

Key sectors

Automotive

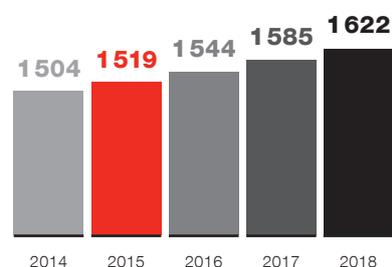
The automotive sector saw some growth in 2015 spurred on by low oil prices. However, recent economic uncertainty in China, the largest automotive market, and softness in Europe negatively impacted the general market, which is likely to continue in 2016. All three Oerlikon Segments deliver products and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

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

The demand for higher fuel efficiency, smaller engines and lower emissions are key drivers behind automotive technologies. Oerlikon's surface solutions allow the use of new and lighter materials, improve key components' efficiency and increase the resistance and durability of ever smaller parts. In the newly opened automotive competence center in Slovakia, the Surface Solutions Segment aims to coat 28 million engine parts for the European automotive industry by 2018. It also plans to invest in two new

automotive competence centers in the USA and one in China. Winning Zanini Auto Group, an automotive exterior and interior parts' supplier, as a customer for its eco-friendly chrome-replacement ePD technology has opened up further opportunities for the Segment in this sector.

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



Targeted market size in the automotive sector*
in CHF million

* Oerlikon estimates

1 519 million

targeted market size in 2015 (CHF)

Aviation

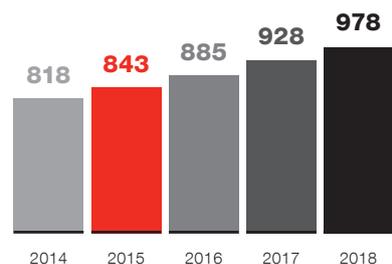
Boosted by increases in passenger and cargo movements, the commercial aviation market continued to grow in 2015. The Surface Solutions Segment delivers technologies for airplane components such as engine pylons, turbine blades and landing gear systems and generated 12 % of its 2015 sales from this sector.

Backlogs at Airbus and Boeing reportedly represent eight years of future production. Coupled with China's recent entry as a large airplane manufacturer, this market is expected to grow over 4 % in 2016¹. Oerlikon's targeted market size in this sector is forecasted to grow at a CAGR of 5.1 % from 2015 to 2018.

New and improved technologies are going to be even more important in the design and production of next-generation aircrafts. In particular, future airplanes will need lighter yet durable materials, have engines that run efficiently at even higher temperatures, be fuel efficient, have lower carbon footprints and generate higher ROI to airlines. Innovative surface treatments will play a key role here. For instance, the Surface Solutions Segment developed in 2015 a new erosion protection coating to reduce solid particle erosion in aircraft compressor blades, thereby improving efficiency

in that critical jet engine part. BALINIT DIAMOND, another product from the Segment, enables cutting tools to be extremely wear-resistant, sharp and smooth as required for the processing of carbon-fiber reinforced plastics (CFRP) that are increasingly used in aviation. The Segment's additive manufacturing (AM) offering is also another area with promising applications in this sector. The Manmade Fibers Segment also delivers production systems that make the fibers used in aircraft carpets and upholstery.

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



Targeted market size in the aviation sector*
in CHF million

* Oerlikon estimates

843 million

targeted market size in 2015 (CHF)

Energy

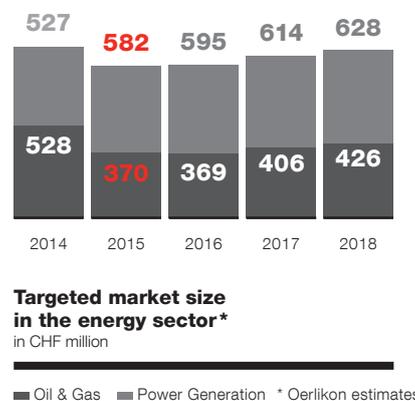
New crude supply in the U.S. and continued strong supply from OPEC and Russia contributed to a global oil glut in 2015. As a result, major oil companies slashed investments in exploration and production. The mining market was also weak in 2015 due to cuts in capital spending as a result of falling commodity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

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

The Surface Solutions Segment sees promising opportunities in the alternative energy market as its surface solutions enable turbines used in wind farms and hydroelectric dams to withstand higher stresses. In oil & gas, the recent acquisition of the business of Laser Cladding Services adds to the expertise of

the Segment in laser cladding and expands opportunities in the U.S. energy market. Laser cladding improves the corrosion resistance in the base metals used in turbine blades, drilling equipment and pump components, an important benefit at a time of intense cost reduction throughout the sector.

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



952 million

targeted market size in 2015 (CHF)

Tooling

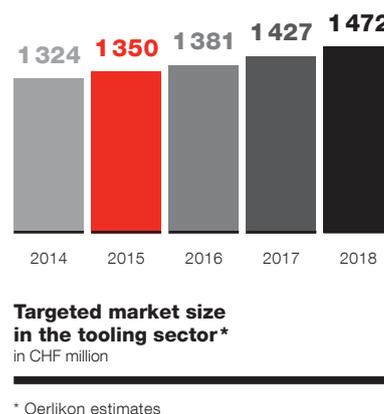
Machine tools constitute a major indicator of the health of the manufacturing sector. In 2015, the tooling industry saw slight growth despite a decline in capital investment in manufacturing due to reduced oil and other commodity prices, as well as the slowdown in China and Brazil. The Surface Solutions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

Over the next four years, the tooling market is estimated to grow by around 6% worldwide¹, driven by demand for new equipment, for the replacement of older machines and the need for higher performance tools. Oerlikon's targeted market size for tooling is projected to grow at a CAGR of 2.9% from 2015 to 2018.

Technologically, manufacturers need tools that improve production processes, enhance flexibility, efficiency and quality, and thereby lead to time and cost savings. These are the benefits that Oerlikon's surface coatings deliver. The Surface Solutions Segment provides wear-protection treatments that significantly improve performance and service life of tools used in cutting, metal forming, plastics processing and die casting that must

function in increasingly harsh environments while requiring higher performance. The Segment's solutions are used for machining aluminum alloys and other non-ferrous metals, e.g. they are used in metal forming processes such as stamping and punching so that the tools will retain their form under heavy use, and also in casting where molds are treated to enhance hardness and thermal and chemical stability. The potential to combine additive manufacturing with more traditional processes presents further opportunities in the tooling market.

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



1 350 million

targeted market size in 2015 (CHF)

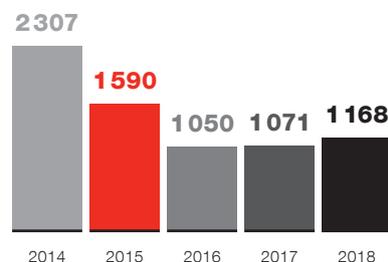
Apparels & industrial textiles equipment

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

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

The Manmade Fibers Segment will protect its market and technology leadership position in this sector through innovations, improving services to customers and penetrating adjacent markets. In line with this, in 2015, the Segment opened a new

technology center in Chemnitz, Germany and introduced innovations such as RoTac³, a cost and energy-saving carpet yarn finishing process that requires up to 50% less compressed air in carpet yarn production. It also improved its proximity to better serve US customers with a new service center in Dalton, Georgia, USA. In the adjacent market for polycondensation, a business with good market potential, the Segment's joint venture with Huitong Chemical, China's first polycondensation system manufacturing company, has created the only company in the world that can offer a single source solution, from continuous polycondensation to finished end products in chemical fiber spinning or PET bottle-grade material.



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

* Oerlikon estimates

1 590 million

targeted market size in 2015 (CHF)

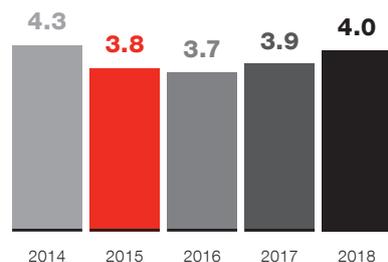
Agriculture

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

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

Technologically, this market needs solutions that can deliver higher productivity, energy efficiency and sustainability in food production. The ongoing market opportunity in agriculture for the Drive Systems Segment is based on its broad range of agricultural machinery applications, such as high-performance gears, which enable equipment manufacturers to improve efficiency, durability and performance. In 2015, the Segment introduced the new Torque Hub, a unique solution for modern

agricultural sprayers that improves the safety, reliability and efficiency in larger and higher speed machines. Another technological advancement in 2015 was the development of differential housings and bevel sets coated with BALINIT CROMA, in cooperation with the Surface Solutions Segment, thus improving the mechanical features of the components used in agriculture machinery. The Drive Systems Segment will also continue to improve its services to customers. In 2015, it inaugurated its third plant in India to better serve agriculture customers with its offering of transmission synchronizers and CVT transmissions for tractors.



Targeted market size in the agriculture sector*
in CHF billion

* Oerlikon estimates

3.8 billion

targeted market size in 2015 (CHF)

Key markets by regions

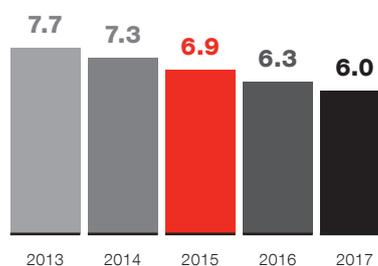
China

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

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

China remains an important and attractive market for Oerlikon over the medium to long term, where it enjoys a good standing thanks to its leading technologies and its established trusted relationships with key customers and the relevant industrial associations. In particular, the Manmade Fibers Segment, which generates over 60% of its sales in China, is a well-respected partner for the textile and apparel sector. For many years, it has been a VIP participant at the China Annual Textile Round Table Forum,

organized by the CNTAC (China National Textile and Apparel Council). In the business of polycondensation, the Segment has also laid a strong foundation for potential growth through its joint venture with China's Huitong Chemical, creating the only company in the world to offer comprehensive industrial solutions, from continuous polycondensation to finished end products in chemical fiber spinning or PET bottle-grade material. The Chinese automotive market is another sector where the Group enjoys strong relationships with major domestic players, such as Dongfeng Motor, one of the largest Chinese automobile manufacturers. In 2015, the Group held an "Innovation Technology" and "Advanced Manufacturing" event with Dongfeng, featuring both its surface solutions and drive systems technologies.



China's GDP development*
in %

* Reported and estimated by the IMF

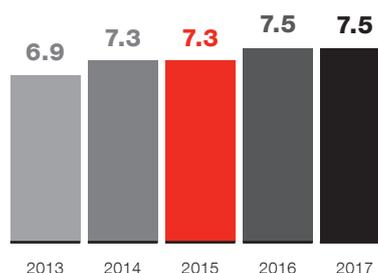
India

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

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

The activities of Oerlikon in India, as in China, are focused mainly on serving customers based domestically. The Surface Solutions Segment, which has a regional network of 10 service and production centers, is expanding in step with the longer term growth of the automotive industry. With the opening of its third plant in Sanard, in the state of Gujarat, the Drive Systems Segment has increased its production capacity to better serve automotive customers with a range of high-tech products, from

transmission synchronizers to assemblies for full and final transmissions, including continuously variable transmissions for agricultural tractors, transaxles for leisure vehicles and axles for wheeled loaders and other on- and off-road applications. Given India's growth in the textile industry, this market is gaining importance for the Manmade Fibers Segment, which has been operating in the country for more than thirty years. To reinforce its foothold in India, in 2015 the Segment began the construction of a new customer service center in Vadodara (former Baroda).



India's GDP development*
in %

* Reported and estimated by the IMF

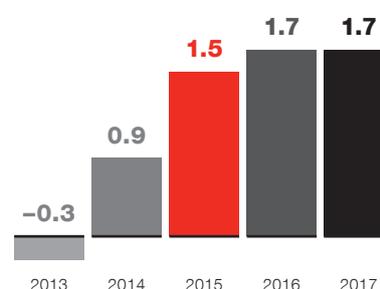
Europe

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

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

Europe is and will remain Oerlikon's most important region in terms of share of the Group's revenue and is also a vital research and development hub for Oerlikon – in which the Group continues to strongly invest in order to protect its technology and market competitiveness. In 2015, the Manmade Fibers Segment opened

a new technology center in Chemnitz, Germany for the development and testing primarily of extrusion systems for tapes and monofilaments along with take-up heads and inline texturing devices, twisting machines and carbon fiber winders. The Surface Solutions Segment also strengthened its presence in Europe with the opening of its first automotive competence center in Slovakia. Italy remains a main hub for the Drive Systems Segment, where it continues to develop and produce innovative solutions for passenger, hybrid and electric vehicles, as well as for customers in the agricultural, oil & gas and construction sectors.



Europe's GDP development*
in %

* Reported and estimated by the IMF (Euro Area)

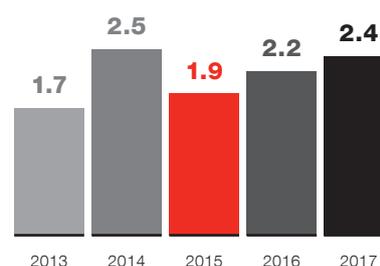
Americas

After a slow start, the US economy regained momentum thanks to domestic consumption and labor markets. Its GDP grew 2.5% according to the IMF. The Canadian economy contracted in the first half of 2015 as oil prices fell sharply, but managed 1.2% growth for the full year. South America continued to decelerate, mainly due to weak commodity prices hurting investments, and contracted 0.3% in 2015 according to the Economic Commission for Latin America and the Caribbean. In 2015, Oerlikon generated 19% of its sales in North America, where it employed more than 1850 employees at 38 sites.

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

Oerlikon sees growth potential in the Americas for all three Segments. The Surface Solutions Segment currently operates a network of 33 service and production centers, and is a major supplier to the US automotive, aerospace, energy and food sectors. In 2015, the Segment opened its first technology service center in Guelph, Ontario, Canada, offering solutions from both

Oerlikon Balzers and Oerlikon Metco for the automotive and aviation industries. The Segment acquired the business of Laser Cladding Services in Houston, Texas, to strengthen its offering for the energy industry. Based in North Carolina, the Manmade Fibers Segment serves mainly manufacturers of bulk continuous filaments (BCF) for carpet production. The Drive Systems Segment develops and produces drives and transmissions for the agriculture, construction, oil & gas and mining sectors from Indiana. In South America, all three Segments operate primarily in Brazil. In 2015, the Drive Systems Segment expanded its network through partners in Argentina, Chile, Colombia and Peru, focusing on the industrial, off-highway, construction and agricultural sectors.



North America's GDP development*
in %

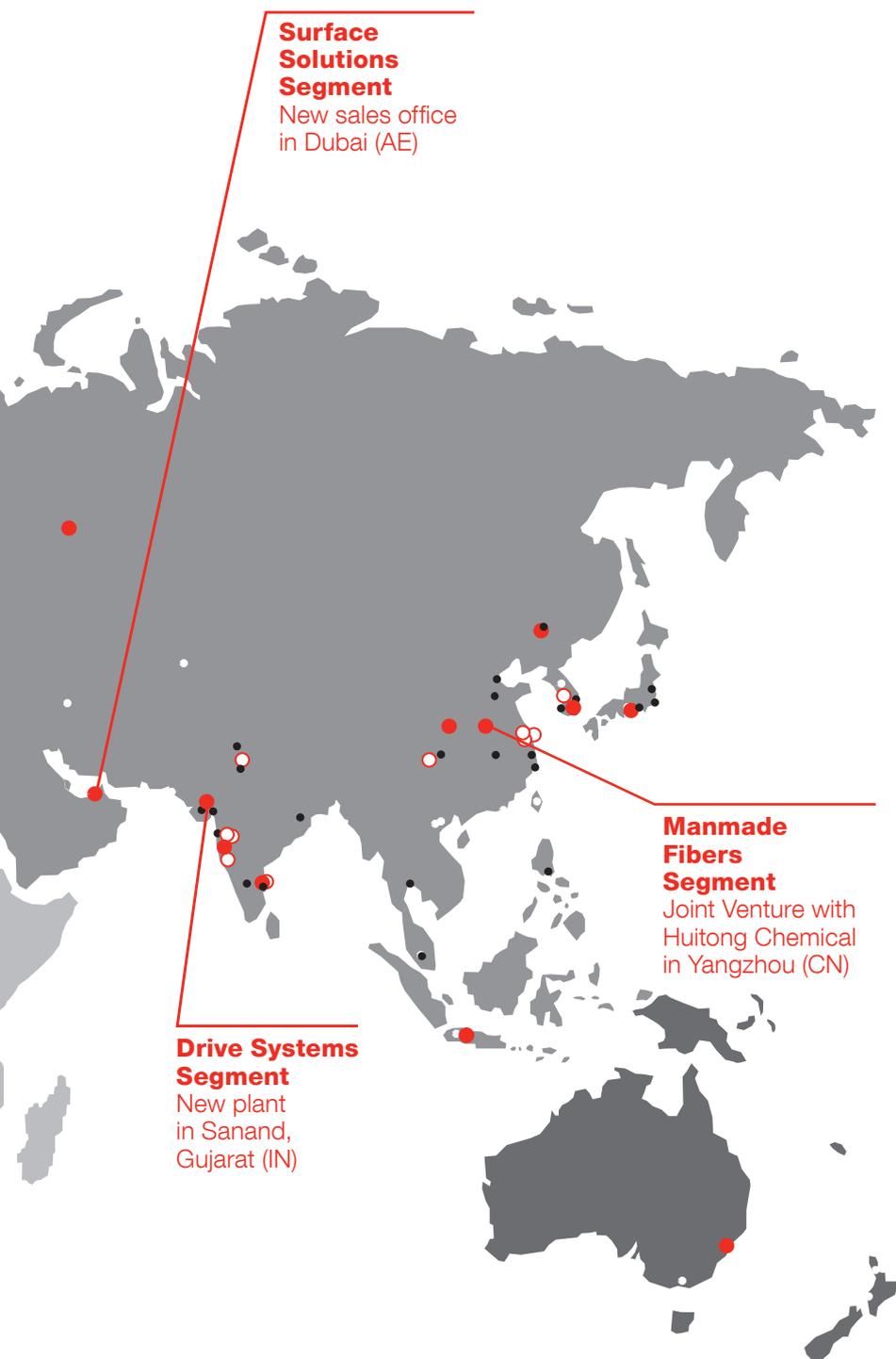
* Reported and estimated by the IMF (Canada & USA)

Our global presence¹



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

¹ Continuing operations.



58 sites in Asia

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

83 sites in Europe

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

38 sites in the Americas

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

52 production and R&D sites

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

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