

Remuneration report

Shareholder letter

Dear Shareholders

It is with pleasure that as Chairman of the Human Resources Committee (HRC) I present to you the 2015 remuneration report of OC Oerlikon Corporation AG, Pfäffikon.

OC Oerlikon was among the first companies to implement the Compensation Ordinance by amending the Articles of Association and holding binding votes on the compensation of the Board of Directors and the Executive Committee. The work of the HRC in 2015 was mainly characterized by reviewing the compensation policy at OC Oerlikon with a view to the long-term strategy of the company, the position with respect to the relevant markets as well as alignment with business and individual performance. No changes were made in 2015 and the compensation systems for the Board of Directors and the Executive Committee remained unchanged.

The remuneration report 2015 does not differ in structure and continues to provide a high level of transparency. We continue to show the compensation of the Executive Committee in three perspectives, namely the effective compensation amounts that have been paid in 2015, the forward-looking target value amounts that have been granted in 2015 and their market value at the year-end. These perspectives enable shareholders to better interpret the amounts they are voting on – that is the target value amounts granted – and to monitor the relation between the company's performance and the Management's remuneration.

The proposal of the Board of Directors for the binding votes on remuneration will be published with the invitation for the Annual General Meeting of Shareholders (AGM) 2016.

Sincerely



Prof. Dr. Michael Süss

Chairman of the Human Resources Committee

With this remuneration report, Oerlikon meets the requirements of Articles 13–16 of the Compensation Ordinance and Para. 5 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.

The Articles of Association include rules on the principles applicable to performance-related pay and to the allocation of equity securities (Art. 30), additional amounts for payments to Executive Committee members appointed after the vote on pay at the AGM (Art. 29) and the vote on pay at the AGM (Art. 28). Details on these rules are available on our website, at the "Oerlikon – Investor Relations" webpage: <http://www.oerlikon.com/en/investor-relations/corporate-governance/investor-relations-new-statutes/>.

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 2015:

- General principles of the compensation policy
- Setting and approving compensation
- Compensation system and compensation paid or granted to the Board of Directors in 2015
- Compensation systems and compensation paid or granted to the Executive Committee in 2015

Compensation policy

Attractive, motivating, fair and simple compensation for all staff is the foundation of Oerlikon's performance-based corporate culture. 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 (HRC) 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 and Group-wide managerial and non-managerial staff;
- the preparation of the proposals to the AGM regarding the aggregate compensation amounts for the Board of Directors and the Executive Committee
- the annual Pay Plan for the Group (including general salary increases);
- the objectives for the CEO and assessment of his performance;
- the performance assessment of Executive Committee members by the CEO.

The compensation policies for the Board of Directors and the Executive Committee 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 is conducted by the HRC on an annual basis, reported to the Board of Directors following each meeting and forms the basis for the Board of Directors to approve in:

- December, the target compensation of the members of the Board of Directors and the Executive Committee for the following year;
- February, the fixed compensation of the members of the Board of Directors and the Executive Committee as well as the performance and variable compensation of members of the Executive Committee for the past year;
- February and October, Long-Term Incentive (LTI) grants, i.e. participants in equity programs and share awards allocated to them.

Based on the Compensation Ordinance, the aggregate amounts for compensation of the Board of Directors and the Executive Committee are subject to approval by the AGM. Within these confines, the internal approval and decision processes are as follows:

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, incl. fixed and variable compensation	Chairman	Human Resources Committee	Board of Directors
Compensation of members of the Executive Committee, incl. fixed and variable compensation	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 HRC, he is also involved in the determination of Board remuneration, including his own. Members of the Board of Directors, other than those of the HRC, do not participate in determining the remuneration of Directors.

The CEO is involved in determining the remuneration of members of the Executive Committee and is present when the Board of Directors approves it, except when concerning his own remuneration.

Board of directors

Compensation system

The compensation system applicable to the members of the Board of Directors consists of a fixed cash component and a fixed value of 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 HRC, taking into account the expenditure of work required from Board and Committee members, and approved by the Board of Directors. 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 Board of Directors based on a proposal by the HRC prior to submitting the aggregate amount to a vote at the AGM.

No changes to the cash compensation for members of the Board of Directors have been made since 2012.

The 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 the share price at grant date. RSU are blocked from the grant date on the day of the AGM until the following AGM, 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 may be reduced at the sole discretion of the Board of Directors. The RSU program is financed with treasury shares.

No changes to the equity compensation for members of the Board of Directors have been made since 2008.

Compensation 2015

No member of the Board of Directors served in an executive role in 2015. The Board of Directors consists of six members, of which 3 were replaced in 2015. Total compensation paid to the nine non-executive members of the Board of Directors in 2015 was CHF 1.8 million. Since all components are fixed, no ratio between fixed and variable compensation is presented.

Compensation of non-executive members of the Board of Directors (audited)

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash	RSU ³	Other ⁴	Total compensation 2015	Market Value per Dec 31, 2015 ⁵	Total compensation 2014
Prof. Dr. Michael Süss ¹	C	C		C	128	280	10	418	348	–
Dr. Mary Gresens ¹			C	M	113	125	5	243	212	–
Mikhail Lifshitz			M		105	125	19	249	218	252
Gerhard Pegam		M			105	125	19	249	218	252
Johan van de Steen ¹			M		77	125	10	212	181	–
Hans Ziegler		M		M	135	125	20	280	250	284
Tim Summers ²	C	C		C	48	–	17	65	65	498
Kurt J. Hausheer ²			C		34	–	7	41	41	270
Carl Stadelhofer ²			M	M	37	–	9	46	45	284
Total					782	905	116	1 803	1 578	1 840
Mandatory Employer Contributions ⁶								96	84	97

C(hairperson), M(ember)

¹ As of April 8, 2015

² Until April 8, 2015

³ The fair value at grant date of RSU was CHF 11.9.

⁴ Other compensation consists of social security contributions and an expense allowance which are paid by OC Oerlikon Corporation AG, Pfäffikon.

⁵ The value per year-end is based on a share price of CHF 8.95

⁶ The Compensation Ordinance requires the disclosure of employer contributions to social security.

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 2015 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 2015 or 2014.

No compensation was paid to any former members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon, or a Group company, or related parties in 2015 or 2014.

Management

Compensation system

The compensation system for the Executive Committee consists of fixed and variable components. The fixed component entails a base salary commensurate with the role and local market level and, depending on local practice, includes allowances and fringe benefits. The variable component entails a performance-related annual cash bonus (Short-Term Incentive) and a three-year performance-related 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.

In 2015, the proportion of variable compensation of members of the Executive Committee was between 37 % and 91 % of base salary for the target STI and between 70 % and 175 % of base salary for the target LTI.

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

Base salary

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

Short-Term Incentive (STI) program

The Oerlikon Short-Term Incentive (STI) program is a simple and clear annual cash bonus aimed at motivating 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 the Executive Committee consists of financial and individual objectives as well as strategic milestones. Financial objectives include Sales Growth, EBIT Margin, EBITDA margin and return on net assets (RONA) and account for 75 %, strategic milestones for 15 % and individual objectives for 10 % of the target bonus.

Financial objectives are set for each business on Group and Segment level and are aimed at increasing the growth, profitability and return on capital of the respective business.

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

Individual objectives include among other things the improvement of health, safety and environment throughout the Group for each member of the Executive Committee.

The Board of Directors approves the financial objectives and strategic milestones of members of the Executive Committee at their meeting at year-end for the following year. Individual objectives are approved at the meeting in February.

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 are generally capped at 100 % of target bonus. In certain cases, a specific milestone or individual objective can be rewarded with more.

The HRC monitors the STI performance at each of their meetings during the year and endorses the required accruals which are at the basis of the disclosure below at the December meeting.

Finally, the HRC determines the overall STI payout, including the Executive Committee, 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 decision in February. At this meeting, the HRC also recommends to the Board of Directors, the aggregate amount for variable pay components that are submitted to a vote to the AGM for approval.

For the Executive Committee, the average payout for the STI 2015 is 67 %. The average payout of the STI 2014 reached 108 %.

Long-Term Incentive (LTI) program

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 2015 grant of the long-term Performance Share Program (LTI plan 2015) 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 plan 2015 is based on performance conditions measured over a period of three years from January 2015. 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 HRC.

List of companies:

Swiss Industry Group	Industry Group	Manmade Fibers	Drive Systems	Vacuum	Surface Solutions
ABB	General Electric	Andritz	American Axle	Atlas Copco	Bodycote
Sulzer	Siemens	Dürr	Brembo	Gorman Rupp	Kennametal
Georg Fischer	GEA	Heidelberger Druckmaschinen	Carraro	INFICON	Praxair
	Sumitomo	Schweiter SSM	Dana	Ingersoll Rand	Sandvik
	ThyssenKrupp		Bharat Gears	Pfeiffer Vacuum	
			BorgWarner		

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 plan 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 or above of the peer group of 28 companies, 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 2015, members of the Executive Committee received a portion of their compensation in the form of awards of OC Oerlikon Corporation AG, Pfäffikon, stock. Grants were made to all members of the Executive Committee to the LTI plan 2015. The LTI program is financed with treasury shares.

Shareholding requirement

Since 2012, members of the Executive Committee are required to build a significant personal shareholding in the business to further align the interests of the management and shareholders. The minimum threshold is a percentage of annual base salary.

Role	% of base salary
CEO	200%
Other members of the Executive Committee	100%

Current members of the Executive Committee 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 Executive Committee have five years during which to reach their minimum investment limit. Members of the Executive Committee are encouraged to retain and use their LTI shares, when vested, to meet this requirement of the remuneration policy.

Employment agreements

The employment contracts of Executive Committee members are of unlimited duration and end automatically when the member reaches retirement age. The contracts provide for a notice period of 12 months. Agreements of Executive Committee members contain a non-competition clause for the duration of 12 months following termination of employment which is compensated with up to an annual compensation.

Compensation 2015

Effective compensation

The following section discloses the actually received pay components in 2015, including salary and bonus payments, contributions to pension plans, fringe benefits as well as the actual value of equity plans at vesting date. This perspective reflects the income received by members of the Executive Committee in 2015 which amounted to CHF 12.3 million. The highest compensation effectively received by an individual member of the Executive Committee in 2015 was CHF 4 million.

Effective Compensation of members of the Executive Committee

in CHF 000	Fixed Compensation			Variable Compensation			Total effective Compensation 2015	Total effective Compensation 2014
	Base Salary	Pension	Other ¹	Bonus ²	LTI 2012-14 (effective value at vesting date) ³			
Total compensation to members of the Executive Committee ⁴	3 813	921	106	2 829	4 592	12 261	13 310	
Thereof highest paid to one individual: Dr. Brice Koch (CEO)	1 200	193	-	1 003	1 644	4 040	4 219	

¹ Other compensation includes fringe benefits such as company car, car allowance, contributions to medical insurance or relocation.

² The bonus is determined on Group, Segment and individual level and depends on business and individual performance.

³ The LTI plan 2012 vested in 2015 when some of the members of the Executive Committee received shares from the grant they had been given when they held other positions. Effective performance upon vesting was 157% and the share price at vesting was CHF 12.3.

⁴ The Executive Committee was reduced from 7 to 6 members on February 3, 2015 when the divestment of Oerlikon Advanced Technologies was completed.

Granted compensation

The following section discloses the granted pay components in 2015, including salary and bonus payments, contributions to pension plans, fringe benefits as well as the target value of equity programs at grant date. This perspective reflects the compensation potential provided to members of the Executive Committee in 2015 which amounted to CHF 11.8 million. The highest compensation granted to an individual member of the Executive Committee in 2015 was CHF 4.4 million.

Members of the Executive Committee did not receive any fees or other remuneration for additional services to OC Oerlikon or its subsidiaries in the 2015 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 2015 or 2014.

During 2015, no compensation was paid to former members of the Executive Committee or related parties, either by OC Oerlikon Corporation AG, Pfäffikon, or by any other company of the Oerlikon Group.

Granted Compensation of members of the Executive Committee (audited)

in CHF 000	Fixed Compensation			Variable Compensation		LTI 2015-18 (target value at grant date) ³	Total granted Compensation 2015	Total granted Compensation 2015 (Market Value per Dec 31, 2015) ⁴	Total granted Compensation 2014
	Base Salary	Pension	Other ¹	Bonus ²					
Total compensation to members of the Executive Committee ⁵	3 813	921	106	2 829	4 151	11 820	10 515	17 320	
Thereof highest paid to one individual: Dr. Brice Koch (CEO)	1 200	193	–	1 003	2 019	4 415	3 869	8 668	
Estimated Mandatory Employer Contributions ⁶						627	561	917	

¹ Other compensation includes fringe benefits such as company car, car allowance, contributions to medical insurance or relocation

² The bonus is determined on Group, Segment and individual level and depends on business and individual performance.

³ The fair value at grant date in 2015 was CHF 12.7.

⁴ The market value per year-end is based on a share price on Dec 31, 2015 of CHF 8.95. The performance of the LTI plan per December 31, 2015 is 0%. The effective performance of the plan will be determined per December 31, 2017 and the effective value at the time of vesting on April 30, 2018 and disclosed as effective compensation in the remuneration report the following year.

⁵ The Executive Committee was reduced from 7 to 6 members on February 3, 2015 when the divestment of Oerlikon Advanced Technologies was completed.

⁶ The Compensation Ordinance requires the disclosure of estimated employer contributions to social security.

Report of the statutory auditor to the General Meeting of OC Oerlikon Corporation AG, Pfäffikon, Freienbach

We have audited the accompanying remuneration report dated February 26, 2016, of OC Oerlikon Corporation AG, Pfäffikon for the year ended December 31, 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the section “Compensation 2015” of the board of directors on page 54 and section “Granted compensation” of the executive committee on page 58 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

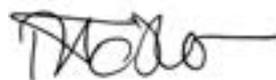
Opinion

In our opinion, the remuneration report for the year ended December 31, 2015 of OC Oerlikon Corporation AG, Pfäffikon complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG



Thomas Affolter
Licensed Audit Expert
Auditor in Charge



Regula Tobler
Licensed Audit Expert

Zurich, February 26, 2016

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.

Process and reporting

The assessment units conduct risk assessments semi-annually and prepare their risk profiles and mitigation action plans. The risk management process is coordinated with the budgeting/planning process and the forecasting process. 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 Group-wide supported by a risk management software. Internal risk reporting is done semi-annually to the Executive Committee, the Audit Committee and the Board of Directors based on consolidated risk reports.

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 reported.
- 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 and ethics

There is a Group-wide compliance and ethics function 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.

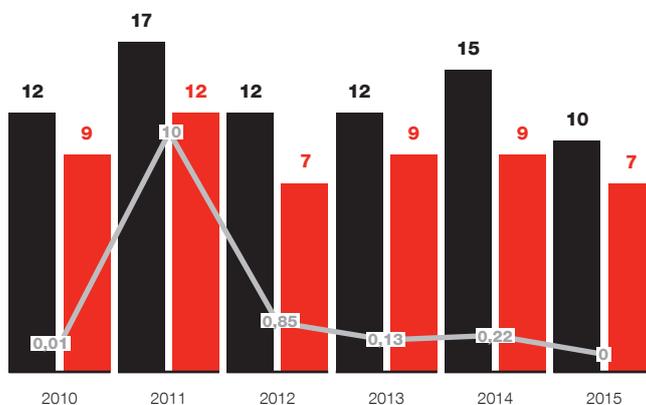
The focus in 2015 was on rolling out a new antitrust policy and the accompanying training sessions for the target group of about 1 500 managers. Furthermore, Oerlikon has implemented a data-compliance program and has created a new position and function dedicated to all aspects of data protection and data privacy. A cross-functional project supported the creation and establishment of a solid information security management system that is now up and running.

Oerlikon has completely revised its House of Corporate Policies. The new structure makes it much easier for employees to find, comprehend and comply with Oerlikon's internal rules and regulations. Our "Leading with Integrity" program has been further strengthened by widening the circle of leaders included and reinvolving those who participated in 2015.

The Compliance program has a three-pillar framework:

- **Prevention:** through policies, directives, training, the Code of Conduct, risk assessment, maturity assessment, compliance councils, internal controls and metrics, examples and Q&A in 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 systems, fine-tune policies.

As in 2013 and 2014, a regional compliance conference also took place in 2015, embracing the business side of things and building a stronger partnership between compliance and business.



Compliance cases 2010–2015 ytd

■ Total number of cases
 ■ Number of substantiated cases
 — Financial Impact (in CHF million)