

Letter from the Chairman

Dear Shareholders

There is no doubt that 2014 has been a challenging year for European industrial companies, with stock prices under pressure, often not linked to operating or strategic performance. Considering the issues that the global economy and our markets have been facing over the past year, we have performed well. We continued to systematically shape and develop the Group's portfolio, while sustaining solid double-digit profitability for the fourth year in a row.

The major strategic milestone in 2014 was the acquisition of Metco from Sulzer AG – this is the Group's tenth strategic portfolio-shaping transaction since 2010. Acquiring Metco was an important step for Oerlikon, creating a global technology leader for surface solutions. The new Surface Solutions Segment, consisting of Oerlikon Balzers and Oerlikon Metco, significantly strengthens and broadens the Group's technological capability and creates our largest Segment. The Management team is currently integrating this business and extracting synergy potential.

We also announced the strategic divestment of our Advanced Technologies Segment to Evatec AG in December, further focusing the Group's structure and business.

Operating performance of the Group was solid and competitive, and the guidance given to the financial markets at the start of the year was met and, indeed, exceeded in the case of profitability. Operating efficiency and benchmarking continue to be core parts of the Group's agenda.

In 2014, we placed two corporate bonds totaling CHF 450 million, reinforcing the Group's strong financial foundations, and increasing the maturity profile of the balance sheet. The solid demand for the bonds reflected the financial market's confidence in the Group's long-term underlying performance.

Based on the operational performance and financial position of the Group, the Board of Directors will recommend a dividend in respect of 2014 earnings of CHF 0.30 per share at the 2015 Annual General Meeting of Shareholders (AGM), an increase of 11% over the prior year. This is the fourth consecutive dividend payment and the third increase in a row. In addition, based on prior track record, the Board of Directors has approved a change in the Group's dividend policy, which now states that a dividend of up to 50% of underlying net income can be paid, subject to available funds.

Complying with the developments in Swiss corporate governance standards, at the 2014 AGM, we held binding votes for the maximum total compensation of the Board of Directors, as well as the maximum fixed compensation of the Executive Committee. At the upcoming 2015 AGM, shareholders will in addition be offered a binding vote on the aggregate variable compensation of the Executive Committee for 2014. The implementation of these changes gives shareholders a direct involvement and decision in the remuneration of the Board and Executive Committee.



Looking outwards, the world economy is still showing many signs of uncertainties and a very mixed economic picture. In Europe, countries are trying to regain their economic foothold; there are concerns about deflation, and political tensions remain high in Eastern Europe. Asian growth rates are being closely watched, in particular the developments following the recent elections in India. In the USA, growth continues, although some key sectors such as agriculture and energy are under pressure. The recent fall in oil prices will no doubt create both winners and losers in the global economy. And exchange rates are likely to remain volatile. Oerlikon will encounter currency translation effects in 2015, as we report in Swiss francs. However, our global footprint and business give us a natural hedge and allow us to maintain our competitive position.

2014 was the first year for the Group under the leadership of Dr. Brice Koch as the new CEO of Oerlikon, and the Group has made important progress. The Executive Committee has been extended with the inclusion of the Segment CEOs. The business portfolio has been strengthened, enabling the Company to focus on its core growth businesses, and the operational businesses have been made more efficient and competitive.

Going forward, we remain strategically focused, underpinned by competitive operating performance. Our priority is to achieve sustainable, profitable growth over the long term.

On behalf of the Board of Directors, I extend my thanks to all our Shareholders for your continued support.

February 24, 2015

Sincerely

Tim Summers

Chairman of the Board of Directors