innovation
has a name
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on the way

Annual Report **2010**

Key figures Oerlikon Group 2010

(in CHF)

		Prior year [1]	Change (abs.)	Change (%)
4.5 bn	**order intake**	**3.0**	**+1.5**	**+51 %**
3.6 bn	**sales**	**2.9**	**+0.7**	**+25 %**
103 m	**operating profit/loss***	**–280**	**+383**	
51 m	**EBIT**	**–589**	**+640**	
511 m	**operating cash flow**	**90**	**+421**	

* EBIT before restructuring costs and goodwill impairments.

Key figures Oerlikon Group

in CHF million	**January 1 to December 31 2010**	January 1 to December 31 2009
Order intake [1]	4 520	2 996
Orders on hand [1]	1 702	997
Sales [1]	3 601	2 877
EBITDA [1]	278	–165
– as % of sales	8 %	–6 %
EBIT [1, 2]	51	–589
– as % of sales	1 %	–20 %
Net profit / loss	5	–592
– as % of sales	0 %	–21 %
– as % of equity attributable to shareholders of the parent	0 %	–120 %
Cash flow from operating activities before changes in net current assets [3]	354	–92
Capital expenditure for fixed and intangible assets [1]	150	130
Total assets	4 475	4 342
Equity attributable to shareholders of the parent	1 430	493
– as % of total assets	32 %	11 %
Net debt [4]	274	1 646
Net Operating Assets [5]	2 196	2 821
EBIT as % of Net Operating Assets (RONOA)	2 %	–21 %
Number of employees [1]	16 657	16 369
Personnel expense [1]	1 015	1 001
Research and development expense [1, 6]	239	210

[1] 2009 continuing operations.

[2] For 2010, continuing operations of Oerlikon Group report an EBIT before restructuring costs and impairment of goodwill of CHF 103 million (previous year: CHF –280 million). The Group EBIT before restructuring costs and impairment of goodwill including EBIT from discontinued operations amounted to CHF –287 million in the previous year.

[3] Cash flow from operating acitivites (after changes in net current assets) amounts to CHF 511 million (previous year: CHF 90 million).

[4] Net debt is current and non-current debt less cash and cash equivalents, marketable securities and treasury shares at market value as of December 31.

[5] Net operating assets include current and non-current operating assets (excluding cash and cash equivalents, 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).

[6] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 32 million (previous year: CHF 26 million).

Key share-related figures [7]

in CHF	**January 1 to December 31 2010**	January 1 to December 31 2009
Share price		
High	12.30	86.20
Low	3.69	20.82
Year-end	4.90	31.68
Total shares outstanding	323 085 471	14 142 437
Market capitalization in million	1 583	448
EBIT	0.25	–45.93
Earnings per registered share	0.01	–46.16
Cash flow from operating activities before changes in net current assets	1.71	–7.17
Shareholders' equity	6.92	38.44
Dividend	–	–

[7] Average number of shares with voting and dividend rights.

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Our **Identity**

Vision

Oerlikon creates innovative industrial solutions for a better life.

Mission

Oerlikon strives to be your most reliable business partner, worldwide.

We increase value through high-quality
innovative industrial solutions, continuously.

We engage highly qualified professionals.

Our commitment is your success!

Core Values

Integrity
Everything we build, we build on trust.

Team Spirit
I care about the team, the team cares about me.

Excellence
What we do, we do best.

Innovation
Ideas come from everybody and from everywhere in the organization.

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oerlikon

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OC Oerlikon Corporation AG, Pfäffikon

1.0
Chairman and CEO

Dear Shareholders,

We think of 2010 as a year of substantial renewal of our company – a year of difficult decisions and innovative solutions needed to address financial, operational and strategic issues. We had to dig deep into our own resources, and also asked for the support of existing shareholders, new investors, banks and our business partners to secure Oerlikon's future.

This renewal was a success. Today, Oerlikon looks into the future with newfound confidence and optimism. Our company concluded 2010 on a solid financial base. We are making good progress under the new corporate leadership, both operationally and strategically, and are turning the market recovery into profitable growth. In essence we are on the way to a sustainable comeback.

The foundation for this comeback was the agreement reached on March 31, 2010 between the group of lenders, Renova and Oerlikon on the comprehensive financial restructuring of the Group and the successful capital increase that followed. Under difficult conditions, Oerlikon managed to find a robust and durable solution which reduced the company debt by over CHF 1.2 billion, then infused it with close to CHF 300 million in new liquidity leading to an equity ratio of 32 percent.

On the back of the stabilized financial position, our operational performance constantly improved throughout the year. We significantly exceeded our targets with sales of CHF 3.6 billion, an operating profit of CHF 103 million and an EBIT of CHF 51 million. We are especially pleased that these improvements could generate a net profit of CHF 5 million in 2010 after a net loss of CHF 592 million in 2009 and CHF 422 million in 2008. Oerlikon's Textile, Vacuum, Coating and Advanced Technologies Segments contributed significantly to this positive result. For the Drive Systems Segment, which has not benefited from improving business conditions to its fullest, we developed and already started to implement a long-term growth strategy towards the end of 2010. After intensified research and development efforts, the Solar Segment launched its new, highly competitive ThinFab™ production line in September 2010, ahead of schedule. We expect profitable growth from these two Segments in the future in view of their operational and strategic achievements and their newly appointed leadership.

In 2010, along with the general recovery of the markets, Oerlikon benefited from its substantial renewal. Our goal is long-term profitable growth. We strengthened our corporate leadership in 2010 by expanding the Board of Directors to include two new independent members with industrial experience, by appointing three new members to the Executive Committee and by placing a greater focus on Human Resources development. In close cooperation with the Segments, our new corporate leadership developed a 3 Year Business Plan (3YBP) that defines the strategic guidelines and operational plans for achieving sustainable and profitable growth.

The concept behind the 3YBP is to fully unlock the existing operational and strategic potential of Oerlikon's Segments. The goal is to manage the capital deployed effectively and to increase value. Return on net assets (RONA) will play a central role in corporate management. Oerlikon aims to achieve RONA values that generate attractive returns through the business cycles and rank amongst the best-in-class mid-term. With the 3YBP, we have a tangible plan for achieving this goal and we will systematicly track it closely to ensure its timely execution across all Segments.

Alongside clear operational and strategic guidance with dedicated financial focus, we believe that a Corporate Identity based on a strong cultural orientation is necessary to ensure sustainable business success. Therefore we have renewed Oerlikon's Identity which comprises Vision, Mission, Core Values and Tagline by building on our traditional strengths: Oerlikon has over a hundred years of industrial experience, strong Swiss roots, a very international approach and is characterized by innovations. Our renewed Tagline now expresses this clearly:

"innovation has a name – Oerlikon"

We truly thank our investors, customers, employees and business partners for their loyalty during one of the most critical years in the history of Oerlikon and for actively supporting the company's renewal. Looking forward, we firmly believe that Oerlikon will regain its proper place among the best Swiss and international industrial companies, continuously increase value and become an employer of choice around the world. We look forward to your continued confidence in Oerlikon.

Yours sincerely,

Vladimir Kuznetsov
Chairman of the Board of Directors

Dr. Michael Buscher
Chief Executive Officer

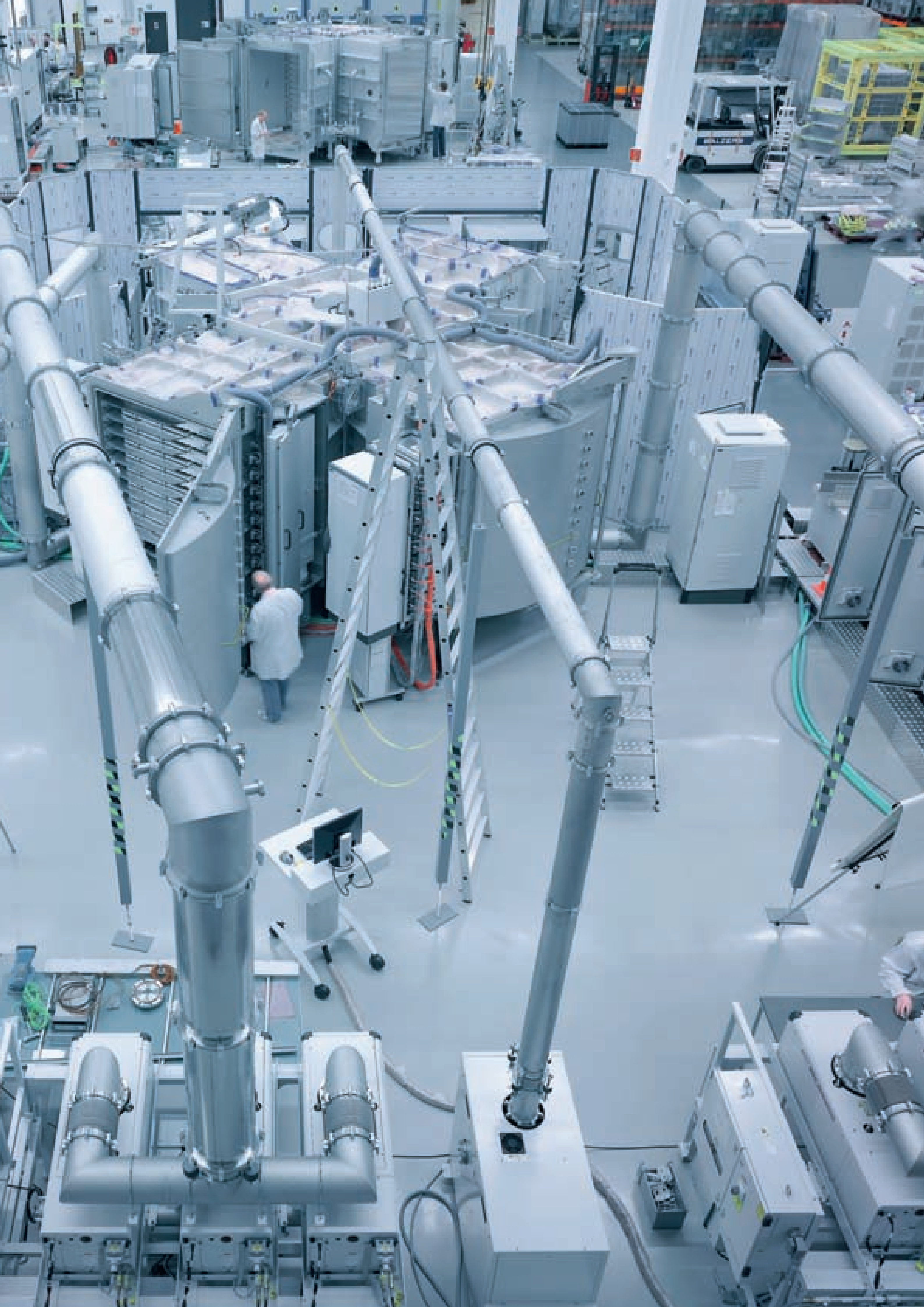
Vladimir Kuznetsov
Chairman of the Board of Directors

Dr. Michael Buscher
Chief Executive Officer

2.0 Oerlikon Group

did you know

Oerlikon's success is based on innovations. In 2010, the Group invested CHF 239 million in research and development.



Facts & Figures
Oerlikon
Group

1. Oerlikon's substantial renewal and high market demand led to a faster and stronger recovery than expected in 2010.

2. The Group now has a solid balance sheet with an equity ratio of 32 percent, up from 11 percent in 2009. Net debt was reduced to CHF 274 million in 2010 from CHF 1 646 million in 2009.

3. Oerlikon expects in 2011 a sales growth of up to 10 percent and further growth in profitability, based on stable foreign exchange rates. Therefore, already in 2011 the Group expects profitability to reach performance levels nearing Oerlikon's operationally best years, with the aim of exceeding its best margins in the coming years.

Key business figures

in CHF million	**2010**	2009 [2]	Δ %
Order intake	4 520	2 996	51
Orders on hand	1 702	997	71
Sales	3 601	2 877	25
Operating profit/loss [1]	103	–280	–
EBIT	51	–589	–

[1] EBIT before restructuring costs and goodwill impairments.
[2] Continuing operations.

Newfound confidence for the future

Oerlikon successfully mastered the challenges of the 2010 financial year and is now well-positioned to capitalize on the future. The focus for the first half of 2010 was a comprehensive financial restructuring. Under difficult conditions, the Group succeeded in securing a robust and durable solution for Oerlikon, thereby reestablishing a long-term and sustainable financial base for the company. At the same time, Oerlikon strengthened its corporate leadership in 2010 by expanding the Board of Directors to include two new independent members with industrial experience and by appointing three new members to the Executive Committee. Building on this, the second half of the year focused on further optimizing operations as well as drawing up a strategically oriented 3 Year Business Plan (3YBP) to ensure sustainable profitable growth. The implementation of the first measures of this plan – such as the realignment of the Oerlikon Drive Systems Segment and its new growth strategy – started already at the end of 2010.

The operational recovery in key markets, which began in the fourth quarter of 2009, gained momentum in the first half of 2010 and continued for the rest of the year. The faster and stronger-than-expected upswing stimulated Oerlikon Group's performance, so that its growth and operating results for 2010 were significantly better than planned. The operational restructuring program launched in 2008 was completed at Corporate level ahead of plan. The remaining restructuring initiatives currently being implemented will be continued and completed at Segment level and tracked closely by Corporate Headquarters. Their implementation will yield the expected financial benefits.

Overall in 2010, Oerlikon succeeded in reestablishing the financial, operational and strategic foundations for the Group to achieve a sustainable comeback.

The Group's key figures for 2010 at a glance:

- Order intake rose 51 percent in 2010 to CHF 4.5 billion, while the book-to-bill ratio increased from 1 to 1.3.
- As at December 31, 2010, orders on hand amounted to CHF 1.7 billion (previous year: CHF 1 billion).
- Sales increased by 25 percent to CHF 3.6 billion from CHF 2.9 billion.
- Operating profit (EBIT before restructuring costs and goodwill impairments) improved to CHF 103 million from a CHF 280 million loss.
- EBIT improved to CHF 51 million in 2010 from CHF –589 million in 2009, despite impairment charges for non-current assets of CHF 32 million.
- The net profit was CHF 5 million (previous year: CHF –592 million).

In 2010, foreign exchange effects reduced sales by 6 percent (CHF 220 million) and EBIT by 27 percent (CHF 14 million).

Positive market momentum

The markets' positive momentum led to considerably better top-line results in the majority of Segments. In addition, the optimized cost structures and processes across the Segments and the Group achieved through restructuring efforts, continued to support margins significantly on the back of higher sales volumes.

Oerlikon Textile increased its order intake during 2010 to CHF 2 509 million, up 114 percent from the prior-year period. Orders on hand amounted to CHF 1 197 million as of December 31, 2010 (previous year: CHF 489 million). Sales climbed 58 percent to CHF 1 653 million, and the Segment returned to profitability with EBIT at CHF 21 million (previous year: CHF –424 million), on the back of strong growth in Asia. The majority of sales stemmed in particular from China. The Oerlikon Barmag Business Unit delivered a very encouraging performance, with an order book reaching to 2013. Oerlikon Schlafhorst and Oerlikon Neumag also gained ground in their respective markets.

2010 saw **Oerlikon Drive Systems** grow its order intake to CHF 792 million (up 39 percent over the previous year). Orders on hand totaled CHF 137 million at December 31, 2010 (previous year: CHF 93 million). A 3 percent fall in sales during the first half of 2010, due to long project lead times, was offset by strong sales in the last six months of the year, so that sales for the full year rose 11 percent to CHF 733 million compared to the previous year. In 2010, the Segment reached an EBIT of CHF –27 million (previous year: CHF –50 million). Operating profit was CHF 7 million. To achieve a step change and substantially improve the Segment's performance a new strategy for profitable growth was developed and announced in late November. This strategy is based on three pillars: first, tapping the synergy potential of Oerlikon Graziano and Oerlikon Fairfield through their full integration under Segment CEO Gary Lehman; second, faster and more extensive expansion in India and China; and third, further improvements to the Segment's cost structure and the successful execution of ongoing operational restructuring initiatives.

Oerlikon Vacuum benefited from the global recovery of the industries it serves, especially the semiconductor, solar and coating industries. Regionally, performance in the Asian markets was outstanding, while growth in Europe was much more moderate. Oerlikon Vacuum increased its order intake by 35 percent to CHF 438 million in 2010. Orders on hand reached CHF 84 million on the reporting date (previous year: CHF 68 million). Sales rose by 27 percent to CHF 410 million. EBIT increased to CHF 30 million (previous year: CHF –3 million). As forecasted, growth slowed down slightly during the second half of 2010, due to a considerable flattening out of market demand after its peak in the first half of the year when customers were forced to backfill their inventories.

During the first half of 2010, **Oerlikon Solar** concentrated on executing existing orders and achieving its technology objectives. In September – earlier than originally announced – the Segment launched its new ThinFab™ production line. With production costs for thin film silicon solar modules of 0.5 €/Watt (peak) and other environmental benefits, the line provides customers with a highly competitive solution. At CHF 230 million, order intake was down 55 percent year-on-year. On a positive note, the first upgrade orders for ThinFab™ components were received from current customers at the end of 2010. Orders on hand at December 31, 2010 were down to CHF 255 million (previous year: CHF 317 million). Sales fell 43 percent to CHF 254 million. For the full year 2010, EBIT was CHF –59 million. However, the Segment reached the expected breakeven for the second half of the year (EBIT for the first half of 2010: CHF –60 million; EBIT for the second half of the year 2010: CHF 1 million). Helmut Frankenberger was appointed as the Segment's new CEO in December 2010.

Sales at **Oerlikon Coating** in 2010 grew 30 percent year-on-year to CHF 422 million. With an EBIT of CHF 52 million and a margin of 12 percent, the Segment is back on a profitable growth course for the year as a whole (previous year: CHF –4 million). Here the early focus on Asia, and China in particular, was a key success factor. Of its 85 coating centers around the world, Oerlikon Coating now operates 25 in Asia, eight of which are in China alone. The Segment strengthened its market position through the acquisition of the German Hartec Group at the end of the year, thereby expanding its market reach by gaining direct access to the special technologies for PVD coatings for plastics.

Oerlikon Advanced Technologies reported a 36 percent increase in order intake to CHF 129 million in 2010, driven by strong demand in the semiconductors and optical storage media sectors which the Segment serves with leading solutions for advanced packaging, coatings for hard drive heads as well as metallization of thin wafers and Blu-ray discs. Orders on hand totaled CHF 29 million at December 31, 2010 (previous year: CHF 30 million) with a 63 percent increase in sales to CHF 129 million. At CHF 10 million in 2010, EBIT returned to profitability (previous year: CHF –7 million).

Asia, the growth engine

In 2010, the growth engine for Oerlikon's Business Units was the Asian market, especially China and India. China's booming textile and automobile industries contributed significantly to the sharp rise in volume. Oerlikon capitalized on this trend by continuing to shift production.

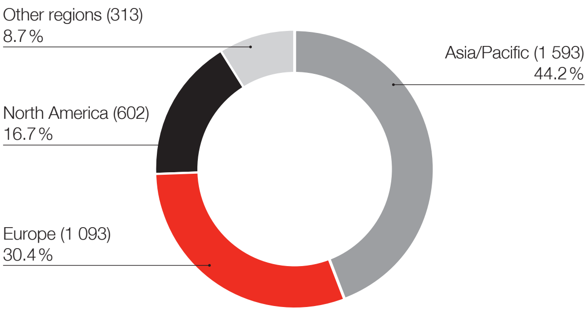
As a result, the regional distribution of sales shifted again to Asia. 2010 saw the share of Group sales accounted for by Asia rise to 44 percent of total sales (previous year: 34 percent). Europe accounted for 30 percent in 2010 (previous year: 37 percent) and 17 percent was generated in North America (previous year: 22 percent). "Other regions", which also include growth markets in South America, grew to account for 9 percent of sales (previous year: 8 percent).

Innovation drives success

The cutting-edge products and services offered by Oerlikon add value for customers and are thus a key success factor when it comes to turning market recovery into increasing volume and profitability. The Group once again invested significant amounts in research and development (R&D) during 2010. R&D expenditures during the year under review totaled CHF 239 million (previous year: CHF 210 million). These R&D activities – invested with a long-term view – enabled Oerlikon's Business Units to launch some breakthrough innovations during 2010.

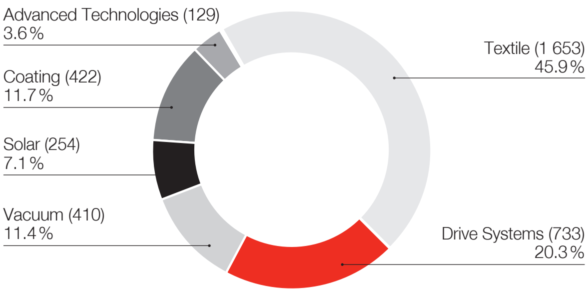
Oerlikon Textile, for example, unveiled the successful WINGS concept for producing fully drawn yarns (FDY) for the first time at the textile exhibition ITMA Asia in June 2010 – marking another milestone in the history of synthetic fiber manufacturing. Oerlikon Coating launched BALINIT ALNOVA on the market, the next-generation of high-performance coatings which considerably increase productivity. September saw the launch of Oerlikon Solar's new ThinFab™ production line, positioning the Segment again as cost leader in the solar industry with production costs of 0.5 €/Watt (peak). At the beginning of the year, Oerlikon Vacuum introduced the DRYVAC, a new platform for dry screw pumps which use significantly less energy yet enhance performance; the platform's basic design will also provide the foundation for building a new series of pumps. Oerlikon Drive Systems

Net sales 2010 by market region* in CHF million



* To third parties.

Net sales 2010 by Segment* in CHF million



* To third parties.

developed a new 7-gear automatic transmission for the new Lamborghini Aventador which uses a completely new design – cutting the time required for shifting gears to just 50 milliseconds, a new world record. Oerlikon Advanced Technologies launched the SOLARIS system for the flexible mass production of nanocoatings; its applications include the manufacture of crystalline solar cells.

Restructuring program completed at Corporate level

The restructuring program at the Corporate level was completed in 2010 ahead of plan. More than 90 percent of the approximately 700 individual initiatives identified have been implemented, resulting in over CHF 350 million in cost savings. The restructuring costs associated amounted to CHF 49 million in 2010 after CHF 107 million in 2009. The open initiatives which will generate additional cost savings of approximately CHF 50 million have been integrated into the 3 Year Business Plans of the respective Segments. They will be executed within the Segments and tracked closely by Corporate Headquarters in the regular controlling cycles.

To all intents and purposes, therefore, the restructuring program at the Corporate level has been successfully completed. The majority of the open restructuring initiatives relate to the Textile and Drive Systems Segments. Their execution is closely linked to the business environment and development of each Segment, so decisions on the timing of implementation will need to be flexible. In light of these open measures, restructuring costs of around CHF 10 million are expected in 2011.

The continued implementation of the operational restructuring program has been the responsibility of the Chief Restructuring Officer since mid 2010. With its completion, he will be focusing on developing and implementing strategic transformation projects, raising especially the effectivness and efficency of manufacturing, IT, real estate management, and optimizing the Group's legal structure. These activities are all intended to initiate and support Oerlikon's transformation and continuous improvement program and will be supplemented in due course with additional strategic projects.

Financial stability

Group's financial position improves

Improved operational performance and cost savings resulted in a considerable improvement in the Group's financial position in 2010.

Efforts to keep net working capital at the lowest level possible and thus further improve operating cash flow were sustained in light of the stabilized recovery in the markets. Despite the upswing, as at December 31, 2010 net working capital saw only moderate growth during the second half of the year, falling short of that of the previous year. Continuously low inventories, and advance payments received from customers in particular, had a positive impact notably on the Textile Segment. Accordingly, the cash flow from operating activities in 2010 rose to CHF 511 million from CHF 90 million in 2009.

Capital investments showed a trend reversal as announced during the second half of 2010. The Group invested a total of CHF 150 million, 16 percent more than the previous year. With an investment-to-depreciation ratio of 0.8, Oerlikon is gradually returning to a sustainable level of investment. The cash flow from investment activities in 2010 was CHF –158 million (previous year: CHF –18 million).

In 2010, the operating profit was CHF 103 million compared to a loss of CHF 280 million the previous year. EBIT improved considerably to CHF 51 million for 2010 from CHF –589 million for 2009, despite impairment charges for non-current assets of CHF 32 million.

The Group achieved a net profit of CHF 5 million in 2010 compared to a CHF 592 million net loss in the previous year, whereby one-time effects from divestments reduced the net loss in 2009 by CHF 104 million.

Company's recapitalization a success

The Group's financial stability was restored through a successful recapitalization in 2010. At the end of March 2010 the lenders, the principal shareholder Renova and Oerlikon

Net sales 2010 by location*

in CHF million	2010	Europe	Asia	North America	Others
Textile	1 653	1 169	356	105	23
Drive Systems	733	447	80	206	–
Vacuum	410	215	127	68	–
Solar	254	251	3	–	–
Coating	422	222	115	52	33
Advanced Technologies	129	92	–	37	–
Total	**3 601**	**2 396**	**681**	**468**	**56**

* To third parties.

agreed on a long-term, sustainable solution for the Group's financing, which included the following main points:

- Reduction of share capital by lowering the par value of shares from CHF 20 to CHF 1.
- Subsequent increase in capital through a rights offering of 268.7 million new shares with a par value of CHF 1 at a subscription price of CHF 3.72; options for subsequent increases in capital for lenders excluding subscription rights for current shareholders; additional option for lenders to purchase Oerlikon's own treasury shares (9.3 percent of the share capital at that time).
- CHF 125 million debt waiver.
- Replacement of the old credit facility with a new contract consisting of three tranches for an amount of up to CHF 1.48 billion.

On May 18, 2010, the Annual Shareholder Meeting agreed to this plan. The subsequent capital increase was a success with a take-up of issue rights by more than 99 percent. The recapitalization also changed Oerlikon's shareholder structure. According to the latest information published, the Renova/Victory Group has been dissolved. The lender group was also dissolved after the successful completion of the financial restructuring. According to the latest reports published on December 23, 2010, Renova holds 46.11 percent of Oerlikon and Victory 3.49 percent. Diversified holdings make up the remaining 50.4 percent.

The successful recapitalization and strong operating performance resulted in a solid balance sheet structure of Oerlikon. As of December 31, 2010 equity amounted to CHF 1 430 million (December 31, 2009: CHF 493 million). This represents an increase in the equity ratio to 32 percent at the end of 2010 from 11 percent at the end of 2009. Net debt was reduced to CHF 274 million at the close of 2010 from CHF 1 646 million at the end of 2009.

Leadership focusing on the future

The General Meeting on May 18, 2010 approved a proposal to enlarge the Board of Directors by adding two new, independent members, Wolfgang Tölsner and Gerhard Pegam. Wolfgang Tölsner is an independent business consultant who has gained extensive international experience in a variety of executive positions; Gerhard Pegam is CEO of the electronics group Epcos. Both new members of the Board of Directors have proven track records in developing new markets as well as expertise in industrial production. The other Board members Vladimir Kuznetsov, Kurt J. Hausheer, Dr. Urs A. Meyer, Carl Stadelhofer and Hans Ziegler were reelected.

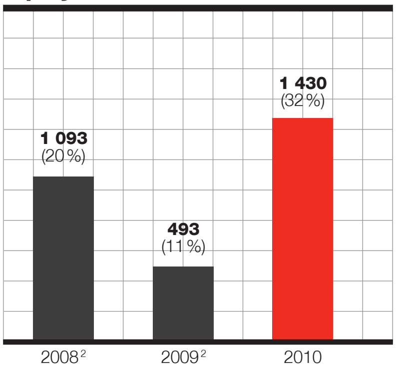
Dr. Michael Buscher took up the position of Group CEO on May 19, 2010, replacing interim CEO Hans Ziegler. Dr. Buscher has an impressive career record in a major international corporation where he successfully developed several business units and, as an engineer, has a deep knowledge of technology.

Furthermore, part of the recapitalization agreement stipulated that a new position of Chief Restructuring Officer be created within the Executive Committee reporting directly to the CEO; this post has been filled by Raafat Morcos. Mr. Morcos possesses more than 25 years' experience in numerous positions in industry.

Prior to joining the Group, the designated CEO and the Board of Directors made major adjustments to its management structure with the aim of more clearly defined responsibilities, speeding up decision-making processes and placing greater emphasis on people development. Human Resources has therefore been positioned within the Executive Committee. Adrian Cojocaru was appointed Chief Human Resources Officer and joined Oerlikon in November of last year, thus completing the Executive Committee.

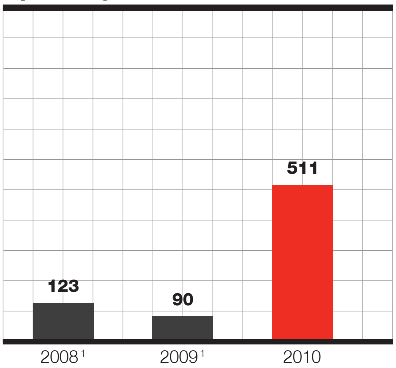
At the same time, the role of General Counsel was moved to the level of a Group function (General Legal Counsel) from the Executive Committee. As a result, the Executive Committee member responsible for this area, Björn Bajan, left the company by mutual agreement in May 2010.

Equity / ratio [1] in CHF million



[1] Attributable to shareholders of the parent.
[2] Continuing operations.

Operating cash flow in CHF million



[1] Continuing operations.

Securing sustainable growth

In addition to further optimizing operations, another priority of the new and expanded management team for the second half of 2010 was the development of a strategically aligned 3 Year Business Plan (3YBP). This 3YBP was approved by the Executive Committee and the Board of Directors at the beginning of December, and defines the strategic guidelines and operational plans for achieving sustainable profitable growth.

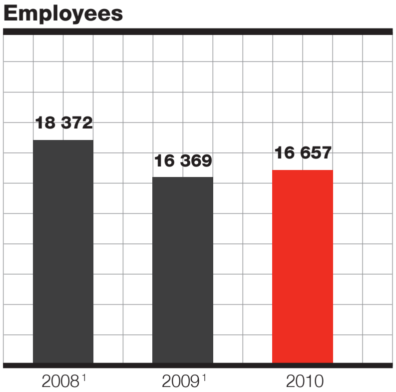
The cornerstones of the 3YBP are sustainable capital management and value creation. As a capital and investment-intensive company, Oerlikon is attaching great importance to the performance indicator return on net assets (RONA) in its corporate management. It is one of the company's stated goals to match the leading competitors in each of Oerlikon's Business Units in terms of RONA within the next few years. The 3YBP assumes that Oerlikon retains the current structure with its six Segments. Major divestments are not part of the approved strategy, nor are acquisitions. Regional expansion and product innovations, which will be accelerated and optimized as part of the 3YBP, remain the core element in developing the existing operating business.

Outlook

Oerlikon looks to the future with newfound optimism. Today, the overall economic conditions in the global economy and the visibility of the markets have further stabilized. 2010 saw the creation of a solid foundation for a sustainable comeback and thus for profitable growth in most areas of the company, so that a further improvement in financial performance parameters is expected in 2011 and beyond.

Oerlikon's Textile and Coating Segments expect markets to remain healthy and, as a result, forecast a solid sales increase in 2011. The Drive Systems Segment expects the recovery to continue. The Solar Segment is optimistic about the market competitiveness of the ThinFab™ technology. Assuming that market demand is expected to flatten out, the Vacuum and Advanced Technologies Segments predict stable business for 2011.

Employees



[1] Continuing operations.

In 2011, the Oerlikon Group will focus on delivering strong growth in profitability through continuous product innovations and further cost optimization. Following the peak in demand and order intake after the economic crisis, Oerlikon expects a slight reduction in order intake as overall market demand normalizes. Oerlikon expects in 2011 a sales growth of up to 10 percent and further growth in profitability, based on stable foreign exchange rates. Therefore, already in 2011 the Group expects profitability to reach performance levels nearing Oerlikon's operationally best years, principally delivered by the four Segments Textile, Vacuum, Coating and Advanced Technologies. The Drive Systems Segment is expected to return to profitability, while the Solar Segment plans to break even in 2011. Oerlikon's business performance in the first two months of 2011 was strong, supporting the outlook for the whole year. In the coming years, Oerlikon Group aims to exceed its best margins.

2.1 Oerlikon **Textile**

did you know

Oerlikon's leading textile machines provide the fashion industry with high-quality yarns. Around 50 percent of all high quality clothing yarns are made on Oerlikon machines.

Facts & Figures
Oerlikon
Textile

1. Oerlikon Textile continued its recovery and returned to profitability in 2010.

2. Healthy markets with a robust demand are expected to drive further sales growth in 2011.

3. Ongoing product innovation and cost optimization programs across all Business Units will positively impact profitability.

Key business figures

in CHF million	**2010**	2009	Δ %
Order intake	2 509	1 170	114
Orders on hand	1 197	489	145
Sales (to third parties)	1 653	1 046	58
Operating profit/loss [1]	26	–173	–
EBIT	21	–424	–

[1] EBIT before restructuring costs and goodwill impairments.

Oerlikon **Textile**

œrlikon barmag

Segment overview

The financial year 2010 at Oerlikon Textile focused entirely on turning around the business. The Segment's return to profitable growth in 2010 resulted primarily from a strong performance of the Oerlikon Barmag Business Unit and the positive development at the Oerlikon Schlafhorst and Oerlikon Textile Components Business Units. The order intake for Oerlikon Textile rose strongly to CHF 2 509 million, a plus of 114 percent. Sales increased by 58 percent to CHF 1 653 million. Orders on hand amounted to CHF 1 197 million at year-end (previous year: CHF 489 million). In 2010, the operating profit reached CHF 26 million, after an operating loss of CHF 173 million in 2009. The Segment returned to profitability in 2010, with EBIT improving to CHF 21 million after CHF –424 million in 2009. Exchange rates reduced sales by CHF 116 million and EBIT by CHF 3 million.

Sales growth principally came from the Asian markets. The Segment now has an order book that extends partially beyond 2012. In addition to Oerlikon Barmag and Oerlikon Schlafhorst's positive performance in 2010, Oerlikon Neumag substantially improved its performance as a result of the recovery in the bulked continuous filament (BCF) carpet yarn and synthetic staple fiber markets. Oerlikon Textile Components benefited from the general upturn in demand for components across the entire textile machine industry. Solid growth in Oerlikon Saurer's twisting machines unit was partially offset by a continued weakness in its embroidery machines unit as the market remained sluggish in 2010. Overall, the Segment developed more strongly than expected, reflected in its improved book-to-bill ratio (ratio of orders to sales) which rose to 1.5 for 2010 from 1.1 in 2009, signaling a constant growth trend.

Capitalizing on the dynamic growth in 2010 was the biggest challenge Oerlikon Textile faced last year. Continuously aligning inventory, production, supply chain and R&D with customer demand and production schedules remains an important area of focus for the Segment in the coming year. Achieving lead time reductions to improve responsiveness to customer demand is also an area of focus for the Segment in 2011.

Supported by a strong order backlog and current market demand, the Textile Segment expects for 2011 further growth of sales and an increased profitability. Rising cotton prices and volatile markets may impact this. A stagnation of market demand at a high level in the second half of the year cannot be ruled out. Plans to move production for additional product ranges to manufacturing sites in China are expected to improve cost structures and allow the unit to move closer to customers and markets. The Segment's focus on cost structure initiatives and optimization of operations is expected to contribute to an ongoing improvement of profitability.

Business development

Oerlikon Barmag showed a strong performance in 2010, returning the unit to profitability as it benefited from the steady pickup in demand in the global man-made fiber market. Asia continued to drive growth in 2010, with over 90 percent of orders stemming from the region. A key driver was higher demand in China for new high-tech solutions for the production of man-made fiber resulting from the Chinese government's program to increase the automation of the textile industry in order to improve quality and efficiency. The Business Unit's growth in orders was also driven by higher capital spending on investments in India towards the end of the year, primarily due to a higher domestic demand for textiles.

Key topics

Managing growth: The optimization of processes at the site in Remscheid, Germany ("Barmag kompact" program), and at the facility in Suzhou, China, early in 2010 enabled Oerlikon Barmag to align production capacities to the sharp rise in demand. The unit is continuing to focus on streamlining processes and operations, and improving cost structures to better adapt to ever-changing customer demands.

Innovation: Sales of WINGS FDY (winder integrated godet system for fully drawn yarn), have already shown a positive development after the product was launched early in 2010 at the ITMA Asia in Shanghai. The first products are scheduled to be installed at the beginning of 2011.

Outlook

Oerlikon Barmag is expected to benefit in 2011 from China's plans to increase the automation and production capacities of its textile industry. The Business Unit expects to profit across its entire product range in all the technologies it offers from this trend. In 2011, sales are expected to reach similar levels to those in 2010, with some upside potential from a healthy order backlog. This is expected to further improve earnings in 2011.

oerlikon neumag

Business development

Oerlikon Neumag showed strong growth in financial year 2010 across its three technology segments. It exceeded its expectations for 2010 as a result of the high demand for carpet yarn machines, where it is market leader, as customer's backfilled their inventories following the economic crisis. Orders, particularly from the US and Turkey, also contributed to this growth. Performance in the project facility segment for synthetic staple fibers and nonwoven production was driven by the sale of a number of plants to new customers. Volumes increased primarily due to the simultaneous rise in investments in large-scale plants across all markets in Europe, the US and Asia. Also contributing to growth was the availability of state subsidy programs, for example in China, as well as an increase in domestic demand for textiles in a number of countries.

Key topics

Innovation: With its new generation of synthetic staple fiber machines, the Segment set a new world record as the first manufacturer in the world to produce a machine with a daily capacity of 300 tons. The machine will go into operation in 2011 at Far Eastern, an internationally renowned Taiwanese fiber producer.

Optimizing the organization: The realignment of the Neumünster site in Germany continued throughout 2010. Further business process optimizations were also realized at the sites in Linz in Austria, Biella in Italy and Friedberg in Germany.

Outlook

Oerlikon Neumag expects a stable order intake which might show a slight decline due to projects for which orders have been brought forward into 2010. Sales are expected to remain stable at a high level and profitability is planned to improve.

The "S+", the new generation of BCF carpet yarn machines, is expected to improve sales and allow the Business Unit to retain its market share.

oerlikon saurer

Business development

The 2010 performance of Oerlikon Saurer was ambivalent. While sales for Volkmann and Allma twisting and cabling machines showed a significant recovery compared to the previous year, sales for the Saurer and Melco embroidery machines reached a historical low. As a result Oerlikon Saurer's return to profitability was delayed. Strong sales from the yarn business for tire cord, carpet and staple machines, could not offset the decline in the embroidery market. The Business Unit was able to gain market share with the launch of the EPOCA 5 second generation at the end of 2009. However, total market volumes were too low to contribute positively to the result.

Key topics

Innovation: The market launch of the CC3 standard machine produced in Suzhou, China, was an immediate success in Asia. Shifting production of this type of machine to the plant in Suzhou paved the way for reestablishing the competitive standing of this tire cord cabling machine.

Optimizing embroidery unit: To align operations and processes with lower market needs and demand, substantial streamlining and restructuring was continued in the shuttle embroidery machines business in Arbon, Switzerland, and in the Melco multi-head embroidery machines operations in Denver, USA.

Outlook

In 2011, Oerlikon Saurer will continue its plan to tap into the markets with further innovations and gradually increase market share. This holds true for both the twisting machine segment as well as for the embroidery segment. The optimization of operations and restructuring measures initiated are expected to return the Business Unit as a whole to operating profitability.

oerlikon schlafhorst

The Oerlikon Schlafhorst Business Unit's sales grew in financial year 2010 driven by a fast and strong rebound in the markets of its three technology divisions of ring spinning, rotor spinning and winding machines. Higher than expected order volumes benefited the gross profit. A significantly higher increase of production was restricted by bottlenecks in the supplier markets. Ring spinning benefited from an increased market share, while the winding and the rotor spinning business showed better margins and profited from the recovery of the global winding market. Oerlikon Schlafhorst saw a healthy regional distribution of its order volumes, with Asia accounting for slightly more than half, and a quarter each stemming from Europe and the USA, including South America.

Managing growth: The market recovery was rapid and, in 2010 alone, the Business Unit handled production increases of up to 300 percent. To better manage this growth and the unit's ability to ramp up, key areas of focus for the unit will be streamlining the organization and aligning operations to changing market demands. This includes improvements to supply management, machine redesigns and upgrades, and to cost structures, among others.

Optimizing the organization: The unit is continuing with the optimization of the organization. This includes completing the consolidation of the European production sites at the current main site in Übach-Palenberg, Germany.

The Oerlikon Schlafhorst Business Unit expects further growth for 2011. It expects sales to be significantly above 2010 levels, with a strong order book reaching well into 2011. Profitability is expected to benefit from higher production levels throughout 2011 in both the ring spinning and the rotor spinning units, where the semi-automated machines of the BD line in rotor spinning will likely outnumber the fully automated Autocoro. Further growth is also expected for the winding unit.

oerlikon textile components

The business performance of Oerlikon Textile Components in 2010 improved as a result of strong growth in investment activities in both staple and filament fiber industries. The Business Unit concluded the year with a profitable result due to its flexibility in operations and its ability to capitalize efficiently on the market upswing.

Ring spinning facilities increased their capacity utilization to the maximum during the first half year and started additionally to invest in new machines from the second quarter. Filament, which had remained relatively successful even during the crisis in the previous year, saw 2010 bring forth an investment boom that will secure deliveries partially as far as 2012.

Innovation: The Business Unit once again launched numerous innovative products to the market. On the staple side flexibility was one of the main guidelines for innovations; whereas for filaments a primary focus was energy-savings, which brought forth products like Temco® nip roller units.

Optimizing the organization: Efforts to improve the organization continued in 2010 with a further bundling of the unit's core competencies. As part of optimization activities, the specialized sensors division was integrated with the Fibrevision organization, a UK unit. The reduction of Sub-Business Units from three to two and reducing central functions further simplified the organizational structure.

Oerlikon Textile Components is expected to benefit from the positive development of the textile markets in 2011 as well as new innovations that will complement the product portfolio, and some customers have order books reaching even into 2012. New orders and sales in 2011 are expected to be at the same level as 2010. The newly defined sourcing strategy will support the result for 2011 and help minimize cost increases in raw materials.

2.2 Oerlikon Drive Systems


did
you
know
Oerlikon Drive Systems
is a global gear component
provider for ground support
equipment at airports.

Facts & Figures
Oerlikon
Drive Systems

1. The increase in order intake and sales in the second half of 2010 signaled a slow but steady recovery in the main market sectors.

2. To exploit synergies and accelerate growth in Asia, the Oerlikon Graziano and Fairfield Business Units became fully integrated under the leadership of Segment CEO Gary Lehman.

3. Following the positive trend, Oerlikon Drive Systems expects continued growth in 2011 in most market segments and a return to profitability.

Key business figures

in CHF million	**2010**	2009	Δ %
Order intake	792	569	39
Orders on hand	137	93	47
Sales (to third parties)	733	660	11
Operating profit/loss [1]	7	–34	–
EBIT	–27	–50	–

[1] EBIT before restructuring costs and goodwill impairments.

œrlikon graziano œrlikon fairfield

Business development

After a slow start in the first half of 2010, Oerlikon Drive Systems experienced an increase in sales and incoming orders for the second half of the year, signaling a slow but steady recovery in the main market sectors where the segment is most active. Orders received amounted to CHF 792 million, which was an increase of 39 percent as compared to 2009. The breakeven has been further reduced as a result of restructuring, shifting production to India, pricing initiatives, and cost reduction. In 2010, the Segment reached an EBIT of CHF –27 million (previous year: CHF –50 million). Operating profit amounted to CHF 7 million compared to an operating loss of CHF 34 million in 2009.

The key markets for Oerlikon Drive Systems were somewhat more active and stronger in North America than in Europe. The agricultural machinery market remained weak in Europe but slightly stronger in North and South America, including large tractors and combine production. Global construction and material handling equipment sectors began to show growth in the second half, and the premium automotive market sector also began to show initial signs of recovery. In addition, the energy market contributed to the increase in the second half year especially in mining and oil/gas drilling for both on and offshore sectors.

China, India, Turkey and Brazil presented significant growth activities in agriculture, construction and energy markets where the increase in demand resulted in new business opportunities for both Oerlikon Graziano and Oerlikon Fairfield. India's domestic demand resulted in increased business and generation of new opportunities with both new and existing Indian OEM customers. The Segment has positioned itself as a market leader in gear and drive technology especially in construction, energy, agriculture and on-off-highway applications. Significant growth and market share gains are projected to continue in India. In China, Oerlikon Drive Systems continued to increase activities and develop brand strength throughout 2010. The country is a key strategic market for Oerlikon Drive Systems and further investments and strategic initiatives are planned for the coming years.

Key topics

Innovation: Oerlikon Drive Systems continues to expand its competencies in the areas of mechatronic and electric drives from a gear drive solution towards a fully integrated system provider. In 2010 the Segment developed and launched new drive solutions targeted at premium automotive, off-highway as well as specialty industrial applications. New Torque Hub® electrically driven planetary drives in aerial work platforms, turf and utility vehicles as well as a new, fully integrated compact track drive will be introduced to the market in early 2011. Oerlikon Graziano's new developments in dual clutch technology and automated manual transmission systems for McLaren, Lamborghini and Aston Martin will go into production at the beginning of 2011.

Organization: an aggressive plan has been established to progress to a more effective integration of Oerlikon Fairfield and Oerlikon Graziano, with a particular focus on optimizing the global investment and development of Oerlikon Drive Systems. Particular focus and significant investments will be made in expanding the global footprint especially in Asia, Europe and North America. In an effort to ensure ongoing and future profitability, restructuring initiatives continued in 2010, thereby repositioning the company's production footprint and product range and strengthening customer relationships. Further activities are planned in 2011 which include a more integrated approach to the market and product innovation and development.

Outlook

Following the positive trend in the second half of 2010, Oerlikon Drive Systems expects continued growth in 2011 in most market segments. Business activities and opportunities in China and India are likely to continue. Brazil and Turkey may experience some slight softening but still positive growth. The North American market is expected to continue with a steady upturn, with Europe following at a slower pace. All off-highway sectors are continuing to recover and premium automotive is also experiencing a pickup. Rail, mining, energy and industrial sectors remain stable and offer additional growth opportunities in North America and in China. Oil and gas exploration show signs of growth based on the recently escalating prices for oil.

Hence, Oerlikon Drive Systems expects sales to grow further in 2011 and a return to profitability.

2.3
Oerlikon **Vacuum**

did you know

No light without vacuum.
Vacuum solutions
are an indispensable enabler
for hightech applications
such as LED Lighting.

Facts & Figures
Oerlikon
Vacuum

1. Oerlikon Vacuum achieved a positive result in 2010, by capitalizing on the economic upswing, while adapting its operations to the high market volatility.

2. Sales rose by 27 percent to CHF 410 million compared to 2009, driven by the Segment's capability to align order execution with high market demand across all its production sites.

3. The launch of the new DRYVAC pump platform increased growth through greater penetration of the coating, solar and industrial markets.

Key business figures

in CHF million	**2010**	2009	Δ %
Order intake	438	325	35
Orders on hand	84	68	24
Sales (to third parties)	410	324	27
Operating profit [1]	38	10	280
EBIT	30	–3	–

[1] EBIT before restructuring costs and goodwill impairments.

œrlikon
leybold vacuum

Business development

Oerlikon Vacuum can look back on an extraordinary business year. Order intake rose strongly to CHF 438 million in 2010, a plus of 35 percent. Sales increased by 27 percent to CHF 410 million. Orders on hand amounted to CHF 84 million at year-end (previous year: CHF 68 million). The operating profit reached CHF 38 million in 2010 from CHF 10 million in 2009. The Segment returned to profitability, and EBIT improved to CHF 30 million in 2010 from CHF –3 million in 2009 due to the benefits of the Segment's cost management efforts that offset the unfavorable impact of foreign exchange rates.

Business in the coating, solar and semiconductor industries grew significantly, with orders rising 75 percent compared to 2009. In the process industry, supply chain management issues impacted sales which rose 17 percent, allthough orders increased 33 percent year on year. Order intake in the analytical and R&D industry grew by 11 percent, with sales rising by 9 percent compared to 2009. The solution business showed the strongest demand, followed by components and services.

Order intake grew considerably in all regions. While Europe showed a slow, but stable, recovery, business in the US improved substantially, almost regaining pre-crisis levels. However, growth in Asia proved to be the major driver for the segment's strong operational recovery. The development of business in this region had an unexpected, positive impact on the segment's performance. In 2010, the segment continued with its program to reduce fixed costs sustainably and streamline operations over the coming years in order to improve the company's capability to respond to volatile market conditions.

2010 also saw an important innovation – the launch of the DRYVAC fore-vacuum pump platform. Over 500 DRYVAC pumps and pumping systems were ordered in 2010. Apart from driving product innovation, Oerlikon Vacuum expanded its service network in Asia in order to improve on customer proximity. Three new service centers were opened, one in Hsin Chu, Taiwan, the second in Kulim, Malaysia, and the third extended the servicing capacities of the Tianjin, China, factory.

Key topics

Asia footprint: To unlock Asia's future growth potential, Oerlikon Vacuum is expanding the production and manufacturing footprint of the factory in Tianjin.

Innovation: Sustained high performance is key in manufacturing plants. The new vacuum pump series DRYVAC enables customers to manage their production systems and processes more efficiently and profitably. The platform-based technology of the new DRYVAC series ensures future technological flexibility to turn market demands into product features in a very short time and will contribute to the development of a whole suite of new pump lines in the future.

Expanding solutions business: Oerlikon Vacuum is improving its ability to integrate relevant vacuum know-how into specialized solutions in order to enhance customer benefits and thus the Segment's competitive advantage. Oerlikon Vacuum is focusing on aligning operations and processes with the volatile market demand, as well as fine-tuning the management of the supply chain internationally. This entails a reduction in lead times and augments responsiveness to customer demands. After-sales services and special customer consultancy will gain importance and complement the global vacuum technology offerings of Oerlikon Vacuum.

Outlook

In 2011, market demand is expected to slow down, however sales are expected to remain stable. Again, Asian markets will probably serve as growth engines, driven by coating and energy applications as well as metallurgy. As a result, Asia will be a major focus for the Segment, with an emphasis on improving product availability, customer support and after-sales services.

Leveraging the DRYVAC platform approach, Oerlikon Vacuum is planning to launch another new product line in the second quarter of 2011. Upcoming markets such as thin film applications, solar and LED/OLED applications are also expected to contribute to growth in the coating industry in 2011.

The introduction of new technological platforms and entry into new markets is likely to have a positive impact on Oerlikon Vacuum's competitiveness in 2011. Profitability is expected to increase further.

2.4 Oerlikon **Solar**

did you know

More than 3.5 million
thin film silicon solar modules
have been produced
on Oerlikon Solar equipment,
providing clean energy.

Facts & Figures
Oerlikon
Solar

1. After the expected weak performance in the first half of 2010, Oerlikon Solar showed significant progress in the second half of 2010.

2. Oerlikon Solar regained cost leadership in the solar industry with its launch of the new production line ThinFab™. Its lowest module production costs of 0.5 €/Watt (peak) achieved a new world record.

3. Oerlikon Solar expects to win first orders for the new ThinFab™ in the first half of 2011 as it strengthens market focus and positioning with new Segment CEO Helmut Frankenberger.

Key business figures

in CHF million	**2010**	2009	Δ %
Order intake	230	511	–55
Orders on hand	255	317	–20
Sales (to third parties)	254	442	–43
Operating loss [1]	–59	–69	–
EBIT	–59	–78	–

[1] EBIT before restructuring costs and goodwill impairments.

oerlikon
solar

Business development

As forecasted, business developed at Oerlikon Solar in 2010 at a low level. Order intake declined by 55 percent to CHF 230 million, sales fell 43 percent to CHF 254 million. As of December 31, 2010, the order backlog was at CHF 255 million (previous year: CHF 317 million). The Segment's operating loss in 2010 narrowed to CHF 59 million compared to a CHF 69 million operating loss in 2009. EBIT in 2010 was CHF –59 million after CHF –78 million in 2009. Orders in the second half benefited from the launch of the new ThinFab™ line, which was earlier than expected.

Oerlikon Solar's decline in business performance in the first half of 2010 was attributed to the slow recovery of the thin film silicon market. However, Oerlikon Solar increased its R&D expenditures to a total of CHF 73 million. As a result, the Segment announced two world records in 2010: first, it achieved the world's lowest module production cost of 0.5 €/Watt (peak) with its new ThinFab™ production line; second, it achieved a champion cell with efficiency of 11.9 percent in its laboratory. In December 2010, Oerlikon Solar appointed Helmut Frankenberger as CEO, an experienced industry executive with a track record as a turnaround manager with a strong market focus.

In 2010, Oerlikon Solar won three key upgrade orders from existing customers and two new customers in China, among others. Baoding Tianwei Solar Films, Astronergy and Bosch Solar Thin Film have expanded their existing lines, while DongXu and Gongchuang chose Oerlikon Solar as their key supplier. With these new orders, the contractually agreed customer capacities increased to 780 MW, with a total of 456 MW in production.

Given that thin film silicon is a leading technology in the reduction of carbon emissions, the European Commission funded a research project (PEPPER) led by Oerlikon Solar and six other partners in September 2010. The aim of the PEPPER project is to enhance performance and decrease the cost of thin film silicon solar modules within the next three years. Additionally, Oerlikon Solar received the UL (United Laboratories) master certification for amorphous and Micromorph® technologies for the US market. Moreover, the Segment expects to receive certification in the first quarter of 2011 for its improved low-voltage module design from TÜV Rheinland for which it has applied. Enabling substantially faster time-to-market, these master certificates are an important differentiator for Oerlikon Solar customers.

Key topics

Innovation
Oerlikon Solar is committed to making solar power economically viable through advances in its thin film silicon technology. The Segment will continue to invest significantly in R&D in order to drive down module manufacturing costs, while improving module performance and efficiency. Key attributes of Oerlikon Solar's thin film silicon technology include a non-toxic sustainable PV solution with fast energy-payback time and lowest electricity consumption for its production lines. Oerlikon Solar continues to support its customers through its supplier qualification process for module manufacturing materials resulting in lower module material costs.

Market penetration
Based on its leading technology, the Segment will continue to focus on promotion and commercialization of the ThinFab™ to gain new orders. Strong market interest in the new ThinFab™ resulted in the first upgrade orders at the end of 2010.

Outlook

The thin film silicon market shows clear signs of an upturn. This led to break-even results in the second half of 2010, and indicates upside potential going into 2011. Further growth is expected in strategic markets such as China. With the renewed interest in thin film silicon due to the introduction of the ThinFab™, initial orders are expected in the first half of 2011.

As Oerlikon Solar's R&D projects focus on further lowering module manufacturing costs, the emphasis on business excellence will allow the Segment to improve operational efficiency and costs with timely project execution. As initial orders for the ThinFab™ are expected in the first half of 2011, Oerlikon Solar expects sales to grow in 2011 and to achieve breakeven.

2.5 Oerlikon Coating

did you know

Innovative coatings could reduce carbon emissions of cars by up to 10 percent.

Facts & Figures
Oerlikon
Coating

1. In 2010 Oerlikon Coating returned to strong profitable growth, with sales totaling CHF 422 million (up 30 percent on 2009) and an EBIT of CHF 52 million (previous year: CHF –4 million).

2. Based on its strong footprint in Asia, the Segment was able to benefit from the upswing in this region, especially in China.

3. With the acquisition of the German Hartec Group, Oerlikon Coating gains access to a new market for environmentally friendly coatings for plastics and further strengthens its market position.

Key business figures

in CHF million	**2010**	2009	Δ %
Order intake	422	326	30
Orders on hand	–	–	–
Sales (to third parties)	422	326	30
Operating profit [1]	57	12	375
EBIT	52	–4	–

[1] EBIT before restructuring costs and goodwill impairments.

oerlikon balzers

Business development

In 2010 Oerlikon Coating achieved a remarkable turnaround. Sales grew by 30 percent to reach CHF 422 million. The operating profit rose to CHF 57 million in 2010 from CHF 12 million in 2009. EBIT improved to CHF 52 million in 2010 from CHF –4 million in 2009. Foreign exchange rates reduced Oerlikon Coating's sales by CHF 12 million and its EBIT by CHF 1 million. Sales returned to a pre-crisis level towards year-end with, however, an improved cost structure and a significantly stronger presence of Asia.

The main factors for the growth in volumes were the faster-than-expected recovery of the worldwide automotive industry, Oerlikon Coating's increasing regional footprint in Asia, with 25 coating centers, as well as a leading technology position with competitive products. An optimized cost structure and a better utilization of capacities raised margins, while one-off items, such as CHF 5 million in restructuring costs and goodwill impairments, impacted EBIT in 2010.

Despite high growth rates, the recovery pattern shows distinct differences, as Oerlikon Coating mirrors the economic situation of the automotive industry on a global scale. Europe grew by almost 30 percent in sales, the Americas by over 35 percent, and Asia including Japan by 45 percent in local currency.

The expansion of Oerlikon Coating's global coating center network continued in 2010, with the inauguration of its first coating center in Russia located in Elektrostal at the beginning of the year. In May, a second coating center in Argentina went into production. Furthermore, Oerlikon Coating is in the process of setting up additional sites in China in order to expand its current network of seven coating centers.

To grow the market further for Oerlikon Coating in this fast growing economy, the Segment continued its strategy in expanding into new fields of applications, namely for coatings on precision components. Hence, Oerlikon Coating acquired the Hartec Group, a German industry pioneer and green technology leader, which specializes in decorative-functional PVD coatings for three-dimensional plastic parts, predominately in automotive interiors (such as airbag logos etc.) in December 2010.

Key topics

Growth: Precision Components is an attractive future growth market for Oerlikon Coating. Internal sustainable growth projects aim to embrace these opportunities by creating dedicated centers of competence to address specific market needs in this highly fragmented market. Automotive Components show strong growth with a substantial number of new customer projects for coated piston pins. A dedicated product line for these applications sets a new industrial standard.

Innovation: The focus in the metalworking industry lies on productivity. Oerlikon Coating launched two innovative coating solutions for tools based on Aluminum-Chrome-Nitride (AlCrN). The new BALINIT® ALCRONA PRO and BALINIT® ALNOVA coatings embody characteristics that redefine the benchmarks in metal machining applications. The key features of these AlCrN-based coatings are improved performance and greater productivity – up to 30 percent – and enabling environmentally friendly cutting with low or even no lubrication.

Furthermore, the acquisition of the Hartec Group enriches the Business Unit's portfolio with a unique technology for 3D plastic coating, offering customers new functionalities but also a replacement for the environmentally critical chrome electroplating which is currently in use.

Outlook

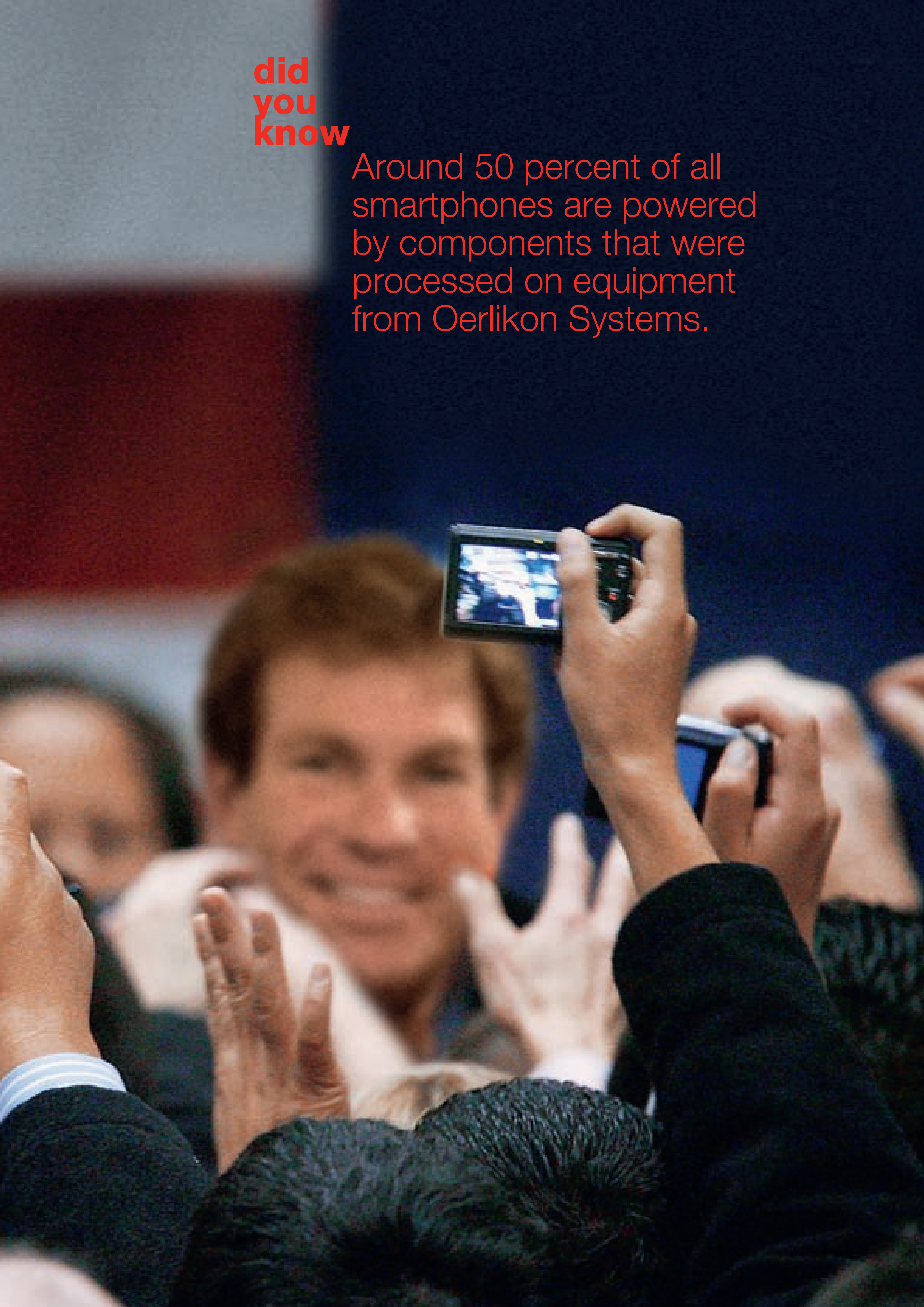
After its recovery in 2010, the overall coating market is expected to grow and develop further in 2011, at an accelerated pace especially in Asia. Oerlikon Coating plans to continue its expansion in Asia and further innovate and drive coating technology for new applications on both automotive and non-automotive components.

Roughly 80 percent of Oerlikon Balzers business is generated by the automotive and general machinery industry. The global automotive market is expected to grow further in 2011, with an expected number of units produced exceeding the level of 2008. However, not all geographical areas are likely to profit in the same manner. It is expected that the markets in Western Europe, North America and Japan will continue to grow more slowly than the emerging markets. Overall, Oerlikon Coating expects continued growth for 2011, with a further increase in profitability.

2.6
Oerlikon **Advanced Technologies**

did you know

Around 50 percent of all smartphones are powered by components that were processed on equipment from Oerlikon Systems.



Facts & Figures
Oerlikon
Advanced Technologies

1. Oerlikon Advanced Technologies returned to profitability in 2010 as equipment sales to the semiconductor market nearly doubled.

2. The SOLARIS system has started into high-volume production of crystalline silicon solar cells following its recent launch.

3. Oerlikon Advanced Technologies sees a flat development of its main markets, but expects to capitalize on new opportunities in Asia with its competitive position.

Key business figures

in CHF million	**2010**	2009 [2]	Δ %
Order intake	129	95	36
Orders on hand	29	30	–3
Sales (to third parties)	129	79	63
Operating profit/loss [1]	10	–3	–
EBIT	10	–7	–

[1] EBIT before restructuring costs and goodwill impairments.
[2] Continuing operations.

oerlikon
systems

Business development

In 2010, Oerlikon Systems as the sole Business Unit in the Segment Oerlikon Advanced Technologies profited from an upturn in its semiconductors and optical storage media key markets as well as from growing interest in its advanced nanotechnology solutions. The Segment returned to profitability on the back of strong sales in 2010. The order intake for Oerlikon Systems increased 36 percent to CHF 129 million. Sales rose 63 percent to CHF 129 million. Orders on hand amounted to CHF 29 million at year-end (previous year: CHF 30 million). The operating profit reached CHF 10 million in 2010 from an operating loss of CHF 3 million in 2009. EBIT improved to CHF 10 million in 2010 from CHF –7 million in 2009.

The increase in R&D expenditures in its core physical vapor deposition (PVD) technology resulted in orders from existing and new customers in the established semiconductor and optical disc markets. The unit also further developed the emerging advanced nanotechnology applications with its focus on clean technologies.

The Segment's strong sales were principally driven by robust demand in Asia from the leading semiconductor packaging foundries and the optical disc industry. As a result, Asia now accounts for the greatest share of sales. The regional shift to Asia is expected to continue through the coming years.

In 2010, Oerlikon Systems' innovation power and commitment to customer satisfaction was recognized by industry experts. The Segment received the "Five-Star Award" for extraordinary levels of customer satisfaction in 2010 from VLSI Research, a leading market research provider for the high-technology chip-making industry. In VLSI's renowned Customer Satisfaction Survey, Oerlikon Systems was ranked highest in the "Best Small Suppliers of Wafer Processing Equipment" category. The Segment received the solar industry's most prestigious "PV Tool Award" for innovation and technological excellence for its SOLARIS deposition system.

Key topics

Semiconductor: Advanced packaging, thin wafer processing for backside metal, micro-electromechanical systems (MEMS), and read/write heads for hard drives remain the key growth drivers. A further focus on solid state lighting (LED) applications resulted in orders from leading LED manufacturers. The innovation pipeline for the advanced packaging market is filled and will result in the launch of new and optimized solutions with superior technology and reduced cost of ownership.

Metallizer optical disc: The growing market demand for recordable and rewriteable Blu-ray discs resulted in an upturn in orders for SPRINTER metallizers. Its leading market share remained stable and the Segment intensified activities to service all customers in the coming ramp-up.

Advanced nanotechnology: Clean technology and renewable energy applications continue to be the strategic focus. Oerlikon Systems' new SOLARIS manufacturing system is already in full-scale operation for the production of crystalline solar cells, and is now also being used in the development of new thermoelectric generators that transform waste heat into electrical energy.

Outlook

Oerlikon Systems is cautious about market conditions for 2011. There are clear indications that the semiconductor equipment market may be flat. However, the unit's very strong competitive position is likely to allow it to capitalize on new opportunities in the main markets served, especially in the flourishing Asia region. While overcapacity is expected in the photovoltaics market for crystalline-silicon-based solar cells, this will probably allow the unit to focus on expanding the manufacturing solutions it provides for advanced nanotechnology. In 2011, sales volumes and EBIT – despite high R&D investments to unlock further the Segment's future potential – are expected to remain stable.

3.0 Research and Development

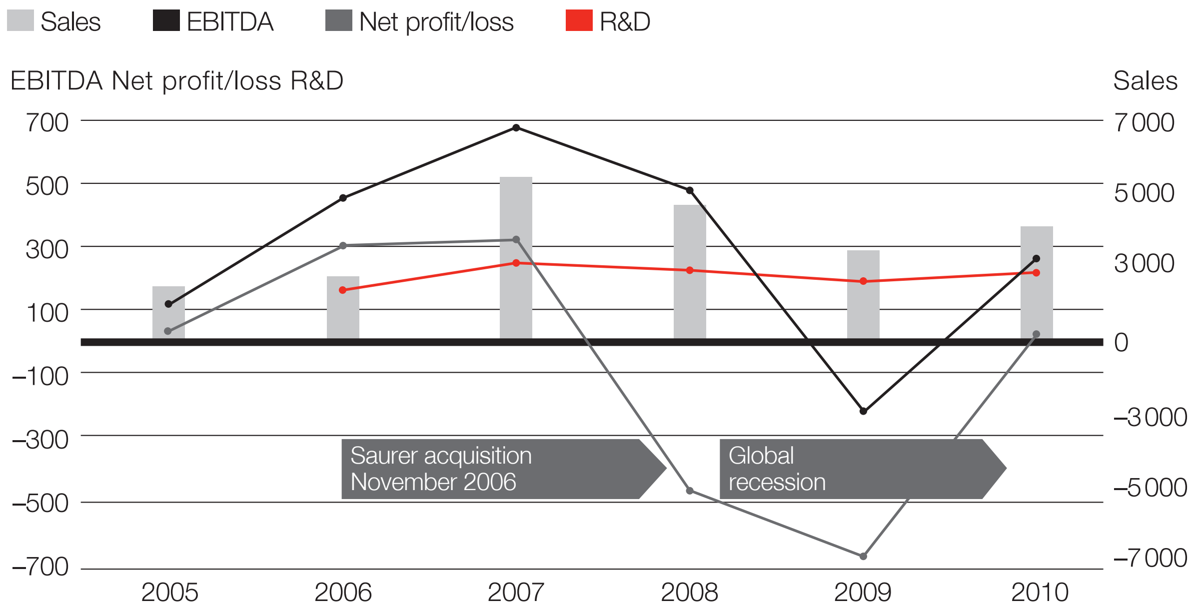
Facts & Figures

1. In 2010, Oerlikon's growth was supported by the Group's innovation pipeline, with R&D spend rising 14 percent to CHF 239 million, resulting in a series of breakthrough products in 2010.

2. Oerlikon's technology leadership was recognised by industry and market experts in 2010: the Solar Segment won the Thin Film Innovation Award and the Advanced Technologies Segment received the PV Tool Award for its SOLARIS coating system.

3. Thanks to the Group's expertise in technology, Oerlikon is a research and cooperation partner on numerous research programs, including EU projects on "NanoHiTec" and on improving the performance of thin film silicon solar modules.

Constant strong investments in R&D CHF million



Innovation as basis for success

Oerlikon's success rests on innovations. The company's ability to enhance and refine both its products and services is a characteristic that defines Oerlikon's over 100-year history. Oerlikon leverages innovation opportunities to set itself apart from the competition and, in doing so, creates the conditions needed to position itself and its cutting-edge, sustainable products successfully on global markets.

As in previous years, Oerlikon once again invested heavily in research and development (R&D) in 2010. With investments totaling CHF 239 million, the company spent 14 percent more on R&D than it did the previous year. The 1 218 engineers and scientists in the Group's R&D departments also account for a good percentage of the company's 16 657 employees.

Thanks to Oerlikon's willingness to continue its strong investments in new product development and upgrades even during times of economic crisis, the Group was able to maintain its innovative capability in 2008 and 2009. R&D expenditures as a percentage of sales reflect this quite strikingly: 5 percent in 2008, 7 percent in 2009 and 7 percent in 2010. As a result, Oerlikon was able to launch numerous new products and, from a product perspective, was well prepared for market recovery.

Oerlikon's innovation management is based on four principles:

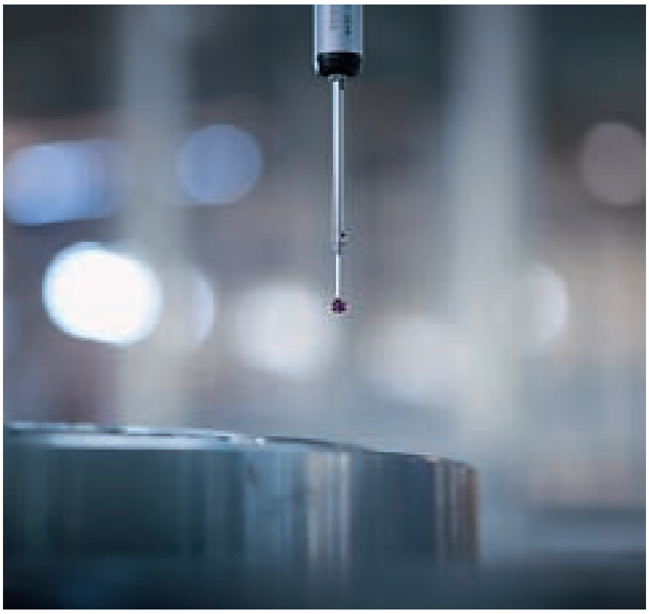
The development of new applications and markets: Oerlikon frequently uses pioneering technologies and products to make completely new applications possible, thereby opening the door to new markets for both its customers and itself.

Recent examples of this include the SOLARIS coating system and transmission systems for electric vehicles. Oerlikon Systems' SOLARIS coating system will replace the wet chemical processes commonly used to manufacture crystalline solar cells and provide access to the growing market of nanotechnology applications. With its continuously variable two-speed transmission systems for electric vehicles, Oerlikon Graziano has been able to position itself in the emerging market for zero-emissions vehicles.

The optimization of operating costs (cost of ownership): One key consideration when developing a new generation of products is the reduction of overall operating costs in order to achieve better results than rival products. An outstanding example of this is the new ThinFab™ production line of thin film silicon solar modules that Oerlikon Solar launched in September 2010. With production costs of 0,5 €/Watt (peak), the Segment has been able to reposition itself as the cost leader in the solar market. Similar cost optimization has also been made possible in the production of synthetic fibers by using the WINGS FDY spinning line, and DRYVAC vacuum pumps, both of which were introduced to the market in 2010.

Improved performance and efficiency: Oerlikon uses new methods and technologies to boost the performance and efficiency of its systems and machines even further. Take, for instance, the new BALINIT ALNOVA coating system that Oerlikon Coating launched in early 2010: it permits considerably higher cutting speeds in metalworking and extends service lifespans by up to 30 percent. And, with the new transmission for the Lamborghini Aventador, Oerlikon Drive Systems has even set a new world record: shifting gears now takes just 50 milliseconds.

Environmental friendliness: An increasingly important goal of new developments is to make a product even more environmentally friendly – that means reducing the energy required, minimizing the use of resources and refraining from the use of toxic substances to the greatest extent possible. Under the label e-save, Oerlikon Textile has developed several machines and systems such as the CableCorder Allma CC3 for manufacturing tire cord, an innovation that consumes around 35 percent less energy. Oerlikon Coating's clean PVD processes present an alternative to environmentally hazardous

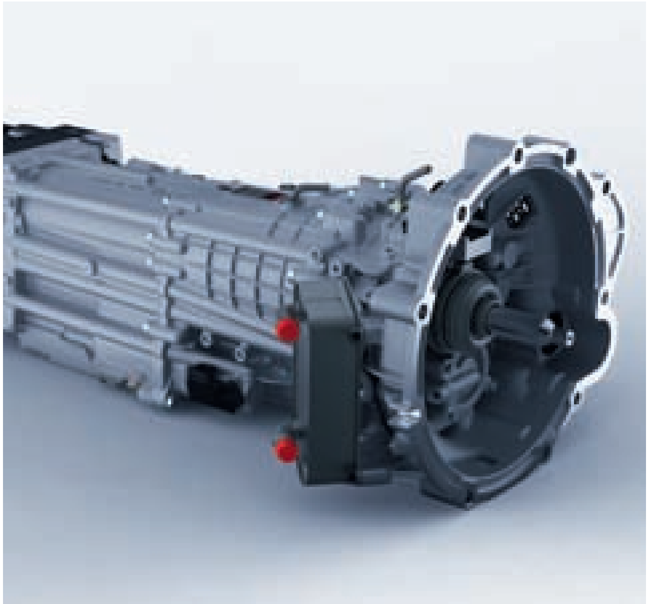


chrome-plating and galvanization methods in many areas of application. Oerlikon Solar's thin film silicon solar modules can be produced without toxic substances such as cadmium and have the lowest energy payback time.

Thanks to its extensive expertise in many areas of technology, Oerlikon is in high demand as a research and cooperation partner and is also involved in numerous research programs. Oerlikon Neumag is taking part in a German governmental funded research project called NABLO to identify economic ways to produce nonwovens with thin yarns. Oerlikon Systems participates in the EU projects "3-D Integration of Chips using Embedding Technologies (3DICE)" and "Nano-HiTec". Oerlikon Solar is in charge of the "PEPPER" research project, which has been running under the European Union's Framework Programme for Research and Technological Development since September 2010. This project aims to further improve the performance of thin film silicon solar modules over the next three years while simultaneously cutting costs. Furthermore, the project will assess and reduce the environmental impact of the entire module-manufacturing process. Other project members include the Photovoltaics Laboratory of the Institute of Microengineering at EPFL (IMT – Neuchâtel, Switzerland), Northumbria University (UK), the University of Patras (Greece), Bosch Solar Thin Film (Germany, module production), Heliosphera (Greece, module production) and Linde (Germany, gas supply).

Oerlikon Advanced Technologies and Oerlikon Solar were recognized as technology leaders in 2010: Oerlikon Systems' SOLARIS coating system received the PV Tool Award, and Oerlikon Solar won the Thin Film Innovation Award 2010 for its KAI MT coating system, a key component of the new ThinFab™ line.

Innovation highlights



Oerlikon Textile

WINGS FDY: Breakthrough innovation, high success

The triumph of the WINGS process (winding integrated godet solution) for synthetic fiber production continues. Oerlikon Textile developed this new technology for pre-oriented yarn (POY) in 2007. In 2010 this process was also introduced for fully drawn yarn (FDY).

Indeed, WINGS has revolutionized the manufacture of synthetic fibers. A completely new concept in thread guiding and the integration of functions into the machine head opens up whole new possibilities in structural design. System heights can be reduced from three to two floors, enabling operation from floor level. WINGS reduces space requirements by up to 35 percent and energy requirements by around 25 percent. The gentle thread guiding system also improves yarn quality. As a plug-and-play unit, commissioning can also be completed much more quickly.

Over 12 000 units have been sold for POY applications since 2007 with a leading market share position in this segment. More than 2 000 orders are already on hand for FDY applications. This makes WINGS one of the most successful innovations in the history of Oerlikon Textile.

Oerlikon Drive Systems

World record with 7-speed automatic transmission

Transmissions are key components for a vehicle's performance. Transmission systems determine how the engine's power is sent to the wheels, and whether a vehicle drives like a sports car or is more restrained. Oerlikon Drive Systems has established itself as a transmissions supplier and development partner for high-end automobiles and has a market share of over 50 percent.

The 7-speed automatic transmission for the new Lamborghini Aventador which was launched in March represents another milestone in this evolution. With gear-shift times of 50 milliseconds, the system has already set a new world record and is approaching Formula 1 levels – previously 80 milliseconds were considered peak. Rapid shift times mean that virtually no traction is lost when shifting gears. Additionally, the transmission has a compact construction which cuts its weight by 10 percent.

These top-notch values were made possible by a completely new, unique transmission design. For the first time ever, hydraulic lines were not laid externally around the transmission; rather, they were integrated into the casing as a borehole. This permits both more compact construction as well as higher pressure levels to accelerate shifting.

Oerlikon Vacuum
DRYVAC: less energy and costs

In early 2010, Oerlikon Vacuum launched the new DRYVAC generation of pumps, thereby reinforcing its position in the rapidly growing solar market. The DRYVAC sets new standards for dry compression fore-vacuum pumps. Not only does it require up to 50 percent less space, but it also significantly minimizes operating costs by reducing energy consumption by up to 30 percent. The DRYVAC also runs silently, an unprecedented feature among vacuum pumps. The market launch was extremely successful, and more than 500 units were sold in 2010.

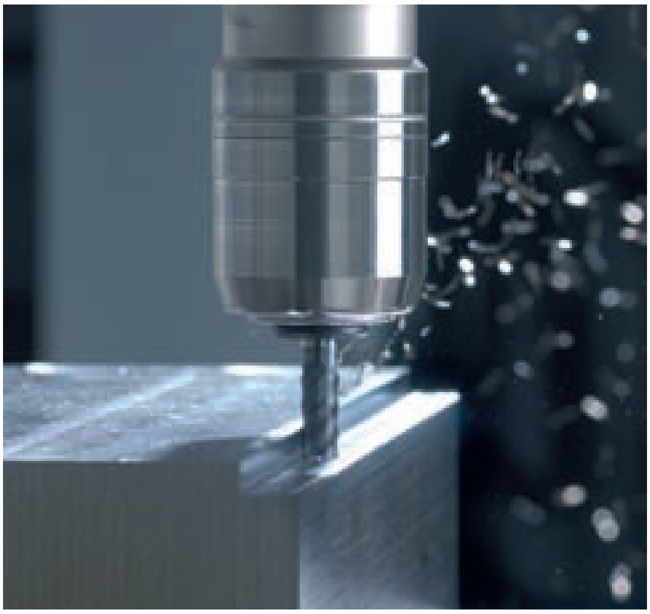
This success stems in part from an entirely new rotor design that generates the vacuum inside the pump. These rotors were designed specifically for the pressure ranges most commonly used in the majority of applications. Modern controlling and communication tools such as the intelligent in-built touch screen controller offer plug & play facilities and enable fast and effective monitoring, also via various interfaces.

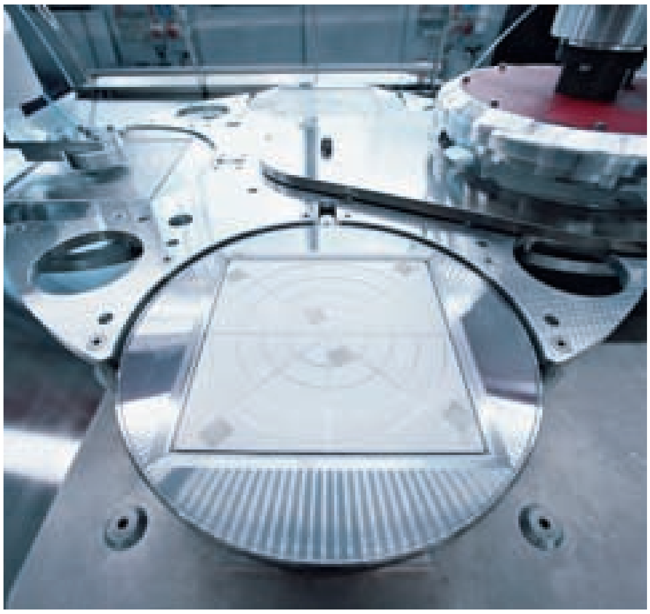
Moreover, the DRYVAC is based on a design platform with a large number of standard parts, so that this modular system can be adapted to suit a wide variety of applications. The design also allows a high degree of assembly flexibility which helps saving space, as the pump and related pump systems can be arranged i.e. vertically below the plant or stacked horizontally.

Oerlikon Solar
Cost leadership with ThinFab™

After about two years of development work and investments totaling around CHF 130 million, Oerlikon Solar launched the new ThinFab™ production line for the manufacture of thin film silicon solar modules in September 2010 – earlier than announced and with better performance figures than planned. These characteristics make ThinFab™ an extremely competitive solution in the solar market:

- Production costs: ThinFab™ cuts the total cost of ownership for solar modules to 0.5 €/Watt (peak) – the lowest figure in the solar industry.
- Energy efficiency: The manufacture of Oerlikon thin film silicon solar modules requires less energy than any other solar process.
- Practical advantages: Under real climate conditions with light diffused by clouds or temperatures as high as those in the desert, the efficiency level of thin film silicon solar modules remains largely stable, whereas the efficiency of crystalline solar cells drops significantly in comparison.
- Environmental friendliness: Thin film silicon solar modules do not contain any toxic additives such as cadmium.
- Sustainability: Oerlikon's thin film silicon technology holds additional potential for further improving both efficiency and productivity. This enabled Oerlikon Solar to present a record-setting laboratory cell with an efficiency level of 11.9 percent when ThinFab™ was launched in September – nearly 2 percentage points higher than the 10 percent efficiency level reached during ThinFab™ mass production.





Oerlikon Coating

Success formula for end mills: BALINIT® ALNOVA

Immediately after they were launched, the AlCrN-based coatings developed by Oerlikon Balzers captured the industry's attention. Now the spotlight is on the new and even more powerful coating for end mills, BALINIT® ALNOVA, which boasts improved wear resistance as well as greater oxidation resistance and hot hardness.

On average, the service life spans of end mills coated with BALINIT® ALNOVA are up to 30 percent longer than those of counterparts with other high-performance coatings. As such, BALINIT® ALNOVA is setting a new benchmark for performance and productivity.

The very latest process of the INNOVA coating system has significantly enhanced the performance parameters of the coating. The addition of doping elements results in a multilayer nanocrystalline coating design. Furthermore, stringent control and optimized coating properties are responsible for the hardness-toughness ratio and the residual stress profile of BALINIT® ALNOVA. New etching technology creates outstanding prerequisites for stable cutting edges and optimal adhesion, making the coatings highly stress-resistant. This has a perceptible impact on tool performance and longevity, ensuring extended service lives.

Be it roughing or finishing: with BALINIT® ALNOVA, machining of challenging materials with high productivity and superior quality is possible.

Oerlikon Advanced Technologies

SOLARIS: proven mass production tool

2009/2010 Oerlikon Systems, a Business Unit of Oerlikon Advanced Technologies, successfully launched its revolutionary coating system SOLARIS. The tool was designed to increase throughput and uptimes for nanocoatings and boasts unmatched flexibility as a result of the single-wafer treatment process that uses multiple substrate sources. With these features, SOLARIS is targeting the crystalline-solar, touch-panel and OLED market as well as such up-and-coming advanced nanotech applications as thermoelectric generators.

Just a few weeks after its introduction, the unit was able to fill a major order of the solar industry. During the year, the tool was fully integrated into plant-management systems, further refined and stabilized. As a result, SOLARIS has progressed past its prototype stage and is a proven operational production tool operating 24 hours a day under real-life conditions with an uptime of 95 percent.

Based on this development, SOLARIS is now planning on developing such additional applications as touch panel displays. The current production process of these devices starts with large coated monitors that are then sawn up. With SOLARIS, it is possible to deposit the monitors directly in their final format, a process that would allow for new functional coatings that would have ordinarily been destroyed by the sawing process step.

4.0 Human Resources

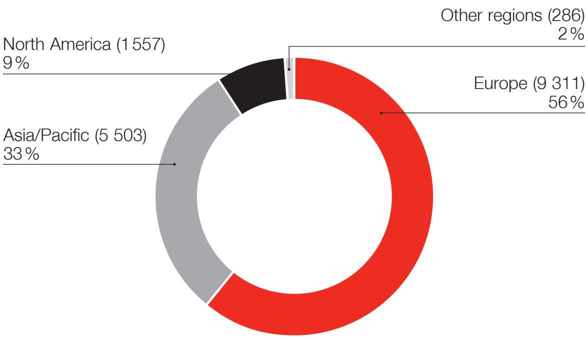
Facts & Figures

1. With the restablishment of Human Resources at Corporate level and the appointment of a Chief Human Resources Officer to the Executive Committee, Oerlikon is placing a greater emphasis on people development across the Group.

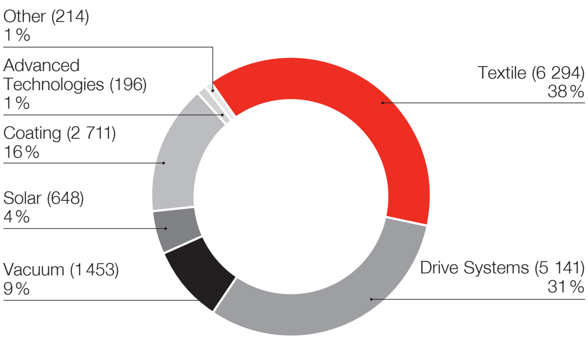
2. Through Oerlikon's apprenticeship program, the Group trained a total of 440 appprentices in 26 different positions at 18 locations worldwide. In China, Oerlikon recruited the second generation of graduates through the local trainee program at the Textile Segment's Suzhou plant.

3. During 2011, Oerlikon will establish a Group-wide system for human capital management, and a performance management system that will align employees to Oerlikon's Core Values, Vision and Mission and establish a solid foundation for a performance-based culture within the Group.

Employees 2010 by region



Employees 2010 by segment



Revival of people development

Reestablishment of Human Resources

Oerlikon is a knowledge-based company, whose most important asset and distinguishing feature is the extensive know-how about products, services, solutions and processes of its people. Retaining, motivating and engaging the best professionals as well as recruiting and developing the best new talent is indispensable in order to achieve sustainable commercial success throughout all segments of the company.

Therefore, the Board of Directors and management decided to reestablish Human Resources at Corporate level to ensure highest standards of people development across the Group.

With the appointment of Adrian Cojocaru as Chief Human Resources Officer (CHRO), effective November 1, 2010, Human Resources (HR) is represented in the Executive Committee of the company. Mr. Cojocaru has more than 20 years of professional experience. Prior to joining Oerlikon, he was Regional Chief Human Resources Officer Middle East & Africa for a multinational technology company. Before that, he held various HR management functions at different international companies.

The representation of HR in the Executive Committee is vital for building and maintaining a common platform to maximize the impact of the fundamental functions of HR. Oerlikon wants to provide its employees with a solid framework for their development. A common HR system, approach and philosophy will allow the company to unlock the maximum synergies between the diverse Segments, which are its people. This new approach will benefit both operations as well as culture. On the operational side, line management capability improvement will lead to an engaged workforce that will ultimately deliver better business results. On the cultural side, a common framework for people development will lead to a better understanding and living of the core values of the company. The appointment of a CHRO is a clear signal that Oerlikon is putting in place the fundamentals that will allow for the sustainable development of its human capital in the future.

Two strategic HR projects starting 2011

During 2011, Oerlikon will establish a fully integrated, company-wide system to communicate business and organizational goals and objectives, reinforce individual accountability for meeting these goals, track and evaluate individual and organizational performance results and thus continuously improve line management capability. This performance management system will align all employees to the core values, vision and mission of Oerlikon and establish a solid foundation for a performance-based culture within the company. A common framework, terminology and process across the whole organization will enable consistent quality standards as well as quality assurance processes. Because the performance management system will enable management to better differentiate between different levels of performance, it will further improve its capability and allow timely and good quality decision-making.

Also during 2011, Oerlikon will establish a fully integrated company-wide system for human capital management, including talent acquisition, people development, career management and succession planning. The goal of this strategic initiative is to have a clear and comprehensive picture of talent requirements across the organization over the next several years and to establish a robust, effective and sustainable talent pipeline globally. Presentations at universities and a campus recruiting program will be an integral part of further building the employer brand of Oerlikon in order to attract the best talent from the markets and recruit the best graduates. Ultimately, the goal of this strategy is to retain talent and ensure succession planning, whereby talent is always available to step into each role that opens up throughout the organization globally.

A global Total Rewards architecture with regard to compensation is in development as well as providing a global framework for progressive personnel policies and practices and effective HR governance.

Successful people development in 2010

In 2010, Oerlikon successfully laid the foundation for the turnaround of the company. A major factor for achieving this goal was the dedication and engagement of its people. At the end of 2010, Oerlikon employed 16 657 people at over 150 locations in 38 countries all over the globe. Throughout the various segments of the company, great emphasis has been put on people development. Also, the apprenticeship program is continuously high on the agenda: in 2010, Oerlikon trained a total of 440 apprentices in 26 different positions at 18 locations throughout the world. In the 2010 championships for apprentices in Liechtenstein, Oerlikon's polymechanic Aigeraj Ilir achieved first place and qualified for the World Skills Competition that will take place during 2011 in London, where he will compete with the best of his profession.

Because China is a key market for several segments, people development in the Far East was once again a clear focus point during 2010. In order to attract, select and develop high potential graduates to meet future needs, Oerlikon Textile's Suzhou plant initiated a local trainee program in 2009. In April 2010, a second generation of six new graduates was hired out of a systematic campus recruiting and selection process. These high potential mechanical and textile engineers will rotate between the Barmag, Schlafhorst, Saurer and Textile Components Business Units during one year in order to be prepared for their final integration into one of the units. Each trainee is being carefully mentored by a senior manager. In order to further develop management talent in China, a Management Training Program has been put in place. Twenty-four participants from different segments of Oerlikon have attended the "Learning Leader" program in 2010. The program provides a systematic approach to acquiring leadership skills and creates a common language in the Chinese management team. In Suzhou, a family day event was held on October 30, 2010 and was attended by more than 1 300 employees and family members. At this event, 44 employees received their 10-year anniversary award. This high number shows that Oerlikon manages to retain key talent in China and has an extremely low staff turnover.

Oerlikon Leybold Vacuum started a leadership program in 2010 for all managers located at its headquarters. This program will continue throughout 2011. Other HR related projects in the segment include the implementation of an employee management tool as well as an employee development dialogue. Standardized people development processes will lead to more attractive and relevant management training as well as a segment-wide overview of the trainings on offer.

At Oerlikon Solar, in 2010 a total of 110 team leaders from various levels and different departments have been engaged in a program to improve their leadership skills. Participants were trained in the basics of people management and introduced to relevant processes and tools. They also acquired cross-functional know-how and gained practical leadership experience.

Oerlikon Coating initiated the Oerlikon Balzers Talent Program in 2008 in order to promote highly qualified and motivated employees. The program gives these high potentials dedicated visibility at management level and lays out an international career path for them. In March 2010, the second talent generation consisting of nine participants started the program. At the initial workshop, the focus was put on crisis management, financial management, human capital management and people development. An important part of the talent program is working together on a specific project that is relevant to Oerlikon Balzers.

Furthermore, in 2010 Oerlikon's Supply Chain Academy received an award (Highly Commended) for outstanding work in the area of people development from the prestigious Procurement Leaders Network, a community for executive level procurement, sourcing and supply chain management professionals. Since 2008, Oerlikon has continuously improved and strengthened the skills of its more than 250 sourcing employees around the world within the Supply Chain Academy, a platform for global training and for launching newly developed processes, systems and tools. The four-day-long Supply Chain Academy includes two days of intensive negotiation training. This has contributed to improved levels of annual cost reductions in Oerlikon's Sourcing Departments all over the world.

5.0 Compliance

Facts & Figures

1. Over 14 000 Oerlikon employees received training on the Code of Conduct, since the Code and the Whistle-blowing Process were introduced in late 2009.
2. In 2010, 13 incidents were reported and investigated, signaling the growing awareness of compliance issues among employees.
3. A new Compliance Hotline was launched in February 2011 that allows employees to report incidents in their own language at any time.

Compliance Program

Prevention 1	Early Detection 2	Response 3
Code of Conduct Policies and directives Compliance trainings Risk assessment Internal controls and metrics Integration with personnel processes	Compliance reviews and controls Internal audits Whistleblowing process and hotline Allegation management	Disciplinary actions on compliance breaches Resolution plans Remediation of internal control system Process adaptation Finetune policies
Clear Tone from the Top		
Compliance Organization		

Compliance Organization

	Audit Committee Highest escalation instance for the Oerlikon whistleblowing process
Compliance Review Board	CEO, CHRO, Head of Group Legal Services, Head of Compliance, Head of Internal Audit, Regional Compliance Officers
Head of Compliance Regional Compliance Officers	Oerlikon Group Switzerland, Rest of Europe, Asia, Americas
Segment / Business Unit Compliance Coordinator and Trainer	All Oerlikon Segments and Business Units

Compliance – part of our integrity

It is our declared goal, that our decisions and actions are always in line with moral principles and our values. This is what integrity means to us. We measure ourselves by this standard. Compliance with all external and internal regulations is an essential part of integrity, and fundamental to our business. Our Compliance Program instils this awareness in all our managers and employees.

Oerlikon's Code of Conduct is in place since 2009 and published on the Oerlikon website: www.oerlikon.com/corporate_governance/coc. Its forms the basis of our Compliance Program. Our company is not only implicitly but also explicitly based on a series of fundamental ethical principles and this in five dimensions:

- **Ethical behavior:** behaving fairly in any situation, not offering or accepting personal inducements, respecting the confidentiality of given information.
- **Compliance** with laws and corporate directives, for instance with regard to anti-corruption laws, insider knowledge, export controls or protection of intellectual property.
- **Protection** of Oerlikon's interests, such as protecting our reputation or our know-how.
- **Employment:** showing respect to all staff, the principle of equality and ensuring a safe and healthy work environment.
- **Social responsibility,** such as bans on child labor, ensuring human rights or the right to collective bargaining.

A compliance organization was put in place at Oerlikon with clearly defined roles and responsibilities: Head of Compliance, Regional Compliance Officers, and Business Unit Compliance Coordinators and Trainers. A decision-making Compliance Review Board was established, which informs the Audit Committee and assists the Executive Committee in overseeing Oerlikon's Compliance Program. The compliance risk assessment process lays the foundation for a prioritized action and roll-out plan.

Oerlikon's Compliance team started rolling out the Code of Conduct and the whistleblowing Process in late 2009. Since then, over 14 000 Oerlikon employees around the world received training on the Code of Conduct principles. Since it was established, the Compliance team has handled a growing number of questions on various compliance issues from employees at all levels across the organization. This is a clear sign that the awareness of issues outlined in the Code of Conduct has grown among staff and managers. It also demonstrates that they are focusing more intensively on the ethical aspects of these issues.

The whistleblowing process, established together with the Code of Conduct, is also having an effect. Since 2009 a rising number of incidents were reported and investigated. The number of cases reported, given the additional awareness, may rise over the next two years, and should decrease in the long run. Thus, the internal reporting process plays an extremely important role for Oerlikon and its employees in the early detection and resolution of serious breaches of the Code of Conduct. Based upon the Oerlikon Whistleblowing Policy, which was approved by the Board of Directors at the end of 2008, Oerlikon established a Compliance Hotline as an additional reporting channel for employees in February 2011. They can use this Hotline to submit reports in their own language at any time to the Oerlikon Head of Compliance.

So far, the cases discovered were either reported by employees to their managers or directly to a compliance officer, or they were passed on anonymously via e-mail to various instances within the company, which then engaged the Compliance department. The incidents were investigated with the assistance of the Internal Audit department and other functions, such as HR or IT. Remedial action was then taken, together with organizational and process-related enhancement measures.

For 2011, work is in progress on dealing with the prevention of conflicts of interest, anti-corruption and bribery education, and the treatment of business partner relations. Setting high ethical standards and the subsequent communication, education and training of the employees is a key priority for Oerlikon's Compliance team in 2011.

6.0 Information for Investors

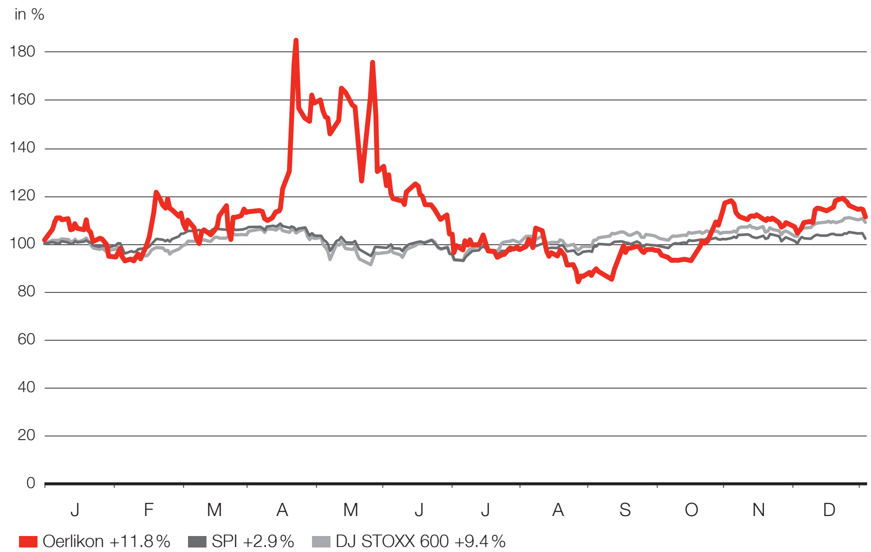
Facts & Figures

1. After Oerlikon's successful financial restructuring, the share price recovered in the first half of 2010, with the stock gaining 12 percent as Oerlikon's operational performance showed signs of improvement in the second half of 2010.

2. Oerlikon's financial stability was restored through a successful recapitalization via a CHF 1 billion rights offering.

3. A 3 Year Business Plan was put in place in December to consistently drive performance and achieve sustainable profitable growth over the long term.

Development of the Oerlikon share price 2010
Indexed; 100 % = closing price as of Dec. 31, 2009



Oerlikon on the capital markets

Capital market and share performance 2010

Financial markets in 2010 experienced another year of significant volatility. At the start of 2010 the capital markets showed continuing uncertainty. Investors were cautious in light of uncertainties in the global environment. Up until February 9, the Swiss Performance Index (SPI) lost 3 percent compared to the prior-year close and the European Dow Jones STOXX 600 Index declined by almost 3 percent. This decline was followed by a sharp recovery bringing indices back into positive territory. Just eight weeks after hitting their lows, in mid April the SPI (6 124.16 on April 15) and the DJ STOXX 600 (270.44 on April 14) hit their all-year highs. The SPI closed on December 30, 2010 at 5 790.62, a plus of 2.9 percent compared with the previous-year close. The DJ STOXX 600 increased by 9.4 percent to end the year at 277.02.

In this highly volatile and uncertain market environment, the Oerlikon stock showed a highly volatile performance throughout 2010. Until mid-February 2010, Oerlikon's stock was relatively flat. The ongoing uncertainty about Oerlikon's financial position continued to impact the performance of the stock. After Oerlikon announced agreement on the terms of a set of comprehensive financial restructuring measures with lenders of its CHF 2.5 billion syndicated loan facilities on April 1, the share price showed a significant upturn to its all-year closing price high of CHF 8.11 on April 22. The all-year intraday high was reported on May 25 at CHF 12.30. The recapitalization agreement included a capital reduction of 95 percent with a subsequent capital increase of CHF 1 126 million, the sale of Oerlikon treasury shares to the lenders, a CHF 125 million waiver of debt and a new credit facility agreement. The company's recapitalization through a CHF 1 billion rights offering was successful in June. Despite these positive developments, continued uncertainty across European financial markets and concern about the sustainability of Oerlikon's recovery put pressure on the stock valuation. The stock fell to its all-year closing price low of CHF 3.70 on August 25 (all-year intraday low of CHF 3.69 on that day), a decline of 55 percent from the all-year closing price high on April 22. Since that time, however, the stock has recovered by 26 percent until year-end on the back of positive half-year and third-quarter figures, resulting from improved operational performance and cost savings.

The Oerlikon share closed at CHF 4.90 (+11.87 percent for the year) on December 30, 2010. The market capitalization amounted to CHF 1.6 billion at year-end.

Rights offering

On June 9, Oerlikon successfully completed its CHF 1 billion rights offering. Of the 123 628 003 new shares initially offered to existing shareholders other than Renova, 123 107 166 (99.6 per cent) were subscribed and paid for in cash. An additional 120 030 429 new shares were subscribed to by Renova directly or indirectly against cash and loan offsets and 65 805 439 new shares were subscribed to against loan offsets by the lenders under the existing syndicated loan facilities. In total, Oerlikon issued 308 943 034 new shares with a nominal value of CHF 1 each in three ordinary capital increases on June 8, 2010.

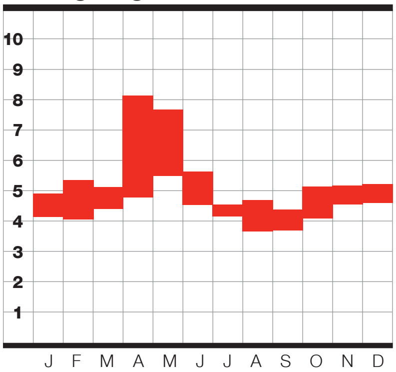
Oerlikon as a member of indices

The company is a member of the SPI, SPI Extra, SPI ex SLI, Swiss All Share Index and UBS 100 Index.

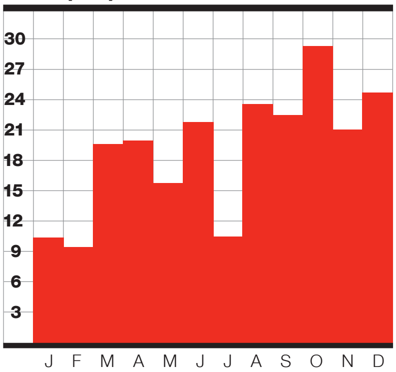
Trading volume and liquidity

On 254 trading days in 2010, an average of 879 630 shares (0.3 percent of the issued shares) was traded on a daily basis. This represents an increase of 25 percent over 2009. The

Trading range 2010 in CHF



Monthly trading volume in 2010 (SIX) in million shares



Weighting of the Oerlikon share in indices on December 31, in %

	2010	2009
SPI	0.01649	0.04314
SMIM	0.18420	0.50144

monthly trading volume varied between its high of 3.94 million shares in April and 0.15 million shares in January.

Dividend

At the Annual Shareholders Meeting 2011, the Board of Directors will propose not to pay out a dividend for the year 2010 which reflects the situation of the Company in 2010.

Shareholder structure

The recapitalization also changed Oerlikon's shareholder structure. With a stake of 46.11 percent, Renova is the major shareholder of Oerlikon. Victory, which holds 3.49 percent, is the second largest shareholder. The remaining shares (50.31 percent) are held by institutional investors predominantly in Europe and North America as well as private investors. The number of registered shareholders in 2010 was increased to over 17 500, up 22 percent on 14 400 shareholders registered at the end of 2009.

At the end of the year 2010, Oerlikon had 0.3 million treasury shares, equivalent to approximately 0.1 percent of the issued shares.

Ongoing investor communication and services

Equal treatment of all capital market participants and reporting and communication in compliance with legal requirements and regulations are of central importance to Oerlikon. Respecting these principles is a top priority and is ensured by means of a regular open dialogue with institutional investors, private investors and financial analysts. In addition to the Annual General Meeting and the Annual Analyst Conference, Oerlikon management updated the financial community in the interim quarters via conference calls. The Group furthermore provided timely information to the capital market on the refinancing measures executed in 2010, namely the agreement on the terms of the financial restructuring and the rights issue.

In 2010, Oerlikon presented and met investors and analysts at various bank conferences, road shows and trade fairs. Oerlikon is committed to enhancing and improving its communications with the financial markets and continuously strives to engage proactively with followers. As of December 31, 2010, Oerlikon is covered by eight financial analysts who regularly comment on the financial figures, corporate transactions and the operational performance of the Group. Oerlikon values the financial analysts as central multipliers to increase investors' understanding and provide a comprehensive spectrum of opinions to the capital market.

Institution	Recommendation	Target Price in CHF*
AlphaValue, Paris	Outperform	6.60
Bank am Bellevue, Zurich	Neutral	4.60
Goldman Sachs, London	Neutral	5.10
Helvea SA, Geneva	Accumulate	6.40
NZB Neue Zürcher Bank, Zurich	Neutral	n/a
UBS, Zurich	Neutral	5.00
Vontobel AG, Zurich	Neutral	5.00
Zürcher Kantonalbank, Zurich	Neutral	n/a

* As of December 31, 2010.

Oerlikon intends to continuously increase the number of brokers analyzing the share. Subsequent to the reporting period, Kepler Capital Markets, Zurich initiated coverage on Oerlikon. The financial analyst started the coverage on February 1, 2011 with a "Hold" recommendation and a target price of CHF 6.50.

Additional information can be obtained at www.oerlikon.com/ir.

Key share-related figures [1]

		2010	2009	2008	2007	2006
Share trading						
Price at year-end	in CHF	4.90	31.68	69.00	473.25	602.50
High	in CHF	12.30	86.20	472.00	776.50	605.00
Low	in CHF	3.69	20.82	66.50	336.50	191.00
Average trading volume SWX Europe (12 months)	in thousands	879	98	90	112	181
Shares outstanding	number	323 085 471	14 142 437	14 142 437	14 142 437	14 142 437
Stock market capitalization at year-end	in CHF million	1 583	448	976	6 693	8 521
Per share data [2]						
Earnings per registered share (diluted)	in CHF	0.01	–54.27	–17.69	23.00	23.44
Earnings per registered share (undiluted)	in CHF	0.01	–54.27	–17.69	23.00	23.49
Dividend [3]	in CHF	0.00	0.00	0.00	0.00	0.00
Equity per share	in CHF	6.92	38.44	85.26	142.01	116.48
Net operating cash flow per share [4]	in CHF	1.71	–7.17	32.06	51.78	29.06

[1] Continuing operations.
[2] Average number of shares with voting and dividend rights.
[3] Dividend 2010: proposal of the Board of Directors.
[4] Before change in net current assets.

Listing on the stock exchange

The registered shares of OC Oerlikon Corporation AG, Pfäffikon have been listed on the SIX Swiss Exchange since December 22, 1975, and are traded in the main segment.

Securities symbol	OERL
Securities number	81 682
Security type	Registered share
ISIN International Stock Identification Number	CH0000816824
Settlement currency	CHF
Stock exchange	SIX Swiss Exchange
First trading day	22.12.1975
Bloomberg ticker symbol	OERL S
Reuters ticker symbol	OERL.S

3 Year Business Plan to increase profitability

As part of Oerlikon's operational and financial comeback, it developed and put in place a 3 Year Business Plan (3YBP) in December 2010 that defines the strategic guidelines and operational plans for achieving long-term profitable growth.

The 3YBP focuses on Oerlikon's operational business and looks at optimizing the performance of the Segments as drivers of future success. A practical, operational road map, the 3YBP requires the systematic execution of actions and measures in order to drive performance every quarter and every year over the coming years. Also, the 3YBP outlines metrics that allows the Corporate management to consistently guide and systematically assess the company's progress on driving performance and meeting the 3YBP's key financial targets.

The cornerstones of the 3YBP are capital management and value creation. The goal is to manage the capital deployed effectively and to increase value. The concept behind the 3YBP is to fully unlock the existing potential of Oerlikon's Segments. In order to maximize Oerlikon's portfolio value, each Segment will strive to become the best in its peer group. To measure its sustainable creation of value, Oerlikon's future key performance indicator will be return on net assets (RONA), which reflects the company's ability to generate profits from its asset base. Oerlikon aims to achieve RONA values that generate attractive returns through the business cycles and rank amongst the best-in-class mid-term. One of the company's stated goals is to match the leading competitors in each of Oerlikon's Business Units in terms of RONA within the next few years.

Five strategic initiatives

To achieve these objectives, the following five strategic initiatives were defined and started:

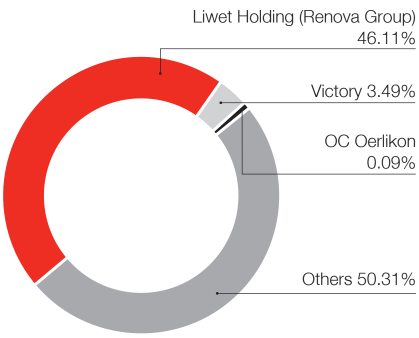
- Stakeholder Excellence focuses on systematically identifying long-term profitable markets and key customers, defining capture strategies to win customer confidence and orders, as well as establishing strong relations with external stakeholders such as shareholders and analysts.
- Portfolio Enhancement addresses value-based pricing, further process improvements to secure the development of profitable, sales-generating breakthrough innovations as well as improvements to the competitiveness of Oerlikon's product and service portfolio by increasing standardization.
- Value Chain Optimization targets the attractive positioning of each business within their respective value chain, improvements to production and supply chain capabilities as well as an enhancement of the governance structure.
- People Engagement places emphasis on further developing the corporate culture and on developing, recruiting and rewarding employees as well as securing modern Human Resources processes and systems.
- Organization Development includes measures to further develop Oerlikon's global footprint and to ensure effective and efficient management structures.

A systematic tracking of these initiatives' actions and metrics will lay the foundation for sustainable profitable growth.

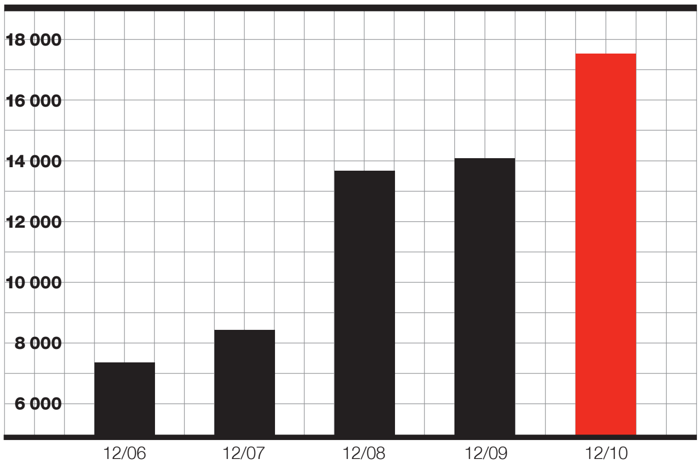
Shareholder structure

Shareholder	Dec. 2010 No. of shares	in percent	Dec. 2009 No. of shares	in percent	Dec. 2008 No. of shares	in percent
Liwet Holding AG, Zurich (Renova Group)	148 984 860	46.11	6 317 392	44.67	6 317 392	44.67
Victory Industriebeteiligung GmbH, Vienna	11 272 528	3.49	1 705 915	12.06	1 718 354	12.15
OC Oerlikon	300 000	0.09	1 318 309	9.32	1 329 146	9.40
Others	162 528 083	50.31	4 800 821	33.95	4 777 527	33.78

Shareholder structure
at 31.12.2010

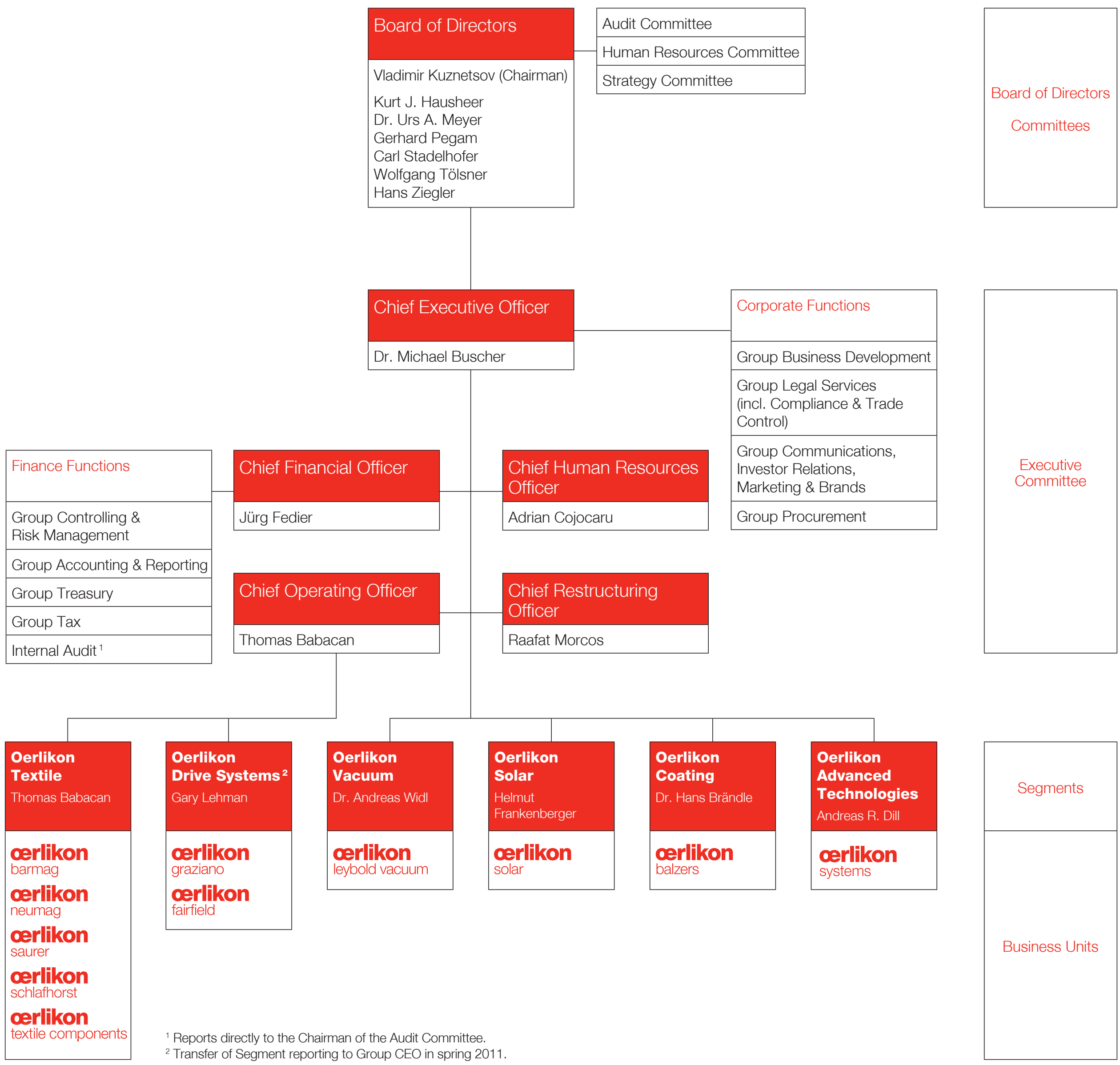


Number of shareholders



7.0 Corporate Governance

Group structure



[1] Reports directly to the Chairman of the Audit Committee.
[2] Transfer of Segment reporting to Group CEO in spring 2011.

Orientation to international standards

Oerlikon is committed to the principles of good corporate governance as defined by Economiesuisse in the Swiss Code of Best Practice for Corporate Governance of March 25, 2002 (as amended on September 6, 2007). Through this commitment Oerlikon aims to reinforce the trust placed in it by the company's present and future shareholders, lenders, employees, business partners and the general public.

Responsible corporate governance requires transparency with regard to the organization of management and control mechanisms at the uppermost level of the enterprise. Therefore, the "Directive on Information Relating to Corporate Governance" (DCG), enacted by the SIX Swiss Exchange on July 1, 2002 and revised on March 29, 2006 and on October 29, 2008, requires issuers of securities to make available to investors certain key information pertaining to corporate governance.

In this annual report the corporate governance information is once again presented in a separate section, as prescribed by DCG. The framework of the directive has been adopted. References to other portions of the annual report are included in certain instances in an effort to avoid redundancies and enhance readability. All material changes between the balance sheet date and the time this annual report went to print have been taken into account.

Further information regarding corporate governance can be found on the company website www.oerlikon.com.

Group structure and shareholders

Operational Group structure

The Board of Directors is responsible for the strategic management of the Group. Pursuant to Art. 22 Para. 3 of the Articles of Association, the Board of Directors has delegated corporate management to the CEO. Operational responsibility lies with the individual Segments, each of which is overseen by its own Segment CEO. The Board of Directors, the CEO, the Executive Committee and the Business Units are supported by centralized corporate functions. A graphical presentation of the operational Group structure can be found on page 58.

Listed Group companies

OC Oerlikon Corporation AG, Pfäffikon is listed on the SIX Swiss Exchange (symbol: OERL; securities number: 81682; ISIN: CH0000816824). On December 31, 2010 the company's market capitalization totaled CHF 1 583 million. For further information on OC Oerlikon Corporation AG, Pfäffikon see pages 147 et seqq.

OC Oerlikon Corporation AG, Pfäffikon holds indirectly 83.9 percent of Fairfield Atlas Limited, Kolhapur/IN. Fairfield Atlas Limited is listed on the Bombay Stock Exchange (symbol: FAIRFIEL; ISIN: INE922C01013). On December 31, 2010 the market capitalization of Fairfield Atlas Limited totaled INR 1 757 million.

OC Oerlikon Corporation AG, Pfäffikon holds indirectly 54.4 percent of Schlafhorst Engineering Ltd., Halol/IN. Schlafhorst Engineering Ltd. is listed on the Bombay Stock Exchange (symbol: SCHEI; INE984B01015). On December 31, 2010 the market capitalization of Schlafhorst Engineering Ltd. totaled INR 233 million.
As of January 2011, the factual control over Schlafhorst Engineering Ltd. was handed over to a third party.

Non-listed Group companies

OC Oerlikon Corporation AG, Pfäffikon as parent company of the Group, owns all of the Group companies either directly or indirectly, mostly with a 100 percent interest. The significant local companies included in the scope of consolidation are shown on pages 155 et seqq. in their legal ownership structure, and on pages 142 et seq. they are listed by country together with each company's share capital, percentage of shares owned and number of employees.

Significant shareholders

	Shareholdings [1]	
	No. of shares	in percent [2]
Liwet Holding AG, c/o Renova Management AG, Zurich [3]	148 984 860	46.11
Victory Industriebeteiligung GmbH, Vienna [4]	11 272 528	3.49

[1] Sources: shareholdings notified by Liwet Holding AG and Victory Industriebeteiligung GmbH pursuant to Article 20 of the Swiss Stock Exchange Law on December 21, 2010. In the same notification, Liwet Holding AG and Victory Industriebeteiligung GmbH disclosed the dissolution of the Renova/Victory Group (which existed since May 9, 2008).
[2] Basis: shares issued (323 085 471).
[3] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow.
[4] Beneficial owner (as per disclosure notification): Ronny Pecik, Vienna.

For all notifications pursuant to Article 20 of the Swiss Stock Exchange Law submitted during the year under review, see the electronic publication platform of SIX Swiss Exchange Ltd, Disclosure Office (www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html).

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Capital

The share capital of OC Oerlikon Corporation AG, Pfäffikon amounts to CHF 323 085 471 composed of 323 085 471 registered shares, each with a par value of CHF 1. The company also has conditional capital in the amount of CHF 40 million for convertible and warrant bonds, etc., CHF 7.2 million for employee stock option plans, and CHF 17 013 458 for option rights granted to the financial creditors (as defined on page 61).

Authorized capital and conditional capital

Authorized capital: The company has no authorized capital.

Conditional capital for warrant and convertible bonds: Pursuant to Art. 11a of the Articles of Association, the company's share capital shall be increased by a maximum aggregate amount of CHF 40 million through the issuance of a maximum of 40 million registered shares with a par value of CHF 1 per share, by exercising the option and conversion rights granted in connection with bonds of the company or one of its Group companies. The subscription rights of shareholders are excluded in this regard. Current holders of option certificates and/or convertible bonds are entitled to acquire the new shares. When issuing warrant and convertible bonds, the Board of Directors can limit or exclude the preemptive subscription rights of shareholders (1) to finance or refinance the acquisition of enterprises, units thereof or equity interests, or newly planned investments of the company and (2) to issue warrant and convertible bonds on international capital markets. Insofar as preemptive subscription rights are excluded, (1) the bonds are to be placed publicly on market terms, (2) the exercise period for the option and conversion rights may not exceed seven years from the date the bond was issued, and (3) the exercise price for the new shares must at least correspond to the market terms at the time the bond was issued.

Conditional capital for employee stock option plans: Pursuant to Art. 11b of the Articles of Association, the company's share capital will be increased by a maximum aggregate amount of CHF 7.2 million, excluding the preemptive subscription rights of current shareholders, through the issuance of a maximum of 7.2 million fully paid-in registered shares with a par value of CHF 1 each, through the exercise of option rights granted to the employees of the company or one of its Group companies under a stock option plan to be approved by the Board of Directors. The issuance of shares at less than the market price is permissible. The details shall be determined by the Board of Directors.

Conditional capital for warrants: Pursuant to Art. 11c of the Articles of Association, the company's share capital may be increased by the issue of a maximum of 17 013 458 to be fully paid in registered shares of a par value of CHF 1 each, i.e., in the par value of a total of a maximum amount of CHF 17 013 458, by the exercise of option rights which are granted to the financial creditors of the company under the Facility Agreement of June 7, 2007 with the amendments of June 26, 2007, of August 17, 2007, of March 5, 2008 and of June 8, 2009 ("Financial Creditors") for loans granted to the company or one of its Group companies. The allocation of these options was a conditio sine qua non of the urgently needed restructuring measures of the company. The preemptive right of the shareholders is therefore completely excluded with regard to the entire conditional capital. The option rights granted to the Financial Creditors have a maximum term until June 30, 2014 from the issue date and may be exercised at the earliest 90 days after the issue date. The exercise price is CHF 6 and must fully be paid in cash. All additional terms of the issue will be established by the Board of Directors in a regulation. The respective owners of option rights may subscribe for new shares. The preemptive rights of the shareholders with regard to the entire conditional capital are entirely excluded.

Changes in capital

Effective as of June 8, 2010, the share capital of OC Oerlikon Corporation AG, Pfäffikon has been reduced from CHF 282 848 740 to CHF 14 142 437 by a reduction of the nominal value of each existing share from CHF 20 to CHF 1. Thereafter, the share capital was increased from CHF 14 142 437 up to CHF 323 085 471 by the issuance of 308 943 034 new shares with a nominal value of CHF 1. The net proceeds of the offering were intended to repay part of the Group's financial debt in an amount of CHF 559 million, whereby the remaining net proceeds of approximately CHF 278 million were retained by the Group for general corporate purposes, including continued significant investments in research and development as well as capital expenditures to address anticipated growth trends, a further expansion into emerging markets and the completion of its operational restructuring to improve its operational efficiency.

Prior to these capital changes (effective as of June 8, 2010), the share capital of OC Oerlikon Corporation AG, Pfäffikon has remained unchanged since the capital increase of 2004. Detailed information on changes in the equity capital of OC Oerlikon Corporation AG, Pfäffikon over the last three years can be found in the holding company's equity capital statement on page 153 of the Annual Report.

Shares and participation certificates

The equity securities of OC Oerlikon Corporation AG, Pfäffikon consist exclusively of 323 085 471 fully paid in registered shares with a par value of CHF 1, all of which are equal with respect to their attendant voting rights, dividend entitlement and other rights. The registered shares of OC Oerlikon Corporation AG, Pfäffikon are in principle not certificated but instead issued as dematerialized securities within the meaning of the Swiss Code of Obligations and as book-entry securities in terms of the Book-Entry Securities Act, respectively. Shareholders may at any time request that the company print and deliver their shares in certificate form free of charge, and the company may, at any time and without shareholders' approval, convert the dematerialized securities into share certificates, global certificates or collectively deposited securities. If registered shares are to be printed, OC Oerlikon Corporation AG, Pfäffikon may issue certificates covering multiples of registered shares. The share certificates bear the facsimile signatures of two members of the Board of Directors.

Profit-sharing certificates

OC Oerlikon Corporation AG, Pfäffikon has not issued any profit-sharing certificates.

Limitations on transferability and nominee registrations

There are no restrictions on the transfer of OC Oerlikon Corporation AG, Pfäffikon shares. The company recognizes only those parties entered in the share register as shareholders or usufructuaries. Fiduciary shareholders and nominees will also be entered in the share register.

Convertible bonds and options

As at December 31, 2010 there were no convertible bonds or warrant bonds outstanding.

In conjunction with stock option plans, employees held a total of 37 128 options (cf. page 134, note 24) on December 31, 2010, each of which entitles the holder to subscribe for one registered share in OC Oerlikon Corporation AG, Pfäffikon. These options will be covered by shares acquired in the open market, such that their exercise will not result in any change in share capital. The aggregate par value of the shares purchaseable via option rights granted to employees is CHF 37 128.

In conjunction with the option rights granted to the Financial Creditors, Financial Creditors held a total of 16 944 182 options on December 31, 2010, each of which entitles the holder to subscribe for one registered share in OC Oerlikon Corporation AG, Pfäffikon. The option rights granted to the Financial Creditors have a maximum term until June 30, 2014. The exercise price is CHF 6 and must fully be paid in cash. The options are covered by shares pursuant to Art. 11c of the Articles of Association. The aggregate par value of the shares purchaseable via option rights granted to the Financial Creditors is CHF 16 944 182.

Stability and competence
The Oerlikon Board of Directors

1 **Wolfgang Tölsner**
Member of the Board of Directors (since 08.06.2010),
Member of the Audit Committee (since 08.06.2010)

Wolfgang Tölsner (1948; German citizen) has had 35 years of international professional experience, among others in the fields of power generation and distribution, international turnkey projects, as well as rail transportation technology and rail vehicle manufacturing. In his career, he has had numerous executive positions, for instance with ABB (1986–1992), Adtranz (Daimler-Chrysler-Rail, 1996–1999), DWA (1999–2001) or Bombardier. From 2001 to 2004 he was president of the "locomotive" division and from 2004 to 2009, held the position of COO at Bombardier Transportation (2009: EUR 7.2 billion turnover, 31 500 employees). He is an independent management consultant since 2009. Wolfgang Tölsner successfully carried out several challenging and complex restructuring and reorganizational projects during his career. He studied electrical engineering at the TU Hannover (Dipl.-Ing.) and is a member of the Board of the Bochumer Verein Verkehrstechnik GmbH.

2 **Kurt J. Hausheer**
Member of the Board of Directors,
Chairman of the Audit Committee,
Member of the Strategy Committee (until 08.06.2010)

Kurt J. Hausheer (1947; Swiss citizen) started his professional career in 1969 in the audit practice of Coopers & Lybrand, qualifying as a Certified Public Accountant (CPA) in 1976, and completed several courses at IMD, INSEAD and Harvard. In 1979, he became a partner at Coopers & Lybrand. He was the Lead Auditor for many global clients and has more than 25 years experience in advising international clients on M&A transactions and restructuring. Kurt J. Hausheer was Managing Partner of the advisory practice at PwC, responsible for performance management, finance and accounting, M&A, risk and compliance as well as strategy consulting. Until his retirement on June 30, 2008, he was a member of the Management Board and the Board of Directors of PwC Switzerland.

3 **Dr. Urs A. Meyer**
Member of the Board of Directors,
Chairman of the Strategy Committee,
Member of the Audit Committee

Dr. Urs A. Meyer (1964; Swiss citizen) is Chief Executive Officer of Venetos Management AG in Zurich, a 100 percent subsidiary of Renova Group, and entrusted with managing its industrial investments. He earned a PhD in Engineering at the Swiss Federal Institute of Technology Zurich (ETH) in 1993, and completed a Harvard Advanced Management Program in Boston (USA, in 2004). Dr. Urs A. Meyer joined Rieter Spinning Systems in 1990, where he held several management positions until 1997. He served as Managing Director of Otto Suhner AG, Brugg (Switzerland) from 1997 to 2001. Before joining Renova, from 2001 to 2007, he was CEO of Satisloh, Baar (Switzerland), a division of Schweiter Technologies (Switzerland). From December 2007 until April 2010, Dr. Urs A. Meyer has been a member of the Board of Directors of Sulzer, Winterthur (Switzerland).

4 **Carl Stadelhofer**
Member of the Board of Directors,
Member of the Human Resources Committee,
Member of the Strategy Committee (until 08.06.2010)

Carl Stadelhofer (1953; Swiss citizen) has since 1990 been a Senior Partner at Klein Attorneys (formerly RKS Rinderknecht Klein & Stadelhofer) in Zurich (Switzerland). He graduated in law from the University of Berne in 1979, and specializes in banking and finance law as well as the resource and commodity business, including M&A. In 1982, he was admitted to the Bar of the Canton of Zurich. Carl Stadelhofer is Chairman of Renova Industries and Renova Holding, and Vice President of Renova Management. Carl Stadelhofer is also Chairman of several other organizations including, LogObject and Calle Services Management. Besides these chairing mandates, he is a member of a number of boards such as Conrad Electronic, Stadelhofer Enterprises, Terraco Holding, Valamur Enterprise Ltd., Widex Hörgeräte and Wincap. He is also actuary of the International Brachet Foundation, Vice-President of the Foundation Jean-Pascal Imsand and Chief Legal Counsel of Renova Group.

1 2 3 4

5 6 7

5 **Vladimir Kuznetsov**
Chairman of the Board of Directors,
Chairman of the Human Resources Committee

Vladimir Kuznetsov (1961; Russian citizen) was born in Moscow and has been living in Switzerland since 2004. He has been involved with Renova Group since 2001, and in 2004, he was appointed Chief Investment Officer of Renova Management AG, Zurich, and in September 2010 he assumed the position of Management Director, Strategic Development. In December 2007, he was appointed member of the Board of Directors of Sulzer AG, Winterthur. Between October 2008 and September 2010 Vladimir Kuznetsov was Chairman of the Board of Venetos Management AG in Zurich – a subsidiary of Renova Management AG. Before joining the Renova Group, Vladimir Kuznetsov held several management positions at Goldman Sachs, Moscow, and at Salomon Brothers, Moscow and London, and in 1998, was appointed Managing Director of Financial Advisory Services, Moscow. Vladimir Kuznetsov graduated in economics from the State University of Moscow in 1984, and holds a Master degree in International Affairs from Columbia University, New York.

6 **Hans Ziegler**
Member and Delegate ad interim (from 25.08.2009 until 18.05.2010) of the Board of Directors and CEO ad interim (from 25.08.2009 until 18.05.2010),
Member of the Human Resources Committee (active participation suspended from 25.08.2009 until 18.05.2010),
Member of the Audit Committee (until 08.06.2010; active participation suspended from 25.08.2009 until 18.05.2010),
Member of the Strategy Committee (since 08.06.2010)

Hans Ziegler (1952; Swiss citizen) earned a degree as business economist (KSZ) and completed post-graduate courses in business administration and IT information technology at TCU in Dallas-Fort Worth (USA). After holding a number of positions at SBG and Ericsson, he joined Alcon Pharmaceuticals Cham and Fort Worth (USA) as CFO/Controller. From 1988 to 1991 Hans Ziegler was CFO at Usego Trimerco Group and from 1991 to 1995 CFO at Globus Group. In 1996, he founded a consultancy operating in Switzerland and abroad, specializing in corporate restructuring, turnaround management and repositioning. He is Chairman of the Board of Swisslog Holding AG, Buchs, as well as Vice-Chairman of the Board of Directors of Charles Vögele Holding AG in Pfäffikon SZ (all Switzerland).

7 **Gerhard Pegam**
Member of the Board of Directors (since 08.06.2010),
Member of the Strategy Committee (since 08.06.2010)

Gerhard Pegam (1962; Austrian citizen) is CEO of the electronics Group EPCOS (2009: EUR 1.3 billion turnover, 22 000 employees) since 2001 and a member of the Board of Directors of the parent company TDK-EPC Corp., which resulted from a merger in 2009 of EPCOS and TDK. Gerhard Pegam looks back on almost 30 years of business experience in the electro/electronics industry. From 1982 to 1985, he was a development engineer for Philips, from 1985 to 1999 he held various leading positions in the Siemens Group, and from 1999 was on the Board of EPCOS AG, a company spun off from Siemens. In the course of his professional career, Gerhard Pegam has successfully carried out comprehensive restructuring and turnaround projects. In 1981, he received a Diploma in electrical engineering at the Technical College Klagenfurt (Austria). Gerhard Pegam is also a member of the Board of “Zentralverband der Deutschen Elektroindustrie” (ZVEI), Frankfurt.

Board of Directors

The rules and regulations governing the organization and duties of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon are to be found in the Swiss Code of Obligations, the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon and the Organizational and Governance Rules of OC Oerlikon Corporation AG, Pfäffikon.

Members of the Board of Directors

In the year under review, the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon was composed of Vladimir Kuznetsov (Chairman), Kurt J. Hausheer, Dr. Urs A. Meyer, Carl Stadelhofer, Hans Ziegler (Delegate and CEO ad interim from August 25, 2009 until May 18, 2010; regarding the responsibilities of the CEO, see page 72), Wolfgang Tölsner (starting June 8, 2010), and Gerhard Pegam (starting June 8, 2010). They all were elected or reelected, respectively, by the Annual General Meeting of Shareholders on May 18, 2010 for a term of office of one year, whereby the legal validity of the election/reelection was subject to the condition precedent that the increase in share capital was entered in the Commercial Register, which eventually took place on June 8, 2010. Therefore, the existing Members of the Board of Directors have been reelected for this intermediate phase (from May 18, 2010 until June 8, 2010).

In the three financial years preceding the reporting period, the non-executive members of the Board of Directors were not involved in the executive management of OC Oerlikon Corporation AG, Pfäffikon or any other Group company, with the exception of Vladimir Kuznetsov who briefly assumed the operational management responsibility for Oerlikon Solar from August 25, 2009 until October 31, 2009. They also do not have any material business dealings with companies of the Oerlikon Group. However, there are significant business relationships between the Renova Group (Liwet Holding AG is part of Renova Group), in which Vladimir Kuznetsov, Dr. Urs A. Meyer and Carl Stadelhofer are members of corporate bodies, and Oerlikon Solar AG, Trübbach (see page 137, note 25 to the consolidated financial statements).

Composition of the Board of Directors

Name (nationality)	Domicile	Position	Age	Joined	Term expires	Executive/ non-executive
Vladimir Kuznetsov (RUS)	CH	Chairman	50	2007	2011	Non-executive
Dr. Urs A. Meyer (CH)	CH	Member	46	2008	2011	Non-executive
Carl Stadelhofer (CH)	CH	Member	57	2008	2011	Non-executive
Hans Ziegler (CH)	CH	Member and Delegate ad interim from 25.08.2009 until 18.05.2010	58	2008	2011	Executive from 25.08.2009 until 18.05.2010
Kurt J. Hausheer (CH)	CH	Member	63	2008	2011	Non-executive
Wolfgang Tölsner (DE)	DE	Member since 8.06.2010	62	2010	2011	Non-executive
Gerhard Pegam (AT)	DE	Member since 8.06.2010	49	2010	2011	Non-executive

Other activities and vested interests

See pages 63 and 66.

Elections and terms of office

Board members are elected annually by the General Meeting of Shareholders for a term of one year. They are eligible for reelection; a "year" means the period from one ordinary General Meeting of Shareholders to the next. In the event of elections for replacement or elections of additional members during the year, the period until the next ordinary General Meeting of Shareholders shall be deemed to constitute a year. Each member of the Board of Directors shall be elected individually. Eligible are only persons who have not completed their seventieth year of age on the election date. The General Meeting may, under special circumstances, grant an exception from this rule and may elect a member of the Board of Directors for one or several terms of office provided that the total number of these additional terms of office does not exceed three.

Internal organizational structure

The Board of Directors is the supreme supervisory body of the Oerlikon Group. It is responsible for the overall management, oversight and control of the Oerlikon Group, determines the Group strategy and oversees the CEO. It sets forth guidelines on the general and strategic direction of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group and periodically reviews their implementation.

The Board of Directors consists of at least three but not more than seven members. Their majority shall be independent. In general, a Board member shall be deemed to be independent if during the three years immediately prior to taking up office he was neither a member of the Executive Committee, nor a member of the executive management of an Oerlikon Group company or an audit firm of any of them, nor close to any of the latter, and had no significant business relation, whether directly or indirectly, with the Oerlikon Group. Furthermore, the new credit facility agreement requires that a majority of the members of the Board of Directors be independent from Renova and any other party or group of parties controlling more than 20 percent of OC Oerlikon Corporation AG, Pfäffikon's voting rights.

The Board of Directors is self-constituting. It shall appoint from amongst its members the Chairman and may appoint a member to act as the Chairman in the event of incapacity or absence of the Chairman, and the members of the Board Committees.

The Chairman of the Board of Directors shall ensure that the Board of Directors may and does effectively carry out its superintendence and oversight role on an informed basis. He shall endeavor, in close contact with the CEO, to provide to the Board of Directors optimal information regarding operating activities of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. Together with the CEO, the Chairman shall perform a leadership role in the implementation of the strategic orientation of the Group, as set out by the Board of Directors on a collegial basis, and shall represent OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group in relations with important shareholders, clients, further stakeholders, and with the general public.

The Chairman shall convene, prepare and chair Board meetings, may convene meetings of the Board Committees and shall coordinate the work of the Board of Directors and the Board Committees. In cases of uncertainty, he shall delineate authorities between the Board of Directors, its Committees and the CEO, unless the entire Board of Directors intends to address the matter.

The Board of Directors may at any time create committees from amongst its members to assist it in the performance of its duties. These committees are permanent advisory groups supporting the Board of Directors with their particular expertise. Unless expressly stated in the Organizational and Governance Rules, the Chart of Competences or the relevant committee's rules and regulations, they shall not have any authority to decide matters in lieu of the Board of Directors. They may prepare, review and investigate matters of relevance within their field of expertise and submit proposals to the Board of Directors for deliberation, but must not themselves take resolutions beyond recommendations, proposals or motions to be submitted to the Board of Directors for deliberation.

Currently there are three permanent Committees of the Board of Directors, namely the Audit Committee (AC), the Human Resources Committee (HRC) and the Strategy Committee (SC).

Membership of these Committees in the year under review was as follows:

Composition of Committees of the Board of Directors

Name	Audit Committee (AC)	Human Resources Committee (HRC)	Strategy Committee (SC)
Vladimir Kuznetsov (RUS)		Chairman	
Dr. Urs A. Meyer (CH)	Member		Chairman
Carl Stadelhofer (CH)		Member	Member until 8.06.2010
Hans Ziegler (CH)	Member until 8.06.2010[1]	Member[1]	Member since 8.06.2010
Kurt J. Hausheer (CH)	Chairman		Member until 8.06.2010
Wolfgang Tölsner (DE)	Member since 8.06.2010		
Gerhard Pegam (AT)			Member since 8.06.2010

[1] Active participation suspended from 25.08.2009 until 18.05.2010.

Audit Committee (AC)

As a rule, the AC shall be composed of at least three members of the Board of Directors. Members of the AC are not eligible if they perform any executive management duties within the Oerlikon Group whilst in office, or have significant business relations with a company of the Oerlikon Group, or have been members of the Executive Committee in the preceding three years. They must by all means have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time. The majority of AC members, including its Chairman, must be experienced in the fields of finance and accounting and be familiar with internal and external auditing. As a separate advisory group, independent from the CEO, the AC shall advise the Board of Directors and exclusively follow the Board of Directors' instructions.

The AC monitors Group-wide with a view to providing a basis for assessment to the Board of Directors

- in relation to external audits: the relevance of the audit work plan and the price/performance ratio;
- in relation to internal audits: the relevance of the engagement of internal auditors and the professional performance of the auditors;
- in relation to the accounting and internal control systems: the relevance of the accounting system, financial strategy and planning, as well as financial risk control;
- in relation to annual and interim reports: the preparation of Oerlikon's financial statements and consolidated financial statements, annual business report, specific interim financial statements for publication, and the financial reports on operating results and cash flows of the Oerlikon Group; and

- in relation to corporate governance and compliance: the reasonableness of Oerlikon's corporate governance and compliance, the relevant guidelines and organization, particularly as instruments to ensure Group-wide compliance with relevant applicable laws and regulations.

The AC decides about the appointment and dismissal of the Head of Internal Audit. Furthermore, the AC approves the issuance of material comfort letters and material sureties securing Group companies by the CEO.

Human Resources Committee (HRC)

As a rule, the HRC shall be composed of at least three members of the Board of Directors. Members of the HRC are not eligible if they perform any executive management duties within the Oerlikon Group whilst in office, or have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or Oerlikon Group, or have been members of the Executive Committee in the preceding three years. They must by all means have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time.

The HRC supports the Board of Directors with regard to personnel-related matters, in particular

- the compensation policies for the members of the Board of Directors, the Executive Committee, the Senior Leadership Team and the Group-wide managerial and non-managerial staff;
- the succession planning related to members of the Board of Directors and the Executive Committee;
- the performance management of the members of the Board of Directors and the Executive Committee;
- the appointment of the Chairman of the Board of Directors;
- the appointment of Board members to the Committees; and
- the appointment and dismissal of the Executive Committee members.

The HRC approves the appointment and dismissal of Segment CEOs by the CEO as well as the compensation policies for the non-managerial staff and those members of the management who are neither Executive Committee members nor Segment CEOs. Furthermore, the individual compensation packages of the Board of Directors and the members of the Executive Committee are set by the HRC, subject to approval of the Board of Directors.

Strategy Committee (SC)

As a rule, the SC shall be composed of at least three members of the Board of Directors. Only one member of the SC is also eligible if performing any executive management duties within the Oerlikon Group whilst in office, or having significant business relations with OC Oerlikon Corporation AG, Pfäffikon or Oerlikon Group, or having been a member of the Executive Committee in the preceding three years.

The SC monitors that Oerlikon's strategy is properly established, implemented and complied with by the CEO and all other management levels of the Oerlikon Group. Furthermore, it ensures that the Board of Directors becomes aware on a timely basis of changing trends, technologies, markets, habits and terms of trade that could jeopardize Oerlikon's strategy.

The SC has currently no authority to decide matters in lieu of the Board of Directors.

Work methods of the Board of Directors and its Committees

The Board of Directors meets at the invitation of its Chairman at least four times a year, or more often if necessary. As a rule, the members of the Executive Committee are also invited to attend the Board meetings. Each Board member and the CEO may request the Chairman to convene a Board meeting by stating the reasons for such a request.

In 2010, 16 Board meetings were held, three of them in the form of telephone conferences. 15 meetings were attended by all Board members. The meetings lasted on average around two hours and forty minutes. 6 of these 16 Board meetings were held in connection with the financial restructuring.

The members of the Committees, as well as their respective chairmen, are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their term of office as a Director. Those Board members who are not members of the committees have the right to attend committee meetings with consultative vote. As a rule, the CFO and the Head of Internal Audit should attend the meetings of the AC, the CEO and the CHRO the meetings of the HRC, and the CEO the meetings of the SC. Additional persons (e.g. other members of the Executive Committee, representatives of the external auditors or Heads of Corporate Functions) may be invited, if required.

The AC and the SC meet at the invitation of theirs chairmen at least four times a year, or more often if necessary. The HRC meets at the invitation of its chairman at least three times a year, or more often if necessary.

In 2010, there were seven meetings of the AC, lasting on average around two hours and 45 minutes. The members of the AC participated in these meetings along with other Board members, members of the Executive Committee and representatives of the Corporate Functions concerned (in particular Corporate Accounting and Reporting, and Internal Audit). The external auditors (KPMG AG) took part in four AC meetings. The HRC held three meetings in 2010 (one of them by way of a telephone conference) lasting on average one hour and 25 minutes, the SC held seven meetings (two of them by way of a telephone conference) lasting on average around four hours. In addition to the official meetings of the Board Committees, numerous work group meetings comprised of different participants were held.

Definition of areas of responsibility

Pursuant to Art. 716b CO and Art. 22 Para. 3 of the Articles of Association, the Board of Directors has in principle delegated the operational management of the business of the OC Oerlikon Corporation AG, Pfäffikon and of the Oerlikon Group to the CEO. The scope of tasks for which the Board of Directors bears responsibility essentially encompasses those inalienable and non-delegable duties defined by law. These include the ultimate management of the corporation, the determination of the strategic direction and of the organization of the Group, the structuring of the accounting system, the financial controls and the financial planning, the appointment and removal of the persons entrusted with the management and representation of the corporation as well as the ultimate supervision of those individuals entrusted with the management of the corporation. According to the company's Organizational and Governance Rules it is also incumbent upon the Board of Directors to decide on the acquisition, divestiture, establishment, restructuring or liquidation of strategy-relevant companies or businesses and on business transactions whose financial value exceeds certain amounts.

The CEO is responsible for all issues relating to the operational management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group, to the extent such decisions are not expressly reserved to the Board of Directors or delegated to individual Group companies. The Executive Committee is the supreme advisory body advising the CEO with respect to the management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. The Executive Committee is chaired by the CEO. In case an Executive Committee member is dissenting with a decision of the CEO, such member may immediately request the CEO to submit such matter to the Chairman of the Board of Directors for his recommendation. The CEO shall then take the final decision.

More information regarding the areas of responsibility of the Board of Directors, the CEO and the Executive Committee can be found in the company's Organizational and Governance Rules published on the Oerlikon website: www.oerlikon.com/corporate_governance/org

Information and control instruments vis-à-vis the Executive Committee

The Board of Directors has a wide array of instruments that enable it to perform the tasks of monitoring strategic and operational progress as well as risk exposure. The instruments at its disposal include the following elements:

The Board of Directors' right of access to and the CEO's duty of information: The CEO reports at Board of Directors' meetings on its day-to-day operations, operating results and important business matters. Extraordinary occurrences must be immediately notified to the Chairman of the Board of Directors and to the Chair of the relevant Committee, if any. With the approval of the Chairman, members of the Board of Directors may also access specific business records and/or obtain information from any employees of the Oerlikon Group. The Board of Directors and its Committees regularly take advice from members of the Executive Committee in order to ensure that the most comprehensive and up-to-date information on the state of the company and all relevant elements are included in its decision-making. Additionally, Segment CEOs, Heads of Business Units and Corporate Functions, or other experts may be consulted on a case-by-case basis in order to gain detailed and comprehensive information on complex matters.

Accounting and Reporting: The Group-wide Corporate Accounting and Reporting function prepares monthly Group financial statements for the Executive Committee and the Board of Directors. These show the performance of each Business Unit and the Group, the reasons for any deviations as well as graphs of the key performance indicators. The Board of Directors may demand access to the relevant details at any time.

Controlling: With regard to strategic controlling, the key instruments are strategic analyses prepared by the Group's individual Business Units, as well as an annually revised Three Year Business Plan. In terms of operational controlling, the Board of Directors receives the annual financial plan (budget) as well as periodic financial forecasts for both the profit and loss and cash flow statements. Additionally, the Board of Directors and the Executive Committee receive a monthly actual/target analysis of the key performance indicators to assist in the assessment of the Business Units' performance. Furthermore, the Executive Committee holds quarterly strategic business outlook meetings.

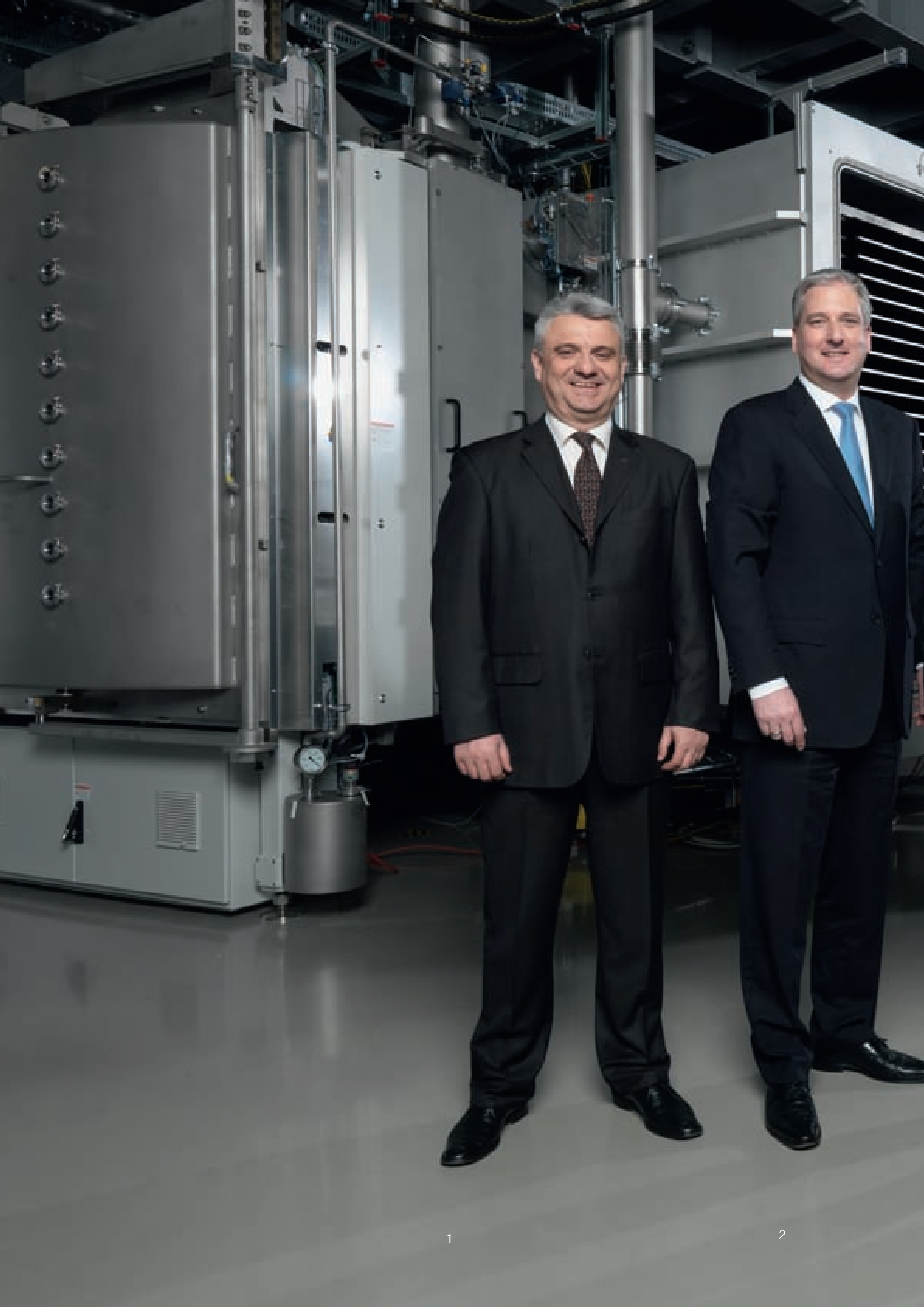
Business risk management: A key component of business risk management (BRM) is the generation of a risk matrix for the Group as a whole, as well as for its individual Business Units. All types of risks, internal and external, such as market, processes, resources and financial risks, are considered, including compliance and reputational aspects. This overview, which is closely reviewed on a quarterly basis, enables monitoring of ongoing risk developments and exposure and constitutes the basis for measures aimed at managing those risks. BRM is integrated into the strategic planning and budgeting processes. For further information regarding BRM, see page 138, note 29, to the consolidated financial statements and page 151, note 18, to the financial statements of OC Oerlikon Corporation AG, Pfäffikon.

Corporate Compliance: The Group wide Corporate Compliance function was established in order to ensure the compliance with legal, regulatory and internal regulations as well as the Group's ethical standards, in particular by preventive measures, training, information and consulting. In this context, in 2009, a new Code of Conduct (including a Whistleblowing Policy) was introduced. To further strengthen the compliance within Oerlikon, an external web and telephone based whistle-blowing hotline was set up. For further information regarding Corporate Compliance, see page 50 et seq., section 5.0 Compliance.

Internal Audit: Internal Audit is an independent and objective assurance activity that assists Oerlikon in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. The Head of Internal Audit reports functionally to the Chair of the Audit Committee of the Board of Directors and administratively to the CFO. The Audit Committee approves the budget, the resources and the internal audit plan for the following year every autumn. Internal audit closely coordinates their plans and activities with External Audit. Internal Audit projects are selected on the basis of a Group-wide risk assessment in coordination with Business Risk Management. The annual audit plan has the appropriate balance between strategy, operational, financial, compliance, information technology and follow-up reviews. The results of internal audits are communicated to the management team responsible, the Executive Committee, the Audit Committee, the Chairman of the Board and the external auditors through formal audit reports. During 2010 more than 45 internal audits were conducted.

External Audit: The external auditor examines the books and accounts of OC Oerlikon Corporation AG, Pfäffikon and those of Oerlikon Group, coordinating his audit plan with that of Internal Audit. On completion of the audit the external auditor prepares a comprehensive auditor's report to inform the Audit Committee and the Board of Directors about the detailed findings of the audit, and a summary thereof for the General Meeting of Shareholders. Since 2003 the external audit has been carried out by KPMG AG. For further information regarding auditors, see page 89 et seq.

The continuing independence of the external auditors is ensured by written representations provided by the auditors and also by monitoring of audit fees in relation to total fees for all services paid by Oerlikon to the audit firm.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Leadership and accountability
The Oerlikon Executive Committee

1 **Adrian Cojocaru**
Chief Human Resources Officer (CHRO)

Adrian Cojocaru (1964; Romanian citizen) was appointed Chief Human Resources Officer of Oerlikon effective November 10, 2010. He graduated as mechanical engineer from the Faculty of Engineering & Management of Technological Systems of the Polytechnic University in Bucharest, Romania and continued his studies in the UK, where he attended the M.S. in Organizational Consulting at the Ashridge Business School. Adrian Cojocaru has more than 20 years of professional experience. He served in different HR position such as Regional Chief Human Resources Officer Middle East & Africa for LG Electronics (2009–2010), based in Dubai, United Arab Emirates. Prior to this, Adrian Cojocaru held management functions at Reader's Digest (UK, 2008–2009), Mars Inc. (Central Europe and UK, 2001–2008), Unilever (Romania, Netherlands, USA, 1999–2001) and Coca-Cola (Romania), among others. Over the course of his career he successfully carried out a wide range of HR and organization development projects.

2 **Thomas Babacan**
Chief Operating Officer (COO)

Thomas Babacan (1969; German citizen) joined in 1999 the Corporate Treasury unit of Balzers & Leybold Deutschland Holding, Hanau (today Oerlikon Deutschland Holding GmbH, Cologne). He moved to Oerlikon-Bührle Management Ltd., Zurich (today OC Oerlikon Management AG, Pfäffikon) end of January 2000 as Deputy Group Treasurer and was also responsible for special projects in Corporate Finance (M&A) and for setting up the Greater China project at the corporate level. In 2002 he took over as Regional Executive Europe and member of the Extended Executive Board. In addition, he served as Managing Director of various European Oerlikon companies. At the beginning of 2005 he was appointed CFO and in September 2005 CEO of Oerlikon Vacuum. In October 2008, he became COO of Oerlikon Group and since April 2009 additionaly has held the position of CEO Oerlikon Textile. Thomas Babacan holds a degree in economics from the Johann Wolfgang Goethe University, Frankfurt (Germany).

3 **Dr. Michael Buscher**
Chief Executive Officer (CEO)

Dr. Michael Buscher (1965; German citizen) was appointed Chief Executive Officer of Oerlikon effective May 19, 2010. Previously he held various positions at Bombardier and its predecessors (AEG Westinghouse, AEG Schienenfahrzeuge, ABB Henschel, ABB Daimler-Benz Transportation, DaimlerChrysler Rail Systems):
1990 Dr. Buscher began his career as Scientific Assistant, 1995 he served as System Engineer, 1997 he was appointed Technical Project Manager and in 2000 he assumed an Engineering Director position covering several sites. In 2003, Dr. Buscher relocated to Switzerland and became Vice President of the Business Unit Locomotives, responsible for global Engineering. One year later he additionally became Site Coordinator Zurich and a member of the Management Team of Bombardier Switzerland. In 2007, Dr. Buscher was appointed President of the global Business Unit Propulsion & Controls, which he very successfully developed until he left Bombardier and joined Oerlikon. In the course of his career he also served on several management boards. Dr. Buscher holds a Master's degree and gained a PhD in Electrical Engineering from the Technical University Darmstadt (Germany).

A description of the role and authority of each member of the Executive Committee can be found in the company's Organizational and Governance Rules published on the Oerlikon website: www.oerlikon.com/corporate_governance/org.

4 **Jürg Fedier**
Chief Financial Officer (CFO)

Jürg Fedier (1955; Swiss citizen) was appointed Chief Financial Officer of Oerlikon effective January 1, 2009. He joined the Dow Chemical Company in Horgen (Switzerland) in 1978. Over the following years, he held various managerial positions in treasury operations in Europe, the Middle East and Africa. Jürg Fedier was appointed Treasurer of Dow Germany in 1987 and Assistant Treasurer USA in 1993. Two years later he became Treasurer of Dow Japan, subsequently establishing and managing the Financial Risk Center in Singapore for Dow Chemical Asia Pacific. In 1998, Jürg Fedier became Global Business Finance Director of the Epoxy Products and Intermediates division in Horgen (Switzerland) before being appointed Global Business Finance Director of Thermosets (USA, in 2000). Before returning to Switzerland in March 2006 as Head of Finance of Dow Europe and a member of the Executive Board, Jürg Fedier served as Vice President Finance for Performance Chemicals. In March 2007 he took over as CFO of Ciba in Basel (Switzerland). Over the course of his career, Jürg Fedier has served on several Boards of Directors. After graduating from the college of commerce in 1978 in Zurich (Switzerland), Jürg Fedier completed several international executive management programs at the International Institute for Management in Lausanne (Switzerland) and the University of Michigan (USA) between 1990 and 2002.

5 **Raafat Morcos**
Chief Restructuring Officer (CRO)

Raafat Morcos (1961; German citizen) was appointed Chief Restructuring Officer of Oerlikon effective June 1, 2010. He started his professional career in Cairo in 1985 as a software programmer before relocating to the London office of the accountancy firm BDO in 1987. From 1990, he helped set up BDO's operations in Eastern Europe. In 1993, Raafat Morcos joined the power generation unit of ABB in Germany and held various functions there in sales, business development and management. After the merger of ABB's and Alstom's power generation business in 1999, he was responsible for the introduction of a new technical plant concept to the world-wide market. In 2002, Raafat Morcos relocated to Switzerland to become Geberit's Head of Market Development and later Expansion Markets. In 2006, he set up his own business as an independent management consultant and interim manager. During this time, he has overseen several projects, including the global reorganization of a billion-euro company in Europe's energy technology sector and the IPO of an international construction and tourism group. Raafat Morcos is a qualified accountant and a member of the Institute of Chartered Accountants in England and Wales, has studied economics and holds an MBA from INSEAD in Fontainebleau (France).

Executive Committee

Management philosophy

Oerlikon Group works with a decentralized management structure. This means that corporate headquarters determines strategic guidelines and sets targets, monitoring these with effective controlling; Segments and Business Units are then responsible for operations and for implementing the agreed strategy within given guidelines. In this sense corporate headquarters functions as a strategic holding.

Members of the Executive Committee

On December 31, 2010 Dr. Michael Buscher (CEO), Thomas Babacan (COO), Jürg Fedier (CFO), Adrian Cojocaru (CHRO) and Raafat Morcos (CRO) were members of the Executive Committee. Björn Bajan, General Counsel and Corporate Secretary since February 1, 2007, left the Group on May 18, 2010. Hans Ziegler, CEO ad interim since August 25, 2009, stepped down from this position on May 18, 2010. Since then, Hans Ziegler has been acting solely as a member of the Board of Directors (see also page 67).

Composition of the Executive Committee

Name	Nationality	Age	Position	Joined	In position since	Stepped down
Dr. Michael Buscher	DE	45	CEO	2010	19.05.2010	
Thomas Babacan	DE	41	COO	2008	01.10.2008	
Jürg Fedier	CH	55	CFO	2009	01.01.2009	
Adrian Cojocaru	RO	46	CHRO	2010	10.11.2010	
Raafat Morcos	DE	49	CRO	2010	01.06.2010	
Björn Bajan	CH	50	General Counsel and Corporate Secretary	2007	01.02.2007	18.05.2010
Hans Ziegler [1]	CH	58	CEO ad interim	2009	25.08.2009	18.05.2010

[1] Hans Ziegler is still a member of the Board of Directors (see page 67).

Other activities and vested interests of Executive Committee members

No member of Oerlikon's Executive Committee holds a position in a governing or supervisory body of any important Swiss or foreign organization, institution or foundation under private or public law outside of the Oerlikon Group other than Hans Ziegler (see page 66) and Björn Bajan, who has represented OC Oerlikon Corporation AG, Pfäffikon on the Board of Directors of Pilatus Flugzeugwerke AG, Stans, since the end of June 2006. Members of the Executive Committee do not carry out permanent management or consultancy functions for any important Swiss or foreign interest group, nor do they have official functions and political posts.

Important changes since December 31, 2010

None.

Management contracts

There are no management contracts with third parties.

Remuneration Report

In this remuneration report we inform our shareholders and interested members of the general public about the remuneration paid to members of the Board of Directors and the Executive Committee. We thus comply with the Swiss Code of Obligations (CO) – Art. 663bbis and Art. 663c Para. 3 – and Para. 5.1 of the Corporate Governance Directive (DCG) of the SIX Swiss Exchange for disclosing the compensation policy and remuneration paid to the Board of Directors and the Executive Committee. Moreover, as regards remuneration reporting, Oerlikon complies with the Swiss Code of Best Practice for Corporate Governance of Economiesuisse. Oerlikon prepares its consolidated financial statements in accordance with IFRS (International Financial Reporting Standards). These regulations may at times require different interpretations and presentations. See also page 134, note 24 (Participation Plans) and page 135 et seqq., note 25 (Related Party transactions) of the Consolidated Financial Statement.

Compensation policy

At Oerlikon we believe that compensation must be attractive, motivating and fair. Our compensation systems provide competitive base salaries and attractive incentive schemes. They take into account individual and company performance, reward excellence and promote an entrepreneurial attitude of sharing opportunities and risks.

To determine competitive and fair compensation packages, we establish external equity by continuously surveying the markets in which we operate and we establish internal equity by following a performance management process. Performance management is a crucial element in setting expectations, aligning targets and assessing their achievement against individual and business results.

Determining compensation

The Human Resources Committee support the Board of Directors in all matters relating to the compensation and performance management at Oerlikon, in particular:

- the compensation policies for members of the Board of Directors, the Executive Committee, the Senior Leadership Team and the Group-wide managerial and non-managerial staff;
- the objectives for the CEO and assessing their achievement;
- the performance assessment of Executive Committee members by the CEO.

The compensation policies for the Board of Directors, the Executive Committee and the Senior Leadership Team require a regular review of whether or not the compensation is:

- competitive, transparent and fair by analyzing comparable companies and salary trends in the markets;
- aligned with the consolidated profit and individual performance;
- consistent with the values and long-term strategy of Oerlikon.

This review is the basis for the Board of Directors to approve in:

- December on the target compensation of the members of the Board of Directors, the Executive Committee and the Senior Leadership Team for the following year;
- February on the target achievement and variable compensation of members of the Board of Directors and the Executive Committee for the past year;
- March on LTI grants, i.e. determination of participants in equity programs and share awards allocated to them.

Approval process

Decision on	Prepared by	Set by	Approved by
Remuneration of the members of the Board of Directors (incl. Chairman)	Chairman	Human Resources Committee	Board of Directors
Compensation of the CEO	Chairman	Human Resources Committee	Board of Directors
Compensation of members of the Executive Committee	CEO	Human Resources Committee	Board of Directors
LTI grants	CEO	Human Resources Committee	Board of Directors

Compensation systems

Board of Directors

The compensation of Directors consists of cash compensation and restricted stock units (RSU). The cash compensation is defined by the responsibility, complexity and requirements for the tasks assumed. Each task is valued differently and depending on the number of tasks assumed by each member, the values are cumulated.

Cash compensation per task

in CHF 000	Fee	Expense Allowance
Board member	75	5
Chairman of the Board of Directors		10
Chairman of a Committee	70	
Member of a Committee	50	

Every Board member receives restricted stock units (RSU) in the amount of CHF 125 000 – the Chairman of the Board of Directors receives additional RSU in the amount of CHF 155 000 – which are blocked from their grant at the Annual General Meeting of Shareholders until the following Annual General Meeting of Shareholders 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 set by the Human Resources Committee and approved by the Board of Directors after the Annual General Meeting of Shareholders.

The Board of Directors decided to leave the cash compensation and target amounts for the RSU program unchanged in 2010.

On August 25, 2009 the Board designated Hans Ziegler as Delegate of the Board of Directors and Chief Executive Officer (CEO) ad interim of OC Oerlikon. For the duration of this position, Mr. Ziegler suspended his active participation in Committee meetings and thus waived the cash compensation for Board and Committee memberships. Instead, Mr. Ziegler received compensation for the role of CEO ad interim consisting of base salary, expense allowance and a performance-based short-term incentive bonus which was based on individual targets and was settled in shares. The allocation of RSU under the Board of Director's performance program remained unchanged.

The compensation for the CEO ad interim was set by the Human Resources Committee and approved by the Board of Directors. (See also compensation system of Executive Committee below on page 82.)

On May 19, when Dr. Michael Buscher started his position as CEO of OC Oerlikon, Mr. Hans Ziegler ended his tenure as CEO ad interim of OC Oerlikon. Since then, Mr. Ziegler has been acting solely as board member. In this position the compensation of Mr. Ziegler is subject to the compensation system of Board members and consists of a cash compensation for Board and Committee memberships and restricted stock units (RSU).

The total of all compensation of executive members of the Board of Directors in 2010 was CHF 1.3 million. In 2009, the total compensation was CHF 1.2 million.[1]

Compensation of executive members of the Board of Directors

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash compensation	Bonus	Restricted Stock Units (RSU) 2009/10 [2]	Restricted Stock Units (RSU) 2010/11 [3]	Pension	Other compensation [4]	Total compensation 2010
Hans Ziegler	M	M [5]	M [6]	M	595	500	111	60	20	25	1 311
Total					**595**	**500**	**111**	**60**	**20**	**25**	**1 311**

M(ember)

[1] In 2009, Mr Kuznetsov acted, in addition to Mr. Ziegler, for a brief period as executive member of the Board of Directors.
[2] Effective value of restricted stock units (RSU) for the mandate 2009/10 at conversion based on a share price of CHF 5.3 (transfer date).
[3] Accounting value of restricted stock units (RSU) for the mandate 2010/11 per year end based on a share price of CHF 5.0 (grant date).
[4] Other compensation consists of social security contributions and an expense allowance which are paid by OC Oerlikon Corporation AG, Pfäffikon.
[5] As of June 8, 2010.
[6] Until June 8, 2010.

The total compensation for the six non-executive members of the Board of Directors in 2010 was CHF 2.0 million. In 2009 the total compensation for the three non-executive members of the Board of Directors amounted to CHF 1.1 million.

Compensation of non-executive members of the Board of Directors

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash compensation	Restricted Stock Units (RSU) 2009/10 [1]	Restricted Stock Units (RSU) 2010/11 [2]	Pension	Other compensation [3]	Total compensation 2010
Vladimir Kuznetsov	C			C	145	250	134	–	33	562
Kurt J. Hausheer	M	M [5]	C		167	111	60	–	21	359
Dr. Urs A. Meyer	M	C	M		195	111	60	–	23	389
Carl Stadelhofer	M	M [5]		M	147	111	60	–	20	338
Gerhard Pegam	M	M			70	–	60	–	5	135
Wolfgang Tölsner [4]	M		M		195	–	60	–	5	260
Total					**919**	**583**	**434**	**–**	**107**	**2 043**

C(hairman), M(ember)

[1] Effective value of Restricted Stock Units (RSU) for the mandate 2009/10 at conversion based on a share price of CHF 5.3 (transfer date).
[2] Accounting value of Restricted Stock Units (RSU) for the mandate 2010/11 per year-end based on a share price of CHF 5.0 (grant date).
[3] Other compensation consists of social security contributions and an expense allowance which are paid by OC Oerlikon Corporation AG, Pfäffikon.
[4] Mr. Tölsner received, in addition to his Board remuneration, a fee for his consultancy work for OC Oerlikon Management AG, Pfäffikon.
[5] Until June 8, 2010.

Executive Committee
Members of the Executive Committee receive compensation consisting of base salary, expense allowances, a performance-related annual bonus and a performance-related long-term bonus.

The base salary is determined primarily by the executive's tasks, responsibilities, skills, managerial experience and market conditions and is paid in cash.

The Board of Directors decided to freeze the salaries of the existing members of the Executive Committee in 2010. For new members of the Executive Committee, the Human Resources Committee proposed compensation to the Board of Directors using benchmarks from Hewitt of comparable positions in multi-national companies of comparable size that are headquartered in Switzerland. No other participants were present when decisions on Executive compensation were made.

The performance-related bonus paid to Executive Committee members is dependent on their achievement of individual performance objectives which are directly linked to the business success of the Oerlikon Group.

Members of the Executive Committee, including the new CEO, receive their performance-related annual bonus in cash. The CEO ad interim received his annual performance-related bonus in shares. While the performance-related annual bonus of Executive Committee members cannot exceed 150 percent of the target amount, the maximum was limited to 100 percent for the CEO ad interim. Individual targets are related to the respective position. Targets which are weighed between 20 and 60 percent include financial measures such as EBITDA, Operating Free Cash Flow and Order Intake and project milestones such as successful completion of the financial restructuring or Segment strategies.

The Board of Directors approved the decision by the Human Resources Committee, that from 2011 the members of the Executive Committee will participate in the same STI program as the Senior Leadership Team and other senior managers. This program consists of financial targets (Return on Net Assets, Operating Free Cash Flow) which are weighed 70 percent and individual targets which are weighed 30 percent. The maximum bonus cannot exceed 205 percent of the target amount.

In 2010, members of the Executive Committee participated in a performance-share program. Following the vesting period of three years, a number of Performance Share Awards (PSA) is converted into Oerlikon shares. Performance is measured by the cumulative economic profit (Oerlikon Value Added) of the Oerlikon Group over a three-year period. In 2010, no grants were made under the Restricted Stock Units (RSU) program. (See equity plans below.) The variable portion of the total target compensation (short- and long-term bonus) of members of the Executive Committee is on average 54 percent.

The total compensation paid to all Executive Committee members for the year 2010 was CHF 9.9 million. The highest compensation was paid to the former General Counsel & Corporate Secretary and amounted to CHF 4.4 million.

Compensation of members of the Executive Committee

in CHF 000	Base Salary	Bonus [1]	LTI (2008–11) [2]	LTI (2009–11) [2]	LTI (2010–13) [3]	Pension	Other compen-sation [4]	Severance payment	Total compen-sation 2010	Total compen-sation 2009
Total compensation to members of the Executive Committee [5]	2 610	2 397	3	463	479	632	197	3 163	9 944	11 321
Thereof highest paid to one individual: [6, 7] Björn Bajan (former General Counsel & Corporate Secretary)	411	656	–	–	–	79	45	3 163	4 354	6 446

[1] The bonus payments relate to the short-term incentive 2009, paid in 2010. The expected short-term outcome for the year 2010 amounts to CHF 2 018 000. Short-term incentive payments will be made in April 2011, after the financial results are published.

[2] In 2008 Performance Share Awards (PSA) and in 2009 Restricted Stock Units (RSU) were allocated to members of the Executive Committee. These allocations were adjusted proportionally to the increases in share capital. Their new value per year end for the allocations 2008 and 2009 is based on a weighted average share price of CHF 93 (grant date) and CHF 32 (grant date) respectively. See page 134, note 24.

[3] In 2010 Performance Share Awards (PSA) were allocated to members of the Executive Committee. Their value per year end is based on a weighted average share price of CHF 4.6 (grant date).

[4] Other compensation includes expense and car allowances.

[5] Compensation of the CEO ad interim, Mr. Ziegler, is disclosed above under Executive members of the Board of Directors above and is not included in this summary.

[6] Björn Bajan's employment ended on May 31, 2010. The severance payment included the contractually agreed base salary for 12 months and a contractually agreed termination payment. Other payments include a fee for a Board membership.

[7] The highest compensation paid in 2009 went to the former CEO, Dr. Uwe Krüger.

Compensation of former members of governing bodies

During 2010 no compensation was paid to former members of the Board of Directors or the Executive Committee, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon Group. The total compensation for former members of the Board of Directors and the Executive Committee in 2009 was CHF 1.5 million.

Senior Leadership Team

The Senior Leadership Team is comprised of the Executive Committee, the Segment CEOs and the heads of Group Business Development and Group Legal Services. Their compensation system is composed of a base salary and a performance-related annual cash bonus and a long-term incentive program.

The base salary is determined by the executive's tasks, responsibilities, skills, managerial experience and market conditions. In view of the difficult business conditions at the beginning of 2010, the Executive Committee decided to freeze the salaries of the Senior Leadership Team and all other senior managers in 2010 for the second consecutive year except in cases where competitiveness would have been compromised. For 2011, a salary review was carried out that resulted in increases also for the Senior Leadership Team and other senior managers depending on market conditions and individual performance evaluations.

The Senior Leadership Team participates in the Corporate Short-Term Incentive (STI) program, which applies to all senior managers of the Oerlikon Group. In 2010, the Executive Committee decided to return to the previous STI Program design. Accordingly, financial objectives are weighed 70 percent and individual objectives are weighed 30 percent. Financial objectives however, remained unchanged and include EBITDA and Operating Free Cash Flow of the respective business in which the participants operate. Each financial target has a lower threshold below which no bonus for this target is paid and an upper threshold above which no additional bonus is paid. Individual targets are defined at the beginning of the year, reviewed in mid-year and evaluated at the beginning of the following year. The performance-related annual bonus cannot exceed 205 percent of the target bonus.

For 2011, the Board of Directors approved that the financial measure EBITDA be replaced with Return on Net Assets (RONA). All other elements of the STI design remain unchanged.

Equity plans

Due to the capital increases effective as of June 8, 2010, the existing share and option plans were adapted and re-valued proportionally to preserve the grant value, target and trigger conditions of existing employee participation programs. Adjustments were related to the number of granted shares and options as well as the conditions (exercise price, performance conditions) which are linked to the share price. For this adjustment the relation between the theoretical value of subscription rights (theoretical ex-rights price) and the closing share price prior to the allocation of subscription rights was determined. Prior to the allocation of subscription rights, on May 24, 2010, the share price was CHF 40 with a share number of 14 142 437, while the theoretical value of subscription rights with a share number of 323 085 471 was CHF 5.3. The resulting conversion factor 7.5 was used to adjust the number of allocations and conditions.

The following equity plans are in existence, pursuant to which the holder is entitled to shares of OC Oerlikon Corporation AG, Pfäffikon:

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 value of the RSU per year end is based on the weighted average share price of CHF 5.0.

Members of the Executive Committee receive a portion of their compensation as 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. The value of the RSU per year end is based on the weighted average share price of CHF 4.2. Except for the adjustment due to the increases in capital, no additional RSU were granted to the Executive Committee in 2010.

Members of senior management may receive a portion of their compensation as 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 value of the RSU per year end is based on the weighted average share price of CHF 8.6. Except for the adjustment due to the increases in capital, no additional RSU were granted to members of senior management in 2010.

Restricted Stock Units (RSU)

Year of allocation	Outstanding on 1.1.*	Granted in 2010	Forfeited in 2010	Exercised in 2010	Outstanding on 31.12	Average share price CHF *	Expenses for the period in MCHF	Vesting period
2009	127 117			127 117		8.0	0.4	12.05.09–18.05.10
2009	398 658		178 504		220 154	4.2	0.2	01.05.09–30.04.11
2009	367 221		122 926		244 295	8.6	0.5	01.05.09–30.04.12
2010		196 565			196 565	5.0	0.5	09.06.10–10.05.11
Total	**892 996**	**196 565**	**301 430**	**127 117**	**661 014**		**1.6**	

* Number of RSU and average share price are adjusted proportionally to the capital increases. See explanation above.

Members of the Executive Committee and senior management may receive a portion of their compensation as long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon shares which are based on performance conditions and a vesting period of three years. This program replaced the previous performance share program which differed in performance conditions. The new performance conditions consist of the cumulative economic profit (Oerlikon Value Added) over a three-year period of the respective business in which participants operate. Their achievement determines the effective number of total Performance Share Awards (PSA). Upon vesting, the effective number of PSA is converted into shares.

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

Performance Share Awards (PSA)

Year of allocation	Outstanding on 1.1*	Granted in 2010	Forfeited in 2010	Exercised in 2010	Outstanding on 31.12	Average share price CHF *	Expenses for the period in MCHF	Vesting period
2008	54 868		10 613		44 255	12.3	–	01.05.08–30.04.11
2010		678 086	126 777		551 309	4.6	0.9	01.05.11–30.04.13
Total	**54 868**	**678 086**	**137 390**		**595 564**		**0.9**	

* Number of PSA and average share price are adjusted proportionally to the capital increase. See explanation above.

In previous years, employees could 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 of these options are entitled to purchase one share for each option held. The value per year end is based on a Black-Scholes valuation including a weighted average share price of CHF 75. The Oerlikon Options Plan (OOP) launched in 2007 was discontinued in 2008. Except for the adjustment due to the increase in capital, no additional options were granted in 2010.

Share options

Year of allocation	Outstanding on 1.1.*	Granted in 2010	Forfeited in 2010	Exercised in 2010	Outstanding on 31.12	Exercise price in CHF *	Expenses for the period in MCHF	Exercise period
2003	33		33		–	110	–	24.05.05–23.05.10
2007	9 282				9 282	80	–	01.01.08–31.12.13
	9 282				9 282	80	–	01.01.09–31.12.13
	9 282				9 282	80	–	01.01.10–31.12.13
	9 282				9 282	80	–	01.01.11–31.12.13
Total	**37 161**	**–**	**33**	**–**	**37 128**		**–**	

* Number of options and exercise price are adjusted proportionally to the capital increases. See explanation above.

Other conditions and payments

The employment contracts of the new members of the Executive Committee (CEO, CRO and CHRO) contain no provisions relating to severance payment or change in control.

The employment contracts of Executive Committee members are of unlimited duration and terminate automatically upon a member reaching the age of 62.

Notice Period: The contracts provide for a notice period of twelve months and a shorter period for the Chief Restructuring Officer (CRO).

Severance payment: In case of termination by OC Oerlikon (other than for cause within the meaning of article 337 of the Swiss Code of Obligations or other than in case of a change of control) prior to 2011, the Executive is entitled to a severance payment. The severance payment is equal to an annual compensation and the market value of the existing LTI plan.

In case of termination by OC Oerlikon or the Executive within a period of 12 months from the effective date of a change of control regarding OC Oerlikon Corporation AG, Pfäffikon the Executive is entitled to a severance payment. The severance payment is equal to an annual compensation and the market value of the existing LTI plan.

Change in control: A change in control shall mean (summarized) one of the following events:

- A person, group of persons or entity becomes the beneficial owner of voting securities representing 33.33 percent or more of the combined voting power of all outstanding securities of OC Oerlikon Corporation AG, Pfäffikon (hereinafter "OC Oerlikon") or, in the event of a merger, of the outstanding voting securities of the surviving or resulting entity, while at the same time no other present shareholder of OC Oerlikon, who disposed of more than 10 percent of this combined voting power on October 1, 2008, disposes of a higher voting power in OC Oerlikon or, in the event of a merger, in the surviving or resulting entity.
- The shareholders of OC Oerlikon approve the sale of substantially all the business and/or assets of OC Oerlikon to a person or entity of which OC Oerlikon, directly or indirectly, controls 50 percent or less of all outstanding securities.

Additional fees: Members of the Board of Directors, the Executive Committee or related parties did not receive any fees or other remuneration for additional services to OC Oerlikon or one of its subsidiaries in the 2010 business year.

Loans: In 2010, neither OC Oerlikon nor its subsidiaries granted any guarantees, loans, advances or credit facilities to members of the Board of Directors, the Executive Committee or related parties.

Shareholders' participation

Voting-rights and representation restrictions

There are no restrictions on voting rights. Each shareholder may be represented at the General Meeting by the institutional representative (OC Oerlikon Corporation AG, Pfäffikon), by the company-appointed independent voting rights representative or by some other registered shareholder appointed by him to act as proxy with written authorization to represent his shares. The proxy need not be a registered shareholder unless his power of proxy is based on a legal contract.

Statutory quorums

The Articles of Association of OC Oerlikon Corporation AG, Pfäffikon provide for no specific quorums that go beyond the provisions of corporate law.

Convocation of the General Meeting of Shareholders

Supplemental to the provisions of corporate law, the company's Articles of Association provide for the convocation of a General Meeting of Shareholders by a one-off announcement in the Swiss Commercial Gazette.

Inclusion of items on the agenda

The company's Articles of Association provide that shareholders with a holding of CHF 1 000 000 nominal value are entitled to request that an item be included on the agenda, provided that their requests are submitted in writing and include the actual agenda item and the actual motions; this request is to be made at the latest ten weeks prior to the date of the General Meeting of Shareholders.

Inscriptions into the share register

The 38th General Meeting of Shareholders will be held on May 10, 2011 in the KKL Luzern (Culture and Convention Center), Lucerne. Entitled to vote in the General Meeting of Shareholders are the shareholders whose names are inscribed into the share register as shareholders with voting rights at the cut-off date to be determined by the Board of Directors.

Right to inspect the minutes of the General Meeting

The minutes of the 37th Annual General Meeting of Shareholders held on May 18, 2010 can be viewed on the Internet at www.oerlikon.com and shareholders may also read the minutes at the headquarters of the corporation upon prior notice. The minutes of the 2011 General Meeting will be published on the Oerlikon website as soon as they have been compiled.

Changes of control and defense measures

Duty to make an offer

In accordance with the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon a person who acquires shares in the company is not required to make a public purchase bid pursuant to Articles 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading (opting out).

Clauses on changes of control

Please see under Remuneration report – Other conditions and payments (page 87).

Auditors

Duration of the mandate and term of office of the lead auditor

KPMG AG has been the auditor of the company since 2003, it was elected by the General Meeting of May 23, 2003 for the first time. The auditor is elected by the General Meeting for a one-year term of office. At the 37th General Meeting of May 18, 2010, KPMG was confirmed in that role for an additional year. The lead auditor responsible for the mandate, Mr. Herbert Bussmann, began serving in this function in respect of the financial year ended December 31, 2005. In accordance with Art. 730a Para. 2 of the Swiss Code of Obligations, the lead auditor's term of office is seven years at maximum.

Auditing fees

In the calendar year 2010, KPMG invoiced the company for CHF 4 621 268 in global auditing fees.

Additional fees

In the calendar year 2010, KPMG invoiced the company for CHF 83 553 in additional services, in particular for real estate consultancy (CHF 35 000) and for tax consultancy (CHF 22 913).

Informational instruments pertaining to an external audit

In accordance with Art. 728b Para. 1 of the Swiss Code of Obligations, the external auditors issue to the Board of Directors on an annual basis a comprehensive report including statements pertinent to bookkeeping and company reporting, the internal controlling system and the performance and the result of the audit. Furthermore, the external auditors conduct interim audits during the year, on which they report their findings to the Executive Committee and the Audit Committee.

Once the auditing work has been completed the Audit Committee assesses the results and findings of the external audit, discusses its assessment with the lead auditor in charge and reports the relevant findings to the Board of Directors. Further, the Audit Committee submits proposals in response to the external auditors' recommendations, objections and other discovered deficiencies, if any, to the Board of Directors for deliberation and monitors the implementation of any relevant action decided upon by the Board of Directors.

The Chairman of the Audit Committee meets regularly with the lead auditor and other representatives of the auditing firm. The latter also participates in meetings of the Audit Committee dealing with the relevant agenda points. In the reporting year, KPMG AG participated in four meetings of the Audit Committee.

On behalf of the Board of Directors, the Audit Committee evaluates the work done by the external auditors based on the documents, reports, and presentations issued by them as well as on the materiality and objectivity of their statements. Therefore, the Audit Committee consults with the CFO and the Head of Internal Audit. The fees paid to the external auditors are reviewed on a regular basis and compared with the auditing fees paid by other comparable listed Swiss companies. Auditing fees are negotiated by the CFO, evaluated by the Audit Committee and subject to approval of the Board of Directors.

The Audit Committee submits a proposal to the Board of Directors for the election of external auditors by the General Meeting of Shareholders.

Information policy

General

Oerlikon provides its shareholders and the capital market with transparent, comprehensive and timely information on facts and developments of relevance to them, and in a manner that is in keeping with the principle of equal treatment of all capital market participants. Apart from its detailed annual report and mid-year report, which are prepared in accordance with International Financial Reporting Standards (IFRS), Oerlikon publishes key financial figures (sales, orders received and orders on hand) and a related commentary for the first and third quarters of its financial year. Additionally, press releases keep shareholders and the capital market informed of significant changes and developments in the company. The company's website, www.oerlikon.com, is a permanently accessible platform for information concerning the company.

As a company listed on the SIX Swiss Exchange, OC Oerlikon Corporation AG, Pfäffikon is subject to the obligation to disclose price-sensitive information (ad hoc publicity obligation).

The publication medium for corporation notices is the Swiss Official Gazette of Commerce. The Board of Directors may select additional publishing mediums. Communications to registered shareholders shall be served in writing to their address last notified to the company.

Press releases

Press releases published in 2010, along with all others dating back to March 2004, can be accessed on our website at www.oerlikon.com/pressreleases. Those interested in receiving our press releases regularly by e-mail can register at www.oerlikon.com/pressreleases.

Important dates

March 23, 2011
Media and analyst conference on the 2010 annual results

April 19, 2011
Key figures for the first quarter of 2011

May 10, 2011
38th Annual General Meeting of Shareholders,
KKL Luzern (Culture and Convention Center), Lucerne

August 17, 2011
Media and analyst conference on the half-year report 2011

October 20, 2011
Key figures for the third quarter of 2011

Contact

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Financial Report

Key figures

Group

Notes

OC Oerlikon Corporation AG, Pfäffikon

Key figures Oerlikon Group

Key figures Oerlikon Group

in CHF million	**January 1 to December 31 2010**	January 1 to December 31 2009
Order intake [1]	4 520	2 996
Orders on hand [1]	1 702	997
Sales [1]	3 601	2 877
EBITDA [1]	278	–165
– as % of sales	8 %	–6 %
EBIT [1, 2]	51	–589
– as % of sales	1 %	–20 %
Net profit / loss	5	–592
– as % of sales	0 %	–21 %
– as % of equity attributable to shareholders of the parent	0 %	–120 %
Cash flow from operating activities before changes in net current assets [3]	354	–92
Capital expenditure for fixed and intangible assets [1]	150	130
Total assets	4 475	4 342
Equity attributable to shareholders of the parent	1 430	493
– as % of total assets	32 %	11 %
Net debt [4]	274	1 646
Net Operating Assets [5]	2 196	2 821
EBIT as % of Net Operating Assets (RONOA)	2 %	–21 %
Number of employees [1]	16 657	16 369
Personnel expense [1]	1 015	1 001
Research and development expense [1, 6]	239	210

[1] 2009 continuing operations.

[2] For 2010, continuing operations of Oerlikon Group report an EBIT before restructuring costs and impairment of goodwill of CHF 103 million (previous year: CHF –280 million). The Group EBIT before restructuring costs and impairment of goodwill including EBIT from discontinued operations amounted to CHF –287 million in the previous year.

[3] Cash flow from operating acitivites (after changes in net current assets) amounts to CHF 511 million (previous year: CHF 90 million).

[4] Net debt is current and non-current debt less cash and cash equivalents, marketable securities and treasury shares at market value as of December 31.

[5] Net operating assets include current and non-current operating assets (excluding cash and cash equivalents, 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).

[6] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 32 million (previous year: CHF 26 million).

Key share-related figures [7]

in CHF	**January 1 to December 31 2010**	January 1 to December 31 2009
Share price		
High	12.30	86.20
Low	3.69	20.82
Year-end	4.90	31.68
Total shares outstanding	323 085 471	14 142 437
Market capitalization in million	1 583	448
EBIT	0.25	–45.93
Earnings per registered share	0.01	–46.16
Cash flow from operating activities before changes in net current assets	1.71	–7.17
Shareholders' equity	6.92	38.44
Dividend	–	–

[7] Average number of shares with voting and dividend rights.

Key figures by Segment

in CHF million	January 1 to December 31 2010	January 1 to December 31 2009[1]
Oerlikon Group		
Order intake	4 520	2 996
Orders on hand	1 702	997
Sales	3 601	2 877
EBITDA	278	–165
EBIT	51	–589
– as % of sales	1 %	–20 %
Net Operating Assets[2]	2 196	2 821
Number of employees	16 657	16 369
Oerlikon Textile		
Order intake	2 509	1 170
Orders on hand	1 197	489
Sales to third parties	1 653	1 046
EBITDA	96	–163
EBIT	21	–424
– as % of sales	1 %	–41 %
Net Operating Assets[2]	741	1 221
Number of employees	6 294	6 260
Oerlikon Drive Systems		
Order intake	792	569
Orders on hand	137	93
Sales to third parties	733	660
EBITDA	26	12
EBIT	–27	–50
– as % of sales	–4 %	–8 %
Net Operating Assets[2]	895	1 047
Number of employees	5 141	5 013
Oerlikon Vacuum		
Order intake	438	325
Orders on hand	84	68
Sales to third parties	410	324
EBITDA	44	13
EBIT	30	–3
– as % of sales	7 %	–1 %
Net Operating Assets[2]	151	171
Number of employees	1 453	1 477
Oerlikon Solar		
Order intake	230	511
Orders on hand	255	317
Sales to third parties	254	442
EBITDA	–33	–55
EBIT	–59	–78
– as % of sales	–23 %	–18 %
Net Operating Assets[2]	41	178
Number of employees	648	751
Oerlikon Coating		
Order intake	422	326
Orders on hand	–	–
Sales to third parties	422	326
EBITDA	101	43
EBIT	52	–4
– as % of sales	12 %	–1 %
Net Operating Assets[2]	307	318
Number of employees	2 711	2 463
Oerlikon Advanced Technologies		
Order intake	129	95
Orders on hand	29	30
Sales to third parties	129	79
EBITDA	13	–5
EBIT	10	–7
– as % of sales	8 %	–9 %
Net Operating Assets[2]	70	82
Number of employees	196	188

[1] Continuing operations

[2] 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).

Consolidated income statement

in CHF million	Notes	**January 1 to December 31 2010**	January 1 to December 31 2009
Sales of goods		2 815	2 246
Services rendered		786	631
Total sales		**3 601**	**2 877**
Cost of sales		–2 788	–2 444
Gross profit		**813**	**433**
Marketing and selling		–245	–253
Research and development		–229	–202
Administration		–240	–253
Impairment of goodwill	13	–3	–202
Restructuring costs	4	–49	–107
Other income	3	45	43
Other expenses	3	–41	–48
Result before interests and taxes (EBIT)		**51**	**–589**
Financial income	5	130	8
Financial expenses	5	–188	–165
Result before taxes (EBT)		**–7**	**–746**
Income taxes	6	12	50
Result from continuing operations		**5**	**–696**
Result from discontinued operations	23	–	104
Net profit / loss		**5**	**–592**
Attributable to:			
Shareholders of the parent		3	–592
Non-controlling interest		2	–
Earnings per registered share in CHF	7	**0.01**	–46.16
Fully diluted earnings per registered share in CHF	7	**0.01**	–46.16
Earnings per registered share continuing operations in CHF	7	**0.01**	–54.27
Fully diluted earnings per registered share continuing operations in CHF	7	**0.01**	–54.27
Earnings per registered share discontinued operations in CHF		**–**	8.11
Fully diluted earnings per registered share discontinued operations in CHF		**–**	8.11

Consolidated statement of comprehensive income

in CHF million		**January 1 to December 31 2010**	January 1 to December 31 2009
Net profit / loss		5	–592
Other comprehensive income			
Fair value adjustments on hedged items		–1	3
Realization of hedged items transferred to the income statement		–2	–13
Defined benefit plan actuarial losses	14	–62	–25
Income taxes on other comprehensive income		21	10
Conversion differences		–208	17
Other comprehensive income for the period, net of taxes		**–252**	**–8**
Total comprehensive income for the period		**–247**	**–600**
Attributable to:			
Shareholders of the parent		–248	–602
Non-controlling interest		1	2

Consolidated balance sheet at December 31

Assets

in CHF million	Notes	**2010**	2009
Cash and cash equivalents	8	751	357
Current financial investments and derivatives	9	38	20
Trade receivables	10	588	433
Other receivables	10	164	221
Current tax receivables		19	17
Inventories	11	468	534
Prepaid expenses and accrued income		21	25
Assets classified as held for sale	23	37	10
Current assets		**2 086**	**1 617**
Loans and other non-current financial receivables	10	8	11
Non-current financial investments	9	33	33
Property, plant and equipment	12	942	1 137
Intangible assets	13	1 293	1 471
Post-employment benefit assets	14	–	1
Deferred tax assets	6	113	72
Non-current assets		**2 389**	**2 725**
Total assets		**4 475**	**4 342**

Liabilities and equity

in CHF million		**2010**	2009
Trade payables	15	419	332
Current loans and borrowings	15	53	2 043
Other current liabilities	15	76	74
Accrued liabilities	16	245	232
Current customer advances		335	136
Current income taxes payable		48	38
Current post-employment benefit provisions	14	28	18
Other current provisions	17	125	207
Liabilities classified as held for sale	23	31	11
Current liabilities		**1 360**	**3 091**
Non-current loans and borrowings	15	1 025	11
Non-current post-employment benefit provisions	14	499	562
Deferred tax liabilities	6	77	125
Other non-current provisions	17	60	33
Non-current liabilities		**1 661**	**731**
Total liabilities		**3 021**	**3 822**
Share capital		323	283
Treasury shares		–2	–292
Reserves and retained earnings		1 109	502
Equity attributable to shareholders of the parent		**1 430**	**493**
Non-controlling interest		24	27
Total equity		**1 454**	**520**
Total liabilities and equity		**4 475**	**4 342**

Consolidated cash flow statement

in CHF million	Notes	**January 1 to December 31 2010**	January 1 to December 31 2009
Net profit / loss		5	–592
Tax income		–12	–48
Interest expense (net)		178	102
Depreciation of property, plant and equipment	12	156	173
Amortization of intangible assets	13	39	36
Impairment losses on property, plant and equipment	12	22	11
Impairment losses on intangible assets	13	10	206
Addition to other provisions	17	85	146
Decrease (–) / increase (+) in post-employment benefit provisions		–16	20
Gains from sale of non-current assets		–	–9
Gain on sale of discontinued operations, net of income tax		–	–97
Income taxes paid		–28	–51
Other non-cash income (–) / expenses (+) [1]		–85	11
Cash flow from operating activities before changes in net current assets		354	–92
Increase (–) / decrease (+) in receivables / prepaid expenses and accrued income		–175	196
Increase (–) / decrease (+) in inventories		–9	349
Increase (+) / decrease (–) in payables / accrued liabilities and use of other provisions		83	–368
Increase in customer advances		241	17
Non-cash impact on net current assets due to hedge accounting		17	–12
Cash flow from changes in net current assets		157	182
Cash flow from operating activities		**511**	**90**
Capital expenditure for property, plant and equipment	12	–115	–97
Capital expenditure for intangible assets	13	–35	–33
Disposal of discontinued operations, net of cash disposed of		–	78
Purchase of financial investments		–1	–
Proceeds from sale of intangible assets		–	3
Decrease in loans receivable		1	4
Increase in marketable securities		–	–2
Acquisition of Group companies		–22	–
Proceeds from sale of property, plant and equipment		6	26
Interest received		8	3
Cash flow from investing activities		**–158**	**–18**
Dividends paid		–2	–
Purchase of treasury shares		–3	–
Sale of treasury shares		–	–
Proceeds from capital increase (net of transaction costs) [2]		835	–
Increase of financial debt		55	2
Repayment of financial debt [2, 3]		–675	–20
Acquisition of non-controlling interest		–10	–
Interest paid		–127	–88
Cash flow from financing activities		**73**	**–106**
Conversion adjustments to cash and cash equivalents		–27	–2
Increase (+) / decrease (–) in cash and cash equivalents		**399**	**–36**
Cash and cash equivalents at the beginning of the year	8	357	393
Cash and cash equivalents at the end of the year [4]	8	756	357
Increase (+) / decrease (–) in cash and cash equivalents		**399**	**–36**

[1] Other non-cash income includes a debt waiver by the lenders of CHF 125 million.

[2] Refer to note 1 for details concerning the capital and debt restructuring.

[3] Repayment of financial debt includes transaction costs paid for the new facility.

[4] Includes CHF 5 million which are included in “Assets classified as held for sale“ in the balance sheet.

Consolidated statement of changes in equity

in CHF million	Share capital [1]	Additional paid-in capital [2]	Treasury shares	Conversion differences	Retained earnings	Hedge accounting	Income taxes	**Total equity attributable to shareholders**	Non-controlling interest	**Total share-holders' equity**
Balance at January 1, 2009	**283**	**622**	**–294**	**–249**	**727**	**12**	**–8**	**1 093**	**25**	**1 118**
Net loss	–	–	–	–	–592	–	–	–592	–	–592
Other comprehensive income										
Fair value adjustments on hedged items	–	–	–	–	–	3	–	3	–	3
Realization of hedged items transferred to the income statement	–	–	–	–	–	–13	–	–13	–	–13
Defined benefit plan actuarial losses	–	–	–	–	–25	–	–	–25	–	–25
Income taxes on other comprehensive income	–	–	–	–	–	–	10	10	–	10
Conversion differences				15				15	2	17
Total other comprehensive income for the period	**–**	**–**	**–**	**15**	**–25**	**–10**	**10**	**–10**	**2**	**–8**
Dividend distributions	–	–	–	–	–	–	–	–	–	–
Changes in the scope of consolidated companies	–	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	–	–	–	–	–	–
Sale of treasury shares	–	–	2	–	–	–	–	2	–	2
Balance at December 31, 2009	**283**	**622**	**–292**	**–234**	**110**	**2**	**2**	**493**	**27**	**520**
Net profit	–	–	–	–	3	–	–	3	2	5
Other comprehensive income										
Fair value adjustments on hedged items	–	–	–	–	–	–1	–	–1	–	–1
Realization of hedged items transferred to the income statement	–	–	–	–	–	–2	–	–2	–	–2
Defined benefit plan actuarial losses	–	–	–	–	–62	–	–	–62	–	–62
Income taxes on other comprehensive income	–	–	–	–	–	–	21	21	–	21
Conversion differences	–	–	–	–207	–	–	–	–207	–1	–208
Total other comprehensive income for the period	**–**	**–**	**–**	**–207**	**–62**	**–3**	**21**	**–251**	**–1**	**–252**
Reduction of nominal share value [3]	–269	269	–	–	–	–	–	–	–	–
Capital increase [4]	309	817	–	–	–	–	–	1 126	–	1 126
Dividend distributions	–	–	–	–	–	–	–	–	–2	–2
Acquisition of non-controlling interest	–	–7	–	–	–	–	–	–7	–2	–9
Share-based payments	–	–	–	–	2	–	–	2	–	2
Purchase of treasury shares	–	–	–3	–	–	–	–	–3	–	–3
Sale of treasury shares	–	–226	293	–	–	–	–	67	–	67
Balance at December 31, 2010	**323**	**1 475**	**–2**	**–441**	**53**	**–1**	**23**	**1 430**	**24**	**1 454**

[1] The share capital of OC Oerlikon Corporation AG, Pfäffikon consists of 323 085 471 registered shares of nominal value CHF 1.

[2] As of December 31, 2010, additional paid-in capital includes CHF 197 million of legal reserves in OC Oerlikon Corporation AG, Pfäffikon.

[3] The reduction of the nominal share value has been allocated to the additional paid-in capital.

[4] Net of transaction costs.

Treasury shares	Number of shares	Price per share in CHF	Cost in CHF million	Fair value in CHF million	Result in CHF million
Balance at January 1, 2009	**1 329 164**	**221**	**294**		**1**
Sale 2009	–	–	–	–	–
Sale 2009 due to employee purchase plan	–10 944	221	–2	–2	–
Purchase 2009	–	–	–	–	–
Repurchase of employee shares	89	29	–	–	–
Balance at December 31, 2009	**1 318 309**	**221**	**292**		**–**
Sale 2010 [5]	–1 318 309	35	–292	–47	–245
Sale 2010 due to employee purchase plan	–215 855	5	–1	–1	–
Purchase 2010	515 855	5	3	–	–
Repurchase of employee shares	–	–	–	–	–
Balance at December 31, 2010	**300 000**	**5**	**2**		**–245**

[5] As part of the financial restructuring, the company has granted the lenders the option to purchase some or all of the 1 318 309 treasury shares held by the company at the volume-weighted average price (VWAP) of the existing shares during the four trading days following the public announcement of the lenders' consent to the restructuring on April 1, 2010. The option to purchase theses shares has been fully exercised.

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.

Apart from its activities in Switzerland, the Oerlikon Group operates in the EU region, North America and Asia, and employs some 16 657 individuals.

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 21, 2011 and will be submitted to the Annual General Meeting of Shareholders on May 10, 2011, for approval. All standards issued by the IASB and all interpretations of the IFRS 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 material 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 held 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.

Judgements, 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, judgements 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, goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net recognized amount of the identifiable assets acquired and liabilities assumed (which are generally recognized at fair value). This process calls for an assessment by management of the fair values of these items. Management's judgement 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 operations 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 23.

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, 2010:
- IFRS 2 amended – Group Cash-settled Share-based Payment Transactions
- IFRS 3 revised – Business Combinations
- IAS 27 amended – Consolidated and Separate Financial Statements
- IAS 39 amended – Financial Instruments: Recognition and Measurement
- Improvements to IFRS (April 2009)
- IFRIC 17 – Distributions of Non-cash Assets to Owners

The new and revised accounting standards had no material effect on the consolidated financial statements.

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 later 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
IAS 32 amended – Financial Instruments: Presentation – Classification of Rights Issues	*	1 February 2010	Reporting year 2011
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	*	1 July 2010	Reporting year 2011
Improvements to IFRSs (May 2010)	*	1 July 2010 1 January 2011	Reporting year 2011
IAS 24 rev. – Related Party Disclosures	*	1 January 2011	Reporting year 2011
IFRIC 14 amended: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement	*	1 January 2011	Reporting year 2011
IFRS 9 – Financial Instruments	**	1 January 2013	Reporting year 2013
IFRS 7 amended – Disclosures Transfers of Financial Assets	**	1 July 2011	Reporting year 2012
IAS 12 amended – Deferred Tax: Recovery of Underlying Assets)	**	1 January 2012	Reporting year 2012

* No impact or no significant impact is expected on the consolidated financial statements of Oerlikon.

** The revised standards are effective as of reporting year 2012 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.

Non-controlling 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

As of December 16, 2010, the Oerlikon Group acquired the business of Hartec Anlagenbau GmbH (Germany). During 2010, the minority interests in Oerlikon Balzers-ELAY Coating S.A. and AUTEFA automation GmbH were bought out. In addition, AUTEFA Nonwoven GmbH was merged into AUTEFA automation GmbH and Oerlikon SB Holdings Arbon AG was merged into Saurer AG. Finally, Unaxis IT (UK) Ltd. was liquidated.

Refer to note 2 for details.

Business combinations and goodwill

The equity consolidation follows the "acquisition method of accounting". At the date of their initial consolidation the identifiable assets acquired and liabilities assumed of subsidiaries are measured at fair value. Goodwill is measured at the acquisition date as the fair value of the consideration transferred less the net recognized assets. 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 recognized in other comprehensive income. 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 recognized in other comprehensive income. In the year that a foreign company is divested, the cumulative translation differences recorded directly in other comprehensive income are reclassified to 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 is an advisory body to the Chief Executive Officer (CEO). The CEO performs the function of the Chief Operating Decision maker (CODM) and assesses performance and makes resource allocation decisions. 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.
- Drive Systems Segment manufactures gears and other components for power transmission, mainly in motor vehicles.
- Vacuum Segment develops application- and customer-specific systems for the creation of vacuums and extraction of processing gases.
- Solar Segment supplies equipment for mass production of solar panels.
- Coating Segment supplies metal coatings that improve the performance of tools and precision components, offering coating services at 85 centers worldwide.
- Advanced Technologies Segment develops applications and technologies, from which the highest precision and accuracy is required and 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 values, with their values adjusted as required through the income statement. Gains or losses are measured by reference to fair value. Unquoted securities are valued by standard valuation methods, with value adjustments also through the income statement.

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 indefinite 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 fulfils 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 the income statement.

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 the income statement, 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, licences, 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 6) 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 judgement 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 Group 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 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 Group 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 Group Treasury and in certain instances hedged at Group level (note 21).

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, Group 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 Group 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 can not 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). For cash-settled plans, a liability is recorded, which is measured at fair value at each reporting date with any movements in fair value being recorded as personnel expense.

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.

Notes to the consolidated financial statements

Capital and Debt Restructuring

Note 1

The financial restructuring encompassed the following steps, which were mutually dependent on each other and were approved by the company's annual general meeting on May 18, 2010 to the extent that they fall within the general meeting's authority:

– The company has granted the lenders the option to purchase some or all of the 1 318 309 treasury shares held by the company at the volume-weighted average price (VWAP) of CHF 35.40 during the four trading days following the public announcement of the lenders' consent to the restructuring on April 1, 2010. The option to purchase these shares expired on April 14, 2010, and has been fully exercised. The purchase price in the amount of CHF 47 million was settled in the amount of CHF 25 million by set-off of loans and in the amount of CHF 22 million as a partial set-off of fees owed by the company to the lenders prior to completion of the offering.
– The company's share capital has been reduced from CHF 283 million to CHF 14 million by reducing the nominal value of each existing share from CHF 20 to CHF 1.
– Subsequently, the company's share capital was increased back to its original amount of CHF 283 million by the issue of 268 706 303 offered shares in the offering.
– Any offered shares not subscribed for as Tranche A shares were issued to the lenders as Tranche B shares in a second capital increase under the exclusion of subscription rights of the existing shareholders and paid for by a set-off of loans in the amount of CHF 140 million.
– In addition, the company increased its share capital from CHF 283 million to CHF 323 million by the issue of 40 236 731 additional new Tranche C shares to the lenders, also payable by the lenders by means of set-off of debt in the amount of CHF 150 million.
– Furthermore, the company issued 16 944 182 warrants to the lenders after completion of the offering. Each warrant provided its holder with an option to purchase one share in the company at an exercise price of CHF 6 per share to be paid to the company in cash upon exercise of the warrant. The warrants may be exercised at any time from mid-September 2010, until June 30, 2014. The new shares to be delivered upon exercise of the warrants will be sourced from the newly created conditional capital. During 2010, no warrants have been exercised.
– In addition, the lenders have waived CHF 125 million of debt under the existing facilities due to the high take-up of new shares (as new shares offers to the public investors in an amount of at least CHF 400 million were paid for in cash in the offering).
– Total capital increase, debt waiver and set-off by the lenders of loans upon purchase of the treasury shares was CHF 1 299 million, consisting of debt set-off of CHF 25 million upon purchase of the treasury shares by the lenders, liquidity increase of CHF 301 million, capital increase proceeds (paid in cash) repaying the existing facility of CHF 558 million, the capital increase proceeds setting-off debt of CHF 290 million and the additional debt waiver of CHF 125 million (recognized in other financial income, refer to note 5).
– CHF 301 million in cash was used for payment of the transaction costs and general corporate purposes, including continued significant investments in research and development as well as capital expenditures to address anticipated growth trends, a further expansion into emerging markets and the completion of operational restructuring to improve operational efficiency.
– After closing of the transactions, the new facility in June 2010 appeared as follows:

In CHF million	Currency	Nominal interest rate	Year of maturity	Face value
Syndicated loan/revolving credit facility A	CHF	Libor + 4.5 %	2014	435
Syndicated loan/term loan B	CHF	Libor + 4.5 %	2014	572
Syndicated loan/term loan C	CHF	Libor + 4 % + 7 % PIK*	2014	468

*PIK = payment-in-kind.

Out of the new loan, facility B and C were fully drawn (CHF 1 040 million). Facility A consisted of a CHF 165 million revolving facility (fully undrawn) and a CHF 270 million ancillary facility (partly used) for guarantee purposes.

Refer to note 19 for the terms and debt repayment schedule and related information as of December 31, 2010.

The new facility contains the following financial covenants, which are tested for compliance quarterly or annually:
– Net debt / EBITDA covenant
– Interest cover covenant
– Equity covenant
– Minimum liquidity covenant
– Absolute EBITDA covenant
– CAPEX covenant

The realigned facility is secured by collateral pledges of shares held in significant subsidiaries and by guarantees given by such subsidiaries to the benefit of the lenders. In addition, certain assets have been provided as security by OC Oerlikon Corporation AG, Pfäffikon, and by certain of its subsidiaries as collateral for the syndicated loan. Refer to note 28 for further details on pledged assets.

Changes in scope of consolidation and Group structure

Note 2

Acquisition of Hartec Anlagenbau GmbH
As of December 16, 2010, the Oerlikon Group acquired the business of Hartec Anlagenbau GmbH (Germany). Hartec Anlagenbau GmbH, located in Stetten (Germany), is specialized in PVD coatings which allow an environmentally friendly, decorative und functional coating for plastics. The company, to be known as Oerlikon Balzers Hartec GmbH, complements the portfolio of Oerlikon Balzers and has been integrated into the Oerlikon Coating Segment.

The provisional goodwill of CHF 17 million arising from this acquisition represents the expected potential for synergies deriving from the combination of Hartec Anlagenbau GmbH with Oerlikon, the merging of the two workforces and all other intangible assets which could not be separately identified.

Hartec Anlagenbau GmbH was consolidated for the first time as of December 31, 2010. For 2010, the company reported sales of CHF 14 million and a profit of 2 million.

The assets and liabilities of Hartec Anlagenbau GmbH are included in the consolidated financial statements of Oerlikon Group at provisional values, because the process of determining fair values for Hartec Anlagenbau GmbH identifiable assets, liabilities and contingent liabilities is not yet complete. The provisional acquisition accounting gives rise to a goodwill figure of CHF 17 million. However, the goodwill itself and also the extent and values of identified assets, liabilities and contingent liabilities included in the acquisition accounting are subject to change. The acquisition accounting process will be concluded in the second quarter of 2011.

Increase in investments in subsidiaries
OC Oerlikon Corporation AG, Pfäffikon increased its investment in Oerlikon Balzers-ELAY Coating S.A., Antzuola (Spain) to 100 percent. The remaining 49 percent minority interests were bought out on February 26, 2010.

As of December 17, 2010, Oerlikon Textile GmbH & Co. KG acquired the remaining minority interests in AUTEFA automation GmbH and now holds 100 percent of the company.

Mergers and liquidations of subsidiaries
On April 28, 2010, AUTEFA Nonwoven GmbH was merged into AUTEFA automation GmbH and on November 30, 2010 Oerlikon SB Holdings Arbon AG was merged into Saurer AG.

On June 25, 2010, Unaxis IT (UK) Ltd. was liquidated.

Other income and expenses

Note 3

in CHF million	**2010**	2009
Licensing, patent and know-how income	1	1
Change in post-employment benefit plan accruals	2	1
Rental income from non-operating real estate	12	16
Gain on sale of non-operating real estate	8	1
Other income	22	24
Other income	**45**	**43**
Taxes not based on income	–9	–3
Impairment of non-current assets	–23	–16
Other expenses	–9	–29
Other expenses	**–41**	**–48**
Other income and expenses	**4**	**–5**

Expenses included in EBIT

Note 4

in CHF million	**2010**	2009
Personnel expense [1]		
Salaries and wages	797	787
Social security and other employee benefits [2]	218	214
Total	**1 015**	**1 001**
Depreciation and amortization [3]		
– operating property, plant and equipment	156	170
of which in:		
Cost of sales	120	130
Marketing and selling	3	3
Research and development	12	12
Administration	21	25
– intangible assets (excluding goodwill)	39	36
of which in:		
Cost of sales	3	3
Marketing and selling	2	2
Research and development	25	21
Administration	9	10
Total	**195**	**206**
Restructuring costs [4]	**49**	**107**

[1] Discontinued operations are excluded from personnel expense in the previous year. Personnel expense for these operations amounted to CHF 40 million in 2009.

[2] Included in the CHF 218 million expense for social security and other benefits is CHF 27 million (previous year: CHF 22 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 in the previous year.

[3] Depreciation of property, plant and equipment of discontinued operations amounts to CHF 3 million in the previous year, which are excluded.

[4] Of the total restructuring cost of CHF 49 million in 2010, CHF 34 million relate to the Drive Systems Segment incurred in connection with the reorganization of this Segment. The other restructuring costs of CHF 15 million relate to the Segments Vacuum (CHF 8 million), Textile (CHF 5 million) and Coating (CHF 2 million) and were incurred in connection with measures taken for the purpose of cost-cutting and reduction of break-even levels.

Financial income and expenses

Note 5

in CHF million	2010	2009
Interest income	4	3
Other financial income [1]	126	5
Financial income	**130**	**8**
Interest on financial debt [2]	–96	–77
Interest on provisions for post-employment benefit plans	–19	–28
Other financial expenses	–49	–49
Foreign currency loss, net	–24	–11
Financial expense	**–188**	**–165**
Total	**–58**	**–157**

[1] Other financial income includes the debt waiver of CHF 125 million in connection with the capital and debt restructuring (see note 1).

[2] The total interest expenses amounted to CHF 139 million (previous year: CHF 121 million) which is included in interest on financial debt and other financial expenses.

Income taxes

Note 6

in CHF million	2010	2009
Current income tax expense (–) / income (+)	–38	52
Deferred tax income (+) / expense (–)	50	–2
Total	**12**	**50**

Analysis of tax expense

in CHF million	2010	2009
Result before taxes from continued operations	–7	–746
Result before taxes from discontinued operations	–	106
Total	**–7**	**–640**
Tax income from continued operations	12	50
Tax expense from discontinued operations	–	–2
Total	**12**	**48**
Expected tax income [1]	2	150
Difference between actual and expected tax expense	**10**	**–102**

The difference between the tax income calculated using the weighted average tax rate of Oerlikon Group (expected tax income) of 28.9 percent (previous year: 23.4 percent) and the effective tax income arises from the following factors:

Non-taxable income and expenses	–22	–6
Unrecognized deferred taxes on current-year losses	–20	–136
Non-refundable withholding tax	–8	–3
Utilization of unrecognized tax loss carry forwards from previous periods	2	2
Tax income from prior periods	7	50
Recognition / (derecognition) of previously not recognized / (recognized) tax losses	45	–6
Other effects	6	–3
	10	**–102**

[1] The expected tax income 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.

Note 6 (cont.)

Deferred taxes

Composition of deferred taxes

in CHF million	2010 Deferred tax balances Assets	2010 Deferred tax balances Liabilities	2009 Deferred tax balances Assets	2009 Deferred tax balances Liabilities
Trade accounts receivable	1	1	1	1
Other receivables and accruals	3	10	6	1
Inventories	35	1	22	6
Financial assets	1	2	4	24
Property, plant and equipment	16	57	16	71
Intangible assets	4	114	6	132
Assets	**60**	**185**	**55**	**235**
Other current and long-term liabilities	8	18	6	4
Financial liabilities	5	2	6	4
Provisions	82	4	72	4
Liabilities	**95**	**24**	**84**	**12**
Deferred tax asset from recognized tax loss carry forwards [1]	90	–	55	–
Netting	–132	–132	–122	–122
Total	**113**	**77**	**72**	**125**

[1] In 2010 tax loss carry forwards of CHF 483 million for federal taxes and CHF 220 million for state/local taxes were recognized (previous year: CHF 355 million for federal taxes and CHF 146 million for state/local taxes).

Tax income of CHF 21 million (previous year: CHF 10 million) has been recognized in other comprehensive income.

Utilization of tax loss carry forwards is limited as follows:

in CHF million	Tax losses not recognized as deferred tax assets		Total tax loss carry forwards	
	federal tax	state / local tax	federal tax	state / local tax
1 year	14	4	29	4
2 years	21	15	61	32
3 years	13	3	43	3
4 years	47	3	49	3
5 years	71	49	85	50
over 5 years	340	272	722	474
Total	**506**	**346**	**989**	**566**

Compared to previous year tax loss carry forwards not recognized decreased significantly (decrease of CHF 293 million for federal taxes and CHF 257 million for state/local taxes). This was mainly caused by recognition of prior year tax losses previously not recognized as deferred tax assets as well as the expiry of tax losses.

The deferred tax on unrecognized tax loss carry forwards would amount to CHF 92 million in 2010 (previous year: CHF 211 million).

Earnings per share

Note 7

in CHF million	2010	2009
Result from continuing operations	5	–696
Result from discontinued operations	–	104
Net profit / loss	**5**	**–592**
Non-controlling interest	2	–
Net profit / loss attributable to shareholders	**3**	**–592**
Earnings per registered share in CHF [1]	0.01	–46.16
Diluted earnings per registered share in CHF [1]	0.01	–46.16
Earnings per registered share continuing operations in CHF	0.01	–54.27
Diluted earnings per registered share continuing operations in CHF	0.01	–54.27
Earnings per registered share discontinued operations in CHF	–	8.11
Diluted earnings per registered share discontinued operations in CHF	–	8.11

[1] Earnings per share of CHF 0.01 has been calculated on the basis of a net profit of CHF 3 million attributable to shareholders (previous year: CHF –592 million) and the average weighted number of outstanding shares (issued shares less treasury shares). In 2010, the average weighted number of shares entitled to vote and receive dividends amounted to 206 792 397 (previous year: 12 824 128). Diluted earnings per share amounted to CHF 0.01. The average weighted number of shares used in the calculation of diluted earnings per share amounted to 206 792 397 (previous year: 12 824 128).

Number of outstanding shares:	2010	2009
Total shares issued at year-end	323 085 471	14 142 437
Weighted average number of shares outstanding at year-end	206 792 397	12 824 128
Effect of potential excercise of option rights	–	–
Weighted average number of shares diluted at year-end	206 792 397	12 824 128

Cash and cash equivalents

Note 8

in CHF million	2010	2009
Cash, postal and bank current accounts	665	340
Time deposits	86	17
Total	**751**	**357**

CHF 147 million (previous year: CHF 91 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	2010	2009
CHF	346	106
EUR	212	132
USD	38	29
CNY	105	53
Others	50	37
Total	**751**	**357**

Financial investments

Note 9

in CHF million	2010	2009
Current [1]	6	12
Non-current	–	–
Financial assets, carried at fair value	**6**	**12**
Current	–	–
Non-current [2]	33	33
Financial assets, carried at cost	**33**	**33**
Current	32	8
Non-current	–	–
Derivatives used for hedging [3]	**32**	**8**
Total current financial investments	**38**	**20**
Total non-current financial investments	**33**	**33**
Total	**71**	**53**

[1] Financial assets carried at fair value include marketable securities held as funding for the provision for partial retirement.

[2] Non-current financial assets carried at cost 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.

[3] Valued at forward rates.

Loans and receivables

Note 10

in CHF million	2010	2009
Current		
Trade receivables	508	402
Trade notes receivable	80	31
Other receivables [1]	164	221
Non-current		
Loans and other non-current financial receivables	8	11
Total	**760**	**665**

[1] 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 which are not completely pre-financed by customer advances.

Inventories

Note 11

in CHF million	2010 Gross value	2010 Value adjustment	2010 **Net value**	2009 Gross value	2009 Value adjustment	2009 **Net value**
Raw material and components	270	–60	**210**	268	–68	**200**
Work in progress	162	–42	**120**	184	–20	**164**
Finished goods	98	–23	**75**	164	–38	**126**
Trade merchandise	93	–30	**63**	63	–19	**44**
Total	623	–155	**468**	679	–145	**534**

Amounts charged to the income statement for write-downs of inventories in the reporting year were CHF 26 million (previous year: CHF 40 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	**2010**	2009
POC sales recognized as revenue in the period [1]	**576**	566
Aggregate contract costs incurred and recognized contract profits to date [1]	**725**	1 033
Gross amount due from customers for contract work as an asset	**74**	98
Net amount of customer advances for POC projects [2]	**46**	9

[1] Discontinued operations are excluded in the previous year which amounted to CHF 54 million. No losses were generated.

[2] This amount is included in current customer advances totaling CHF 335 million (previous year: CHF 136 million).

Property, plant and equipment

Note 12

in CHF million	Plant, equipment and furniture	Production and administration buildings[1]	Developed land	Facilities under construction	Non-operating real estate	**2010 Total**
Cost						
Balance at January 1, 2010	1 429	642	112	38	2	2 223
Conversion differences	–153	–53	–15	–5	–	–226
Changes in the scope of consolidated companies	2	–	–	–	–	2
Additions	74	5	–	36	–	115
Disposals	–38	–2	–3	–2	–	–45
Reclassifications to / from assets held for sale	–17	–12	–1	–	–	–30
Transfers	8	23	2	–31	–2	–
Balance at December 31, 2010	1 305	603	95	36	–	2 039
Accumulated depreciation and impairment losses						
Balance at January 1, 2010	–858	–227	–1	–	–	–1 086
Conversion differences	105	1	–	–	–	106
Changes in the scope of consolidated companies	–	–	–	–	–	–
Depreciation	–132	–24	–	–	–	–156
Impairment losses	–5	–16	–1	–	–	–22
Disposals	34	3	2	–	–	39
Reclassifications to / from assets held for sale	14	8	–	–	–	22
Transfers	8	–8	–	–	–	–
Balance at December 31, 2010	–834	–263	–	–	–	–1 097
Net Group values at December 31, 2009	571	415	111	38	2	1 137
Net Group values at December 31, 2010	**471**	**340**	**95**	**36**	**–**	**942**
Of which assets held under finance leases	263	75	–	–	–	338
Insured values in event of fire	2 625	1 429	2	5	–	4 061

Open purchase commitments for property, plant and equipment at the end of 2010 amounted to CHF 5 million (previous year: CHF 27 million).

[1] 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 12 (cont.)

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	Non-operating real estate	**2009 Total**
Cost						
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
Accumulated depreciation and impairment losses						
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
Net Group values at December 31, 2009	**571**	**415**	**111**	**38**	**2**	**1 137**
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

Intangible assets

Note 13

in CHF million	Goodwill	Software	Technology and Development costs [1]	Other intangible assets [2]	2010 Total
Cost					
Balance at January 1, 2010	1 367	50	102	535	2 054
Conversion differences	–167	–4	–11	–62	–244
Changes in the scope of consolidated companies	19	–	–	2	21
Additions	–	2	33	–	35
Disposals	–	–4	–1	–	–5
Reclassifications to assets held for sale	–	–	–2	–4	–6
Transfers	–	–	–	–	–
Balance at December 31, 2010	1 219	44	121	471	1 855
Accumulated amortization and impairment losses					
Balance at January 1, 2010	–452	–33	–24	–74	–583
Conversion differences	52	3	3	2	60
Changes in the scope of consolidated companies	–	–	–	–	–
Amortization	–	–5	–16	–18	–39
Impairment losses	–3	–	–6	–1	–10
Disposals	–	4	1	–	5
Reclassifications to assets held for sale	–	–	1	4	5
Transfers	–	–	–	–	–
Balance at December 31, 2010	–403	–31	–41	–87	–562
Net Group values at December 31, 2009	915	17	78	461	1 471
Net Group values at December 31, 2010	**816**	**13**	**80**	**384**	**1 293**

[1] 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.

[2] Other intangible assets include brands of CHF 344 million (previous year: CHF 398 million) with indefinite life.

The capitalized development costs pertain to the Segments as follows:

Capitalized development costs for the period

in CHF million	2010	2009
Oerlikon Textile	11	11
Oerlikon Drive Systems	–	–
Oerlikon Vacuum	6	3
Oerlikon Solar	9	4
Oerlikon Coating	5	8
Oerlikon Advanced Technologies	1	–
Total	**32**	**26**

Intangible assets

Note 13 (cont.)

Goodwill and brands are attributed to the Segments as follows:

Goodwill and Brands

in CHF million	**2010**	2009	**2010**	2009
		Goodwill		Brands
Oerlikon Textile	252	291	271	313
Schlafhorst	–	–	129	150
Neumag	7	8	39	47
Barmag	111	128	99	113
Saurer	55	63	–	–
Components	79	92	3	3
Oerlikon Drive Systems	497	571	73	85
Graziano	245	283	59	70
Fairfield	252	288	14	15
Oerlikon Solar	2	2	–	–
Oerlikon Coating	27	14	–	–
Oerlikon Advanced Technologies	38	37	–	–
Total	**816**	**915**	**344**	**398**

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. In 2009, the goodwill has been allocated to individual business units within the Segments on their relative enterprise values for the first time. 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 realisable 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 2011 to 2015. 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 call for an impairment of CHF 3 million within the Coating Segment (previous year: CHF 202 million within the Textile Segment).

Detailed results of the goodwill impairment testing are presented below for the three significant goodwill items (Textile, Drive Systems, and Advanced Technologies), representing 96 percent of the net book value at December 31, 2010.

The following pre-tax discount rates were used:

Discount rates per Segment

Oerlikon Textile	8.9–9.7 %
Oerlikon Drive Systems	9.9 %
Oerlikon Advanced Technologies	11.3 %

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 2011 to 2015, 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).

For the business units of the Textile Segment and 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 additional 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 additional impairment of goodwill.

Intangible assets

Note 13 (cont.)

Previous year

in CHF million	Goodwill	Software	Technology and Development costs	Other intangible assets	**2009 Total**
Cost					
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
Accumulated amortization and impairment losses					
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
Net Group values at December 31, 2009	**915**	**17**	**78**	**461**	**1 471**

Post-employment benefit provisions

Note 14

in CHF million	**2010**	within 1 year	Due beyond 1 year	2009	within 1 year	Due beyond 1 year
Post-employment benefit provisions	510	26	484	554	16	538
Other long-term employee benefit provisions	17	2	15	26	2	24
Total	**527**	28	499	580	18	562

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

	2010			2009		
in CHF million	**Total**	Defined benefit	Defined contribution	Total	Defined benefit	Defined contribution
Number of plans						
Funded plans [1]	**38**	26	12	32	23	9
Unfunded plans	**29**	29	–	17	17	–
Number of insured members						
Active members [1]	**12 968**	11 211	1 757	12 321	10 725	1 596
Vested terminations [2]	**5 438**	4 873	565	5 282	5 282	–
Retired members	**8 842**	8 521	321	10 397	9 340	1 057
in CHF million						
Pension cost (operative)	**27**	23	4	22	19	3
Pension cost (financial)	**19**	19	–	28	28	–
Total post-employment benefit plan cost	**46**	42	4	50	47	3
Post-employment benefit provisions	**510**	510	–	554	553	1
Post-employment benefit assets	**–**	–	–	1	1	–

[1] In certain companies the number of plans has been disaggregated to show further detail. Prior year figures have been adjusted.

[2] Former employees of a Group company with vested rights in a pension plan.

Post-employment benefit provisions and pension surplus

Note 14 (cont.)

Defined benefit plans

in CHF million	2010 Total	2010 Funded	2010 Unfunded	2009 Total	2009 Funded	2009 Unfunded
Plan assets at market value [3]	**682**	682	–	730	730	–
Projected benefit obligation (PBO)	**–1 158**	–763	–395	–1 215	–776	–439
Assets below PBO	**–476**	–81	–395	–485	–46	–439
Post-employment benefit provisions [4]	**510**	120	390	553	114	439
Post-employment benefit assets	**–**	–	–	1	1	–
Unrecognized surplus	**39**	39	–	69	69	–
of which:						
– Past service costs	**2**	2	–	3	3	–
– Unrecognized assets (effect of capitalization limit IAS 19.58(b))	**37**	37	–	66	66	–

[3] Plan assets include:	2010	2010	2009	2009
Equity instruments	**195**	29 %	196	27 %
Bonds and other obligations	**225**	32 %	262	35 %
Real estate [5]	**94**	14 %	107	15 %
Other	**168**	25 %	165	23 %
Total plan assets	**682**	100 %	730	100 %

[4] Post-employment benefit provisions amounting to CHF 5 million have been transferred to liabilities classified as held for sale in accordance with IFRS 5.

[5] Plan assets include real estate in Germany with a fair value of CHF 9 million (previous year: CHF 20 million); the property is rented by a Group company, with an annual rent of CHF 1 million (previous year: CHF 1 million).

Funded status and experience adjustments	2010	2009	2008	2007	2006
Projected benefit obligation (PBO)	**–1 158**	–1 215	–1 335	–1 471	–1 566
Plan assets at market value	**682**	730	861	1 028	1 008
Assets below PBO	**–476**	–485	–474	–443	–558
Experience adjustments					
– to obligations	**12**	–3	–7	–43	–2
– to plan assets	**7**	14	–147	–8	1

Post-employment benefit provisions

Note 14 (cont.)

in CHF million	2010	2009
Plan assets at market value at January 1	**730**	**861**
Expected return on plan assets	34	34
Employee contributions	9	10
Employer contributions	19	17
Actuarial gains	7	23
Curtailments / settlements	–20	–
Amounts paid out	–61	–73
Changes in the scope of consolidated companies	–	–139
Conversion differences	–36	–3
Plan assets at market value at December 31	**682**	**730**
Present value of projected benefit obligation (PBO) at January 1	**1 215**	**1 335**
Service cost	33	36
Interest cost	53	62
Plan curtailments	–20	–5
Actuarial losses	94	48
Amounts paid out	–92	–101
Changes in the scope of consolidated companies	–	–152
Conversion differences	–125	–8
Present value of projected benefit obligation (PBO) at December 31	**1 158**	**1 215**
Pension cost – defined benefit plans		
Current service costs	–33	–35
Employee contributions	9	10
Current service costs after deduction of employee contributions	**–24**	**–25**
Interest costs	–53	–62
Expected return on plan assets	34	34
Effect of plan mutations	–	1
Gains from terminations and curtailments	1	5
Total pension cost – defined benefit plans	**–42**	**–47**

Assumptions used in actuarial calculations	2010	2009
(weighted average rates)		
Discount rate	3.9%	4.7%
Salary progression	1.8%	1.9%
Benefit progression	0.8%	0.8%
Return on plan assets	3.8%	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 other comprehensive income. In 2010, the actual return on plan assets was CHF 41 million (previous year: CHF 57 million).

Actuarial losses recognized in other comprehensive income

in CHF million	2010	2009
Accumulated values at January 1	**35**	**20**
Actuarial losses recognized during year	62	25
Changes in the scope of consolidated companies	–	–10
Accumulated values at December 31	**97**	**35**
Effect of capitalization limit IAS 19.58(b)	–29	–

The employer contributions for 2011 are expected to be approximately CHF 21 million (previous year: CHF 20 million).

Liabilities

Note 15

in CHF million	2010	2009
Current		
Bank debts	1	12
Financial leases	1	6
Loans payable [1]	4	2 022
Trade payables	419	332
Other payables, excluding derivatives	76	74
Total	**501**	**2 446**
Derivatives used for hedging	47	3
Total current financial liabilities	**548**	**2 449**
Non-current		
Loans payable	1 022	7
Financial leases	3	4
Total non-current financial liabilities	**1 025**	**11**

[1] The classification as short-term reflects the provisions of IAS 1 as of December 31, 2009. After completion of the refinancing arrangement discussed in note 1 such loans were reclassified as long-term.

Accrued liabilities

Note 16

in CHF million	2010	2009
Accrued personnel costs	109	90
Accrued material costs	58	67
Other accrued liabilities	78	75
Total	**245**	**232**

Provisions

Note 17

in CHF million	Product warranties	Onerous contracts [1]	Restructuring [2]	Other provisions [3]	2010 Total
Balance at January 1, 2010	68	31	74	67	**240**
Conversion differences	–6	–3	–12	–3	**–24**
Change in the scope of consolidated companies	–	–	–	–	**–**
Additions	42	4	51	42	**139**
Amounts used	–25	–6	–44	–38	**–113**
Amounts reversed	–7	–9	–8	–30	**–54**
Transfers	–2	–	–1	–	**–3**
Balance at December 31, 2010	**70**	**17**	**60**	**38**	**185**
Due within 1 year	68	8	27	22	**125**
Due beyond 1 year [4]	2	9	33	16	**60**

[1] 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.

[2] The restructuring provisions pertain to the Segments as follows:

in CHF million	Restructuring
Textile	11
Drive Systems	35
Vacuum	11
Coating	3
Total	**60**

The restructuring provisions in the Drive Systems Segment relate to the reorganization of this Segment.

[3] 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.

[4] For the long-term provisions the cash outflow is assumed to be within the next two to three years.

Financial instruments

Note 18

in CHF million	2010 Contract volume	2010 Fair value positive	2010 Fair value negative	2009 Contract volume	2009 Fair value positive	2009 Fair value negative
Forward exchange contracts	**499**	**29**	**47**	**519**	**8**	**3**
Interest-rate derivatives	**600**	**3**	**–**	**755**	**–**	**–**
Interest-rate swaps	–	–	–	5	–	–
Interest caps [1]	600	3	–	750	–	–
Total	**1 099**	**32**	**47**	**1 274**	**8**	**3**

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 (roll-over/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 base 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 and interest-rate derivatives 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
Forward exchange contracts							
2010	–18	**499**	461	35	3	–	–
2009	5	**519**	456	63	–	–	–
Interest-rate swaps							
2010	–	**–**	–	–	–	–	–
2009	–	**5**	1	4	–	–	–
Interest caps							
2010	3	**3**	–	–	–	3	–
2009	–	**–**	–	–	–	–	–

[1] As a hedge against the interest rate risk inherent in the interest rate of the syndicated loan, two interest caps were taken out in June 2010 for a nominal amount of CHF 600 million. The interest caps run to 2014, and over that period they compensate for any excess of the 3-month-CHF-Libor over 2 percent by paying out the difference.

Every 3 months a comparison is made between current 3-month-CHF-Libor and the interest rate upper limit of 2 percent. If 3-month-Libor exceeds 2 percent, Oerlikon receives a payment in compensation.

The total premiums of CHF 6.9 million payable at the inception of this contract were capitalized and were remeasured to fair value in the balance sheet at December 31, 2010. The interest cap is booked through the income statement.

Liquidity risk

Note 19

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. Group 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 is 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	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
						2010
Bank overdrafts	–1	–1	–1	–	–	–
Fixed advances	2	2	2	–	–	–
Trade payables	419	419	419	–	–	–
Loans and borrowings [1]	1 026	1 382	47	1 335	–	–
Gross finance lease obligation	4	4	–	1	3	–
Accrued liabilities	130	130	130	–	–	–
Non-derivative financial liabilities	**1 580**	**1 936**	**597**	**1 336**	**3**	**–**
Forward exchange contracts used for hedging	18	499	496	3	–	–
– thereof: for hedging fx-outflows	–	90	87	3	–	–
– thereof: for hedging fx-inflows	18	409	409	–	–	–
Derivative financial instruments [2]	**18**	**499**	**496**	**3**	**–**	**–**
Total	**1 598**	**2 435**	**1 093**	**1 339**	**3**	**–**

[1] The difference of CHF 356 million between carrying amount and contractual cash flow is based on capitalized transaction costs (CHF 27 million) from the refinancing of the credit facility and future gross interests on loans and borrowings (including PIK) of CHF 329 million.

[2] Contractual cash flows relate to underlying transactions which cover the contractual cash flows almost completely.

in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
						2009
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	–	–	–
Non-derivative financial liabilities	**2 525**	**2 562**	**2 514**	**44**	**4**	**22**
Forward exchange contracts used for hedging	–5	519	519	–	–	–
– thereof: for hedging fx-outflows	–	217	217	–	–	–
– thereof: for hedging fx-inflows	–5	302	302	–	–	–
Derivative financial instruments	**–5**	**519**	**519**	**–**	**–**	**–**
Total	**2 520**	**3 081**	**3 033**	**44**	**4**	**22**

Terms and debt repayment schedule

Note 19 (cont.)

in CHF million	Currency	Nominal interest rate	Year of maturity	2010 Face value	2010 Carrying amount
Syndicated loan /Term Loan (Facility B)[1]	CHF	Libor + 2.50 %	2014	132	105
Syndicated loan /Term Loan (Facility B)	CHF	Libor + 2.50 %	2014	121	121
Syndicated loan /Term Loan (Facility B)	EUR	Libor + 2.50 %	2014	149	149
Syndicated loan /Term Loan (Facility B)	EUR	Libor + 2.50 %	2014	105	105
Syndicated loan /Term Loan (Facility B)	USD	Libor + 2.50 %	2014	55	55
Syndicated loan /Term Loan (Facility C)[2]	CHF	Libor + 11.00 %	2014	485	485
Finance lease long-term[7]	var.	var.	2011–2027	3	3
Finance lease short-term[7]	var.	var.	var.	1	1
Various short- and long-term liabilities[3]	var.	var.	var.	7	7
Total interest-bearing liabilities					**1 031**

in CHF million	Currency	Nominal interest rate	Year of maturity	2009 Face value	2009 Carrying amount
Syndicated loan / term loan (Facility A)[4]	CHF	Libor + 4.50 %	2010	399	396
Syndicated loan / term loan (Facility A)	CHF	Libor + 4.50 %	2010	195	195
Syndicated loan / revolving facility (Facility B)[5]	CHF	Libor + 4.50 %	2012	600	564
Syndicated loan / revolving facility (Facility B)	CHF	Libor + 4.50 %	2012	400	400
Syndicated loan / revolving facility (Facility B)	CHF	Libor + 4.50 %	2012	100	100
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
Syndicated loan / revolving facility (Facility B)	EUR	Libor + 4.50 %	2012	119	119
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[7]	EUR	4.48 %–4.98 %	2010–2019	8	8
Finance lease[7]	var.	var.	var.	2	2
Various short and long-term liabilities[6]	var.	1.28 %–13.25 %	2009–2014	22	22
Total interest-bearing liabilities					**2 050**

Due to the increased demand for advance payment guarantees, CHF 65 million of the revolving credit facility was transferred to the ancillary facility. As of December 31, 2010, the revolving credit facility balance was CHF 101 million (totally unused) and the ancillary credit facility CH 334 million (thereof CHF 256 used).

The interest rates of the loans under facility A and B are LIBOR plus a margin, as at December 31, 2010, 2.5 percent per annum, subject to a downward ratchet based on the ratio of net debt to EBITDA (with the lowest possible interest margin being 2 percent).

CHF 600 million of the facility is hedged with an interest rate cap at 2 percent on a 3-month LIBOR basis with maturity 14.6.2014.

[1] Face value differs from book value in respect of the senior term loan (facility B) because CHF 27 million of directly attributable transaction costs related to the financing of the new credit facility were deducted from the senior term loan for simplification purposes and are being expensed over the term of the loan.

[2] The junior term loan (facility C) includes a cash interest of LIBOR + 4 percent and a compounded interest of 7 percent. The 7 percent interest is added to the facility C quarterly hence increasing the interest amount constantly.

[3] Various currencies including: CHF, EUR, INR, USD, PLN.

[4] Face value differs from book value in respect of term loan (facility A) because CHF 3 million of directly attributable transaction costs were deducted from one position of the term loan for simplifaction purposes and are being expensed over the term of the loan.

[5] Face value differs from book value in respect of the revolving loan (facility B) because CHF 36 million 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.

[6] Various currencies including: CHF, CNY, EUR, INR, JPY, SGD, SEK, USD.

[7] The finance leases are secured by contract provisions normal for such leases.

Refer to note 1 for details concerning the capital and debt restructuring.

Credit risk

Note 20

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 analysed 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 Group 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	**2010**	2009
Cash and cash equivalents	751	357
Financial assets, carried at fair value	6	12
Financial assets, carried at cost	33	33
Derivatives used for hedging	32	8
Trade receivables	588	433
Accrued sales under percentage of completion (POC) method for orders without customer advances	74	98
Loans and other financial receivables	8	11
Total	**1 492**	**952**

Trade receivables are distributed geographically (by location of the Group company) as follows:

in CHF million	**2010**	2009
Asia	156	92
Europe	364	287
North America	58	46
Other	10	8
Total	**588**	**433**

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

Note 20 (cont.)

Aging of trade receivables

in CHF million	2010 Gross amount	2010 Value adjustment	2009 Gross amount	2009 Value adjustment
Current (not due)	**518**	**–4**	**334**	**–6**
Total past due	**91**	**–17**	**139**	**–34**
0–30 days	41	–1	46	–
31–60 days	19	–1	19	–
61–90 days	5	–1	7	–
91–120 days	5	–1	4	–1
over 120 days	21	–13	63	–33
Total	**609**	**–21**	**473**	**–40**

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	2010	2009
Balance at the beginning of the period	–40	–24
Change in the scope of consolidated companies	2	1
Additional impairment losses charged to income	–4	–24
Reversal of impairment losses	4	4
Write-off	14	3
Conversion differences	3	–
Balance at the end of the period	**–21**	**–40**

Market risk

Note 21

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 Group 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 Group 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 not hedged, however foreign currency debts partially minimize this currency translation risk.

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:

		Average rates	Change		**Year-end rates**	Change
	2010	2009	09/10	**2010**	2009	09/10
1 USD	1.043	1.085	–3.9%	0.935	1.037	–9.8%
1 EUR	1.382	1.510	–8.5%	1.243	1.486	–16.4%
100 CNY	15.400	15.900	–3.1%	14.200	15.200	–6.6%
100 HKD	13.400	14.000	–4.3%	12.000	13.400	–10.4%
100 JPY	1.188	1.160	2.4%	1.148	1.122	2.3%
1 SGD	0.765	0.746	2.5%	0.726	0.738	–1.6%

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 11.55 percent (USD/CHF) and 7.74 percent (EUR/CHF) a corresponding change in exchange rates at December 31, 2010 would have changed the equity and the income statement by the amounts listed below.

31 December		**2010**		2009
Effect in CHF million	Equity	Income statement	Equity	Income statement
USD	2	–	–	4
EUR	–	–	–3	4

A 11.55 percent (USD/CHF) and 7.74 percent (EUR/CHF) weakening of the Swiss francs 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 13.85 (USD/CHF) and 7.49 (EUR/CHF).

Note 21 (cont.)

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on nominal amounts as of December 31, 2010:

in million			**2010**			2009
	EUR	USD	CHF	EUR	USD	CHF
Trade receivables	16	22	2	15	21	1
Trade payables	5	11	4	–12	–5	–1
Net financial position	–5	–7	–2	53	21	4
Gross exposure consolidated balance sheet	**16**	**26**	**4**	**56**	**37**	**4**
Foreign currency risk in business operations	**62**	**101**	**68**	**3**	**102**	**1**
Open foreign exchange forward contracts	**–67**	**–80**	**–53**	**–44**	**–99**	**–1**
Net exposure	**11**	**47**	**19**	**15**	**40**	**4**

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.

Group 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 December 31, 2010, the interest rate profile of the Group's interest-bearing financial instruments was:

in CHF million	**2010 Net carrying amount**	2009 Net carrying amount
Fixed rate interest		
Financial assets	4	19
Financial liabilities	–	–10
Total	**4**	**9**
Variable rate interest		
Financial assets	754	346
Financial liabilities	–1 033	–2 040
Total	**–278**	**–1 694**

Cash flow sensitivity analysis for variable rate instruments

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

Effect in CHF million	**Income statement**	
	100 bp increase	**100bp decrease**
2010		
Cash flow sensitivity	–5	9
2009		
Cash flow sensitivity	–14	4

It has been assumed that a change of +100 bp has a full impact on interest income and expenses. In case of an decrease of 100 bp we assumed no positive impact of interest on assets due to the overall low interest rates. Tax impact has been included in all figures regarding interest sensivity.

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

Capital management

Note 21 (cont.)

The capital transactions described in note 1 have resulted in a sustainable increase in equity and in the equity ratio, both of which now lie within the target range.

The ratios are shown in the table below:

in CHF million	**2010**	2009
Total assets	4 475	4 342
Equity attributable to shareholders of the parent	1 430	493
Equity ratio in %	**32 %**	**11 %**
Interest-bearing debt	1 031	2 050
Equity	1 454	520
Debt-to-equity ratio	**0.7**	**3.9**
Average equity	987	819
Net profit/loss attributable to the shareholders of the parent	3	–592
Return on equity	**0 %**	**–72 %**

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. The ratio as of December 31, 2010 was 0.99:1.

Fair values versus carrying amounts at December 31

Note 22

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

in CHF million	2010 Carrying amount	2010 Fair Value	2009 Carrying amount	2009 Fair Value
Cash and cash equivalents	**751**	**751**	357	357
Available-for-sale financial assets	**39**	**39**	45	45
Loans and receivables	**670**	**670**	542	542
Interest rate derivatives				
– Assets	**3**	**3**	–	–
– Liabilities	**–**	**–**	–	–
Forward exchange contracts				
– Assets	**32**	**32**	8	8
– Liabilities	**–47**	**–47**	–3	–3
Secured bank loans	**–1 022**	**–1 022**	–2 022	–2 022
Unsecured bank loans	**–6**	**–6**	–19	–19
Finance lease liabilities	**–4**	**–4**	–10	–10
Trade payables	**–419**	**–419**	–332	–332
Accrued liabilities	**–130**	**–130**	–142	–142
Total	**–133**	**–133**	**–1 576**	**–1 576**
Unrecognized gains / losses		**–**		**–**

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 availabe-for-sale financial assets of CHF 41 million (prior year: CHF 45 million), derivative financial assets of CHF 35 million (prior year: CHF 8 million) and derivative financial liabilities of CHF 47 million (prior year: CHF 3 million.).

Assets and liabilities classified as held for sale and discontinued operations

Note 23

Part of the Textile Segment is presented as a disposal group held for sale following the committment of the Oerlikon Group in the last quarter of 2010 to a plan to sell certain subsidiaries as well as certain assets and liabilities within the Textile Segment. Efforts to sell the disposal group have commenced and a sale is expected in the first half of 2011. At December 31, 2010, the disposal group comprised assets of CHF 37 million less liabilities of CHF 31 million. Assets classified as held for sale include cash and cash equivalents (CHF 5 million), trade receivables (CHF 6 million), inventories (CHF 13 million), property, plant and equipment (CHF 6 million) and intangible assets (CHF 1 million). Liabilities classified as held for sale are mainly comprised of trade payables (CHF 8 million), current customer advances (CHF 10 million), post employment benefit provisions (CHF 5 million), accrued liabilities (CHF 3 million) and current provisions (CHF 3 million). In 2009, other non-current assets and related liabilities were classified as held for sale and related mainly to a non operating real estate which was sold on March 1, 2010.

An impairment loss of CHF 8 million on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognized in other expenses (see note 3).

In 2009, the result from discontinued operations was presented separately in the income statement as the 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 Space as at June 30, 2009 and Oerlikon Optics Shanghai as at October 20, 2009.

	January 1 to December 31, 2009			
in CHF million	**Total**	ESEC	Optics	Space
Sales	**88**	**8**	**26**	**54**
Total expenses	–94	–26	–23	–45
Result before taxes (EBT) from discontinued operations	**–6**	**–18**	**3**	**9**
Income taxes	–2	–	–	–2
Net profit/loss after taxes from discontinued operations	**–8**	**–18**	**3**	**7**
Gain / loss on sale of discontinued operation	112	–23	–13	148
Net profit/loss from discontinued operations	**104**	**–41**	**–10**	**155**
Attributable to:				
Shareholders of the parent	104	–41	–10	155
Minority interests				
Cash flow from operating activities in CHF million	**–1**	**–21**	**9**	**11**
Cash flow from investing activities in CHF million	**–2**	**–**	**–**	**–2**
Cash flow from financing activities in CHF million	**9**	**11**	**–2**	**–**

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

OC Oerlikon participation plans

Note 24

On December 31, 2010 the following equity-settled plans were open, pursuant to which the holder is entitled to shares of OC Oerlikon Corporation AG, Pfäffikon:

Adjustment of existing share and option plans

Due to the capital increases effective as of June 8, 2010, the existing share and option plans were adapted and re-valued proportionally to preserve the grant value, target and trigger conditions of existing employee participation programs. Adjustments were related to the number of shares and options granted as well as the exercise price and performance conditions, which are linked to the share price. For this adjustment the relation between the theoretical value of subscription rights (theoretical ex-rights price) and the closing share price prior to the allocation of subscription rights was determined. Prior to the allocation of subscription rights on May 24, 2010 the share price was CHF 40 with a share number of 14 142 437, while the theoretical value of subscription rights with a share number of 323 085 471 was CHF 5.3. The resulting conversion factor 7.5 was used to adjust the number of allocations and conditions.

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 General Meeting of Shareholders and vest upon the next Annual General Meeting of Shareholders 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 value of the RSU per year end is based on the weighted average share price of CHF 5.0.

Members of the Executive Committee receive a portion of their compensation as 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. The value of the RSU per year end is based on the weighted average share price of CHF 4.2. Except for the adjustment due to the increase in capital, no additional RSU were granted to the Executive Committee in 2010.

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 3 years. The value of the RSU per year end is based on a weighted average share price of CHF 8.6. Except for the adjustment due to the increases in capital, no additional RSU were granted to the members of senior management in 2010.

Year of allocation	Outstanding on 1.1. *	Granted in 2010	Forfeited in 2010	Exercised in 2010	Outstanding on 31.12.	Average share price in CHF*	Expenses for the period in CHF million	Vesting Period
2009	127 117		–	127 117	–	8.0	0.4	12.05.09–18.05.10
2009	398 658		178 504	–	220 154	4.2	0.2	01.05.09–30.04.11
2009	367 221		122 926	–	244 295	8.6	0.5	01.05.09–30.04.12
2010		196 565			196 565	5.0	0.5	09.06.10–10.05.11
Total	**892 996**	**196 565**	**301 430**	**127 117**	**661 014**		**1.6**	

* Number of RSU and average share price are adjusted proportionally to the capital increase. See explanation above.

Performance Share Awards (PSA)

Members of the Executive Committee and senior management may receive a portion of their compensation as a long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon shares which are based on performance conditions and a vesting period of three years. Performance conditions may 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 is converted into shares.

Year of allocation	Outstanding on 1.1. *	Granted in 2010	Forfeited in 2010	Exercised in 2010	Outstanding on 31.12.	Average share price in CHF *	Expenses for the period in CHF million	Vesting Period
2008	54 868		10 613		44 255	12.3	–	01.05.08–30.04.11
2010		678 086	126 777		551 309	4.6	0.9	01.05.11–30.04.13
Total	**54 868**	**678 086**	**137 390**		**595 564**		**0.9**	

* Number of PSA and average share price are adjusted proportionally to the capital increase. See explanation above.

Share Options

In previous years, employees could 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. The value per year end is based on a Black-Scholes valuation including a weighted average share price of CHF 75. No options have been granted since 2008. Only the adjustment due to the increases in capital was carried out in 2010.

Year of allocation	Outstanding on 1.1. *	Granted in 2010	Forfeited in 2010	Exercised in 2010	Outstanding on 31.12.	Exercise price in CHF*	Expenses for the period in CHF million	Vesting Period
2003	33		33		–	110	–	24.05.05–23.05.10
2007	9 282				9 282	80	–	01.01.08–31.12.13
	9 282				9 282	80	–	01.01.09–31.12.13
	9 282				9 282	80	–	01.01.10–31.12.13
	9 282				9 282	80	–	01.01.11–31.12.13
Total	**37 161**	**–**	**33**	**–**	**37 128**		**–**	

* Number of options and exercise price from the allocation of the year 2007 are adjusted proportionally to the capital increase. See explanation above.

Related Party transactions

Note 25

Related parties include members of the Board of Directors, the Executive Committee, 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 Shareholder

The share capital of CHF 323 085 471 consists of 323 085 471 registered shares, each with a par value of CHF 1.00. On the balance sheet date, conditional capital amounted to CHF 64 213 458 (2009: CHF 47 million).

The only shareholder registered as holding more than 5 percent as at December 31, 2010 was [1]:

Shareholder	Share ownership No of shares	in %
Liwet Holding AG, c/o Renova Management AG, Bleicherweg 33, 8002 Zurich [2]	148 984 860	46.11 %

[1] Sources: Disclosure notification by Liwet Holding AG of December 21, 2010 pursuant to Article 20 of the Swiss Stock Exchange Law. According to a disclosure notification dated December 21, 2010 the Renova/Victory group (which had existed since May 9, 2008) has been dissolved as of December 21, 2010.

[2] Liwet Holding is a member of the Renova Group. Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow. As of the end of 2009 Renova Group held 44.67 percent of the issued Oerlikon shares.

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 Chief Executive Officer (CEO) ad interim for OC Oerlikon. For the duration of this position, Mr. Ziegler suspended his active participation in committee meetings and thus waived the cash compensation for Board and committee memberships. Instead, Mr. Ziegler received compensation for the role of CEO ad interim consisting of base salary, expense allowance and a performance-based short-term incentive bonus which was based on individual targets and was settled in shares. The allocation of RSU under the Board of Director's performance program remained unchanged.

The compensation for the CEO ad interim was set by the Human Resources Committee and approved by the Board of Directors.

On May 19, when Dr. Michael Buscher started his position as CEO of OC Oerlikon, Mr. Hans Ziegler ended his position as CEO ad interim of OC Oerlikon. Since then, Mr Ziegler has been acting only as board member. In this position the compensation of Mr. Ziegler is subject to the compensation system of Board members and consists of a cash compensation for Board and Committee memberships and Restricted Stock Units (RSU).

The total compensation of executive members of the Board of Directors in 2010 was CHF 1.3 million. In 2009, the total compensation was CHF 1.2 million. [1]

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash Compen-sation	Bonus	Restricted Stock Units (RSU) 2009/10 [2]	Restricted Stock Units (RSU) 2010/11 [3]	Pension	Other Compen-sation [4]	**Total Compen-sation 2010**
Hans Ziegler	M	M [5]	M [6]	M	595	500	111	60	20	25	1 311
Total					595	500	111	60	20	25	**1 311**

M(ember)

[1] In 2009, Mr Kuznetsov acted, in addition to Mr. Ziegler, for a brief period as executive member of the Board of Directors.

[2] Effective value of restricted stock units (RSU) for the mandate 2009/10 at conversion based on a share price of CHF 5.3 (transfer date).

[3] Accounting value of restricted stock units (RSU) for the mandate 2010/11 per year end based on a share price of CHF 5.0 (grant date).

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

[5] As of June 8, 2010.

[6] Until June 8, 2010.

Compensation of Non-Executive Board Members

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 set by the Human Resources Committee and approved by the Board of Directors after the annual shareholders meeting.

The total compensation for the six non-executive members of the Board of Directors in 2010 was CHF 2.0 million. In 2009 the total compensation for the three non-executive members of the Board of Directors amounted to CHF 1.1 million.

Related Party transactions

Note 25 (cont.)

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash Compen-sation	Restricted Stock Units (RSU) 2009/10[1]	Restricted Stock Units (RSU) 20010/11[2]	Pension	Other Compen-sation[3]	**Total Compen-sation 2010**
Vladimir Kuznetsov	C			C	145	250	134	–	33	562
Kurt J. Hausheer	M	M[5]	C		167	111	60	–	21	359
Dr. Urs A. Meyer	M	C	M		195	111	60	–	23	389
Carl Stadelhofer	M	M[5]		M	147	111	60	–	20	338
Gerhard Pegam	M	M			70	–	60	–	5	135
Wolfgang Tölsner[4]	M		M		195	–	60	–	5	260
Total					919	583	434	–	107	**2 043**

C(hairman), M(ember)

[1] Effective value of restricted stock units (RSU) for the mandate 2009/10 at conversion based on a share price of CHF 5.3 (transfer date).

[2] Accounting value of restricted stock units (RSU) for the mandate 2010/11 per year end based on a share price of CHF 5.0 (grant date).

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

[4] Mr. Tölsner received, in addition to his Board remuneration, a fee for his consultancy work for OC Oerlikon Management AG, Pfäffikon.

[5] Until June 8, 2010.

Compensation of Members of the Executive Committee

Members of the Executive Committee receive a compensation consisting of base salary and performance-based bonus paid in cash. In addition, members of the Executive Committee participate in a long-term bonus plan paid in shares.

The compensation for the members of the Executive Committee is set by the Human Resources Committee and approved 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 2010, members of the Executive Committee participated in a long-term performance share program for 2010–13. In 2009, they participated in a Restricted Stock Unit (RSU) program for 2009–11.

The total compensation paid to members of the Executive Committee for the year 2010 was CHF 9.9 million. The highest compensation paid to an individual Board member was CHF 4.4 million.

Compensation was paid to the Executive Committee as follows:

in CHF 000	Salary	Bonus	LTI (2008–11)[1]	LTI (2009–11)[2]	LTI (2010–13)[2]	Pension	Other Compensation[3]	Severance payment	**Total Compensation 2010**	Total Compensation 2009
Total compensation to members of the Executive Committee[4]	2 610	2 397	3	463	479	632	197	3 163	9 944	11 321
Thereof highest paid to one individual:[5] Björn Bajan (General Counsel & Corporate Secretary)	411	656	–	–	–	79	45	3 163	4 354	6 446

[1] In 2008 Performance Share Awards (PSA) and in 2009 Restricted Stock Units (RSU) were allocated to members of the Executive Committee. These allocations were adjusted proportionally to the increases in share capital. Their new value per year end for the allocations 2008 and 2009 is based on a weighted average share price of CHF 93 (grant date) and CHF 32 (grant date) respectively. See note 24.

[2] In 2010 Performance Share Awards (PSA) were allocated to members of the Executive Committee. Their value per year end is based on a weighted average share price of CHF 4.6 (grant date).

[3] Other compensation includes expense and car allowances.

[4] Compensation of the CEO ad interim, Mr. Ziegler, is disclosed under Executive members of the Board of Directors above and is not included in this summary.

[5] Björn Bajan's employment ended on May 31, 2010. The severance payment included the contractually agreed base salary for 12 months and a contractually agreed termination payment. Other payments include a fee for a Board membership. The highest compensation paid in 2009 went to the former CEO.

Compensation of Former Members of Governing Bodies

During 2010 no compensation was paid to former members of the Board of Directors or the Executive Committee, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon Group. The total compensation for former members of the Board of Directors and the Executive Committee in 2009 was CHF 1.5 million.

Related Party transactions

Note 25 (cont.)

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 Committee 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 Committee.

Members of the Board of Directors	Number of Shares	Number of Restricted Stock Units (RSU)	Number of Options
Vladimir Kuznetsov	214 125	53 435	2 000 000
Kurt J. Hausheer	127 213	23 855	
Dr. Urs A. Meyer	107 213	23 855	
Carl Stadelhofer	20 725	23 855	
Hans Ziegler	117 951	23 855	
Gerhard Pegam		23 855	
Wolfgang Tölsner		23 855	
Total	587 227	196 565	2 000 000

Vladimir Kuznetsov (Chairman) and Dr. Urs A. Meyer (Board Member) are also senior executives at Renova Group. Mr. Kuznetsov is Management Director, Strategic Development at Renova Group. Dr. Urs A. Meyer is Chief Executive Officer of Venetos Management AG. Carl Stadelhofer is a Board member of the Renova Group. 10 of his shares are held by a related party.

Members of the Executive Committee	Number of Shares	Number of Restricted Stock Units (RSU)	Number of Performance Share Awards (PSA)	Number of Options
Dr. Michael Buscher, CEO	–	–	64 273	–
Thomas Babacan, COO	–	77 352	73 607	4 765
Jürg Fedier, CFO	–	142 803	123 404	–
Björn Bajan (former General Counsel & Corporate Secretary)	5	–	–	–
Total	5	220 155	261 284	4 765

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 Committee during 2010. No such loans or payments were outstanding as of December 31, 2010.

Group and Associated Companies

An overview of the Group subsidiary companies can be found on pages 142 and 143. 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 9 million and the annual rent is CHF 1 million.

Participation plans: see note 24.

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.

In 2009, 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 EUR 264 Million. The overall investment including all equipment, processes and services is on an arms length basis. The equipment will be delivered by mid 2011 to the new site(s) currently under construction. The start of production is scheduled for 2012.

At year-end 2010, 65 percent of the contract volume was completed and recognized as sales (CHF 251 Million). Down-payments in the amount of 74 percent of the total contract volume were received, resulting in no outstanding balance at year-end.

Contingent liabilities

Note 26

in CHF million	2010	2009
Debt guarantees	13	9
Discounted bills of exchange	–	1
Total	**13**	**10**

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

Payments under non-cancellable leases

Note 27

in CHF million	2010	2009
Due in 1st year	29	34
Due in 2nd year	22	27
Due in 3rd year	17	21
Due in 4th year	11	16
Due in or beyond 5th year	27	37
Total	**106**	**135**

The expenses of operating leases charged to the income statement amount to CHF 29 million (previous year: CHF 37 million).

Pledged assets

Note 28

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

in CHF million	2010	2009
Cash and cash equivalents	239	–
Receivables	167	–
Inventories	58	–
Other current assets	10	–
Property, plant and equipment	334	54
Other non-current assets	259	–
Total	**1 067**	**54**

A significant part of the pledged assets was provided as security for the new syndicated loan facility. In addition, the facility is secured by collateral pledges of shares held in significant subsidiaries and by guarantees given by such subsidiaries to the benefit of the lenders as well as by intercompany receivables and loans.

Risk assessment disclosure required by Swiss law

Note 29

The Group 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. In terms of organization, the responsibility for risk assessment and management is allocated to the Segments, with specialized Group Functions such as Group 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 notes 19 to 21 of the Group's consolidated financial statements.

Events subsequent to the balance sheet date

Note 30

No events occurred between the balance sheet date and the date of this report which could have a significant impact on the consolidated financial statements 2010.

Operating Segments

in million CHF	Oerlikon Textile 2010	Oerlikon Textile 2009	Oerlikon Drive Systems 2010	Oerlikon Drive Systems 2009	Oerlikon Vacuum 2010	Oerlikon Vacuum 2009	Oerlikon Solar 2010	Oerlikon Solar 2009	Oerlikon Coating 2010	Oerlikon Coating 2009
Order intake	2 509	1 170	792	569	438	325	230	511	422	326
Orders on hand	1 197	489	137	93	84	68	255	317	–	–
Sales										
Sales to third parties	1 653	1 046	733	660	410	324	254	442	422	326
Sales to other Segments	–	2	–	–	10	5	29	11	1	1
	1 653	**1 048**	**733**	**660**	**420**	**329**	**283**	**453**	**423**	**327**
Net sales by market region to third parties										
Japan and Asia / Pacific	1 052	619	85	48	160	97	117	81	119	79
Europe	253	169	360	335	178	158	54	185	217	184
North America	176	205	269	272	68	61	–	9	53	41
Other regions	172	53	19	5	4	8	83	167	33	22
	1 653	**1 046**	**733**	**660**	**410**	**324**	**254**	**442**	**422**	**326**
Net sales by location to third parties										
Japan and Asia / Pacific	356	208	80	50	127	87	3	3	115	80
Europe	1 169	730	447	420	215	180	251	430	222	183
North America	105	90	206	190	68	57	–	9	52	41
Other regions	23	18	–	–	–	–	–	–	33	22
	1 653	**1 046**	**733**	**660**	**410**	**324**	**254**	**442**	**422**	**326**
Capital expenditure for fixed and intangible assets										
Japan and Asia / Pacific	9	10	12	6	2	–	–	–	16	2
Europe	30	26	16	19	12	11	18	24	14	14
North America	–	–	9	8	–	–	–	–	3	2
Other regions	1	–	–	–	–	–	–	–	4	2
	40	**36**	**37**	**33**	**14**	**11**	**18**	**24**	**37**	**20**
EBITDA	**96**	**–163**	**26**	**12**	**44**	**13**	**–33**	**–55**	**101**	**43**
EBIT	**21**	**–424**	**–27**	**–50**	**30**	**–3**	**–59**	**–78**	**52**	**–4**
Other material items										
Research and development expenses	–75	–80	–14	–12	–20	–23	–73	–63	–27	–15
Depreciation and amortization	–54	–55	–51	–58	–13	–15	–22	–20	–44	–47
Impairment / Reversal of impairment on property, plant and equipment	–20	–4	–2	–4	–	–1	–	–3	–1	–
Impairment of goodwill	–	–202	–	–	–	–	–	–	–3	–
Restructuring costs	–5	–49	–34	–16	–8	–13	–	–9	–2	–16
Operating Assets										
Japan and Asia / Pacific	234	214	89	75	54	46	2	6	118	112
Europe	1 114	1 414	648	920	185	206	237	347	195	191
North America	22	24	390	244	15	21	–	1	33	40
Other regions	17	11	–	–	–	–	–	–	33	40
	1 387	**1 663**	**1 127**	**1 239**	**254**	**273**	**239**	**354**	**379**	**383**
Operating Liabilities	–646	–442	–232	–192	–103	–102	–198	–176	–72	–65
Net Operating Assets [1]	**741**	**1 221**	**895**	**1 047**	**151**	**171**	**41**	**178**	**307**	**318**
Number of employees										
Japan and Asia / Pacific	2 616	2 345	1 686	1 448	315	288	62	94	824	720
Europe	3 469	3 716	2 421	2 767	1 061	1 112	582	651	1 399	1 353
North America	153	170	1 034	798	77	77	4	6	262	206
Other regions	56	29	–	–	–	–	–	–	226	184
	6 294	**6 260**	**5 141**	**5 013**	**1 453**	**1 477**	**648**	**751**	**2 711**	**2 463**

[1] 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 assets and financial assets and liabilities including cash and cash equivalents (CHF 751 million), short- and long-term financial debt (CHF 1 078 million), current (CHF 19 million) and deferred (CHF 113 million) tax receivables, current (CHF 48 million) and deferred (CHF 77 million) tax payables.

[2] Discontinued operations include the divestments of Oerlikon Space, ESEC, Wafer Etch and Oerlikon Optics.

Oerlikon Advanced Technologies		Total Segments		Corporate / Eliminations		Total from continued operations		Discontinued operations [2]	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
129	95	4 520	2 996	–	–	4 520	2 996	–	188
29	30	1 702	997	–	–	1 702	997	–	–
129	79	3 601	2 877	–	–	3 601	2 877	–	88
1	2	41	21	–41	–21	–	–	–	–
130	**81**	**3 642**	**2 898**	**–41**	**–21**	**3 601**	**2 877**	**–**	**88**
60	42	1 593	966	–	–	1 593	966	–	–
31	23	1 093	1 054	–	–	1 093	1 054	–	88
36	13	602	601	–	–	602	601	–	–
2	1	313	256	–	–	313	256	–	–
129	**79**	**3 601**	**2 877**	**–**	**–**	**3 601**	**2 877**	**–**	**88**
–	14	681	442	–	–	681	442	–	–
92	38	2 396	1 981	–	–	2 396	1 981	–	88
37	27	468	414	–	–	468	414	–	–
–	–	56	40	–	–	56	40	–	–
129	**79**	**3 601**	**2 877**	**–**	**–**	**3 601**	**2 877**	**–**	**88**
–	–	39	18	–	–	39	18	–	–
4	4	94	98	–	2	94	100	–	2
–	–	12	10	–	–	12	10	–	–
–	–	5	2	–	–	5	2	–	–
4	**4**	**150**	**128**	**–**	**2**	**150**	**130**	**–**	**2**
13	**–5**	**247**	**–155**	**31**	**–10**	**278**	**–165**	**–**	**–6**
10	**–7**	**27**	**–566**	**24**	**–23**	**51**	**–589**	**–**	**–9**
–15	–9	–224	–202	–5	–	–229	–202	–	–8
–4	–2	–188	–197	–7	–9	–195	–206	–	–3
–	–	–23	–12	–	–4	–23	–16	–	–
–	–	–3	–202	–	–	–3	–202	–	–
–	–4	–49	–107	–	–	–49	–107	–	–2
–	2	497	455	–	–	497	455	–	–
90	64	2 469	3 142	47	–162	2 516	2 980	–	–
9	41	469	371	1	2	470	373	–	–
–	–	50	51	–	–	50	51	–	–
99	**107**	**3 485**	**4 019**	**48**	**–160**	**3 533**	**3 859**	**–**	**–**
–29	–25	–1 280	–1 002	–57	–36	–1 337	–1 038	–	–1
70	**82**	**2 205**	**3 017**	**–9**	**–196**	**2 196**	**2 821**	**–**	**–**
–	1	5 503	4 896	–	–	5 503	4 896	–	–
173	165	9 105	9 764	206	207	9 311	9 971	–	–
23	22	1 553	1 279	4	4	1 557	1 283	–	–
–	–	282	213	4	6	286	219	–	–
196	**188**	**16 443**	**16 152**	**214**	**217**	**16 657**	**16 369**	**–**	**–**

Companies by country

Country	Production	Distribution	R&D	Service	Name, registered office of significant companies by country	Currency	Share Capital [1]	Group owns %	Number of employees
Austria	■	■			Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00	83
Austria	■	■	■	■	Oerlikon Neumag Austria GmbH, Leonding/AT	EUR	600 000	100.00	95
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	43
Brazil	■	■			Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	30 662 100	100.00	143
Brazil		■		■	Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR	BRL	9 384 968	100.00	28
Cayman Islands				■	Saurer Group Investments Ltd., George Town/KY	CHF	474 469 300	100.00	–
China	■	■			Jintan Texparts Component Co. Ltd., Jintan/CN	USD	5 062 288	70.00	187
China	■	■		■	Oerlikon (China) Technology Co. Ltd., Suzhou/CN	USD	30 000 000	100.00	818
China	■	■			Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00	230
China		■			Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN	USD	200 000	100.00	69
China	■	■			Oerlikon Leybold Vacuum Equipment (Tianjin) Co. Ltd., Tianjin/CN	USD	4 960 000	100.00	126
China				■	Oerlikon Solar (Shanghai) Trading Co. Ltd., Shanghai/CN	USD	100 000	100.00	19
China				■	Oerlikon Textile China Investments Ltd., Hongkong/CN	HKD	266 052 505	100.00	–
China		■			Oerlikon Textile Components Far East Ltd., Hongkong/CN	HKD	10 000	100.00	–
China		■		■	Oerlikon Textile Far East Ltd., Hongkong/CN	HKD	100 000	100.00	31
China	■	■	■		Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN	USD	7 000 000	100.00	185
China	■	■	■	■	Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN	USD	1 112 220	100.00	175
China		■			Oerlikon Textile Trading and Services Ltd., Hongkong/CN	HKD	275 200	100.00	–
China				■	Saurer China Equity Ltd., Hongkong/CN	HKD	253 910 000	100.00	–
China	■	■	■	■	Saurer Jintan Textile Machinery Co. Ltd., Jintan/CN	USD	22 482 422	70.00	532
Czech Republic	■	■			Graziano Trasmissioni Czech s.r.o., Praha/CZ	CZK	110 000 000	100.00	–
Czech Republic	■	■	■	■	Oerlikon Czech s.r.o., Cerveny Kostelec/CZ	CZK	30 000 000	100.00	35
Denmark				■	Neumag Denmark a/s, Velje/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	136
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	173
Germany	■	■	■	■	AUTEFA automation GmbH, Friedberg/DE	EUR	25 000	100.00	75
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	421
Germany	■				Oerlikon Balzers Hartec GmbH, Stetten am kalten Markt/DE	EUR	25 000	100.00	43
Germany				■	Oerlikon Deutschland Holding GmbH, Köln/DE	EUR	30 680 000	100.00	–
Germany		■			Oerlikon Deutschland Vertriebs GmbH, Aschheim/DE	EUR	26 000	100.00	28
Germany	■	■	■		Oerlikon Laser Systems GmbH, Krailling/DE	EUR	5 150 000	100.00	26
Germany	■	■			Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE	EUR	100 000	100.00	59
Germany	■	■	■		Oerlikon Leybold Vacuum GmbH, Köln/DE	EUR	1 200 000	100.00	773
Germany				■	Oerlikon Real Estate GmbH, Köln/DE	EUR	50 000	100.00	–
Germany	■	■	■		Oerlikon Textile Components GmbH, Fellbach/DE	EUR	51 400	100.00	403
Germany	■	■	■	■	Oerlikon Textile GmbH & Co. KG, Remscheid/DE	EUR	41 000 000	100.00	2 562
Germany				■	Oerlikon Vacuum Holding GmbH, Köln/DE	EUR	25 000	100.00	–
Germany				■	Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Köln/DE	EUR	25 000	100.00	–
Germany				■	Oerlikon Vermögens-Verwaltungs GmbH, Köln/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	14
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		■	■		Vocis Limited, Warwick/UK	GBP	200	51.00	21
India	■	■	■		Fairfield Atlas Ltd., Kolhapur/IN	INR	273 205 400	83.87	792
India	■	■			Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN	INR	267 124 880	100.00	846
India	■	■			Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	100.00	178
India		■			Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN	INR	2 000 000	100.00	14
India	■	■			Oerlikon Textile Components India Pvt. Ltd., Mumbai/IN	INR	30 000 000	100.00	28
India		■	■	■	Oerlikon Textile India Pvt. Ltd., Mumbai/IN	INR	57 360 000	100.00	284
India	■	■	■	■	Peass Industrial Engineers Ltd., Gujarat/IN	INR	15 000 000	51.00	164
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	37
Italy	■	■			Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	130 000	100.00	77
Italy				■	Oerlikon Graziano Group S.p.A., Torino/IT	EUR	59 669 000	100.00	–
Italy	■	■	■	■	Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT	EUR	58 697 357	100.00	2 392
Italy		■			Oerlikon Leybold Vacuum Italia S.r.l., Milano/IT	EUR	110 000	100.00	11
Italy	■	■	■	■	Oerlikon Neumag Italy S.p.A., Biella/IT	EUR	1 500 000	100.00	73
Japan		■			Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP	JPY	450 000 000	100.00	37
Japan	■	■			Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00	132

Companies by country

Country	Production	Distribution	R&D	Service	Name, registered office of significant companies by country	Currency	Share Capital [1]	Group owns %	Number of employees
Liechtenstein	■	■	■	■	OC Oerlikon Balzers AG, Balzers/LI	CHF	30 000 000	100.00	571
Luxembourg	■	■			Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niedercorn/LU	EUR	1 000 000	60.00	15
Mexico	■	■			Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX	MXN	71 458 000	100.00	75
Netherlands		■			Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL	EUR	463 000	100.00	7
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	49
Russia	■	■		■	OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00	8
Russia		■			OOO Oerlikon Rus, Moskwa/RU	RUB	7 790 760	100.00	4
Singapore	■	■			Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00	42
Singapore		■			Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG [2]	EUR		100.00	12
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	18
Singapore	■	■	■		Oerlikon Textile Components Singapore Pte. Ltd., Singapore/SG	SGD	1 000 000	100.00	178
South Korea	■	■			Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90	186
South Korea		■			Oerlikon Leybold Vacuum Korea Ltd., Cheonan/KR	KRW	7 079 680 000	100.00	31
Spain	■	■			Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES	EUR	150 000	100.00	68
Spain		■			Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES	EUR	168 283	100.00	9
Sweden	■	■			Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00	50
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	80
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	83
Switzerland	■		■	■	Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	500 000	100.00	33
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	126
Switzerland	■	■	■	■	Oerlikon Saurer Arbon AG, Arbon/CH	CHF	14 160 000	100.00	129
Switzerland	■	■	■		Oerlikon Solar AG, Trübbach, Wartau/CH	CHF	100 000	100.00	406
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	26
Switzerland				■	Oerlikon Trading AG, Trübbach, Wartau/CH	CHF	8 000 000	100.00	2
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	26
Taiwan		■			Oerlikon Solar Taiwan Ltd., Hsinchu/TW	TWD	20 000 000	100.00	25
Thailand	■	■			Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	100.00	39
Turkey	■	■			Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	100.00	17
Turkey		■		■	Oerlikon Tekstil Middle East Tekstil Makinalari Dis Ticaret A.S., Istanbul/TR	TRY	1 964 960	100.00	25
USA	■	■	■		Fairfield Manufacturing Company Inc., Wilmington, DE/US	USD	10 000	100.00	1 029
USA		■			Graziano Trasmissioni North America Inc., Charlotte, NC/US	USD	1	100.00	6
USA	■	■	■	■	Melco Industries Inc., Denver, CO/US	USD	2 407 000	100.00	46
USA	■	■			Oerlikon Balzers Coating USA Inc., Wilmington, DE/US	USD	25 000	100.00	262
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	3
USA				■	Oerlikon Management USA Inc., Pittsburgh, PA/US	USD	500 000	100.00	3
USA		■		■	Oerlikon Textile Inc., Charlotte, NC/US	USD	3 000 000	100.00	107
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	24
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	–

[1] Share capital partly rounded to full hundred. Some articles of association and trade registers still contain old European currencies that are converted to EUR.

[2] 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 97 to 141 for the year ended December 31, 2010.

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, 2010 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.

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

Toni Wattenhofer
Licensed Audit Expert

Zurich, March 21, 2011

Five-year summary of key figures

in CHF million	**2010**	2009	2008 restated	2007	2006
Orders received [1]	**4 520**	2 996	4 209	5 811	2 491
Orders on hand [1]	**1 702**	997	1 147	1 821	1 706
Sales [1]	**3 601**	2 877	4 632	5 404	2 206
EBITDA [1]	**278**	–165	471	688	408
– as % of sales	**8 %**	–6 %	10 %	13 %	18 %
EBIT [1, 2]	**51**	–589	–59	467	325
– as % of sales	**1 %**	–20 %	–1 %	9 %	15 %
Net profit / loss	**5**	–592	–422	319	306
– as % of sales	**0 %**	–21 %	–9 %	6 %	14 %
– as % of equity attributable to shareholders of the parent	**0 %**	–120 %	–39 %	17 %	21 %
Cash flow from operating activities [3]	**354**	–92	411	678	372
Capital expenditure for fixed and intangible assets [1]	**150**	130	336	325	227
Total assets	**4 475**	4 342	5 476	6 290	6 189
Equity attributable to shareholders of the parent	**1 430**	493	1 093	1 858	1 488
– as % of total assets	**32 %**	11 %	20 %	30 %	24 %
Net debt [4]	**274**	1 646	1 585	794	592
Net Operating Assets [5]	**2 196**	2 821	3 498	3 266	3 114
EBIT as % of Net Operating Assets (RONOA)	**2 %**	–21 %	–2 %	14 %	10 %
Number of employees [1]	**16 657**	16 369	18 372	18 711	18 735
Personnel expense [1]	**1 015**	1 001	1 277	1 355	693
Research and development expense [1, 6]	**239**	210	246	245	149

[1] 2008 and 2009 continuing operations.

[2] For 2010, continuing operations of Oerlikon Group report an EBIT before restructuring costs and impairment of goodwill of CHF 103 million (previous year: CHF –280 million). The Group EBIT before restructuring costs and impairment of goodwill including EBIT from discontinued operations amounted to CHF –287 million in the previous year.

[3] Before changes in net current assets.

[4] Net debt is current and non-current debt less cash and cash equivalents, marketable securities and treasury shares at market value as of December 31.

[5] Net operating assets include current and non-current operating assets (excluding cash and cash equivalents, 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).

[6] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 32 million (previous year: CHF 26 million).

OC Oerlikon Corporation AG, Pfäffikon

Income Statement of OC Oerlikon Corporation AG, Pfäffikon

in CHF	Notes	**2010**	2009
Income from investments	2	5 383 467	45 712 457
Financial income	3	188 297 404	51 026 166
Other income	5	48 553 162	40 745 555
Total income		242 234 033	137 484 178
Financial expense	4	–251 597 199	–190 579 275
Other expense	6	–49 891 067	–62 038 350
		–59 254 233	–115 133 447
Gain on disposal of investments		7 147 760	215 881 631
Valuation adjustments on loans and investments in subsidiaries		–9 936 918	–273 333 958
Net result		**–62 043 391**	**–172 585 774**

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

Assets

in CHF	Notes	**2010**	%	2009	%
Cash and cash equivalents	7	455 259 595	12.1	96 990 964	2.7
Treasury shares	8	1 470 000	0.0	41 764 029	1.2
Receivables					
– from third parties		493 161	0.0	871 999	0.0
– from affiliated companies		128 586 238	3.4	218 093 075	6.2
Short-term loans to third parties		–	0.0	300 000	0.0
Prepaid expenses and accrued income		719 324	0.0	735 000	0.0
Current assets		**586 528 318**	**15.5**	**358 755 067**	**10.1**
Investments	9	1 707 796 886	45.3	1 674 957 514	47.2
Long-term loans to affiliated companies		1 458 396 853	38.6	1 477 554 137	41.7
Long-term loans to third parties		300 000	0.0	–	0.0
Intangible assets	10	22 606 416	0.6	33 909 624	1.0
Non-current assets		**3 189 100 155**	**84.5**	**3 186 421 275**	**89.9**
Total assets		**3 775 628 473**	**100.0**	**3 545 176 342**	**100.0**

Liabilities and equity

in CHF	Notes	**2010**	%	2009	%
Current payables					
– to third parties		1 752 771	0.0	1 178 956	0.0
– to affiliated companies		322 268 588	8.5	299 643 988	8.5
Short-term bank loans	11	–	0.1	2 057 117 488	58.0
Accrued liabilities		15 403 556	0.4	29 938 272	0.8
Long-term loans due from affiliated companies		305 599 028	8.1	157 641 581	4.4
Long-term bank loans	11	1 046 391 328	27.7	–	0.0
Provisions	12	53 618 536	1.4	56 286 087	1.6
Total Liabilities		**1 745 033 807**	**46.2**	**2 601 806 372**	**73.4**
Share capital	13	323 085 471	8.6	282 848 740	8.0
Legal reserve		196 814 878	5.2	196 814 878	5.6
Free reserve		1 344 031 356	35.6	235 000 000	6.6
Reserve for treasury shares	14	1 512 130	0.0	291 677 024	8.2
Available earnings		165 150 831	4.4	–62 970 672	–1.8
Total equity		**2 030 594 666**	**53.8**	**943 369 970**	**26.6**
Total liabilities and equity		**3 775 628 473**	**100.0**	**3 545 176 342**	**100.0**

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

The financial restructuring encompassed the following steps, which were mutually dependent on each other and were approved by the company's annual general meeting on May 18, 2010 to the extent that they fall within the general meeting's authority:

- The company has granted the lenders the option to purchase some or all of the 1 318 309 treasury shares held by the company at the volume-weighted average price (VWAP) of the existing shares during the four trading days following the public announcement of the lenders' consent to the restructuring on April 1, 2010 of CHF 35.40. The option to purchase these shares expired on April 14, 2010, and has been fully exercised. The purchase price in the amount of CHF 47 million was settled in the amount of CHF 25 million against set-off of loans and in the amount of CHF 22 million as a partial set-off of fees owed by the company to the lenders prior to completion of the offering.
- The company's share capital has been reduced from CHF 283 million to CHF 14 million by reducing the nominal value of each existing share from CHF 20 to CHF 1.
- Subsequently, the company's share capital was increased back to its original amount of CHF 283 million by the issue of 268 706 303 shares in the offering.
- Any offered shares not subscribed for as Tranche A shares were issued to the lenders as Tranche B shares in a second capital increase under the exclusion of subscription rights of the existing shareholders and paid for by a set-off of loans in the amount of CHF 140 million.
- In addition, the company increased its share capital from CHF 283 million to CHF 323 million by the issue of 40 236 731 additional new Tranche C shares to the lenders, also payable by the lenders by means of set-off of debt in the amount of CHF 150 million.
- Furthermore, the company issued 16 944 182 warrants to the lenders after completion of the offering. Each warrant provided its holder with an option to purchase one share in the company at an exercise price of CHF 6 per share to be paid to the company in cash upon exercise of the warrant. The warrants may be exercised at any time from mid-September 2010, until June 30, 2014. The new shares to be delivered upon exercise of the warrants will be sourced from the newly created conditional capital. During 2010, no warrants have been exercised.
- In addition, the lenders have waived CHF 125 million of debt under the existing facilities due to the high take-up of new shares (as new share offers to the public investors in an amount of at least CHF 400 million were paid for in cash in the offering).
- Total capital increase, debt waiver and set-off by the lenders of loans upon purchase of the treasury shares was CHF 1 299 million, consisting of debt set-off of CHF 25 million upon purchase of the treasury shares by the lenders, liquidity increase of CHF 301 million, capital increase proceeds (paid in cash) repaying the existing facility of CHF 558 million, the capital increase proceeds setting-off debt of CHF 290 million and the additional debt waiver of CHF 125 million (recognized in other financial income, refer to note 5 on page 110 of the Group's consolidated financial statements).
- CHF 301 million in cash was used for payment of the transaction costs and general corporate purposes, including continued significant investments in research and development as well as capital expenditures to address anticipated growth trends, a further expansion into emerging markets and the completion of its operational restructuring to improve its operational efficiency.
- After closing of the transactions, the new facility in June 2010 appeared as follows:

In CHF million	Currency	Nominal interest rate	Year of maturity	Face value
Syndicated loan/revolving credit facility A	CHF	Libor + 4,5 %	2014	435
Syndicated loan/term loan B	CHF	Libor + 4,5 %	2014	572
Syndicated loan/term loan C	CHF	Libor + 4 % + 7 % PIK*	2014	468

* PIK = payment-in-kind

Out of the new loan, facility B and C were fully drawn (CHF 1 040 million). Facility A consisted of a CHF 165 million revolving facility (not yet drawn) and a CHF 270 million ancillary facility (partly drawn) for guarantee purposes.

The new facility contains the following financial covenants, which are tested for compliance quarterly or annually:
- Net debt / EBITDA covenant
- Interest cover covenant
- Equity covenant
- Minimum liquidity covenant
- Absolute EBITDA covenant
- CAPEX covenant

The realigned facility is secured by collateral pledges of shares held in significant subsidiaries and by guarantees given by such subsidiaries to the benefit of the lenders. In addition, certain assets have been provided as security by OC Oerlikon Corporation AG, Pfäffikon, and by certain of its subsidiaries as collateral for the syndicated loan.

Income statement

Income from investments (2)

The income from investments consists mainly of dividend income from subsidiary companies and the financial investment Pilatus Flugzeugwerke AG.

Financial income (3)

Financial income includes interest income. In addition, the debt waiver of CHF 125 million in connection with the capital and debt restructuring is included in 2010.

Financial expense (4)

Financial expense mainly includes interest expenses and net exchange losses. In addition, financing and capital increase costs of CHF 58 million in connection with the capital and debt restructuring are included in 2010.

Other income (5)

Other income consists mainly of trade mark fees.

Other expense (6)

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

Balance sheet

Cash and cash equivalents (7)
This item consists of current balances denominated in CHF, EUR and USD and held with European banks.

Treasury shares (8)
The total of 300 000 (2009: 1 318 309) treasury shares held at December 31, 2010 represents 0.09 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, 2010 (CHF 4.90), giving a total value of CHF 1 million (2009: CHF 42 million).

During the year, 515 855 shares were bought and no shares were sold on the stock exchange. (2009: 0 shares bought or sold). 215 855 shares (2009: 10 944 shares) were given to employees. No shares were repurchased from employees (2009: 89 shares).
In the course of the financial restructuring OC Oerlikon Corporation AG has granted the lenders the option to purchase some or all of the 1 318 309 treasury shares held by the company at the volume-weighted average price (VWAP) of CHF 35.40 during the four trading days following the public announcement of the lenders' consent to the restructuring on April 1, 2010. The option to purchase these shares expired on April 14, 2010, and has been fully exercised.

Investments (9)
The list of the Company's major investments is on page 152.

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

Under the terms of the amended syndicated loan agreement, investments in major subsidiaries with a book value of CHF 1 606 million (2009: CHF 1 593 million) became pledged. More details may be found in note 16.

Intangible assets (10)
These include mainly the Oerlikon and certain Textile trademarks and are amortized over 5 years on a straight-line basis.

Bank loans (11)
Bank loans total to CHF 1 046 million. Additional information to the terms and conditions of the syndicated loan and the financial covenants may be found in note 19 of the Group's consolidated financial statements on pages 125 to 126.

Provisions (12)
Provisions cover mainly risks related to investments and also other risks.

Share capital (13)
The share capital of CHF 323 million consists of 323 085 471 registered shares, each with a par value of CHF 1. On the balance sheet date, conditional capital amounted to CHF 64 million (2009: CHF 47 million).

The only shareholder registered as holding more than 5 percent as at December 31, 2010 was[1]:
46.11 percent[2] (148 984 860 registered shares) Liwet Holding AG, c/o Renova Management AG, Bleicherweg 33, 8002 Zürich[3].

[1] Sources: Disclosure notification by Liwet Holding AG of December 21, 2010 pursuant to Article 20 of the Swiss Stock Exchange Law. According to a disclosure notification dated December 21, 2010 the Renova/Victory Group has been dissolved as of December 21, 2010.
[2] As of the end of 2009 Renova Group held 44.67 percent of the issued Oerlikon shares.
[3] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow.

Reserve for treasury shares (14)
This reserve represents the acquisition cost of 300 000 (2009: 1 318 309) treasury shares.

Contingent liabilities (15)
Contingent liabilities relate primarily to performance guarantees and guarantees for bank loans of affiliated companies and amount to approximately CHF 260 million (2009: CHF 136 million).

Pledged assets (16)
On 31 March 2010 OC Oerlikon Corporation AG, Pfäffikon (Company), parent company of the Oerlikon Group agreed with a syndicate of banks on a new Credit Facility. Additional information may be found in note 1 of the Group's consolidated financial statements on page 107.

On this occasion the Company provided the following securities:
- Pledge of the shares of material subsidiaries of CHF 1 606 million However, a realization of any pledge requires an event of default and the acceleration by the Lenders under the Credit Facility.
- Pledge of all rights of the Oerlikon trademark of CHF 5 million
- Pledge of the bank accounts in total of CHF 236 million

Additional information to the pledged assets may be found in note 28 of the Group's consolidated financial statements on page 138.

Disclosure of directors' remunerations (17)
The disclosure of directors' remunerations as required by Swiss Corporate Law may be found in note 25 on pages 135 to 137 of 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 remedy them, are performed by specific Group 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 29 on page 138 of 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-Niedercorn/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	100.00
Oerlikon Deutschland Holding GmbH, Köln/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 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, Köln/DE	EUR	25 000	100.00
OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00
OOO Oerlikon Rus, Moskwa/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

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
Balance at January 1, 2008	**282.8**	**196.8**	**183.7**	**235.0**	**204.1**	**1 102.4**
Changes in reserves for treasury shares	–	–	110.4	–	–110.4	–
Net result 2008	–	–	–	–	13.4	13.4
Balance at December 31, 2008	**282.8**	**196.8**	**294.1**	**235.0**	**107.1**	**1 115.8**
Changes in reserves for treasury shares	–	–	–2.5	–	2.5	–
Net result 2009	–	–	0.0	–	–172.5	–172.5
Balance at December 31, 2009	**282.8**	**196.8**	**291.6**	**235.0**	**–62.9**	**943.3**
Changes in capital decrease and capital increase	40.2	–	–	1 109.0	–	1 149.2
Changes in reserves for treasury shares	–	–	–290.1	–	290.1	–0.0
Net result 2010	–	–	–	–	–62.0	–62.0
Balance at December 31, 2010	**323.0**	**196.8**	**1.5**	**1 344.0**	**165.2**	**2 030.5**

Proposed appropriation of available earnings

The available earnings amount to:

in CHF	2010
Balance brought forward from previous year	–62 970 672
Net result	–62 043 391
Release of reserves for treasury shares	290 164 894
Available earnings	165 150 831

The Board of Directors proposes to the General Meeting of Shareholders that the available earnings are to be appropriated as follows:

Balance to be carried forward	165 150 831

Pfäffikon SZ, March 21, 2011

On behalf of the Board of Directors
Chairman

Vladimir Kuznetsov

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 148 to 153 for the year ended December 31, 2010.

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, 2010 comply with Swiss law and the company's articles of incorporation.

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 further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Herbert Bussmann
Licensed Audit Expert
Auditor in Charge

Toni Wattenhofer
Licensed Audit Expert

Zurich, March 21, 2011

Legal Structure

Legal Structure of significant companies as at December 31, 2010

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., Jundiaí, 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 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 Solar 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 Management USA 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, Köln/DE
- OOO Oerlikon Balzers Rus, Elektrostal/RU
- OOO Oerlikon Rus, Moskwa/RU
- OT Textile Verwaltungs GmbH, Arbon/CH
- Saurer AG, Arbon/CH
  - GTG-Graziano Trasmissioni Group AG, Arbon/CH
  - Neumag Denmark a/s, Velje/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., Hongkong/CN
      - Oerlikon (China) Technology Co. Ltd., Suzhou/CN
      - Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN
    - Saurer China Equity Ltd., Hongkong/CN

Legal Structure of significant companies as at December 31, 2010

        - Jintan Texparts Component Co. Ltd., Jintan/CN
        - Saurer Jintan Textile Machinery Co. Ltd., Jintan/CN
- 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
        - Oerlikon Deutschland Holding GmbH, Köln/DE
            - Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE
            - Oerlikon Balzers Coating Germany GmbH, Bingen/DE
            - Oerlikon Balzers Hartec GmbH, Stetten am kalten Markt/DE
            - Oerlikon Deutschland Vertriebs GmbH, Aschheim/DE
            - Oerlikon Leybold Vacuum GmbH, Köln/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., Milano/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, Köln/DE
            - Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Köln/DE
        - Oerlikon Textile Components GmbH, Fellbach/DE
        - Oerlikon Textile Far East Ltd., Hongkong/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, Köln/DE
    - Schlafhorst Engineering (India) Ltd., Halol/IN
- Oerlikon Textile Components Far East Ltd., Hongkong/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., Hongkong/CN
- SAC Saurer Automotive Components B.V., Rotterdam/NL
    - Oerlikon Graziano Group S.p.A., Torino/IT
        - Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT
            - Graziano Trasmissioni Czech s.r.o., Praha/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

Agenda, Contact

Important dates

March 23, 2011
Media and analyst conference for the 2010 annual results

April 19, 2011
Key figures for the first quarter of 2011

May 10, 2011
38th Annual General Meeting of Shareholders,
KKL Luzern (Culture and Convention Centre, Lucerne)

August 17, 2011
Media and analyst conference on the half-year report 2011

October 20, 2011
Key figures for the third quarter of 2011

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This annual report is also available in German.
The master language is English.

Oerlikon Business Units in brief

Oerlikon Textile

Key figures

in CHF million	2010	2009
Orders received	**2 509**	1 170
Orders on hand	**1 197**	489
Sales	**1 653**	1 046
EBIT	**21**	–424
Employees	**6 294**	6 260

oerlikon
barmag

Oerlikon Barmag is the global market leader in the production of texturing machines as well as spinning lines for nylon, polyester and polypropylene fibers. In addition to plant design and spinning and texturing systems, its core competencies include the production of associated components such as pumps, winders and godets.

oerlikon
neumag

Oerlikon Neumag is the market leader in plants for the production of BCF carpet yarn and synthetic staple fibers. The business unit also offers the widest range of technologies for the production of nonwoven products of any company in the world.

oerlikon
saurer

As a supplier of innovative system solutions and service packages, the Oerlikon Saurer Business Unit, with its Allma and Volkmann brands of twisting systems and the Saurer and Melco brands of embroidery systems, is characterized by its commitment to quality, spirit of innovation and close market proximity.

oerlikon
schlafhorst

The Oerlikon Schlafhorst Business Unit is the global market leader in machine and system solutions for the production of staple fiber yarns. The company dominates the global market for rotor-spinning equipment, offers an extensive range of ring-spinning products and sets the benchmark in the package winding sector.

oerlikon
textile components

Oerlikon Textile Components is the global market leader in premium components. Its product portfolio includes quality-determining components for all spinning applications. All of its products are of the highest quality and reliability.

Applications and products

Barmag	Neumag	Saurer	Schlafhorst	Textile Components
▪ Filament yarn plants ▪ Texturizing systems	▪ Staple fiber plants ▪ Carpet yarn plants	▪ Allma and Volkmann Twisting systems ▪ Melco and Saurer Embroidery systems	▪ Spinning preparation systems ▪ Rotor spinning systems ▪ Zinser ring-spinning systems ▪ Winding systems	▪ Components for the textile machine industry

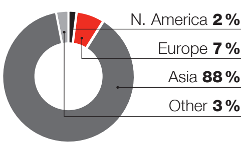
Clients and partners (selection)

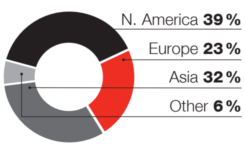
Barmag	Neumag	Saurer	Schlafhorst	Textile Components
Alok, Guxiandao, Hengli, Huaya Group, Reliance, Shenghong Chemical, Wellknown Polyesters	n.s.	Forster Rohner AG, Kordsa, Shaw Industries, Zhejiang Xinao Textile	Beyteks, Hangzhou Jinfeng, Nahar Industrial, Radiant, Tiangsheng, Vardhmann	n.s.

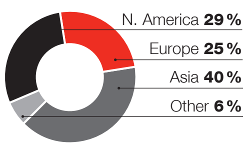
Competitors

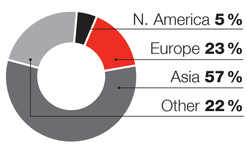
Barmag	Neumag	Saurer	Schlafhorst	Textile Components
TMT Machinery	Reifenhäuser	Savio	Rieter Textile	Rieter/TCC
Chonglee	Swisstex	Murata Textile	Murata Textile	Tonghe
Jiangsu Hongyuan	Dilo	Machinery	Machinery	Precitex
Himson	Rieter/NSC	Lässer	Savio	Aircomponents
Aahlidhra	CTMC	Tajima	Lakshmi	
		Barudan	CTMC	

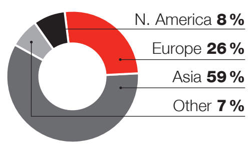
2010 sales by region



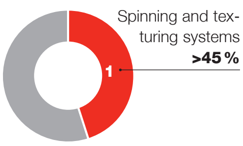


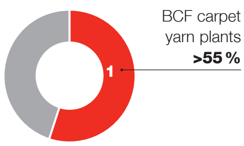


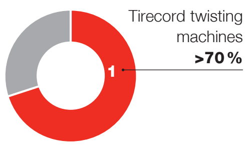


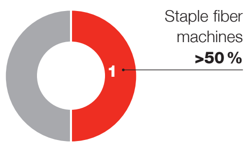


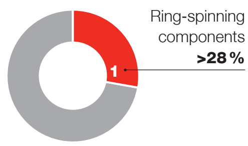
Selected market share and position in 2010











Oerlikon Drive Systems

in CHF million	2010	2009
Orders received	792	569
Orders on hand	137	93
Sales	733	660
EBIT	–27	–50
Employees	5 141	5 013

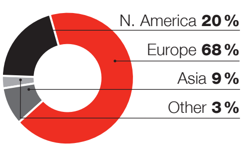
œrlikon graziano

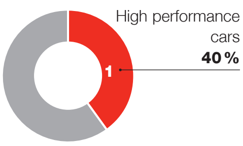
Oerlikon Graziano is a global player in the power transmission field with more than 80 years of experience. The company is focused on the major markets as Automotive, including the zero-emissions sector, Off-Highway and Industrial Application, and is able to meet customer needs by providing complete driveline systems and single gearing components.

- Agricultural equipment
- Construction equipment
- Passenger cars
- High-performance cars
- All-wheel vehicles
- Utility and zero emission vehicles
- Material handling
- City buses

AGCO, Allison, AML, Audi, Bombardier, CAT, CNH, Fiat Auto, GM, JCB, John Deere, Lamborghini, Maserati, McLaren, Th!nk, VW

ZF
Getrag
Carraro
Gear World
Aisin
Cattini





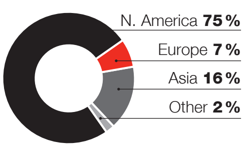
œrlikon fairfield

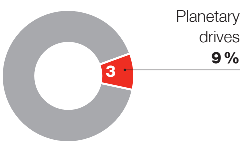
Oerlikon Fairfield is a leading provider of engineered gear and drive solutions for off-highway and industrial original equipment manufacturers throughout the world. With 90 years in the gearing and drive system industry, experience, dependability and reliability are what make Oerlikon Fairfield a global leader in today's market.

- Construction equipment
- Mining equipment
- Agricultural equipment
- Rail and transportation
- Off-shore oil and gas
- Wind power
- Specialty industrial

Allison Transmission, CNH, General Electric, Gusto MSC, Hitachi, JLG-Oshkosh, John Deere, SPX-Marley, Terex

Bosch Rexroth (L&S)
Bonfiglioli Transmital
Brad Foote
Brevini
Columbia Gears
Comer





Oerlikon Vacuum

in CHF million	2010	2009
Orders received	438	325
Orders on hand	84	68
Sales	410	324
EBIT	30	–3
Employees	1 453	1 477

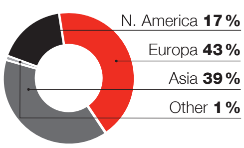
œrlikon leybold vacuum

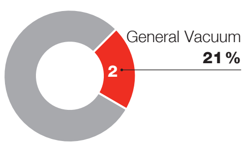
Leybold Vacuum offers standardized and customer specific vacuum technology. A broad range of modern vacuum components for industrial manufacturing and analytical technology, but also for research and development applications and a wide sales and service network complements the consulting and engineering expertise

- Fore and high vacuum pumps
- Consulting and engineering of vacuum solutions
- Vacuum gauges
- Leak detecting
- Instruments
- Fittings and valves
- After-sales service and training

AB Applied Biosystems, Advanced Sterilization Products, Bystronic Laser AG, JEOL

Edwards
Pfeiffer Vacuum
Busch
Adixen
Ulvac





Oerlikon Solar

in CHF million	2010	2009
Orders received	230	511
Orders on hand	255	317
Sales	254	442
EBIT	–59	–78
Employees	648	751

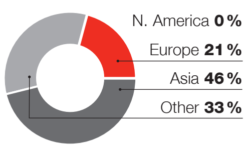
œrlikon solar

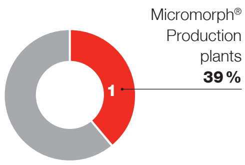
Oerlikon Solar offers cost-effective, field-proven, turnkey solutions for the mass production of thin film silicon solar modules. These fully automated manufacturing solutions are focused on reducing device cost and maximizing productivity. They are available as modular turnkey solutions with metrology and upgradeability in throughput and process technology.

- Amorphous silicon PV technology
- Micromorph® PV technology
- High-precision laser scribing
- Transparent Conductive Oxide (TCO)
- Turnkey solutions for the mass production of thin film silicon solar modules

Astronergy, Auria Solar, Bosch Solar, Gadir Solar, Gongchuang, HelioSphera, Hevel, Inventux, Pramac, Schott Solar

Applied Materials
Ulvac





Oerlikon Coating

in CHF million	2010	2009
Orders received	422	326
Orders on hand	–	–
Sales	422	326
EBIT	52	–4
Employees	2 711	2 463

œrlikon balzers

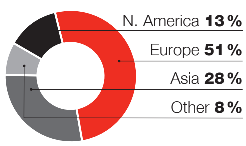
Oerlikon Balzers is the world's leading supplier of plasma-enhanced coatings for tools and precision components. The coatings – deposited with state-of-the-art coating equipment from Oerlikon Balzers – increases performance and therefore productivity. The coating service is offered trough a network of 85 coating centers in 32 countries.

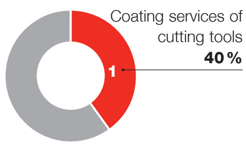
High-performance coatings for:

- Cutting tools
- Punching and forming tools
- Dies and molds
- Precision components for engine and fluid technology and mechanical drives

Audi, Bosch, Ceratizit, Continental, Daimler, Ford, Hitachi, Iscar, Kennametal, Mahle, OSG, Samputensili, Sandvik, Siemens, SKF, VW, ZF

Ionbond
Eifeler
Kobelco
Hauzer
Platit
Cemecon





Oerlikon Advanced Technologies

in CHF million	2010	2009
Orders received	129	95
Orders on hand	29	30
Sales	129	79
EBIT	10	–7
Employees	196	188

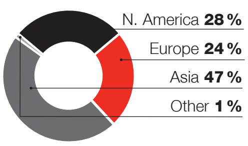
oerlikon
systems

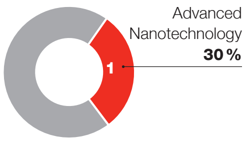
Oerlikon Systems focuses on deposition equipment for semiconductors, advanced nanotechnology and opitcal discs. Together with leading manufacturers, the company develops production solutions for future attractive and profitable applications in these industries – with a clear emphasis of clean technology.

- Read/Write heads for hard drives
- Semiconductor deposition production equipment
- Advanced packaging / 3D
- Thin wafer processing for backside metal
- MEMS and solid state lighting (LED)
- Solar cells energy harvesting thermoelectric generators

Amkor, ASE, CREE, Infineon, NXP, Osram, Panasonic, PV Industry, Ritek, Seagate, SMIC, Sony, ST, TI, TSMC

SPTS
Applied Materials
Nexx
Ulvac
Centrotherm
Roth & Rau





Oerlikon Customer (Selection)

AB Applied Biosystems · Advanced Sterilization Products · AGCO · Allison · Allison Transmission · Alok · Amkor · AML · ASE · Astronergy · Audi · Auria Solar · Beyteks · Bombardier · Bosch · Bosch Solar · Bystronic Laser AG · CAT · Ceratizit · CNH · Continental · CREE · Daimler · Fiat · Ford · Forster Rohner AG · Gadir Solar · General Electric · GM · Gongchuang · Gusto MSC · Guxiandao · Hangzhou Jinfeng · HelioSphera · Hengli · Hevel · Hitachi · Huaya Group · Infineon · Inventux · Iscar · JCB · JEOL · JLG-Oshkosh · John Deere · Kennametal · Kordsa · Lamborghini · Mahle · Maserati · McLaren · Nahar Industrial · NXP · OSG · Osram · Panasonic · Pramac · PV Industry · Radiant · Reliance · Ritek · Samputensili · Sandvik · Schott Solar · Seagate · Shaw Industries · Shenghong Chemical · Siemens · SKF · SMIC · Sony · SPX-Marley · ST · Terex · Th!nk · TI · Tiangsheng · TSMC · Vardhmann · VW · Wellknown Polyesters · ZF · Zhejiang Xinao Textile