

Highlights 2014



Sustained solid profitability

In 2014, the Group continued to record strong operational performance and sustained profitability. Sales grew by 16.1 % to CHF 3.2 billion, and order intake increased by 9.0 % to CHF 3.0 billion. For the 4th consecutive year, Oerlikon achieved an EBITDA margin exceeding 15 % and a double-digit EBIT margin of over 10 %.



Advanced strategic agenda with two further portfolio-optimizing milestones

In 2014, Oerlikon continued its strategic portfolio transformation, further strengthening the Group's business and increasing its resilience. With the acquisition of Metco, Oerlikon executed its tenth, and with the divestment of the Advanced Technologies Segment the eleventh portfolio optimization moves since 2010. The transformation enables Oerlikon to focus on core growth businesses where it offers innovation power in attractive markets globally.



Formed a world-class technology leader for surface solutions

The Metco acquisition and the creation of the new Surface Solutions Segment marked important strategic steps for Oerlikon in 2014. The Segment consolidated the leading brands of Balzers and Metco into a technology powerhouse in surface solutions. With more than 6 000 employees in 35 countries at over 145 sites, of which over 140 are service and production centers, the surface solutions business forms the largest Segment of the Group based on pro-forma annual Group sales. The combined business has an addressable market of some CHF 9 billion, and an attractive platform to grow and outperform both the individual markets in which it operates (CAGR 4–6 %) as well as global GDP growth forecasts (~3 %).



Maintained solid operating cash flow and disciplined use of cash

Cash flow from operating activities, before changes in net current assets, was solid at CHF 427 million. Net working capital increased to CHF 394 million, corresponding to 12.3 % of Group sales (2013: CHF 108 million). The Group continued to exercise discipline in the use of cash, investing prudently and strategically. Capital expenditure (CAPEX) amounted to CHF 166 million, a decrease of 6.2 % compared to CHF 177 million (restated) in 2013.



Reinforced financial foundation

At the end of 2014, Oerlikon recorded a strong balance sheet of CHF 4 966 million compared to CHF 4 094 million in 2013, and had CHF 2 188 million of equity (attributable to shareholders of the parent), representing an equity ratio of 44 % compared to 51 % a year ago. In June 2014, Oerlikon extended its financial maturity profile. It took advantage of favorable debt market conditions and placed senior unsecured bonds of CHF 300 million due 2019 and CHF 150 million due 2024. The strong demand for the bonds demonstrated the confidence of the financial markets in the potential of the Group's long-term underlying performance.



Expanded into adjacent markets

Oerlikon continuously expands into adjacent markets by leveraging its core competencies, technologies and strong customer relationships. In 2014, the Surface Solutions Segment introduced its PPD™ technology in China and Japan; the Manmade Fibers Segment continued to extend its technological process expertise into the PET bottling market; the Drive Systems Segment introduced its latest technologies for hybrid and electric systems in the vehicles markets; while the Vacuum Segment gained access to the Asian OLED market.



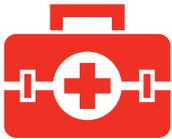
Increased service revenues

Oerlikon continued to expand its service business in 2014 through its own sales and service centers as well as setting up service facilities at customers' site. The service expansion improved proximity to key customers, customer interaction, engagement and support, while also shortening response times. In 2014, Oerlikon grew its service business to CHF 917 million, corresponding to an increase of 34.3% compared to 2013.



Strengthened leadership and employee skills

In 2014, the Executive Committee was extended to enhance the alignment of the Group's strategy. Oerlikon also runs various academies and programs on an ongoing basis, such as the Leadership Academy, the Finance Academy, the Operational Excellence Academy, the Supply Chain Academy and HR programs. A three-year Leadership Academy plan was developed in 2013 and launched in 2014, aimed at developing leaders at all levels. The Finance Academy reinforces the competencies of finance professionals and facilitates the understanding of key financial metrics for non-finance professionals. The Supply Chain Academy trains procurement specialists on how to achieve world-class procurement standards, while the Operational Excellence Academy provides training on how to make operational processes more effective, and therefore more efficient in order to achieve cross-functional excellence. HR programs are for Segment HR specialists to receive annual training in talent certification and talent acquisition.



Significantly improved employee health and safety

Oerlikon is committed as an employer to ensuring the health and safety of its employees and the sustainability of the business. The Group strives to achieve zero accidents in all its offices, plants and facilities, through establishing Group-wide standards and running safety awareness programs and initiatives. In 2014, the Company improved its health and safety record by reducing the average value of lost time accidents within the Group from 1.28 to 0.75, representing an improvement of 41%. Health and safety remains a priority for the Group and is an ongoing process.



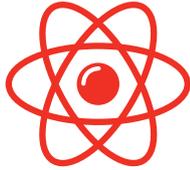
Fortified long-term customer relationships

Being a trusted and reliable business partner is essential to growing the business, particularly in emerging markets where a profound understanding of local requirements, business practices and do's and don'ts is a competitive advantage. Oerlikon has established legacy operations in key and emerging markets. In several markets, the Company has grown and developed the business and market hand in hand with its customers. In 2014, the Manmade Fibers Segment celebrated 50 years of business success in China, while Oerlikon Balzers looked back at 20 years of strong business activity in India.



Continued to foster a culture of technology leadership

Innovation is a key part of the culture and DNA of Oerlikon. In 2014, R&D expenditures increased by 19.8% to CHF 121 million from CHF 101 million (restated) a year ago. Oerlikon has over 1 300 engineers working on innovations and invests around 4% of its revenues annually in developing new technologies. In line with its R&D investments, the Group filed 108 patents in 2014, corresponding to a total of 5 921 filings worldwide.



Maintained innovation momentum

Oerlikon sustained its technology leadership and competitive advantage as it introduced further unique and market-leading technologies in 2014. Key products included eco-friendly ePD™ breakthrough coating technologies for chrome-finished items; customizable BALIQ™ coatings based on S3p® technology for tools; the first MetcoClad™ Laser Cladding System for corrosion-resistant coatings used in the oil and gas industry; WINGS POY 1800 in Asia and WINGS PA HOY that increases yarn winder productivity by 20%; a new staple fiber system solution with a flexible and compact construction; a new 4SED transmission system for electric and hybrid vehicles; and the new generation of TURBOVAC i/iX pumps for analytics, R&D and the process industry, offering up to 60% higher pump performance than comparable products.



Deepened academic and research partnerships

Oerlikon actively seeks partnerships and collaborations with leading academic and research institutes and associations. The dialogue with innovative and best-practice experts provides Oerlikon with valuable input to drive the development of cutting-edge, market-leading and environmentally friendly technologies. In 2014, Oerlikon partnered with various European and international institutions such as Empa, Fraunhofer Institutes, RWTH Aachen University, Surrey University in the UK, the University of Modena in Italy, Donghua University in Shanghai, China, Texas University and the Ohio State University GearLab in the USA and contributed to industry think tanks including the Commonwealth Center for Advanced Manufacturing and the American Gear Manufacturers Association in the USA.



Expanded global footprint and entered new markets

In 2014, Oerlikon grew its global presence, adding more than 50 sites to offer customers the best possible access to Oerlikon's technologies and services. The Surface Solutions Segment opened a new coating center in Austria, extended several sites to meet the growing demand from the aircraft and automotive industries and rolled out tool grinding services to four additional coating centers globally. The Manmade Fibers Segment commissioned a logistics center in Remscheid, Germany, and began with the construction of a new technology center in Chemnitz, Germany, and started to set up new service stations in Baroda, India. The Drive Systems Segment constructed a third plant in India, while the Vacuum Segment inaugurated a logistics center in Cologne, Germany, and expanded product lines in China.



Improved operational excellence

Group-wide cost-efficiency initiatives and programs were continued in 2014. Through centrally coordinated procurement initiatives and implementation, the Group managed to achieve considerable double-digit CHF million savings in 2014. All Segments also pursued multiple initiatives to improve their operational effectiveness. For instance, the Manmade Fibers Segment upgraded its assembly lines in Remscheid, Germany, based on lean manufacturing principles, increasing productivity by 15%, and also optimized shop floor management in Neumünster, Germany, resulting in a 30% improvement in assembly lead times. The Drive Systems Segment improved their production reject rate and is expanding its production in India with a third plant. The Vacuum Segment realigned its global sales organization and moved parts of its production lines from France to China – increasing proximity to customers and efficiency.