

# Remuneration report

## Shareholder letter

Dear Shareholders

It is with pleasure that as Chairman of the Human Resources Committee (HRC) I present to you the 2014 remuneration report of OC Oerlikon Corporation AG, Pfäffikon.

The work of the HRC in 2014 was mainly characterized by the implementation of the Compensation Ordinance. OC Oerlikon was among those companies that amended its articles of association at the first Annual General Meeting (AGM) following the release of the Compensation Ordinance. It also was among the first companies to hold a binding vote on the maximum amount of total compensation of the Board of Directors and the maximum amount of fixed compensation of the Executive Committee.

Given the new requirements of the Compensation Ordinance, the remuneration report 2014 differs from previous ones:

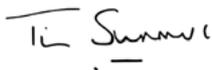
- Disclosure in the remuneration report replaces the previous disclosure in the notes to the statutory financial statements. As in previous years, the remuneration report of OC Oerlikon contains all required disclosures on the compensation of the Board of Directors and the Executive Committee.
- Specific sections are for the first time reviewed and signed-off by the auditors.
- The compensation table for the Executive Committee has been expanded to show three perspectives, namely the effective compensation amounts that have been paid in 2014 and the forward-looking target value amounts that have been granted in 2014 and their market value at the year-end. Although slightly more complex to read, 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.

With respect to the binding votes on remuneration at the Annual General Meeting of Shareholders (AGM) 2015, the Board of Directors proposes to approve a maximum aggregate amount of:

- total compensation of the Board of Directors for their term of office from the AGM 2015 to the AGM 2016 of CHF 2.0 million.
- fixed compensation of the Executive Committee for the period starting on July 1, 2015 and ending on June 30, 2016 of CHF 5.9 million.
- variable compensation of the Executive Committee for the past financial year, i.e. for the period starting on January 1, 2014 and ending on December 31, 2014 of CHF 12.5 million.

The amounts to be approved exclude legally required employer's contributions paid to the company. On a per member basis fixed pay components of the Board of Directors are proposed to remain unchanged while the fixed aggregate compensation of the Executive Committee is proposed to decrease by 5 % on a like-for-like basis. The variable compensation program has remained constant compared to the prior year, hence amounts will vary depending on achievement against performance conditions.

Sincerely



**Tim Summers**

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.

Amendments to our Articles of Association to comply with the Compensation Ordinance were approved at the Annual General Meeting of Shareholders (AGM) 2014. The revised 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 2014:

- General principles of the compensation policy
- Setting and approving compensation
- Compensation system and compensation paid or granted to the Board of Directors in 2014
- Compensation systems and compensation paid or granted to the Executive Committee in 2014

## 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 face 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. Board remuneration is reviewed against external benchmarks on an annual basis. In 2014, a survey of 7 SMI, 9 SMIM and 16 small caps companies in the basic materials, industry and technology sectors was conducted by PwC and confirmed the compensation levels to be appropriate. PwC also provides other compensation services to the Oerlikon Group and its subsidiaries. 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.

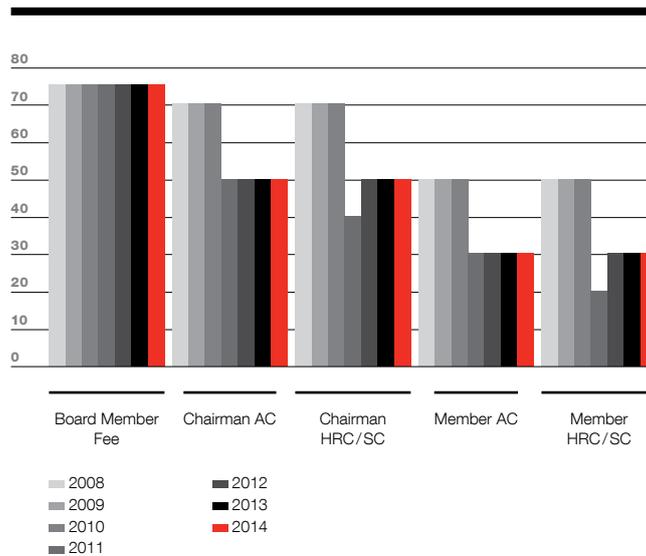
### Cash compensation

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.

### Cash Compensation 2008–14

in CHF 000



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

The face 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 dividing the fixed face value by the volume-weighted average share price (VWAP) over the first 10 trading days of the financial year. 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.

## Valuation

The value of equity awards for the Board and Executive Committee programs is determined as follows:

Face Value	Annual target amount in CHF
Target Number	Face value divided by Volume Weighted Average Share Price (VWAP) in awards
Target Value	Target number multiplied by the share price at grant date in CHF
Market Value	Target number multiplied by performance (if applicable) and the share price at year-end in CHF
Effective Value	Target number multiplied by performance (if applicable) and the share price at vesting date in CHF

	Face value (in CHF 000)		VWAP (in CHF)		Number of RSU		Share price at grant date (in CHF)		Target value at grant date (in CHF 000)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Chairman	280	280	14.1	12.6	19 844	22 169	14.2	10.8	282	239
Board member	125	125	14.1	12.6	8 859	9 897	14.2	10.8	126	107

## Compensation 2014

No member of the Board of Directors served in an executive role in 2014. Total compensation paid to the six non-executive members of the Board of Directors in 2014 was CHF 1.8 million. The nominal increase compared to 2013 stems from a higher target value of RSU of an otherwise unchanged face value (see table above). 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 (Target value at grant date) <sup>1</sup>	Other <sup>2</sup>	Total compensation 2014	Total Compensation 2014 (Market value per year-end) <sup>3</sup>	Total compensation 2013 <sup>4</sup>
Tim Summers	C	C		C	175	282	41	498	464	457
Kurt J. Hausheer	M		C		125	126	19	270	255	252
Mikhail Lifshitz	M		M		105	126	21	252	237	186
Hans Ziegler	M	M		M	135	126	23	284	268	266
Carl Stadelhofer	M		M	M	135	126	23	284	268	255
Gerhard Pegam	M	M			105	126	21	252	237	216
<b>Total</b>					<b>780</b>	<b>912</b>	<b>148</b>	<b>1 840</b>	<b>1 729</b>	<b>1 632</b>
Estimated Mandatory Employer Contributions <sup>5</sup>								97	92	86

C(hairman), M(ember)

<sup>1</sup> The share price at grant date of RSU was CHF 14.2.

<sup>2</sup> Other compensation consists of social security contributions and an expense allowance which are paid by OC Oerlikon Corporation AG, Pfäffikon.

<sup>3</sup> The market value per year-end is based on a share price of CHF 12.5. The RSU market value amount represents the as yet unrealized value of RSU awards at financial year end.

<sup>4</sup> The total compensation for 2013 was reported as CHF 1.7 million. The difference to 2014 stems from two Board members who served until the AGM 2013 and the difference in target value at grant date.

<sup>5</sup> The Compensation Ordinance requires the disclosure of estimated employer contributions to social security. The actual employer contributions due on RSUs will depend on the share price at vesting date.

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 2014 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 2014 or 2013.

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 2014 or 2013.

## Management

On February 11, 2014, the Executive Committee was enlarged from 2 to 7 members. Dr. Brice Koch joined on January 16, 2014, Dr. Bernd Matthes joined on April 1, 2014 and Dr. Roland Herb replaced Dr. Hans Brändle on June 3, 2014.

### 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 2014, the proportion of variable compensation of members of the Executive Committee was between 50% and 108% of base salary for the target STI and between 35% 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 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 in December 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 reviews 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 2014 is 108%. The average payout of the STI 2013 reached 107%.

### 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 2014 grant of the long-term Performance Share Program (LTI plan 2014) 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 2014 is based on performance conditions measured over a period of three years from January 2014. 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. Due to the divestment of the Textile businesses in 2013, the peers of Manmade Fibers were adjusted accordingly for the LTI plan 2014 with companies from the mechanical engineering sector.<sup>1</sup>

List of companies:

Group (Swiss peers)	Group (International peers)	Surface Solutions Segment	Manmade Fibers Segment <sup>1</sup>	Drive Systems Segment	Vacuum Segment
ABB	GEA	Bodycote	Andritz	American Axle	Atlas Copco
Georg Fischer	General Electric	Kennametal	Dürr	Bharat Gears	Gorman Rupp <sup>2</sup>
Sulzer	Siemens	Praxair	Heidelberger Druckmaschinen	BorgWarner	Inficon
	Sumitomo	Sandvik		Brembo	Ingersoll Rand
	ThyssenKrupp		Schweiter Technologies	Carraro	Pfeiffer Vacuum
				Dana	

<sup>1</sup> Redefined after sale of natural fibers businesses. Replaced natural fibers companies (Jingwei, Lakshmi and Rieter Textile) with companies from the mechanical engineering sector (Andritz, Dürr and Heidelberger Druckmaschinen).

<sup>2</sup> Gorman Rupp replaced Gardner Denver after its delisting.

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 2014, 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 2014 and to some members also to the LTI plan 2012 and 2013. The LTI program is financed with treasury shares.

### Earlier Long-Term Incentive (LTI) program (legacy plan)

In 2011, members of the Executive Committee and senior management could receive a portion of their compensation in the form of awards of OC Oerlikon Corporation AG, Pfäffikon, stocks, which are subject to performance conditions and a vesting period of three years. The performance conditions consist of the cumulative economic profit (Oerlikon Value Added) over a three-year period of the respective business in which participants operate. Their achievement determines the effective number of total Performance Share Awards (PSA) that are converted into shares.

Each target has a lower threshold, below which no Performance Share Awards (PSA) are converted into stocks, and an upper threshold, above which no additional stocks are granted. The number of PSA cannot exceed 200 % of the target number. Upon vesting, the effective number of PSA is converted into shares.

In 2014, a grant was made to one member of the Executive Committee to the LTI plan 2011 as part of the policy for new hires to the Executive Committee. Grants issued under the previous LTI program were governed by the respective policy and vested in 2014. The LTI program was financed with treasury shares and has been discontinued since the last vesting date.

### 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. The employment contract of one Executive Committee member contains a non-competition clause for the duration of 12 months following termination of employment which is compensated with an annual fixed compensation.

### Compensation 2014

#### Effective compensation

The following section discloses the actually received pay components in 2014, 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 2014 which amounted to CHF 13.3 million. The highest compensation effectively received by an individual member of the Executive Committee in 2014 was CHF 4.2 million.

### Effective Compensation of members of the Executive Committee

in CHF 000	Fixed Compensation			Variable Compensation		Total effective Compensation 2014	Total effective Compensation 2013 pro forma <sup>4</sup>
	Base Salary	Pension	Other <sup>1</sup>	Bonus <sup>2</sup>	LTI 2011–14 (effective value at vesting date) <sup>3</sup>		
Total compensation to members of the Executive Committee <sup>5</sup>	3 739	894	86	4 622	3 969	13 310	16 127
Thereof highest paid to one individual: 2014: Dr. Brice Koch (CEO) 2013: Dr. Michael Buscher (former CEO)	1 150	177	0	2 217	675	4 219	6 923

<sup>1</sup> Other compensation includes fringe benefits such as company car, car allowance or contributions to medical insurance.

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

<sup>3</sup> The LTI plan 2011 vested in 2014 when members of the Executive Committee received shares from the grant they had been given when they held other positions. Effective performance upon vesting ranged from 60–200% depending on the business. The weighted average performance was 177% and the share price at vesting was CHF 14.0.

<sup>4</sup> In view of the extension of the Executive Committee from 2 to 7 members a pro forma perspective serves as a basis for comparison. Included are all positions of the current Executive Committee.

<sup>5</sup> The Executive Committee was enlarged from 2 to 7 members on February 11, 2014. Dr. Brice Koch joined on January 16, 2014, Dr. Bernd Matthes joined on April 1, 2014 and Dr. Roland Herb replaced Dr. Hans Brändle on June 3, 2014. The values disclosed represent the pro-rated amounts for the respective terms as member of the Executive Committee.

### Granted compensation

The following section discloses the granted pay components in 2014, 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 2014 which amounted to CHF 17.3 million. The highest compensation granted to an individual member of the Executive Committee in 2014 was CHF 8.7 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 2014 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 2014 or 2013.

During 2014, 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					Total granted Compensation 2014	Total granted Compensation 2013 <sup>8</sup>	Total granted Compensation 2013 <sup>9</sup> pro forma <sup>9</sup>	
	Base Salary	Pension	Other <sup>1</sup>	Bonus <sup>2</sup>	LTI							
					Vest 2014 (target value at grant date) <sup>3</sup>	Vest 2015 (target value at grant date) <sup>4</sup>	Vest 2016 (target value at grant date) <sup>5</sup>	Vest 2017 (target value at grant date) <sup>6</sup>				
Total compensation to members of the Executive Committee <sup>10</sup>	3 739	894	86	4 622	416	1 673	2 095	3 795	17 320	12 297	9 905	13 776
Thereof highest paid to one individual:												
2014: Dr. Brice Koch (CEO)	1 150	177	0	2 217	416	1 226	1 563	1 919	8 668	5 817	6 923	6 923
2013: Dr. Michael Buscher (former CEO)												
Estimated Mandatory Employer Contributions <sup>11</sup>									917	631	525	784

<sup>1</sup> Other compensation includes fringe benefits such as company car, car allowance or contributions to medical insurance.

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

<sup>3</sup> The LTI plan 2011 was based on a performance condition of value creation per Segment or Group. The share price at grant date was CHF 6.7 on May 1, 2011 and CHF 14.4 on Jan 16, 2014.

<sup>4</sup> LTI Plans 2012–14, 2013–15 and 2014–17 are based on a performance condition of relative total shareholder return (TSR). The share price at grant date in 2012 was CHF 9.0 and in 2014 it was 14.4. The performance of the LTI plan 2012 has been determined per December 31, 2014 and amounts to 157%. The effective value will be determined at the time of vesting on April 30, 2015.

<sup>5</sup> The share price at grant date in 2013 was CHF 10.8 and in 2014 it was CHF 14.4. The performance of the LTI plan per December 31, 2014 is 0%. The effective performance of the plan will be determined per December 31, 2015 and the effective value at the time of vesting on April 30, 2016.

<sup>6</sup> The share price at grant date in 2014 was CHF 14.4. The performance of the LTI plan per December 31, 2014 is 0%. The effective performance of the plan will be determined per December 31, 2016 and the effective value at the time of vesting on April 30, 2017.

<sup>7</sup> The LTI component of market value per year-end is based on a share price on Dec 31, 2014 of CHF 12.5 and a performance of 157% of the LTI plan 2012–15 and 0% of the LTI plans 2013–16 and 2014–17. The LTI market value amount represents the as yet unrealized value of LTI awards at financial year-end.

<sup>8</sup> Total compensation 2013 is restated on the basis of target values for LTI grants 2013 as opposed to fair value at grant date.

<sup>9</sup> In view of the extension of the Executive Committee from 2 to 7 members a pro forma perspective serves as a basis for comparison. Included are all positions of the current Executive Committee.

<sup>10</sup> The Executive Committee was enlarged from 2 to 7 members on February 11, 2014. Dr. Brice Koch joined on January 16, 2014, Dr. Bernd Matthes joined on April 1, 2014 and Dr. Roland Herb replaced Dr. Hans Brändle on June 3, 2014. The values disclosed represent the pro-rated amounts for the respective terms as member of the Executive Committee. Some members of the Executive Committee receive their remuneration in other currencies than CHF. Hence, the actual payout may differ according to the exchange rate at the time of payout.

<sup>11</sup> The Compensation Ordinance requires the disclosure of estimated employer contributions to social security. The actual employer contributions due on PSA depend on achievement against applicable performance conditions and the share price at vesting date.