned capacity of 600 metric tons per day and is the first continuous polymerization project undertaken by Oerlikon Barmag. The entire plant was set up from scratch, including the civil engineering works. DPTL's CEO Biswanath Chattopadhyay states: "Initially Oerlikon Barmag did not feature in our plans, as we first thought it was only a manmade fiber machine manufacturing company. But they offered to set up the entire plant, including the engineering, procurement, construction and even the commissioning of the project. The commitment and spirit of Oerlikon Barmag were impeccable, and the plant was up and running in only 23 months. You have to be a good sport when implementing a project of such magnitude, and Oerlikon Barmag was just that."

1. Segment reports historical best performance with further sales growth and high order intake.
2. Strong like-for-like profitability increase with an EBIT margin of 16.6 % versus 13.4 % in 2012.
3. Successful completion of divestment of the natural fibers businesses.

Key figures[1]

in CHF million	**2013**	2012	Δ %
Order intake	1 073	1 039	3.3 %
Order backlog	541	602	–10.1 %
Sales	1 130	1 103	2.4 %
EBIT[2]	188	186	1.1 %
EBIT margin[2]	16.6 %	17.0 %	–

[1] Continuing operations.
[2] EBIT 2012 includes a one-time effect of CHF 39 million from the sale of property in Arbon, Switzerland.

Best-in-Class

Oerlikon's Manmade Fibers Segment: 16.6 % EBIT margin (2013);
followed by Andritz AG: 6.5 % EBIT margin (2012)

oerlikon barmag oerlikon neumag

Business performance

The Manmade Fibers Segment further increased its operational performance to a historical high. Sales in 2013 increased by 2.4 % to CHF 1 130 million compared to CHF 1 103 million a year ago. The market for manmade fiber equipment and plant engineering posted ongoing strong demand, supported by underlying long-term growth drivers and fueled by continued Innovation from Oerlikon Barmag and Oerlikon Neumag. The Segment reported high order intake for 10 quarters in succession, indicating that the market normalization on the horizon did not impact the business in 2013. The order book already provides visibility into fiscal year 2015. For the period under review, order intake increased by 3.3 % to CHF 1 073 million (2012: CHF 1 039 million), and order backlog was CHF 541 million (2012: CHF 602 million).

The Manmade Fibers Segment on a like-for-like basis saw another strong increase in profitability compared with the prior year, reporting an EBIT margin of 16.6 % (2012: 13.4 % excluding the one-time effect from the sale of property in Arbon, Switzerland). EBIT amounted to CHF 188 million compared to CHF 147 million on a like-for-like basis (CHF 186 million reported in 2012 including the one-time effect). The Segment continues to operate at a Best-in-Class level. The successful execution of operational excellence initiatives resulting in the increased efficiency of the existing production setup and a favorable product mix with strong demand for carpet yarn (BCF: bulked continuous filament) equipment were the reasons behind the profitability performance. The strong underlying performance of the Manmade Fibers Segment more than compensated for some of the negative synergies related to the divestment of the Natural Fibers and Textile Components Business Units.

On July 4, 2013, Oerlikon announced the completion of the divestment of the Natural Fibers and Textile Components Business Units. This concluded the strategic transformation of the business activities in focusing on comprehensive solutions and services for the production of chemical filament yarns, carpet yarns, synthetic staple fibers and nonwovens. The Manmade Fibers Segment is the global market and technology leader in this market.

Asia and predominantly China remained the Segment's primary market. Asia represented 74 % of Segment sales and reported growth of 1 %. Due to high demand for BCF equipment, sales in North America posted the strongest growth for the year (+129 %), accounting for 10 % of total Segment sales. Sales in Europe represented 12 % after an increase of 2 % in 2013. Other regions accounted for the remaining 4 % of the Segment sales.

Key topics

Realignment of the Segment structure
With the exit from the natural fibers businesses, Oerlikon's Manmade Fibers Segment had to manage the complex carve-out process divesting two Business Units (Natural Fibers/Textile Components) with sales of around CHF 1.0 billion (2012) and some 3800 employees. At the same time, the remaining Manmade Fibers Segment structure required an alignment to the new Segment size, ensuring the fulfillment of the service agreements with the Jinsheng Group of China.

Innovation
The Segment continued to deliver on its Innovation pipeline in 2013 to sustain and underscore its technological leadership in developing and manufacturing complex spinning plants for the production of manmade fibers. Oerlikon Barmag has set a new benchmark for the efficient production of polyester filaments with its new winder WINGS POY 1800. The new winding unit boosts productivity by another 20 % using virtually the same amount of production space as the previous model.

At the Techtextil 2013 trade fair, Manmade Fibers showcased Oerlikon Neumag's total solution for the production of spunbond for roofing membranes and geotextiles and Oerlikon Barmag's take-ups for aramid and carbon fibers.

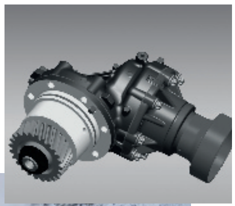
Oerlikon Neumag introduced the new S+ BCF equipment for the efficient production of carpet yarn and enjoyed strong demand from the US, Turkey and Saudi Arabia. Significant cost savings, a high level of efficiency of 99 % and outstanding yarn quality are the benefits of the new S+ plant. This solution, which combines tried-and-tested components incorporating winder design improvements and an optimized yarn path, can increase productivity by up to 25 % and offers outstanding user-friendliness.

Outlook

In 2014, the Manmade Fibers Segment expects to maintain its Best-in-Class position in the industry in a softening market environment.

3.2 Drive Systems Segment

Mercedes-Benz



Intensive cooperation makes all-wheel drive possible
As a car manufacturer, Mercedes-Benz is characterized by performance, safety and comfort. The very first 4MATIC all-wheel drive system for the luxury car manufacturer's compact vehicles also embodies these characteristics. It is twice as efficient and half the weight of similar systems. Oerlikon Graziano developed the central power take-off unit (PTU) of the new gear system in close cooperation with Mercedes-Benz. In the high performance A-Class AMG model, the PTU transfers up to 360 hp from the transversely mounted front engine to the rear drive shaft. In the space of less than three years, Oerlikon Graziano went from first designs to series production with this innovative project. Oerlikon Graziano's engineering and high production standards will ensure that around 100000 compact-vehicle drivers each year have the privilege of experiencing the Mercedes-Benz all-wheel drive.

1. Challenging business environment in key end markets.
2. Increase in order intake, but sales and profitability impacted by weak markets.
3. Construction of third plant in India started, to capture future growth potential in Asia.

Key figures

in CHF million	2013	2012	Δ %
Order intake	792	766	3.4 %
Order backlog	180	134	34.3 %
Sales	734	826	–11.1 %
EBIT	26	70	–62.9 %
EBIT margin	3.5 %	8.5 %	–

Best-in-Class

BorgWarner: 11.5 % operating margin (2013) œrlikon graziano œrlikon fairfield

Business performance

Global key markets slowed down significantly during the year 2013, providing meaningful challenges for the Drive Systems Segment and its customers. Although the demand for agricultural equipment, the Segment's largest end market, conveyed a resilient performance, significant declines in the heavy construction industry, for heavy-duty off-highway equipment, in infrastructure projects and in rail transportation markets in North America and China became perceivable. Equipment demand also slowed significantly in the global mining and US natural gas sectors, the Segment's most profitable markets. However, long-term global prospects in these markets remain favorable, and the Segment made inroads into the offshore oil drilling market in the US.

Project orders from the energy market caused order intake to rise by 3.4 % to CHF 792 million from CHF 766 million a year ago. Due to the challenging market environment, sales declined by 11.1 % to CHF 734 million compared to CHF 826 million in 2012. Order backlog increased to CHF 180 million, up 34.3 % from CHF 134 million in 2012. EBIT amounted to CHF 26 million, down 62.9 % year on year due to lower overall sales volume and disproportionately lower sales in the Segment's higher-margin products and services. The comprehensive mitigation actions and operational excellence initiatives, under way since the beginning of 2013, limited the negative effects, resulting in sequential improvements quarter for quarter in 2013. The Drive Systems Segment reported an EBIT margin of 3.5 % compared to 8.5 % a year ago.

The resilience in the agriculture market and the weakness in other key markets of the Segment are also reflected in the geographical development. European sales slightly declined by 4 % and represent 52 % of total Segment sales. North America reported a sales decline of 24 % and a proportion of 32 % of total Segment sales. Asian sales decreased by 9 %. The remaining 5 % of sales are allocated to the rest of the world.

In 2013, the Drive Systems Segment signed close to CHF 1 billion in long-term agreements, including renewing and expanding two long-term agreements with key customers. A long-term contract worth up to CHF 600 million was renewed with a major global agriculture and off-highway equipment manufacturer. The contract comprises new product development programs, new applications and the development of new regions and will last until 2015. Secondly, a double-digit million euro long-term agreement with GIMA, a leader in the agriculture equipment market, was signed. The reinforced cooperation with GIMA expands the business between the two companies through 2016. Oerlikon Graziano provides GIMA with a wide range of high-quality engineered components.

Key topics

Optimizing the global manufacturing footprint
The Segment operates a global manufacturing footprint with facilities in the US, Europe and Asia. Utilization in the US facility was impacted by the weak market environment and required significant headcount adjustments and temporary plant shutdowns. The five sites in Italy, due to the resilience in the agriculture market and in the high-performance automotive applications, reported an adequate level of utilization. The Segment continued the expansion of its plant in Suzhou, China. The intention to take better advantage of business opportunities in the Chinese market was impacted by the weak market environment. In India, the two existing plants in Greater Noida and Belgaum reported high utilization levels. Export and domestic market sales provided encouraging growth, despite a slowdown in relative terms of the Indian economy. Consequently, the Segment started with the construction of a third plant in Sanand in the state of Gujarat, a hub for the Indian automotive industry.

Innovation
The Drive Systems Segment presented its innovative 4SED (4 Speed Electric Drive) to customers in Europe. This new compact, lightweight transmission boasts increased efficiency, seamlessly smooth shifting and a scalable design, making it suitable for a wide range of vehicle types. This innovative design will improve battery efficiency by around 15 %.

Oerlikon and the international automotive supplier Continental entered into an agreement to jointly develop and market integrated motor and transmission systems for hybrid and electrical vehicles. The aim of this collaboration is to further improve the efficiency of electrified powertrains through integrated optimization of both the electric motor and the transmission. An integrated system-level optimization is expected to create significantly improved customer benefits.

Outlook

In 2014, the Drive Systems Segment expects a similar environment to 2013. Order intake and sales are expected to increase.

3.3
Vacuum Segment

SIEMENS
VAI

20 % cost savings with steel degassing from Oerlikon
When it comes to state-of-the-art steel production, Oerlikon Leybold Vacuum is the perfect partner. The Mexican steelmaker Talleres y Aceros S.A. de C.V. (Tyasa) recently ordered a complete steelmaking plant from Siemens VAI, which will reduce costs by 20 % and CO_2 emissions by 30 % due to its brand-new electric arc furnace and plant layout. An essential part of this project is the latest steel-degassing solution from Oerlikon Leybold Vacuum, which removes unwanted elements or interfering substances while the steel is melted. This process is crucial to ensuring highest steel quality and requires 100 % reliability and cost efficiency. The innovative and highly flexible design of the Oerlikon vacuum solution needs 30 % less energy and thus benefits the whole plant. Oscar Chahín Trueba, CEO of Tyasa, commented on the relevance of this project as a reference for other companies in the world. The complete solution of Siemens for the compact steelmaking plant convinced Tyasa, and Oerlikon Leybold Vacuum contributed to this success.

1. Market share gains with sales and order intake growth in a difficult market environment.
2. Profitability affected by anticipatory investments in manufacturing, footprint and logistic optimization. The EBIT margin improved to 10.3 %, driven by higher sales volume and operational excellence initiatives.
3. Strengthening position as technology leader for high-performance vacuum solutions.

Key figures

in CHF million	**2013**	2012	Δ %
Order intake	404	377	7.2 %
Order backlog	79	73	8.2 %
Sales[1]	400	377	6.1 %
EBIT	41	38	7.9 %
EBIT margin	10.3 %	10.2 %	–

[1] Sales include CHF 4 million intercompany sales in 2012 and 2013 (Q4: CHF 1 million).

Best-in-Class

Atlas Copco: 20.3 % operating margin (2013)

œrlikon
leybold vacuum

Business performance

In 2013, the Vacuum Segment delivered a solid performance. Order intake grew by 7.2 % to CHF 404 million from CHF 377 million a year ago. Total sales increased by 6.1 % to CHF 400 million from CHF 377 million in 2012. In light of an overall demanding market environment for vacuum applications, the Vacuum Segment was able to gain market share. Order backlog at the end of 2013 was CHF 79 million (2012: CHF 73 million). Demand in the global process industry, the most important market for the Segment, remained challenging. R&D, analytics and glass-coating markets performed well. Solar and semiconductor markets significantly underperformed. The Segment successfully marketed solutions in steel-degassing, energy and electronic applications to customers in Asia, Europe and the US.

Profitability increased slightly, despite difficult market conditions and anticipatory investments. EBIT grew by 7.9 % to CHF 41 million, translating into a margin of 10.3 % compared to CHF 38 million and a margin of 10.2 % a year ago. The Segment invested in a new logistics center at its primary facility in Cologne, Germany, which commenced operations at the end of the reporting period. In addition, investments in new product launches and expansion of production capacity were initiated to support further growth and profitability improvement.

Asia, driven by China and South Korea, recorded a solid sales volume increase of 12 %, representing 38 % of total Segment sales. Europe accounted for 43 % of Segment sales after an increase of 2 % in the period under review. North America posted a sales growth of 8 % and represented 17 % of total Segment sales. The rest of the world delivered the remaining 2 % of Segment sales.

Key topics

Solution competence
Oerlikon Leybold Vacuum substantiated its leading position in complex and technologically demanding vacuum solutions in various industrial and science applications:

- The Segment received a multitude of orders for its modular steel-degassing solutions, offering higher flexibility and reducing cost of ownership to the global customers.
- Oerlikon Leybold Vacuum has equipped the state-of-the-art display production line for a well-known East Asian display manufacturer to support its production of AMOLED (Active Matrix Organic Light Emitting Diode) display technology.
- A global manufacturer of uranium centrifuges used in nuclear power stations worldwide awarded Oerlikon Leybold Vacuum with the delivery of fore-vacuum equipment for 12 different subsystems used in a new plant in the US.
- CERN, the renowned science center for particle physics in Geneva, Switzerland, ordered mobile leak detection systems including the matching remote control system from Oerlikon Leybold Vacuum.

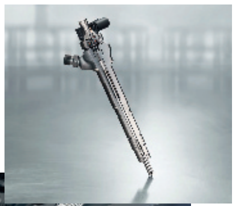
Strengthening of sales channels
Expansion and alignment of sales activities around the world were at the top of the Segment's agenda. The Segment expanded its sales force in China and enlarged the footprint in India to further penetrate the local markets, and adjusted its set-up in Japan and the US. The reorganization of the distribution network in Brazil, achieved by establishing an internal sales organization, was concluded to accelerate business opportunities in South America. The agreements with Vacuummash, one of the leading Russian vacuum companies, are expected to facilitate the access to the Commonwealth of Independent States (CIS).

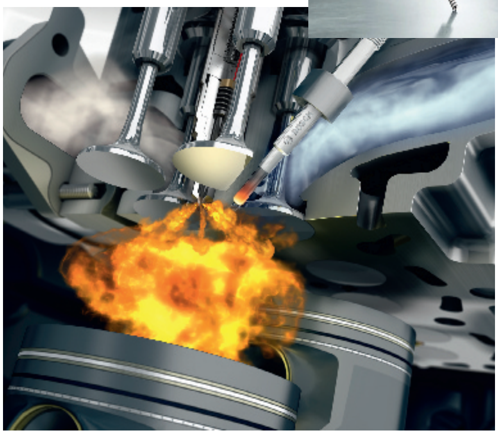
Outlook

In 2014, the Segment expects growth in order intake and sales, and further margin improvement.

3.4 Coating Segment

BOSCH
Invented for life





Development partnership for tailored coating solutions
Bosch Automotive Technology is the largest company division in the Bosch Group. Among other things, the division develops and produces fuel injection systems for combustion engines that reduce the consumption and emissions of modern engines by up to 15 %. The components of these systems are exposed to high temperatures and pressures, and are thus subject to extreme stresses during their service life. For more than 20 years, Bosch Automotive Technology and Oerlikon Balzers have been working together to produce shared solutions to effectively protect components that are under huge stresses using hard and friction coatings. Every year, Oerlikon Balzers coats over 100 million components, including piston pins and injection systems, for the automotive industry from various sites around the world. A total of 93 coating centers in 34 countries guarantee accessibility and a throughput time of just a few days.

1. Continued growth led to record total sales of CHF 511 million, fueled, among other factors, by further regional expansion.
2. Highest profitability in the Group, continuing to operate at a Best-in-Class level with an EBIT margin of 20.5 %.
3. Breakthrough innovation with new coating generation BALIQ™ and successful rollout of reconditioning services.

Key figures

in CHF million	**2013**	2012	Δ %
Order intake	510	501	1.8 %
Order backlog	–	–	–
Sales[1]	511	502	1.8 %
EBIT	105	103	1.9 %
EBIT margin	20.5 %	20.5 %	–

[1] Sales include CHF 1 million intercompany sales in 2012 and 2013.

Best-in-Class

Oerlikon's Coating Segment: 20.5 % EBIT margin (2013);
followed by Sandvik Machining Solutions: 18.2 % operating margin (2013)

oerlikon
balzers

Business performance

In 2013, the Segment continued to operate at a Best-in-Class level with an EBIT margin of 20.5 %, maintaining its high level of profitability for the third time in a row above 20 % (2012: 20.5 %). Total sales rose by 1.8 % to CHF 511 million (2012: CHF 502 million), marking a new record result for the Segment. Coating services represented 93 % of Segment sales and project-driven equipment sales 7 %. Coating services showed even higher growth of 3.5 %, excluding impacts from the development of foreign exchange rates. The Segment was confronted with a challenging environment in the European automotive industry, which had a negative impact on the Segment's tools and components business. This was overcompensated in the course of the year by a recovery of the automotive industry in the US and China, structural growth in automotive applications in general and new development of markets for precision components in the general engineering industries. From a regional perspective, Europe accounted for 50 % of total Segment sales, Asia for 30 %, North America for 13 % and the rest of the world for 7 %.

Expansion of the global coating center network remained the Segment's priority to further penetrate the market. In the period under review, the Segment opened three new coating centers in the US, China and the Philippines. With the first site in the Philippines, the Segment expanded its global presence to 34 countries and currently operates 93 coating centers worldwide. The well-balanced global footprint consists of 22 coating centers in the Americas, 33 centers in Asia and 38 facilities in Europe. In addition to building new production facilities, the Segment has expanded its capacities in existing centers by 3 % in the period under review.

Parallel to regional growth, the Segment expanded its industrial reach with the opening of a new aerospace competence center near Paris. With this competence center, the Segment intends to augment aerospace customers' efforts to increase the reliability and efficiency of key aircraft parts. Advanced PVD coating technology will be crucial for lightweight flight critical components to meet demands of safety, reliability and long service life.

The industrialization of ePD™ (embedded PVD), a clean alternative process for the metallization of plastic parts, is proceeding as planned. Testing by major car manufacturers progressed and qualification processes advanced. In contrast to traditional procedures, the low-emissions, eco-friendly ePD™ technology does not use any environmentally damaging materials such as hexavalent chromium and therefore provides a clean alternative for electro plating. ePD™ offers innovative functional features such as radar-transparent metallization for distance sensor systems, lightweight construction and a greater variety of design possibilities.

Key topics

Innovation
Oerlikon Balzers achieved a major innovation milestone, maintaining the Segment's technological leadership with the launch of BALIQ™, a revolutionary coating family. This new coating generation is based on the groundbreaking S3p™ process technology (S3p™ stands for Scalable Pulsed Power Plasma). With an extraordinary smooth surface as well as extreme hardness, thinness, wear resistance and adhesive strength, BALIQ™ is setting another industry standard. The new coating generation enables customers to significantly boost productivity, process reliability and lower costs. The lifetime of tools for microdrilling, for example, can be extended by a factor of more than 30.

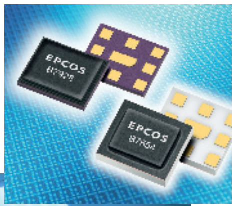
Value chain expansion
Oerlikon Balzers expanded its integrated service offering by launching tool regrinding services "rox". Following the acquisition of the "rox" concept at the beginning of 2013, and after comprehensive training of the teams in the Regrinding Academy, the rollout to the coating centers started in facilities in Mexico, China, South Korea and Thailand. The introduction of a service for tool reconditioning meets customer needs, predominantly in Asia. Customers benefit from both higher productivity and the synergy of having regrinding and recoating services in a one-stop-shop solution. After being reconditioned, the tools perform like brand-new tools, but at lower costs.

Acquisition of Sulzer Metco
As a subsequent event, on January 31, 2014, Oerlikon announced the acquisition of Sulzer Metco to complement the Coating Segment. Oerlikon Balzers and Sulzer Metco are complementary in terms of technologies, markets, regions and business models and together will form the global technology leader of Surface Solutions. The transaction is expected to be closed in the course of the third quarter of 2014.

Outlook

In 2014, the Coating Segment expects ongoing high demand while maintaining its high level of profitability.

3.5 Advanced Technologies Segment



Relying on a strong partnership

EPCOS, a TDK group company, develops and manufactures electronic components, modules and systems, focusing on fast-growing markets, which include information and communications technology, automotive electronics, industrial electronics and consumer electronics. Electronic components are found in nearly all electrical and electronic devices. A single car can contain as many as 10000 such components. In mobile devices such as smartphones, tablets and cell phones, radio frequency filters are absolutely vital. Their most important applications include transmit and receive systems, where they enable telephony, Internet access and navigation as well as connectivity via wireless LAN and Bluetooth. "In the past year we have significantly increased our capacity with Oerlikon Systems' solutions in order to meet the demand for these unique products," says Otto Graf, Chief Operations Officer of the Systems, Acoustics, Waves Business Group. "We rely on and value our strong partnership with Oerlikon to stay ahead in a fast-moving industry. We need to work with partners who are the most dynamic and innovative and in whom we have the utmost trust to deliver. With the CLUSTERLINE® platform, Oerlikon provides us with leading sputtering solutions and with the highest levels of customer support."

1. Substantial sales growth of 8.7 %.
2. 50 % increase in R&D investments.
3. Innovation enables customers to more than double productivity.

Key figures

in CHF million	**2013**	2012	Δ %
Order intake	114	119	–4.2 %
Order backlog	25	25	0.0 %
Sales[1]	113	104	8.7 %
EBIT	4	7	–42.9 %
EBIT margin	3.7 %	6.6 %	–

[1] Sales include CHF 1 million intercompany sales in 2012.

Best-in-Class

Veeco Instruments: negative operating margin (2013) oerlikon systems

Business performance

The Advanced Technologies Segment reported a significant sales growth in 2013. Total sales increased by 8.7 % and reached CHF 113 million compared to CHF 104 million in 2012. Order intake was at CHF 114 million similar to last year's level (2012: CHF 119 million). Order backlog at year-end was stable at CHF 25 million. In the period under review, the global market for semiconductor equipment remained weak; the recovery will only take place in 2014. Oerlikon Systems' solutions to satisfy the rising demand for mobile devices (smartphones, tablets and notebooks) and energy-efficient solutions (LEDs, power devices) compensated for the overall development in the semiconductor industry.

The Segment intensified its R&D activities by 50 % in 2013 to develop and qualify innovative solutions in strategic markets for semiconductors and nanotechnology. As expected, this substantial investment in growth opportunities affected profitability in 2013. EBIT reached CHF 4 million (2012: CHF 7 million), and the Segment posted an EBIT margin of 3.7 %, which compares to 6.6 % in 2012.

Regionally, the Asian market dominated sales volumes and represented 51 % of total Segment sales, remaining stable compared to the previous year's volume. The customers in Europe accounted for 36 % of total Segment sales after reporting an increase of 24 % compared to 2012. The North American market grew by 18 % and represents 12 % of the Segment's business. Other regions accounted for the remaining 1 % of the Segment sales.

Oerlikon Systems continuously focused on intensive cooperation and reliable partnerships with its key customers, a commitment and performance that was again recognized by its global customers. For the 14th consecutive year, the Oerlikon Systems team was named one of the 10 BEST Suppliers in the VLSIresearch annual customer satisfaction survey, which sets the benchmark in the semiconductor industry. In 2013, the Oerlikon team won awards in three different categories and was specifically recognized for its after-sales service, customer commitment, product performance and uptime.

Key topics

Innovation to double productivity

The Advanced Technologies Segment introduced and qualified its CLUSTERLINE® 300 II for the production of power devices. Oerlikon Systems is the first supplier to offer equipment that can handle ultrathin 300-millimeter wafers for backside metallization of power devices instead of the common 200-millimeter wafers. The previous model CLUSTERLINE® 200 II was qualified 10 years ago and is the established solution at most major power device manufacturers. The adoption of 300-millimeter wafer production requires innovative solutions, increased automation and wafer handling capabilities. The successful transition from 200- to 300-millimeter volume production is further proof of the Segment's technological leadership in thin wafer handling and processing.

The new CLUSTERLINE® 300 II provides customers with significant productivity gains. Because a 300-millimeter wafer has 2.25 times the area of a 200-millimeter wafer, the CLUSTERLINE® 300 II more than doubles the productivity of a production line compared to the 200-millimeter format.

Outlook

In 2014, the Advanced Technologies Segment expects sales growth and an improvement in profitability.

III. Governance

4.0 Corporate governance

Oerlikon is committed to the principles of good corporate governance as defined by economiesuisse in the Swiss Code of Best Practice for Corporate Governance. Through this commitment Oerlikon aims to 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 of securities to make available to investors certain key information 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 (5.0 Remuneration report). All statements in this section 4.0 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 five Segments: Manmade Fibers, Drive Systems, Vacuum, Coating, Advanced Technologies. 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 32 et seqq. (section 3.0 "Oerlikon Group operational review") and page 91 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, 2013, the company's market capitalization totaled CHF 4 467 million. For further information on OC Oerlikon Corporation AG, Pfäffikon see page 147 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 local companies included in the scope of consolidation are shown on page 155 et seq. in their legal ownership structure, and on page 142 et seq. 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; and Lamesa Holding S.A., Panama, Republic of Panama[4])	149 435 408[4]	44.66
Chase Nominees Ltd., London	17 465 087[5]	5.22
BlackRock Group, New York[7]	16 253 753[6]	4.86

[1] Source: disclosure notifications pursuant to Art. 20 of the Swiss Stock Exchange Law and share register.
[2] Basis: shares issued (334 633 258).
[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 August 6, 2013).
[5] Source: share register as at December 31, 2013.
[6] Source: disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by the BlackRock Group (published by SIX Exchange Regulation on November 16, 2013). Pursuant to a disclosure notification dated February 6, 2014 (published by SIX Exchange Regulation on February 8, 2014) the shareholding of the BlackRock Group amounted to 15 487 197 (4.63%).
[7] The respective shares are indirectly held by various companies belonging to the BlackRock Group, as set out in the disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law published on November 16, 2013.

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/obligations/disclosure/major_shareholders_en.html).

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Capital

The share capital of OC Oerlikon Corporation AG, Pfäffikon amounts to CHF 334 633 258, composed of 334 633 258 registered shares, each with a par value of CHF 1. The company also has conditional capital in the amount of CHF 40 million for convertible and warrant bonds, etc., CHF 7.2 million for employee stock option plans and CHF 5 465 671 for option rights granted to the financial creditors (as defined 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 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, units thereof or equity interests, or 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 terms 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 each, through the exercise of option 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 market price will be permissible; further details shall be determined by the Board of Directors. No such stock option plan is currently under consideration.

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 5 465 671 to be fully paid-in registered shares of a par value of CHF 1 each, i.e., in the par value of a total of a maximum amount of CHF 5 465 671, 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 allocation of these options was a *conditio sine qua non* of the urgently needed restructuring measures of the company. The priority subscription right of the shareholders is therefore completely excluded with regard to the entire conditional capital. The option rights granted to the Financial Creditors have a maximum term until June 30, 2014. The respective owners of option rights may subscribe for new shares. Originally the exercise ratio was 1.0 and the exercise price CHF 6 (must fully be paid in cash). After two dilution adjustments in connection with dividends resolved on April 12, 2012, and on April 30, 2013, respectively, the exercise ratio is currently 1.04926 and the exercise price CHF 5.72. The subscription right of the shareholder is completely excluded with regard to the entire conditional capital.

Changes in capital

During 2013, as a result of the exercise of 8 668 760 option rights, which were 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, for loans granted to the company or one of its Group companies, the share capital of OC Oerlikon Corporation AG, Pfäffikon has been increased from CHF 325 964 498 to CHF 334 633 258 by the issuance of 8 668 760 fully paid-in registered shares of a par value of CHF 1. During 2012, as a result of the exercise of 2 840 488 option rights, which were granted to the Financial Creditors of the company under the same Facility Agreement (with the respective amendments), the share capital of OC Oerlikon Corporation AG, Pfäffikon has been increased from CHF 323 124 010 to CHF 325 964 498 by the issuance of 2 840 488 fully paid-in registered shares of a par value of CHF 1. On May 11, 2011, as a result of the exercise of 38 539 option rights, which were granted to the Financial Creditors of the company under the same Facility Agreement (with the respective amendments), the share capital of OC Oerlikon Corporation AG, Pfäffikon has been increased from CHF 323 085 471 to CHF 323 124 010 by the issuance of 38 539 fully paid-in registered shares of a par value of CHF 1.

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 153 of the Annual Report.

Shares and participation certificates

The equity securities of OC Oerlikon Corporation AG, Pfäffikon consist exclusively of 334 633 258 fully paid-in registered shares with a par value of CHF 1, 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 dematerialized securities within the meaning of the Swiss Code of Obligations and as book-entry securities in terms of the Book-Entry 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 dematerialized 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

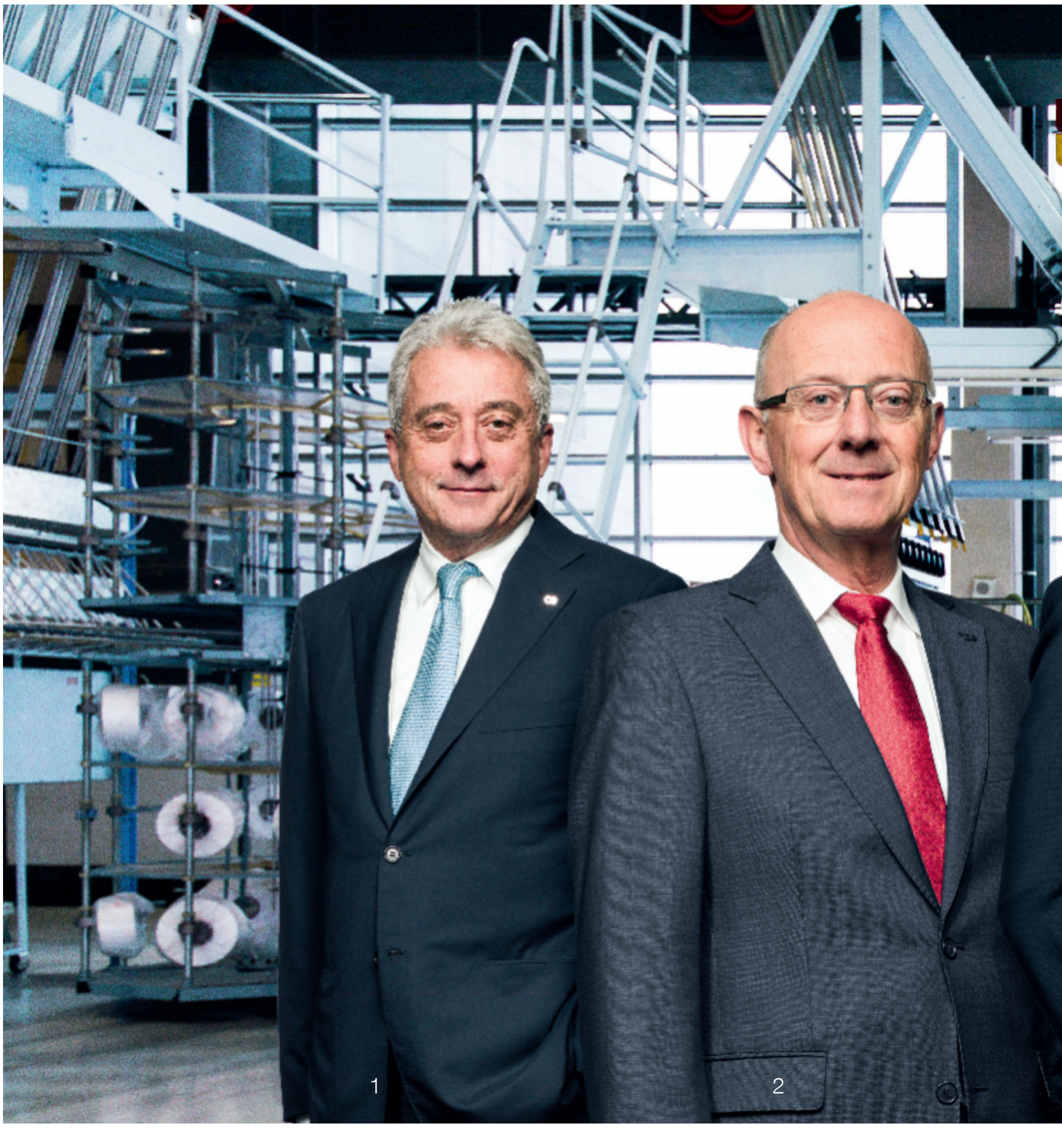
As at December 31, 2013, there were no convertible bonds or warrant bonds outstanding.

In conjunction with stock option plans, employees held a total of 37 128 options (see page 133, Note 21) on December 31, 2013, each of which entitles the holder to subscribe for one registered share in OC Oerlikon Corporation AG, Pfäffikon. These options will be covered by shares acquired in the open market, such that their exercise will not result in any change in share capital. The aggregate par value of the shares purchasable via option rights granted to employees is CHF 37 128. For the avoidance of doubt, at midnight on December 31, 2013, all these 37 128 options expired.

In conjunction with the option rights granted to the Financial Creditors, Financial Creditors held a total of 5 396 395 options on December 31, 2013, each of which entitles the holder to subscribe for 1.04926 registered shares in OC Oerlikon Corporation AG, Pfäffikon. The option rights granted to the Financial Creditors have a maximum term until June 30, 2014. The exercise price is CHF 5.72 and must be fully paid in cash. The options are covered by shares pursuant to Art. 11c of the Articles of Association, or by shares purchased on the open market. The aggregate par value of the shares purchasable via option rights granted to the Financial Creditors is CHF 5 662 221.

Stability and competence

The Oerlikon Board of Directors



1 Carl Stadelhofer

1953, Swiss citizen
Member of the Board of Directors,
Member of the Audit Committee,
Member of the Human Resources Committee

Professional background and education

Carl Stadelhofer was elected to the Board of Directors at the 2008 Annual General Meeting. Since 2004, he has been Chief Legal Counsel of Renova Group, based in Switzerland. Since 1990, he has been a Senior Partner and since 2011 a Senior Counsel of Klein Attorneys (formerly RKS Rinderknecht Klein & Stadelhofer) in Zurich, Switzerland, specializing in banking and finance law, as well as the resource and commodity business, including M&A. Carl Stadelhofer is admitted to the Bar of the Canton of Zurich, Switzerland. He graduated from the University of Bern, Switzerland, with a degree in Law.

Other activities and vested interests

Carl Stadelhofer is Chairman of Renova Holding Ltd. and other Renova Group companies. He is also Vice Chairman of Renova Management AG. He is Chairman of Stadelhofer Enterprises Ltd. and other Staldelhofer Group companies, including Calle Services Management Ltd. He is also Chairman of LogObject AG and a Board member of Conrad Electronic AG, Widex Hörgeräte AG, Terraco Holding Ltd. and Wincap Ltd. He is Chairman of FONDATION ACTERIA, FONDATION MERAC and FONDATION SMARTPEACE, Vice Chairman of Fondation Jean-Pascal Imsand and Actuary of International Brachet Foundation.

2 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 Chairman of Swisslog Holding AG and of Charles Vögele Holding AG, as well as Board member of Schmolz + Bickenbach AG.

3 Kurt J. Hausheer

1947, Swiss citizen
Member of the Board of Directors,
Chairman of the Audit Committee

Professional background and education

Kurt J. Hausheer was elected to the Board of Directors at the 2008 Annual General Meeting. Since 2008, he has been the owner of Hausheer Consulting, Switzerland. From 1998 until his retirement in 2008, he served as Managing Partner of the Advisory Practice (M&A and Business Consulting) at PricewaterhouseCoopers (PwC), Switzerland, and between 1996 and 2008 additionally as a member of the Management Board and the Board of Directors of PwC/STG-Coopers & Lybrand AG, Switzerland. Between 1969 and 1998, he held several positions in the Audit and Consulting practices of PwC and the predecessor companies in Switzerland and the USA. Kurt J. Hausheer is a Certified Public Accountant (CPA), and completed management programs at IMD, Switzerland, INSEAD, France, and Harvard University, USA.

Other activities and vested interests

None

4 Tim Summers

1967, British citizen
Chairman of the Board of Directors,
Chairman of the Human Resources Committee,
Chairman of the Strategy Committee

Professional background and education

Tim Summers was elected to the Board of Directors at the 2011 Annual General Meeting and was thereafter appointed Chairman. From 2010 to 2011, he acted as non-executive Chairman of KCA Deutag, Switzerland. Between 2006 and 2009, he served as Chief Operating Officer and from 2008 until 2009 additionally as interim CEO of TNK BP, Russia. Between 2007 and 2009, he was Director of Slavneft in Russia. Between 1989 and 2006, he filled several positions with BP. Tim Summers holds a Bachelor's degree in Chemical Engineering from the University of Manchester, UK.

Other activities and vested interests

Tim Summers is Director of Renova Management AG.

5 **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 High-tech Assets Business Development of the Renova Group, and since 2010 CEO of ROTEC, a company of the 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 Moscow State Technical University.

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

6 **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 the 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.

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), Kurt J. Hausheer, Mikhail Lifshitz (Board member since April 30, 2013), Gerhard Pegam, Carl Stadelhofer, Hans Ziegler, Reyad Fezzani (Board member until April 30, 2013) and Wolfgang Tölsner (Board member until April 30, 2013), whose statutory term of office expired on April 30, 2013. With the exception of Reyad Fezzani and Wolfgang Tölsner, who did not run for re-election, they were all elected or reelected, respectively, by the Annual General Meeting of Shareholders on April 30, 2013, for a term of office of one year.

In the three financial years preceding the reporting period, the non-executive members of the Board of Directors were not involved in the executive management of OC Oerlikon Corporation AG, Pfäffikon or any other Group company, with the exception of Hans Ziegler, who acted as CEO ad interim from August 25, 2009, until May 18, 2010. They also do not have any significant business connections with companies of the Oerlikon Group.

Composition of the Board of Directors

Name (nationality)	Domicile	Position	Age	Joined	Term expires	Executive/ Non-executive
Tim Summers (GB)	CH	Chairman	46	2011	2014	Non-executive
Kurt J. Hausheer (CH)	CH	Member	66	2008	2014	Non-executive
Mikhail Lifshitz (RU)	RU	Member since April 30, 2013	50	2013	2014	Non-executive
Gerhard Pegam (AT)	DE	Member	52	2010	2014	Non-executive
Carl Stadelhofer (CH)	CH	Member	60	2008	2014	Non-executive
Hans Ziegler (CH)	CH	Member	61	2008	2014	Non-executive
Reyad Fezzani (GB)	USA	Member until April 30, 2013	48	2012	–	Non-executive
Wolfgang Tölsner (DE)	DE	Member until April 30, 2013	65	2010	–	Non-executive

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 58 et seq.

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 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.

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 consists of at least three but not more than seven members, the majority of whom are independent from and not performing any executive management duties within the Oerlikon Group while in office, not having significant business relations with the Oerlikon Group, and have not been a member of the Executive Committee or a member of the executive management of an Oerlikon Group company in the preceding three years.

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, may convene meetings of the Board Committees and shall coordinate the work of the Board of Directors and the Board Committees. 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.

Currently there are 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)
Tim Summers (GB)		Chairman	Chairman
Kurt J. Hausheer (CH)	Chairman		
Mikhail Lifshitz (RU)	Member since April 30, 2013		
Gerhard Pegam (AT)			Member
Carl Stadelhofer (CH)	Member since April 30, 2013	Member	
Hans Ziegler (CH)		Member	Member
Reyad Fezzani (GB)	Member until April 30, 2013		
Wolfgang Tölsner (DE)	Member until April 30, 2013		

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 whilst 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. They must by all means 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 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. Furthermore, the AC approves the issuance of material comfort letters and material sureties securing Group companies by the CEO.

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. They must by all means 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 for members of the Board of Directors and the Senior Management, performance management and succession planning, and appointment and dismissal of the members of the Senior Management.

The HRC approves the appointment and dismissal of Segment CEOs by the CEO as well as the Executive Committee's Group-wide compensation policies for non-managerial staff and the Annual Pay Plan for the Group (including general salary increases). Furthermore, the individual compensation packages of the Board of Directors and the members of the Executive Committee are set by the HRC, subject to approval of the Board of Directors.

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 and not performing any executive management duties within the Oerlikon Group while in office, not have significant business relations with the Oerlikon Group, and not have been a member of the Executive Committee or a member of the executive management of an Oerlikon Group company in the preceding three years.

The SC monitors that Oerlikon's strategy is properly established, implemented and complied by the CEO 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 2013, five physical Board meetings were held, lasting on average around four and a half hours. They were attended by all Board members. In addition, seven telephone conferences were held. Those Board members who are independent from the Renova Group held eight meetings in the context of related party transactions. They lasted on average around one hour.

The members of the Committees, 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 Director. 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 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 2013, there were six meetings of the AC, lasting on average around three hours and 35 minutes. The members of the AC participated in these 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 2013, the HRC held five physical meetings (lasting on average around two and a half hours), and two telephone conferences; the SC held five meetings, lasting on average around four hours and 45 minutes.

Definition of areas of responsibility

Pursuant to Art. 716b CO 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 management of the corporation, the determination of the strategic direction and of the organization of the Group, the structuring of the accounting system, the financial controls and the financial planning, the appointment and removal of the persons entrusted with the management and representation of the corporation as well as the ultimate supervision of those individuals entrusted with the management of the corporation. 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 CEOs 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, Segment CEOs, 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 and 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 of 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 Business Units, as well as annually updated 3-Year Business Plans on Group and Business Unit 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 performance indicators to assist them in the assessment of the Business Units' performance and potential corrective measures. Furthermore, the Executive Committee holds quarterly financial review and strategic business outlook meetings, examining current performance and outlook, market competitive dynamics, Business Unit product portfolios and scenarios explored to improve Business Unit value creation.

Risk management: A key component of the Risk Management System is the generation and quarterly 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 is performed via the Group Risk Report, displaying the relevant risks and defined risk mitigation actions from a Group-wide perspective. The Group Risk Report is prepared semi-annually and is discussed in the Executive Committee, the Audit Committee and in the Board of Directors, respectively. On this basis, the Board of Directors is monitoring the risk profile of the Group and the risk mitigation actions. For further information regarding risk management, see page 86 et seq. (section 6.0 "Risk management and compliance"), page 125 et seqq. (Note 19 to the consolidated financial statements) and page 151 (Note 18 to the financial statements of OC Oerlikon Corporation AG, Pfäffikon).

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 the new compliance program has been laid and enhanced over the years 2009 until 2012. The focus for 2013 was to build on this strong foundation and specifically support the Group's strategic priorities by moving key compliance processes even closer into business operations such as a greater focus on Compliance at supplier qualification audits, a wider application of our business partner due diligence procedure and localized policies and trainings on anti-trust and anti-corruption in the BRIC regions. The e-learning training program has been strengthened by further modules on anti-corruption and our Code of Conduct. For further information regarding Compliance, see page 86 et seq. (section 6.0 "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 of the Board of Directors 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 and a selection of the strategic initiatives from the 3YBPs. The annual audit plan has the appropriate balance between strategy, 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 2013 Group Internal Audit conducted more than 45 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 72 et seq.

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

1 Dr. Hans Brändle[1]

1961, Swiss citizen
Segment CEO Coating*

Professional background and education
Dr. Hans Brändle has been Segment CEO Coating since 2006. Between 2005 and 2006, Dr. Hans Brändle served as Executive Vice President of Oerlikon Balzers. From 1998 to 2005, he acted as Managing Director of Oerlikon Balzers in Bingen, Germany. Dr. Brändle's career at Oerlikon Balzers began in 1992, initially as a project manager in Research & Development; he was promoted to head of the Research & Development Department in 1995. Before he joined Oerlikon Balzers, he spent one year as a visiting scientist with IBM Research – Almaden in San Jose, California. Brändle studied Physical Chemistry at the Swiss Federal Institute of Technology (ETH), Zurich, Switzerland, where he earned his doctorate in Physics; he also holds an Executive MBA from the University of St. Gallen.

Other activities and vested interests
None

2 Stefan Kross[1]

1955, German citizen
Segment CEO Manmade Fibers*

Professional background and education
Stefan Kross has been Segment CEO Manmade Fibers since 2012. Between 2008 and 2011, he served as CEO of Oerlikon Barmag. From 2003 to 2008, Stefan Kross acted as Chief Technology Officer of Saurer Textile Solutions. Between 2001 and 2003, he was CEO Business Unit Winding/Member of the Board of Schlafhorst AG. Between 1983 and 2000, he filled several management positions with different companies. Stefan Kross graduated from the RWTH Aachen University, with a degree in Mechanical Engineering (Dipl. Ing.).

Other activities and vested interests
None

3 Jürg Fedier

1955, Swiss citizen
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, 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
None

4 Dr. Martin Füllenbach[1]

1968, German citizen
Segment CEO Vacuum*

Professional background and education
Dr. Martin Füllenbach has been Segment CEO Vacuum since 2012. Between 2007 and 2012, Dr. Martin 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. Martin 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/.
[1] Member of the Executive Committee since February 11, 2014.
[2] Will join the Executive Committee on April 1, 2014.

5 **Dr. Brice Koch**
1964, French citizen
Chief Executive Officer (CEO)*

Professional background and education
Dr. Brice Koch was appointed Chief Executive Officer effective January 16, 2014. From 2012 to 2013, he acted as Head of Power Systems Division/Member of the Group Executive Committee of ABB, Switzerland. Between 2010 and 2012, Dr. Brice Koch served as Head of Marketing and Customer Solutions/Member of the Group Executive Committee of ABB, Switzerland. From 2007 to 2009, he acted as Country Manager in China (Chairman and President of ABB China) and Region Manager North Asia. Between 2002 and 2006, Dr. Brice 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 with ABB, Switzerland. Dr. Brice 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.

6 **Dr. Bernd Matthes[2]**
1960, German and US citizen
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. Bernd Matthes served as Vice President Operations Europe and General Manager DualTronic at BorgWarner Transmission System. From 1993 to 2002, he filled several management positions within BorgWarner, Germany. Dr. Bernd Matthes holds both an 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.

7 **Andreas Dill[1]**
1954, Swiss citizen
Segment CEO Advanced Technologies*

Professional background and education
Andreas Dill has been Segment CEO Advanced Technologies since 2010. Between 2007 and 2010, Andreas Dill served as Senior Vice President, Head of Systems of Oerlikon Balzers. From 2006 to 2007, he acted as Vice President, Deputy Head of Systems of Oerlikon Balzers. Between 2003 and 2006, Andreas Dill held the position Vice President, General Manager Wafer Processing Europe, of Oerlikon Balzers. From 2000 to 2003, he was Vice President, Head of SBU Advanced Silicon Semiconductors of Oerlikon Balzers. From 1985 to 2000, Andreas Dill filled several management positions with the Oerlikon Group and Zevatech AG. Andreas Dill graduated from the Swiss Federal Institute of Technology (ETH), Zurich, Switzerland, with a master's degree in Electrical Engineering and did postgraduate research at the McGill University, Montreal, Canada.

Other activities and vested interests
Andreas Dill is a Board member of Cicor Technologies AG.

Executive Committee

Management philosophy

The Oerlikon Group works with a decentralized management structure. This means that Group Headquarters determines strategic guidelines and sets targets, monitoring these with effective controlling; Segments and Business Units are then responsible for operations and for implementing the agreed strategy within given guidelines. In this sense, Group Headquarters functions as a strategic holding.

Members of the Executive Committee

On December 31, 2013, Jürg Fedier (CEO ad interim and CFO) was the only member of the Executive Committee. Dr. Brice Koch (CEO) joined the Executive Committee on January 16, 2014. The Segment CEOs Dr. Hans Brändle (Segment CEO Coating), Andreas Dill (Segment CEO Advanced Technologies), Dr. Martin Füllenbach (Segment CEO Vacuum) and Stefan Kross (Segment CEO Manmade Fibers) joined the Executive Committee on February 11, 2014, and Dr. Bernd Matthes (Segment CEO Drive Systems) will join on April 1, 2014. Dr. Michael Buscher left the Group on March 14, 2013.

Composition of the Executive Committee

Name	Nationality	Age	Position	Joined	In position since	Stepped down
Dr. Brice Koch	FR	49	CEO	2014	16.01.2014	
Jürg Fedier	CH	58	CFO [1]	2009	01.01.2009	
Dr. Hans Brändle	CH	52	Segment CEO Coating	2014	11.02.2014	
Andreas Dill	CH	59	Segment CEO Advanced Technologies	2014	11.02.2014	
Dr. Martin Füllenbach	DE	45	Segment CEO Vacuum	2014	11.02.2014	
Stefan Kross	DE	58	Segment CEO Manmade Fibers	2014	11.02.2014	
Dr. Bernd Matthes	DE/USA	53	Segment CEO Drive Systems	2014	01.04.2014	
Dr. Michael Buscher	DE	48	CEO	2010	19.05.2010	14.03.2013

[1] And CEO ad interim from 14.03.2013 until 15.01.2014.

The members of Oerlikon's Executive Committee did not previously carry out tasks for OC Oerlikon Corporation AG, Pfäffikon or any other Group company, with the exception of the majority of the Segment CEOs. Most of them had been acting as Segment CEO (and some of them had been active in different roles within the Oerlikon Group before their appointment as Segment CEO) before the Segment CEOs became part of the Executive Committee. For further information, see page 68 et seq.

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 interests groups and official functions and political posts, see page 68 et seq.

Management contracts

There are no management contracts with third parties.

Shareholders' participation

Voting rights and representation restrictions

Each shareholder may be represented at the Annual General Meeting by the company-appointed independent voting rights representative or by some other registered shareholder appointed by him to act as proxy with written authorization to represent his shares. Where the power of proxy is based on facts other than a legal contract (e.g. legal representation by a guardian), the proxy need not be a registered shareholder. On the other hand, where the power of proxy arises from a legal contract (e.g. a power of attorney), the proxy must be a registered shareholder. 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 provisions of corporate law, 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 company's 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 10 weeks prior to the date of the Annual General Meeting of Shareholders.

Inscriptions into the share register

The 41st Annual General Meeting of Shareholders will be held on April 15, 2014, in the KKL Luzern (Culture and Convention Center), Lucerne. Entitled to vote in the Annual General Meeting of Shareholders are the 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 40th Annual General Meeting of Shareholders held on April 30, 2013, can be viewed on the Internet at www.oerlikon.com and shareholders may also read the minutes at Group Headquarters upon prior notice. The minutes of the 2014 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

Please see page 85 (section 5.0 “Remuneration report”).

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 40th Annual General Meeting of Shareholders of April 30, 2013, 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 2013, KPMG invoiced the company for CHF 3 109 862 in global auditing fees.

Additional fees

In the calendar year 2013, KPMG invoiced the company for CHF 1 401 728 in additional services, those services relate to tax consultancy. The tax consultancy fees mainly include worldwide tax consultancy in connection with the divestment of the Natural Fibers and Textile Components Business Units.

Informational instruments pertaining to an external audit

In accordance with Art. 728b Para. 1 of the Swiss Code of Obligations, the external auditors issue to the Board of Directors, on an annual basis, a comprehensive report including statements pertinent to bookkeeping and company reporting, the internal controlling system and the performance, 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 Audit Committee.

Once the auditing work has been completed, the Audit Committee 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, the Audit Committee 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 Audit Committee meets regularly with the lead auditor and other representatives of the auditing firm. The latter also participate in meetings of the Audit Committee dealing with the relevant agenda points. In the reporting year, KPMG AG participated in four meetings of the Audit Committee.

On behalf of the Board of Directors, the Audit Committee 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 Audit Committee 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 Audit Committee and subject to the approval of the Board of Directors.

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

Material changes since the balance sheet date

On January 16, 2014, Dr. Brice Koch joined the Oerlikon Group as CEO. On February 11, 2014, the Board of Directors decided to extend the Executive Committee by the five Segment CEOs.

Information policy

General

Oerlikon provides its shareholders and the capital market with transparent, comprehensive and timely information on facts and developments of relevance to them, and in a manner that is in keeping with the principle of equal treatment of all capital 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 key financial figures (sales, order intake, order backlog and EBIT) and a related commentary for the first and third quarters of its financial year. In this way, Oerlikon has increased its transparency. Additionally, press releases keep shareholders and the capital market informed of significant changes and developments in the company. The company's website, www.oerlikon.com, is a permanently accessible platform for 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).

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 2013, along with all others dating back to January 2004, can be accessed on our website at www.oerlikon.com/pressreleases. Those interested in receiving our press releases regularly by e-mail can register at www.oerlikon.com/en/media/press-releases/registration-for-corporate-news/.

Financial calendar

February 25, 2014
Annual Results 2013 and Annual Report 2013

April 15, 2014
Annual General Meeting of Shareholders, Lucerne

April 29, 2014
Q1 Results 2014

August 5, 2014
Q2/HY Results 2014 and Half-Year Report 2014

October 28, 2014
Q3 Results/9M 2014

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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5.0 Remuneration report

Shareholder letter

Dear Shareholders

It is with pleasure that as Chairman of the Human Resources Committee I present to you the 2013 remuneration report of OC Oerlikon Corporation AG, Pfäffikon.

In addition to the regular activities of the Human Resources Committee that are described in detail in the remuneration report, the previous year was characterized primarily by the preparation of two important decisions:

Firstly, after a diligent selection and nomination process, the Board of Directors approved the appointment of Dr. Brice Koch as Chief Executive Officer (CEO) beginning on January 16, 2014. His breadth of experience will guide Oerlikon to the next level of our company development. He has already begun to shape this development with the extension of the Executive Committee effective February 11, 2014.

Secondly, the new Swiss law regarding say-on-pay (the Minder Ordinance) was released on November 20, 2013, and came into force on January 1, 2014. This will lead to the individual election by the shareholders of the Chairman of the Board, the members of the Board and the members of the Human Resources Committee for a term of one year at the 2014 Annual General Meeting (AGM). While the implementation of the Ordinance allows for a transition period of two years, for several key elements, the Board has decided to adopt the most important ones at the 2014 AGM.

Hence, at the 2014 AGM, the Board will propose:

- amendments of the Articles of Association, to comply with the legislation;
- a binding vote on the maximum amount of total compensation of the Board of Directors for a term of office from the 2014 AGM to the 2015 AGM;
- a binding vote on the maximum amount of fixed compensation of the Executive Committee for the period starting on July 1, 2014, and ending on June 30, 2015.

In addition to these new votes, the aggregate amount of variable compensation of the Executive Committee for the financial year 2014 will be put to a binding vote at the 2015 AGM.

Further, in line with the recommendations of the Swiss Code of Best Practice for Corporate Governance, the Board will also propose at the 2014 AGM to approve the 2013 remuneration report in a non-binding consultative vote, as it has since 2011.

There is no doubt that these changes add some complexity to the voting process at each AGM, but they also allow more direct shareholder involvement in the remuneration framework of the company.

February 25, 2014

Sincerely

Tim Summers

Tim Summers
Chairman of the Human Resources Committee

Compensation policy

Attractive, motivating, fair and simple compensation for all staff is the foundation of Oerlikon's performance-based corporate culture. 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 2013:

- General principles of the compensation policy
- Setting and approving compensation
- Compensation system and compensation paid to the Board of Directors in 2013
- Compensation systems applicable to management (including the Executive Committee)
- Compensation paid to the Executive Committee in 2013

With this remuneration report, Oerlikon meets the requirements of Art. 663bbis and 663c(3) of the Swiss Code of Obligations (CO) and Para. 5.1 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. Oerlikon prepares its consolidated financial statements in accordance with IFRS (International Financial Reporting Standards). These regulations require different interpretations and presentations, where appropriate (see also Notes 21 and 22).

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 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, the Executive Leadership Team and Group-wide managerial and non-managerial staff;
- the annual pay plan for the Group (including general salary increases);
- the objectives for the CEO and assessment of performance;
- the performance assessment of Executive Committee members by the CEO.

The compensation policies for the Board of Directors, the Executive Committee and the Executive Leadership Team 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 forms the basis for the Board of Directors to approve in:

- December, the target compensation of the members of the Board of Directors, the Executive Committee and the Executive Leadership Team for the following year;
- February, the target achievement and variable compensation of members of the Board of Directors and the Executive Committee for the past year;
- March and November, Long-Term Incentive (LTI) grants, i.e. participants in equity programs and share awards allocated to them.

With the implementation of the new Swiss law regarding say-on-pay (Minder Ordinance), the approval of the Board and Executive Committee compensation will transfer from the Board of Directors to the Annual General Meeting of Shareholders as of 2014. The timing of approving variable compensation (STI and LTI) will also be shifted to the date of the AGM.

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	Chairman	Human Resources Committee	Board of Directors
Compensation of members of the Executive Committee	CEO	Human Resources Committee	Board of Directors
LTI allocations	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 Human Resources Committee, he is also involved in the determination of Board remuneration, including his own. Members of the Board of Directors, other than those of the Human Resources Committee, do not participate in determining the remuneration of Directors.

The CEO, or other members of the Executive Committee, are neither involved in the determination of their remuneration nor are they present when the Board of Directors approve it.

Board of Directors

Compensation system – Board of Directors

The compensation system applicable to the members of the Board of Directors consists of a fixed cash component and of a fixed grant value 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 Human Resources Committee (HRC), taking into account the expenditure of work required from Board and Committee members. Board remuneration is reviewed against external benchmarks on an annual basis. In 2013, a survey of the 28 peer companies listed on page 82 was conducted by PwC and confirmed the compensation levels to be appropriate. 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 entire Board of Directors based on a proposal by the HRC. No changes to the compensation for members of the Board of Directors were made in 2013.

The grant 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 dividing the fixed grant value by the volume-weighted average share price (VWAP) over 10 trading days immediately following the date of the release of the previous year's annual results. RSU are blocked from the date they are granted at the Annual General Meeting of Shareholders until the following 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 Oerlikon shares is determined at the sole discretion of the Board of Directors. The RSU program is financed with treasury shares. For a detailed overview please see Note 21 (page 133).

Compensation 2013 – Board of Directors

No member of the Board of Directors served in an executive role in 2013. Total compensation paid to the eight non-executive members of the Board of Directors in 2013 was CHF 1.7 million, a reduction by 23 % compared to the previous year. Since all components are fixed, no ratio between fixed and variable compensation is presented.

Compensation of non-executive members of the Board of Directors

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash	Restricted Stock Units (RSU)[1]	Other[2]	Total compensation 2013	Total compensation 2012
Tim Summers	C	C		C	175	238	43	457	517
Kurt J. Hausheer	M		C		125	106	20	252	283
Mikhail Lifshitz[4]	M		M		70	106	10	186	
Hans Ziegler	M	M		M	135	106	24	266	288
Carl Stadelhofer	M		M[4]	M	125	106	24	255	260
Gerhard Pegam	M	M			105	106	5	216	243
Reyad Fezzani[3]	M		M		35			35	166
Wolfgang Tölsner[3]	M		M		35			35	373
Total					**805**	**770**	**127**	**1 702**	**2 130**

C(hairman), M(ember)

[1] The RSU grant for 2013 is based on a fair value at grant date of CHF 10.8. In previous years, disclosure used an accounting perspective that presented the costs of all grants for the reporting period. In preparation for a binding vote on compensation, disclosure is changed to present the total value of grants issued in a reporting period. The effect of this change on the reported numbers of the previous year is insignificant.
[2] Other compensation consists of social security contributions and expense allowances paid by OC Oerlikon Corporation AG, Pfäffikon.
[3] Until April 30, 2013.
[4] As of April 30, 2013.

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 2013 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 2013.

No compensation was paid to any former members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon, or a Group company in 2013.

Management

Compensation system – Management

The compensation system for management staff, including the CEO, the Executive Committee, the Executive Leadership Team, as well as other management functions (Global Leaders) consists of fixed and variable components. The fixed component entails a base salary commensurate with the role and local market level and, depending on role and local practice, includes allowances. The variable component entails an annual cash bonus (Short-Term Incentive). In addition, Global Leaders consisting of 96 management staff participate in a three-year 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.

Short-Term Incentive (STI) program 2013

The Oerlikon Short-Term Incentive (STI) program is a simple and clear annual cash bonus aimed at motivating eligible 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 Global Leaders, including the CEO, the Executive Committee and the Executive Leadership Team, consists of financial and individual objectives as well as strategic milestones. Financial objectives (such as Sales, EBIT Margin and return on net assets (RONA)) account for 70 %, individual objectives for 15 % and strategic milestones for 15 % of the target bonus.

The STI for management staff and specialists consists of financial and individual objectives. Financial objectives make up 70 % and individual objectives 30 % of the target bonus.

Financial objectives are set for each business on Group, Segment and Business Unit level and are aimed at increasing the growth, profitability and cash efficiency of the respective business.

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

Individual objectives are agreed upon between each plan participant and their manager, in order to define concrete and measurable targets that the plan participant is responsible for achieving. For Global Leaders, including the Executive Committee, they include the improvement of health, safety and environment at performance throughout the Group.

The Board of Directors approves the financial objectives, strategic milestones and individual objectives of members of the Executive Committee, including the CEO, at their meeting in December.

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 cannot exceed 100 % of target bonus. The Human Resources Committee will finally assess the overall bonus payout, 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 discretionary decision in February.

Long-Term Incentive (LTI) program 2013

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 2013 grant of the long-term Performance Share Plan for the Oerlikon Group's Global Leaders 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 program is based on performance conditions measured over a period of three years from January 2013. 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 Human Resources Committee. List of companies:

Swiss Industry Group	Industry Group	Manmade Fibers	Drive Systems	Vacuum	Coating
ABB	General Electric	Jingwei	American Axle	Atlas Copco	Bodycote
Sulzer	Siemens	Lakshmi	Brembo	Gardner Denver[1]	Kennametal
Georg Fischer	GEA	Rieter Textile	Carraro	INFICON	Praxair
	Sumitomo	Schweiter	Dana	Ingersoll Rand	Sandvik
	ThyssenKrupp		Bharat Gears	Pfeiffer Vacuum	
			BorgWarner		

[1] Gardner Denver was delisted in 2013. The comparator group will be maintained with the remaining companies for the LTI plans 2012 and 2013.

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 program 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 of 28 the peer group or above, 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 2013, the CEO, members of the Executive Committee and Global Leaders received a portion of their compensation in the form of awards of OC Oerlikon Corporation AG, Pfäffikon, stock. The LTI program is financed with treasury shares. For a detailed overview please see note 21 (page 133)

Shareholding requirement

To further align the interests of the Executive Leadership Team (ELT) and shareholders, the CEO, members of the Executive Committee, Segment CEOs and selected Corporate Functions are required to build a significant personal shareholding in the business.

For each role, a minimum target number of shares should be attained by the relevant individuals. The minimum threshold is a percentage of annual base salary.

Role	% of base salary
CEO	200%
Members of the Executive Committee	100%
Segment CEO	100%
Corporate Function	50%

Current members of the ELT 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 ELT have five years during which to reach their minimum investment limit.

Earlier Long-Term Incentive (LTI) programs 2007–2011 (not continued)

Previous LTI programs have been discontinued. However any grants issued will be governed by the respective policy until they have expired or vested in 2013 and 2014 respectively. For a detailed overview please see Note 21 (page 133).

Grant year	LTI program	Status
2007	Options	Expired in 2013
2008	Performance Share Awards	Exercised in 2010
2009	Restricted Stock Units (Executive Committee)	Exercised in 2011
2009	Restricted Stock Units (Senior Management)	Exercised in 2012
2010	Performance Share Awards	Exercised in 2013
2011	Performance Share Awards	Exercisable in 2014

Stock options (not continued)
In 2007, members of senior management received a portion of their compensation in the form of options to purchase shares in OC Oerlikon Corporation AG, Pfäffikon, with a blocking period of one, two, three or four years. Holders of these options are entitled to purchase one share for each option held. The value of the options at year-end was calculated using the Black-Scholes valuation model and a fair value of CHF 67. No options have been granted after 2007 and per year-end all 37 128 remaining options expired.

Performance Share Awards (PSA, not continued)
In 2011, the CEO, members of the Executive Committee and senior management could receive a portion of their compensation in the form of awards of OC Oerlikon Corporation AG, Pfäffikon, stocks, which are subject to performance conditions and a vesting period of three years. The performance conditions consist of the cumulative economic profit (Oerlikon Value Added) over a three-year period of the respective business in which participants operate. Their achievement determines the effective number of total Performance Share Awards (PSA) that are converted into shares.

Each target has a lower threshold, below which no Performance Share Awards (PSA) are converted into stocks, and an upper threshold, above which no additional stocks are granted. The number of PSA cannot exceed 200 % of the target number. Upon vesting, the effective number of PSA is converted into shares.

Compensation 2013 – Executive Committee

The compensation system for Global Leaders, including members of the Executive Committee, consists of a base salary, expense allowances, a performance-related Short-Term Incentive (STI) and a performance-related Long-Term Incentive (LTI). The mix of fixed and variable compensation elements places an emphasis on performance-based, medium- to long-term variable compensation. In 2013, the proportion of variable compensation of members of the Executive Committee was between 61 % and 90 % of base salary for the target STI and between 44 % and 133 % of base salary for the target LTI.

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. Among other companies, Towers Watson and Mercer also provide other compensation services to the Oerlikon Group and its subsidiaries.

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

For the Executive Committee, the accrued payout for the STI 2013 is 100 %. The payout of the STI 2012 reached 106 %.

The payout estimate per year-end was 200 % for the LTI grants 2011 and 2012 and 80 % for the 2013. These programs will vest in 2014, 2015 and 2016 respectively at the actual performance levels at that time.

The total compensation for all members of the Executive Committee in 2013 amounted to CHF 9.9 million. The highest compensation paid to an individual member of the Executive Committee was CHF 6.9 million.

Compensation of members of the Executive Committee

in CHF 000	Salary	STI 2013	LTI grant 2013[1]	Pension fund	Other compensation[2]	Contractual Payment[3]	Total compen-sation 2013	Total compen-sation 2012 (restated)
Total compensation of the Executive Committee	1 530	833	475	274	51	6 690	9 852	9 488
of which, highest individual compensation: Dr. Michael Buscher (former CEO)	176	–	–	48	9	6 690	6 923	4 197

[1] The Executive Committee was granted 47 506 PSA under the LTI 2013 program. The grant is based on a fair value at grant date of CHF 11.1. In previous years, disclosure used an accounting perspective that presented the costs of all grants for the reporting period. In preparation for a binding vote on variable compensation, disclosure is changed to present the total value of grants issued in a reporting period. The effect of this change on the reported numbers of the previous year amounts to a reduction of CHF 0.2 million of the total compensation of the Executive Committee and an increase of CHF 0.7 million of the highest paid member, which is reflected in the table above.
[2] Other compensation includes expense and car allowances.
[3] This payment was due to the end of Dr. Michael Buscher's employment on March 14, 2013.

Members of the Executive Committee did not receive any fees or other remuneration for additional services to OC Oerlikon or its subsidiaries in the 2013 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 2013.

Employment contracts of members of the Executive Committee no longer contain any provisions relating to severance payment or change of control. The employment contracts of Executive Committee members are of unlimited duration and end automatically when the member reaches the age of 62. The contracts provide for a notice period of 12 months.

During 2013, no compensation was paid to former members of the Executive Committee, either by OC Oerlikon Corporation AG, Pfäffikon, or by any other company of the Oerlikon Group.

6.0 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.

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 taken.
- 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

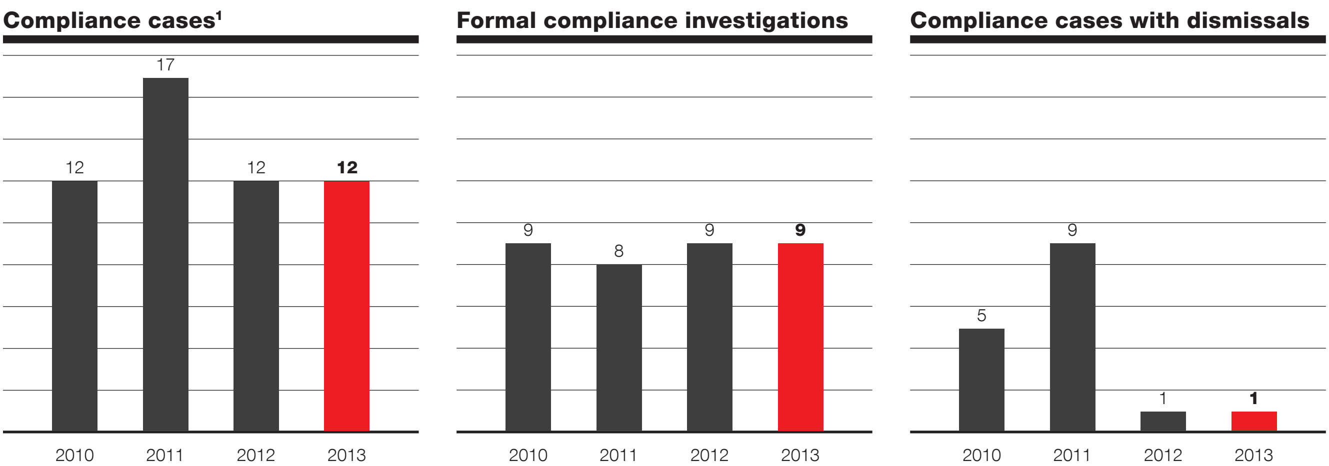
There is a Group-wide compliance function in order to ensure compliance with legal, regulatory and internal regulations as well as the Group's ethical standards, in particular by preventive measures, training, information and consulting.

Oerlikon has in place an Integrity Due Diligence (IDD) process with a trained, responsible person in each Business Unit accountable for the assessment of business partners by performing reviews of their reputation, length of operation and track record. The company has reduced the risk of infringements by working with our business partners and having them comply with our Code of Conduct.

The Compliance program has a three-pillar framework:
- Prevention through policies, directives, training, Code of Conduct, risk assessments, maturity assessments, compliance councils, internal controls and metrics, examples and Q&As during 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 system, fine-tune policies.

In 2013, a regional compliance conference took place, which met its objectives of reinforcing the program and the sharing of best practices.

The eLearning program was rolled out in 2013 and includes modules on antitrust, anticorruption and Code of Conduct. The new Export Control module will be launched in 2014.



[1] All cases are closed; judicial proceedings may still go on.

Contents

IV. Financial report

Key figures Oerlikon Group

Key figures Oerlikon Group

in CHF million	January 1 to December 31, 2013	January 1 to December 31, 2012
Order intake[1]	2 893	2 802
Order backlog[1]	825	834
Sales[1]	2 883	2 906
EBITDA[1]	492	547
– as % of sales	17 %	19 %
EBIT[1]	366	421
– as % of sales	12.7 %	14.5 %
Result from continuing operations[2]	259	218
Result from discontinued operations, net of income taxes[3]	–58	162
Net income[2]	201	380
– as % of equity attributable to shareholders of the parent	10 %	20 %
Cash flow from operating activities[4]	367	506
Capital expenditure for property, plant and equipment and intangible assets	180	181
Total assets[2]	4 094	4 158
Equity attributable to shareholders of the parent[2]	2 072	1 860
– as % of total assets	51 %	45 %
Net cash[5]	981	339
Net operating assets[6]	1 586	1 575
Number of employees[1]	12 860	12 708
Personnel expense[1]	766	765
Research and development expenditure[1, 7]	122	106

[1] Continuing operations.

[2] 2012 restated for IAS 19 (revised), see page 99.

[3] Includes reclassification of translation differences amounting to CHF –114 million (previous year: CHF –7 million).

[4] Cash flow from operating activities before changes in net current assets amounts to CHF 435 million (previous year: CHF 414 million).

[5] Net cash includes cash and cash equivalents 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, financial assets, current tax receivables and deferred tax assets) less operating liabilities (excluding financial liabilities, current income taxes payable and deferred tax liabilities).

[7] Research and development expenditure includes expense recognized as intangible assets in the amount of CHF 14 million (previous year: CHF 15 million).

Key share-related figures[1]

in CHF	January 1 to December 31, 2013	January 1 to December 31, 2012
Share price		
Year high	13.70	10.85
Year low	9.91	5.06
Year-end	13.35	10.35
Shares outstanding at year-end	334 633 258	325 964 498
Market capitalization at year-end in CHF million	4 467	3 374
EBIT per share	1.11	1.30
Earnings per share[2]	0.60	1.16
Cash flow from operating activities per share	1.11	1.56
Equity per share[3]	6.27	5.75
Dividend per share	0.27[4]	0.25[5]

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

[2] 2012 restated.

[3] Attributable to shareholders of the parent.

[4] Dividend proposal for 2013, to be paid in 2014.

[5] For financial year 2012, paid in 2013.

Key figures by Segment

in CHF million	**January 1 to December 31, 2013**	January 1 to December 31, 2012
Oerlikon Group[1]		
Order intake	2 893	2 802
Order backlog	825	834
Sales	2 883	2 906
EBITDA	492	547
EBIT	366	421
– as % of sales	12.7 %	14.5 %
Net operating assets[2]	1 586	1 575
Number of employees	12 860	12 708
Manmade Fibers Segment[1]		
Order intake	1 073	1 039
Order backlog	541	602
Sales	1 130	1 103
– thereof sales to third parties	1 130	1 103
EBITDA	207	209
EBIT	188	186
– as % of sales	16.6 %	17.0 %
Net operating assets[2]	14	31
Number of employees	2 480	2 511
Drive Systems Segment		
Order intake	792	766
Order backlog	180	134
Sales	734	826
– thereof sales to third parties	734	826
EBITDA	67	111
EBIT	26	70
– as % of sales	3.5 %	8.5 %
Net operating assets[2]	925	959
Number of employees	5 157	5 177
Vacuum Segment		
Order intake	404	377
Order backlog	79	73
Sales	400	377
– thereof sales to third parties	396	373
EBITDA	54	52
EBIT	41	38
– as % of sales	10.3 %	10.2 %
Net operating assets[2]	195	179
Number of employees	1 512	1 491
Coating Segment		
Order intake	510	501
Order backlog	–	–
Sales	511	502
– thereof sales to third parties	510	501
EBITDA	149	145
EBIT	105	103
– as % of sales	20.5 %	20.5 %
Net operating assets[2]	350	332
Number of employees	3 278	3 126
Advanced Technologies Segment		
Order intake	114	119
Order backlog	25	25
Sales	113	104
– thereof sales to third parties	113	103
EBITDA	8	11
EBIT	4	7
– as % of sales	3.7 %	6.6 %
Net operating assets[2]	99	87
Number of employees	200	188

[1] Continuing operations.

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

Consolidated income statement

in CHF million	Notes	**January 1 to December 31, 2013**	January 1 to December 31, 2012, restated
Sales of goods		2 184	2 251
Services rendered		699	655
Total sales		**2 883**	**2 906**
Cost of sales		–2 044	–2 079
Gross profit		**839**	**827**
Marketing and selling		–161	–158
Research and development		–117	–107
Administration		–208	–209
Other income	3	36	77
Other expense	3	–23	–9
Result before interest and taxes (EBIT)		**366**	**421**
Financial income	5	16	51
Financial expense	5	–48	–145
Result before taxes (EBT)		**334**	**327**
Income taxes	6	–75	–109
Result from continuing operations		**259**	**218**
Result from discontinued operations, net of income taxes	2	–58	162
Net income		**201**	**380**
Attributable to:			
Shareholders of the parent		198	377
Non-controlling interests		3	3
Earnings per share in CHF	7	**0.60**	1.16
Diluted earnings per share in CHF	7	**0.59**	1.15
Earnings per registered share continuing operations in CHF		**0.77**	0.66
Diluted earnings per registered share continuing operations in CHF		**0.76**	0.66
Earnings per registered share discontinued operations in CHF	2	**–0.18**	0.50
Diluted earnings per registered share discontinued operations in CHF	2	**–0.17**	0.49

Consolidated statement of comprehensive income

in CHF million	**January 1 to December 31, 2013**	January 1 to December 31, 2012, restated
Net income	201	380
Other comprehensive income		
Items that will never be reclassified to the income statement		
Remeasurements of defined benefit plans	–11	–63
Income taxes on items that will never be reclassified to the income statement	2	24
	–9	–39
Items that may be reclassified subsequent to the income statement		
Effective portion of changes in fair value of cash flow hedges, net	–	14
Conversion differences, net	77	–20
Income taxes on items that may be reclassified subsequent to the income statement	–	–5
	77	–11
Other comprehensive income for the period, net of taxes	**68**	**–50**
Total comprehensive income for the period	**269**	**330**
Attributable to:		
Shareholders of the parent	266	327
Non-controlling interests	3	3

Consolidated balance sheet at December 31

Assets

in CHF million	Notes	2013	2012, restated
Cash and cash equivalents	8	1 280	638
Current financial investments and derivatives	9	11	16
Trade receivables	10	425	474
Other receivables	10	88	89
Current tax receivables		26	19
Inventories	11	404	388
Prepaid expenses and accrued income		17	18
Assets classified as held for sale	2	–	737
Current assets		**2 251**	**2 379**
Loans and other non-current financial receivables	10	25	6
Non-current financial investments	9	4	4
Property, plant and equipment	12	742	718
Goodwill and intangible assets	13	943	938
Post-employment benefit assets	14	5	1
Deferred tax assets	6	124	112
Non-current assets		**1 843**	**1 779**
Total assets		**4 094**	**4 158**

Liabilities and equity

in CHF million	Notes	2013	2012, restated
Trade payables	15	314	287
Other current financial liabilities and derivatives	15	2	3
Other current liabilities	15	56	47
Accrued liabilities	16	195	199
Current customer advances		407	450
Current income taxes payable		47	57
Current post-employment benefit provisions	14	22	24
Other current provisions	17	63	57
Liabilities classified as held for sale	2	–	239
Current liabilities		**1 106**	**1 363**
Non-current loans and borrowings	18	303	304
Non-current post-employment benefit provisions	14	546	530
Deferred tax liabilities	6	48	73
Other non-current provisions	17	7	4
Non-current liabilities		**904**	**911**
Total liabilities		**2 010**	**2 274**
Share capital		335	326
Treasury shares		–10	–8
Retained earnings and reserves		1 747	1 542
Equity attributable to shareholders of the parent		**2 072**	**1 860**
Non-controlling interests		12	24
Total equity		**2 084**	**1 884**
Total liabilities and equity		**4 094**	**4 158**

Consolidated cash flow statement[1]

in CHF million	Notes	**January 1 to December 31, 2013**	January 1 to December 31, 2012, restated
Net income		201	380
Income taxes		84	122
Interest expense (net)		32	93
Other financial expense (net)		4	6
Depreciation of property, plant and equipment	12	108	123
Amortization of intangible assets	13	18	28
Impairment losses on property, plant and equipment		–	3
Addition to other provisions (net)	17	35	9
Decrease in post-employment benefit provisions		–13	–21
Gain on sale of property, plant and equipment and intangible assets		–5	–40
Loss/gain on sale of discontinued operations, net of tax	2	92	–207
Income taxes paid		–120	–97
Other non-cash items		–1	15
Cash flow from operating activities before changes in net current assets		435	414
Decrease in receivables, prepaid expenses and accrued income		31	99
Increase/decrease in inventories		–69	46
Increase/decrease in payables, accrued liabilities and use of other provisions		10	–125
Decrease/increase in customer advances		–35	76
Non-cash impact on net current assets due to hedge accounting		–5	–4
Cash flow from changes in net current assets		–68	92
Cash flow from operating activities		**367**	**506**
Purchase of property, plant and equipment		–168	–181
Purchase of intangible assets		–22	–21
Purchase of financial investments		–	–2
Proceeds from sale of discontinued operations[2]		502	232
Proceeds from sale of property, plant and equipment		34	45
Proceeds from sale of financial investments		4	54
Interest received		7	6
Dividends received		3	3
Cash flow from investing activities		**360**	**136**
Dividends paid		–86	–67
Purchase of treasury shares		–11	–7
Proceeds from capital increase		52	17
Proceeds from issue of financial debt		–	630
Payment of transaction costs related to financial debt		–	–18
Repayment of financial debt		–	–1 170
Acquisition of non-controlling interests		–16	–8
Interest paid		–38	–58
Other payments related to financing activities		–1	–37
Cash flow from financing activities		**–100**	**–718**
Translation adjustments to cash and cash equivalents		–7	–6
Increase/decrease in cash and cash equivalents		**620**	**–82**
Cash and cash equivalents at the beginning of the year[3]		660	742
Cash and cash equivalents at the end of the year[3]		1 280	660
Increase/decrease in cash and cash equivalents		**620**	**–82**

[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 flows from discontinued operations.

[2] Net of cash disposed of and related transaction costs.

[3] Includes CHF 22 million that are included in “Assets classified as held for sale” in the balance sheet as of December 31, 2012.

Consolidated statement of changes in equity

in CHF million	Share capital[1]	Additional paid-in capital[2]	Treasury shares	Conversion differences	Retained earnings	Hedge accounting	Income taxes	**Total equity attributable to shareholders**	Non-controlling interests	**Total share-holders' equity**
Balance at January 1, 2012 (as previously reported)	323	1 475	–3	–467	228	–7	37	1 586	24	1 610
Restatement for IAS 19 (revised)	–	–	–	–	3	–	–1	2	–	2
Balance at January 1, 2012 (restated)	**323**	**1 475**	**–3**	**–467**	**231**	**–7**	**36**	**1 588**	**24**	**1 612**
Net income	–	–	–	–	377	–	–	377	3	380
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges, net	–	–	–	–	–	14	–5	9	–	9
Remeasurements of defined benefit plans	–	–	–	–	–63	–	24	–39	–	–39
Conversion differences, net	–	–	–	–20	–	–	–	–20	–	–20
Total other comprehensive income for the period	**–**	**–**	**–**	**–20**	**–63**	**14**	**19**	**–50**	**–**	**–50**
Total comprehensive income for the period	**–**	**–**	**–**	**–20**	**314**	**14**	**19**	**327**	**3**	**330**
Capital increase	3	14	–	–	–	–	–	17	–	17
Dividend distributions	–	–65	–	–	–	–	–	–65	–2	–67
Share-based payments	–	–	–	–	4	–	–	4	–	4
Purchase of treasury shares	–	–	–7	–	–	–	–	–7	–	–7
Transfer and sale of treasury shares	–	–	2	–	1	–	–	3	–	3
Acquisition of non-controlling interests	–	–	–	–	–7	–	–	–7	–1	–8
Total transactions with owners of the company	**3**	**–51**	**–5**	**–**	**–2**	**–**	**–**	**–55**	**–3**	**–58**
Balance at December 31, 2012 (restated)	**326**	**1 424**	**–8**	**–487**	**543**	**7**	**55**	**1 860**	**24**	**1 884**
Net income	–	–	–	–	198	–	–	198	3	201
Other comprehensive income										
Remeasurements of defined benefit plans	–	–	–	–	–11	–	2	–9	–	–9
Conversion differences, net	–	–	–	77	–	–	–	77	–	77
Total other comprehensive income for the period	**–**	**–**	**–**	**77**	**–11**	**–**	**2**	**68**	**–**	**68**
Total comprehensive income for the period	**–**	**–**	**–**	**77**	**187**	**–**	**2**	**266**	**3**	**269**
Capital increase	9	43	–	–	–	–	–	52	–	52
Dividend distributions	–	–83	–	–	–	–	–	–83	–3	–86
Change in scope of consolidation	–	–	–	–	–	–	–	–	–11	–11
Share-based payments	–	–	–	–	–4	–	–	–4	–	–4
Purchase of treasury shares	–	–	–11	–	–	–	–	–11	–	–11
Transfer of treasury shares	–	–	9	–	–2	–	–	7	–	7
Acquisition of non-controlling interests	–	–	–	–	–15	–	–	–15	–1	–16
Total transactions with owners of the company	**9**	**–40**	**–2**	**–**	**–21**	**–**	**–**	**–54**	**–15**	**–69**
Balance at December 31, 2013	**335**	**1 384**	**–10**	**–410**	**709**	**7**	**57**	**2 072**	**12**	**2 084**

[1] The share capital of OC Oerlikon Corporation AG, Pfäffikon, consists of 334 633 258 registered shares of nominal value CHF 1.

[2] As of December 31, 2013, additional paid-in capital includes CHF 1 157 million of legal reserves in OC Oerlikon Corporation AG, Pfäffikon.

Treasury shares	Number of shares	Price per share in CHF	Cost in CHF million	Fair value in CHF million	Result in CHF million
Balance at January 1, 2012	**589 011**	**6**	**3**	**–**	**–**
Transfer 2012 due to employee purchase plan	–317 147	6	–1	–3	2
Transfer 2012 to warrant holders	–69 616	7	–1	–	–1
Purchase 2012	700 000	10	7	–	–
Balance at December 31, 2012	**902 248**	**9**	**8**	**–**	**–**
Transfer 2013 due to employee purchase plan	–600 026	10	–6	–6	–
Transfer 2013 to warrant holders	–289 245	10	–3	–	–3
Purchase 2013	931 925	12	11	–	–
Balance at December 31, 2013	**944 902**	**11**	**10**	**–**	**–**

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 manmade fibers manufacturing, drive systems, vacuum, coating and advanced nanotechnology.

Apart from its activities in Switzerland, the Oerlikon Group operates in EU member states, North America and Asia, and has a workforce of 12 860 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 21, 2014, and will be submitted to the Annual General Meeting of Shareholders on April 15, 2014, 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:

Impairment of value: Property, plant and equipment, goodwill and intangibles: 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 to which goodwill gave rise. 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: 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 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 with estimation uncertainties. For further details, see Note 2.

Pensions: 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: 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, 2013:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurements
- IAS 19 (revised) – Employee Benefits
- IAS 27 (revised) – Separate Financial Statements
- IAS 28 (revised) – Investments in Associates and Joint Ventures
- IAS 36 amended – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
- IFRS 7 amended – Offsetting Financial Assets and Liabilities
- IAS 1 amended – Presentation of Items of Other Comprehensive Income
- Improvements to IFRSs (May 2012)
- IFRS 10, IFRS 11 and IFRS 12 amended – Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities (Transition Guidance)

With the exception of IAS 19 (revised), the new and revised accounting standards have no material impact on the Group's results or financial position. The nature and the effects of the changes most relevant to the Group's financial statements are explained below.

IAS 19 (revised) – Employee Benefits: The main impacts of the adoption of IAS 19 (revised) on the Group's financial reporting are as follows:

- 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. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. The impact on the restated 2012 income statement was an increase in financial expense by CHF 7 million. The related tax impact (decrease of income tax expense) is CHF 2 million. The impact for 2013 is of similar magnitude.
- The impact of "risk sharing" in the Swiss benefit plans as of January 1, 2012 was a decrease in non-current post-employment benefit provisions by CHF 3 million and a decrease in deferred tax assets by CHF 1 million, leading to a net increase of retained earnings of CHF 2 million. The impact on the 2012 results and financial position is not material.

The other amendments to IAS 19 "Employee Benefits" have no material impact on the Group's results or financial position. In particular, the requirement to directly recognize remeasurements of defined benefit plans in other comprehensive income (which eliminates the option known as the "corridor method" to defer such gains and losses) has no impact on the Group's financial statements since this requirement is already in line with the Group's previous accounting policy.

IAS 1 (amended) – Presentation of Items of Other Comprehensive Income: As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to the income statement in the future from those that will not. The 2012 comparative information has been represented for this change. The change had no impact on the Group's overall results and financial position.

IFRS 13 – Fair Value Measurements: IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. IFRS 13 unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 "Financial Instruments: Disclosures". The change had no impact on the measurements of the Group's assets and liabilities. Refer to Note 19 for additional disclosures.

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 table below:

Standard/interpretation	Impact level	Effective date	Planned application by Oerlikon
IAS 32 amended – Offsetting Financial Assets and Financial Liabilities	*	January 1, 2014	Reporting year 2014
IFRS 10, IFRS 12 and IAS 27 amended – Investment Entities	*	January 1, 2014	Reporting year 2014
IAS 39 amended – Novation of Derivatives and Continuation of Hedge Accounting	*	January 1, 2014	Reporting year 2014
IFRIC 21 – Levies	*	January 1, 2014	Reporting year 2014
IAS 19 amended – Employee Contributions	**	July 1, 2014	Reporting year 2015
Annual Improvements to IFRSs 2010–2012 Cycle	**	July 1, 2014	Reporting year 2015
Annual Improvements to IFRSs 2011–2013 Cycle	**	July 1, 2014	Reporting year 2015
IFRS 9 – Financial Instruments	**	January 1, 2017	Reporting year 2017

* No impact or no significant impact is expected on the consolidated financial statements of the Oerlikon Group.

** The impact on the consolidated financial statements cannot yet be determined with sufficient reliability.

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 investments 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 interest and other components of equity. Any resulting gain or loss is recognized in the income statement. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income 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. 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 net recognized assets. Transaction costs are expensed as incurred, except if related to the issue of debt or equity. Goodwill denominated in foreign currencies is translated into Swiss francs at the rates prevailing at the balance sheet date.

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:
- Manmade Fibers Segment (formerly Textile Segment) develops and manufactures textile machinery.
- Drive Systems Segment manufactures gears and other components for power transmission, mainly in motor vehicles.
- Vacuum Segment develops application- and customer-specific systems for the creation of vacuums and extraction of processing gases.
- Coating Segment supplies metal coatings that improve the performance of tools and precision components, offering coating services at 93 centers worldwide.
- Advanced Technologies Segment develops applications and technologies, from which the highest precision and accuracy is required, and mainly specializes in nanotechnology.

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. Financial investments held to maturity as well as loans and receivables are carried at amortized cost using the effective interest method. 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 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: 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 the bond.

Current and non-current provisions: Provisions are set up if the future outflow of resources is more likely than not and can be estimated reliably, for obligations arising from past events. 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 and the risks specific to the liability.

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.

Post-employment benefits provisions: 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 and non-operating assets. Other expense consists of non-operating expenses and taxes not based on income.

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 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. Fully diluted earnings per share 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 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 foreign exchange risk, interest rate risk, 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, who 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 is 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
OC Oerlikon Corporation AG, Pfäffikon, offers members of the Board of Directors and Executive Committee, as well as senior managers, options to purchase shares of the company under various participation 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

Adoption of IAS 19 (revised): The effects from the adoption of IAS 19 (revised) on the consolidated income statement and the consolidated statement of comprehensive income for the period from January 1 to December 31, 2012, and on the consolidated balance sheet at December 31, 2012, are as follows:

Consolidated income statement

in CHF million	January 1 to December 31, 2012, reported	Adoption of IAS 19 (revised)	**January 1 to December 31, 2012, restated**
Result before interest and taxes (EBIT)	**421**	**–**	**421**
Financial expense	–138	–7	–145
Result before taxes (EBT)	**334**	**–7**	**327**
Income taxes	–111	2	–109
Result from continuing operations	**223**	**–5**	**218**
Net income	**385**	**–5**	**380**
Earnings per share in CHF	1.18	–0.02	1.16
Diluted earnings per share in CHF	1.16	–0.01	1.15

Consolidated statement of comprehensive income

in CHF million	January 1 to December 31, 2012, reported	Adoption of IAS 19 (revised)	**January 1 to December 31, 2012, restated**
Remeasurements of defined benefit plans	–70	7	–63
Income taxes on other comprehensive income	21	–2	19

Consolidated balance sheet

in CHF million	December 31, 2012, reported	Adoption of IAS 19 (revised)	**December 31, 2012, restated**
Deferred tax assets	113	–1	112
Non-current post-employment benefit provisions	533	–3	530
Retained earnings and reserves	1 540	2	1 542

in CHF million	January 1, 2012, reported	Adoption of IAS 19 (revised)	**January 1, 2012, restated**
Deferred tax assets	111	–1	110
Non-current post-employment benefit provisions	525	–3	522
Retained earnings and reserves	1 266	2	1 268

Notes to the consolidated financial statements

Group structure

Note 1

Subsidiaries
A list of Oerlikon's subsidiaries can be found on page 142.

During the financial year 2013, the following changes in the scope of consolidation have occurred:

Acquisition of non-controlling interests
During 2013, the Group purchased non-controlling interests in Fairfield Atlas Ltd., increasing the ownership from 83.87 % to 97.70 %.

Divestments
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. The transaction was closed on July 3, 2013. The following material companies were sold as part of this transaction: Aktiengesellschaft Adolph Saurer, Oerlikon Heberlein Temco Wattwil AG, Oerlikon Czech s.r.o., Oerlikon Tekstil Middle East Makilanari Dis Ticarat A.S., Oerlikon Textile Components Singapore Pte. Ltd., Oerlikon Fibrevision Ltd., Jintan Texparts Components Co. Ltd., Saurer Jintan Textile Machinery Co. Ltd., Oerlikon Textile Components GmbH, Zinser Textile Systems Private Ltd., Peass Industrial Engineers Ltd. Refer to Note 2 for details.

Mergers
– On June 14, 2013, Graziano Trasmissioni Group AG was merged into OC Oerlikon Textile Holding AG.
– On August 28, 2013, Afetau GmbH was merged into Oerlikon Textile GmbH & Co KG.
– On November 26, 2013, Graziano Trasmissioni North America Inc. was merged into Fairfield Manufacturing Company Inc.

Liquidations and foundations
– As of June 19, 2013, Oerlikon Balzers Coating Philippines Inc. was founded.
– As of June 28, 2013, Oerlikon Advanced Technologies AG and Oerlikon Balzers Coating AG were founded.
– As of July 26, 2013, Oerlikon Leybold Vacuo do Brasil Ltda. was founded.
– As of July 29, 2013, Oerlikon (Liechtenstein) Holding AG was founded and became the parent company of Oerlikon Advanced Technologies AG, Oerlikon Balzers Coating AG and OC Oerlikon Balzers AG.
– As of August 8, 2013, Oerlikon Rus LLC was founded.
– As of September 19, 2013, Oerlikon Optics UK Ltd. was liquidated and deleted from the register.

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

		Non-controlling interests in %	
Company	**Country**	**2013**	**2012**
Jintan Texparts Component Co. Ltd.	China	–	30.00
Saurer Jintan Textile Machinery Co. Ltd.	China	–	30.00
Oerikon Balzers Sandvik Coating Oy	Finland	49.00	49.00
Vocis Limited	UK	49.00	49.00
Fairfield Atlas Ltd.	India	2.30	16.13
Peass Industrial Engineers Ltd.	India	–	49.00
Zinser Textile Systems Private Ltd.	India	–	30.00
Oerlikon Balzers Coating Luxembourg S.à.r.l.	Luxembourg	40.00	40.00
Oerlikon Balzers Coating Korea Co. Ltd.	South Korea	10.10	10.10
Oerlikon Balzers Coating Philippines Inc.	Philippines	0.01	–
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.

Interests in joint arrangements and associates
The Oerlikon Group does not hold any significant interests in joint arrangements and associates.

Discontinued operations and assets and liabilities classified as held for sale

Note 2

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 sales price is subject to a customary financial adjustment mechanism. This process is currently ongoing. In connection with the divestment, Oerlikon has assumed certain customary obligations such as warranty obligations and indemnifications. The indemnification obligations cover in particular topics related to employment, intellectual property and the environment. The duration and overall liability caps for these indemnifications vary, but are customary for transactions of this nature.

Divestment of the Solar Segment
On March 2, 2012, the Oerlikon Group agreed the terms of a divestment of its Solar Segment to a leading global supplier of semiconductor production equipment, Tokyo Electron Limited (TEL) of Japan. The transaction closed on November 26, 2012. In connection with this divestment, Oerlikon has assumed specifically restricted representations for disclosure of claims with a notification duration that lapsed in 2013.

Divestment of property in Germany
Following the commitment of the Oerlikon Group in December 2012 to sell a property in Germany, the respective assets amounting to CHF 24 million have been classified as held for sale. The sale was finalized in January 2013.

Result of discontinued operations

	January 1 to December 31, 2013		January 1 to December 31, 2012		
in CHF million	Natural Fibers and Textile Components	**Total**	Solar	Natural Fibers and Textile Components	**Total**
Sales	**469**	**469**	**51**	**956**	**1 007**
Total expenses	–424	–424	–145	–894	–1 039
Result before taxes (EBT) from operating activities	**45**	**45**	**–94**	**62**	**–32**
Income taxes	–11	–11	–5	–8	–13
Result from operating activities	**34**	**34**	**–99**	**54**	**–45**
Gain on sale of discontinued operations before reclassification of translation differences	4	4	214	–	214
Reclassification of translation differences[1]	–114	–114	–7	–	–7
Income tax on sale of discontinued operations	18	18	–	–	–
Net result from discontinued operations	**–58**	**–58**	**108**	**54**	**162**
Attributable to:					
Shareholders of the parent	–58	–58	108	55	163
Non-controlling interests	–	–	–	–1	–1
Earnings per share in CHF	–0.18	–0.18	0.33	0.17	0.50
Diluted earnings per share in CHF	–0.17	–0.17	0.32	0.17	0.49

[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.

Cash flows from discontinued operations

	January 1 to December 31, 2013		January 1 to December 31, 2012		
in CHF million	Natural Fibers and Textile Components	**Total**	Solar	Natural Fibers and Textile Components	**Total**
Cash flow from operating activities	–8	–8	3	131	134
Cash flow from investing activities	–7	–7	–9	–5	–14
Cash flow from financing activities	–	–	50	–9	41
Net cash flows from discontinued operations	–15	–15	44	117	161

Discontinued operations and assets and liabilities classified as held for sale

Note 2 (cont.)

Effect of disposal of the Natural Fibers and Textile Components Business Units on the financial position

in CHF million	July 3, 2013
Cash and cash equivalents	–59
Trade and other receivables	–169
Inventories	–175
Prepaid expenses and accrued income	–2
Non-current financial investments	–3
Property, plant and equipment	–124
Goodwill and intangible assets	–289
Post-employment benefit assets	–8
Deferred tax assets	–3
Trade and other payables	116
Accrued liabilities	40
Current customer advances	51
Current income taxes payable	5
Other current provisions	15
Non-current post-employment benefit provisions	33
Deferred tax liabilities	7
Other non-current provisions	1
Net assets	**–564**
Consideration received (cash and cash equivalents)	586
Cash and cash equivalents disposed of	–59
Net cash inflow	**527**

Effect of disposal of the Solar Segment on the financial position

in CHF million	November 26, 2012
Cash and cash equivalents	–65
Trade and other receivables	–38
Prepaid expenses and accrued income	–3
Inventories	–16
Non-current financial investments	–7
Property, plant and equipment	–78
Goodwill and intangible assets	–19
Trade and other payables	22
Accrued liabilities	26
Current customer advances	54
Other current provisions	22
Deferred tax liabilities	7
Non-current post-employment benefit provisions	11
Net assets	**–84**
Consideration received (cash)	296
Cash and cash equivalents disposed of	–65
Net cash inflow	**231**

Discontinued operations and assets and liabilities classified as held for sale

Note 2 (cont.)

Disposal group classified as held for sale as at December 31, 2012
The assets and liabilities of the disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell and presented separately in the balance sheet. No losses on remeasurement have been incurred.

At December 31, 2012, the following assets and liabilities have been classified as held for sale:

Assets classified as held for sale

in CHF million	2012
Cash and cash equivalents	22
Current financial investments and derivatives	2
Trade receivables	137
Other receivables	13
Current tax receivables	2
Inventories	125
Prepaid expenses and accrued income	2
Loans and other non-current financial receivables	2
Non-current financial investments	3
Property, plant and equipment[1]	137
Goodwill and intangible assets	281
Post-employment benefit assets	8
Deferred tax assets	3
Total assets classified as held for sale	**737**

[1] Includes CHF 24 million related to the property in Germany – refer to “Divestment of property in Germany”.

Liabilities classified as held for sale

in CHF million	2012
Trade payables	104
Other current liabilities	12
Accrued liabilities	27
Current customer advances	38
Current income taxes payable	3
Other current provisions	16
Non-current post-employment benefit provisions	34
Deferred tax liabilities	3
Other non-current provisions	2
Total liabilities classified as held for sale	**239**

Other income and expense

Note 3

in CHF million	2013	2012
Licensing, patent and know-how income	2	2
Rental income from non-operating real estate	10	13
Other income[1]	24	62
Other income	**36**	**77**
Taxes not based on income	–4	–4
Restructuring costs	–3	–
Other expense	–16	–5
Other expense	**–23**	**–9**
Other income and expense	**13**	**68**

[1] Other income for the financial year 2012 includes the gain on the sale of the Oerlikon Group's property in Arbon, Switzerland, amounting to CHF 39 million.

Expenses included in EBIT

Note 4

in CHF million	2013	2012
Personnel expense		
Salaries and wages	594	595
Social security and other employee benefits[1]	172	170
Total	**766**	**765**
Depreciation and amortization		
– Property, plant and equipment	108	105
of which in:		
Cost of sales	85	82
Marketing and selling	1	1
Research and development	5	5
Administration	17	17
– Intangible assets	18	21
of which in:		
Marketing and selling	2	2
Research and development	13	16
Administration	3	3
Total	**126**	**126**

[1] Included in the CHF 172 million expense for social security and other employee benefits is CHF 27 million (previous year: CHF 32 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	2013	2012
Interest income	7	5
Other financial income[1]	5	32
Foreign currency gain, net	4	–
Net gain on hedging transactions recognized in the income statement	–	14
Financial income	**16**	**51**
Interest on financial debt[2]	–18	–41
Interest on provisions for post-employment benefit plans, net[3]	–20	–24
Other financial expense[4]	–4	–67
Foreign currency loss, net	–	–13
Net loss on hedging transactions recognized in the income statement	–6	–
Financial expense	**–48**	**–145**
Total	**–32**	**–94**

[1] Other financial income for the financial year 2012 includes a gain from the sale of a financial investment.

[2] The total interest expense amounted to CHF 19 million (previous year: CHF 70 million), which is included in interest on financial debt and other financial expense.

[3] Restatement of the prior-year figure in connection with the adoption of IAS 19 (revised), refer to section “Adoption of new and revised accounting standards” under “Accounting principles”.

[4] Other financial expense for the financial year 2012 includes one-time charges amounting to CHF 47 million in connection with the replacement of the old Syndicated Credit Facility.

Income taxes

Note 6

in CHF million	Continuing operations	Discontinued operations	2013 Total	2012, restated Total
Current income tax expense	–89	–16	–105	–98
Deferred tax expense	14	23	37	–24
Total			**–68**	**–122**

Analysis of tax expense

in CHF million	2013	2012, restated
Result before taxes from continuing operations	334	327
Result before taxes from discontinued operations	–65	175
Total	**269**	**502**
Tax expense from continuing operations	–75	–109
Tax expense from discontinued operations	7	–13
Total	**–68**	**–122**
Expected tax expense[1]	–57	–135
Difference between actual and expected tax expense	**–11**	**13**

The effective tax rate from continuing operations amounts to 22.5 % (previous year: 33.3 %). The difference of the effective tax rate from continuous operations compared to the previous year is mainly due to the utilization and recognition of previously not recognized tax loss carry forwards with taxable profits in the reporting period.

The difference between the tax expense calculated using the weighted average tax rate of the Oerlikon Group (expected tax expense) of 21.4 %, (previous year expected tax expense: 26.4 %) and the effective tax expense arises from the factors mentioned below. The expected tax rate from continuing operations amounts to 28.0 %.

Non-taxable income and expenses	–43	34
Unrecognized deferred taxes on current-year losses	–4	–27
Non-refundable withholding tax	–10	–16
Utilization of unrecognized tax loss carry forwards from previous periods	24	7
Income tax from previous periods	–1	14
Recognition of previously not recognized tax losses	20	4
Other effects	3	–3
	–11	**13**

[1] The expected tax 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 influenced by the loss on the sale of the Natural Fibers and Textile Components Business Units.

Deferred taxes

Note 6 (cont.)

Composition of deferred taxes

in CHF million	2013 Deferred tax balances Assets	2013 Deferred tax balances Liabilities	2012, restated Deferred tax balances Assets	2012, restated Deferred tax balances Liabilities
Trade accounts receivable	2	1	4	1
Other receivables and accruals	–	15	1	12
Inventories	38	–	42	2
Post-employment benefit assets	–	1	–	–
Financial assets	1	3	1	6
Property, plant and equipment	25	39	18	46
Assets classified as held for sale	–	–	–3	–3
Goodwill and intangible assets	3	74	2	115
Assets	**69**	**133**	**65**	**179**
Trade accounts payable	–	–	1	–
Other current and long-term liabilities	12	18	11	15
Financial liabilities	1	–	3	–
Provisions	109	2	111	7
Liabilities	**122**	**20**	**126**	**22**
Deferred tax assets from recognized tax loss carry forwards[1]	38	–	49	–
Offsetting	–105	–105	–128	–128
Total	**124**	**48**	**112**	**73**

[1] In 2013, tax loss carry forwards of CHF 141 million for federal taxes and CHF 98 million for state/local taxes were recognized (previous year: CHF 296 for federal taxes and CHF 70 million for state/local taxes).

Movement in deferred tax balances during the year

2013, in CHF million	Balance at January 1	Recognized in the income statement	Recognized in other comprehensive income	Other[1]	Balance at December 31
Total	**39**	**37**	**2**	**–2**	**76**

[1] Effect of disposal of the Natural Fibers and Textile Components Business Units.

2012, restated, in CHF million	Balance at January 1	Recognized in the income statement	Recognized in other comprehensive income	Other[2]	Balance at December 31
Total	**38**	**–24**	**19**	**6**	**39**

[2] Effect of disposal of the Solar Segment on the financial position.

Limitation of utilization of tax loss carry forwards

in CHF million	Tax losses not recognized as deferred tax assets federal tax	Tax losses not recognized as deferred tax assets state/local tax	Total tax loss carry forwards federal tax	Total tax loss carry forwards state/local tax
1 year	–	3	–	3
2 years	5	9	9	9
3 years	10	15	13	15
4 years	19	22	23	22
5 years	13	32	16	32
Over 5 years	230	171	357	269
Total	**277**	**252**	**418**	**350**

Compared to the previous year, tax loss carry forwards not recognized decreased by CHF 186 million for federal taxes and CHF 140 million for state/local taxes. This is mainly due to the divestment of the Natural Fibers and Textile Components businesses. Not recognized losses were utilized and, based on positive business outlook, not recognized losses were reclassified.

The deferred tax on unrecognized tax loss carry forwards would amount to CHF 62 million in 2013 (previous year: CHF 103 million).

Earnings per share

Note 7

Earnings per share of CHF 0.60 have been calculated on the basis of a net profit of CHF 198 million, attributable to shareholders (previous year: CHF 377 million), and the average weighted number of outstanding shares (issued shares less treasury shares). In 2013, the average weighted number of shares entitled to vote and receive dividends amounted to 330 564 091 (previous year: 323 700 961). Diluted earnings per share amounted to CHF 0.59. The average weighted number of shares used in the calculation of diluted earnings per share amounted to 335 018 675 (previous year: 328 200 827).

Number of outstanding shares	**2013**	2012
Total shares issued at year-end	334 633 258	325 964 498
Weighted average number of shares outstanding for the year	330 564 091	323 700 961
Effect of potential exercise of option rights	4 454 584	4 499 866
Weighted average number of shares diluted for the year	335 018 675	328 200 827

Cash and cash equivalents

Note 8

in CHF million	**2013**	2012
Cash, postal and bank current accounts	461	469
Time deposits and money market funds[1]	819	169
Total	**1 280**	**638**

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

CHF 232 million (previous year: CHF 189 million) of total cash and cash equivalents are held in countries in which local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends. Nevertheless, if the Group complies with these requirements, 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	**2013**	2012
CHF	460	207
EUR	485	185
USD	86	70
CNY	157	120
Other	92	56
Total	**1 280**	**638**

Financial investments

Note 9

in CHF million	Notes	2013	2012
Deposits	19	2	–
Debt and equity securities	19	3	5
Derivatives used for hedging	19	6	11
Current financial investments and derivatives		**11**	**16**
Investments in associates and joint arrangements		3	3
Other investments		1	1
Non-current financial investments		**4**	**4**
Total		**15**	**20**

Loans and receivables

Note 10

in CHF million	2013	2012
Current		
Trade receivables	382	419
Trade notes receivable	43	55
Other receivables[1]	88	89
Non-current		
Loans and other non-current financial receivables	25	6
Total	**538**	**569**

[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	2013 Gross value	2013 Value adjustment	2013 Net value	2012 Gross value	2012 Value adjustment	2012 Net value
Raw material and components	178	–30	**148**	172	–28	**144**
Work in progress	147	–7	**140**	143	–7	**136**
Finished goods	72	–8	**64**	64	–7	**57**
Trade merchandise	65	–13	**52**	62	–11	**51**
Total	462	–58	**404**	441	–53	**388**

Amounts charged to the income statement for write-downs of inventories in the reporting year were CHF 9 million (previous year: CHF 7 million).

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	2013	2012
POC sales recognized as revenue in the period	**623**	610
Aggregate contract costs incurred and recognized contract profits to date	**94**	80
Gross amount due from customers for contract work as an asset	**15**	18
Net amount of customer advances for POC projects[1]	**84**	68

[1] This amount is included in the current customer advances totaling CHF 407 million (previous year: CHF 450 million).

Property, plant and equipment

Note 12

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	**2013 Total**
Cost					
Balance at January 1, 2013	1 175	425	75	42	1 717
Conversion differences	–30	–	–2	–2	–34
Additions	80	7	–	73	160
Disposals	–22	–5	–1	–4	–32
Transfers	50	28	–1	–77	–
Balance at December 31, 2013	1 253	455	71	32	1 811
Accumulated depreciation and impairment losses					
Balance at January 1, 2013	–787	–212	–	–	–999
Conversion differences	16	–	–	–	16
Depreciation	–93	–15	–	–	–108
Disposals	18	4	–	–	22
Transfers	5	–5	–	–	–
Balance at December 31, 2013	–841	–228	–	–	–1 069
Net Group values at December 31, 2012	388	213	75	42	718
Net Group values at December 31, 2013	**412**	**227**	**71**	**32**	**742**
Of which assets held under finance leases	1	1	–	–	2
Insured values in event of fire	1 919	797	–	6	2 722

Open purchase commitments for property, plant and equipment at the end of 2013 amounted to CHF 6 million (previous year: CHF 14 million).

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	**2012 Total**
Cost					
Balance at January 1, 2012	1 369	598	94	42	2 103
Conversion differences	–21	–6	–2	–	–29
Additions	89	4	–	82	175
Disposals	–27	–12	–2	–2	–43
Reclassifications to assets held for sale	–288	–181	–15	–5	–489
Transfers	53	22	–	–75	–
Balance at December 31, 2012	1 175	425	75	42	1 717
Accumulated depreciation and impairment losses					
Balance at January 1, 2012	–903	–285	–	–	–1 188
Conversion differences	12	3	–	–	15
Depreciation	–106	–17	–	–	–123
Disposals	21	2	–	–	23
Reclassifications to assets held for sale	189	85	–	–	274
Transfers	–	–	–	–	–
Balance at December 31, 2012	–787	–212	–	–	–999
Net Group values at December 31, 2011	466	313	94	42	915
Net Group values at December 31, 2012	**388**	**213**	**75**	**42**	**718**
Of which assets held under finance leases	1	2	–	–	3
Insured values in event of fire	1 876	976	–	10	2 862

Goodwill and intangible assets

Note 13

in CHF million	Goodwill	Software	Technology and development costs	Other intangible assets[1]	2013 Total
Cost					
Balance at January 1, 2013	925	40	96	283	1 344
Conversion differences	1	–	1	4	6
Additions	–	4	14	2	20
Disposals	–	–	–14	–4	–18
Balance at December 31, 2013	926	44	97	285	1 352
Accumulated amortization and impairment losses					
Balance at January 1, 2013	–262	–32	–51	–61	–406
Conversion differences	–2	–	–	–1	–3
Amortization	–	–3	–10	–5	–18
Disposals	–	–	14	4	18
Balance at December 31, 2013	–264	–35	–47	–63	–409
Net Group values at December 31, 2012	663	8	45	222	938
Net Group values at December 31, 2013	**662**	**9**	**50**	**222**	**943**

[1] Other intangible assets include brands of CHF 208 million (previous year: CHF 207 million) with indefinite useful lives.

The capitalized development costs pertain to the Segments as follows:

Capitalized development costs for the period

in CHF million	2013	2012
Manmade Fibers Segment	1	3
Drive Systems Segment	2	–
Vacuum Segment	4	5
Coating Segment	6	5
Advanced Technologies Segment	1	2
Total	**14**	**15**

Goodwill and intangible assets

Note 13 (cont.)

Goodwill and brands are attributed to the Segments as follows:

Goodwill and brands in CHF million	2013	2012 Goodwill	2013	2012 Brands
Manmade Fibers Segment	116	114	137	136
Drive Systems Segment	482	485	71	71
Coating Segment	26	26	–	–
Advanced Technologies Segment	38	38	–	–
Total	**662**	**663**	**208**	**207**

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 of disposal and on the latest forecasts approved by management. The forecast period used for future cash flows covers the years 2014 to 2018. 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).

The annual impairment tests carried out at Segment level 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 Manmade Fibers, Drive Systems, Advanced Technologies and Coating, 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	2013	2012 Growth rates[1]	2013	2012 Discount rates
Manmade Fibers Segment	2.0%	2.0%	8.7%	10.5%
Drive Systems Segment	2.5%	2.5%	11.6%	10.5%
Coating Segment	2.0%	2.0%	10.2%	10.9%
Advanced Technologies Segment	2.0%	2.0%	7.8%	9.6%

[1] For periods following the five-year plan period 2014 to 2018 (previous year: 2013 to 2017).

For the Manmade Fibers as well as the Coating and the Advanced Technologies Segments, 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.

For the Drive Systems Segment, the recoverable amount exceeded the carrying amount by CHF 136 million. A reduction of the growth rate to 1.5 percentage points or an increase in the discount rate by 0.8 percentage points would result in the recoverable amount to be equal to its carrying amount.

Note 13 (cont.)

Goodwill and intangible assets

Previous year in CHF million	Goodwill	Software	Technology and development costs	Other intangible assets	**2012 Total**
Cost					
Balance at January 1, 2012	1 204	43	142	463	1 852
Conversion differences	–15	–	–1	–2	–18
Additions	–	2	15	–	17
Disposals	–	–2	–	1	–1
Reclassifications to assets held for sale	–264	–3	–60	–179	–506
Balance at December 31, 2012	925	40	96	283	1 344
Accumulated amortization and impairment losses					
Balance at January 1, 2012	–398	–34	–61	–98	–591
Conversion differences	3	–	1	–	4
Amortization	–	–3	–18	–7	–28
Disposals	–	2	1	–	3
Reclassifications to assets held for sale	133	3	26	44	206
Balance at December 31, 2012	–262	–32	–51	–61	–406
Net Group values at December 31, 2011	806	9	81	365	1 261
Net Group values at December 31, 2012	**663**	**8**	**45**	**222**	**938**

Post-employment benefits

Note 14

in CHF million	2013 Total	2013 due within 1 year	2013 due beyond 1 year	2012, restated Total	2012, restated due within 1 year	2012, restated due beyond 1 year
Net defined benefit liability[1]	554	21	533	567	23	544
Other employee benefit provisions	9	1	8	12	1	11
Subtotal	**563**	22	541	579	24	555
Net defined benefit liability classified as held for sale	–	–	–	22	–	22
Other employee benefit provisions classified as held for sale	–	–	–	4	–	4
Total on the balance sheet	**563**	22	541	553	24	529
Post-employment benefit assets	**–5**	–	–5	–1	–	–1
Post-employment benefit provisions	**568**	22	546	554	24	530

[1] Net defined benefit liability related to funded plans was CHF 137 million and unfunded plans CHF 417 million (previous year: funded CHF 152 million, net of CHF 4 million classified as held for sale and unfunded CHF 393 million, net of CHF 18 million classified as held for sale).

Post-employment benefit provisions are related to the following plans:

in CHF million	2013 Total	2013 Defined benefit	2013 Defined contribution	2012, restated Total	2012, restated Defined benefit	2012, restated Defined contribution
Number of plans						
Funded plans	**49**	20	29	33	24	9
Unfunded plans	**31**	31	–	25	25	–
Number of insured members						
Active members[1]	**11 214**	5 748	5 466	11 329	9 615	1 714
Vested terminations[2]	**5 178**	4 374	804	5 450	5 016	434
Retired members	**8 403**	8 296	107	8 493	8 462	31
in CHF million						
Pension cost (operative)	**27**	17	10	32	24	8
Pension cost (financial)	**20**	20	–	24	24	–
Total post-employment benefit plan cost in the income statement	**47**	37	10	56	48	8

[1] In certain Group companies, members belong to multiple plans.

[2] Mainly former employees of a Group company in the USA with vested rights in a pension plan.

Post-employment benefits

Note 14 (cont.)

Defined benefit plans

The Group's material defined benefit pension plans are located in Germany, 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 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

22 unfunded and 7 funded defined benefit plans existed in 2013 (previous year: 22 and 11 respectively). These pension arrangements are governed by the German Occupational Pensions Act (BetrAVG). The employer is required by German law to increase pensions in payment all 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. No minimum funding requirements or regular funding obligations apply to CTAs.

Pension plans in the USA

4 funded and 2 unfunded defined benefit plans existed in 2013 (previous year: 4 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 years of 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. 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. This plan has been closed to new members since 2006. Employees joining Fairfield Manufacturing Company and Oerlikon USA Holding after specified dates participate in a defined contribution pension plan.

Pension plans in Switzerland

6 funded defined benefit plans existed in 2013 (previous year: 10 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 employer. Board of Trustees, most senior governing body of the collective foundation, is ultimately 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 6 funded defined benefit plans (5 autonomous and 1 part-autonomous):

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 part-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 by the employer. With respect to the insured demographic risks, there are further risks, being 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 (asset) liability
The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

in CHF million	Defined benefit obligation 2013	Defined benefit obligation 2012 restated	Fair value of plan assets 2013	Fair value of plan assets 2012 restated	Adjustment to asset ceiling 2013	Adjustment to asset ceiling 2012 restated	Net defined benefit liability 2013	Net defined benefit liability 2012 restated
Balance at January 1	**1 175**	1 181	**–632**	–673	**24**	28	**567**	536
Included in the income statement								
Current service cost (employer)	20	24	–	–	–	–	**20**	24
Past service cost	–2	–	–	–	–	–	**–2**	–
Gains (–) and losses (+) on settlement	–1	–	–	–	–	–	**–1**	–
Interest expense on defined benefit obligation	36	43	–	–	–	–	**36**	43
Interest income on plan assets	–	–	–16	–19	–		**–16**	–19
Interest expense (+)/income (–) on effect of asset ceiling	–	–	–	–	–	–	–	–
Administration cost (excl. cost for managing plan assets)[1]	–	–	–	–	–	–	–	–
Total in the income statement[2]	**53**	67	**–16**	–19	**–**	–	**37**	48
Included in other comprehensive income								
Remeasurements:	30	89	–13	–30	–	–	**17**	59
– Actuarial gain (–)/loss (+) arising from:								
– demographic assumptions	–	–13	–	–	–	–	–	–13
– financial assumptions	24	113	–	–	–	–	24	113
– experience adjustments	6	–11	–	–	–	–	6	–11
– Return on plan assets excluding interest income	–	–	–13	–30	–	–	–13	–30
Change in effect of asset ceiling excluding interest expense/income	–	–	–	–	–6	–4	**–6**	–4
Effect of movements in exchange rates	2	–10	2	3	–	–	**4**	–7
Total in other comprehensive income	**32**	79	**–11**	–27	**–6**	–4	**15**	48
Other								
Employer contributions[3]	–	–	–21	–24	–	–	**–21**	–24
Employee contributions[4]	8	9	–6	–9	–	–	**2**	–
Benefits paid/deposited	–75	–59	49	36	–	–	**–26**	–23
Effect of business disposal	–95	–102	75	84	–	–	**–20**	–18
Total in other	**–162**	–152	**97**	87	**–**	–	**–65**	–65
Balance at December 31	**1 098**	1 175	**–562**	–632	**18**	24	**554**	567

of which:

in CHF million								
– Germany	**538**	551	**–67**	–95	**–**	–	**471**	456
– USA	**218**	239	**–162**	–154	**–**	–	**56**	85
– Switzerland	**313**	352	**–331**	–381	**18**	24	**–**	–5

[1] Administration costs (excl. cost for managing plan assets) are less than CHF 1 million (previous year: less than CHF 1 million).
[2] Pension costs of CHF 0 million are included in result of discontinued operations (previous year: CHF 8 million).
[3] Employer contributions for 2014 are expected to be approximately CHF 33 million (previous year: CHF 22 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	2013 Total	Quoted	Unquoted	%	2012 Total	Quoted	Unquoted	%
Equity instruments, of which in:	**124**	124	–	22 %	139	139	–	22 %
– Consumer markets	1	1	–	0 %	1	1	–	0 %
– Energy	10	10	–	2 %	11	11	–	2 %
– Financial services	35	35	–	6 %	41	41	–	7 %
– Industrial and manufacturing	11	11	–	2 %	13	13	–	2 %
– Information technology	12	12	–	2 %	14	14	–	2 %
– Pharmaceuticals and healthcare	15	15	–	3 %	18	18	–	3 %
– Other	40	40	–	7 %	41	41	–	6 %
Debt instruments, of which in:	**175**	175	–	31 %	209	207	2	33 %
– Government bonds	50	50	–	9 %	64	62	2	10 %
– Corporate bonds – investment grade	125	125	–	22 %	145	145	–	23 %
Real estate, of which in:	**81**	42	39	14 %	96	47	49	15 %
– Germany[1]	9	–	9	1 %	9	–	9	1 %
– Switzerland	72	42	30	13 %	87	47	40	14 %
Cash and cash equivalents	**30**	6	24	5 %	18	8	10	3 %
Investment funds	**114**	90	24	20 %	113	79	34	18 %
Other	**38**	38	–	7 %	57	57	–	9 %
Total plan assets	**562**	**475**	**87**	**100 %**	632	537	95	100 %

[1] Real estate in Germany with a fair value of CHF 9 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
Asset-liability strategies match cash flows of the assets with the plan obligations. 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 2013 the actual return on plan assets was a gain of CHF 29 million (previous year: gain of CHF 49 million). The recognition of pension assets is limited to the present value of any economic benefits available from reductions in future contributions to the plans in Switzerland.

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	2013 Germany	2013 USA	2013 Switzerland	2012 Germany	2012 USA	2012 Switzerland
Discount rate	**3.0**	**4.5**	**2.1**	3.6	4.0	2.0
Future salary increases	**1.0**	**2.2**	**1.5**	0.5	2.3	1.5
Future pension increases	**1.7**	**–**	**–**	1.7	–	–

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	2013 Germany	2013 USA	2013 Switzerland	2012 Germany	2012 USA	2012 Switzerland
Retiring at the end of the reporting period:						
– Males	**19.8**	**18.1**	**21.3**	19.3	18.1	21.3
– Females	**24.0**	**20.4**	**23.8**	23.4	20.4	23.8
Retiring 20 years after the end of the reporting period:						
– Males	**22.6**	**18.1**	**21.4**	21.9	18.1	21.3
– Females	**26.6**	**20.4**	**24.2**	25.8	20.4	24.1

Weighted average duration of the defined benefit obligation	2013 Germany	2013 USA	2013 Switzerland	2012 Germany	2012 USA	2012 Switzerland
Number of years	**12.2**	**10.9**	**12.4**	11.6	11.8	12.5

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 assuptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Sensitivity analysis in CHF million	Defined benefit obligation in 2013 Increase Germany	Increase USA	Increase Switzerland	Decrease Germany	Decrease USA	Decrease Switzerland
Discount rate (0.5 % movement)	**–32**	**–13**	**–19**	**33**	**13**	**21**
Future salary increases (0.5 % movement)	**2**	**1**	**2**	**–5**	**–2**	**–2**
Future pension increases (0.5 % movement)	**24**	**–**	**15**	**–23**	**–**	**–15**
Future mortality (1 year movement)	**–28**	**–8**	**–10**	**21**	**6**	**9**

Current financial liabilities

Note 15

in CHF million	2013	2012
Bank overdrafts	–	1
Fixed advances	–	1
Current loans and borrowings	1	–
Derivatives used for hedging	1	1
Total other current financial liabilities and derivatives	**2**	**3**
Trade payables	314	287
Other payables	56	47
Total current financial liabilities	**372**	**337**

Accrued liabilities

Note 16

in CHF million	2013	2012
Accrued personnel costs	88	94
Accrued material costs	48	44
Other accrued liabilities	59	61
Total	**195**	**199**

Provisions

Note 17

in CHF million	Product warranties	Onerous contracts[1]	Restructuring[2]	Other provisions[3]	**2013 Total**
Balance at January 1, 2013	36	3	5	17	**61**
Additions	37	–	3	6	**46**
Amounts used	–18	–	–5	–3	**–26**
Amounts reversed	–6	–	–	–5	**–11**
Balance at December 31, 2013	**49**	**3**	**3**	**15**	**70**
of which:					
Due within 1 year	49	–	3	11	**63**
Due beyond 1 year[4]	–	3	–	4	**7**

[1] Provisions are made for cases where the costs of fulfilling contractual obligations are higher than their expected economic benefit. During the preparation of the financial statements, a systematic reassessment of the project risks was conducted and appropriate adjustments were made to the cost estimates for the projects under way in the individual Business Units. The basis for such was the so-called “most likely outcome”. This requires estimates to be made with regard to the technical and time-related realization of those projects, and also includes a quantification of the relevant risks.

[2] The restructuring provision pertains to the Manmade Fibers Segment (CHF 3 million).

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

[4] For the long-term provisions, the cash outflow is assumed to be within the next two to three years.

Loans and borrowings

Note 18

in CHF million	2013	2012
Current		
Loans and borrowings	1	–
Total current loans and borrowings	**1**	**–**
Non-current		
Bond	299	298
Finance lease liabilities	4	3
Other loans and borrowings	–	3
Total non-current loans and borrowings	**303**	**304**
Total loans and borrowings	**304**	**304**

The terms and conditions of outstanding loans are as follows:

in CHF million	Currency	Nominal interest rate	Year of maturity	Face value	2013 Carrying amount
Syndicated loan/Revolving Credit Facility	CHF	Libor +2.00 %	2015	–	–
Bond[1]	CHF	4.25 %	2016	300	299
EIB loan	EUR	Libor +1.06 %	2018–2020	–	–
Finance lease liabilities[2]	var.	var.	2014–2027	4	4
Various current and non-current liabilities[3]	var.	var.	var.	1	1
Total loans and borrowings					**304**

in CHF million	Currency	Nominal interest rate	Year of maturity	Face value	2012 Carrying amount
Syndicated loan/Revolving Credit Facility	CHF	Libor +2.50 %	2015	–	–
Bond[1]	CHF	4.25 %	2016	300	298
Finance lease liabilities[2]	var.	var.	2014–2027	3	3
Various current and non-current liabilities[4]	var.	var.	var.	3	3
Total loans and borrowings					**304**

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

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

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

[4] Various currencies including: CHF, EUR, USD, RON, HUF.

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 a maturity in 2015 and two additional one-year extension options. As of December 31, 2013, the revolving credit facility balance was zero and the ancillary credit facility had an unused amount of CHF 153 million. CHF 97 million has been used for guarantees.

The interest rates of the loan under the syndicated credit facility is Libor plus a margin, as at December 31, 2013, of 2.0 % per year, subject to a downward ratchet based on the ratio of net debt to EBITDA (within a range of 2 % and 3 %).

As of December 31, 2013, the syndicated credit facility contains the following financial covenants, which are tested quarterly:
– Total equity
– Total borrowings/EBITDA
– EBITDA/net interest expense

Bond

On June 13, 2012, the Oerlikon Group issued a four-year CHF 300 million straight bond with a nominal interest of 4.25 % (effective interest: 4.46 %).

Loan with the European Investment Bank (EIB)

On December 13, 2013, Oerlikon 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 has a tenor of four to five years, and the interest rate is Libor plus 1.06 %. The loan has to be drawn within 24 months after contract signing. After the 24 months the undrawn amount will expire. It contains the same financial covenants as in the syndicated credit facility, and they are also tested quarterly. As of December 31, 2013, the loan facility balance was zero.

Financial instruments

Note 19

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2013, including their levels in the fair value hierarchy, are as follows:

in CHF million	Carrying amount					Fair value			
	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									
Forward exchange contracts	–	6	–	–	**6**	–	6	–	**6**
Debt and equity securities	3	–	–	–	**3**	3	–	–	**3**
Total	**3**	**6**	**–**	**–**	**9**	**3**	**6**	**–**	**9**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	1 280	–	**1 280**				
Deposits	–	–	2	–	**2**				
Trade and other financial receivables	–	–	440	–	**440**				
Loans and other non-current financial receivables	–	–	25	–	**25**				
Total	**–**	**–**	**1 747**	**–**	**1 747**				
Financial liabilities measured at fair value									
Forward exchange contracts	–	1	–	–	**1**	–	1	–	**1**
Total	**–**	**1**	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Financial liabilities not measured at fair value[1]									
Bond	–	–	–	299	**299**	319	–	–	**319**
Finance lease liabilities	–	–	–	4	**4**				
Trade payables	–	–	–	314	**314**				
Accrued financial liabilities	–	–	–	99	**99**				
Other loans and borrowings	–	–	–	1	**1**				
Total	**–**	**–**	**–**	**717**	**717**				

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2012, including their levels in the fair value hierarchy, are as follows:

in CHF million	Carrying amount					Fair value			
	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									
Forward exchange contracts	–	11	–	–	**11**	–	11	–	**11**
Debt and equity securities	5		–	–	**5**	5		–	**5**
Total	**5**	**11**	**–**	**–**	**16**	**5**	**11**	**–**	**16**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	638	–	**638**				
Trade and other financial receivables	–	–	492	–	**492**				
Loans and other non-current financial receivables	–	–	6	–	**6**				
Total	**–**	**–**	**1 136**	**–**	**1 136**				
Financial liabilities measured at fair value									
Forward exchange contracts	–	1	–	–	**1**	–	1	–	**1**
Total	**–**	**1**	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Financial liabilities not measured at fair value[1]									
Bond	–	–	–	298	**298**	319	–	–	**319**
Finance lease liabilities	–	–	–	3	**3**				
Trade payables	–	–	–	287	**287**				
Accrued financial liabilities	–	–	–	98	**98**				
Bank overdrafts and fixed advances	–	–	–	2	**2**				
Other loans and borrowings	–	–	–	3	**3**				
Total	**–**	**–**	**–**	**691**	**691**				

[1] With the exception of the bond, 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.)

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 techniques used in measuring level 2 fair values:

Type of financial instrument	Valuation technique
Forward exchange contracts	The fair values of forward exchange 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 flows.

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 receivables from customers, 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 an established Group-wide credit policy, 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 defined country credit limits are set and monitored on an ongoing basis. "High risk" customers are placed on a restricted customer list, and future sales with them are made on a prepayment basis only. Letters of credit and other instruments are also used to reduce credit risk. Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

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 of these institutions.

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

in CHF million	**2013**	2012
Cash and cash equivalents	1 280	638
Deposits	2	–
Debt and equity securities	3	5
Derivatives used for hedging	6	11
Trade and other financial receivables	440	492
Loans and other non-current financial receivables	25	6
Total	**1 756**	**1 152**

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

in CHF million	**2013**	2012
Asia	113	133
Europe	258	290
North America	50	47
Other	4	4
Total	**425**	**474**

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

Financial instruments

Note 19 (cont.)

At December 31, the ageing of trade receivables was as follows:

in CHF million	2013 Gross amount	2013 Value adjustment	2012 Gross amount	2012 Value adjustment
Current (not due)	**367**	**–**	**417**	**–1**
Total past due	**70**	**–12**	**69**	**–11**
0–30 days	34	–2	33	–2
31–60 days	13	–	13	–
61–90 days	5	–	5	–1
91–120 days	3	–	4	–1
over 120 days	15	–10	14	–7
Total	**437**	**–12**	**486**	**–12**

Allowances 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	2013	2012
Balance at January 1	–12	–17
Change in the scope of consolidated companies	–	1
Reclassifications to assets held for sale	–	5
Additional impairment losses charged to income	–2	–6
Reversal of impairment losses	1	4
Write-off	1	1
Balance at December 31	**–12**	**–12**

Financial instruments

Note 19 (cont.)

Liquidity risk
Liquidity risk is the risk that Oerlikon may be unable to discharge its financial liabilities in a timely manner or at an acceptable cost. The Oerlikon Group 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 liquidity forecasts, about which senior management are kept informed. On the basis of this plan, Oerlikon mobilizes the necessary liquid funds and takes any further steps necessary on a timely basis.

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

in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
						2013
Trade payables	314	314	314	–	–	–
Loans and borrowings[1]	300	344	18	326	–	–
Finance lease liabilities	4	4	–	1	3	–
Accrued financial liabilities	99	99	99	–	–	–
Non-derivative financial liabilities	**717**	**761**	**431**	**327**	**3**	**–**
Forward exchange contracts used for hedging	–5	321	317	4	–	–
– thereof: for hedging fx-outflows	–	25	25	–	–	–
– thereof: for hedging fx-inflows	–5	296	292	4	–	–
Derivative financial instruments[2]	**–5**	**321**	**317**	**4**	**–**	**–**
Total	**712**	**1 082**	**748**	**331**	**3**	**–**

[1] Loans and borrowings mainly include a CHF 300 million bond with a coupon rate of 4.25 %, maturing in July 2016, including capitalized transaction costs of CHF 1 million. The contractual cash flows include future interest payments of the 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.

in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
						2012
Bank overdrafts	1	1	1	–	–	–
Fixed advances	1	1	1	–	–	–
Trade payables	287	287	287	–	–	–
Loans and borrowings[1]	299	364	17	347	–	–
Finance lease liabilities	3	3	–	–	3	–
Accrued financial liabilities	98	98	98	–	–	–
Non-derivative financial liabilities	**689**	**754**	**404**	**347**	**3**	**–**
Forward exchange contracts used for hedging	–10	430	427	3	–	–
– thereof: for hedging fx-outflows	–10	117	115	2	–	–
– thereof: for hedging fx-inflows	–	313	312	1	–	–
Derivative financial instruments[2]	**–10**	**430**	**427**	**3**	**–**	**–**
Total	**679**	**1 184**	**831**	**350**	**3**	**–**

[1] Loans and borrowings mainly include a CHF 300 million bond with a coupon rate of 4.25%, maturing in July 2016, including capitalized transaction costs of CHF 2 million. The contractual cash flows include future interest payments until maturity.

[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. Oerlikon 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 US dollar and Euro. If costs and revenues of Group companies are incurred or earned in currencies other than the respective 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 refer these to Group Treasury, which hedges the related exchange risks using internal hedging contracts with the companies concerned and 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 to determine 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 risk arising from foreign subsidiary balance sheets – the effect of which is a currency impact on 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
	2013	2012	12/13	**2013**	2012	12/13
1 USD	0.927	0.938	–1.2%	0.890	0.914	–2.6%
1 EUR	1.231	1.205	2.2%	1.226	1.208	1.5%
100 CNY	15.100	14.900	1.3%	14.700	14.700	0.0%
100 HKD	11.900	12.100	–1.7%	11.500	11.800	–2.5%
100 JPY	0.951	1.177	–19.2%	0.847	1.063	–20.3%
1 SGD	0.741	0.751	–1.3%	0.704	0.746	–5.6%

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 8.22% (USD/CHF) and 3.28% (EUR/CHF), a corresponding strengthening of the Swiss franc at December 31 would have changed the equity and the income statement by the amounts listed below.

December 31		**2013**		2012
Effect in CHF million	Equity	Income statement	Equity	Income statement
USD	1	2	1	3
EUR	–	–	–1	3

An 8.22% (USD/CHF) and 3.28% (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 12.87% (USD/CHF) and 11.01% (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:

			2013			2012
in million	EUR	USD	CHF	EUR	USD	CHF
Trade receivables	7	16	2	11	10	–
Trade payables	7	9	2	6	5	2
Net financial position	15	21	–2	21	34	–67
Gross exposure consolidated balance sheet	**29**	**46**	**2**	**38**	**49**	**–65**
Foreign exchange risk in business operations	**32**	**150**	**–4**	**–9**	**140**	**–12**
Open foreign exchange forward contracts	**–37**	**–140**	**–**	**–6**	**–124**	**8**
Net exposure	**24**	**56**	**–2**	**23**	**65**	**–69**

Interest rate risk

Oerlikon is mainly exposed to interest risk in relation to its liquid funds that 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 options.

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

	2013	2012
in CHF million	Net carrying amount	Net carrying amount
Fixed rate interest		
Financial assets	–	–
Financial liabilities	–304	–303
Total	**–304**	**–303**
Variable rate interest		
Financial assets	1 285	643
Financial liabilities	–	–1
Total	**1 285**	**642**

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
2013		
Cash flow sensitivity	10	–
2012		
Cash flow sensitivity	5	–

It has been assumed that a change of +100 bp has a full impact on interest income and expenses. In case of a decrease of 100 bp, we assumed a very small negative impact of interest on assets, due to the overall low interest rates. 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	2013 Contract volume	2013 Fair value positive	2013 Fair value negative	2012 Contract volume	2012 Fair value positive	2012 Fair value negative
Forward exchange contracts	**321**	**6**	**1**	**430**	**11**	**1**
Interest-rate derivatives	**600**	**–**	**–**	**600**	**–**	**–**
Interest-rate swaps	–	–	–	–	–	–
Interest-rate caps[1]	600	–	–	600	–	–
Total	**921**	**6**	**1**	**1 030**	**11**	**1**

[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 run to 2014 and, over that period, they compensate for any excess of the 3-month-CHF-LIBOR over 2 % by paying out the difference.

Based on the Group's business activities, the following main currencies are hedged: Euro and US dollar. 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. 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
Forward exchange contracts							
2013	5	**321**	280	37	4	–	–
2012	10	**430**	389	38	3	–	–

Netting of financial assets and liabilities
No significant netting of financial assets and liabilities has occurred in 2013 and 2012.

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	**2013**	2012, restated
Total assets	4 094	4 158
Equity attributable to shareholders of the parent	2 072	1 860
Equity ratio in %	**51 %**	**45 %**
Interest-bearing debt	304	304
Equity	2 084	1 884
Debt-to-equity ratio	**0.1**	**0.2**
Average equity	1 985	1 747
Net result attributable to the shareholders of the parent	198	377
Return on equity	**10 %**	**22 %**

With an equity ratio of 51 % (previous year: 45 %), the Oerlikon Group trails slightly above the range of its financial policy. The current outstanding bond is being rated Investment Grade.

OC Oerlikon participation plans

Note 21

On December 31, 2013 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 2013 plan is based on the stock price at grant date of CHF 10.8.

Year of allocation	Outstanding on 1.1.	Granted in 2013	Forfeited in 2013	Exercised in 2013	Outstanding on 31.12.	Fair Value at grant date	Expenses 2013 in CHF million	Vesting Period
2012	130 711	–	–	130 711	–	8.1	0.4	12.04.12–30.04.13
2013	–	71 654	–	–	71 654	10.8	0.5	01.05.13–15.04.14
Total	**130 711**	**71 654**	**–**	**130 711**	**71 654**	**–**	**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 which are based on performance conditions and a vesting period of three years. Performance conditions for the 2010 and 2011 plans may consist of financial objectives. 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 2012 and 2013 plans are based on the rank of the Total Sharerholder Return (TSR) of Oerlikon over a three-year period within a Peer Group consisting of 27 companies including OC Oerlikon. One company from the original peer group of 28 companies was de-listed and is not being replaced. 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. 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 plan 2013, the fair value at grant date was CHF 11.11 (previous year: CHF 16.6) and was calculated using a Monte Carlo Simulation. Main assumptions include a stock price of CHF 10.75 (previous year: CHF 8.97) and an average expected volatility of the peer group of 36.05 % (previous year: 40.38 %).

Year of allocation	Outstanding on 1.1.	Granted in 2013	Forfeited in 2013	Exercised in 2013[1]	Outstanding on 31.12.	Fair Value at grant date	Expenses 2013 in CHF million[2]	Vesting Period
2010	370 316	–	64 273	306 043	–	4.6	0.0	01.05.10–30.04.13
2011	427 694	–	168 913	–	258 781	6.8	–0.5	01.05.11–30.04.14
2012	853 191	43 614	326 293	25 439	545 073	16.6	1.7	01.05.12–30.04.15
2013	–	472 460	64 286	–	408 174	11.1	0.9	01.05.13–30.04.16
Total	**1 651 201**	**516 074**	**623 765**	**331 482**	**1 212 028**	**–**	**2.1**	

[1] The share price at vesting of the 2010 grant was CHF 10.75.

[2] The total expense of CHF 2.1 million includes expenses of discontinued operations in the amount of CHF –0.4 million (previous year: CHF 0.6 million).

Share Options
In previous years, employees could receive a portion of their compensation as options for OC Oerlikon Corporation AG, Pfäffikon with a blocking period of one, two, three or four years. Holders are entitled to purchase one share for each option held. The value per year end is based on a Black-Scholes valuation including a weighted average share price of CHF 67. No options have been granted since 2008. Per year end all outstanding options expired (previous year: 37 128).

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 334 633 258 consists of 334 633 258 registered shares, each with a par value of CHF 1.00. On December 31, 2013 conditional capital amounted to CHF 52 665 671 (previous year: CHF 61 334 431).

The shareholders registered as holding more than 5 % of the shares as at December 31, 2013 were:

Shareholder	Share ownership[1] No of shares	in %
Renova Group[2]	149 435 408[3]	44.66 %
Chase Nominees Ltd., London	17 465 087[4]	5.22 %

[1] Sources: Disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published by SIX Exchange Regulation on August 6, 2013) and share register (Chase Nominees Ltd.).

[2] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow. Renova Group is composed of Liwet Holding AG, Zurich, Switzerland, Renova Innovation Technologies Ltd., Nassau, Bahamas, and Lamesa Holding S.A., Panama, Republic of Panama.

[3] At the end of 2012, the Renova Group held (as per disclosure notification) 156 210 954 shares (47.92 % of the issued Oerlikon shares).

[4] At the end of 2012, Chase Nominees Ltd., London held (according to the share register) 18 170 486 shares (5.57 % of the issued Oerlikon shares).

Compensation of Non-Executive Members of the Board of Directors

Members of the Board of Directors receive a cash compensation and Restricted Stock Units (RSU). The cash compensation consists of a Board member fee, a fee for Committee Chairmen, a fee for Committee members and a fee for the Chairman of the Board of Directors. In addition, a cash allowance is paid to all Board members. Board members receive Restricted Stock Units (RSU) which are blocked from their grant at the annual shareholders meeting until the following annual shareholders meeting 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 compensation is set by the Human Resources Committee and approved by the Board of Directors after the annual shareholders meeting.

The total compensation for the eight non-executive members of the Board of Directors in 2013 was CHF 1.7 million. In 2012 the total compensation for the same non-executive members of the Board of Directors amounted to CHF 2.1 million while the total compensation for all non-executive members of the Board of Directors in 2012 amounted to CHF 2.2.

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash Compensation	Restricted Stock Units (RSU) 2013/14[1]	Other Compensation[2]	**Total Compensation 2013**	Total Compensation 2012
Tim Summers	C	C		C	175	238	43	457	517
Kurt J. Hausheer	M		C		125	106	20	252	283
Mikhail Lifshitz[3]	M		M		70	106	10	186	–
Hans Ziegler	M	M		M	135	106	24	266	288
Carl Stadelhofer	M		M[3]	M	125	106	24	255	260
Gerhard Pegam	M	M			105	106	5	216	243
Reyad Fezzani[4]	M		M		35	–	–	35	166
Wolfgang Tölsner[4]	M		M		35	–	–	35	373
Total					805	770	127	**1 702**	**2 130**

C(hairman), M(ember)

[1] The RSU grant for 2013 is based on a fair value at grant date of CHF 10.8. In previous years, disclosure used an accounting perspective which presented the costs of all grants for the reporting period. In preparation for a binding vote on variable compensation, disclosure is changed to present the total value of grants issued in a reporting period. The effect of this change on the reported numbers of the previous year is insignifcant.

[2] Other compensation consists of social security contributions and expense allowances which are paid by OC Oerlikon Corporation AG, Pfäffikon.

[3] Since April 30, 2013.

[4] Until April 30, 2013.

Related party transactions

Note 22 (cont.)

Compensation of Members of the Executive Committee
Members of the Executive Committee receive a compensation consisting of base salary and performance-based bonus paid in cash. In addition, members of the Executive Committee participate in a long-term incentive (LTI) plan paid in shares.

The compensation for the members of the Executive Committee is set by the Human Resources Committee and approved by the Board of Directors at the end of the year. The achievement of targets defined for the annual performance-based bonus are reviewed by the Human Resources Committee at the end of the year and the bonus is usually paid in April of the following year.

For the Executive Committee, the accrued payout for the short-term incentive plan (STI) 2013 is 100 % of the target STI. The STI 2012 paid in 2013 reached a payout of 106 % of the target STI.

The total compensation paid to members of the Executive Committee for the year 2013 was CHF 9.9 million. The highest compensation paid to an individual Committee member was CHF 6.9 million.

Compensation to the Executive Committee is composed as follows:

in CHF 000	Salary	STI 2013	LTI Grant 2013[1]	Pension	Other Compensation[2]	Contractual payment[3]	**Total Compensation 2013**	Compensation 2012 (restated)
Total compensation to members of the Executive Committee	1 530	833	475	274	51	6 690	**9 852**	9 488
Thereof highest paid to one individual: Dr. Michael Buscher (former CEO)	176	–	–	48	9	6 690	**6 923**	4 197

[1] The Executive Committee was granted 47 506 PSA under the LTI 2013 program. The grant is based on a fair value at grant date of CHF 11.1. In previous years, disclosure used an accounting perspective which presented the costs of all grants for the reporting period. In preparation for a binding vote on variable compensation, disclosure is changed to present the total value of grants issued in a reporting period. The effect of this change on the reported numbers of the previous year amounts to a reduction of CHF 0.2 million of the total compensation of the Executive Committee and an increase of CHF 0.7 million of the highest paid member which is reflected in the table above.

[2] Other compensation includes expense and car allowances.

[3] Dr. Michael Buscher's employment ended on March 14, 2013.

Compensation of Former Members of Governing Bodies
During 2013 no compensation was paid to former members of the Board of Directors or the Executive Committee, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon Group. No compensation was paid to former members of the Board of Directors or the Executive Committee in 2012.

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)**
Tim Summers	60 109	22 169
Kurt J. Hausheer	184 611	9 897
Mikhail Lifshitz (since April 30, 2013)	–	9 897
Hans Ziegler	175 349	9 897
Carl Stadelhofer	113 808	9 897
Gerhard Pegam	–	9 897
Reyad Fezzani (until April 30, 2013)	12 690	–
Wolfgang Tölsner (until April 30, 2013)	20 000	–
Total	**566 567**	**71 654**

Tim Summers (Chairman), Reyad Fezzani (Board Member until April 30, 2013), Mikhail Lifshitz (Board Member since April 30, 2013) and Carl Stadelhofer (Board Member) are also in senior positions at Renova Group. Mr. Summers is Managing Director of Renova Management AG. Mr. Fezzani is Supervisory Board Member of Renova US Holdings Ltd. 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. Stadelhofer is Chairman of Renova Holding Ltd. and other Renova Group companies, Vice Chairman of Renova Management AG and Chief Legal Counsel of Renova Group. 200 of his shares are held by a related party.

Members of the Executive Committee	**Number of Shares**	**Number of Performance Share Awards (PSA)**
Dr. Michael Buscher, former CEO	–	–
Jürg Fedier, CEO/CFO	238 750	208 514
Total	**238 750**	**208 514**

Related party transactions

Note 22 (cont.)

Loans and Other Payments to Members of Governing Bodies
No loans were granted and no other payments were made to current or former members of the Board of Directors or the Executive Committee during 2013 and 2012. No such loans or payments were outstanding as of December 31, 2013 and 2012.

Group and Associated Companies
An overview of the Group subsidiary companies can be found on pages 142 and 143. 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 9 million (previous year: 9 million) and the annual rent is CHF 1 million (previous year: 1 million).

Participation plans: see note 21.

During the financial year 2013, there were no other related party transactions.

Contingent liabilities

Note 23

Contingent liabilities as of December 31, 2013, amount to CHF 2 million (previous year: CHF 8 million, net of CHF 1 million for discontinued operations) and mainly consist of debt guarantees to banks.

Payments under non-cancellable operating leases

Note 24

in CHF million	**2013**	2012
Due in 1st year	22	24
Due in 2nd year	12	19
Due in 3rd year	8	11
Due in 4th year	5	8
Due in or beyond 5th year	18	24
Total	**65**	**86**

The expenses of operating leases charged to the income statement amount to CHF 23 million (previous year: CHF 22 million).

Pledged assets

Note 25

As of December 31, 2013, no assets (previous year: CHF 7 million of property, plant and equipment) were pledged as a security.

Subsequent events

Note 26

On January 30, 2014, OC Oerlikon Group signed an agreement to acquire Metco, a division of Sulzer, for an enterprise value of CHF 1.0 billion through purchase of 100 % of all Metco companies.

Metco provides to customers a broad range of Surface Solutions and special components, including coating services, coating equipment, coating materials, as well as special components for the automotive industry and components for aero and land-based gas turbines.

A combination of Metco with Oerlikon's existing Coating Segment will form the world technology leader in Surface Solutions. The combined business would have pro-forma sales of CHF 1.2 billion in 2012 and a unique global footprint with more than 110 coating centers worldwide.

Closing is expected in the third quarter of 2014.

Between the balance sheet date and the date of this report, no other events occurred that could have a significant impact on the 2013 consolidated financial statements.

Segment information

in CHF million		Manmade Fibers Segment 2013	Manmade Fibers Segment 2012	Drive Systems Segment 2013	Drive Systems Segment 2012	Vacuum Segment 2013	Vacuum Segment 2012	Coating Segment 2013	Coating Segment 2012
Order intake		**1 073**	**1 039**	**792**	**766**	**404**	**377**	**510**	**501**
Order backlog		**541**	**602**	**180**	**134**	**79**	**73**	**–**	**–**
Sales									
Sales to third parties		1 130	1 103	734	826	396	373	510	501
Sales to other segments		–	–	–	–	4	4	1	1
Eliminations		–	–	–	–	–4	–4	–1	–1
		1 130	**1 103**	**734**	**826**	**396**	**373**	**510**	**501**
Sales by market region to third parties									
Asia/Pacific		840	833	78	86	151	135	152	154
Europe		137	134	380	396	170	166	252	245
North America		110	48	234	309	69	64	68	66
Other regions		43	88	42	35	6	8	38	36
		1 130	**1 103**	**734**	**826**	**396**	**373**	**510**	**501**
Sales by location to third parties									
Asia/Pacific		306	315	109	101	126	111	149	157
thereof	China	301	301	22	17	65	51	36	29
Europe		806	763	403	413	200	193	260	248
thereof	Switzerland	–	1	–	–	–	–	55	47
	Germany	806	762	–	–	200	193	101	100
	Italy	–	–	397	407	–	–	13	11
North America		17	25	222	312	70	69	66	62
Other regions		1	–	–	–	–	–	35	34
		1 130	**1 103**	**734**	**826**	**396**	**373**	**510**	**501**
Capital expenditure for property, plant and equipment and intangible assets									
Asia/Pacific		4	11	17	31	1	4	33	24
Europe		19	18	26	18	19	12	31	28
North America		–	–	12	17	–	–	7	9
Other regions		–	–	–	–	–	–	3	3
		23	**29**	**55**	**66**	**20**	**16**	**74**	**64**
EBITDA		**207**	**209**	**67**	**111**	**54**	**52**	**149**	**145**
EBIT		**188**	**186**	**26**	**70**	**41**	**38**	**105**	**103**
Other material items									
Research and development expense		–31	–31	–13	–12	–21	–19	–34	–33
Depreciation and amortization		–19	–24	–41	–40	–13	–14	–45	–41
Impairment of property, lant and equipment		–	–	–	–	–	–	–	–
Restructuring costs		–3	–1	–	2	–	–	–	–
Net operating assets		**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
Operating assets[2]		676	715	1 115	1 132	269	249	417	402
Operating liabilities[3]		–662	–684	–190	–173	–74	–70	–67	–70
		14	**31**	**925**	**959**	**195**	**179**	**350**	**332**
Number of employees (full-time equivalents)		**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
Asia/Pacific		883	980	2 294	2 010	370	357	1 070	987
Europe		1 559	1 496	1 951	1 902	1 056	1 052	1 635	1 609
North America		38	35	912	1 265	86	82	335	302
Other regions		–	–	–	–	–	–	238	228
		2 480	**2 511**	**5 157**	**5 177**	**1 512**	**1 491**	**3 278**	**3 126**

[1] Discontinued operations include the Natural Fibers and Textile Components Business Units (for 2013 and 2012) and the Solar Segment (for 2012).

[2] Operating assets include current and non-current operating assets (including goodwill and brands), whereas cash and cash equivalents, current and non-current financial investments, current tax receivables as well as deferred tax assets are not included.

[3] Operating liabilities include current and non-current operating liabilities, whereas current and non-current financial liabilities, current tax payables and deferred tax liabilities are not included.

Advanced Technologies Segment		Total Segments		Group/ Eliminations		Total from continuing operations		Discontinued operations[1]		Total including discontinued operations	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
114	**119**	**2 893**	**2 802**	**–**	**–**	**2 893**	**2 802**	**594**	**922**	**3 487**	**3 724**
25	**25**	**825**	**834**	**–**	**–**	**825**	**834**	**–**	**274**	**825**	**1 108**
113	103	2 883	2 906	–	–	2 883	2 906	469	1 007	3 352	3 913
–	1	5	6	–5	–6	–	–	23	33	23	33
–	–1	–5	–6	5	6	–	–	–23	–33	–23	–33
113	**103**	**2 883**	**2 906**	**–**	**–**	**2 883**	**2 906**	**469**	**1 007**	**3 352**	**3 913**
58	58	1 279	1 266	–	–	1 279	1 266	293	673	1 572	1 939
41	33	980	974	–	–	980	974	94	209	1 074	1 183
13	11	494	498	–	–	494	498	29	44	523	542
1	1	130	168	–	–	130	168	53	81	183	249
113	**103**	**2 883**	**2 906**	**–**	**–**	**2 883**	**2 906**	**469**	**1 007**	**3 352**	**3 913**
–	–	690	684	–	–	690	684	83	158	773	842
–	–	424	398	–	–	424	398	69	136	493	534
100	92	1 769	1 709	–	–	1 769	1 709	357	801	2 126	2 510
61	61	116	109	–	–	116	109	36	109	152	218
38	31	1 145	1 086	–	–	1 145	1 086	316	680	1 461	1 766
–	–	410	418	–	–	410	418	–	–	410	418
13	11	388	479	–	–	388	479	25	39	413	518
–	–	36	34	–	–	36	34	4	9	40	43
113	**103**	**2 883**	**2 906**	**–**	**–**	**2 883**	**2 906**	**469**	**1 007**	**3 352**	**3 913**
–	–	55	70	–	–	55	70	1	1	56	71
3	4	98	80	4	2	102	82	9	17	111	99
–	–	19	26	1	–	20	26	–	–	20	26
–	–	3	3	–	–	3	3	–	–	3	3
3	**4**	**175**	**179**	**5**	**2**	**180**	**181**	**10**	**18**	**190**	**199**
8	**11**	**485**	**528**	**7**	**19**	**492**	**547**	**–65**	**–19**	**427**	**528**
4	**7**	**364**	**404**	**2**	**17**	**366**	**421**	**–65**	**–47**	**301**	**374**
–18	–12	–117	–107	–	–	–117	–107	–22	–98	–139	–205
–4	–4	–122	–123	–4	–3	–126	–126	–	–25	–126	–151
–	–	–	–	–	–	–	–	–	–3	–	–3
–	–1	–3	–	–	–	–3	–	–1	–1	–4	–1
31.12.	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
124	117	2 601	2 615	47	22	2 648	2 637	–	682	2 648	3 319
–25	–30	–1 018	–1 027	–44	–35	–1 062	–1 062	–	–202	–1 062	–1 264
99	**87**	**1 583**	**1 588**	**3**	**–13**	**1 586**	**1 575**	**–**	**480**	**1 586**	**2 055**
31.12.	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
–	–	4 617	4 334	–	–	4 617	4 334	–	1 633	4 617	5 967
183	170	6 384	6 229	230	210	6 614	6 439	–	1 977	6 614	8 416
17	18	1 388	1 702	–	–	1 388	1 702	–	63	1 388	1 765
–	–	238	228	3	5	241	233	–	58	241	291
200	**188**	**12 627**	**12 493**	**233**	**215**	**12 860**	**12 708**	**–**	**3 731**	**12 860**	**16 439**

Reconciliation to the Segment information

in CHF million	**2013**	2012
EBIT	366	421
Financial income	16	51
Financial expense[3]	–48	–145
EBT	**334**	**327**
Operating assets[1]	2 648	3 319
Non-operating assets[1,3]	1 446	839
Total assets	**4 094**	**4 158**
Operating liabilities[2]	1 062	1 264
Non-operating liabilities[2,3]	948	1 010
Total liabilities	**2 010**	**2 274**

[1] Including assets classified as held for sale.

[2] Including liabilities classified as held for sale.

[3] 2012 restated.

Geographical information on non-current assets

in CHF million		2013	2012
Asia/Pacific		**231**	**227**
thereof	China	112	104
Europe		**1 381**	**1 336**
thereof	Switzerland	982	956
	Germany	263	230
	Italy	130	126
North America		**89**	**88**
thereof	USA	89	88
Other regions		**13**	**15**
Total		**1 714**	**1 666**

Non-current assets do not include post-employment benefit assets and deferred tax assets.

Information about major customers

In 2013, no customer represented 10 % or more of the Group'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	111
Austria	Oerlikon GmbH, Linz/AT (formerly Saurer Holding GmbH)	EUR	35 000	100.00	–
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	136
Brazil	Oerlikon Leybold Vacuo do Brasil Ltda., Jundiaí, SP/BR	BRL	800	100.00	–
Brazil	Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR	BRL	9 384 968	100.00	–
Cayman Islands	Oerlikon Group Investments Ltd., George Town/KY (formerly Saurer Group Investments Ltd.)	CHF	474 469 300	100.00	–
China	Oerlikon China Equity Ltd., Hong Kong/CN (formerly Saurer China Equity Ltd.)	HKD	253 910 000	100.00	–
China	Oerlikon (China) Technology Co. Ltd., Suzhou/CN	USD	30 000 000	100.00	342
China	Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00	362
China	Oerlikon Drive Systems (Suzhou) Co. Ltd., Suzhou/CN	USD	12 000 000	100.00	153
China	Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN	USD	200 000	100.00	107
China	Oerlikon Leybold Vacuum Equipment (Tianjin) Co. Ltd., Tianjin/CN	USD	4 960 000	100.00	131
China	Oerlikon Textile China Investments Ltd., Hong Kong/CN	HKD	266 052 505	100.00	–
China	Oerlikon Textile Far East Ltd., Hong Kong/CN	HKD	100 000	100.00	13
China	Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN	USD	7 000 000	100.00	198
China	Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN	USD	1 112 220	100.00	195
China	Oerlikon Textile Trading and Services Ltd., Hong Kong/CN	HKD	275 200	100.00	–
Finland	Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI	EUR	2 500	51.00	8
France	Oerlikon Balzers Coating France SAS, Saint-Thibault-des-Vignes/FR	EUR	3 150 000	100.00	105
France	Oerlikon France Holding SAS, Saint-Thibault-des-Vignes/FR	EUR	4 000 000	100.00	–
France	Oerlikon Leybold Vacuum France SAS, Villebon-sur-Yvette/FR	EUR	3 095 750	100.00	169
Germany	Oerlikon Balzers Coating Germany GmbH, Bingen/DE	EUR	511 300	100.00	561
Germany	Oerlikon Balzers Hartec GmbH, Stetten am kalten Markt/DE	EUR	25 000	100.00	49
Germany	Oerlikon Deutschland Holding GmbH, Köln/DE	EUR	30 680 000	100.00	–
Germany	Oerlikon Deutschland Vertriebs GmbH, Aschheim/DE	EUR	26 000	100.00	28
Germany	Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE	EUR	100 000	100.00	58
Germany	Oerlikon Leybold Vacuum GmbH, Köln/DE	EUR	1 200 000	100.00	771
Germany	Oerlikon Real Estate GmbH, Köln/DE	EUR	50 000	100.00	–
Germany	Oerlikon Textile GmbH & Co. KG, Remscheid/DE	EUR	41 000 000	100.00	1 558
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	46
Great Britain	Oerlikon Leybold Vacuum UK Ltd., Chessington/UK	GBP	300 000	100.00	23
Great Britain	Vocis Limited, Warwick/UK	GBP	200	51.00	24
India	Fairfield Atlas Ltd., Kolhapur/IN	INR	273 205 400	97.70	913
India	Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN	INR	267 124 880	100.00	1 228
India	Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	100.00	237
India	Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN	INR	2 000 000	100.00	20
India	Oerlikon Textile India Pvt. Ltd., Mumbai/IN	INR	57 360 000	100.00	135
Italy	Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	129 125	100.00	76
Italy	Oerlikon Graziano Group S.p.A., Torino/IT	EUR	59 669 000	100.00	–
Italy	Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT	EUR	58 697 357	100.00	1 917
Italy	Oerlikon Leybold Vacuum Italia S.r.l., Milano/IT	EUR	110 000	100.00	12
Japan	Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP	JPY	450 000 000	100.00	33
Japan	Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00	136
Liechtenstein	OC Oerlikon Balzers AG, Balzers/LI	CHF	1 000 000	100.00	108
Liechtenstein	Oerlikon Advanced Technologies AG, Balzers/LI	CHF	1 000 000	100.00	155
Liechtenstein	Oerlikon Balzers Coating AG, Balzers/LI	CHF	1 000 000	100.00	274
Liechtenstein	Oerlikon (Liechtenstein) Holding AG, Balzers/LI	CHF	120 000	100.00	–
Luxembourg	Oerlikon Balzers Coating Luxembourg S.à.r.l., Differdange-Nierderkorn/LU	EUR	1 000 000	60.00	21
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	90
Netherlands	Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL	EUR	463 000	100.00	8
Netherlands	SAC Oerlikon Automotive Components B.V., Rotterdam/NL (formerly SAC Saurer Automotive Components B.V.)	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	62
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	12
Singapore	Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00	29
Singapore	Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG	SGD	300 000	100.00	13

Companies by country

Country	Name, registered office of significant companies by country	Currency	Share capital[1]	Group owns %	Number of employees
South Korea	Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90	195
South Korea	Oerlikon Leybold Vacuum Korea Ltd., Cheonan/KR	KRW	7 079 680 000	100.00	33
Spain	Oerlikon Balzers Coating Spain S.A.U., Antzuola/ES	EUR	150 250	100.00	68
Spain	Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES	EUR	168 283	100.00	9
Sweden	Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00	53
Switzerland	InnoDisc AG, Windisch/CH	CHF	100 000	100.00	–
Switzerland	OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH	CHF	334 633 258	100.00	–
Switzerland	OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH	CHF	2 000 000	100.00	87
Switzerland	OC Oerlikon Services AG, Pfäffikon, Freienbach SZ/CH (formerly Saurer Management AG)	CHF	100 000	100.00	1
Switzerland	OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach SZ/CH (formerly Saurer AG)	CHF	112 019 600	100.00	–
Switzerland	OC Oerlikon Textile Schweiz AG, Pfäffikon, Freienbach SZ/CH (formerly Oerlikon Saurer Arbon AG)	CHF	14 160 000	100.00	–
Switzerland	Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00	30
Switzerland	Oerlikon Drive Systems GmbH, Pfäffikon, Freienbach SZ/CH (formerly Oerlikon Licensing Arbon GmbH)	CHF	20 000	100.00	2
Switzerland	Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	500 000	100.00	36
Switzerland	Oerlikon Leybold Vacuum Schweiz AG, Zürich/CH	CHF	300 000	100.00	8
Switzerland	Oerlikon Trading AG, Trübbach, Wartau/CH	CHF	8 000 000	100.00	2
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	33
Thailand	Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	99.99	50
Turkey	Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	99.99	29
USA	Fairfield Manufacturing Company Inc., Wilmington, DE/US	USD	10 000	100.00	912
USA	Melco Industries Inc., Denver, CO/US	USD	2 407 000	100.00	–
USA	Oerlikon Balzers Coating USA Inc., Wilmington, DE/US	USD	20 000	100.00	336
USA	Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US	USD	1 375 000	100.00	86
USA	Oerlikon Management USA Inc., Pittsburgh, PA/US	USD	500 000	100.00	–
USA	Oerlikon Textile Inc., Charlotte, NC/US	USD	3 000 000	100.00	38
USA	Oerlikon USA Holding Inc., Wilmington, DE/US	USD	40 234 000	100.00	–
USA	Oerlikon USA Inc., Plantation, FL/US	USD	14 730 000	100.00	17

[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

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 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 93 to 141 for the year ended December 31, 2013.

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 and fair presentation 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.

Auditor's Responsibility
In our opinion, the consolidated financial statements for the year ended December 31, 2013 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 728 a 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	Toni Wattenhofer
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, February 21, 2014

Five-year summary of key figures

in CHF million	2013	2012	2011	2010	2009
Order intake[1]	**2 893**	2 802	2 878	4 520	2 996
Order backlog[1]	**825**	834	971	1 702	997
Sales[1]	**2 883**	2 906	2 731	3 601	2 877
EBITDA[1]	**492**	547	450	278	–165
– as % of sales	**17 %**	19 %	16 %	8 %	–6 %
EBIT[1]	**366**	421	318	51	–589
– as % of sales	**13 %**	14 %	12 %	1 %	–20 %
Net income/loss[2]	**201**	380	224	5	–592
– as % of equity attributable to shareholders of the parent	**10 %**	20 %	14 %	0 %	–120 %
Cash flow from operating activities[3]	**435**	414	544	354	–92
Capital expenditure for property, plant and equipment and intangible assets	**180**	181	167	150	130
Total assets[2]	**4 094**	4 158	4 573	4 475	4 342
Equity attributable to shareholders of the parent[2]	**2 072**	1 860	1 586	1 430	493
– as % of total assets	**51 %**	45 %	35 %	32 %	11 %
Net cash[4]	**981**	339	–86	–274	–1 646
Net operating assets[5]	**1 586**	1 575	2 205	2 196	2 821
Number of employees[1]	**12 860**	12 708	12 726	16 657	16 369
Personnel expense[1]	**766**	765	740	1 015	1 001
Research and development expenditure[1,6]	**122**	106	102	239	210

[1] Continuing operations.

[2] 2012 restated.

[3] Before changes in net current assets.

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

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

[6] 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	**2013**	2012
Income from investments	2	10 178 335	197 828 748
Financial income	3	39 830 120	53 832 108
Other income	5	46 816 459	47 947 263
		96 824 914	299 608 119
Financial expense	4	–20 170 777	–97 363 077
Other expense	6	–27 754 567	–55 245 859
		48 899 570	146 999 183
Gain on disposal of investments	7	150 095 729	52 733 668
Valuation adjustments on loans and investments in subsidiaries		–8 244 447	–11 043 810
Net income		**190 750 852**	**188 689 041**

Balance sheet at December 31 of OC Oerlikon Corporation AG, Pfäffikon

Assets

in CHF	Notes	**2013**	%	2012	%
Cash and cash equivalents	8	955 052 699	25.9	334 420 148	10.3
Treasury shares	9	10 357 674	0.3	7 937 329	0.2
Receivables					
– from third parties		324 766	–	1 845 306	0.1
– from affiliated companies		47 954 283	1.3	27 460 095	0.9
Prepaid expenses and accrued income		768 808	–	836 078	–
Current assets		**1 014 458 230**	**27.5**	**372 498 956**	**11.5**
Investments	10	1 681 148 324	45.5	1 680 851 324	51.9
Non-current loans to affiliated companies		977 267 768	26.5	1 186 482 429	36.6
Non-current loans to third parties		769 372	–	1 020 894	–
Other non-current receivables		20 440 106	0.5	–	–
Non-current assets		**2 679 625 570**	**72.5**	**2 868 354 647**	**88.5**
Total assets		**3 694 083 800**	**100.0**	**3 240 853 603**	**100.0**

Liabilities and equity

in CHF	Notes	**2013**	%	2012	%
Current payables					
– to third parties		452 001	–	202 549	–
– to affiliated companies		187 526 736	5.1	204 775 134	6.3
Accrued liabilities		38 837 221	1.0	15 188 791	0.5
Non-current loans due to affiliated companies		775 110 004	21.0	491 234 414	15.2
Bond	11	300 000 000	8.1	300 000 000	9.3
Provisions	12	43 826 204	1.2	40 657 771	1.2
Total liabilities		**1 345 752 166**	**36.4**	**1 052 058 659**	**32.5**
Share capital	13	334 633 258	9.0	325 964 498	10.1
Legal reserves					
– General legal reserves		70 593 765	1.9	70 593 765	2.2
– Reserves from capital contributions	14	1 086 131 752	29.4	1 126 014 673	34.7
– Reserves for treasury shares	15	10 357 673	0.3	7 937 327	0.2
Free reserves		293 910 850	8.0	293 910 850	9.1
Retained earnings		552 704 336	15.0	364 373 831	11.2
Total equity		**2 348 331 634**	**63.6**	**2 188 794 944**	**67.5**
Total Liabilities and equity		**3 694 083 800**	**100.0**	**3 240 853 603**	**100.0**

Notes to the financial statements of OC Oerlikon Corporation AG, Pfäffikon

General

Reporting basis (1)

The financial statements of OC Oerlikon Corporation AG, Pfäffikon (the Company), are prepared in compliance with Swiss Company Law. They are a supplement to the consolidated financial statements, prepared according to International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the financial statements of OC Oerlikon Corporation AG, Pfäffikon, relates to the ultimate parent company alone.

Income statement

Income from investments (2)

The income from investments consists only of dividend income from subsidiaries.

Financial income (3)

Financial income includes interest income and net exchange gain.

Financial expense (4)

Financial expense mainly includes interest expenses.

Other income (5)

Other income consists mainly of trademark fees.

Other expense (6)

Other expense consists mainly of management fees charged by OC Oerlikon Management AG, Pfäffikon.

Gain on disposal of investments (7)

Gain on disposal of investments is driven by the gain from the sale of the investment in Aktiengesellschaft Adolph Saurer and from the disposal of brands (Schlafhorst and Saurer) in connection with the disposal of the Natural Fiber and Textile Components Business Units.

Balance sheet

Cash and cash equivalents (8)

This item consists of current balances denominated in Swiss francs, euros and US dollars and held with European banks.

Treasury shares (9)

The total of 944902 treasury shares (previous year: 902248) held at December 31, 2013, represents 0.28% of the company's share capital.

The treasury shares are carried at the lower of cost or market value (and therefore have been valued at their cost value), at close of business on December 31, 2013, giving a total value of CHF 10 million (previous year: CHF 8 million).

During the year, 931925 shares (previous year: 700000) were bought on the stock exchange, 600026 shares (previous year: 317147) were given to employees and a further 289245 shares were sold to warrant holders (previous year: 69616).

Investments (10)

The list of the Company's major investments is on page 152.

These investments are recorded at historical cost less any valuation adjustments.

Bond (11)

On June 13, 2012, OC Oerlikon Corporation AG issued a CHF 300 million bond, bearing interest at 4.25% per annum and due on July 13, 2016. The first interest coupon was payable on July 13, 2013. Additional information regarding the bond can be found in Note 18 of the Group's consolidated financial statements on page 124.

Provisions (12)

Provisions cover mainly risks related to investments and other risks.

Share capital (13)

The share capital of CHF 335 million (previous year: CHF 326 million) consists of 334633258 registered shares (previous year: 325964498), each with a par value of CHF 1.00. On December 31, 2013, conditional capital amounted to CHF 52665671 (previous year: CHF 61334431).

In 2013, 8668760 new shares (previous year: 2840488) were issued based on exercises of warrants.

The shareholders registered as holding more than 5% of the shares as at December 31, 2013, were[1]:

44.66% (149435408 registered shares[2]) Renova Group[3] (composed of Liwet Holding AG, Zurich, Switzerland; Renova Innovation Technologies Ltd., Nassau, Bahamas; and Lamesa Holding S.A., Panama, Republic of Panama)

5.22% (17465087 registered shares[4]) Chase Nominees Ltd., London

[1] Sources: disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published by SIX Exchange Regulation on August 6, 2013) and share register (Chase Nominees Ltd.).
[2] At the end of 2012, Renova Group held (as per disclosure notification) 156210954 shares (47.92% of the issued Oerlikon shares).
[3] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow.
[4] At the end of 2012, Chase Nominees Ltd., London, held (according to the share register) 18170486 shares (5.57% of the issued Oerlikon shares).

Reserves from capital contributions (14)

OC Oerlikon Corporation AG, Pfäffikon, shows as of December 31, 2013, reserves from capital contributions of CHF 1086131752. Thereof, based on a so-called reverse, CHF 268706303 has not been confirmed yet due to the current practice of the Swiss Federal Tax Authorities. Dividend distributions can be done out of the confirmed reserve from capital contribution first. Confirmed reserve from capital contributions amounts to CHF 817425449. In 2013, the value of confirmed reserves of capital contribution has changed due to dividend payment of CHF 82712533 as well as additional paid-in capital of CHF 42829612 (net amount), due to capital increase triggered by the exercises of warrants.

Reserves from capital contributions

in CHF	confirmed	not confirmed yet	Total
Balance at January 1, 2013	**857 308 370**	**268 706 303**	**1 126 014 673**
Dividend payment	–82 712 533	–	–82 712 533
Exercises of warrants	42 829 612	–	42 829 612
Balance at December 31, 2013	**817 425 449**	**268 706 303**	**1 086 131 752**

Reserves for treasury shares (15)
This reserve represents the acquisition cost of 944902 treasury shares (previous year: 902248).

Contingent liabilities (16)
Contingent liabilities relate primarily to performance guarantees and guarantees for bank loans of affiliated companies and amount to approximately CHF 373 million (previous year: CHF 284 million).

Disclosure of directors' remunerations (17)
The disclosure of directors' remunerations as required by Swiss Company Law may be found in Note 22 on pages 134 to 136 of the Group's consolidated financial statements.

Risk assessment according to the Swiss Code of Obligations (Art. 663b[12] CO) (18)
Oerlikon has a risk management system in place with which the enterprise-wide risk management is centrally managed and decentrally implemented. Risk assessments are conducted at various levels, and corresponding risk reports are prepared.

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 supported Group-wide by a risk management software.

Internal reporting requirements are fulfilled by the Group Risk Report that outlines relevant risks and risk mitigation actions from a Group perspective. The Group Risk Report is published twice a year, discussed by the Executive Committee and subsequently considered by the Audit Committee and Board of Directors, respectively.

In its meeting on October 28, 2013, the Audit Committee discussed the Group Risk Report 2013–15 and informed the Board of Directors. The Audit Committee discussed the Group Risk Report 2014–16 in its meeting on December 4, 2013, and informed the Board of Directors.

For further information regarding risk management, see page 52 (section 4.0 “Corporate governance”), page 86 et seq. (section 6.0 “Risk management and compliance”) and page 125 et seq. (Note 19 to the consolidated financial statements).

Investments

Company	Currency	Share capital	Investment in %
InnoDisc AG, Windisch/CH	CHF	100 000	100.00
OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH	CHF	2 000 000	100.00
OC Oerlikon Services AG, Pfäffikon, Freienbach SZ/CH (formerly Saurer Management AG)	CHF	100 000	100.00
OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach SZ/CH (formerly Saurer AG)	CHF	112 019 600	100.00
Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	78.40
Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00
Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	99.99
Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00
Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	129 100	100.00
Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.10
Oerlikon Balzers Coating Luxembourg S.à.r.l., Differdange-Niedercorn/LU	EUR	1 000 000	60.00
Oerlikon Balzers Coating Poland Sp. z o.o., Polkowice Dolne/PL	PLN	5 000 000	100.00
Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00
Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00
Oerlikon Balzers Coating Spain S.A.U., Antzuola/ES	EUR	150 300	100.00
Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK	GBP	2 000 000	99.99
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	99.99
Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	30 662 100	99.99
Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00
Oerlikon Deutschland Holding GmbH, Köln/DE	EUR	30 680 000	6.00
Oerlikon Drive Systems GmbH, Pfäffikon, Freienbach SZ/CH (formerly Oerlikon Licensing Arbon GmbH)	CHF	20 000	100.00
Oerlikon France Holding SAS, Saint-Thibault-des-Vignes/FR	EUR	4 000 000	100.00
Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	500 000	100.00
Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW	TWD	20 000 000	100.00
Oerlikon (Liechtenstein) Holding AG, Balzers/LI	CHF	120 000	100.00
Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00
Oerlikon Trading AG, Trübbach, Wartau/CH	CHF	8 000 000	100.00
Oerlikon USA Holding Inc., Wilmington, DE/US	USD	40 234 000	62.00
Oerlikon Vermögens-Verwaltungs GmbH, Köln/DE	EUR	25 000	100.00
OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00
OT Textile Verwaltungs GmbH, Arbon/CH	CHF	20 000	100.00
PT. Oerlikon Balzers Artoda Indonesia, Bekasi/ID	IDR	18 000 000 000	42.00
Unaxis GmbH, Freienbach SZ/CH	CHF	20 000	90.00

Changes in equity of OC Oerlikon Corporation AG, Pfäffikon

in CHF million	Share capital	General legal reserves	Reserves from capital contributions	Reserves for treasury shares	Free reserves	Retained earnings	Total shareholders' equity
Balance at January 1, 2011	**323.0**	**196.8**	**–**	**1.5**	**1 344.0**	**165.2**	**2 030.5**
Changes in capital increase	0.1	–	0.2	–	–	–	0.3
Changes in reserves from capital contributions	–	–126.2	1 176.3	–	–1 050.1	–	–
Changes in reserves for treasury shares	–	–	–	2.0	–	–2.0	–
Net income 2011	–	–	–	–	–	17.0	17.0
Balance at December 31, 2011	**323.1**	**70.6**	**1 176.5**	**3.5**	**293.9**	**180.1**	**2 047.7**
Changes in capital increase	2.9	–	14.0	–	–	–	16.9
Changes in reserves for treasury shares	–	–	–	4.4	–	–4.4	–
Dividend payment	–	–	–64.5	–	–	–	–64.5
Net income 2012	–	–	–	–	–	188.7	188.7
Balance at December 31, 2012	**326.0**	**70.6**	**1 126.0**	**7.9**	**293.9**	**364.4**	**2 188.8**
Changes in capital increase	8.6	–	42.8	–	–	–	51.4
Changes in reserves for treasury shares	–	–	–	2.5	–	–2.5	–
Dividend payment	–	–	–82.7	–	–	–	–82.7
Net income 2013	–	–	–	–	–	190.8	190.8
Balance at December 31, 2013	**334.6**	**70.6**	**1 086.1**	**10.4**	**293.9**	**552.7**	**2 348.3**

Proposal of the Board of Directors

The available earnings amount to:

in CHF	**2013**
Balance brought forward from previous year	364 373 831
Net income 2013	190 750 852
Release in reserves for treasury shares	–2 420 346
Available earnings	552 704 337

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	552 704 337

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 0.27 on dividend bearing shares with a nominal value of CHF 1.00 each	92 000 000

The company will not pay dividend on treasury shares held by OC Oerlikon Corporation AG. The proposed dividend includes the maximum number of shares which could be issued from the conditional capital, as a result of the exercise of warrants, before the date of dividend payments.

Pfäffikon SZ, February 21, 2014

On behalf of the Board of Directors
Chairman

Tim Summers

Report of the statutory auditor

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 statutory financial statements of OC Oerlikon Corporation AG, Pfäffikon, which comprise the income statement, balance sheet and notes on pages 148 to 153 for the year ended December 31, 2013.

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, 2013 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	Toni Wattenhofer
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, February 21, 2014

Legal structure

Legal structure of significant companies as at December 31, 2013

OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH

- InnoDisc AG, Windisch/CH
- OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH
- OC Oerlikon Services AG, Pfäffikon, Freienbach SZ/CH (vormals Saurer Management AG)
- OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach SZ/CH (vormals Saurer AG)
  - OC Oerlikon Textile Schweiz AG, Pfäffikon, Freienbach SZ/CH (vormals Oerlikon Saurer Arbon AG)
    - Oerlikon Textile China Investments Ltd., Hongkong/CN
      - Oerlikon (China) Technology Co. Ltd., Suzhou/CN
      - Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN
  - W. Reiners Verwaltungs-GmbH, Remscheid/DE
    - Oerlikon Textile GmbH & Co. KG, Remscheid/DE
      - BB Engineering GmbH, Remscheid/DE
      - Oerlikon Deutschland Holding GmbH, Köln/DE
        - Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE
        - Oerlikon Balzers Coating Germany GmbH, Bingen/DE
        - Oerlikon Balzers Hartec GmbH, Stetten am kalten Markt/DE
        - Oerlikon Deutschland Vertriebs GmbH, Aschheim/DE
        - Oerlikon Leybold Vacuum GmbH, Köln/DE
          - Oerlikon Leybold Vacuo Do Brasil LTDA, Jundiaí, SP/BR
          - Oerlikon Leybold Vacuum Equipment (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, Zürich/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/UK
        - Oerlikon Leybold Vacuum Korea Ltd., Cheonan/KR
        - Oerlikon Real Estate GmbH, Köln/DE
      - Oerlikon Textile Far East Ltd., Hongkong/CN
        - Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN
      - Oerlikon Textile India Pvt. Ltd., Mumbai/IN
  - Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR
  - Oerlikon Textile Trading and Services Ltd., Hongkong/CN
  - SAC Oerlikon Automotive Components B.V., Rotterdam/NL (vormals SAC Saurer Automotive Components B.V.)
    - Oerlikon Graziano Group S.p.A., Torino/IT
      - Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT
        - Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN
        - Graziano Trasmissioni UK Ltd., St. Neots/UK
        - Vocis Limited, Warwick/UK
  - Oerlikon Group Investments Ltd., George Town/KY (vormals Saurer Group Investments Ltd.)
- Oerlikon Balzers Coating India Pvt. Ltd., Pune/IN
- Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
- Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH
- Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT
- Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT
- Oerlikon Balzers Coating Spain S.A.U, Antzuola/ES
- 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 Coating SA, Brügg, Brügg/CH
- Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG
- Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK
- Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR
- Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR
- Oerlikon Balzers Sandvik Coating AB, Stockholm/SE
  - Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI
- Oerlikon Drive Systems GmbH, Pfäffikon, Freienbach SZ/CH (vormals Oerlikon Licensing Arbon GmbH)
  - Transmission Trading Ltd., Hongkong/CN
    - Oerlikon Drive Systems (Suzhou) Co. Ltd., Suzhou/CN
- Oerlikon France Holding SAS, St. Thibault des Vignes/FR
  - Oerlikon Balzers Coating France SAS, St. Thibault des Vignes/FR
- Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH

Legal Structure of significant companies as at December 31, 2013

– Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW
– Oerlikon (Liechtenstein) Holding AG, Balzers/LI
· Oerlikon Advanced Technologies AG, Balzers/LI
· Oerlikon Balzers Coating AG, Balzers/LI
· OC Oerlikon Balzers AG, Balzers/LI
– Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP
– Oerlikon Trading AG, Trübbach, Wartau/CH
· Oerlikon Balzers Coating Malaysia Sdn. Bhd., Kuala Lumpur/MY
· Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX
· Oerlikon Balzers Coating Philippines Inc., Muntinlupa/PH
– Oerlikon USA Holding Inc., Wilmington, DE/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 Balzers Coating USA Inc., Wilmington, DE/US
· Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US
· Oerlikon Management USA Inc., Pittsburgh, PA/US
· Oerlikon Textile Inc., Charlotte, NC/US
· Oerlikon USA Inc., Plantation, FL/US
– Oerlikon Vermögens-Verwaltungs GmbH, Köln/DE
– OOO Oerlikon Balzers Rus, Elektrostal/RU
– OT Textile Verwaltungs GmbH, Arbon/CH
– Unaxis GmbH, Freienbach SZ/CH
· Oerlikon Rus LLC, Moskau/RU

Financial calendar

February 25, 2014
Annual Results 2013 and Annual Report 2013

April 15, 2014
Annual General Meeting of Shareholders, Lucerne

April 29, 2014
Q1 Results 2014

August 5, 2014
Q2/HY Results 2014 and Half-Year Report 2014

October 28, 2014
Q3 Results/9M 2014

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

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PERFORMANCE
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