

**œrlikon**

# **Facts & Figures**

## **Financial Report 2009**

**2009**

**Managing  
the  
downturn.**

## Financial Report

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## Key figures Group

Key figures Oerlikon Group <sup>1</sup>		
in CHF million	<b>January 1 to December 31 2009</b>	January 1 to December 31 2008 restated
Orders received <sup>2</sup>	2 996	4 209
Orders on hand <sup>2</sup>	997	1 147
Sales <sup>2</sup>	2 877	4 632
EBITDA <sup>2</sup>	-165	471
– as % of sales	-6%	10%
EBIT <sup>2,3</sup>	-589	-59
– as % of sales	-20%	-1%
Net result	-592	-422
– as % of sales	-21%	-9%
– as % of equity attributable to shareholders of the parent	-120%	-39%
Cash flow from operating activities <sup>4</sup>	-92	411
Capital expenditure for fixed and intangible assets <sup>2</sup>	130	336
Total assets	4 342	5 476
Equity attributable to shareholders of the parent	493	1 093
– as % of total assets	11%	20%
Net liquidity <sup>5</sup>	-1 646	-1 586
Net operating assets <sup>6</sup>	2 821	3 498
EBIT as % of net operating assets (RONOA)	-21%	-2%
Number of employees <sup>2</sup>	16 369	18 372
Personnel expenses <sup>2</sup>	1 001	1 277
Research and development expenses <sup>2,7</sup>	210	246

<sup>1</sup> A five-year summary of key figures may be found on page 137.

<sup>2</sup> 2008 and 2009 continuing operations.

<sup>3</sup> For 2009, continuing operations of Oerlikon Group report an EBIT before restructuring and impairment of goodwill of CHF -280 million (previous year: CHF 259 million). The Group EBIT before restructuring and impairment of goodwill including discontinued operations amounted to CHF -287 million (previous year: CHF 203 million).

<sup>4</sup> Before changes in net current assets.

<sup>5</sup> Net liquidity includes marketable securities, treasury shares at market value as of December 31 as well as current and non-current debt.

<sup>6</sup> Net operating assets include current and non-current operating assets (excluding cash, financial assets, current tax receivables and assets classified as held for sale) less operating liabilities (excluding financial liabilities, tax provisions and liabilities classified as held for sale).

<sup>7</sup> Research and development expenses include expenses recognized as intangible assets in the amount of CHF 26 million (previous year: CHF 31 million).

Key share-related figures <sup>8</sup>		
in CHF	<b>January 1 to December 31 2009</b>	January 1 to December 31 2008 restated
Share price		
High	86.20	472.00
Low	20.82	66.50
Year-end	31.68	69.00
Total shares outstanding	14 142 437	14 142 437
Market capitalization in millions	448	976
EBIT	-45.93	-4.60
Earnings per registered share	-46.16	-33.13
Net operating cash flow	-7.17	32.06
Shareholders' equity	38.44	85.26
Dividend <sup>9</sup>	-	-

<sup>8</sup> Average number of shares with voting and dividend rights.

<sup>9</sup> Dividend 2009: proposal of the Board of Directors.

Key figures by segment<sup>1</sup>

in CHF million	January 1 to December 31 2009	January 1 to December 31 2008 restated
<b>Oerlikon Group</b>		
Orders received	2 996	4 209
Orders on hand	997	1 147
Sales	2 877	4 632
EBITDA	-165	471
EBIT	-589	-59
- as % of sales	-20%	-1%
Net operating assets <sup>2</sup>	2 821	3 498
Number of employees	16 369	18 372
<b>Oerlikon Textile</b>		
Orders received	1 170	1 364
Orders on hand	489	443
Sales to third parties	1 046	1 690
EBITDA <sup>3</sup>	-163	-9
EBIT	-424	-281
- as % of sales	-41%	-17%
Net operating assets <sup>2</sup>	1 221	1 387
Number of employees	6 260	7 275
<b>Oerlikon Coating</b>		
Orders received	326	509
Orders on hand	-	-
Sales to third parties	326	509
EBITDA	43	134
EBIT	-4	78
- as % of sales	-1%	15%
Net operating assets <sup>2</sup>	318	368
Number of employees	2 463	2 892
<b>Oerlikon Solar</b>		
Orders received	511	566
Orders on hand	317	429
Sales to third parties	442	598
EBITDA	-55	128
EBIT	-78	107
- as % of sales	-18%	18%
Net operating assets <sup>2</sup>	178	247
Number of employees	751	868
<b>Oerlikon Vacuum</b>		
Orders received	325	460
Orders on hand	68	68
Sales to third parties	324	465
EBITDA	13	63
EBIT	-3	49
- as % of sales	-1%	11%
Net operating assets <sup>2</sup>	171	217
Number of employees	1 477	1 583
<b>Oerlikon Drive Systems</b>		
Orders received	569	1 171
Orders on hand	93	183
Sales to third parties	660	1 204
EBITDA	12	126
EBIT	-50	65
- as % of sales	-8%	5%
Net operating assets <sup>2</sup>	1 047	1 152
Number of employees	5 013	5 146
<b>Oerlikon Advanced Technologies</b>		
Orders received	95	139
Orders on hand	30	24
Sales to third parties	79	166
EBITDA	-5	-6
EBIT	-7	-88
- as % of sales	-9%	-53%
Net operating assets <sup>2</sup>	82	78
Number of employees	188	459

<sup>1</sup> Continuing operations.<sup>2</sup> Net operating assets include current and non-current operating assets (excluding cash, financial assets, current tax receivables and assets classified as held for sale) less operating liabilities (excluding financial liabilities, tax provisions and liabilities classified as held for sale).<sup>3</sup> Incl. impairment of goodwill of CHF 202 million (previous year: CHF 200 million).

## Consolidated income statement/Consolidated statement of comprehensive income

## Consolidated income statement

in CHF million	Notes	January 1 to December 31 2009	January 1 to December 31 2008 restated
Sales of goods		2 246	4 014
Services rendered		631	618
<b>Total sales</b>		<b>2 877</b>	<b>4 632</b>
Cost of sales		-2 444	-3 548
<b>Gross profit</b>		<b>433</b>	<b>1 084</b>
Marketing and selling		-253	-309
Research and development		-202	-235
Administration		-253	-303
Impairment of goodwill	12	-202	-252
Restructuring costs	3	-107	-66
Other income	2	43	101
Other expenses	2	-48	-79
<b>Result before interest and taxes (EBIT)</b>		<b>-589</b>	<b>-59</b>
Financial income	4	8	13
Financial expenses	4	-165	-122
<b>Result before taxes (EBT)</b>		<b>-746</b>	<b>-168</b>
Income taxes	5	50	-56
<b>Result from continuing operations</b>		<b>-696</b>	<b>-224</b>
Result from discontinued operations	22	104	-198
<b>Net result</b>		<b>-592</b>	<b>-422</b>
Attributable to:			
Shareholders of the parent		-592	-425
Minority interests		-	3
Earnings per registered share in CHF	6	<b>-46.16</b>	-33.13
Fully diluted earnings per registered share in CHF	6	<b>-46.16</b>	-33.13
Earnings per registered share continuing operations in CHF	6	<b>-54.27</b>	-17.69
Fully diluted earnings per registered share continuing operations in CHF	6	<b>-54.27</b>	-17.69
Earnings per registered share discontinued operations in CHF	6	<b>8.11</b>	-15.44
Fully diluted earnings per registered share discontinued operations in CHF	6	<b>8.11</b>	-15.44

## Consolidated statement of comprehensive income

in CHF million		January 1 to December 31 2009	January 1 to December 31 2008
Net result		-592	-422
<b>Other comprehensive income</b>			
Fair value adjustments on hedged items		3	12
Realization under IAS 39 transferred to profit or loss		-13	-3
Defined benefit plan actuarial losses	13	-25	-70
Income taxes on other comprehensive income		10	17
Conversion differences		17	-192
<b>Other comprehensive income for the period, net of income taxes</b>		<b>-8</b>	<b>-236</b>
<b>Total comprehensive income for the period</b>		<b>-600</b>	<b>-658</b>
Attributable to:			
Shareholders of the parent		-602	-658
Minority interests		2	-

## Consolidated balance sheet at December 31

Assets			
in CHF million	Notes	2009	2008
Cash and cash equivalents	7	357	393
Current financial investments and derivatives	8	20	43
Trade receivables	9	433	534
Other receivables	9	221	340
Current tax receivables		17	16
Inventories	10	534	901
Prepaid expenses and accrued income		25	34
Assets classified as held for sale	22	10	60
<b>Current assets</b>		<b>1 617</b>	<b>2 321</b>
Loans and other non-current financial receivables	9	11	15
Non-current financial investments	8	33	33
Property, plant and equipment	11	1 137	1 278
Intangible assets	12	1 471	1 696
Post-employment benefit assets	13	1	–
Deferred tax assets	5	72	133
<b>Non-current assets</b>		<b>2 725</b>	<b>3 155</b>
<b>Total assets</b>		<b>4 342</b>	<b>5 476</b>
Liabilities and equity			
in CHF million		2009	2008
Trade payables	14	332	455
Current loans and borrowings <sup>1</sup>	14	2 043	56
Other current liabilities	14	74	91
Accrued liabilities	15	232	373
Current customer advances		136	143
Current income taxes payable		38	130
Current post-employment benefit provisions	13	18	18
Other current provisions	16	207	149
Liabilities classified as held for sale	22	11	67
<b>Current liabilities</b>		<b>3 091</b>	<b>1 482</b>
Non-current loans and borrowings	14	11	2 039
Non-current customer advances		–	40
Non-current post-employment benefit provisions	13	562	552
Deferred tax liabilities	5	125	198
Other non-current provisions	16	33	47
<b>Non-current liabilities</b>		<b>731</b>	<b>2 876</b>
<b>Total liabilities</b>		<b>3 822</b>	<b>4 358</b>
Share capital		283	283
Treasury shares		–292	–294
Reserves and retained earnings		502	1 104
<b>Equity attributable to shareholders of the parent</b>		<b>493</b>	<b>1 093</b>
Minority interests		27	25
<b>Total equity</b>		<b>520</b>	<b>1 118</b>
<b>Total liabilities and equity</b>		<b>4 342</b>	<b>5 476</b>

<sup>1</sup> The classification as short-term reflects the provisions of IAS 1. Upon completion of the refinancing arrangement discussed in note 1 such loans will be reclassified as long-term.

## Consolidated cash flow statement

## Consolidated cash flow statement

in CHF million	Notes	January 1 to December 31 2009	January 1 to December 31 2008
Net result		-592	-422
Tax expenses (+) / tax income (-)		-48	61
Interest expense (+) / interest income (-) from financial liabilities and assets		102	64
Depreciation of property, plant and equipment	11	173	205
Amortization of intangible assets	12	36	48
Impairment losses on property, plant and equipment	11	11	1
Impairment losses on intangible assets	12	206	410
Addition to (+) / release of (-) other provisions	16	146	101
Increase (+) / decrease (-) in post-employment benefit provisions		20	4
Losses (+) / gains (-) from sale of non-current assets		-9	-
Gain on sale of discontinued operations, net of income tax		-97	-4
Income taxes paid		-51	-51
Other non-cash expenses (+) / income (-)		11	-4
<b>Cash flow from operating activities before changes in net current assets</b>		<b>-92</b>	<b>411</b>
Decrease (+) / increase (-) in receivables / accrued assets		196	178
Decrease (+) / increase (-) in inventories		349	-87
Increase (+) / decrease (-) in payables / accrued liabilities and use of other provisions		-368	-291
Increase (+) / decrease (-) in customer advances		17	-106
Non-cash impact on net current assets due to hedge accounting		-12	18
<b>Cash flow from changes in net current assets</b>		<b>182</b>	<b>-288</b>
<b>Cash flow from operating activities</b>		<b>90</b>	<b>123</b>
Capital expenditure for property, plant and equipment	11	-97	-278
Capital expenditure for intangible assets	12	-33	-74
Disposal of discontinued operations, net of cash disposed of		78	11
Purchase of financial investments		-	-1
Sale of financial investments		-	2
Proceeds from sale of intangible assets		3	1
Decrease (+) / increase (-) in loans receivable	9	4	-
Decrease (+) / increase (-) in marketable securities		-2	5
Acquisition of Group companies		-	-2
Proceeds from sale of property, plant and equipment		26	27
Interest received		3	9
<b>Cash flow from investing activities</b>		<b>-18</b>	<b>-300</b>
Dividends paid		-	-2
Purchase of treasury shares		-	-111
Sale of treasury shares		-	1
Increase of financial debt		2	318
Repayment of financial debt		-20	-28
Interest paid		-88	-62
<b>Cash flow from financing activities</b>		<b>-106</b>	<b>116</b>
Conversion adjustments to cash and cash equivalents		-2	-30
<b>Increase (+) / decrease (-) in cash and cash equivalents</b>		<b>-36</b>	<b>-91</b>
Cash and cash equivalents at the beginning of the year	7	393	484
Cash and cash equivalents at the end of the year	7	357	393
<b>Increase (+) / decrease (-) in cash and cash equivalents</b>		<b>-36</b>	<b>-91</b>

## Consolidated statement of changes in equity

## Consolidated statement of changes in equity

in CHF million	Share capital <sup>1</sup>	Additional paid-in capital <sup>2</sup>	Treasury shares	Conversion differences	Retained earnings	Hedge accounting	Deferred taxes	Total equity attributable to shareholders	Minority interests	Total shareholders' equity
<b>Balance at January 1, 2008</b>	<b>283</b>	<b>622</b>	<b>-184</b>	<b>-61</b>	<b>1 220</b>	<b>3</b>	<b>-25</b>	<b>1 858</b>	<b>28</b>	<b>1 886</b>
Net result	-	-	-	-	-425	-	-	-425	3	-422
<b>Other comprehensive income</b>										
Fair value adjustments on hedged items	-	-	-	-	-	12	-	12	-	12
Realization under IAS 39 transferred to profit or loss	-	-	-	-	-	-3	-	-3	-	-3
Defined benefit plan actuarial (losses) / gains	-	-	-	-	-70	-	-	-70	-	-70
Income taxes on other comprehensive income	-	-	-	-	-	-	17	17	-	17
Conversion differences	-	-	-	-188	-	-	-	-188	-3	-191
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-188</b>	<b>-70</b>	<b>9</b>	<b>17</b>	<b>-232</b>	<b>-3</b>	<b>-235</b>
Dividend distributions	-	-	-	-	-	-	-	-	-3	-3
Changes in the scope of consolidated companies	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	1	-	-	1	-	1
Purchase of treasury shares	-	-	-111	-	-	-	-	-111	-	-111
Sale of treasury shares	-	-	1	-	1	-	-	2	-	2
<b>Balance at December 31, 2008</b>	<b>283</b>	<b>622</b>	<b>-294</b>	<b>-249</b>	<b>727</b>	<b>12</b>	<b>-8</b>	<b>1 093</b>	<b>25</b>	<b>1 118</b>
Net result	-	-	-	-	-592	-	-	-592	-	-592
<b>Other comprehensive income</b>										
Fair value adjustments on hedged items	-	-	-	-	-	3	-	3	-	3
Realization under IAS 39 transferred to profit or loss	-	-	-	-	-	-13	-	-13	-	-13
Defined benefit plan actuarial (losses) / gains	-	-	-	-	-25	-	-	-25	-	-25
Income taxes on other comprehensive income	-	-	-	-	-	-	10	10	-	10
Conversion differences	-	-	-	15	-	-	-	15	2	17
<b>Total other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-25</b>	<b>-10</b>	<b>10</b>	<b>-10</b>	<b>2</b>	<b>-8</b>
Dividend distributions	-	-	-	-	-	-	-	-	-	-
Changes in the scope of consolidated companies	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	2	-	-	-	-	2	-	2
<b>Balance at December 31, 2009</b>	<b>283</b>	<b>622</b>	<b>-292</b>	<b>-234</b>	<b>110</b>	<b>2</b>	<b>2</b>	<b>493</b>	<b>27</b>	<b>520</b>

<sup>1</sup> The share capital of OC Oerlikon Corporation AG, Pfäffikon consists of 14 142 437 registered shares of nominal value CHF 20.

<sup>2</sup> Additional paid-in capital includes CHF 57 million which are not distributable for legal reasons.

Treasury shares	Number of shares	Price per share in CHF	Cost in CHF million	Fair value in CHF million	Result in CHF million
<b>Balance at January 1, 2008</b>	<b>1 048 146</b>	<b>175</b>	<b>184</b>		<b>3</b>
Sale 2008	-2	175	-	-	-
Sale 2008 due to employee purchase plan	-6 319	203	-1	-2	1
Purchase 2008	287 294	388	111	111	-
Repurchase of employee shares	45	268	-	-	-
<b>Balance at December 31, 2008</b>	<b>1 329 164</b>	<b>221</b>	<b>294</b>		<b>1</b>
Sale 2009	-	-	-	-	-
Sale 2009 due to employee purchase plan	-10 944	221	-2	-2	-
Purchase 2009	-	-	-	-	-
Repurchase of employee shares	89	29	-	-	-
<b>Balance at December 31, 2009</b>	<b>1 318 309</b>	<b>221</b>	<b>292</b>		<b>-</b>

## Share buyback program

The Board of Directors of OC Oerlikon Corporation AG, Pfäffikon approved a share buyback program for a maximum of 2.59 percent of the share capital on August 8, 2007. A total of 289 954 shares (2.05 percent) of OC Oerlikon Corporation AG, Pfäffikon were repurchased at market prices under this program. The share repurchase program started on August 9, 2007, and was completed as planned on May 12, 2009 (the date of the Annual General Meeting of Shareholders).

## Summary of significant accounting principles

### Company operations

OC Oerlikon Corporation AG, Pfäffikon is a Swiss public company located in Freienbach SZ, Churerstrasse 120, Pfäffikon SZ. It is the ultimate parent company of the Oerlikon Group, a globally leading supplier of production systems, transmission technology, yarn processing solutions (textile machinery), components and services for selected information technology market segments and industrial applications. In the course of streamlining the portfolio, the business units Esec and Oerlikon Space were sold in 2009.

Apart from its activities in Switzerland, the Oerlikon Group operates in the EU region, North America and Asia, and employs some 16 369 individuals (excluding discontinued operations).

### Basis of preparation

The consolidated financial statements of OC Oerlikon Corporation AG, Pfäffikon have been prepared in accordance with International Financial Reporting Standards (IFRS) and Swiss company law. These accounting standards have been applied consistently in all periods presented in this report. The reporting period is twelve months. The consolidated financial statements are prepared and presented in Swiss francs (CHF). The consolidated income statement shows operating costs grouped by function. Assets and liabilities in the consolidated balance sheet are classified as current or non-current. The consolidated financial statements were approved by the Board of Directors on March 31, 2010 and will be submitted to the Annual General Meeting of Shareholders on May 18, 2010, for approval. All standards issued by the IASB and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective at the date of the consolidated financial statements have been taken into account. The consolidation is based on audited annual individual company accounts of the Group's subsidiaries, prepared according to uniform Group accounting principles. All line item amounts in the consolidated financial statements are presented in millions of Swiss francs and all such amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus an addition of the figures presented can result in rounding differences. Values of assets and liabilities have been determined in accordance with the historical cost convention, with the exception of derivative financial instruments and financial assets available for sale or held for trading purposes, which are stated at fair value. These consolidated financial statements are published in English and German. If there is any divergence in the wording, the English original text is authoritative.

### Judgments, estimates and assumptions

Preparation of the annual financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the values of reported revenues, expenses, assets, liabilities and contingent liabilities at the reporting date. These estimates and assumptions are constantly being revised. Depending on the issues involved, revision of such assumptions can have an effect on the current period as well as potentially on future periods. These estimates, judgments and assumptions are based on historical experience and other factors that are believed to be reasonable and justified as expectations of future events. However, actual results can differ from these estimates. Moreover, consistent application of the chosen accounting principles can require management to make decisions that may have a material impact on the amounts reported in the annual financial statements. Above all, assessment of business transactions that involve complex structures or legal forms calls for decisions on management's part. The most important accounting estimates are to be found in:

**Business combinations:** Where the Group acquires control of another business, the cost of the acquisition is allocated to the assets, liabilities and contingent liabilities of the acquired business, with any residual recorded as goodwill. This process calls for an assessment by management of the fair values of these items. Management's judgment is particularly involved in recognition and measurement of patents, licenses and trademarks, scientific knowledge associated with research projects, recoverability of tax losses accumulated in the acquired company and contingencies such as legal and environmental matters. In all cases

management makes an assessment based on the underlying economic substance of the items concerned, not only on the contractual position. The aim is to present all values fairly in economic terms.

### Discontinued businesses and non-current assets held for sale:

In compliance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), a distinction is made between continuing operations and discontinued operations. The non-current assets held for sale are recognized as separate line items in the balance sheet and discontinued operations in the income and cash flow statements. Depreciation of non-current assets allocable to discontinued operations ceases when the respective divestment is announced. All data in these notes refer to continuing operations, except where otherwise indicated. Discontinued operations are described in Note 22.

### Impairment of value: Fixed assets, goodwill and intangibles:

A detailed test for impairment of value is carried out for goodwill and other intangible assets of infinite useful life annually or, as for all other assets, if there is any indication of a loss of value. Goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs, insofar as there are significant interdependences between individual CGUs. The recoverable amount of the CGUs is determined based on the higher of either value-in-use or fair value less cost to sell calculations. In the same way, future cash flows from the use of tangible fixed assets can be estimated and the carrying value tested, using the same rules. These tests use estimates of future cash flows to be expected from use of the assets concerned, or from their possible sale, if such is intended. Actual cash flows may vary significantly from these estimates following changes of plan for the use of assets such as land and buildings, technological obsolescence or market changes.

**Provisions:** In the ordinary course of their business, companies of the Group may become involved in litigious conflict or disagreement with third parties. Provisions are made to cover the Group's exposure in such matters, based on a realistic estimate of the economic outflow that may result. However, the ultimate resolution of such disputes can give rise to claims against the Group, which may not be fully covered by provisions or insurance. Warranty provisions are set up for known warranty claims as required, and also for situations where it is known from recent experience that the company is exposed to claims, usually for technical reasons. Besides this, a general provision is made for other possible claims, based on experience and linked to sales volumes.

In cases where the company has entered into contractual obligations whose cost exceeds the economic benefit to be expected, corresponding provisions are set up. These are based on management's estimates. Restructuring provisions are built up in accordance with IAS 37.

**Pensions:** The estimates and assumptions used are based on future projections and actuarial calculations which have been determined together with the actuaries.

**Taxes on income:** Estimates are used initially to determine amounts receivable and payable in respect of current and deferred taxes on income. These estimates are based on interpretation of existing tax law and regulation. Many internal and external factors can influence the final determination of amounts receivable or payable, such as changes in tax law, changes in tax rates, the level of future profits and fiscal audits carried out by the tax authorities.

### Adoption of new and revised accounting standards

The International Accounting Standards Board (IASB) has published the following new or revised standards adopted by Oerlikon as of January 1, 2009:

- IFRS 2 amended – Share-based Payment: Vesting conditions and cancellations
- IFRS 7 amended – Financial Instruments: Disclosures
- IFRS 8 – Operating Segments
- IAS 1 rev. – Presentation of Financial Statements

## Accounting principles

- IAS 23 rev. – Borrowing Costs
- IAS 32 rev. – Financial Instruments: Presentation of puttable instruments and obligations arising on liquidation
- IAS 36 (Improvements to IFRS) – Impairment of Assets, effective 1 January 2010, early adopted
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 18 – Transfers of Assets from Customers
- Improvements to IFRS (amendments as part of IASB's annual improvement project)

With the exception of IAS 1 and IFRS 8 the adoption of the new and revised accounting standards had no effect on the Group's financial position. The revised IAS 1 standard concerning presentation has been adopted by using the "two statement" approach, the income statement and a separate statement of other comprehensive income.

The IFRS 8 standard defines the "Management approach" and is based on the internal structure and reporting. The Group continues with its segment information on pages 132 to 133.

The Group early adopted the revised IAS 36.80 standard which requires goodwill to be tested for impairment at a level that reflects the way an entity manages its operations. In identifying the units to which goodwill is allocated for the purpose of impairment testing, IAS 36 sets a limit on the size of such units by referring to IFRS 8 operating segment reporting. Goodwill has been allocated for the first time to the operating segments.

#### Newly published IFRS accounting standards not early adopted

The International Accounting Standards Board (IASB) has published a number of new and revised standards and interpretations, which come into force on or after July 1, 2009 and have not been implemented ahead of their effective dates in the attached accounts. Their effects on Oerlikon Group's financial statements have not yet been fully analyzed, but a first review has been conducted and the expected effects of each standard and interpretation are presented at the end of the table below:

Standard / interpretation	Impact level	Effective date	Planned application by Oerlikon
IFRS 1 revised – First Time Adoption of IFRS	*	1 July 2009	Reporting year 2010
IFRS 2 amended – Group Cash-settled Share-based Payment Transactions	**	1 January 2010	Reporting year 2010
IFRS 3 revised – Business Combinations	*	1 July 2009	Reporting year 2010
IFRS 5 amended – Non-current Assets Held for Sale and Discontinued Operations	*	1 July 2009	Reporting year 2010
IFRS 9 – Financial Instruments: Measurement and Classifications	***	1 January 2013	Reporting year 2013
IAS 24 – Related Party Disclosures	***	1 January 2011	Reporting year 2011
IAS 27 amended – Consolidated and Separate Financial Statements	*	1 July 2009	Reporting year 2010
IAS 32 amended – Financial Instruments: Presentation – Classification of Rights Issues	***	1 February 2010	Reporting year 2011
IAS 39 amended – Financial Instruments: Recognition and Measurement – Eligible Hedged Items	*	1 July 2009	Reporting year 2010
Improvements to IFRS (amendments as part of IASB's annual improvement project)	*	1 July 2009	Reporting year 2010
	*	1 January 2010	Reporting year 2010
IFRIC 14 amended: IAS 19 – The Limit on a Defined Benefit Asset. Minimum Funding Requirements and their Interaction – Prepayments of Minimum Funding Requirements	***	1 January 2011	Reporting year 2011
IFRIC 17 – Distributions of Non-cash Assets to Owners	*	1 July 2009	Reporting year 2010

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	***	1 July 2010	Reporting year 2011
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\* No impact or no significant impact is expected on the consolidated financial statements of Oerlikon.

\*\* The impact on the consolidated financial statements of Oerlikon is expected to result in additional disclosures or changes in valuation or presentation.

\*\*\* The revised standards are effective as of reporting year 2011 or later. The effects have not yet been assessed.

### Principles of consolidation

#### Method and scope of consolidation

December 31 is the uniform closing date for all companies included in the consolidated financial statements. All companies in which OC Oerlikon Corporation AG, Pfäffikon has either a direct or indirect interest exceeding 50 percent of the shareholders' voting rights and companies over which control is assured through contractual arrangements are consolidated. Using the full consolidation method the assets, liabilities, income and expenses of these consolidated subsidiaries are included in their entirety.

Minority interests are recorded separately under equity in the consolidated financial statements. Group companies acquired or sold during the course of the financial year are included in or, respectively, eliminated from the consolidated financial statements as of the date of purchase or sale. All significant consolidated investments held are shown in the listing at the end of this report.

#### Changes in scope of consolidation and Group structure

In 2009, Oerlikon Group sold the business units Wafer Etch, Esec and Oerlikon Optics Shanghai as well as Oerlikon Space. Wafer Etch was sold as at January 26, 2009, ESEC as at April 1, 2009, Oerlikon Optics Shanghai as at October 20, 2009 and Oerlikon Space as at June 30, 2009. The Group made no other significant company foundations, acquisitions or divestments in 2009.

#### Business combinations and goodwill

The equity consolidation follows the "purchase method of accounting". At the time of their initial consolidation the identifiable assets, liabilities and contingent liabilities of subsidiaries are restated to fair value. The difference between the purchase price and the net assets of the acquired company at fair value is capitalized as goodwill in the year of acquisition. Goodwill denominated in foreign currencies is translated into Swiss francs at the rates prevailing at the balance sheet date. Capitalized goodwill is not amortized, but instead is tested annually for possible value impairment.

#### Translation of foreign currencies

The accounts of foreign subsidiaries are prepared in the relevant functional currency and translated into Swiss francs in accordance with IAS 21. An entity's functional currency is the currency of the primary economic environment in which the entity operates, or its local currency as defined within the Oerlikon Group. In the consolidation, assets and liabilities of foreign subsidiaries are translated into Swiss francs at the exchange rate prevailing on the balance sheet date, while income, expenses and cash flows are translated using average rates for the year. Differences resulting from the application of different exchange rates are added to or deducted from equity with no impact on the income statement. Exchange gains and losses, as recorded in the individual company accounts of subsidiaries, are included in the income statement. Excluded from this rule are specific long-term inter-company monetary items that form part of the net investment in a foreign subsidiary, whose exchange translation differences are also credited or charged directly to equity. In the year that a foreign company is divested, the cumulative translation differences recorded directly in equity are included in the income statement as part of the gain or loss on sales of investments.

#### Elimination of inter-company profits

Profits on inter-company sales not yet realized through sales to third parties, as well as profits on transfers of fixed assets and investments in subsidiaries, are eliminated.

**Valuation principles**

The Group accounts are prepared on a historical cost basis, with the exception of monetary assets available for sale and certain financial assets and liabilities, which are stated at fair values (in particular financial instruments).

**Segment reporting**

The segment reporting of the Oerlikon Group is in accordance with the "Management approach" and based on the internal structure and reporting. The Executive Committee performs the function of the chief operating decision maker (CODM) and assesses performance and makes resource allocation decisions. Effective January 1, 2009, the Group adopted IFRS 8 "Operating Segments" which did not call for changes in the definition of the reportable segments. The internal reporting to the Executive Committee and the Board of Directors is based on uniform Group accounting principles which correspond to those used in the consolidated financial statements.

According to the internal segment reporting the Group consists of the following reportable segments:

- Textile segment develops and manufactures textile machinery.
- Coating segment supplies metal coatings that improve the performance of tools and precision components, offering coating services at over 80 centers worldwide.
- Solar segment supplies equipment for mass production of solar panels.
- Vacuum segment develops application- and customer-specific systems for the creation of vacuums and extraction of processing gases.
- Drive Systems segment manufactures gears and other components for power transmission, mainly in motor vehicles.
- Advanced Technologies segment develops applications and technologies, from which the highest precision and accuracy is required. Oerlikon Systems mainly specializes in nanotechnology.

**Assets**

**Cash and cash equivalents** are placed with various financial institutions with top-quality international ratings. Time deposits included therein mature in three months or less from the date of acquisition. Cash and cash equivalents are stated at nominal value.

**Short-term deposits and derivative financial instruments:**

Marketable securities are held at fair value, with their values adjusted as required through profit and loss. Gains or losses are measured by reference to fair value. Unquoted securities are valued by standard valuation methods, with value adjustments also through profit and loss.

Financial instruments are recorded at fair value on their respective settlement dates. Exceptions to this are financial investments held to maturity as well as receivables and credits, which are carried at amortized cost using the effective interest method. Gains and losses from changes in the fair value of financial investments available for sale are temporarily recorded in equity until such investments are sold or disposed of, at which time the gains or losses are transferred to the income statement. Any loss from value impairment is immediately recorded in the income statement.

Forward contracts and options are utilized systematically and mainly for the purpose of reducing business-related foreign currency and interest rate risks. These transactions are concluded with first-rate financial institutions and, as a general rule, have a term to maturity of up to 12 months. These derivative financial instruments are stated at fair value. If all requirements are fulfilled with regard to documentation, probability of occurrence, effectiveness and reliability of valuation, hedge accounting is applied in accordance with IAS 39. Until the hedged underlying business transactions are accounted for, the unrealized profits and losses resulting from the valuation of derivative financial instruments at fair value are recorded in equity with no impact on the income statement.

**Trade receivables:** Receivables are stated at the original invoiced amount less any necessary value adjustments for default risks. These risks are insured with third parties only in exceptional cases. Value adjustments are set at varying levels corresponding to risks recognized in the different business units.

**Inventories:** Inventories of raw materials, purchased components and trade merchandise are carried at the lower of cost or net realizable value, using FIFO and weighted average cost valuation methods. Self-made components, work in progress and finished goods are carried at production cost. This includes all related material and labor costs as well as a reasonable allocation of indirect production costs. Recognizable reductions in value resulting from excess inventory, reduced replacement cost or sales price and similar are taken into account through appropriate write-downs of inventory items.

**Investments in associated companies:** Investments in associated companies (20 to 50 percent ownership of voting rights) are accounted for in accordance with IAS 28 (Accounting for Investments in Associates) using the equity method. The book value of the investment, initially its acquisition cost, is increased or reduced in response to the development in equity value of the associate, in proportion to the percentage held by Oerlikon Group. Unrealized changes in fair value of other investments (under 20 percent ownership of voting rights) that have been classified as available for sale are recorded in equity and transferred to financial income/loss upon the sale or disposal of the given investment.

**Property, plant and equipment:** Tangible fixed assets are recorded at historical purchase or production costs, less necessary depreciation. Components of PP&E that have a differing useful life are recorded separately and depreciated accordingly (component approach). Depreciation is calculated on a straight-line basis according to the expected useful life of the asset, as follows:

IT hardware	3–7 years
Company cars	4–7 years
Trucks and electric vehicles	5–10 years
Technical installations and machines	5–15 years
Other operating and business equipment	3–15 years
Central building installations	10–25 years
Leasehold improvements	Duration of rental contract (max. 20 years) or, if shorter, individual useful life
Plant and administrative buildings – used operationally	20–60 years

Estimated useful life and residual values are examined annually.

Fixed assets under financial leasing agreements are treated identically to fixed assets owned. Non-operating properties available for sale are carried at the lower of their net book value or fair value less costs to sell.

**Intangible assets:** Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the Group. Intangible assets are amortized on a straight-line basis over their useful lives, where these can be clearly determined, for example software over two to three years or development costs over five years. In the case of intangible assets with infinite useful lives, an impairment test of the asset value is conducted annually at the balance sheet date, or earlier on the occurrence of a triggering event.

**Discontinued operations and assets held for sale:** An operating segment is reclassified into "discontinued operations" if its divestment is intended and if it fulfills the criteria for being classified as "held for sale".

Non-current assets held for sale are carried at the lower of their carrying amount or fair value less cost to sell, and any value impairments are recognized in profit or loss.

## Liabilities

**Short- and long-term financial liabilities:** Short- and long-term financial liabilities are initially valued at fair value less directly attributable costs. Subsequent valuation is at amortized cost adjusted using the effective interest rate method. The financial liabilities consist mainly of loans raised for past acquisitions.

**Short- and long-term provisions:** Provisions are set up if the future outflow of resources is more likely than not and can be estimated reliably, for obligations arising from past events. Other provisions represent uncertainties, for which a best estimate is made in arriving at the amount reserved. The value of provisions whose expected maturity exceeds one year is discounted at normal market rates.

Restructuring provisions: provisions are established in cases where a detailed restructuring plan exists and the Group has informed those concerned, or the restructuring process has started.

Onerous customer contracts: provisions are established when estimated costs to fulfill a contract exceed the related contract revenues. The difference is provided against income in the current period. When accounts are prepared the related risks are reassessed systematically by all business units and all costs are adjusted as required. This reassessment is based on the so-called "most likely outcome", which uses assumptions regarding technical feasibility and timely realization of the projects and includes a quantification of the risks. The actual future obligation can vary from these estimates.

Warranty provisions: provisions are established for known customer claims and also for potential warranty exposure.

Product liability: provisions are established for known claims; potential exposure is not provided.

**Provisions for pensions and other post-employment benefits:** The net obligation for defined benefit and other post retirement benefit plans has been calculated for each plan according to IAS 19 using the projected unit credit method as of the balance sheet date. The way these benefits are provided varies according to the legal, fiscal and economic conditions of each country, the benefits generally being based on the employees' remuneration and years of service. The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees.

Actuarial gains and losses from defined benefit plans and deductions in connection with asset limitation are recognized in other comprehensive income, so they have no impact on profit or loss, and are presented in the consolidated statement of comprehensive income.

Service costs for pensions and other post-retirement obligations are recognized as an expense in income from operations, while interest costs and the expected return on plan assets recognized as components of net periodic pension costs are included in net financial income/expense in the consolidated statement of income.

The Group obligations for contributions to defined contribution plans are recognized as expense in income from operations as incurred.

**Treasury shares:** Treasury shares are shown as a reduction of shareholders' equity. Gains or losses arising from the sale of treasury shares are also shown in the consolidated statement of changes in equity, in retained earnings.

## Income statement

**Sales of goods and services:** Sales of goods and services are recognized when the transaction occurs, when the amounts involved are reliably known and when it is considered likely that the related economic benefit will flow to Oerlikon Group. Sales are booked net of credits for returns and rebates at such time as the risk and reward of ownership of the goods passes to the customer.

Long-term contracts are accounted for under the "Percentage of completion" (POC) method. In the segments Oerlikon Solar and Oerlikon Textile the percentage of completion is determined by measuring costs incurred to date as a proportion of extrapolated total contract cost (cost to cost method).

Revenues from services that have been rendered are recorded in the income statement according to the level of completion at the balance sheet date.

**Research and development:** Development costs are recognized as intangible assets if they meet the criteria for such recognition set forth in IAS 38. The cost capitalized comprises all costs directly attributable to the development process. After the development phase is complete the asset is amortized over its estimated useful life, usually five years.

**Other income and expenses:** Other income consists of income from real estate, investments, licenses, patents and non-operating assets. Other expense consists of non-operating expenses and taxes not based on income.

**Financial expenses:** Interest expense is charged to the income statement without restriction. In principle borrowing costs are recognized in the income statement by using the effective interest rate method. Borrowing costs which can be directly allocated to the construction, build-up or purchase of a qualified asset are capitalized through the costs of the assets.

**Current year income taxes:** Current year income taxes (Note 5) are accrued on the basis of income reported locally for the financial year by the individual Group companies in keeping with the current year taxation principle. The valuation of assets and liabilities pertaining to both current and deferred taxation calls for extensive use of judgment and estimation. The value of deferred tax assets deriving from tax losses carried forward is subject to annual review. Tax losses are only recognized as assets if they are expected to be realized within the next five years, by offset against taxable profits of Group companies individually or in tax groups. In countries or companies where realization of the losses cannot be foreseen, no asset is recognized. Management believes that its estimates are appropriate and that uncertainties in the valuation of tax assets and liabilities have been appropriately addressed.

**Deferred taxes:** Wherever local company tax values differ from Group values (temporary differences), deferred taxes are determined and recorded by applying tax rates enacted or substantially enacted at the balance sheet date to the differences (liability method). Taxes on dividends from subsidiaries are only accrued when distributions are contemplated. In the case of goodwill, investments in subsidiaries, or other assets and liabilities which do not affect taxable profits, no temporary difference is recognized and no deferred taxes are set up (IAS 12.39).

**Earnings per share:** Earnings per share (EPS) is based on the portion of consolidated net profit/loss attributable to shareholders of OC Oerlikon Corporation AG, Pfäffikon divided by the weighted average number of shares outstanding during the reporting period. Fully diluted earnings per share take into account additionally all potential equity securities that could have come into existence as the result of an exercise of option rights.

## Risks

**Financial risk management / financial instruments:** Due to its international activities, the Group is exposed to various financial risks, such as foreign exchange risk, interest rate risk, pricing risk, credit risk and liquidity risk. The Group's financial risk management aims to limit any adverse effects that the markets may have on the Group's financial health, at an acceptable hedging cost. Risk limitation does not mean complete exclusion of financial risks; rather, it means following a policy of economically sensible management of the Group's finances within an agreed framework of documented authority. The Group uses derivative financial instruments to hedge certain risks. Only pre-approved instruments are used, and as a fundamental rule no speculative transactions are conducted in the areas of foreign exchange or interest rates. No hedges are entered into without a corresponding underlying transaction. Management monitors and steers such risks continuously with the support of Corporate Treasury, who identifies and evaluates all financial risks, working with the Group's operating companies and hedging the risks as appropriate. The Group has documented guidelines for financial risk management, covering the use of derivative and non-derivative financial instruments and policies for use of surplus funds.

**Foreign exchange risks:** The Group's consolidated financial statements are reported in Swiss francs. Due to its most significant markets, the Group is primarily exposed to exchange risks versus the US dollar and the euro. If costs and revenues of Group companies are incurred or earned in differing or non-local currencies, the underlying business transactions are hedged on a centrally coordinated basis by means of commonly used financial instruments (see "Derivative financial instruments"). Group companies make regular plans for receipt or payment of cash in foreign currencies and either advise these to Corporate Treasury, who hedge the related exchange risks using internal hedging contracts with the companies concerned, and external contracts with first-class banks or the Group companies hedge directly with banking institutions. The Group's hedging strategy for exchange risks distinguishes between the routine business of supplying components or spare parts and the Group's project activities. For the routine business, cash flows in foreign currencies are hedged for a whole year in advance, based on the annual budget. The hedging quota, i.e. the percentage of the base volume to be hedged, is set forth in the related guidelines. Every month a check is made as to whether the latest forecast of business volumes calls for an increase or a reduction in the hedging volume. For projects the exchange risks are hedged when the contract is entered into. For special transactions which do not fall into either category – routine or project – the hedging strategy can be determined for individual cases.

**Interest rate risks:** Risks related to fluctuations in interest rates are monitored by Corporate Treasury and in certain instances hedged at Group level (Note 17).

**Credit risks:** As a fundamental principle, the Group places funds only with first-rate domestic and foreign banking institutions. The credit or default risk associated with operating receivables is monitored locally by the individual Group companies (see "Receivables"). Generally, these risks are reduced by means of customer prepayments, letters of credit and other instruments.

**Liquidity risks:** On the basis of a consolidated, rolling liquidity plan, Corporate Treasury determines the Group's required liquidity. They then arrange to make this liquidity available in the financial markets (see "Financial liabilities"). Group companies are financed primarily on a central basis by Corporate Treasury, or where justified, by local banks.

## Contingent liabilities

Contingent liabilities represent potential obligations whose impact depends on the occurrence of one or more future events which cannot be influenced. Contingent liabilities are also existing obligations which are not expected to result in a future outflow of benefits, or where the outflow of benefits cannot reliably be quantified.

## Participation plans / share-based payments

OC Oerlikon Corporation AG offers members of the Board of Directors and Executive Board, as well as senior managers, options to purchase shares of the company under various participation plans. The fair value is determined on the day such share-based remuneration is granted and charged to the income statement on a straight-line basis over the vesting period as personnel expense, with a corresponding increase in equity (equity settlement), or as financial debt (cash settlement). The company holds treasury shares that were acquired in accordance with a share buyback program and may be used in the future for employee option plans and potential acquisitions. The acquisition cost of these treasury shares is deducted directly from equity.

## Related-party transactions

Members of the Board of Directors or Executive Board, significant shareholders and companies controlled by any of those individuals are deemed to be related parties.

**Presentation of Group accounts**

To comply with IFRS and to enhance comparability, comparative figures for 2008 have been reclassified or supplemented to conform to the current year. The following changes in the manner of presentation have been made:

**Reclassification of long-term employee benefits:** Provisions for long-term employee benefits were previously included in other provisions for reporting purposes. In accordance with IAS 19, these long-term provisions in the amount of CHF 30 million have been reclassified to post-employment benefit provisions.

**Discontinued Operations:** Following a realignment of strategy in the Segment Advanced Technologies, Oerlikon Space was sold in 2009. As a consequence, Oerlikon Space is shown as discontinued operations.

**Effects of adjustments to profit and loss**

in CHF million	2008 annual report	Discontinued operations	January 1 to December 31 2008 restated
Sales of goods	4 132	-118	4 014
Services rendered	618	-	618
<b>Total sales</b>	<b>4 750</b>	<b>-118</b>	<b>4 632</b>
Cost of sales	-3 631	83	-3 548
<b>Gross profit</b>	<b>1 119</b>	<b>-35</b>	<b>1 084</b>
Marketing and selling	-316	7	-309
Research and development	-237	2	-235
Administration	-311	8	-303
Impairment of goodwill	-252	-	-252
Restructuring costs	-66	-	-66
Other income	107	-6	101
Other expenses	-81	2	-79
<b>Result before interest and taxes (EBIT)</b>	<b>-37</b>	<b>-22</b>	<b>-59</b>
Financial income	14	-1	13
Financial expenses	-123	1	-122
<b>Result before taxes (EBT)</b>	<b>-146</b>	<b>-22</b>	<b>-168</b>
Income taxes	-61	5	-56
<b>Result from continuing operations</b>	<b>-207</b>	<b>-17</b>	<b>-224</b>
Result from discontinued operations	-215	17	-198
<b>Net result</b>	<b>-422</b>	<b>-</b>	<b>-422</b>

## Notes to the consolidated financial statements

### Capital and Debt Restructuring

Note 1

#### 1.1 Background

In November 2009 it became apparent that following the economic downturn, the Group would not generate the liquidity required to repay the Term Loan A in the amount of CHF 591 million, which was due for repayment at the end of March 2010. It was also clear that certain financial ratios set out in the existing credit facilities would not be met as at December 31, 2009. In December a waiver was arranged to suspend the financial covenants and discussions were started with the lenders to negotiate a long-term solution to the Group's financing requirements.

#### 1.2 Proposal

The negotiations were completed by the end of March 2010 and foresee the following major capital and debt transactions:

- Capital reduction – reduction of nominal value of all shares from CHF 20 to CHF 1
- Capital increase – issue of 268.7 million new shares with a nominal value of CHF 1 at an issue price of CHF 3.72 per share by way of discounted rights offering to existing shareholders of Oerlikon (underwritten, in case existing shareholders do not take up rights in full) resulting in an increase in equity of approx. CHF 1 000 million.
- Depending on take-up of rights, Oerlikon has granted the lenders the right to subscribe for additional new shares representing up to 12.5 percent of the share capital as enlarged by the rights offering, and warrants to subscribe for new shares representing up to 5 percent of the company's share capital as enlarged by the rights offering and the additional new shares.
- Treasury shares – Oerlikon has granted the lenders the right to purchase all of the 1.3 million treasury shares the Company currently holds (amount to 9.3 percent of the Company's current share capital) in April 2010.

Renova has committed to participate in the rights offering in proportion to its current shareholding. Renova will subscribe for new shares in the amount of CHF 447 million, of which CHF 400 million will be paid in cash and the remainder against set-off of debt. Of the CHF 400 million cash proceeds received from Renova, the Company will retain CHF 300 million for investment in the business. The remaining new shares offered to existing shareholders in the rights offering, representing CHF 553 million at the issue price, have been fully underwritten by the lenders. To the extent existing shareholders other than Renova do not exercise their rights, the corresponding new shares will be subscribed by the lenders against set-off of debt in an amount equivalent to the issue price of CHF 3.72. Thus, the aggregate potential debt set-off by the lenders for the subscription of new shares not taken up by existing shareholders would amount to up to CHF 553 million. The capital measures described above are subject to shareholder approval at the AGM and are expected to be implemented and completed in June 2010.

These refinancing measures will have the following effects on the Group's financial liabilities:

Debt reduction: through a combination of cash proceeds from the capital increase, a waiver by the lenders of between CHF 25 million and CHF 125 million of debt under the existing debt facilities, and the potential issuance of additional shares against debt set-off (all depending on the exercise of subscription rights in the rights offering), the Company's total debt is expected to be reduced by between approximately CHF 750 million (in case of 0 percent exercise of rights) and CHF 1 000 million (in case of 100 percent exercise of rights).

New debt facilities: as part of the financial restructuring, the lenders have agreed to replace the remaining portion of the existing debt facilities through three new debt facilities, all maturing June 30, 2014, in the total amount from approximately CHF 1 490 million to approximately CHF 1 740 million (depending on the take-up of the rights offering).

The credit facility will be divided into the following new tranches:

Tranche:	Interest rate:
Senior Revolving Credit Facility (Facility A)	Libor +450 BP
Senior Term Loan Facility (Facility B)	Libor +450 BP
Junior Term Loan Facility (Facility C)	Libor +400 BP + 700 BP PIK

The RCF as well as the Senior Term Loan Facility have an underlying margin grid depending on the ratio Net Debt/EBITDA (the better the ratio the lower the rates).

The new debt facilities contain the following financial covenants, which will be tested quarterly or annually:

- Net Debt/EBITDA covenant
- Interest cover covenant
- Equity covenant
- Minimum Liquidity covenant
- Absolute EBITDA covenant
- CAPEX covenant

The agreed covenant levels provide sufficient headroom to ensure operational flexibility to Oerlikon going forward.

Certain assets and shares in subsidiary companies have been pledged as collateral.

#### 1.3 Balance Sheet

The planned capital restructuring measures will have the following effects:

- Net debt will be reduced by approximately CHF 1 050 million to approximately CHF 1 300 million depending on the subscription success.
- CHF 300 million will flow in as cash after the recapitalization.
- The equity ratio after the recapitalization would be between 34 percent and 39 percent.

#### 1.4 Risks

The relevant lenders and investors including the major shareholder Renova have agreed to the re-financing plan and to providing bridge financing during the period from March 31, 2010 to the completion of the capital raise and the overall restructuring. Bank guarantees have been provided to cover Renova's subscription obligation under the capital increase. The success of the plan now depends on:

- The shareholders must approve the proposed capital reduction and subsequent capital increase at the Annual General Meeting.
- The company and shareholders must implement the Corporate Governance requirements foreseen in the contract (e.g. election of a Chief Restructuring Officer, and election of a board of directors consisting in the majority of independent directors).
- Closing of new debt facilities.

If the refinancing plan cannot be successfully implemented, this may cause the Oerlikon Group to cease to continue as a going concern and the financial statements would have to be prepared on a liquidation value basis.

Management and the board of directors expect that the proposed measures will be implemented, and their effect will be to restore Oerlikon Group's liquidity and assure its financial stability in the long term.

**Other income and expenses**

Note 2

in CHF million	<b>2009</b>	2008 restated
Licensing, patent and know-how income	1	5
Change in post-employment benefit plan accruals	1	8
Rental income from non-operating real estate	16	20
Gain on sale of non-operating real estate	1	1
Other income	24	67
<b>Other income</b>	<b>43</b>	<b>101</b>
Taxes not based on income	-3	-5
Impairment of non-current assets	-16	-27
Expense of non-operating real estate	-	-1
Other expenses	-29	-46
<b>Other expenses</b>	<b>-48</b>	<b>-79</b>
<b>Other income and expenses</b>	<b>-5</b>	<b>22</b>

Note 3

**Expenses included in EBIT**

in CHF million	2009	2008 restated
<b>Personnel expense <sup>1</sup></b>		
Salaries and wages	787	981
Social security and other employee benefits <sup>2</sup>	214	296
<b>Total</b>	<b>1 001</b>	<b>1 277</b>
<b>Depreciation and amortization <sup>3</sup></b>		
– operating property, plant and equipment	170	197
of which in:		
Cost of sales	130	149
Marketing and selling	3	5
Research and development	12	14
Administration	25	29
– intangible assets (excluding goodwill)	36	44
of which in:		
Cost of sales	3	3
Marketing and selling	2	6
Research and development	21	29
Administration	10	6
<b>Total</b>	<b>206</b>	<b>241</b>
<b>Restructuring costs <sup>4</sup></b>	<b>107</b>	<b>66</b>

<sup>1</sup> Discontinued operations are excluded from personnel expense. Personnel expense for these operations amounts to CHF 40 million in 2009 (previous year, restated: CHF 111 million).

<sup>2</sup> Included in the CHF 214 million expense for social security and other benefits is CHF 20 million (previous year, restated: CHF 24 million) attributable to specific post-employment benefit plans of the individual companies. The remainder includes the legally required benefit contributions of Group companies as well as other social security expenses. Discontinued operations are excluded by CHF 1 million (previous year: CHF 3 million).

<sup>3</sup> Depreciation of property, plant and equipment of discontinued operations amounts to CHF 3 million (previous year, restated: CHF 8 million), which are excluded.

<sup>4</sup> Of the total restructuring cost of CHF 107 million in 2009, CHF 49 million relates to the Textile segment incurred in connection with the project "Simplify Oerlikon Textile". Further restructuring measures were taken in the other segments for the purpose of cost-cutting and reduction of break-even levels.

The restructuring costs are divided as follows in CHF million:	Personnel costs	Infrastructure measures	Total
Restructuring Textile segment:			
Barmag	–	4	4
Neumag	12	–	12
Saurer	2	1	3
Schlafhorst	15	4	19
Textile Components	2	7	9
Textile other	–	2	2
<b>Total Textile</b>	<b>31</b>	<b>18</b>	<b>49</b>
Restructuring of other segments:			
Drive	16	1	17
Vacuum	11	2	13
Coating	14	2	16
Solar	8	–	8
Advanced Technologies	4	–	4
<b>Total Group</b>	<b>84</b>	<b>23</b>	<b>107</b>

## Financial income and expenses

Note 4

in CHF million	2009	2008 restated
Interest income	3	8
Other financial income	5	5
<b>Financial income</b>	<b>8</b>	<b>13</b>
Interest on financial debt <sup>1</sup>	-77	-73
Interest on provisions for post-employment benefit plans	-28	-24
Other financial expenses	-49	-12
Foreign currency loss, net	-11	-13
<b>Financial expense</b>	<b>-165</b>	<b>-122</b>
<b>Total</b>	<b>-157</b>	<b>-109</b>

<sup>1</sup> The total interest expenses amounted to CHF 121 million which is included in interest on financial debt and other financial expenses.

## Income taxes

Note 5

in CHF million	2009			2008 restated
	Continuing operations	Discontinued operations	total	total
Current income tax expense (-) / income (+)	52	-2	50	-58
Deferred tax expense (-) / income (+)	-2	-	-2	-12
<b>Total</b>	<b>50</b>	<b>-2</b>	<b>48</b>	<b>-70</b>

### Analysis of tax expense

in CHF million	2009	2008 restated
Result before taxes from continuing operations	-746	-168
Result before taxes from discontinued operations	106	-184
<b>Total</b>	<b>-640</b>	<b>-352</b>
Tax expense (-) / income (+) from continuing operations	50	-56
Tax expense (-) / income (+) from discontinued operations	-2	-14
<b>Total</b>	<b>48</b>	<b>-70</b>
Expected tax expense (-) / income (+) <sup>1</sup>	150	35
Difference between actual and expected tax expense	<b>-102</b>	<b>-105</b>

The difference between the tax expense calculated using the weighted average tax rate of Oerlikon Group (expected tax expense) of 23.4 percent (previous year: 9.9 percent) and the effective tax expense arises from the following factors:

Unrecognized deferred taxes on current-year losses	-136	-57
Adjustment of tax losses recognized from previous periods	-6	-51
Non-taxable income and expenses	-6	-18
Utilization of unrecognized tax loss carryforwards from previous periods	2	5
Tax income from prior periods	50	22
Other effects	-6	-6
	<b>-102</b>	<b>-105</b>

<sup>1</sup> The expected tax expense is calculated from the various profits and losses of the individual companies, using local tax rates. From these a composite tax rate is developed, averaged over the whole Group.

## Notes to the consolidated financial statements

**Deferred taxes**

Note 5 (cont.)

in CHF million	<b>2009</b>				<b>2008</b>	
	Deferred tax balances		Deferred tax balances		Deferred tax balances	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash, cash equivalents and securities	–	–	–	–	–	3
Trade accounts receivable	1	1	1	1	1	3
Other receivables and accruals	6	1	13	13	13	6
Inventories	22	6	20	20	20	10
Financial assets	4	24	1	1	1	3
Property, plant and equipment	16	71	16	16	16	68
Intangible assets	6	132	3	3	3	130
<b>Assets</b>	<b>55</b>	<b>235</b>	<b>55</b>	<b>55</b>	<b>55</b>	<b>223</b>
Other current and long-term liabilities	6	4	48	48	48	12
Financial liabilities	6	4	3	3	3	1
Provisions	72	4	30	30	30	5
<b>Liabilities</b>	<b>84</b>	<b>12</b>	<b>82</b>	<b>82</b>	<b>82</b>	<b>19</b>
Deferred tax asset from recognized tax loss carry-forwards <sup>1</sup>	55	–	40	40	40	–
Netting	–122	–122	–43	–43	–43	–43
<b>Total</b>	<b>72</b>	<b>125</b>	<b>133</b>	<b>133</b>	<b>133</b>	<b>198</b>

<sup>1</sup> In 2009 tax loss carryforwards of CHF 355 million for federal taxes and CHF 146 million for state/local taxes were recognized (previous year: CHF 142 million for federal taxes and CHF 113 million for state/local taxes).

Deferred tax income of CHF 10 million has been recognized directly in equity (previous year: CHF 17 million).

Utilization of tax loss carryforwards is limited as follows:

in CHF million	Tax losses not recognized as deferred tax assets		Total tax loss carryforwards	
	federal tax	state / local tax	federal tax	state / local tax
1 year	41	–	58	–
2 years	12	–	19	–
3 years	26	15	48	29
4 years	22	–	27	–
5 years	74	3	77	3
over 5 years	624	585	925	717
<b>Total</b>	<b>799</b>	<b>603</b>	<b>1 154</b>	<b>749</b>

Compared to the previous year tax loss carryforwards did not significantly increase although the Group is in an overall loss situation. This was mainly caused by the disposal of losses due to sale of investments and losses expired.

The deferred tax on unrecognized tax loss carryforwards would amount to CHF 211 million in 2009 (previous year: CHF 178 million).

**Earnings per share**

Note 6

in CHF million	2009	2008 restated
Result from continuing operations	-696	-224
Result from discontinued operations	104	-198
<b>Net result</b>	<b>-592</b>	<b>-422</b>
Minority interests	-	3
<b>Net result attributable to shareholders</b>	<b>-592</b>	<b>-425</b>
Earnings per registered share in CHF <sup>1</sup>	-46.16	-33.13
Diluted earnings per registered share in CHF <sup>1</sup>	-46.16	-33.13
Earnings per registered share continuing operations in CHF	-54.27	-17.69
Diluted earnings per registered share continuing operations in CHF	-54.27	-17.69
Earnings per registered share discontinued operations in CHF	8.11	-15.44
Diluted earnings per registered share discontinued operations in CHF	8.11	-15.44

<sup>1</sup> Earnings per share of CHF -46.16 has been calculated on the basis of a net profit of CHF -592 million attributable to shareholders (previous year: CHF -425 million) and the average weighted number of outstanding shares (issued shares less treasury shares). In 2009, the average weighted number of shares entitled to vote and receive dividends amounted to 12 824 128 (previous year: 12 819 504). Diluted earnings per share amounted to CHF -46.16. The average weighted number of shares used in the calculation of diluted earnings per share amounted to 12 824 128 (previous year: 12 819 504).

Number of outstanding shares:	2009	2008 restated
Total shares issued at year-end	14 142 437	14 142 437
Weighted average number of shares outstanding at year-end	12 824 128	12 819 504
Effect of potential exercise of option rights	-	-
Weighted average number of shares diluted at year-end	12 824 128	12 819 504

**Cash and cash equivalents**

Note 7

in CHF million	2009	2008
Cash, postal and bank current accounts	340	366
Time deposits	17	27
<b>Total</b>	<b>357</b>	<b>393</b>

CHF 91 million (previous year: CHF 58 million) of total cash and cash equivalents are held in countries in which prior approval is required to transfer funds abroad. Nevertheless, if the Group complies with these requirements, such liquid funds are at its disposition within a reasonable period of time.

Cash and cash equivalents are held in the following currencies:

Currency in CHF million	2009	2008
CHF	106	114
EUR	132	164
USD	29	54
Others	90	61
<b>Total</b>	<b>357</b>	<b>393</b>

**Financial investments**

Note 8

in CHF million	2009	2008
<b>Current<sup>1</sup></b>	12	3
<b>Non-current</b>	–	–
<b>Available-for-sale financial assets, carried at fair value</b>	<b>12</b>	<b>3</b>
Current	–	–
Non-current <sup>2</sup>	33	33
<b>Available-for-sale financial assets, carried at cost</b>	<b>33</b>	<b>33</b>
Current	8	40
Non-current	–	–
<b>Derivatives used for hedging<sup>3</sup></b>	<b>8</b>	<b>40</b>
Total current financial investments	20	43
Total non-current financial investments	33	33
<b>Total</b>	<b>53</b>	<b>76</b>

<sup>1</sup> Available-for-sale financial assets carried at fair value include marketable securities held as funding for the provision for partial retirement.

<sup>2</sup> Non-current financial investments include Pilatus Flugzeugwerke AG with a book value of CHF 28 million. The investment remains unchanged at 13.97 percent. The investment is valued at cost due to lack of information regarding fair values. The company's shares are not publicly traded. Oerlikon has access only to financial information available in the public domain, which is not sufficient to determine the fair value of the investment. Other investments consist of several small investments, which are not publicly traded and for which no financial information is available. These investments are held at cost. Currently, Oerlikon has no intention to sell these investments.

<sup>3</sup> Valued at forward rates.

**Loans and receivables**

Note 9

in CHF million	2009	2008
<b>Current</b>		
Trade receivables	402	520
Trade notes receivable	31	14
Other receivables <sup>1</sup>	221	340
<b>Non-current</b>		
Loans and other non-current financial receivables	11	15
<b>Total</b>	<b>665</b>	<b>889</b>

<sup>1</sup> Other receivables include:

- Receivables from Swiss and foreign tax authorities (VAT) and insurance companies
- Prepayment to suppliers
- Accrued sales under the POC method for orders without customer advances

**Inventories**

in CHF million	2009			2008		
	Gross value	Value adjustment	Net value	Gross value	Value adjustment	Net value
Raw material and components	268	-68	<b>200</b>	363	-51	<b>312</b>
Work in progress	184	-20	<b>164</b>	385	-14	<b>371</b>
Finished goods	164	-38	<b>126</b>	225	-44	<b>181</b>
Trade merchandise	63	-19	<b>44</b>	47	-10	<b>37</b>
<b>Total</b>	<b>679</b>	<b>-145</b>	<b>534</b>	<b>1 020</b>	<b>-119</b>	<b>901</b>

Amounts charged to the income statement for write-downs of inventories in the reporting year were CHF 40 million (previous year: CHF 13 million).

**Construction contracts according to the percentage of completion method (POC)**

The accrued sales under the POC method pertain to customer orders in the segments Oerlikon Solar and Oerlikon Textile, summarized as follows:

in CHF million	2009	2008 restated
POC sales recognized as revenue in the period <sup>1</sup>	<b>566</b>	816
Aggregate contract costs incurred and recognized contract profits to date <sup>1</sup>	<b>1 033</b>	826
Gross amount due from customers for contract work as an asset	<b>98</b>	178
Net amount of customer advances for POC projects <sup>2</sup>	<b>9</b>	143

<sup>1</sup> Discontinued operations are excluded which amounted to CHF 54 million (previous year: CHF 118 million). No losses were generated.

<sup>2</sup> This amount is included in the short-term and long-term customer advances totaling CHF 136 million (previous year: CHF 183 million).

## Notes to the consolidated financial statements

**Property, plant and equipment**

Note 11

in CHF million	Plant, equipment and furniture	Production and administration buildings <sup>1</sup>	Developed land	Facilities under construction	Non-operating real estate	<b>2009 Total</b>
<b>Cost</b>						
Balance at January 1, 2009	1 429	722	114	79	20	2 364
Conversion differences	6	-1	-1	1	-	5
Changes in the scope of consolidated companies	-63	-93	-1	-2	-	-159
Additions	60	13	-	24	-	97
Disposals	-51	-9	-1	-4	-	-65
Reclassifications to assets held for sale	2	-	-	-2	-18	-18
Transfers	46	10	1	-58	-	-1
Balance at December 31, 2009	1 429	642	112	38	2	2 223
<b>Accumulated depreciation and impairment losses</b>						
Balance at January 1, 2009	-805	-266	-	-	-15	-1 086
Conversion differences	-2	-	-	-	-	-2
Changes in the scope of consolidated companies	52	67	-	-	-	119
Depreciation	-147	-25	-1	-	-	-173
Impairment losses	-5	-6	-	-	-	-11
Disposals	49	3	-	-	-	52
Reclassifications to assets held for sale	-	-	-	-	15	15
Transfers	-	-	-	-	-	-
Balance at December 31, 2009	-858	-227	-1	-	-	-1 086
Net Group values at December 31, 2008	624	456	114	79	5	1 278
<b>Net Group values at December 31, 2009</b>	<b>571</b>	<b>415</b>	<b>111</b>	<b>38</b>	<b>2</b>	<b>1 137</b>
Of which assets held under finance leases	2	40	-	-	-	42
Insured values in event of fire	3 103	1 599	-	22	1	4 725
Estimated fair value	-	-	-	-	6	6

Open purchase commitments for property, plant and equipment at the end of 2009 amounted to CHF 27 million (previous year: CHF 37 million).

<sup>1</sup> Oerlikon owns a number of industrial sites and office buildings, or parts of larger sites, which are no longer necessary for its operations. The value of these properties is largely dependent on their future use, and for this reason it is not possible to make a reliable estimate of their fair value.

**Property, plant and equipment**

Note 11 (cont.)

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	Non-operating real estate	<b>2008 Total</b>
<b>Cost</b>						
Balance at January 1, 2008	1 482	717	122	70	32	2 424
Conversion differences	-146	-42	-10	-6	-1	-205
Changes in the scope of consolidated companies	-	-	-	-	-	-
Additions	171	13	2	91	1	278
Disposals	-96	-7	-1	-3	-2	-109
Reclassifications to / from assets held for sale	-49	18	-1	-	-	-32
Transfers	66	23	2	-73	-11	7
		-				
Balance at December 31, 2008	1 429	722	114	79	20	2 364
<b>Accumulated depreciation and impairment losses</b>						
Balance at January 1, 2008	-791	-217	-	-	-21	-1 030
Conversion differences	76	5	-	-	-	81
Changes in the scope of consolidated companies	-	-	-	-	-	-
Depreciation	-173	-32	-	-	-	-205
Impairment losses	-1	-	-	-	-	-1
Disposals	40	-	-	-	1	41
Reclassifications to / from assets held for sale	43	-13	-	-	-	30
Transfers	2	-9	-	-	7	-
Balance at December 31, 2008	-805	-266	-	-	-15	-1 086
Net Group values at December 31, 2007	691	500	122	70	11	1 394
<b>Net Group values at December 31, 2008</b>	<b>624</b>	<b>456</b>	<b>114</b>	<b>79</b>	<b>5</b>	<b>1 278</b>
Of which assets held under finance leases	1	41	-	-	-	42
Insured values in event of fire	3 110	1 747	-	17	30	4 904
Estimated fair value					29	29

**Intangible assets**

in CHF million	Goodwill	Software	Technology and development costs <sup>1</sup>	Other intangible assets <sup>2</sup>	2009 Total
<b>Cost</b>					
Balance at January 1, 2009	1 379	51	124	499	2 053
Conversion differences	-6	-	-1	-2	-9
Changes in the scope of consolidated companies	-6	-3	-1	-1	-11
Additions	-	5	26	2	33
Disposals	-	-3	-9	-1	-13
Reclassifications to assets held for sale	-	-	-	-	-
Transfers	-	-	-37	38	1
Balance at December 31, 2009	1 367	50	102	535	2 054
<b>Accumulated amortization and impairment losses</b>					
Balance at January 1, 2009	-253	-29	-33	-42	-357
Conversion differences	3	1	-	-	4
Changes in the scope of consolidated companies	-	1	-	1	2
Amortization	-	-5	-17	-14	-36
Impairment losses	-202	-3	-	-1	-206
Disposals	-	2	8	-	10
Reclassifications to assets held for sale	-	-	-	-	-
Transfers	-	-	18	-18	-
Balance at December 31, 2009	-452	-33	-24	-74	-583
Net Group values at December 31, 2008	1 126	22	91	457	1 696
<b>Net Group values at December 31, 2009</b>	<b>915</b>	<b>17</b>	<b>78</b>	<b>461</b>	<b>1 471</b>

<sup>1</sup> Additions to capitalized development costs are costs incurred in internal development projects and acquired technology. Development costs are recognized as intangible assets if they meet the criteria for such recognition set forth in IAS 38. After the development phase is complete the asset is amortized over five years.

<sup>2</sup> Other intangible assets include brands of CHF 398 million (previous year CHF 395 million) with infinite life.

The capitalized development costs pertain to the segments as follows:

**Capitalized development costs for the period**

in CHF million	2009	2008
Oerlikon Textile	11	14
Oerlikon Coating	8	5
Oerlikon Solar	4	5
Oerlikon Vacuum	3	4
Oerlikon Drive Systems	-	1
Oerlikon Advanced Technologies	-	13
<b>Total</b>	<b>26</b>	<b>42</b>

## Intangible assets

Note 12 (cont.)

Goodwill and brands are attributed to the segments as follows:

Goodwill and brands in CHF million	2009	2008	2009	2008
		Goodwill		Brands
Oerlikon Textile	291	494	313	302
Schlafhorst	–	–	150	145
Neumag	8	–	47	45
Barmag	128	–	113	109
Saurer	63	–	–	–
Components	92	–	3	3
Oerlikon Coating	14	13	–	–
Oerlikon Solar	2	2	–	–
Oerlikon Drive Systems	571	573	85	93
Graziano	283	–	70	77
Fairfield	288	–	15	16
Oerlikon Advanced Technologies	37	44	–	–
<b>Total</b>	<b>915</b>	<b>1 126</b>	<b>398</b>	<b>395</b>

Goodwill and other intangible assets with infinite useful life are allocated to those cash-generating units (CGUs) which are expected to benefit from the relevant business combination. For the first time the goodwill has been allocated to individual business units within the segments on their relative enterprise values. The business units correspond to CGUs and are the lowest level at which goodwill is monitored by management. Goodwill and intangible assets with infinite useful life are tested annually for possible impairment of value, using discounted cash flow analysis.

Asset values used in the goodwill impairment testing are based on net realizable values (fair value less costs to sell), and on the latest forecasts approved by management. The forecast period used for future cash flows covers the years 2010 to 2014. The discount rates used are based on the weighted average cost of capital (WACC) derived from peer groups adjusted to specific risks of the businesses concerned and the countries in which they operate. The capital costs were determined using the capital asset pricing model (CAPM).

The annual impairment test carried out at business unit level called for an impairment of CHF 202 million (previous year: CHF 200 million).

The total impairment of CHF 202 million is attributed to the business units Neumag and Schlafhorst (Textile segment) in the amounts of CHF 46 million and CHF 156 million respectively.

The following pre-tax discount rates were used:

### Pre-tax discount rates per segment

Oerlikon Advanced Technologies (Systems)	10.1 %
Oerlikon Textile	8.9 – 9.5 %
Oerlikon Drive Systems	9.4 – 9.5 %

Because the discount rates for the segments Textile and Drive Systems reflect the conditions in the textile and drive systems industries, the same post-tax discount rates were used for the business units within the segments.

For periods following the five-year plan period 2010 to 2014, the cash flows of the business units of the two segments Oerlikon Drive Systems and Oerlikon Textile were extrapolated with a growth rate of 2.5 and 2 percent respectively (exception: Neumag 0 percent), while for the Advanced Technologies segment a growth rate of 2 percent was used. In the case of the business unit Neumag, management assumes no change in future business volume.

For the sensitivity analysis a growth rate of 1.5 percent for the business units of Drive Systems were assumed, while for the business units of Textile and Advanced Technologies a rate of 1 percent was assumed (exception: Neumag –1 percent).

In the case of the Neumag business unit, an assumed growth rate of the terminal value of –1 percent would call for an additional impairment of CHF 8 million, i.e. a requirement to write off the goodwill entirely. Increasing the discount rate by 0.5 percent would lead to an additional impairment of CHF 6 million. For the Schlafhorst business unit, an assumed growth rate of the terminal value of 1 % would call for an additional impairment of CHF 23 million of the brands. Increasing the discount rate by 0.5 percent would lead to an additional impairment of the brands in the amount of CHF 15 million. For the remaining business units of the Textile segment and also for the Advanced Technology segment, neither a reduction of the growth rate of the terminal value to 1 percent nor an increase in the discount rate of 0.5 percent would give rise to an impairment of goodwill.

For the Graziano and Fairfield business units of the Drive Systems segment, neither a reduction of the growth rate of the terminal value to 1.5 percent nor an increase in the discount rate of 0.5 percent would give rise to an impairment of goodwill.

**Intangible assets**

Note 12 (cont.)

Previous year in CHF million	Goodwill	Software	Technology and development costs	Other intangible assets	2008
					Total
<b>Cost</b>					
Balance at January 1, 2008	1 532	49	120	525	2 226
Conversion differences	-34	-3	-5	-44	-87
Changes in the scope of consolidated companies	-	-	-	-	-
Additions	1	15	42	16	74
Disposals	-	-4	-4	-	-8
Reclassifications to assets held for sale	-93	-5	-47	-	-145
Transfers	-27	-	18	2	-7
Balance at December 31, 2008	1 379	51	124	499	2 053
<b>Accumulated amortization and impairment losses</b>					
Balance at January 1, 2008	-	-36	-9	-11	-56
Conversion differences	-1	2	2	1	4
Changes in the scope of consolidated companies	-	-	-	-	-
Amortization	-	-8	-25	-15	-48
Impairment losses	-345	-1	-52	-12	-410
Disposals	-	4	4	-	8
Reclassifications to assets held for sale	93	5	47	-	145
Transfers	-	5	-	-5	-
Balance at December 31, 2008	-253	-29	-33	-42	-357
Net Group values at December 31, 2007	1 532	13	111	514	2 170
<b>Net Group values at December 31, 2008</b>	<b>1 126</b>	<b>22</b>	<b>91</b>	<b>457</b>	<b>1 696</b>

**Post-employment benefit provisions and pension surplus**

Note 13

in CHF million	2009	Due		2008	Due	
		within 1 year	beyond 1 year		within 1 year	beyond 1 year
Post-employment benefit provisions	554	16	538	540	15	525
Other long-term employee benefit provisions	26	2	24	30	3	27
<b>Total</b>	<b>580</b>	<b>18</b>	<b>562</b>	<b>570</b>	<b>18</b>	<b>552</b>

Post-employment benefit provisions are related to the following plans:

in CHF million	Total	2009		Total	2008	
		Defined benefit	Defined contribution		Defined benefit	Defined contribution
<b>Number of plans</b>						
Funded plans <sup>1</sup>	32	23	9	38	27	11
Unfunded plans	17	17	-	21	21	-
<b>Number of insured members<sup>2</sup></b>						
Active members	15 156	13 560	1 596	17 129	15 166	1 963
Members with vested rights <sup>3</sup>	5 282	5 282	-	5 393	5 393	-
Retired members	10 397	9 340	1 057	8 850	8 538	312
<b>in CHF million</b>						
Pension cost (operative), restated <sup>4</sup>	22	19	3	24	21	3
Pension cost (financial)	28	28	-	24	24	-
Total post-employment benefit plan cost	50	47	3	48	45	3
Post-employment benefit provisions	554	553	1	540	539	1
Post-employment benefit assets	1	1	-	-	-	-

<sup>1</sup> The decrease in 2009 in the number of plans relates to divestments and merger of plans.

<sup>2</sup> In certain Group companies, members belong to multiple plans. Prior year figures have been adjusted to reflect this.

<sup>3</sup> Former employees of a Group company with vested rights in a pension plan. Prior year figures have been adjusted.

<sup>4</sup> Oerlikon Space AG was sold on June 30, 2009. Prior year figures have been restated.

## Notes to the consolidated financial statements

Defined benefit plans	2009			2008		
	Total	Funded	Unfunded	Total	Funded	Unfunded
in CHF million						
Plan assets at market value <sup>5</sup>	730	730	–	861	861	–
Projected benefit obligation (PBO)	-1 215	-776	-439	-1 335	-931	-404
Assets in excess of / below PBO	-485	-46	-439	-474	-70	-404
Post-employment benefit provisions	553	114	439	539	135	404
Post-employment benefit assets	1	1	–	–	–	–
Unrecognized surplus (+) / underfunding (–)	69	69	–	64	64	–
of which:						
– Past service costs	3	3	–	5	5	–
– Unrecognized assets (effect of capitalization limit IAS 19.58(b))	66	66	–	59	59	–

Note 13 (cont.)

<sup>5</sup> Plan assets include:	2009		2008	
Equity instruments	196	27 %	185	21 %
Bonds and other obligations	262	35 %	375	44 %
Real estate <sup>6</sup>	107	15 %	115	13 %
Other	165	23 %	186	22 %
Total plan assets	730	100 %	861	100 %

<sup>6</sup> Plan assets include real estate in Germany with a fair value of CHF 20 million (previous year: CHF 20 million); the property is rented by a Group company, at an annual rent of CHF 1 million (previous year: CHF 1 million).

Funded status and experience adjustments	2009	2008	2007	2006
Projected benefit obligation (PBO)	-1 215	-1 335	-1 471	-1 566
Plan assets at market value	730	861	1 028	1 008
Assets below PBO	-485	-474	-443	-558
Experience adjustments				
– to obligations	-3	-7	-43	-2
– to plan assets	14	-147	-8	1

## Post-employment benefit provisions and pension surplus

Note 13 (cont.)

in CHF million	2009	2008
<b>Plan assets at market value at January 1</b>	<b>861</b>	<b>1 028</b>
Expected return on plan assets	34	48
Employee contributions	10	15
Employer contributions	17	41
Actuarial gains / (losses)	23	-152
Curtailments / settlements	-	11
Amounts paid out	-73	-96
Changes in the scope of consolidated companies	-139	-2
Conversion differences	-3	-32
<b>Plan assets at market value at December 31</b>	<b>730</b>	<b>861</b>
<b>Present value of projected benefit obligation (PBO) at January 1</b>	<b>1 335</b>	<b>1 471</b>
Service cost	36	45
Interest cost	62	64
Plan extensions / (curtailments)	-5	-14
Actuarial (gains) / losses	48	-56
Amounts paid out	-101	-96
Changes in the scope of consolidated companies	-152	2
Conversion differences	-8	-81
<b>Present value of projected benefit obligation (PBO) at December 31</b>	<b>1 215</b>	<b>1 335</b>
<b>Pension cost – defined benefit plans</b>		
Current service costs, restated	-35	-46
Employee contributions	10	15
<b>Current service costs after deduction of employee contributions</b>	<b>-25</b>	<b>-31</b>
Interest costs	-62	-64
Expected return on plan assets	34	48
Effect of plan mutations	1	1
Gains from terminations and curtailments	5	1
<b>Total pension costs</b>	<b>-47</b>	<b>-45</b>
<b>Assumptions used in actuarial calculations</b>	<b>2009</b>	<b>2008</b>
(weighted average rates)		
Discount rate	4.7 %	5.0 %
Salary progression	1.9 %	2.0 %
Benefit progression	0.8 %	1.0 %
Return on plan assets	4.8 %	4.8 %

The expected return on funded plan assets is based on the long-term historical performance of the separate categories of plan assets for each funded pension plan. The calculation includes assumptions concerning expected income and realized or unrealized gains on plan assets. The expected return on plan assets included in the income statement is calculated by multiplying the expected rate of return by the fair value of plan assets. The difference between the expected return and the actual return in any twelve month period is an actuarial gain/loss and is recorded directly in equity. In 2009, the actual return on plan assets was CHF 57 million (previous year: CHF -105 million).

### Actuarial losses / (gains) recognized in equity

in CHF million	2009	2008
<b>Accumulated values at January 1</b>	<b>20</b>	<b>-50</b>
Actuarial losses recognized during year	25	70
Changes in the scope of consolidated companies	-10	-
<b>Accumulated values at December 31</b>	<b>35</b>	<b>20</b>
Effect of capitalization limit IAS 19.58(b)	-	-1

The employer contributions for 2010 are expected to be approximately CHF 20 million (previous year: CHF 39 million).

**Liabilities**

Note 14

in CHF million	2009	2008
<b>Current</b>		
Bank debts	12	23
Financial leases	6	7
Loans payable <sup>1</sup>	2 022	4
Trade payables	332	451
Trade notes payable	–	4
Other payables, excluding derivatives	74	91
<b>Total</b>	<b>2 446</b>	<b>580</b>
Derivatives used for hedging	3	22
<b>Total current financial liabilities</b>	<b>2 449</b>	<b>602</b>
<b>Non-current</b>		
Loans payable	7	2 028
Financial leases	4	11
Mortgages	–	–
<b>Total</b>	<b>11</b>	<b>2 039</b>
Derivatives used for hedging	–	–
<b>Total non-current financial liabilities</b>	<b>11</b>	<b>2 039</b>

<sup>1</sup> The classification as short-term reflects the provisions of IAS 1. Upon completion of the refinancing arrangement discussed in note 1 such loans will be reclassified as long-term.

**Accrued liabilities**

Note 15

in CHF million	2009	2008
Accrued personnel costs	90	130
Accrued material costs	67	77
Other accrued liabilities	75	166
<b>Total</b>	<b>232</b>	<b>373</b>

## Provisions

Note 16

in CHF million	Product warranties	Onerous contracts <sup>1</sup>	Restructuring <sup>2</sup>	Other provisions <sup>3</sup>	2009 Total
Balance at January 1, 2009	78	21	37	59	<b>195</b>
Conversion differences	–	–	–	–	<b>–</b>
Change in the scope of consolidated companies	–1	–6	–	–	<b>–7</b>
Additions	36	21	83	31	<b>171</b>
Amounts used	–33	–5	–42	–15	<b>–95</b>
Amounts reversed	–11	–1	–4	–8	<b>–24</b>
Transfers	–1	1	–	–	<b>–</b>
<b>Balance at December 31, 2009</b>	<b>68</b>	<b>31</b>	<b>74</b>	<b>67</b>	<b>240</b>
Due within 1 year	66	21	68	52	<b>207</b>
Due beyond 1 year <sup>4</sup>	2	10	6	15	<b>33</b>

<sup>1</sup> Provisions are made for cases where the costs of fulfilling contractual obligations (e.g. projects) are higher than their expected economic benefit. During the preparation of the financial statements, a systematic reassessment of the project risks was conducted and appropriate adjustments made to the cost estimates for the projects underway in the individual business units. The basis for such was the so-called "most likely outcome". This requires estimates to be made with regard to the technical and time-related realization of those projects, and also includes a quantification of the relevant risks.

<sup>2</sup> The restructuring provisions are allocated as follows:

in CHF million	Restructuring
Textile	41
Drive Systems	13
Coating	7
Vacuum	10
Other	3
<b>Total</b>	<b>74</b>

The restructuring provisions in the Textile segment of CHF 41 million (prior year: CHF 31 million) relate primarily to the business units Schlafhorst and Neumag. The aim of the restructuring is to reduce the break-even point across all business units.

<sup>3</sup> Other provisions cover various risks which occur in the normal course of business. They consist mainly of provisions for pending litigation, technical risks and product anomalies.

<sup>4</sup> For the long-term provisions the cash outflow is assumed to be within the next two to three years.

## Financial instruments

in CHF million	2009			2008		
	Contract volume	Fair value positive	negative	Contract volume	Fair value positive	negative
<b>Forward exchange contracts</b>	<b>519</b>	<b>8</b>	<b>3</b>	<b>1 088</b>	<b>40</b>	<b>22</b>
<b>Interest-rate derivatives</b>	<b>755</b>	<b>-</b>	<b>-</b>	<b>1 011</b>	<b>-</b>	<b>-</b>
Interest-rate swaps	5	-	-	11	-	-
Interest caps <sup>1</sup>	750	-	-	1 000	-	-
<b>Total</b>	<b>1 274</b>	<b>8</b>	<b>3</b>	<b>2 099</b>	<b>40</b>	<b>22</b>

Based on the Group's business activities, the following main currencies are hedged: EURO and US dollar. Positive and negative changes in fair values of currency derivatives are offset by the corresponding gain or loss on the underlying hedged transactions. The maximum risk of counterparty non-performance is equal to the positive deviation from fair value. In view of the reputation of the counterparties, this risk is deemed to be minimal.

In principle, the maturities of currency and interest-rate hedges correspond to the maturity of the underlying base transaction. If the maturity of the base transaction shifts, the maturity of the hedge contract will be shifted correspondingly (rollover/swaps). Thus, the cash flows deriving from the hedge contracts are synchronized with the impact of the base transaction in the income statement. The hedging transactions are first recorded in equity, then recycled to the income statement when the underlying transaction is recorded. For this reason there is no need for a separate presentation of the maturities of hedge contracts and their underlying transactions.

Maturity structure of open foreign exchange contracts at December 31:

in CHF million	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
<b>Forward exchange contracts</b>							
2009	5	<b>519</b>	456	63	-	-	-
2008	17	<b>1 088</b>	955	118	14	-	-
<b>Interest-rate swaps <sup>2</sup></b>							
2009	-	<b>5</b>	1	4	-	-	-
2008	-	<b>11</b>	3	3	5	-	-

<sup>1</sup> As a hedge against the interest rate risk inherent in the variable interest rates of the syndicated loan, two interest caps were taken out in August 2007 for a nominal amount of CHF 1 200 million. The interest caps run to 2011, and over that period they compensate for any excess of the 6-month-CHF-LIBOR over 4 percent by paying out the difference. The nominal amount is reduced over the period of the loan in accordance with the planned repayment. The nominal amount at December 31, 2009 was CHF 750 million.

Every six months a comparison is made between current 6-month-CHF-LIBOR and the interest rate upper limit of 4 percent. If 6-month-LIBOR exceeds 4 percent, Oerlikon receives a payment in compensation.

The total premiums of CHF 2 million payable at the inception of this contract were capitalized and were remeasured to fair value in the balance sheet at December 31, 2009, and is booked through the income statement.

<sup>2</sup> Interest-rate swaps are used in connection with a "sale and leaseback" real estate transaction for an Italian subsidiary.

## Liquidity risk

Note 18

Liquidity risk is the risk that Oerlikon may be unable to discharge its financial liabilities in a timely manner or at an acceptable cost. Oerlikon Group supervises and manages the Group's liquidity centrally to ensure that outstanding financial liabilities can at all times be met within their maturity period and at an acceptable financing cost. Corporate Treasury prepares and provides the relevant decision support and arranges for the availability of the relevant funds once approval is given.

Oerlikon's liquidity is monitored using short-, medium- and long-term rolling liquidity forecasts, about which senior management are kept informed. On the basis of this plan, Oerlikon mobilizes the necessary liquid funds and takes any further steps necessary on a timely basis.

### Terms and debt repayment schedule

in CHF million	2009					
	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured <sup>2</sup>
Bank overdrafts	5	5	5	–	–	–
Fixed advances	7	7	7	–	–	–
Trade payables	332	332	332	–	–	–
Loans and borrowings	2 029	2 066	2 023	43	–	15
Gross finance lease obligation	10	10	5	1	4	7
Accrued liabilities	142	142	142	–	–	–
<b>Non-derivative financial liabilities</b>	<b>2 525</b>	<b>2 562</b>	<b>2 514</b>	<b>44</b>	<b>4</b>	<b>22</b>
Forward exchange contracts used for hedging	–5	519	519	–	–	–
– thereof: for hedged fx-outflows	–	217	217	–	–	–
– thereof: for hedged fx-inflows	–5	302	302	–	–	–
<b>Derivative financial instruments<sup>1</sup></b>	<b>–5</b>	<b>519</b>	<b>519</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>2 520</b>	<b>3 081</b>	<b>3 033</b>	<b>44</b>	<b>4</b>	<b>22</b>

<sup>1</sup> Contractual cash flows relate to underlying transactions which cover the contractual cash flows almost completely.

<sup>2</sup> Only individual pledged assets have been considered. Pledged shares in connection with the syndicated loan are not considered.

in CHF million	2008					
	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
Bank overdrafts	14	14	14	–	–	–
Fixed advances	9	9	9	–	–	–
Trade payables	455	455	455	–	–	–
Loans and borrowings	2 032	2 048	5	2 041	3	8
Gross finance lease obligation	18	18	8	10	–	14
Accrued liabilities	207	207	207	–	–	–
<b>Non-derivative financial liabilities</b>	<b>2 735</b>	<b>2 750</b>	<b>698</b>	<b>2 051</b>	<b>3</b>	<b>23</b>
Forward exchange contracts used for hedging	18	1 088	1 074	14	–	–
– thereof: for hedged fx-outflows	–11	352	346	6	–	–
– thereof: for hedged fx-inflows	29	736	728	8	–	–
<b>Derivative financial instruments</b>	<b>18</b>	<b>1 088</b>	<b>1 074</b>	<b>14</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>2 753</b>	<b>3 838</b>	<b>1 772</b>	<b>2 065</b>	<b>3</b>	<b>23</b>

## Terms and debt repayment schedule

Note 18 (cont.)

in CHF million	Currency	Nominal interest rate	Year of maturity	2009		2008	
				Face value	Carrying amount	Face value	Carrying amount
Syndicated loan / term loan (facility A) <sup>1</sup>	CHF	Libor + 4.50 %	2010	399	396	600	584
Syndicated loan / term loan (facility A)	CHF	Libor + 4.50 %	2010	195	195	–	–
Syndicated loan / revolving facility (facility B) <sup>2</sup>	CHF	Libor + 4.50 %	2012	600	564	600	600
Syndicated loan / revolving facility (facility B)	CHF	Libor + 4.50 %	2012	400	400	440	440
Syndicated loan / revolving facility (facility B)	CHF	Libor + 4.50 %	2012	100	100	200	200
Syndicated loan / revolving facility (facility B)	CHF	Libor + 4.50 %	2012	140	140	–	–
Syndicated loan / revolving facility (facility B)	USD	Libor + 4.50 %	2012	52	52	121	121
Syndicated loan / revolving facility (facility B)	EUR	Libor + 4.50 %	2012	119	119	75	75
Syndicated loan / revolving facility (facility B)	EUR	Libor + 4.50 %	2012	30	30	–	–
Syndicated loan / revolving facility (facility B)	EUR	Libor + 4.50 %	2012	22	22	–	–
Finance lease <sup>4</sup>	EUR	4.48 %–4.98 %	2010–2019	8	8	16	16
Finance lease <sup>4</sup>	var.	var.	var.	2	2	2	2
Various short- and long-term liabilities <sup>3</sup>	var.	1.28 %–13.25 %	2009–2014	22	22	36	36
<b>Total interest-bearing liabilities</b>					<b>2 050</b>		2 074

<sup>1</sup> Face value differs from book value in respect of term loan (facility A) because CHF 3 million (previous year CHF 16 million) of directly attributable transaction costs were deducted from one position of the term loan for simplification purposes and are being expensed over the term of the loan.

<sup>2</sup> Face value differs from book value in respect of the revolving loan (facility B) because CHF 36 million (previous year no classification, all costs were deducted from the term loan) of directly attributable transaction costs were deducted from one position of the revolving loan for simplification purposes and are being expensed over the term of the loan.

<sup>3</sup> Various currencies including: CHF, CNY, EUR, INR, JPY, SGD, SEK, USD.

<sup>4</sup> The finance leases are secured by contract provisions normal for such leases.

Oerlikon is financed primarily by a syndicated loan of CHF 2 500 million, provided as at December 31, 2009 by more than 20 first-class financial institutions and investors. This loan was taken up by OC Oerlikon Corporation AG, Pfäffikon. The syndicated loan is divided into a 3-year term loan of CHF 600 million and a 5-year revolving facility of CHF 1 900 million.

The interest rates of the loans are LIBOR plus a margin set out in a leverage pricing grid; these terms are reviewed every three months. As at December 31, 2009 the margin was 450 basis points (previous year: 55–60 basis points). In addition, a deferred fee of 2.5 percent on the amount of the revolving facility in use at the contract date is payable as and when the net debt covenant exceeds 5. This fee is due on maturity of the revolving credit facility.

In view of the challenging economic climate, Oerlikon entered into talks with the banking consortium early in 2009 with a view to realigning the terms of the loan to afford sufficient flexibility for implementation of the Group's strategy. On June 4, 2009, all 23 banks in the consortium agreed to the new terms. The size and content of the credit facility remained unchanged after the realignment. The structure of the covenants and the finance costs were adapted to Oerlikon's business plans and to the changed market conditions. After the realignment, the adjusted interest rates lie in a range from 175 to 450 basis points above LIBOR.

The existing loan covenant (based on the relationship of net debt to EBITDA) was adapted to match the then current business plans. In addition, covenants relating to interest cover, equity ratio and capital expenditure were agreed, to be checked quarterly and annually in the case of the latter. The realigned facility is secured by collateral pledges of shares held in significant subsidiaries and by guarantees given by such subsidiaries in favor of OC Oerlikon Corporation AG, Pfäffikon. No individual assets were identified as collateral. As of December 31, 2008 no assets were pledged as collateral for the syndicated loan.

During the second half of 2009 it became apparent that the realignment of the facilities was not sufficient to permanently strengthen the balance sheet and regain a sustainable financing base. Therefore, the Oerlikon Group submitted a comprehensive financial restructuring proposal to its syndicate banks on November 25, 2009. The proposal, designed to ensure long-term financing for the company, included deferral of repayments of the principal amounts of the term loan and revolving credit facility, lower interest charges and conversion of parts of the bank debt to an equity stake in OC Oerlikon. The proposal also included a substantial reduction in current equity capital followed by a capital increase. In accordance with the lenders certain elements of the covenant package were waived prior to December 31, 2009 and until an agreement is reached on how the adjusted future financing structure will appear. At year-end there is no default under the syndicated loan.

**Credit risk**

Note 19

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The credit or default risk associated with operating receivables is monitored locally by the individual Group companies. These companies follow an established group-wide credit policy under which each new customer is analyzed individually for creditworthiness before payment and delivery terms and conditions are offered. Credit ratings are reviewed regularly and defined country credit limits are set and monitored on an ongoing basis. "High risk" customers are placed on a restricted customer list, and future sales with them are made on a prepayment basis only. Letters of credit and other instruments are also used to reduce credit risk. Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

Trade receivables are valued at the original invoiced amount less any necessary value adjustments for default risks. These risks are insured with third parties only in exceptional cases.

As a fundamental principle, the Group places funds only with first-rate domestic and foreign banking institutions and Corporate Treasury periodically assesses the relevant ratings of these bank institutions.

Oerlikon Group's maximum credit risk from financial instruments is reflected in the book values of the individual financial assets. There are no commitments or obligations which might lead to an exposure exceeding these book values. The maximum credit risk is therefore:

in CHF million	2009	2008
Cash and cash equivalents	357	393
Available-for-sale financial assets, carried at fair value	12	3
Available-for-sale financial assets, carried at cost	33	33
Derivatives used for hedging	8	40
Trade receivables	433	534
Accrued sales under percentage of completion (POC) method for orders without customer advances	98	178
Loans and other financial receivables	11	15
<b>Total</b>	<b>952</b>	<b>1 196</b>

Trade receivables are distributed geographically as follows:

in CHF million	2009	2008
Asia	92	65
Europe	287	384
USA	46	81
Other	8	4
<b>Total</b>	<b>433</b>	<b>534</b>

No concentrations of risk to the Group are expected from the outstanding receivables.

**Aging of trade receivables**

Note 19 (cont.)

in CHF million	2009		2008	
	Gross amount	Value adjustment	Gross amount	Value adjustment
<b>Current (not due)</b>	<b>334</b>	<b>-6</b>	<b>416</b>	<b>-</b>
<b>Total past due</b>	<b>139</b>	<b>-34</b>	<b>142</b>	<b>-24</b>
0-30 days	46	-	48	-2
31-60 days	19	-	38	-3
61-90 days	7	-	13	-1
91-120 days	4	-1	7	-1
over 120 days	63	-33	35	-17
<b>Total</b>	<b>473</b>	<b>-40</b>	<b>558</b>	<b>-24</b>

Provisions for doubtful debts are based on the difference between the nominal value of receivables and the amounts considered collectible. Amounts considered collectible are developed from experience. A receivable is considered to be doubtful if certain facts are known, which suggest that a debtor is in significant financial difficulty and that amounts receivable from that source are unlikely to be received at all or only in part.

Reconciliation of changes in allowance accounts for credit losses:

in CHF million	2009	2008
Balance at the beginning of the period	-24	-25
Change in the scope of consolidated companies	1	-
Additional impairment losses charged to income	-24	-9
Reversal of impairment losses	4	5
Write-off	3	1
Conversion differences	-	4
<b>Balance at the end of the period</b>	<b>-40</b>	<b>-24</b>

**Market risk**

Note 20

Market risk is the risk that the fair value or the future cash flows of a financial instrument may change as a result of fluctuations in market prices. Oerlikon is exposed in particular to fluctuations in foreign exchange and interest rates. The Group also has a minor risk from exposure to fluctuations in raw material prices.

The Group's financial risk management aims to limit any adverse effects that the markets may have on the Group's financial health, at an acceptable hedging cost. Risk limitation does not mean complete exclusion of financial risks, rather it means following a policy of economically sensible management of the Group's finances within an agreed framework of documented authority. The Group uses derivative financial instruments to hedge certain risks. Only pre-approved instruments are used, and as a fundamental rule, no speculative transactions are conducted in the areas of foreign exchange or interest rates. No hedges are entered into without a corresponding base transaction. Management monitors and steers such risks continuously with the support of Corporate Treasury, who identifies and evaluates all financial risks, working with the Group's operating companies and hedging the risks as appropriate. The Group has documented guidelines for financial risk management, covering the use of derivative and non-derivative financial instruments and policies for use of surplus funds.

**Currency risk****Foreign exchange transaction risk**

The Group has adopted the Swiss franc as its reporting currency. Due to its most significant markets, the Group is primarily exposed to exchange risks versus the US dollar and euro. If costs and revenues of Group companies are incurred or earned in differing or non-local currencies, the underlying business transactions are hedged on a centrally coordinated basis by means of commonly used financial instruments. Group companies make regular plans for receipt or payment of cash in foreign currencies and advise these to Corporate Treasury, who hedges the related exchange risks using internal hedging contracts with the companies concerned and external contracts with first-class banks.

The Group's hedging strategy for exchange risks distinguishes between the routine business of supplying components or spare parts and the Group's project activities. For the routine business, cash flows in foreign currencies are hedged for a whole year in advance, based on the annual budget. The hedging quota, i.e. the percentage of the base volume to be hedged, is set forth in the related guidelines. Every month a check is made as to whether the latest forecast of business volumes calls for an increase or a reduction in the hedging volume. For projects, the exchange risks are hedged when the contract is entered into. For special transactions, which do not fall into either category – routine or project – the hedging strategy can be determined for individual cases.

**Foreign exchange translation risk**

Translation exposure arises from consolidation of foreign currency denominated financial statements of the Group's subsidiaries. The Group's consolidated financial statements are reported in Swiss francs. The risk arising from foreign subsidiary balance sheets – the effect of which is a currency impact on consolidated Group equity – is partially hedged, in that the Group raises foreign currency debt to manage this exposure.

**Foreign exchange economic risk**

The Group policy is not to hedge long-term foreign exchange risk.

The following rates were used to convert the most important foreign currencies in the financial statements:

	2009	Average rates 2008	Change 08/09	2009	Year-end rates 2008	Change 08/09
1 USD	1.085	1.083	0.2%	1.037	1.056	-1.8%
1 EUR	1.510	1.587	-4.9%	1.486	1.491	0.3%
100 CNY	15.900	15.600	1.9%	15.200	15.500	-1.9%
100 HKD	14.000	13.900	0.7%	13.400	13.600	-1.5%
100 JPY	1.160	1.051	10.4%	1.122	1.171	-4.2%
1 SGD	0.746	0.765	-2.5%	0.738	0.735	0.4%

**Sensitivity analysis**

For the sensitivity analysis the two most important currencies were selected in which the Group holds significant amounts of receivables and payables. Based on a two-year volatility of 13.85 percent (USD/CHF) and 7.49 percent (EUR/CHF) a corresponding change in exchange rates at December 31, 2009 would have increased the equity and decreased profit or loss by the amounts listed below.

31 December 2009 Effect in CHF million	2009		2008	
	Equity	Profit or loss	Equity	Profit or loss
USD	-	4	5	4
EUR	-3	4	9	2

A 13.85 percent (USD/CHF) and 7.49 percent (EUR/CHF) weakening of the Swiss franc against the above currencies at December 31 would have had the same but opposite effect on the above currencies to the amounts shown above, assuming all other variables remain constant. In the previous period the sensitivity analysis was calculated with 10.48 percent (USD/CHF) and 6.12 percent (EUR/CHF).

## Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on nominal amounts as of December 31, 2009:

in million	2009			2008		
	EUR	USD	CHF	EUR	USD	CHF
Trade receivables	15	21	1	25	54	1
Trade payables	-12	-5	-1	-25	-12	-2
Net financial position	53	21	4	35	11	-2
<b>Gross exposure consolidated balance sheet</b>	<b>56</b>	<b>37</b>	<b>4</b>	<b>35</b>	<b>53</b>	<b>-3</b>
<b>Foreign currency risk in business operations</b>	<b>3</b>	<b>102</b>	<b>1</b>	<b>30</b>	<b>148</b>	<b>5</b>
<b>Open foreign exchange forward contracts</b>	<b>-44</b>	<b>-99</b>	<b>-1</b>	<b>-20</b>	<b>-152</b>	<b>-3</b>
<b>Net exposure</b>	<b>15</b>	<b>40</b>	<b>4</b>	<b>45</b>	<b>49</b>	<b>-1</b>

## Interest rate risk

Oerlikon is exposed to interest rate risk mainly from its financial debt, which is placed at variable interest rates, but also on a much smaller scale from its liquid funds, which are also placed at variable rates or held as short-term investments. Amounts drawn down from the syndicated loan are subject to interest rate fluctuations.

Corporate Treasury prepares and provides the relevant decision support for senior management (Board of Directors, senior financial management) and arranges for hedging against interest rate fluctuations once approval is given. Such hedging is carried out using derivative financial instruments, such as interest rate swaps and interest rate caps.

At the reporting date December 31, 2009, the interest rate profile of the Group's interest-bearing financial instruments was:

in CHF million	2009 Net carrying amount	2008 Net carrying amount
<b>Fixed rate interest</b>		
Financial assets	19	11
Financial liabilities	-10	-17
<b>Total</b>	<b>9</b>	<b>-6</b>
<b>Variable rate interest</b>		
Financial assets	346	383
Financial liabilities	-2 040	-2 058
<b>Total</b>	<b>-1 694</b>	<b>-1 675</b>

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased (increased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect in CHF million	Profit or loss	
	100 bp increase	100 bp decrease
<b>2009</b>		
Cash flow sensitivity	-14	4
<b>2008</b>		
Cash flow sensitivity	-21	21

It has been assumed that a change of 100 bp does not always have a full impact. In case of an increase there has to be considered at least on the asset side an increase of only 85 bp due to low overall interest level and therefore coming back from a minimum interest rate to an index-based interest rate. In case of a decrease there has been assumed an impact of 30-40 bp again due to low overall interest level. Tax impact has been included in all figures regarding interest rate sensitivity.

A change of 100 basis points in interest rates would have no impact on Group equity.

## Capital management

Note 20 (cont.)

The current capital base has been impacted during 2009 due to the weakened operating performance and the write-downs of goodwill.

The successful implementation of the capital and debt restructuring plan (refer to note 1) will reinforce the capital base and thus create a sustainable financial structure for the company.

The ratios are shown in the table below:

in CHF million	2009	2008
Total assets	4 342	5 476
Equity	520	1 118
<b>Equity ratio in %</b>	<b>12 %</b>	<b>20 %</b>
Interest-bearing debt	2 050	2 074
Equity	520	1 118
<b>Debt-to-equity ratio</b>	<b>3.9</b>	<b>1.9</b>
Average equity	819	1 503
Net result attributable to the shareholders of the parent	-592	-425
<b>Return on equity</b>	<b>-72 %</b>	<b>-28 %</b>

Oerlikon strives to maintain an adequate equity base, in order to preserve its investment grade in the capital markets. As a guide, Oerlikon management keeps watch on the net debt to EBITDA ratio.

**Fair values versus carrying amounts at December 31**

Note 21

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

in CHF million	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	357	357	393	393
Available-for-sale financial assets	45	45	3	3
Loans and receivables	542	542	889	889
Interest rate derivatives				
– Assets	–	–	–	–
– Liabilities	–	–	–	–
Forward exchange contracts				
– Assets	8	8	40	40
– Liabilities	–3	–3	–22	–22
Secured bank loans	–2 022	–2 022	–	–
Unsecured bank loans	–19	–19	–2 055	–2 055
Finance lease liabilities	–10	–10	–18	–18
Trade payables	–332	–332	–455	–455
Accrued liabilities	–142	–142	–	–
<b>Total</b>	<b>–1 576</b>	<b>–1 576</b>	<b>–1 226</b>	<b>–1 226</b>
<b>Unrecognized gains / (losses)</b>		–		–

**Fair value hierarchy**

The fair values have been calculated from a hierarchy point of view as level 2 assessments (observable inputs other than quoted prices in markets for identical assets and liabilities) and contain available-for-sale financial assets of CHF 45 million (prior year: CHF 3 million), derivative financial assets of CHF 8 million (prior year: CHF 40 million) and derivative financial liabilities of CHF 3 million (prior year: CHF 22 million).

### Details of discontinued operations

Note 22

The result from discontinued operations is presented separately in the income statement. In 2009, Oerlikon Group sold the business units Wafer Etch, Esec and Oerlikon Optics Shanghai as well as Oerlikon Space. Wafer Etch was sold as at January 26, 2009, Esec as at April 1, 2009, Oerlikon Optics Shanghai as at October 20, 2009 and Oerlikon Space as at June 30, 2009. In the annual report 2008 Oerlikon Space was classified as a continuing operation.

in CHF million	January 1 to December 31, 2009				January 1 to December 31, 2008			
	Total	Esec	Optics	Space	Total	Esec	Optics	Space
<b>Sales</b>	<b>88</b>	<b>8</b>	<b>26</b>	<b>54</b>	<b>328</b>	<b>126</b>	<b>84</b>	<b>118</b>
Total expenses	-94	-26	-23	-45	-475	-301	-78	-96
<b>Result before taxes (EBT) from discontinued operations</b>	<b>-6</b>	<b>-18</b>	<b>3</b>	<b>9</b>	<b>-147</b>	<b>-175</b>	<b>6</b>	<b>22</b>
Income taxes	-2	-	-	-2	-14	-9	-	-5
<b>Net result after taxes from discontinued operations</b>	<b>-8</b>	<b>-18</b>	<b>3</b>	<b>7</b>	<b>-161</b>	<b>-184</b>	<b>6</b>	<b>17</b>
Gain / loss on sale of discontinued operation	112	-23	-13	148	-37	-41	4	-
<b>Net result from discontinued operations</b>	<b>104</b>	<b>-41</b>	<b>-10</b>	<b>155</b>	<b>-198</b>	<b>-225</b>	<b>10</b>	<b>17</b>
Attributable to:								
Shareholders of the parent	104	-41	-10	155	-198	-225	10	17
Minority interests					-	-	-	-
Cash flow from operating activities in CHF million	<b>-1</b>	<b>-21</b>	<b>9</b>	<b>11</b>	<b>17</b>	<b>-1</b>	<b>11</b>	<b>7</b>
Cash flow from investing activities in CHF million	<b>-2</b>	<b>-</b>	<b>-</b>	<b>-2</b>	<b>-4</b>	<b>-13</b>	<b>9</b>	<b>-</b>
Cash flow from financing activities in CHF million	<b>9</b>	<b>11</b>	<b>-2</b>	<b>-</b>	<b>17</b>	<b>27</b>	<b>-10</b>	<b>-</b>

There was no income tax on gain on sale of discontinued operations.

Other non-current assets of CHF 10 million (prior year: CHF 60 million) and related liabilities of CHF 11 million (prior year: CHF 67 million) classified as held for sale relate mainly to a non-operating real estate which was sold on March 1, 2010.

## OC Oerlikon participation plans

Note 23

On December 31, 2009 the following equity-settled plans were open, pursuant to which the holder is entitled to shares of OC Oerlikon Corporation AG, Pfäffikon:

### Restricted stock units (RSU)

Members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon receive a portion of their compensation by means of restricted stock units (RSU) which are allocated on the day of the annual ordinary shareholders meeting and vest upon the next annual ordinary shareholders meeting, 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 shares is determined at the sole discretion of the Board of Directors. The grant date fair value of the RSU is CHF 60.

Members of the Executive Board (other than the former CEO) receive as a portion of their compensation a long-term bonus in the form of restricted stock units (RSU) for OC Oerlikon Corporation AG, Pfäffikon shares. The number of RSU is a function of a fixed monetary amount and the share price at the time of vesting but cannot exceed a set limit. The RSU are subject to a vesting period of two years. Therefore, the value of the RSU is based on the share price per year-end (CHF 32).

Members of senior management may receive as a portion of their compensation a long-term bonus in the form of restricted stock units (RSU) for OC Oerlikon Corporation AG, Pfäffikon shares with a vesting period of three years. The grant date fair value of the RSU is based on a weighted average share price of CHF 65.

Year of allocation	Outstanding on 1.1	Granted in 2009	Forfeited in 2009	Exercised in 2009	Outstanding on 31.12.	Grant date fair value in CHF	Expenses for the period in MCHF	Vesting period
2008	1 712		-	1 712	-	379	0.3	14.05.08–12.05.09
2009	-	16 859	-	-	16 859	60	0.6	12.05.09–18.05.10
2009	-	52 872	-	-	52 872	32	0.6	01.05.09–30.04.11
2009	-	48 703	-	-	48 703	65	0.6	01.05.09–30.04.12
<b>Total</b>	<b>1 712</b>	<b>118 434</b>	<b>-</b>	<b>1 712</b>	<b>118 434</b>		<b>2.1</b>	

### Performance share awards (PSA)

Members of the Executive Board (other than the former CEO) and senior management may receive as a portion of their compensation a long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon shares based on performance conditions and a vesting period of three years. Performance conditions consist of individual and financial objectives. Their achievement determines the effective number of total performance share awards (PSA). Upon vesting, the effective number of PSA are converted into shares. No PSA were granted in 2009.

Year of allocation	Outstanding on 1.1	Granted in 2009	Forfeited in 2009	Exercised in 2009	Outstanding on 31.12.	Average grant date fair value in CHF	Expenses for the period in MCHF	Vesting period
2008	46 365	-	31 599	8 003	6 763	93	-	01.05.08–30.04.11

Due to the cancellation of a performance share plan at the end of 2008, 8003 shares were exercised in 2009 while the rest lapsed.

### Share options

Employees may receive a portion of their compensation as options for OC Oerlikon Corporation AG, Pfäffikon with a blocking period of one, two, three or four years. Holders are entitled to purchase one share for each option held. No options have been granted since 2007. The value per year-end is based on a Black-Scholes valuation including a weighted average share price of CHF 599.

Year of allocation	Outstanding on 1.1	Granted in 2009	Forfeited in 2009	Exercised in 2009	Outstanding on 31.12.	Exercise price in CHF	Expenses for the period in MCHF	Exercise period
2002	369		369		-	190	-	14.05.04–13.05.09
	374		374		-	190	-	14.05.05–13.05.09
2003	321		288		33	110	-	24.05.05–23.05.10
2007	1 431		200		1 231	603	-	01.01.08–31.12.13
	1 431		200		1 231	603	-	01.01.09–31.12.13
	1 431		200		1 231	603	-	01.01.10–31.12.13
	1 431		200		1 231	603	-	01.01.11–31.12.13
<b>Total</b>	<b>6 788</b>	<b>-</b>	<b>1 831</b>	<b>-</b>	<b>4 957</b>		<b>-</b>	

## Related party transactions

Note 24

Related parties include members of the Board of Directors, the Executive Board, employee benefit plans or important shareholders as well as companies under their control. Transactions with related parties are generally conducted at arm's length.

### Primary shareholders

The share capital of OC Oerlikon Corporation AG, Pfäffikon consists of 14 142 437 shares. At December 31, 2009 the following primary shareholders were disclosed<sup>1</sup>:

Shareholder	Share ownership <sup>1</sup>	
	No of shares	in %
Group <sup>2</sup> composed of the Renova Group (Renova Industries Ltd., Nassau, Bahamas <sup>3</sup> and Beregan Holding AG, Zurich <sup>3</sup> ) and Victory Industriebeteiligung GmbH, Vienna <sup>4</sup>	8 023 307	56.73 %
OC Oerlikon Corporation AG, Pfäffikon	1 318 309	9.32 %

<sup>1</sup> Sources: Shareholding notified pursuant to Article 20 of the Swiss Stock Exchange Law on December 21, 2009 by Renova-Victory Group and information on actual shareholding as of December 31, 2009 by OC Oerlikon Corporation AG, Pfäffikon.

<sup>2</sup> Group consists of Renova Group with 6 317 392 shares (44.67 percent) and Victory Industriebeteiligung GmbH with 1 705 915 shares (12.06 percent).

<sup>3</sup> Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zurich and Moscow.

<sup>4</sup> Beneficial owner (as per disclosure notification): RPR Privatstiftung, Vienna.

### Compensation of executive members of the Board of Directors

On August 25, 2009 the Board designated Hans Ziegler as Delegate of the Board of Directors and Acting Chief Executive Officer (CEO) for OC Oerlikon. Until this time, the compensation of Mr. Ziegler was subject to the compensation system of the Board of Directors and consisted of a cash compensation for Board and committee memberships and restricted stock units (RSU). As of August 25, 2009, Mr. Ziegler waived the cash compensation for Board members and received a compensation for the role of Acting CEO consisting of base salary, expense allowance and a short-term incentive bonus which is based on individual targets and is to be settled in shares. The allocation of RSU under the Board of Director's performance program remained unchanged.

Mr. Kuznetsov briefly assumed the operational management responsibility for Oerlikon Solar from August 25, 2009 until October 31, 2009. His compensation is subject to the compensation system of the Board of Directors and remained unchanged.

The compensation for the Acting CEO was proposed by the Human Resources Committee and set by the Board of Directors.

The total of all compensation of executive members of the Board of Directors in 2009 was CHF 1.2 million. In 2008, the total compensation was CHF 0 because no Director was an executive member of the Board.

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash compensation	Bonus	Restricted stock units (RSU) 2008/09 <sup>1</sup>	Restricted stock units (RSU) 2009/10 <sup>2</sup>	Pension	Other compensation <sup>3</sup>	Total compensation 2009
Vladimir Kuznetsov <sup>4</sup>	C			C	145	-	-	213	-	20	378
Hans Ziegler	M		M	M	530	150	21	95	16	14	826
<b>Total</b>					675	150	21	308	16	34	<b>1 204</b>

C(hairman), M(ember)

<sup>1</sup> Effective value of restricted stock units (RSU) for the mandate 2008/09 at conversion based on a share price of CHF 60 (transfer date).

<sup>2</sup> Accounting value of restricted stock units (RSU) for the mandate 2009/10 per year-end based on a share price of CHF 60 (grant date).

<sup>3</sup> Other compensation consists of social security contributions and an expense allowance which are paid by OC Oerlikon Corporation.

<sup>4</sup> Mr. Kuznetsov waived his RSU for 2008/09.

### Compensation of non-executive members of the Board of Directors

Members of the Board of Directors receive a cash compensation and restricted stock units (RSU). The cash compensation consists of a Board member fee, a fee for committee chairmen, a fee for committee members and a fee for the Chairman of the Board of Directors. In addition, a cash allowance is paid to all Board members. Board members receive restricted stock units (RSU) which are blocked from their grant at the annual shareholders meeting until the following annual shareholders meeting 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 shares is determined at the sole discretion of the Board of Directors.

The compensation is proposed by the Human Resources Committee and set by the Board of Directors after the annual shareholders meeting.

The total of all compensation of non-executive members of the Board of Directors in 2009 was CHF 1.1 million. In 2008, all Directors were non-executive members of the Board and the total compensation amounted to CHF 1.0 million.

## Notes to the consolidated financial statements

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash compensation	Restricted stock units (RSU) 2008/09 <sup>1</sup>	Restricted stock units (RSU) 2009/10 <sup>2</sup>	Pension	Other compensation <sup>3</sup>	Total compensation 2009
Kurt J. Hausheer	M	M	C		295	21	95	-	23	434
Dr. Urs Meyer	M	C	M		195	21	95	-	18	329
Carl Stadelhofer	M	M		M	175	21	95	-	17	308
<b>Total</b>					665	62	285	-	58	<b>1 070</b>

C(hairman), M(ember)

<sup>1</sup> Effective value of restricted stock units (RSU) for the mandate 2008/09 at conversion based on a share price of CHF 60 (transfer date).

<sup>2</sup> Accounting value of restricted stock units (RSU) for the mandate 2009/10 per year-end based on a share price of CHF 60 (grant date).

<sup>3</sup> Other compensation consists of social security contributions and an expense allowance which are paid by OC Oerlikon Corporation.

### Compensation of members of the Executive Board

Members of the Executive Board receive a compensation consisting of base salary and performance-based bonus. While the CEO receives his bonus in shares, other members of the Executive Board receive their bonus in cash. In addition, members of the Executive Board (other than the CEO) participate in a long-term bonus plan.

The compensation for the members of the Executive Board is proposed by the Human Resources Committee and set by the Board of Directors at the end of the year. The achievement of targets defined for the annual short-term bonus are reviewed by the Human Resources Committee at the end of the year and the bonus is usually paid in April of the following year.

In 2008, members of the Executive Board (except the former CEO) participated in a long-term performance share program for 2008–11. In 2009, they participated in a restricted stock unit (RSU) program for 2009–11.

The total of all compensation paid to members of the Executive Board for the year 2009 was CHF 11.3 million. The highest compensation paid to an individual Board member was CHF 6.5 million.

Compensation was paid to the Executive Board as follows:

in CHF 000	Salary	Bonus	LTI (2008–11) <sup>1</sup>	LTI (2009–11) <sup>2</sup>	Pension	Other compensation <sup>3</sup>	Severance payment	Total compensation 2009	Total compensation 2008
Total compensation to members of the Executive Board	5 632	1 256	3	558	658	154	3 060	11 321	5 145
thereof highest paid to one individual: Dr. Uwe Krüger (former CEO) <sup>4</sup>	3 233	-	-	-	125	28	3 060	6 446	2 128

<sup>1</sup> Performance share awards were allocated in 2008 to members of the Executive Board (except the former CEO). Their value per year end is based on a weighted average share price of CHF 93 (grant date). Since 2008, the former CEO had participated in a stock appreciation rights (SAR) program which lapsed upon his departure on August 24, 2009 without any compensation.

<sup>2</sup> Restricted stock units (RSU) were allocated in 2009 to members of the Executive Board (except the former CEO). Their value per year-end is based on a weighted average share price of CHF 32 (grant date).

<sup>3</sup> Other compensation includes expense and car allowances.

<sup>4</sup> Dr. Uwe Krüger's employment ended on August 24, 2009. Upon his departure he received the contractually agreed base salary for 12 months and a severance payment.

### Compensation of former members of governing bodies

The total of all compensation paid directly or indirectly to former members of the Board of Directors or the Executive Board for the year 2009, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon Group, was CHF 1.5 million.

The following payments were made in the year under report to a former non-executive member of the Board of Directors and a former member of the Executive Board:

in CHF 000	Cash compensation	Restricted stock units (RSU) 2008/09 <sup>1</sup>	Restricted stock units (RSU) 2009/10	Pension	Other compensation	Total compensation 2009
Former non-executive member of the Board of Directors	-	21	-	-	-	21

<sup>1</sup> Effective value of restricted stock units (RSU) for the mandate 2008/09 at conversion based on a share price of CHF 60 (transfer date).

## Notes to the consolidated financial statements

in CHF 000	Salary	Bonus	LTI (2008-11)	LTI (2009-11)	Pension	Other compensation <sup>1</sup>	Severance payment	Total compensation 2009
Former Member of the Executive Board	335	353	-	-	64	13	750	1 515

<sup>1</sup> Other compensation includes expense and car allowances.

### Share ownership, options and related instruments

The disclosure below follows article 663c para. 3 of the Swiss Code of Obligations which requires disclosure of share ownership, options and related instruments individually for each member of the Board of Directors and Executive Board including shares, options and related instruments held by persons closely related to, and by companies controlled by members of the Board of Directors and Executive Board.

Members of the Board of Directors	Number of shares	Number of restricted stock units (RSU)
Kurt J. Hausheer	10 342	2 702
Vladimir Kuznetsov	-	6 051
Dr. Urs Meyer	342	2 702
Carl Stadelhofer	352	2 702
Hans Ziegler	942	2 702
<b>Total</b>	<b>11 978</b>	<b>16 859</b>

Vladimir Kuznetsov (Chairman) and Dr. Urs Meyer (Board Member) are also executives of the Renova Group which holds 6 317 392 shares. Mr. Kuznetsov is Chief Investment Officer of Renova Management AG and Chairman of the Board of Venetos Management AG. Dr. Meyer is Chief Executive Officer of Venetos Management AG. Carl Stadelhofer is a Board member of the Renova Group. Ten of his shares are held by a related party.

Members of the Executive Board	Number of shares	Number of restricted stock units (RSU)	Number of performance share awards (PSA)	Number of options
Dr. Uwe Krüger (former CEO)	-	-	-	-
Björn Bajan, General Counsel and Corporate Secretary	2 005	23 674	2 055	-
Thomas Babacan, COO	-	10 259	897	627
Jürg Fedier, CFO	-	18 939	-	-
<b>Total</b>	<b>2 005</b>	<b>52 872</b>	<b>2 952</b>	<b>627</b>

### Loans and other payments to members of governing bodies

No loans were granted and no other payments were made to current or former members of the Board of Directors or the Executive Board during 2009. No such loans or payments were outstanding as of December 31, 2009.

### Group and associated companies

An overview of the Group subsidiary companies can be found on page 134 cont. Transactions between the parent company and its subsidiaries as well as between the Group subsidiaries themselves have been eliminated in the consolidated annual financial statements.

In Germany, a Group company rents property from its pension fund. The fair value of the real estate included in the fair value of the assets of the pension fund is CHF 20 million and the annual rent is CHF 1 million.

Participation plans: see note 23.

### Other related parties

Oerlikon Solar AG and Hevel LLC signed comprehensive collaboration agreements for the production of thin film solar modules in Russia. Hevel LLC is a joint venture between Rusnano and Renova Group. Renova Group owns a 51 percent stake in Hevel LLC and is responsible for the development of the business. Rusnano holds a 49 percent stake. The Russian Corporation of Nanotechnologies (Rusnano) was established in 2007 to effect government policy in the field of nanotechnology.

Hevel LLC has ordered an end-to-end Micromorph® line for production of thin film solar modules with an annual capacity of at least 120 MW for a total consideration of CHF 395 million. The overall investment including all equipment, processes and services are on an arms length basis. The equipment will be delivered by the end of 2010 to the new site currently under construction. The start of the production is scheduled for Q3 2011.

At year-end 2009, 43 percent of the contract volume was completed and recognized as sales (CHF 169 million). Down payments in the amount of 40 percent of the total contract volume were received, resulting in an outstanding balance at year-end of CHF 9.4 million. Further down payments will be received in line with the progress of the contract. Before shipment at least 70 percent of down payments will be received.

**Contingent liabilities**

Note 25

in CHF million	2009	2008
Debt guarantees	9	9
Discounted bills of exchange	1	2
<b>Total</b>	<b>10</b>	<b>11</b>

The contingent liabilities under debt guarantees are mainly debt guarantees to banks.

**Payments under non-cancellable leases**

Note 26

in CHF million	2009	2008
Due in 1st year	34	31
Due in 2nd year	27	24
Due in 3rd year	21	19
Due in 4th year	16	16
Due in or beyond 5th year	37	45
<b>Total</b>	<b>135</b>	<b>135</b>

The expenses of operating leases charged to the income statement amount to CHF 37 million (previous year: CHF 21 million).

**Pledged assets**

Note 27

The following assets shown on the balance sheet were pledged as security:

in CHF million	2009	2008
Property, plant and equipment	54	59
<b>Total</b>	<b>54</b>	<b>59</b>

A significant part (CHF 38 million) of the above-mentioned pledged property, plant and equipment relates to a single sale-and-lease-back contract of an Italian subsidiary.

**Risk assessment disclosure required by Swiss law**

Note 28

The Corporate Risk Management function coordinates and aligns the risk management processes, and reports to the Board and the Audit Committee on a regular basis on risk assessment and risk management. Organizational and process measures have been designed to identify and mitigate risks at an early stage and have been approved by the Board of Directors. In terms of organization, the responsibility for risk assessment and management is allocated to the segments, with specialized corporate functions such as Corporate Accounting & Reporting, Treasury and Internal Audit providing support and controlling the effectiveness of the risk management by the segments.

Financial risk management is described in more detail in Note 18 to 20 of the Group's consolidated financial statements.

**Events subsequent to the balance sheet date**

Note 29

With the exception of the capital and debt restructuring measures described in Note 1, no other events occurred between the balance sheet date and the date of this report which could have a significant impact on the consolidated financial statements 2009.

## Operating segments

## Operating segments

in million CHF	Oerlikon Textile		Oerlikon Coating		Oerlikon Solar		Oerlikon Vacuum		Oerlikon Drive Systems	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Orders received</b>	1 170	1 364	326	509	511	566	325	460	569	1 171
<b>Orders on hand<sup>2</sup></b>	489	443	–	–	317	429	68	68	93	183
<b>Sales</b>										
Sales to third parties	1 046	1 690	326	509	442	598	324	465	660	1 204
Sales to Group companies	2	–	1	1	11	29	5	30	–	–
	<b>1 048</b>	<b>1 690</b>	<b>327</b>	<b>510</b>	<b>453</b>	<b>628</b>	<b>329</b>	<b>495</b>	<b>660</b>	<b>1 204</b>
<b>Net sales by market region to third parties</b>										
Japan and Asia/Pacific	619	893	79	106	81	334	97	126	48	73
Europe	169	411	184	298	185	260	158	263	335	679
North America	205	277	63	102	9	4	61	73	272	450
Other regions	53	109	–	3	167	–	8	3	5	2
	<b>1 046</b>	<b>1 690</b>	<b>326</b>	<b>509</b>	<b>442</b>	<b>598</b>	<b>324</b>	<b>465</b>	<b>660</b>	<b>1 204</b>
<b>Net sales by location to third parties</b>										
Japan and Asia/Pacific	208	238	80	75	3	5	87	104	50	61
Europe	730	1 333	183	322	430	589	180	293	420	805
North America	90	103	41	60	9	4	57	68	190	338
Other regions	18	16	22	52	–	–	–	–	–	–
	<b>1 046</b>	<b>1 690</b>	<b>326</b>	<b>509</b>	<b>442</b>	<b>598</b>	<b>324</b>	<b>465</b>	<b>660</b>	<b>1 204</b>
<b>Capital expenditure for fixed and intangible assets</b>										
Japan and Asia/Pacific	10	22	2	24	–	–	–	3	6	10
Europe	26	66	14	32	24	35	11	28	19	53
North America	–	1	2	7	–	–	–	1	8	24
Other regions	–	–	2	14	–	–	–	–	–	–
	<b>36</b>	<b>89</b>	<b>20</b>	<b>77</b>	<b>24</b>	<b>35</b>	<b>11</b>	<b>32</b>	<b>33</b>	<b>87</b>
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>-163</b>	<b>-9</b>	<b>43</b>	<b>134</b>	<b>-55</b>	<b>128</b>	<b>13</b>	<b>63</b>	<b>12</b>	<b>126</b>
<b>EBIT</b>	<b>-424</b>	<b>-281</b>	<b>-4</b>	<b>78</b>	<b>-78</b>	<b>107</b>	<b>-3</b>	<b>49</b>	<b>-50</b>	<b>65</b>
<b>Other material items</b>										
Research and development expenses	-80	-96	-15	-23	-63	-50	-23	-25	-12	-15
Depreciation and amortization	-55	-69	-47	-54	-20	-21	-15	-14	-58	-61
Impairment / reversal of impairment on property, plant and equipment	-4	–	–	-1	-3	–	-1	–	-4	–
Impairment of goodwill	-202	-200	–	–	–	–	–	–	–	–
Restructuring costs	-49	-55	-16	-5	-9	-1	-13	–	-16	-1
<b>Operating assets</b>										
Japan and Asia/Pacific	214	219	112	108	6	10	46	51	75	95
Europe	1 414	1 569	191	231	347	511	206	237	920	1 016
North America	24	38	40	47	1	2	21	19	244	310
Other regions	11	9	40	55	–	2	–	–	–	–
	<b>1 663</b>	<b>1 835</b>	<b>383</b>	<b>441</b>	<b>354</b>	<b>525</b>	<b>273</b>	<b>307</b>	<b>1 239</b>	<b>1 421</b>
Operating liabilities	-442	-448	-65	-73	-176	-278	-102	-90	-192	-269
<b>Net operating assets<sup>3</sup></b>	<b>1 221</b>	<b>1 387</b>	<b>318</b>	<b>368</b>	<b>178</b>	<b>247</b>	<b>171</b>	<b>217</b>	<b>1 047</b>	<b>1 152</b>
<b>Number of employees<sup>4</sup></b>										
Japan and Asia/Pacific	2 345	2 580	720	744	94	98	288	287	1 448	1 014
Europe	3 716	4 402	1 353	1 665	651	762	1 112	1 207	2 767	2 917
North America	170	232	206	263	6	8	77	89	798	1 215
Other regions	29	61	184	220	–	–	–	–	–	–
	<b>6 260</b>	<b>7 275</b>	<b>2 463</b>	<b>2 892</b>	<b>751</b>	<b>868</b>	<b>1 477</b>	<b>1 583</b>	<b>5 013</b>	<b>5 146</b>

<sup>1</sup> After the sale of Oerlikon Space in 2009, the Oerlikon Advanced Technologies segment contains Oerlikon Systems business unit only.

<sup>2</sup> Cancelled orders amounting to CHF 258 million are netted with orders on hand.

<sup>3</sup> Net operating assets include all current and non-current operating assets (excluding cash and financial assets), less operating liabilities (excluding financial liabilities and tax provisions). Net operating assets do not include current and non-current non-operating asset and financial assets and liabilities including cash and cash equivalents (CHF 357 million), short- and long-term financial debt (CHF 2 054 million), current (CHF 17 million) and deferred (CHF 72 million) tax receivables, current (CHF 38 million) and deferred (CHF 125 million) tax payables.

<sup>4</sup> Oerlikon Textile and Oerlikon Drive Systems include as of 2008 also apprentices.

<sup>5</sup> Corporate employees include 84 trainees which were attributed to the operating segments in the prior year.



## Companies by country

## Companies by country

Country	Production Distribution R&D Service				Name, registered office of significant companies by country	Currency	Share capital <sup>1</sup>	Group owns %	Number of employees
	Production	Distribution	R&D	Service					
Austria	■	■			Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00	76
Austria	■	■	■		Oerlikon Neumag Austria GmbH, Leonding/AT	EUR	600 000	100.00	99
Austria				■	Saurer Holding GmbH, Leonding/AT	EUR	35 000	100.00	-
Belgium	■	■			Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE	EUR	620 000	100.00	41
Brazil	■			■	Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiá, SP/BR	BRL	30 662 100	100.00	116
Brazil		■	■	■	Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR	BRL	9 384 968	100.00	29
Cayman Islands				■	Saurer Group Investments Ltd., George Town/KY	CHF	474 469 300	100.00	-
China	■	■			Jintan Texparts Components Co. Ltd., Jintan/CN	USD	5 062 288	70.00	172
China	■	■	■		Oerlikon (China) Technology Co. Ltd., Suzhou/CN	USD	30 000 000	100.00	722
China	■	■			Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00	188
China		■			Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN	USD	200 000	100.00	66
China	■			■	Oerlikon Leybold Vacuum Equipment (Tianjin) Co. Ltd., Tianjin/CN	USD	4 960 000	100.00	115
China				■	Oerlikon Solar (Shanghai) Trading Co. Ltd., Shanghai/CN	USD	100 000	100.00	24
China				■	Oerlikon Textile China Investments Ltd., Hong Kong/CN	HKD	266 052 505	100.00	-
China		■			Oerlikon Textile Components Far East Ltd., Hong Kong/CN	HKD	10 000	100.00	-
China		■		■	Oerlikon Textile Far East Ltd., Hong Kong/CN	HKD	100 000	100.00	28
China	■	■	■		Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN	USD	7 000 000	100.00	162
China	■	■	■	■	Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN	USD	1 112 220	100.00	172
China				■	Oerlikon Textile Trading and Services Ltd., Hong Kong/CN	HKD	275 200	100.00	-
China				■	Saurer China Equity Ltd., Hong Kong/CN	HKD	253 910 000	100.00	-
China	■	■	■	■	Saurer Jintan Textile Machinery Co. Ltd., Jintan/CN	USD	22 482 422	70.00	501
Czech Republic	■	■			Graziano Trasmissioni Czech s.r.o., Prague/CZ	CZK	110 000 000	100.00	111
Czech Republic	■	■	■	■	Oerlikon Czech s.r.o., Cerveny Kostelec/CZ	CZK	30 000 000	100.00	80
Denmark				■	Neumag Denmark a/s, Vejle/DK	DKK	42 000 000	100.00	-
Finland	■	■			Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI	EUR	2 500	51.00	7
France	■	■			Oerlikon Balzers Coating France SAS, St. Thibault des Vignes/FR	EUR	3 150 000	100.00	157
France				■	Oerlikon France Holding SAS, St. Thibault des Vignes/FR	EUR	4 000 000	100.00	-
France	■	■	■	■	Oerlikon Leybold Vacuum France SAS, Villebon-sur-Yvette/FR	EUR	3 095 750	100.00	179
Germany	■	■	■	■	AUTEFA automation GmbH, Friedberg/DE	EUR	25 000	63.00	63
Germany	■	■	■	■	AUTEFA Nonwoven GmbH, Friedberg/DE	EUR	25 000	63.00	11
Germany				■	Barmag Liegenschaften GmbH & Co. KG, Remscheid/DE	EUR	5 000 000	100.00	-
Germany	■	■			Oerlikon Balzers Coating Germany GmbH, Bingen/DE	EUR	511 300	100.00	409
Germany				■	Oerlikon Deutschland Holding GmbH, Cologne/DE	EUR	30 680 000	100.00	-
Germany				■	Oerlikon Deutschland Vertriebs GmbH, Aschheim/DE	EUR	26 000	100.00	29
Germany	■	■	■		Oerlikon Laser Systems GmbH, Krailling/DE	EUR	5 150 000	100.00	48
Germany	■	■			Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE	EUR	100 000	100.00	67
Germany	■	■	■		Oerlikon Leybold Vacuum GmbH, Cologne/DE	EUR	1 200 000	100.00	810
Germany				■	Oerlikon Real Estate GmbH, Cologne/DE	EUR	50 000	100.00	-
Germany	■	■	■		Oerlikon Textile Components GmbH, Fellbach/DE	EUR	51 400	100.00	400
Germany	■	■	■	■	Oerlikon Textile GmbH & Co. KG, Remscheid/DE	EUR	41 000 000	100.00	2 732
Germany				■	Oerlikon Vacuum Holding GmbH, Cologne/DE	EUR	25 000	100.00	-
Germany				■	Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Cologne/DE	EUR	25 000	100.00	-
Germany				■	Oerlikon Vermögens-Verwaltungs GmbH, Cologne/DE	EUR	25 000	100.00	-
Germany				■	W. Reiners Verwaltungs-GmbH, Remscheid/DE	EUR	38 346 900	100.00	-
Great Britain				■	Graziano Trasmissioni UK Ltd., St. Neots/UK	GBP	40 000	100.00	7
Great Britain	■	■			Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK	GBP	2 000 000	100.00	42
Great Britain	■	■	■		Oerlikon Fibrevision Ltd., Macclesfield/UK	GBP	48	78.00	13
Great Britain				■	Oerlikon Leybold Vacuum UK Ltd., Chessington/UK	GBP	300 000	100.00	23
Great Britain				■	Oerlikon Optics UK Ltd., London/UK	GBP	1	100.00	-
Great Britain				■	Unaxis IT (UK) Ltd., Barnwood/UK	GBP	1 000	100.00	-
Great Britain	■	■	■		Vocis Limited, Warwick/UK	GBP	200	51.00	20
India	■	■	■		Fairfield Atlas Ltd., Kolhapur/IN	INR	273 205 400	83.87	808
India	■	■			Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN	INR	267 124 880	100.00	609
India	■	■			Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	100.00	159
India				■	Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN	INR	2 000 000	100.00	9
India	■	■			Oerlikon Textile Components India Pvt. Ltd., Mumbai/IN	INR	30 000 000	100.00	22
India	■	■	■	■	Oerlikon Textile India Pvt. Ltd., Mumbai/IN	INR	57 360 000	100.00	271
India	■	■	■	■	Peass Industrial Engineers Ltd., Gujarat/IN	INR	15 000 000	51.00	159
India	■	■	■	■	Schlafhorst Engineering (India) Ltd., Halol/IN	INR	193 951 960	54.40	20
India	■	■	■	■	Zinser Textile Systems Pvt. Ltd., Ahmedabad/IN	INR	45 500 000	70.00	34
Italy	■	■			Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	130 000	100.00	85
Italy				■	Oerlikon Graziano Group S.p.A., Turin/IT	EUR	50 725 138	100.00	-
Italy	■	■	■	■	Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT	EUR	58 697 357	100.00	2 629
Italy				■	Oerlikon Leybold Vacuum Italia S.r.l., Milan/IT	EUR	110 000	100.00	12
Italy	■	■	■	■	Oerlikon Neumag Italy S.p.A., Biella/IT	EUR	1 500 000	100.00	85
Japan				■	Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP	JPY	450 000 000	100.00	37

## Companies by country

Country	Production Distribution R&D Service	Name, registered office of significant companies by country	Currency	Share capital <sup>1</sup>	Group owns %	Number of employees
Japan	■ ■	Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00	135
Liechtenstein	■ ■ ■ ■	OC Oerlikon Balzers AG, Balzers/LI	CHF	30 000 000	100.00	551
Luxembourg	■ ■	Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niedercom/LU	EUR	1 000 000	60.00	13
Mexico	■ ■	Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX	MXN	71 458 000	100.00	63
Netherlands	■	Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL	EUR	463 000	100.00	7
Netherlands	■	Oerlikon Nederland B.V., Utrecht/NL	EUR	37 000	100.00	1
Netherlands	■ ■	SAC Saurer Automotive Components B.V., Rotterdam/NL	EUR	11 500 000	100.00	-
Poland	■ ■	Oerlikon Balzers Coating Poland Sp.z o.o., Polkowice Dolne/PL	PLN	5 000 000	100.00	45
Russia	■ ■ ■	OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00	5
Russia	■	OOO Oerlikon Rus, Moscow/RU	RUB	7 790 760	100.00	6
Singapore	■ ■	Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00	35
Singapore	■	Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG <sup>2</sup>	EUR		100.00	8
Singapore	■	Oerlikon SEA Pte. Ltd., Singapore/SG	SGD	100 000	100.00	-
Singapore	■ ■	Oerlikon Solar Singapore Pte. Ltd., Singapore/SG	SGD	16 900 000	100.00	35
Singapore	■ ■ ■	Oerlikon Textile Components Singapore Pte. Ltd., Singapore/SG	SGD	1 000 000	100.00	92
South Korea	■ ■	Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90	171
South Korea	■	Oerlikon Leybold Vacuum Korea Ltd., Cheonan/KR	KRW	7 079 680 000	100.00	29
Spain	■ ■	Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES	EUR	150 000	51.00	69
Spain	■	Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES	EUR	168 283	100.00	8
Sweden	■ ■	Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00	49
Switzerland	■	Aktiengesellschaft Adolph Saurer, Arbon/CH	CHF	10 000 000	100.00	2
Switzerland	■	GTG-Graziano Trasmissioni Group AG, Arbon/CH	CHF	250 000	100.00	1
Switzerland	■	InnoDisc AG, Windisch/CH	CHF	100 000	100.00	-
Switzerland	■	OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH	CHF	282 848 740	100.00	-
Switzerland	■	OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH	CHF	2 000 000	100.00	79
Switzerland	■ ■	Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00	30
Switzerland	■	Oerlikon Heberlein Temco Wattwil AG, Wattwil/CH	CHF	1 000 000	100.00	8
Switzerland	■	Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	500 000	100.00	39
Switzerland	■	Oerlikon Leybold Vacuum Schweiz AG, Zürich/CH	CHF	300 000	100.00	7
Switzerland	■	Oerlikon Licensing Arbon GmbH, Arbon/CH	CHF	20 000	100.00	-
Switzerland	■ ■ ■	Oerlikon Mechatronics AG, Trübbach, Wartau/CH	CHF	100 000	100.00	131
Switzerland	■ ■ ■ ■	Oerlikon Saurer Arbon AG, Arbon/CH	CHF	14 160 000	100.00	224
Switzerland	■	Oerlikon SB Holdings Arbon AG, Arbon/CH	CHF	100 000	100.00	-
Switzerland	■ ■ ■	Oerlikon Solar AG, Trübbach, Wartau/CH	CHF	100 000	100.00	449
Switzerland	■	Oerlikon Solar Holding AG, Trübbach, Wartau/CH	CHF	3 958 000	100.00	-
Switzerland	■	Oerlikon Solar IP AG, Trübbach, Wartau/CH	CHF	100 000	100.00	-
Switzerland	■	Oerlikon Solar-Lab SA, Neuchâtel, Neuchâtel/CH	CHF	1 000 000	100.00	23
Switzerland	■	Oerlikon Trading AG, Trübbach, Wartau/CH	CHF	8 000 000	100.00	3
Switzerland	■	OT Textile Verwaltungs GmbH, Arbon/CH	CHF	20 000	100.00	-
Switzerland	■	Saurer AG, Arbon/CH	CHF	112 019 600	100.00	-
Switzerland	■	Saurer Management AG, Freienbach SZ/CH	CHF	100 000	100.00	-
Switzerland	■	Unaxis GmbH, Freienbach SZ/CH	CHF	20 000	100.00	-
Taiwan	■	Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW	TWD	20 000 000	100.00	24
Taiwan	■	Oerlikon Taiwan Ltd., Hsinchu/TW	TWD	20 000 000	100.00	31
Thailand	■ ■	Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	100.00	24
Turkey	■ ■	Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	100.00	13
Turkey	■ ■	Oerlikon Tekstil Middle East Tekstil Makinaları Dis Ticaret A.S., Istanbul/TR	TRY	1 964 960	100.00	21
USA	■ ■ ■	Fairfield Manufacturing Company Inc., Wilmington, DE/US	USD	10 000	100.00	793
USA	■	Graziano Trasmissioni North America Inc., Charlotte, NC/US	USD	1	100.00	5
USA	■ ■ ■ ■	Melco Industries Inc., Denver, CO/US	USD	2 407 000	100.00	58
USA	■ ■	Oerlikon Balzers Coating USA Inc., Wilmington, DE/US	USD	25 000	100.00	206
USA	■ ■ ■	Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US	USD	1 375 000	100.00	77
USA	■	Oerlikon Optics USA Inc., Denver, CO/US	USD	1 000	100.00	-
USA	■	Oerlikon Solar USA Inc., Wilmington, DE/US	USD	1	100.00	5
USA	■	Oerlikon Space Inc., Pittsburgh, PA/US	USD	500 000	100.00	3
USA	■ ■	Oerlikon Textile Inc., Charlotte, NC/US	USD	3 000 000	100.00	111
USA	■	Oerlikon USA Holding Inc., Wilmington, DE/US	USD	24 980 000	100.00	-
USA	■ ■ ■	Oerlikon USA Inc., Plantation, FL/US	USD	14 730 000	100.00	23
USA	■	Saurer Financing LP, Charlotte, NC/US	USD	2 000 000	100.00	1
USA	■	Saurer Holding Inc., Westminster, CO/US	USD	5 058 000	100.00	-

<sup>1</sup> Share capital partly rounded to full hundred. Some trade registers still contain old European currencies that are converted to EUR.<sup>2</sup> Shares have no par value. Share capital amounts to EUR 187 441.

## Report of the Statutory Auditor

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

As statutory auditor, we have audited the accompanying consolidated financial statements of OC Oerlikon Corporation AG, Pfäffikon, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes on pages 89 to 133 for the year ended December 31, 2009.

#### Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Without qualifying our opinion, we draw attention to note 1 of the consolidated financial statements, which describes the restructuring measures with respect to the Group's finances and the risks in connection with the implementation.

### 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 consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG



Herbert Bussmann  
Licensed Audit Expert  
Auditor in Charge



Thomas Affolter  
Licensed Audit Expert

Zurich, March 31 2010

## Five-year summary of key figures

<b>Five-year summary of key figures</b>					
in CHF million	2009	2008 restated	2007	2006	2005
Orders received <sup>1</sup>	<b>2 996</b>	4 209	5 811	2 491	1 455
Orders on hand <sup>1</sup>	<b>997</b>	1 147	1 821	1 706	355
Sales <sup>1</sup>	<b>2 877</b>	4 632	5 404	2 206	1 605
EBITDA <sup>1</sup>	<b>-165</b>	471	688	408	128
– as % of sales	<b>-6 %</b>	10 %	13 %	18 %	8 %
EBIT <sup>1,2</sup>	<b>-589</b>	-59	467	325	34
– as % of sales	<b>-20 %</b>	-1 %	9 %	15 %	2 %
Net result	<b>-592</b>	-422	319	306	21
– as % of sales	<b>-21 %</b>	-9 %	6 %	14 %	1 %
– as % of equity attributable to shareholders of the parent	<b>-120 %</b>	-39 %	17 %	21 %	2 %
Cash flow from operating activities <sup>3</sup>	<b>-92</b>	411	678	372	84
Capital expenditure for fixed and intangible assets <sup>1</sup>	<b>130</b>	336	325	227	91
Total assets	<b>4 342</b>	5 476	6 290	6 189	1 979
Equity attributable to shareholders of the parent	<b>493</b>	1 093	1 858	1 488	1 001
– as % of total assets	<b>11 %</b>	20 %	30 %	24 %	51 %
Net liquidity <sup>4</sup>	<b>-1 646</b>	-1 586	-794	-592	706
Net operating assets <sup>5</sup>	<b>2 821</b>	3 498	3 266	3 114	510
EBIT as % of net operating assets (RONOA)	<b>-21 %</b>	-2 %	14 %	10 %	7 %
Number of employees <sup>1</sup>	<b>16 369</b>	18 372	18 711	18 735	6 434
Personnel expense <sup>1</sup>	<b>1 001</b>	1 277	1 355	693	600
Research and development expense <sup>1,6</sup>	<b>210</b>	246	245	149	148

<sup>1</sup> 2008 and 2009 continuing operations.

<sup>2</sup> For 2009, continuing operations of Oerlikon Group report an EBIT before restructuring and impairment of goodwill of CHF –280 million (previous year: CHF 259 million). The Group EBIT before restructuring and impairment of goodwill including discontinued operations amounted to CHF –287 million (previous year: CHF 203 million).

<sup>3</sup> Before changes in net current assets.

<sup>4</sup> Net liquidity includes marketable securities, treasury shares at market value as of December 31 as well as current and non-current debt.

<sup>5</sup> Net operating assets include current and non-current operating assets (excluding cash, financial assets, current tax receivables and assets classified as held for sale) less operating liabilities (excluding financial liabilities, tax provisions and liabilities classified as held for sale).

<sup>6</sup> Research and development expenses include expenses recognized as intangible assets in the amount of CHF 26 million (previous year: CHF 31 million).



# OC Oerlikon Corporation AG, Pfäffikon

**Income statement of OC Oerlikon Corporation AG, Pfäffikon**

in CHF	Notes	2009	2008
Income from investments in subsidiaries	2	45 712 457	16 325 823
Financial income	3	51 026 166	66 290 272
Other income	5	40 745 555	70 144 421
<b>Total income</b>		<b>137 484 178</b>	<b>152 760 516</b>
Financial expense	4	-190 579 275	-487 212 157
Other expense	6	-62 038 350	-68 304 860
		-115 133 447	-402 756 501
Gain on disposal of investments		215 881 631	461 429 613
Valuation adjustments on loans and investments in subsidiaries	7	-273 333 958	-45 248 621
<b>Net result</b>		<b>-172 585 774</b>	<b>13 424 491</b>

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

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

**Assets**

in CHF	Notes	2009	%	2008	%
Cash and cash equivalents	8	96 990 964	2.7	142 819 037	3.7
Treasury shares	9	41 764 029	1.2	91 712 316	2.4
Receivables					
– from third parties		871 999	0.0	725 554	0.0
– from affiliated companies		218 093 075	6.2	23 959 424	0.6
Short-term loans to third parties		300 000	0.0	–	0.0
Prepaid expenses and accrued income		735 000	0.0	2 611 049	0.1
<b>Current assets</b>		<b>358 755 067</b>	<b>10.1</b>	<b>261 827 380</b>	<b>6.8</b>
Investments	10	1 674 957 514	47.2	2 330 738 098	60.2
Long-term loans to affiliated companies		1 477 554 137	41.7	1 234 797 936	31.9
Long-term loans to third parties		–	0.0	1 500 000	0.0
Intangible assets	11	33 909 624	1.0	45 212 832	1.2
<b>Non-current assets</b>		<b>3 186 421 275</b>	<b>89.9</b>	<b>3 612 248 866</b>	<b>93.2</b>
<b>Total assets</b>		<b>3 545 176 342</b>	<b>100.0</b>	<b>3 874 076 246</b>	<b>100.0</b>

**Liabilities and equity**

in CHF	Notes	2009	%	2008	%
Current payables					
– to third parties		1 178 956	0.0	1 230 086	0.0
– to affiliated companies		299 643 988	8.5	27 582 237	0.7
Short-term bank loans	12	2 057 117 488	58.1	–	0.0
Accrued liabilities		29 938 272	0.8	25 769 725	0.7
Long-term loans due from affiliated companies		157 641 581	4.4	600 491 904	15.5
Long-term bank loans	12	–	0.0	2 035 990 000	52.6
Provisions	13	56 286 087	1.6	67 101 020	1.7
<b>Total Liabilities</b>		<b>2 601 806 372</b>	<b>73.4</b>	<b>2 758 164 972</b>	<b>71.2</b>
Share capital	14	282 848 740	8.0	282 848 740	7.3
Legal reserve		196 814 878	5.6	196 814 878	5.1
Free reserve		235 000 000	6.6	235 000 000	6.1
Reserve for treasury shares	15	291 677 024	8.2	294 090 827	7.6
Retained earnings		–62 970 672	–1.8	107 156 829	2.8
<b>Total equity</b>		<b>943 369 970</b>	<b>26.6</b>	<b>1 115 911 274</b>	<b>28.8</b>
<b>Total Equity and liabilities</b>		<b>3 545 176 342</b>	<b>100.0</b>	<b>3 874 076 246</b>	<b>100.0</b>

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

### General

#### Reporting basis (1)

The financial statements of OC Oerlikon Corporation AG, Pfäffikon (the Company) are prepared in compliance with Swiss Corporate Law. They are a supplement to the consolidated financial statements prepared according to International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the financial statements of OC Oerlikon Corporation AG, Pfäffikon relates to the ultimate parent company alone.

### Capital and Debt Restructuring

#### 1.1 Background

In November 2009 it became apparent that following the economic downturn, the Group would not generate the liquidity required to repay the Term Loan A in the amount of CHF 591 million, which was due for repayment at the end of March 2010. It was also clear that certain financial ratios set out in the existing credit facilities would not be met as at December 31, 2009. In December a waiver was arranged to suspend the financial covenants and discussions were started with the lenders to negotiate a long-term solution to the Group's financing requirements.

#### 1.2 Proposal

The negotiations were completed by the end of March 2010 and foresee the following major capital and debt transactions:

- Capital reduction – reduction of nominal value of all shares from CHF 20 to CHF 1.
- Capital increase – issue of 268.7 million new shares with a nominal value of CHF 1 at an issue price of CHF 3.72 per share by way of discounted rights offering to existing shareholders of Oerlikon (underwritten, in case existing shareholders do not take up rights in full) resulting in an increase in equity of approx. CHF 1 000 million.
- Depending on take-up of rights, Oerlikon has granted the lenders the right to subscribe for additional new shares representing up to 12.5 percent of the share capital as enlarged by the rights offering, and warrants to subscribe for new shares representing up to 5 percent of the company's share capital as enlarged by the rights offering and the additional new shares.
- Treasury shares – Oerlikon has granted the lenders the right to purchase all of the 1.3 million treasury shares the Company currently holds (amount to 9.3 percent of the Company's current share capital) in April 2010.

Renova has committed to participate in the rights offering in proportion to its current shareholding. Renova will subscribe for new shares in the amount of CHF 447 million, of which CHF 400 million will be paid in cash and the remainder against set-off of debt. Of the CHF 400 million cash proceeds received from Renova, the Company will retain CHF 300 million for investment in the business. The remaining new shares offered to existing shareholders in the rights offering, representing CHF 553 million at the issue price, have been fully underwritten by the lenders. To the extent existing shareholders other than Renova do not exercise their rights, the corresponding new shares will be subscribed by the lenders against set-off of debt in an amount equivalent to the issue price of CHF 3.72. Thus, the aggregate potential debt set-off by the lenders for the subscription of new shares not taken up by existing shareholders would amount to up to CHF 553 million. The capital measures described above are subject to shareholder approval at the AGM and are expected to be implemented and completed in June 2010.

These refinancing measures will have the following effects on the Group's financial liabilities:

Debt reduction: through a combination of cash proceeds from the capital increase, a waiver by the lenders of between CHF 25 million and CHF 125 million of debt under the existing debt facilities, and the potential issuance of additional shares against debt set-off (all depending on the exercise of subscription rights in the rights offering), the Company's total debt is expected to be reduced by between approximately CHF 750 million (in case of 0 percent exercise of rights) and CHF 1 000 million (in case of 100 percent exercise of rights).

New debt facilities: as part of the financial restructuring, the lenders have agreed to replace the remaining portion of the existing debt facilities through three new debt facilities, all maturing June 30, 2014, in the total amount from approximately CHF 1 490 million to approximately CHF 1 740 million (depending on the take-up of the rights offering).

The credit facility will be divided into the following new tranches:

Tranche:	Interest rate:
Senior Revolving Credit Facility (Facility A)	Libor +450 BP
Senior Term Loan Facility (Facility B)	Libor +450 BP
Junior Term Loan Facility (Facility C)	Libor +400 BP + 700 BP PIK

The RCF as well as the Senior Term Loan Facility have an underlying margin grid depending on the ratio Net Debt/EBITDA (the better the ratio the lower the rates).

The new debt facilities contain the following financial covenants, which will be tested quarterly or annually:

- Net Debt/EBITDA covenant
- Interest cover covenant
- Equity covenant
- Minimum Liquidity covenant
- Absolute EBITDA covenant
- CAPEX covenant

The agreed covenant levels provide sufficient headroom to ensure operational flexibility to Oerlikon going forward.

Certain assets and shares in subsidiary companies have been pledged as collateral.

#### 1.3 Balance Sheet

The planned capital restructuring measures will have the following effects:

- Net debt will be reduced by approximately CHF 1 050 million to approximately CHF 1 300 million depending on the subscription success.
- CHF 300 million will flow in as cash after the recapitalization.
- The equity ratio after the recapitalization would be between 34 percent and 39 percent.

#### 1.4 Risks

The relevant lenders and investors including the major shareholder Renova have agreed to the re-financing plan and to providing bridge financing during the period from March 31, 2010 to the completion of the capital raise and the overall restructuring. Bank guarantees have been provided to cover Renova's subscription obligation under the capital increase. The success of the plan now depends on:

- The shareholders must approve the proposed capital reduction and subsequent capital increase at the Annual General Meeting.
- The company and shareholders must implement the Corporate Governance requirements foreseen in the contract (e.g. election of a Chief Restructuring Officer, and election of a board of directors consisting in the majority of independent directors).
- Closing of new debt facilities.

If the refinancing plan cannot be successfully implemented, this may cause the Oerlikon Group to cease to continue as a going concern and the financial statements would have to be prepared on a liquidation value basis.

Management and the board of directors expect that the proposed measures will be implemented, and their effect will be to restore Oerlikon Group's liquidity and assure its financial stability in the long term.

### Income statement

#### Income from investments in subsidiaries (2)

The income from investments in subsidiaries consists mainly of dividend income from subsidiary companies.

#### Financial income (3)

Financial income mainly includes interest income.

**Financial expense (4)**

Financial expense mainly includes interest, net exchange losses and adjustments for treasury shares.

**Other income (5)**

Other income consists mainly of trademark fees.

**Other expense (6)**

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

**Valuation adjustments on loans and investments in subsidiaries (7)**

The Company recorded valuation adjustments on the Saurer AG investment and on loans to affiliated companies. Losses on sale of Group companies are also included.

**Balance sheet****Accounting principles / reclassification**

Certain reclassifications have been made to the prior year financial statement to conform with the 2009 presentation.

**Cash and cash equivalents (8)**

This item consists of current balances denominated mainly in CHF, EUR and USD and held with European banks.

**Treasury shares (9)**

The total of 1 318 309 (2008: 1 329 164) treasury shares held at December 31, 2009 represents 9.32 percent of the company's share capital.

The treasury shares are carried at the lower of cost or market, and therefore have been valued at their market value at close of business on December 31, 2009 (CHF 31.68), giving a total value of CHF 42 million (2008: CHF 92 million).

During the year, no shares were purchased or sold on the stock exchange (2008: purchase of 287 294 and sale of two shares). 10 944 shares (2008: 6 319 shares) were disposed to employees at an average price of CHF 75 and 89 shares (2008: 45 shares) were repurchased from employees at an average price of CHF 29.

**Investments (10)**

The list of the Company's major investments is on page 144.

These investments are recorded at historical cost less any valuation adjustments. The change in the net book value is mainly caused by divestments of affiliates and valuation adjustments.

Under the terms of the amended syndicated loan agreement, investments in major subsidiaries with a book value of CHF 1 593 million (2008: 0) became pledged.

**Intangible assets (11)**

These include mainly trademarks of Oerlikon and Saurer and are amortized over five years on a straight-line basis.

**Bank loans (12)**

Bank loans total to CHF 2'057 million. Additional information to the terms and conditions of the syndicated loan and the financial covenants may be found in note 18 to the Group's consolidated financial statements on pages 117 to 118.

**Provisions (13)**

Provisions cover mainly risks related to investments and also other risks.

**Share capital (14)**

The share capital of CHF 283 million consists of 14 142 437 registered shares, each with a par value of CHF 20. On the balance sheet date, conditional capital amounted to CHF 47 million (2008: CHF 47 million).

Shareholders registered as holding more than 5 Prozent as at December 31, 2009 were<sup>1</sup>:

- 56.73 Prozent<sup>2</sup> (2008: 56.82 Prozent<sup>3</sup>): Group composed of Renova Group (Renova Industries Ltd., Nassau/Bahamas<sup>4</sup> and Beregan Holding AG, Zürich<sup>4</sup>) and Victory Industriebeteiligung GmbH, Wien<sup>5</sup>
- 9.32 Prozent (2008: 9.40 Prozent): OC Oerlikon Corporation AG, Pfäffikon

<sup>1</sup> Sources: Shareholding notified pursuant to Article 20 of the Swiss Stock Exchange Law on December 21, 2009 by Renova-Victory Group and information on actual shareholding as of December 31, 2009 by OC Oerlikon Corporation AG, Pfäffikon

<sup>2</sup> Renova Group: 44.67%; Victory Industriebeteiligung GmbH: 12.06%

<sup>3</sup> In 2008 the holding of Renova Group was 44.67% and that of Victory Industriebeteiligung GmbH was 12.15%.

<sup>4</sup> Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zurich and Moscow.

<sup>5</sup> Beneficial owner (as per disclosure notification): RPR Privatstiftung, Vienna.

**Reserve for treasury shares (15)**

This reserve represents the acquisition cost of 1 318 309 (2008: 1 329 164) treasury shares.

**Contingent liabilities (16)**

Contingent liabilities relate primarily to performance guarantees and guarantees for bank loans of affiliated companies and amount to approximately CHF 136 million (2008: CHF 222 million).

**Disclosure of directors' remunerations (17)**

The disclosure of directors' remunerations as required by Swiss Corporate Law may be found in note 24 on pages 127 to 129 to the Group's consolidated financial statements.

**Risk assessment disclosures (18)**

OC Oerlikon Corporation AG, Pfäffikon as the ultimate parent company of the Oerlikon Group, is fully integrated into the Group-wide internal risk assessment process.

The Group-wide internal risk assessment process consists of regular reporting to the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon on identified risks and management's reaction to them. The procedures and actions to identify the risks, and where appropriate to remedy them, are performed by specific corporate functions (e.g. Treasury, Legal, Internal Audit), as well as by the segments of the Oerlikon Group.

These functions and segments have the responsibility to support and monitor the Group-wide procedures and processes to ensure their effective operation. The risk assessment also covers the specific risks related to OC Oerlikon Corporation AG, Pfäffikon. The Group-wide risk assessment procedures are described in more detail in note 28 on page 130 to the Group's consolidated financial statements.

## Investments

Company	Currency	Share capital	Investment in %
Aktiengesellschaft Adolph Saurer, Arbon/CH	CHF	10 000 000	100.00
InnoDisc AG, Windisch/CH	CHF	100 000	100.00
OC Oerlikon Balzers AG, Balzers/LI	CHF	30 000 000	100.00
OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH	CHF	2 000 000	100.00
Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	78.40
Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00
Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	100.00
Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00
Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	130 000	100.00
Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.10
Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niedercom/LU	EUR	1 000 000	60.00
Oerlikon Balzers Coating Poland Sp.z o.o., Polkowice Dolne/PL	PLN	5 000 000	100.00
Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00
Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00
Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK	GBP	2 000 000	100.00
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	100.00
Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	30 662 100	100.00
Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00
Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES	EUR	150 000	51.00
Oerlikon Deutschland Holding GmbH, Cologne/DE	EUR	30 680 000	6.00
Oerlikon France Holding SAS, St. Thibault des Vignes/FR	EUR	4 000 000	100.00
Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	500 000	100.00
Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW	TWD	20 000 000	100.00
Oerlikon Licensing Arbon GmbH, Arbon/CH	CHF	20 000	100.00
Oerlikon Nederland B.V., Utrecht/NL	EUR	37 000	100.00
Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00
Oerlikon Optics UK Ltd., London/UK	GBP	1	100.00
Oerlikon SEA Pte. Ltd., Singapore/SG	SGD	100 000	100.00
Oerlikon Solar Holding AG, Trübbach, Wartau/CH	CHF	3 958 000	100.00
Oerlikon Trading AG, Trübbach, Wartau/CH	CHF	8 000 000	100.00
Oerlikon USA Holding Inc., Wilmington, DE/US	USD	24 980 000	62.00
Oerlikon Vermögens-Verwaltungs GmbH, Cologne/DE	EUR	25 000	100.00
OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00
OOO Oerlikon Rus, Moscow/RU	RUB	7 790 760	100.00
OT Textile Verwaltungs GmbH, Arbon/CH	CHF	20 000	100.00
Saurer AG, Arbon/CH	CHF	112 019 600	100.00
Saurer Management AG, Freienbach SZ/CH	CHF	100 000	100.00
Unaxis GmbH, Freienbach SZ/CH	CHF	20 000	100.00
Unaxis IT (UK) Ltd., Barnwood/UK	GBP	1 000	100.00

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

in CHF million	Share capital	Legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
<b>Balance at 01.01.2007</b>	<b>282.8</b>	<b>197.6</b>	<b>182.9</b>	<b>235.0</b>	<b>112.7</b>	<b>1 011.0</b>
Changes in reserves for treasury shares	-	-0.8	0.8	-	-	-
Net result 2007	-	-	-	-	91.4	91.4
<b>Balance at 31.12.2007</b>	<b>282.8</b>	<b>196.8</b>	<b>183.7</b>	<b>235.0</b>	<b>204.1</b>	<b>1 102.4</b>
Changes in reserves for treasury shares	-	-	110.4	-	-110.4	-
Net result 2008	-	-	-	-	13.4	13.4
<b>Balance at 31.12.2008</b>	<b>282.8</b>	<b>196.8</b>	<b>294.1</b>	<b>235.0</b>	<b>107.1</b>	<b>1 115.8</b>
Changes in reserves for treasury shares	-	-	-2.5	-	2.5	-
Net result 2009	-	-	-	-	-172.5	-172.5
<b>Balance at 31.12.2009</b>	<b>282.8</b>	<b>196.8</b>	<b>291.6</b>	<b>235.0</b>	<b>-62.9</b>	<b>943.3</b>

## Report of the Statutory Auditor

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

As statutory auditor, we have audited the accompanying financial statements of OC Oerlikon Corporation AG, Pfäffikon, which comprise the balance sheet, income statement and notes on pages 140 to 145 for the year ended December 31, 2009.

#### *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, 2009 comply with Swiss law and the company's articles of incorporation.

Without qualifying our opinion, we draw attention to note 1 of the financial statements, which describes the restructuring measures with respect to the Company's finances and the risks in connection with the implementation.

### 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 recommend that the financial statements submitted to you be approved.

KPMG AG



Herbert Bussmann  
Licensed Audit Expert  
Auditor in Charge



Thomas Affolter  
Licensed Audit Expert

Zurich, March 31, 2010

## Legal structure

### Legal structure of significant companies as at December 31, 2009

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

–Aktiengesellschaft Adolph Saurer, Arbon/CH
–InnoDisc AG, Windisch/CH
–OC Oerlikon Balzers AG, Balzers/LI
–OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH
–Oerlikon Balzers Coating India Ltd., Pune/IN
–Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
–Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH
–Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT
–Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT
–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 Coating SA, Brügg, Brügg/CH
–Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG
–Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK
–Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR
–Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiá, SP/BR
–Oerlikon Balzers Sandvik Coating AB, Stockholm/SE
· Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI
–Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES
–Oerlikon France Holding SAS, St. Thibault des Vignes/FR
· Oerlikon Balzers Coating France SAS, St. Thibault des Vignes/FR
–Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH
–Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW
–Oerlikon Licensing Arbon GmbH, Arbon/CH
–Oerlikon Nederland B.V., Utrecht/NL
–Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP
–Oerlikon Optics UK Ltd., London/UK
–Oerlikon SEA Pte. Ltd., Singapore/SG
–Oerlikon Solar Holding AG, Trübbach, Wartau/CH
· Oerlikon Laser Systems GmbH, Krailling/DE
· Oerlikon Mechatronics AG, Trübbach, Wartau/CH
· Oerlikon Solar AG, Trübbach, Wartau/CH
· Oerlikon Solar IP AG, Trübbach, Wartau/CH
· Oerlikon Solar-Lab SA, Neuchâtel, Neuchâtel/CH
· Oerlikon Solar Singapore Pte. Ltd., Singapore/SG
· Oerlikon Solar (Shanghai) Trading Co. Ltd., Shanghai/CN
· Oerlikon Taiwan Ltd., Hsinchu/TW
–Oerlikon Trading AG, Trübbach, Wartau/CH
· Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX
–Oerlikon USA Holding Inc., Wilmington, DE/US
· Oerlikon Balzers Coating USA Inc., Wilmington, DE/US
· Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US
· Oerlikon Optics USA Inc., Denver, CO/US
· Oerlikon Solar USA Inc., Wilmington, DE/US
· Oerlikon Space Inc., Pittsburgh, PA/US
· Oerlikon USA Inc., Plantation, FL/US
· Saurer Holding Inc., Westminster, CO/US
· Fairfield Manufacturing Company Inc., Wilmington, DE/US
· Fairfield Atlas Ltd., Kolhapur/IN
· Graziano Trasmissioni North America Inc., Charlotte, NC/US
· Melco Industries Inc., Denver, CO/US
· Oerlikon Textile Inc., Charlotte, NC/US
–Oerlikon Vermögens-Verwaltungs GmbH, Cologne/DE
–OOO Oerlikon Balzers Rus, Elektrostal/RU
–OOO Oerlikon Rus, Moscow/RU
–OT Textile Verwaltungs GmbH, Arbon/CH
–Saurer AG, Arbon/CH
· GTG-Graziano Trasmissioni Group AG, Arbon/CH
· Neumag Denmark a/s, Vejle/DK
· Oerlikon Czech s.r.o., Cerveny Kostelec/CZ
· Oerlikon Fibrevision Ltd., Macclesfield/UK
· Oerlikon Saurer Arbon AG, Arbon/CH
· Oerlikon Heberlein Temco Wattwil AG, Wattwil/CH
· Oerlikon Textile China Investments Ltd., Hong Kong/CN
· Oerlikon (China) Technology Co. Ltd., Suzhou/CN
· Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN

## Legal structure

**Legal structure of significant companies as at December 31, 2009**

· Saurer China Equity Ltd., Hong Kong/CN
· Jintan Texparts Components Co. Ltd., Jintan/CN
· Saurer Jintan Textile Machinery Co. Ltd., Jintan/CN
· Oerlikon SB Holdings Arbon AG, Arbon/CH
· W. Reiners Verwaltungs-GmbH, Remscheid/DE
· Barmag Liegenschaften GmbH & Co. KG, Remscheid/DE
· Oerlikon Textile GmbH & Co. KG, Remscheid/DE
· AUTEFA automation GmbH, Friedberg/DE
· AUTEFA Nonwoven GmbH, Friedberg/DE
· Oerlikon Deutschland Holding GmbH, Cologne/DE
· Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE
· Oerlikon Balzers Coating Germany GmbH, Bingen/DE
· Oerlikon Deutschland Vertriebs GmbH, Aschheim/DE
· Oerlikon Leybold Vacuum GmbH, Cologne/DE
· Oerlikon Leybold Vacuum Equipment (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., Milan/IT
· Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP
· Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL
· Oerlikon Leybold Vacuum Schweiz AG, Zürich/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/UK
· Oerlikon Leybold Vacuum Korea Ltd., Cheonan/KR
· Oerlikon Real Estate GmbH, Cologne/DE
· Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Cologne/DE
· Oerlikon Textile Components GmbH, Fellbach/DE
· Oerlikon Textile Far East Ltd., Hong Kong/CN
· Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN
· Oerlikon Textile India Pvt. Ltd., Mumbai/IN
· Oerlikon Textile Components India Pvt. Ltd., Mumbai/IN
· Peass Industrial Engineers Ltd., Gujarat/IN
· Zinser Textile Systems Pvt. Ltd., Ahmedabad/IN
· Oerlikon Vacuum Holding GmbH, Cologne/DE
· Schlafhorst Engineering (India) Ltd., Halol/IN
· Oerlikon Textile Components Far East Ltd., Hong Kong/CN
· Oerlikon Textile Components Singapore Pte. Ltd., Singapore/SG
· Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR
· Oerlikon Tekstil Middle East Tekstil Makinalari Dis Ticaret A.S., Istanbul/TR
· Oerlikon Textile Trading and Services Ltd., Hong Kong/CN
· SAC Saurer Automotive Components B.V., Rotterdam/NL
· Oerlikon Graziano Group S.p.A., Turin/IT
· Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT
· Graziano Trasmissioni Czech s.r.o., Prague/CZ
· Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN
· Graziano Trasmissioni UK Ltd., St. Neots/UK
· Vocis Limited, Warwick/UK
· Oerlikon Neumag Italy S.p.A., Biella/IT
· Saurer Financing LP, Charlotte, NC/US
· Saurer Group Investments Ltd., George Town/KY
· Saurer Holding GmbH, Leonding/AT
· Oerlikon Neumag Austria GmbH, Leonding/AT
–Saurer Management AG, Freienbach SZ/CH
–Unaxis GmbH, Freienbach SZ/CH
–Unaxis IT (UK) Ltd., Barnwood/UK

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