

# **OC Oerlikon Corporation AG, Pfäffikon**

## Income statement of OC Oerlikon Corporation AG, Pfäffikon

in CHF	Notes	2015	2014
Income from investments	3.1	116 521 449	64 418 618
Financial income	3.2	20 293 447	18 517 267
Other income	3.3	47 165 145	51 192 209 *
<b>Total income</b>		<b>183 980 041</b>	<b>134 128 094</b>
Financial expense	3.4	-65 675 835	-33 756 372
Personnel expense		-1 758 078	-2 510 096 *
Other expense	3.5	-29 626 643	-41 298 357 *
<b>Result before taxes and adjustment on loans and investments</b>		<b>86 919 485</b>	<b>56 563 269</b>
Valuation adjustments on loans and investments	3.6	-195 746 430	-8 490 496
<b>Result before taxes</b>		<b>-108 826 945</b>	<b>48 072 773</b>
Direct taxes		-162 697	-142 079 *
<b>Result for the year</b>		<b>-108 989 642</b>	<b>47 930 694</b>

\* The previous year's figures were adjusted to the new structure (refer to Note 1.1 "General aspects").

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

**Assets**

in CHF	Notes	2015	%	2014	%
Cash and cash equivalents	2.1	616 160 746	17.2	603 671 594	15.8
Receivables					
– from third parties		180 925	0.0	394 912	0.0
– from companies in which the entity holds an investment	2.2	655 317 472	18.3	745 954 354	19.4 *
Other current receivables		–	0.0	9 343 839	0.2
Prepaid expenses and accrued income		344 778	0.0	643 291	0.0
<b>Current assets</b>		<b>1 272 003 921</b>	<b>35.5</b>	<b>1 360 007 990</b>	<b>35.4</b>
Non-current financial assets					
– from third parties		289 620	0.0	448 747	0.0
– from companies in which the entity holds an investment	2.3	575 210 984	16.1	709 763 307	18.5 *
Investments	2.4	1 732 261 588	48.4	1 766 789 584	46.1
<b>Non-current assets</b>		<b>2 307 762 192</b>	<b>64.5</b>	<b>2 477 001 638</b>	<b>64.6</b>
<b>Total assets</b>		<b>3 579 766 113</b>	<b>100.0</b>	<b>3 837 009 628</b>	<b>100.0</b>

**Liabilities and equity**

in CHF	Notes	2015	%	2014	%
Current interest-bearing payables					
– due to third parties	2.5	300 000 000	8.3	–	0.0
– due to companies in which the entity holds an investment	2.6	234 308 362	6.6	306 509 035	8.0 *
Current payables					
– due to third parties		243 671	0.0	244 207	0.1
– due to companies in which the entity holds an investment		146 338	0.0	518 966	0.1 *
Accrued liabilities and deferred income		20 606 927	0.7	27 382 141	0.7 *
<b>Current liabilities</b>		<b>555 305 298</b>	<b>15.6</b>	<b>334 654 349</b>	<b>8.9</b>
Non-current interest-bearing payables					
– due to third parties	2.7	450 000 000	12.5	750 000 000	19.4
– due to companies in which the entity holds an investment	2.8	404 163 924	11.3	372 706 525	9.8
Provisions	2.9	50 117 482	1.3	57 854 615	1.5 *
<b>Non-current liabilities</b>		<b>904 281 406</b>	<b>25.1</b>	<b>1 180 561 140</b>	<b>30.7</b>
<b>Total liabilities</b>		<b>1 459 586 704</b>	<b>40.7</b>	<b>1 515 215 489</b>	<b>39.6</b>
Share capital	2.10	339 758 576	9.5	339 758 576	8.9
Legal capital reserves					
– Reserves from capital contributions	2.11	919 799 445	25.7	1 021 385 622	26.6
Legal retained earnings					
– General legal retained earnings		70 593 765	2.0	70 593 765	1.8
Voluntary retained earnings					
– Free reserves and statutory reserves		293 910 850	8.2	293 910 850	7.7
– Available earnings					
– Profit brought forward		610 980 916	17.1	563 062 009	14.6 *
– Result for the year		–108 989 642	–3.0	47 930 694	1.2
Treasury shares	2.12	–5 874 501	–0.2	–14 847 377	–0.4 *
<b>Total equity</b>		<b>2 120 179 409</b>	<b>59.3</b>	<b>2 321 794 139</b>	<b>60.4</b>
<b>Total liabilities and equity</b>		<b>3 579 766 113</b>	<b>100.0</b>	<b>3 837 009 628</b>	<b>100.0</b>

\* The previous year's figures were adjusted to the new structure (refer to Note 1.1 "General aspects").

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

### Principles (1)

#### General aspects (1.1)

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. Certain reclassifications have been made to the 2014 balance sheet and income statement to conform to the 2015 presentation. The respective positions have been marked with an asterisk (\*).

#### Financial assets (1.2)

Financial assets include non-current loans from third parties and from companies in which the entity holds an investment. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized profits are not recognized.

#### Treasury shares (1.3)

Treasury shares are recognized at acquisition cost and deducted from shareholder's equity at the time of acquisition. In case of a resale, the gain or loss is recognized directly in the equity in the position profit brought forward.

#### Non-current interest-bearing payables (1.4)

Interest-bearing payables are recognized in the balance sheet at nominal value.

#### Foregoing a cash flow statement and additional disclosures in the notes (1.5)

As OC Oerlikon Corporation AG, Pfäffikon, has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing payables and audit fees in the notes as well as a cash flow statement in accordance with the law.

#### Information on balance sheet items (2)

##### Cash and cash equivalents (2.1)

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

##### Current receivables from companies in which the entity holds an investment (2.2)

The current receivables from companies in which the entity holds an investment consists mainly cash pool deposits in Swiss francs, Euros and US dollars.

##### Non-current financial assets from companies in which the entity holds an investment (2.3)

The non-current financial assets from companies in which the entity holds an investment consists mainly of non-current deposits in Swiss francs, Euros and US dollars. A subordination agreement in the amount of CHF 88.8 million has been issued to a group company.

##### Investments (2.4)

OC Oerlikon Corporation AG, Pfäffikon, holds on the balance sheet date significant investments which are listed in the table on page 135. These investments are recorded at historical costs less any valuation adjustments.

#### Current interest-bearing payables due to third parties (2.5)

The current interest-bearing payables due to third parties contains a current bond.

##### Conditions on outstanding bond:

	CHF thousand
	<b>2012-2016</b>
Nominal value at December 31, 2015	300 000
Nominal value at December 31, 2014	300 000
Interest	4.250%
Duration in years	4
<b>Maturity</b>	<b>July 13, 2016</b>

Additional information about the bond can be found in Note 18 of the Group's consolidated financial statements on pages 107 and 108.

#### Current interest-bearing payables due to companies in which the entity holds an investment (2.6)

The current interest-bearing payables due to companies in which the entity holds an investment contains mainly cash pool debts in Swiss francs, Euros and US dollars.

#### Non-current interest-bearing payables due to third parties (2.7)

The non-current interest-bearing payables due to third parties contains the following non-current bonds.

##### Conditions on outstanding bonds:

	CHF thousand	CHF thousand
	<b>2014-2019</b>	<b>2014-2024</b>
Nominal value at December 31, 2015	300 000	150 000
Nominal value at December 31, 2014	300 000	150 000
Interest	1.250%	2.625%
Duration in years	5	10
<b>Maturity</b>	<b>June 17, 2019</b>	<b>June 17, 2024</b>

Additional information about the bonds can be found in Note 18 of the Group's consolidated financial statements on pages 107 and 108.

#### Non-current interest-bearing payables due to companies in which the entity holds an investment (2.8)

The non-current interest-bearing payables due to companies in which the entity holds an investment contains long-term loans, mainly in Swiss francs, Euros, Hong Kong dollars, and Chinese yuan.

#### Provisions (2.9)

Provisions cover mainly risks related to investments and other risks.

#### Share capital (2.10)

The share capital of CHF 339 758 576 (previous year: CHF 339 758 576) consists of 339 758 576 (previous year: 339 758 576) registered shares, each with a par value of CHF 1.00. On December 31, 2015, conditional capital amounted to CHF 47 200 000 (previous year: CHF 47 540 353).

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

**Reserves from capital contributions (2.11)**

OC Oerlikon Corporation AG, Pfäffikon, shows as of December 31, 2015, reserves from capital contributions of CHF 919 799 445. Thereof CHF 268 706 303 are not yet available for distribution due to the current practice of the Swiss Federal Tax Authorities. Dividend distributions can be done out of available reserves from capital contribution first. Available reserves from capital contributions amount to CHF 651 093 142. In 2015, the value of available reserves from capital contributions has changed due to dividend payment of CHF 101 581 892 and legal fees of CHF 4 285.

**Reserves from capital contributions:**

in CHF	available	not available yet	Total
Balance at January 1, 2015	752 679 319	268 706 303	1 021 385 622
Dividend payment	-101 581 892	-	-101 581 892
Legal fees	-4 285	-	-4 285
<b>Balance at December 31, 2015</b>	<b>651 093 142</b>	<b>268 706 303</b>	<b>919 799 445</b>

**Treasury shares (2.12)**

Treasury shares are shown directly in equity. All reserves for treasury shares were reversed at January 1, 2015.

in CHF	Amount	Number of treasury shares	Lowest rate	Highest rate	Average rate of treasury shares
Balance at January 1, 2015	14 847 377	1 208 319	-	-	-
Acquisitions	1 563 126	146 247	8.716	12.379	10.548
Allocation to board members	-688 695	-56 048	-	-	12.288
Allocation to management	-9 847 307	-801 402	-	-	12.288
Balance at December 31, 2015	5 874 501	497 116	-	-	-

in CHF	Amount	Number of treasury shares	Lowest rate	Highest rate	Average rate of treasury shares
Balance at January 1, 2014	10 357 673	944 902	-	-	-
Acquisitions	13 642 618	1 059 364	11.450	15.342	13.396
Allocation to warrant holders	-4 093 224	-355 951	-	-	11.499
Allocation to board members	-727 452	-63 260	-	-	14.200
Allocation to management	-4 332 238	-376 736	-	-	14.200
Balance at December 31, 2014	14 847 377	1 208 319	-	-	-

**Information on income statement items (3)****Income from investments (3.1)**

The income from investments consists only of dividend incomes from companies in which the entity holds an investment.

**Financial income (3.2)**

Financial income mainly includes interest incomes from loans from companies in which the entity holds an investment.

**Other income (3.3)**

Other income consists mainly of trademark fees.

**Financial expense (3.4)**

Financial expense includes interest expenses due to companies in which the entity holds an investment and due to third parties as well as net exchange losses.

**Other expense (3.5)**

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

**Valuation adjustments on loans and investments (3.6)**

The valuation adjustments on loans and investments result from the weakness in key markets, impacting the medium-to-long-term outlook in Segment Drive Systems and the principle of individual valuation required by Swiss Law on Accounting and Financial Reporting.

**Other information (4)****Joint and several liability in favor of group companies (4.1)****VAT group**

OC Oerlikon Corporation AG, Pfäffikon, belongs to a VAT group and therefore all participants are jointly liable to the Swiss Federal Tax Administration for the value added tax debts of the whole group.

**Cash Pooling group**

All participants are jointly liable for any liabilities related to the Cash Pooling.

**Full-time equivalents (4.2)**

OC Oerlikon Corporation AG, Pfäffikon, does not have any employees.

**Contingent liabilities (4.3)**

The contingent liabilities relate primarily to corporate guarantees and bank guarantees in favor of companies in which the entity holds an investment and amount to CHF 256 million (previous year: CHF 324 million).

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

### Significant shareholders (4.4)

Significant shareholders registered as holding more than 5 % of the shares as at December 31, 2015, were:

#### Share ownership<sup>1</sup>

Shareholder	2015		2014	
	Number of shares	in %	Number of shares	in %
Renova Group <sup>2</sup>	146 222 889	43.04 %	144 764 860	42.61 %

<sup>1</sup> Source: disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published on December 17, 2015).

<sup>2</sup> Beneficial owner (as per disclosure notification): Viktor V. Vekselberg, Zug and Moscow, Renova Group is composed of Liwet Holding AG, Zürich, Schweiz; Renova Innovation Technologies Ltd., Nassau, Bahamas and Lamesa Holding S.A., Panama, Republic of Panama.

### Equity owned by Executive Committee and the Board of Directors, including any related parties (4.5)

#### Members of the Board of Directors:

	2015		2014	
	Number of shares	Number of shares	Number of shares	Number of shares
Prof. Dr. Michael Süss (since April 8, 2015)	none	none	none	none
Dr. Mary Gresens (since April 8, 2015)	none	none	none	none
Mikhail Lifshitz	15 004	7 917	15 004	7 917
Gerhard Pegam	15 004	7 917	15 004	7 917
Johan Van de Steen (since April 8, 2015)	none	none	none	none
Hans Ziegler	194 105	185 246	194 105	185 246
Tim Summers (until April 8, 2015)	none	77 844	none	77 844
Kurt J. Hausheer (until April 8, 2015)	8 100	194 508	8 100	194 508
Carl Stadelhofer (until April 8, 2015)	200	143 705	200	143 705
<b>Total</b>	<b>232 413</b>	<b>617 137</b>	<b>232 413</b>	<b>617 137</b>

Prof. Dr. Michael Süss (Chairman), Mikhail Lifshitz (Board Member) and Johan Van de Steen (Board Member) are also in senior positions at Renova Group. Prof. Dr. Süss is a Director of Renova Management AG. Mr. Lifshitz is Director High-tech Assets Business Development of the Renova Group, CEO of ROTEC and Chairman of the Board of Ural Turbine Works. Mr. Van de Steen is Head of Portfolio at Renova Management AG. The 200 shares of Mr. Stadelhofer are held by a related party.

### Members of the Executive Committee:

	2015		2014	
	Number of shares	Number of shares	Number of shares	Number of shares
Dr. Brice Koch	120 124	31 851	120 124	31 851
Jürg Fedier	450 270	350 849	450 270	350 849
Dr. Martin Füllenbach	2 594	none	2 594	none
Dr. Roland Herb	13 001	3 656	13 001	3 656
Dr. Bernd Matthes	16 709	none	16 709	none
Georg Stausberg	none	none	none	none
Dr. Hans Brändle (until June 2, 2014)	none	40 000	none	40 000
Stefan Kross (until December 31, 2014)	none	39 561	none	39 561
Andreas Dill (until February 2, 2015)	24 890	8 541	24 890	8 541
<b>Total</b>	<b>627 588</b>	<b>474 458</b>	<b>627 588</b>	<b>474 458</b>

None of the members of the Board or Management hold conversion or option rights.

### Shares or options on shares for members of the Board of Directors, Executive Committee and Senior Management (4.6)

Shares or options on shares are used for share-based compensation of members of the Board of Directors compensated by OC Oerlikon Corporation AG, Pfäffikon, as well as of the Executive Committee and Senior Management employed by other companies of the group. The number of shares is calculated based on fair value at grant date.

The allocation was as follows:

in CHF thousand	2015		2014	
	Number of shares	Amount	Number of shares	Amount
Allocated to authorized members	781 381	8 972	946 642	13 489

For year 2015 781 381 shares are allocated in total and the granted value for share-based-programms amounts to CHF 9.0 million. Thereof, 76 049 allocated shares and a granted value of CHF 0.9 million relates to the Board of Directors. Another 362 635 allocated shares and a granted value of CHF 4.6 million is attributed for the Executive Committee.

For year 2014 946 642 shares are allocated in total and the granted value for share-based-programms amounts to CHF 13.5 million. Thereof, 64 139 allocated shares and a granted value of CHF 0.9 million relates to the Board of Directors. Another 579 822 allocated shares and a granted value of CHF 8.0 million is attributed for the Executive Committee.

### Significant events after the balance sheet date (4.7)

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

## Investments

Company	Place of business	Currency	2015	2014	2015	2014
			Share Capital	Share Capital	Capital and share of votes in %	Capital and share of votes in %
InnoDisc AG	Windisch AG/CH	CHF	100 000	100 000	100.00	100.00
OC Oerlikon Management AG, Pfäffikon	Freienbach SZ/CH	CHF	2 000 000	2 000 000	100.00	100.00
OC Oerlikon Textile Holding AG, Pfäffikon	Freienbach SZ/CH	CHF	112 019 600	112 019 600	100.00	100.00
Oerlikon Balzers Coating India Ltd.	Pune/IN	INR	70 000 000	70 000 000	78.40	78.40
Oerlikon Balzers Coating (Thailand) Co. Ltd.	Chonburi/TH	THB	80 000 000	80 000 000	99.99	99.99
Oerlikon Balzers Coating Korea Co. Ltd.	Pyongtaek/KR	KRW	6 300 000 000	6 300 000 000	89.10	89.10
Oerlikon Balzers Coating Luxembourg S.à.r.l.	Differdange-Niedercoorn/LU	EUR	1 000 000	1 000 000	60.00	60.00
Oerlikon Balzers Coating Poland Sp. z o.o.	Polkowice Dolne/PL	PLN	5 000 000	5 000 000	100.00	100.00
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi	Bursa/TR	TRY	2 500 000	2 500 000	99.99	99.99
Oerlikon Balzers Sandvik Coating AB	Stockholm/SE	SEK	11 600 000	11 600 000	51.00	51.00
Oerlikon Deutschland Holding GmbH	Cologne/DE	EUR	30 680 000	30 680 000	6.00	6.00
Oerlikon Drive Systems GmbH, Pfäffikon	Freienbach SZ/CH	CHF	20 000	20 000	100.00	100.00
Oerlikon Balzers France SAS	Ferrières-en-Brie/FR	EUR	4 000 000	4 000 000	100.00	100.00
Oerlikon IT Solutions AG, Pfäffikon	Freienbach SZ/CH	CHF	500 000	500 000	100.00	100.00
Oerlikon Surface Solutions AG, Trübbach, Wartau/CH	Wartau SG/CH	CHF	10 000 000	8 000 000	100.00	100.00
Oerlikon USA Holding Inc.	Wilmington DE/USA	USD	40 234 000	40 234 000	62.00	62.00
Oerlikon Vermögens-Verwaltungs GmbH	Cologne/DE	EUR	25 000	25 000	100.00	100.00
OOO Oerlikon Balzers Rus	Elektrostal/RU	RUB	1 000 000	1 000 000	100.00	100.00
OT Textile Verwaltungs GmbH	Arbon TG/CH	CHF	20 000	20 000	100.00	100.00
PT. Oerlikon Balzers Artoda Indonesia	Bekasi/ID	IDR	18 000 000 000	18 000 000 000	42.00	42.00
Unaxis GmbH	Freienbach SZ/CH	CHF	20 000	20 000	90.00	90.00
Oerlikon Graziano S.p.A.	Cascine Vica Rivoli/IT	EUR	58 697 400	58 697 400	16.34	0.00

## Changes in equity of OC Oerlikon Corporation AG, Pfäffikon

in CHF million	Share capital	Reserves from capital contributions	General legal retained earnings	Free reserves and statutory reserves	Available earnings*	Treasury shares	Total equity
<b>Balance at January 1, 2014</b>	<b>334.6</b>	<b>1 086.1</b>	<b>70.6</b>	<b>293.9</b>	<b>563.1</b>	<b>-10.4</b>	<b>2 337.9</b>
Changes in capital increase	5.2	25.3	0.0	0.0	0.0	0.0	30.5
Changes in treasury shares	0.0	0.0	0.0	0.0	0.0	-4.5	-4.5
Dividend payment	0.0	-90.1	0.0	0.0	0.0	0.0	-90.1
Result for the year	0.0	0.0	0.0	0.0	47.9	0.0	47.9
<b>Balance at December 31, 2014</b>	<b>339.8</b>	<b>1 021.3</b>	<b>70.6</b>	<b>293.9</b>	<b>611.0</b>	<b>-14.9</b>	<b>2 321.7</b>
Changes in capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in treasury shares	0.0	0.0	0.0	0.0	0.0	9.0	9.0
Dividend payment	0.0	-101.5	0.0	0.0	0.0	0.0	-101.5
Result for the year	0.0	0.0	0.0	0.0	-109.0	0.0	-109.0
<b>Balance at December 31, 2015</b>	<b>339.8</b>	<b>919.8</b>	<b>70.6</b>	<b>293.9</b>	<b>502.0</b>	<b>-5.9</b>	<b>2 120.2</b>

\*The reserves for treasury shares recorded as of January 1, 2014, in the amount of CHF 10.4 million have been released and allocated to the available earnings in order to comply with the presentation requirements of the Swiss Law on Accounting and Financial Reporting.

## Proposal of the Board of Directors

The available earnings amount to:

in CHF	2015
Retained earnings brought forward	610 980 916
Result for the year	-108 989 642
Available earnings	501 991 274

The Board of Directors proposes to the Annual General Meeting of Shareholders that the available earnings are to be appropriated as follows:

Balance to be carried forward	501 991 274
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The Board of Directors proposes to the Annual General Meeting of Shareholders a distribution of a dividend, distributed from reserves from capital contributions:

Dividend from reserves from capital contributions (without withholding tax) of CHF 0.30 on dividend bearing shares with a nominal value of CHF 1.00 each	103 000 000
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The company will not pay dividend on treasury shares held by OC Oerlikon Corporation AG, Pfäffikon.

Pfäffikon SZ, February 26, 2016

On behalf of the Board of Directors

Chairman

Prof. Dr. Michael Süss



## Report of the Statutory Auditor to the General Meeting of Shareholders of OC Oerlikon Corporation AG, Pfäffikon, Freienbach

### Report of the Statutory Auditor on the Financial Statements.

As statutory auditor, we have audited the accompanying financial statements of OC Oerlikon Corporation AG, Pfäffikon, which comprise the income statement, balance sheet and notes on pages 130 to 136 for the year ended December 31, 2015.

#### Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

### Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Thomas Affolter  
Licensed Audit Expert  
Auditor in Charge



Regula Tobler  
Licensed Audit Expert

Zurich, February 26, 2016

## Legal structure

### Legal structure of significant companies as per December 31, 2015

#### **OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH**

-InnoDisc AG, Windisch/CH
-OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH
-Oerlikon Balzers Coating India Pvt. Ltd., Pune/IN
· Oerlikon Friction Systems (India) Ltd., Pune/IN
-Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH
-Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR
-Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niedercorn/LU
-Oerlikon Balzers Coating Poland Sp.z o.o., Polkowice Dolne/PL
-Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR
-Oerlikon Balzers Sandvik Coating AB, Stockholm/SE
· Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI
-Oerlikon Balzers France SAS, Ferrières-en-Brie/FR
-Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH
-Oerlikon Drive Systems GmbH, Pfäffikon, Freienbach SZ/CH
· Transmission Trading Ltd., Hongkong/CN
· Oerlikon Drive Systems (Suzhou) Co. Ltd., Suzhou/CN
-Oerlikon Surface Solutions AG, Trübbach, Wartau/CH
· Oerlikon (Liechtenstein) Holding AG, Balzers/LI
· Oerlikon Balzers Coating AG, Balzers/LI
· OC Oerlikon Balzers AG, Balzers/LI
· Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP
· Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
· Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT
· Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG
· Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT
· Oerlikon Balzers Coating Spain S.A.U, Antzuola/ES
· Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX
· Oerlikon Balzers Coating Malaysia Sdn. Bhd., Kuala Lumpur/MY
· Oerlikon Balzers Coating Philippines, Inc., Muntinlupa/PH
· Oerlikon Balzers Coating UK Ltd., Milton Keynes/GB
· Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiá, SP/BR
· Oerlikon Metco (Canada) Inc., Fort Saskatchewan, CA
· Oerlikon Eldim (NL) B.V., Lomm/NL
· Oerlikon Metco AG, Wohlen, Wohlen/CH
· Oerlikon Balzers Coating SA, Brügg, Brügg/CH
· Oerlikon Balzers Coating Slovakia s.r.o., Bratislava/SK
-Oerlikon USA Holding Inc., Wilmington, DE/US
· Oerlikon Balzers Coating USA Inc., Wilmington, DE/US
· Oerlikon Metco (US) Inc., Westbury NY/US
· Oerlikon Friction Systems (US) Inc., Dayton OH/US
· Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US
· Oerlikon Management USA Inc., Pittsburgh, PA/US
· Fairfield Manufacturing Company Inc., Wilmington, DE/US
· TH Licensing Inc., Wilmington, DE/US
· Fairfield Atlas Ltd., Kolhapur/IN
· Melco Industries Inc., Denver, CO/US
· Oerlikon Textile Inc., Charlotte, NC/US
-Oerlikon Vermögens-Verwaltungs GmbH, Cologne/DE
-OOO Oerlikon Balzers Rus, Elektrostal/RU
-OT Textile Verwaltungs GmbH, Arbon/CH

**Legal structure of significant companies as per December 31, 2015**

-OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach SZ/CH
· OC Oerlikon Textile Schweiz AG, Pfäffikon, Freienbach SZ/CH
· Oerlikon Textile China Investments Ltd., Hongkong/CN
· Oerlikon (China) Technology Co. Ltd., Suzhou/CN
· Oerlikon Metco Surface Technology (Shanghai) Co. Ltd., Shanghai/CN
· Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN
· Oerlikon China Equity Ltd., Hongkong/CN
· W. Reiners Verwaltungs-GmbH, Remscheid/DE
· Oerlikon Textile GmbH & Co. KG, Remscheid/DE
· Oerlikon Deutschland Holding GmbH, Cologne/DE
· Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE
· Oerlikon Surface Solutions Holding GmbH, Kelsterbach/DE
· Oerlikon Balzers Coating Germany GmbH, Bingen/DE
· Oerlikon Metco Europe GmbH, Kelsterbach/DE
· Oerlikon Metaplas GmbH, Bergisch Gladbach/DE
· Oerlikon Metco Coatings GmbH, Salzgitter/DE
· Oerlikon Friction Systems (Germany) GmbH, Bremen/DE
· Oerlikon Metco WOKA GmbH, Barchfeld/DE
· Oerlikon Leybold Vacuum GmbH, Cologne/DE
· Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW
· Oerlikon Leybold Vacuum Korea Ltd., Gyeonggi-do/KR
· Oerlikon Leybold Vacuum (Tianjin) Co. Ltd., Tianjin/CN
· Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN
· Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE
· Oerlikon Leybold Vacuum France SAS, Villebon-sur-Yvette/FR
· Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN
· Oerlikon Leybold Vacuum Italia S.r.l., Milano/IT
· Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP
· Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL
· Oerlikon Leybold Vacuum Schweiz AG, Pfäffikon, Freienbach SZ/CH
· Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG
· Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES
· Oerlikon Leybold Vacuum UK Ltd., Chessington/GB
· Oerlikon Leybold Vacuum do Brasil LTDA., Jundiaí, SP/BR
· Oerlikon Real Estate GmbH, Cologne/DE
· Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Cologne/DE
· Oerlikon Textile Far East Ltd., Hongkong/CN
· Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN
· Oerlikon Textile India Pvt. Ltd., Mumbai/IN
· Dr. Schippers Unterstützungskasse GmbH, Remscheid/DE
· Oerlikon Vacuum Holding GmbH, Cologne/DE
· Oerlikon Textile do Brasil Máquinas Ltda., Porto Alegre, RS/BR
· Oerlikon Textile Systems Far East Ltd., Hongkong/CN
· Oerlikon Barmag Huitong (Yangzhou) Engineering Co., Ltd, Yangzhou/CN
· SAC Oerlikon Automotive Components B.V., Rotterdam/NL
· Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT
· Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN
· Graziano Trasmissioni UK Ltd., St. Neots/GB
· Vocis Limited, Warwick/GB
-Unaxis GmbH, Freienbach SZ/CH
· Oerlikon Rus LLC, Moscow/RU

## Glossary

### Corporate

AGM	Annual General Meeting
CAGR	Compound Annual Growth Rate
CAPEX	Capital expenditure
EBIT(DA)	Earnings before interest and tax (depreciation and amortization)
EMEAR	Europe, Middle East, Africa, Russia
EPS	Earnings per share
HSE	Health, Safety and Environment
KPI	Key performance indicator
LTAFR	Lost time accidents frequency rate
OOE	Oerlikon Operational Excellence
ROCE	Return on capital employed
SMI	Swiss Market Index: Switzerland's blue-chip stock market index. It is made up of 20 of the largest and most liquid Swiss Performance Index (SPI) large- and mid-cap stocks.
SMIM	Swiss Market Index Mid: consists of 30 biggest mid-cap Swiss companies which are not already covered in the SMI.
STOXX Europe 600	Stoxx Europe 600 Index: represents large, mid and small capitalization companies across 18 countries of the European region
STOXX Europe 600 Industrial Goods & Services	Derived from STOXX Europe 600. Constitutes the largest stocks of the industrial goods and services industry in Europe

### Surface Solutions Segment

AM	Additive Manufacturing: the process of joining materials to make objects, usually layer by layer. A common subtype of AM is 3D printing.
BALINIT ALTENSA	A PVD coating that enables extreme cutting speeds, maximized productivity und perceptibly longer service lives for high-end gear cutting tools.
BALINIT CROMA	Unique offering of thin-film coatings for plastics processing and general engineering applications, originally from Oerlikon Metco.
BALIQ	Wear-resistant, extremely smooth coatings, based on Oerlikon Balzers' S3p technology, with revolutionary properties for a unique spectrum of applications.
CMC	Ceramic matrix composites: a subgroup of composite materials and a subgroup of technical ceramics, consisting of ceramic fibres embedded in a ceramic matrix
Composite material	A material made from two or more constituent materials with significantly different physical or chemical properties that, when combined, produce a material with characteristics different from the individual components
ePD	Embedded PVD for Design Parts: an environmentally friendly coating technology for metallization of plastic.
EBC	Environmental Barrier Coatings: to provide turbine engines effective protection against vapor and environmental factors
HIPIMS	High Power Impulse Magnetron Sputtering: a method for PVD of thin films based on magnetron sputter deposition, resulting in a high degree of ionization and virtually droplet-free and highly dense coatings.
INNOVENTA mega	PVD coating system for tools with extremely high throughputs.
MetcoClad	A welding process utilizing an infinitely controllable laser beam as its heat source.
MetcoAdd	Brand of materials (superalloy powders) of the AM business unit of the Surface Solutions Segment
PPD technology	Pulsed-Plasma Diffusion: a cost-effective and environmentally friendly technology to harden and provide long-lasting protection of large manufacturing production tools and dies. Using hydrogen and nitrogen in an electrical discharge, this technology uses no hazardous chemicals, and is an alternative to hard chrome-plating.
PVD	Physical vapor deposition: a variety of methods used to deposit thin films onto various workpiece surfaces through condensation of the desired thin film material vapourized in vacuum.
S3p technology	Scalable Pulsed Power Plasma: a coating technology that combines the advantages of arc and sputtering technologies, with high ionisation and virtually no droplets. This results in extremely smooth and dense coatings for a wide variety of applications.
SLM	Selective laser melting: an additive manufacturing process that uses 3D CAD data as a digital information source and energy in the form of a high-power laser beam, to create three-dimensional metal parts by fusing fine metal powders together
Superalloy powders	Used to produce superalloys, or high-performance alloys, which exhibit excellent mechanical strength and creep resistance at high temperatures, good surface stability, and corrosion and oxidation resistance

### Manmade Fibers Segment

BCF	Bulked Continuous Filament: yarn for carpet production, usually polypropylene or polyester
EvoTape	Tape production system that enables greater process stability in efficient tape extrusion for the production of carpets, agricultural textiles and geotextiles.
HMLS	High-modulus low-shrinkage polyester yarns for tire cords
Manmade Fiber	Chemical or synthetic fibers
POC	Plant operation center, a complete software solution that manages the entire spinning and texturing production process.
POY	Pre-oriented yarn: spun yarn that is not completely drawn
RoTac <sup>3</sup>	Rotating tangle unit: an energy-saving yarn component used in the tangling or intermingling step in the production of BCF yarn
WINGS	Winding INtegrated Godet Solution: a family of winder technology by Manmade Fibers Segment
WINGS FDY PLUS	Latest winder technology for fully drawn yarn
WINGS POY XS	Latest winder technology for partially oriented yarn

### Drive Systems Segment

4SED	4-Speed Electric Drive: four-speed seamless shift electric transmission
PTU	Power transfer unit applied in automotives
Torque Hub	Drive for industrial machinery and off-highway mobile equipment



This annual report is also available in German.  
The English language version of Oerlikon's Annual Report is the binding version.

## Disclaimer and cautionary statements

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