oerlikon

Facts & Figures

Annual Report 2009

2009

Managing the downturn.

Key figures 2009[1, 2]

(in CHF)

			Prior year	Year-on-year
3.0	**billion**	**orders received**	**4.2**	**–28.8%**
2.9	**billion**	**sales**	**4.6**	**–37.9%**
–280	**million**	**EBIT** before restructuring costs and goodwill impairments	**259**	
–589	**million**	**EBIT**	**–59**	
–92	**million**	**operating cash flow**[3]	**411**	

Key figures Oerlikon Group[1, 2]

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

[1] A five-year summary of key figures may be found on page 137.
[2] 2008 and 2009 continuing operations.
[3] Before changes in net current assets.
[4] For 2009, continuing operations of Oerlikon Group report an EBIT before restructuring costs and impairment of goodwill of CHF –280 million (previous year: CHF 259 million). The Group EBIT before restructuring costs and impairment of goodwill including discontinued operations amounted to CHF –287 million (previous year: CHF 203 million).
[5] Net liquidity includes marketable securities, treasury shares at market value as of December 31 as well as current and non-current debt.
[6] 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).
[7] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 26 million (previous year: CHF 31 million).

Key share-related figures[8]

in CHF	**January 1 to December 31 2009**	January 1 to December 31 2008 restated
Share price		
High	86.20	472.00
Low	20.82	66.50
Year-end	31.68	69.00
Total shares outstanding	14 142 437	14 142 437
Market capitalization in million	448	976
EBIT	–45.93	–4.60
Earnings per registered share	–46.16	–33.13
Net operating cash flow	–7.17	32.06
Shareholders' equity	38.44	85.26
Dividend[9]	–	–

[8] Average number of shares with voting and dividend rights.
[9] Dividend 2009: proposal of the Board of Directors.

Contents

Operational Review

Financial Report

1.0

Chairman and CEO

Dear Shareholders,

2009 was probably the most difficult year in Oerlikon's history. Demand and subsequently sales declined drastically in all the markets in which our Company operates. Overall, orders received by the Group decreased by nearly 30 percent to CHF 3 billion and sales dropped by nearly 40 percent to CHF 2.9 billion. In the case of textile machinery, our largest segment, this decline came on top of a similarly steep fall in sales in 2008.

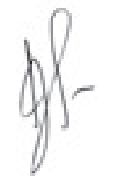
The Company has reacted to the economic downturn by focusing on further restructuring programs and uncompromising implementation of the agreed measures to cut costs and secure liquidity. Recurring cost savings of around CHF 240 million were already achieved in 2009. Restructuring costs totaling CHF 107 million were also booked in 2009. Further restructuring costs of up to 70 million are planned for 2010. From 2012 onwards, annual cost savings are expected to be up to CHF 400 million. Measures aimed at improving liquidity allowed us to reduce net working capital by more than CHF 300 million in 2009. During the course of the restructuring, it was inevitable that we would have to release more than 2 500 staff in 2009. Additionally, over 1 100 employees left the Group as a result of divestments. Other measures, which are still in the planning phase, envisage the elimination of approximately 1 700 more jobs until 2011.

During the process of adjusting the Company to new economic realities, the need for management changes became obvious. Dr. Uwe Krüger, the CEO of the Group, Jeannine Sargent, CEO of Oerlikon Solar, and Dr. Carsten Voigtländer, CEO of Oerlikon Textile, left the Company in the course of the year. Hans Ziegler, an independent Board member, assumed the position of interim Group CEO and Delegate of the Board, while Jürg Henz, former Head of Research and Development at Oerlikon Solar, took over as CEO of Oerlikon Solar. The Group's COO, Thomas Babacan, took over additional responsibility for the Textile segment. The search for a permanent Group CEO was launched and successfully completed with the announcement of Dr. Michael Buscher, who will lead the Company from mid May 2010 onwards.

Beyond the recession, the main reason behind the Group's difficult financial situation was the acquisition of Saurer at the end of 2006, which was based on over-optimistic expectations. In combination with the steep decline in operating performance in 2008/2009 this necessitated a comprehensive restructuring of the Group's finances. The Company reached an agreement with Renova and its lending banks that through a combination of a capital increase, debt conversion and debt write-down, equity of Oerlikon will rise by up to CHF 1.3 billion, liquidity will increase by CHF 300 million, while net debt will be reduced by up to 77 percent. The capital increase by means of a CHF 1 000 million rights offering to existing shareholders is subject to the approval of the Annual General Meeting on May 18, 2010.

Oerlikon, Renova and the lenders strongly believe that the financial restructuring comprehensively addresses the Group's financing situation and establishes a sustainable capital structure in a single step. Furthermore, the financial restructuring will remove refinancing risk until maturity of the new debt facilities in 2014 and, through the strengthening of the equity base and the significantly reduced indebtedness, will facilitate refinancing in the medium to long term. Together with the ongoing operational restructuring, the financial restructuring will provide the basis for bringing Oerlikon's business segments back to profitability, and support their sustainable long-term development. In this context it is encouraging to see that the first signs of recovery are becoming evident in a number of key market segments. Oerlikon Textile, Coating, Vacuum and Advanced Technologies seem to have bottomed out and have been on the road to recovery latest since the second half of 2009.

Dear Shareholders, numerous radical decisions, colossal efforts and concessions from all sides – by lending banks, shareholders and the corporation itself – were necessary to counteract the economic crisis and work out a sustainable solution for Group financing. We would like to thank you all for your loyalty and support during these difficult times. We are still in the implementation stage. We are returning Oerlikon to a solid and sustainable operational and financial footing from where we will generate profitable growth again. With the new CEO, Dr. Buscher, the agreement for a new solid financial basis, reviving markets and leading technologies and products, we have now laid the foundations for the recovery of Oerlikon.



Vladimir Kuznetsov
Chairman of the Board of Directors

Hans Ziegler
Chief Executive Officer

Vladimir Kuznetsov
Chairman of the Board of Directors

Hans Ziegler
Chief Executive Officer

2.0 Oerlikon Group

Facts & Figures

1. 2009 brought further deterioration of most key performance indicators of the Oerlikon Group. Declining sales, restructuring and financing costs as well as impairments led to a heavy loss.

2. Oerlikon answered the challenging business environment with major restructurings, a decrease in net working capital, changes in management and a comprehensive financial restructuring plan.

3. Oerlikon expects to see a slight recovery in 2010 and strengthening of this trend in 2011. The Group plans to regain operational profitability in the second half of 2010.

Key business figures[1, 2]	2009	2008	Δ (%)
Orders received	2 996	4 209	–28.8
Orders on hand	997	1 147	–13.1
Sales	2 877	4 632	–37.9
EBIT before restructuring costs and goodwill impairments	–280	259	–
EBIT	–589	–59	–

Key restructuring figures	2009	2008
Restructuring costs[2]	107	66
Recurring cost savings[2, 3]	237	–
Employees[1]	16 369	18 372

[1] 2008 and 2009 continuing operations. [2] In CHF million. [3] Basis: 2008.

Assuring the Group's future viability.

The 2009 business year was characterized by the most severe global economic crisis in decades. The collapse of financial markets which began with the bankruptcy of the Lehman Brothers investment bank in September 2008 triggered a global recession which had a particularly strong impact on the global economy during the first half of 2009.

The resulting weak market demand coupled with increased difficulty in obtaining financing in the industrial sector led to an unprecedented freeze in capital spending in nearly all sectors in which the Oerlikon Group is active. Both Oerlikon and its customers used the situation as an opportunity to reduce inventories, thus exacerbating the new order situation even further. As one example of this de-stocking effect, global auto industry sales declined just 3 percent in 2009 while overall vehicle production decreased by over 15 percent.

Consequently, the Oerlikon Group was hard hit by a sharp drop in business volume. Orders received were down 28.8 percent from CHF 4.2 billion in 2008 to CHF 3.0 billion in 2009. As of December 31, 2009, orders on hand came to CHF 1.0 billion (previous year: CHF 1.1 billion). Sales declined 37.9 percent from CHF 4.6 billion in 2008 to CHF 2.9 billion in 2009.

To assure the Group's future viability, Group and segment management initiated rigorous measures to counteract this trend:

- The initiation and implementation of drastic operational restructuring and cost-cutting measures;
- Further streamlining of the operating business portfolio;
- Reduction of net working capital and investment tightening;
- Restructuring of Group finances;
- Changes in management both at Group level and within the segments.

Implementation of central aspects of these programs will continue into 2010.

Managing the downturn

In 2009 a central issue in all business units was to cushion the impact of dramatically lower volumes by energetic restructuring, cost cuts and reductions in net working capital. The restructuring team commissioned by Group headquarters and led by the COO worked closely together with the business units to identify more than 700 individual measures including consolidating sites, discontinuing product lines, temporary factory closures, extended vacations, reduced working hours and many more.

Some of the key restructuring measures in 2009:

- Oerlikon Textile: the consolidation of two German production sites into the Übach-Palenberg factory; the layoff of around 1 000 employees worldwide, and short-time work for 2 000 employees;
- Oerlikon Coating: capacity adjustments through the elimination of more than 400 jobs which involved the complete or temporary closure of seven coating centers;
- Oerlikon Solar: more than 100 layoffs and further cost-cutting measures including shorter hours for up to 125 employees in the Mechatronics business unit;
- Oerlikon Vacuum: short-time work in factories with Germany, China and France, reduction of temporary staff and of more than 100 positions worldwide;
- Oerlikon Drive Systems: closure of the production site in the Czech Republic, layoff of 500 employees in Europe and the US, shifting of production to India and Italy and short-time work for around 3 000 employees;
- Oerlikon Advanced Technologies: outsourcing of sales in Asia to specialized partners and capacity adjustments worldwide.

During the second half of the year, further restructuring measures were agreed for parts of the Group, particularly for the Oerlikon Graziano and Oerlikon Neumag business units. The plans were presented to employee representatives at the end of the year and have been in negotiation since that time.

The aim of these efforts is to cut recurring Group costs by a total of up to CHF 400 million in comparison with 2008 by the end of 2011. Around CHF 240 million in recurring cost reductions were already achieved in 2009. Over CHF 170 million was approved by the Board of Directors for implementation of these restructuring programs over the long term. In 2009, CHF 107 million of this amount was booked to restructuring costs.

In 2009, a total of more than 2 500 jobs were made redundant and more than 1 100 were shifted through divestments during the same period of time. Headcount at the end of 2009 was 16 369. More than 6 000 employees were working short-time at some point during the year and more than 4 000 were still doing so at the end of the year. Restructuring measures still in the planning and implementation phase include the elimination of another 1 700 positions by the end of 2011.

Divestment of parts of the Group

Oerlikon continued to streamline its business through divestments during 2009. The following transactions took place in the course of the year:

- In January, the Group spun off the US-based wafer etch operations of the Systems business unit.
- In April, Oerlikon completed the sale of its Esec business unit to the Dutch firm, BE Semiconductor Industries N.V.
- In June, Oerlikon Space was sold to the Swiss security and aerospace group, RUAG.
- In October, the remaining part of the Oerlikon Optics business unit in Shanghai was sold to Nova Capital Management and FF&P Private Equity. This step marked the successful completion of the divestment of Oerlikon Optics.

Group result impacted additionally by special items

Additionally to the strains from operations, the Group result was impacted by special items.

The Group early adopted the revised IAS 36.80 standard which requires goodwill to be tested for impairment at a level that reflects the way an entity manages its operations. In identifying the units to which goodwill is allocated for the purpose of impairment testing, IAS 36 sets a limit on the size of such units by referring to IFRS 8 operating segment reporting. Goodwill has been allocated for the first time to the operating segments. The result of this reallocation is that over- and under-coverage cannot be aggregated and compensated for at a higher level. All in all, this led to a goodwill impairment of CHF 202 million at Oerlikon Textile.

Furthermore, Oerlikon announced an extraordinary write-down in the Solar segment of CHF 40 million. Due to technological advances in manufacturing and product design coupled with continuing challenges on the market, management and the Board of Directors decided to revalue the inventory at the end of 2009.

Tax income from prior periods in the amount of CHF 50 million and the divestment of parts of the Company (Space, Esec, Optics Shanghai, Wafer Etch) amounted to CHF 104 million, which had a positive impact on the net result.

The Group's key earning figures:

- EBIT was CHF –589 million in 2009 (previous year: CHF –59 million).
- The Group posted a loss of CHF –592 million in 2009 (previous year: CHF –422 million). The Group's 2008 result was impacted by goodwill impairments of CHF 345 million.

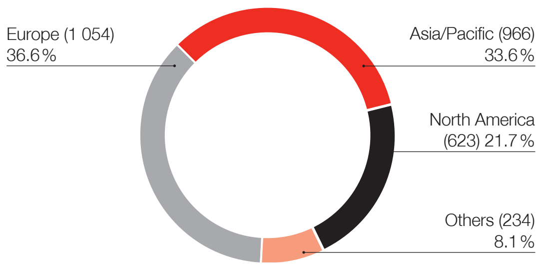
Reduction in net working capital and tightening of capital spending

High losses required strict action to spare liquid funds. Parallel to restructuring, considerable efforts were thus made in all operating units to further reduce net working capital. This involved not only contract modifications and renegotiations with customers and suppliers but primarily a considerable scaling back of inventories. At Oerlikon Schlafhorst, for instance, improved production planning (build to order), new software tools, closer coordination between sales, purchasing and production as well as new minimum stock levels served to reduce inventories by over 30 percent in 2009. The reduction in net working capital at Oerlikon Schlafhorst amounted to nearly CHF 50 million, and throughout the Group reductions of CHF 319 million were achieved in 2009.

The year also brought a significant drop in capital investments which amounted to CHF 130 million (–61 percent compared to the previous year). This put the ratio of capital expenditure to depreciation at 0.6 for the financial year (previous year: 1.4).

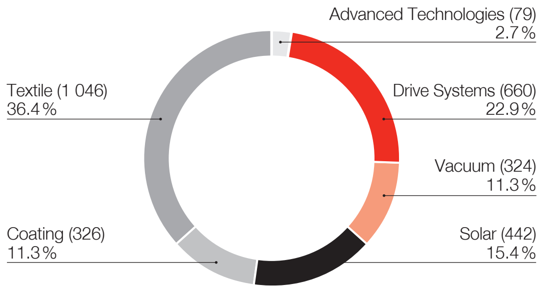
These measures had a commensurate impact on key cash flow figures. Due to the great loss sustained, the 2009 operating cash flow before changes in net current assets amounted to CHF –92 million (previous year: CHF 411 million) while the cash flow from operating activities was CHF 90 million (previous year: CHF 123 million). Cash flow from investing activities was CHF –18 million (previous year: CHF –300 million).

Net sales 2009 by market region [1] in CHF million



[1] Continuing operations.

Net sales 2009 by segment [1] in CHF million



[1] Continuing operations.

Group financing

The results presented strained the Group financing situation even further, a situation which had its origin in the debt-financed takeover of the Saurer Group at the end of 2006. At the end of the reporting year, equity (attributable to shareholders of the parent) totaled CHF 493 million (previous year: CHF 1 093 million). The equity ratio fell from 20 percent to 11 percent of total assets. Net liquidity was CHF –1 646 million (previous year: CHF –1 586 million).

The Company reached an initial agreement with the bank consortium in June 2009 concerning supplements and adjustments to the CHF 2.5 billion syndicated loan whereby the scope and basis of the line of credit remained unchanged. The long-term and sustainable solution for the Group financing, which was now agreed by all related parties on March 31, 2010 consists of the following items*:

- a capital decrease in the form of a nominal value reduction from CHF 20 to CHF 1 per share;
- a subsequent capital increase by means of a CHF 1 billion rights offering of 268.7 million new shares to existing shareholders at an issue price of CHF 3.72 per share, with a commitment of Renova to exercise its subscription rights and a backstop commitment by the lenders to subscribe for any remaining new shares for which rights have not been exercised in the rights offering (other than by Renova) against conversion of debt;
- a possible further capital increase of up to CHF 150 million through the issuance of up to 40.4 million additional new shares to the lenders against conversion of debt in a nominal amount equal to the issue price of CHF 3.72;
- warrants granted to the lenders to purchase shares corresponding to between 1 percent and 5 percent of Oerlikon's share capital on a fully diluted basis expiring on June 30, 2014, such shares to come from a newly proposed conditional capital;
- an option granted to the lenders to purchase part or all of Oerlikon's 1.3 million treasury shares (representing 9.3 percent of the current share capital) at market value by April 14, 2010 against conversion of debt;
- a waiver of between CHF 25 million and CHF 125 million of debt by the lenders; and
- the conclusion of a new facility agreement with the lenders with three tranches in a total amount of approximately CHF 1.49–1.74 billion (depending on the take-up of the rights offering) and maturity on June 30, 2014, which will replace the remaining outstanding portion of the existing syndicated loan facilities. The new facility agreement also contains a requirement 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 Oerlikon's voting rights.

The financial restructuring will significantly strengthen the Company's equity base and reduce its indebtedness to a sustainable level. In addition, it will remove short-term refinancing risk and repayment risk until maturity of the new loan facilities in June 2014. Together with the ongoing operational restructuring, the financial restructuring will lay the foundation for bringing Oerlikon's business back to profitability and support its sustainable long-term development. All measures together are expected to result in a reduction in Oerlikon's net financial debt of approximately CHF 1.05–1.3 billion. The equity ratio will exceed 30 percent. All measures are mutually dependent on each other and the capital changes have to be approved by Oerlikon's Annual General Meeting of shareholders on May 18, 2010.

* The following paragraphs constitute a description of the process of the agreed financial restructuring and should not be construed as a share offering.

Net sales 2009 by region and segment [1]

in CHF million	2009	Europe	Asia	North America	Others
Textile	1 046	730	208	90	18
Coating	326	183	80	41	22
Solar	442	430	3	9	–
Vacuum	324	180	87	57	–
Drive Systems	660	420	50	190	–
Advanced Technologies	79	38	14	27	–
Total	**2 877**	**1 981**	**442**	**414**	**40**

[1] Continuing operations.

Changes in management

The far-reaching, drastic measures undertaken to preserve the Company's future viability also demanded changes in top management.

Financial restructuring efforts were launched by Jürg Fedier who joined the Company on January 1, 2009, and he will continue to oversee their further implementation. To ensure seamless coordination between the Board of Directors and the Executive Board during this critical phase, the Board of Directors appointed Hans Ziegler as Delegate to the Board of Directors and Chief Executive Officer of Oerlikon on August 24, 2009. Dr. Uwe Krüger, CEO since 2007, left the Company by mutual agreement. Hans Ziegler has been a member of the Board of Directors since 2008.

The search for a permanent candidate to fill the position was successfully completed in February 2010 with the appointment of Dr. Michael Buscher to head up the Oerlikon Group as its new CEO. Dr. Buscher has more than 20 years of experience in industry, built up an impressive career in a major international corporation where he successfully developed one of its most important business units and also has qualified technical expertise. Dr. Buscher will take up his position at Oerlikon in mid May 2010.

As a result of the segment's strategic realignment, Dr. Carsten Voigtländer left Oerlikon Textile. Group COO Thomas Babacan took over the position of Segment CEO. Previously Head of Research and Development, Dr. Jürg Henz became CEO of Oerlikon Solar in November 2009, replacing Jeannine Sargent in this position.

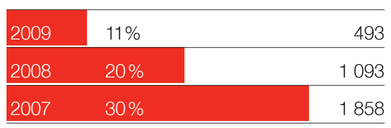
Half-year comparison of segments shows initial stabilization and a trend reversal

During the period under review, operational business at the segment level has shown initial signs of stabilization and a trend reversal in the main business areas in the second half of 2009. Starting from an extremely low level, Oerlikon Textile, Coating, Vacuum and Advanced Technologies saw considerable growth in new orders, sales and improved profitability (before restructuring costs) compared to the first half of 2009.

Oerlikon Textile: The segment posted new orders of CHF 1 170 million in 2009 (–14.2 percent year-on-year), with orders on hand totaling CHF 489 million (previous year: CHF 443 million), sales of CHF 1 046 million (–38.1 percent) and EBIT of CHF –424 million (previous year: CHF –281 million). Included in the EBIT are restructuring costs of CHF 49 million and a goodwill impairment of CHF 202 million. The 2008 result was negatively impacted by a goodwill impairment of CHF 200 million and restructuring costs of CHF 55 million. Due to conditions in the market, restructuring programs initiated were massively extended during the course of the year. Targeted cost savings were achieved: fixed costs were cut by over 20 percent and the break-even point was lowered by CHF 400 million. A comparison between the two halves of 2009 indicates that recovery in the textile machinery sector began in mid-2009. The markets for synthetic fiber systems and textile machinery components, in particular, picked up markedly followed by a steady upward trend for natural fiber equipment, especially in India and Indonesia. All in all, new orders received by Oerlikon Textile during the second half of the year were up by 45.8 percent over the first six months while sales rose 43.3 percent.

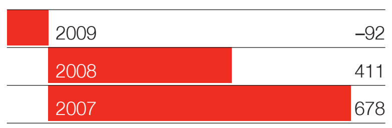
Oerlikon Coating: Timely, systematic cost-cutting measures enabled Oerlikon Coating to wrap up 2009 with a positive operating result before restructuring costs of CHF 12 million (previous year: CHF 83 million) despite an unprecedented 36 percent drop in sales to CHF 326 million. EBIT came to CHF –4 million (previous year: CHF 78 million). A comparison of the first and second halves of the year shows signs of recovery: sales during the second half of 2009 improved steadily to end 6.3 percent above the figure for the first six months; EBIT for the first half of 2009 was CHF –6 million compared to CHF 2 million for the second half of the year. This improvement was largely attributable to the fact that the segment was continually adjusting its global network of coating centers to accommodate the markets' shift toward Asia. 2009 saw the opening or start-up of three new coating centers in China, thus bringing the segment's total number of sites in China to seven (24 in Asia as a whole). Development also continues in other emerging markets such as Eastern Europe. A coating center in Russia started operations in the first quarter of 2010. At the end of 2009, Oerlikon Coating operated coating centers at 84 sites around the world, making it the sector's undisputed market leader.

Equity[1] / ratio in CHF million



[1] Attributable to shareholders of the parent.

Operating cash flow[1] in CHF million



[1] Before changes in net current assets.

Employees

[1] Continuing operations.
[2] Total Group.

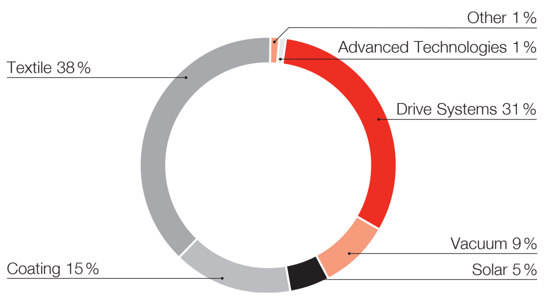
Oerlikon Solar posted sales of CHF 442 million in 2009 (–26.1 percent year-on-year). Orders received amounted to CHF 511 million (–9.7 percent) and orders on hand totaled CHF 317 million (previous year: CHF 429 million). EBIT was CHF –78 million (previous year: CHF 107 million), including restructuring costs of CHF 9 million and a write-down of inventory of CHF 40 million. Due to the nature of the projects at Oerlikon Solar, which consist of a small number of large-volume orders, a direct comparison between the two halves of the year is not meaningful for this segment. The sluggish trend of business at Oerlikon Solar is due to the financial crisis and the ensuing recession, which resulted in new projects and follow-on orders being shelved or postponed. Also, conventional silicon wafer technology became more competitively priced. A follow-on order from a Taiwanese customer had to be cancelled. The Company succeeded in winning two important orders despite the difficult market environment. Russia's Hevel LLC ordered a 120 MW end-to-end production line for Micromorph® modules and Greece's HelioSphera placed a follow-on order.

Oerlikon Vacuum: Extensive cost-cutting measures also enabled Oerlikon Vacuum to end 2009 with a positive operating result before restructuring costs of CHF 10 million despite a sharp 30.3 percent drop in sales to CHF 324 million. EBIT amounted to CHF –3 million (previous year: CHF 49 million). Orders received came to CHF 325 million (–29.3 percent) and orders on hand were stable at CHF 68 million at the reporting date. A comparison between the two halves of the year showed a 17.4 percent sales growth during the second six months as well as a 24.1 percent improvement in orders received.

In 2009, **Oerlikon Drive Systems** posted a 51.4 percent decline in orders received to CHF 569 million as well as a 45.2 percent drop in sales to CHF 660 million. Orders on hand stood at CHF 93 million at the end of 2009 (previous year: CHF 183 million). EBIT fell to CHF –50 million (previous year: CHF 65 million). This includes restructuring costs of CHF 16 million.

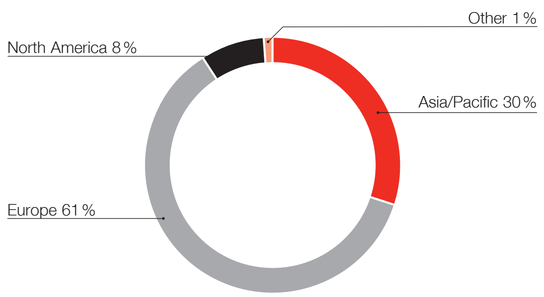
2009 was a year of transformation for **Oerlikon Advanced Technologies**. The business units Oerlikon Space, Esec and Optics as well as Oerlikon Systems' wafer etch business were sold. At the same time, targeted investments in research and development were made to drive forward the realignment towards future-oriented advanced nanotechnology applications. Advanced Technologies' performance showed two clearly divergent trends during 2009. The weak semiconductor market caused sales for the year as a whole to decline 52.4 percent to CHF 79 million (previous year: CHF 166 million). Orders on hand stood at CHF 30 million (+25.0 percent) and orders received amounted to CHF 95 million (–31.7 percent). EBIT was CHF –7 million in 2009 (previous year: CHF –88 million including a goodwill impairment of CHF 52 million). The annual results include restructuring costs of CHF 4 million. The trend in new orders reflects most clearly how the recovery in this business is picking up speed, together with some initial successes in the area of advanced nanotechnology. Orders received were up 96.9 percent over the first six months and sales rose 82.1 percent. EBIT for the first half of 2009 was CHF –12 million compared to CHF 5 million for the second half of the year.

Employees 2009 by segment[1]



[1] Continuing operations.

Employees 2009 by region[1]



[1] Continuing operations.

R&D remains on a high level

Oerlikon Group continued to invest heavily in innovations and further product development. R&D investments in 2009 amounted to CHF 210 million, 14.6 percent less than in 2008. This was partially due to divestitures and short-time work. More than 150 new patents had been registered. Expenditures for R&D were increased in some areas, particularly in Solar. As a result of the sharp drop in sales, the Group's R&D expenditures still rose in relation to sales and amounted to 7.3 percent in 2009. As such, Oerlikon remains a research-intensive industrial enterprise.

This put Oerlikon in a position once again to launch pioneering products on the market and pursue promising innovative projects:

- Heat-SET: Carpet yarns undergo heat treatment (heat setting) to stabilize their form during production. Oerlikon Saurer has now developed a new method which integrates what used to be a separate energy-intensive process step into the twisting process to improve cycle time and greatly reduce production costs.
- BALINIT ALCRONA PRO: In 2009 Oerlikon Coating launched a new version of its industrial standard BALINIT ALCRONA coating which features great improvements in the coating's properties and a broader range of applications.
- Record for Micromorph® solar modules: One way in which Oerlikon Solar demonstrated its technology leadership in 2009 was by setting a new efficiency record in commercial thin film photovoltaics. The 1.4 m^2 Micromorph® module from the pilot line at the Trübbach site achieved an output of 151 watts and an initial conversion efficiency of over 11 percent – a new industry record. Oerlikon Solar also succeeded in producing other modules with similar record-breaking statistics, thus verifying that the method used is both stable and scalable.
- DRYVAC: In 2009 Oerlikon Vacuum developed the new DRYVAC technology platform and generation of pumps which are now being launched. Based on a modular design, these pumps are offered in different versions and combinations to meet customers' needs. They require little space, offer high mounting flexibility, are particularly robust and boast exceptionally low noise levels and attractively low operating costs. That can be attributed in part to their lower power consumption, 30 percent less than comparable models.
- Continuously variable dual clutch transmissions: Two years ago Oerlikon Graziano introduced the first prototypes of a continuously variable dual clutch system, and this cutting-edge technology is now going into small series production. The new McLaren MP4 C12 – a roadworthy sports car from the Formula 1 team – is to be fitted with such a system.
- SOLARIS: In Autumn 2009 and after just 18 months' development work, Oerlikon Systems launched the SOLARIS, a completely new machine aimed at new advanced nanotechnology markets which offers outstanding throughput rates, as well as top availability and flexibility. Immediately following the launch, the first machines were sold on the renewable energy market (solar and thermo-electrics).

Innovations such as these enabled the operating units of the Oerlikon Group to maintain and to some extent even expand their market position during the crisis.

R&D expenses [1, 2] in CHF million

2009	210
2008	246
2007	245

[1] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 26 million (2008: CHF 31 million).
[2] Continuing operations.

Outlook

Economic conditions had improved somewhat by the end of 2009. Forecasts for 2010 predict slight growth of around 1 percent in the Euro zone, up to 2 percent in the USA and 8 percent in Asia. In 2010 China's economy is likely to expand more than 10 percent. Despite these positive assessments, uncertainty about the development of the world's economy will remain great. Leading economists do not think the crisis is over yet, particularly in the financial sector, and do not rule out the possibility of other unpredictable downturns.

Based on these and its own assumptions, the Oerlikon Group expects modest recovery of business volumes in 2010 which will then pick up in 2011 and the years thereafter. The Company will therefore change its mode from managing the downturn into preparing to manage the recovery.

The textile business posted higher incoming orders than sales during the second half of 2009, thereby continuing the positive trend from the first six months. Signs of a sustained upturn were apparent in nearly all textile markets. Building on that, Oerlikon Textile expects a solid increase in sales in 2010. The same also applies for Oerlikon Advanced Technologies. Oerlikon Coating and Oerlikon Vacuum expect moderate growth in 2010. Oerlikon Drive Systems expects sales to remain stable at a low level. Oerlikon Solar will concentrate on working on its orders on hand forecasting lower level of sales than in the previous year. However, due to the fact that orders are typically large-volume in this segment, it would take only one single additional order to improve this situation substantially.

2010 will be a year still characterized by operational and financial restructuring. While the fundamental course was set in 2009, 2010 will be crucial to successfully complete the implementation of these measures whereby some elements of the operational restructuring will carry on into 2011. Key financial restructuring measures like the planned capital increase will be implemented during the first half of 2010. In parallel to ongoing restructuring efforts, Oerlikon is taking all necessary steps to benefit to the maximum from market upturns.

Significant restructuring and financing costs will also impact the 2010 Group result. The Oerlikon Group plans to return to operational profitability beginning in the second half of the year.

2.1

Oerlikon Textile

Facts & Figures

1. Textile markets worldwide began to recover in the second half of 2009. Increase in incoming orders points to solid sales growth at Oerlikon Textile in 2010.

2. Achievement of restructuring goals in 2009: 21 percent decrease in fixed costs (compared with 2007) and lowering of the break-even point by CHF 400 million.

3. The remaining restructuring projects will continue to be pursued until the end of 2011.

Key business figures[1]	2009	2008	Δ (%)
Orders received	1 170	1 364	–14.2
Orders on hand	489	443	10.4
Sales	1 046	1 690	–38.1
EBIT before restructuring costs and goodwill impairments	–173	–26	–
EBIT	–424	–281	–

Key restructuring figures	2009	2008
Restructuring costs[1]	49	55
Recurring cost savings[1, 2]	62	–
Employees	6 260	7 275

[1] In CHF million. [2] Basis: 2008.

oerlikon barmag

Overview

The 2009 financial year at Oerlikon Textile was marked by massive restructuring efforts which were extended further mid-year. Due to a strong, renewed decline in sales to CHF 1 046 million (–38.1 percent), restructuring costs of CHF 49 million and impairment on goodwill of CHF 202 million, EBIT was CHF –424 million. The result of the previous year of CHF –281 million included an impairment on goodwill of CHF 200 million and restructuring costs of CHF 55 million. While in 2009 orders received were down again to CHF 1 170 million (–14.2 percent) year-on-year, they are currently showing signs of recovery. The orders on hand have increased to CHF 489 million (+10.4 percent).

As a result of the segment's strategic realignment, Segment CEO Dr. Carsten Voigtländer left the Company. Thomas Babacan took over the position in addition to his other duties as Group COO.

The restructuring goals set for 2009 were largely achieved. By the end of 2009, fixed costs have been reduced by 21 percent versus 2007 – the target had been 20 percent by 2010. Oerlikon Textile succeeded in reducing its break-even point by CHF 400 million (target: CHF 500 million by the end of 2010). The cost of these restructuring efforts since 2007 totaled CHF 104 million. Nevertheless, compared to 2007 when the segment generated record sales of CHF 2.7 billion, production capacities are not yet fully aligned to the new situation in the market. As a result, the planned restructuring programs will continue to be pursued vigorously.

A comparison between the last half year and that of 2008 shows that recovery in the textile machinery sector began latest in mid-2009. The markets for synthetic fiber systems and textile machinery components, in particular, have picked up markedly. The recovery has also gained pace in the staple fiber machine market. Twisting and embroidery machines are expected to begin improving in 2010; the non woven business will remain difficult in 2010. All in all, new orders received by Oerlikon Textile during the second half of the year were up by 45.8 percent over the first six months. The book-to-bill ratio thus improved from 0.8 in 2008 to 1.1 in 2009.

The order situation is likely to improve further in 2010, although cyclical factors cannot be ruled out. The earnings situation will continue to be impacted by restructuring efforts but there is a good possibility that break-even will be reached. Volumes are expected to increase further with operations returning to profitability in 2011.

Business development

Market uncertainty and a reluctance to invest in synthetic fiber production worldwide subsided over the course of the year, particularly in the Chinese market. Indications of major spinning projects in the FDY (Fully Drawn Yarn) and DTY (Drawn Texturized Yarn) segments were seen at mid-year. Oerlikon Barmag's latest innovations such as the new eFK texturing machine and the WINGS (Winder INtegrated Godet Solution) POY system paid off. The market launch of the revolutionary new POY production concept helped to expand the company's market share to over 50 percent, an increase of some 5 percent. This constitutes a remarkable achievement during these critical months. More than 2 000 units have already been ordered and around 1 000 installed. Customers are more than satisfied and convinced by this technology. Major new and replacement investments were made in IDY (Industrial Yarn) and other projects were announced on the market. Here too, Oerlikon Barmag is well positioned.

Key topics

Innovation: Thanks to the launch of the innovative WINGS, Evo-Quench and eFK systems, Oerlikon Barmag succeeded in setting itself apart from the competition and significantly increased its market share. Oerlikon Barmag will continue to pursue this innovation strategy and launch more new products in 2010.

"Barmag compact": The project of merging production, assembly and logistics at the Remscheid (Germany) site began to have a positive impact in 2009. Productivity and efficiency rose while fixed costs fell significantly. Despite the production ramp-up in the second half of the year, substantial inventory reductions were achieved along with considerably shorter lead times.

Outlook

The new orders received during the second half of 2009 will ensure that Oerlikon Barmag's Remscheid (Germany) and Suzhou (China) production sites will remain well utilized until the end of 2010. For 2010, the business unit counts on an increase in incoming orders of about 20 percent compared with 2009. Production volumes in 2010, however, will still be some 10 percent below the long-term sales average, which means that further measures must be taken to secure and increase earnings.

oerlikon neumag

Business development

2009 was an extremely difficult year for Oerlikon Neumag. Further declines were seen in the non woven business. It was only in the area of airlaid and meltblown technologies that the business unit was able to win a few key orders toward the end of the year.

Nearly no activity was seen on the global market for staple fiber technologies over the course of the year. Only during the fourth quarter was the business successful in negotiating a major order in Vietnam which will be achieved in 2010.

The third technology sector, which produces machines and systems for the manufacturing of BCF (Bulked Continuous Filament) carpet yarn, ensured that sales did not collapse completely. Since the global carpet market remained at a steady yet average level during 2009, Neumag was able to increase its market share with an innovative machine called Sytec One. Products from Oerlikon Neumag are gaining traction, particularly in the US market, since high-priced nylon fibers are increasingly being replaced with cheaper polyester fibers. Some systems were also sold in the Middle East and China.

Key topics

Restructuring Neumünster site: Continued low demand for staple fiber and non woven machine projects forced Oerlikon Neumag to introduce short-time working on a broad scale, and announce an extensive restructuring of the site in Neumünster (Germany) at the end of the year. Even in markets where business is picking up, earlier business plans and projected volumes are no longer realistic. Consequently, the business unit is planning to reduce its workforce significantly. Talks and negotiations with members of the works council began in December.

Outlook

Further growth in demand for BCF systems can be expected from the US, Turkey, Uzbekistan, the Middle East and China. Over the medium term, the investment climate for nonwoven machines for commodity applications such as hygiene products is expected to recover in the established regions. The business unit is expecting 2010 to bring an increase in new orders and sales compared to the previous year. The restructuring measures announced will negatively impact the result at Oerlikon Neumag.

oerlikon saurer

In 2009 the Oerlikon Saurer business unit once again faced great challenges in the twisting and embroidery machine markets. Overall demand dropped further and sales declined. Initial positive signs were seen in carpet, tire cord and glass twisting systems toward the end of the year. Here the first major orders were negotiated following a successful relocation of production capacities for CC3 (a tire cord product) and glass twisting machines from Krefeld (Germany) to Suzhou (China). Demand for staple fiber yarn twisting machines for high-end products remains subdued in the main Asian markets. Demand for embroidery systems in 2009 did not exceed that of the previous year.

As a result, Oerlikon Saurer's activities revolved around early restructuring efforts in Germany, the US and Switzerland including a workforce reduction of 129 employees at all the unit's locations. These measures cut fixed costs by more than 30 percent compared to 2007. Business processes, inventory and production processes were optimized as well, thus laying the foundation for vital future efficiency.

Relocation of production to China: The relocation of standard tire cord and glass twisting machine production from Krefeld (Germany) to Suzhou (China) got off to a successful start during the second half of the year.

Innovations: Oerlikon Saurer has invested heavily in research and development in the twisting and embroidery technology segments. This business unit has already launched its first new products on the market, the "EPOCA 05 2nd Generation" with a sequin system, as well as Internet-based personalization software (Livedesigner.com) for use with Melco single and multihead embroidery machines.

Oerlikon Saurer expects the twisting and embroidery machine markets to improve in 2010. Firstly, orders postponed from 2009 will be fulfilled in the coming year and, secondly, markets are already picking up, which should in turn lead to an increase in new orders in 2010. With additional innovations in carpet, tire cord and embroidery, the business unit is well equipped to take advantage of the coming upswing.

oerlikon schlafhorst

2009 saw a decline in the market for staple fiber yarn, which resulted in a further decline in sales at the Oerlikon Schlafhorst business unit. There was little market activity in the business unit's three technologies – ring spinning, rotor spinning and winding – during the first half of the year. The order situation improved gradually mid-year as the business unit won some individual orders which customers had been postponing for some time. These mainly involved the Autoconer 5 and rotor spinning machine products from the BD series. Business activities and order income then stepped up considerably during the second half of the year meaning that the unit has probably already overcome the worst of the staple fiber market crisis. For now, however, volumes are increasing but still remain at their lowest level and a return to normality will only materialize over the long term.
The focus in 2009 was consequently on implementation of the restructuring measures already initiated. Production capacities at the site in Ebersbach (Germany) were relocated to Übach-Palenberg (Germany) during the first half of the year. A social plan and reconciliation of interests were agreed. As planned, the Ebersbach location now houses a ring-spinning research and development center with a staff of around 80. Short-time working was introduced at all three sites in Germany. Globally, Oerlikon Schlafhorst let go of a total of 503 employees in 2009, 191 of these in Germany.

Restructuring: The comprehensive measures already started and realized will suit the capacities to the order volume expected in the medium or long term. Thus, the social plan and the compensation agreement realized at the end of 2009 for relocation of the entire production and administration from Mönchengladbach to Übach-Palenberg (both Germany) will have a positive influence on the result of the business unit already in 2010.

Relocation of production: 2009 saw an entire completion of the production relocation for the BD series of semi-automatic rotor spinning machines from the Czech Republic to Suzhou (China). Production of ring-spinning machines was relocated from Ebersbach to the Übach-Palenberg location as part of the restructuring program.

With a plus of more than 30 percent, Oerlikon Schlafhorst expects for the year 2010 significantly increasing sales compared with the previous year. Ongoing restructuring efforts in Germany will result in a single production site in Germany in 2010 with centralized processes and greatly reduced costs resulting in a lower break-even point.

oerlikon textile components

Component deliveries are showing first signs of increasing activity in the early-cyclical textile machine market. Over the course of the year, synthetic and staple fiber spinning facilities around the world have stepped up production, which in turn, led to continued growth in new orders at Oerlikon's Textile Components business unit. The current level however, must still be considered below average.

In contrast, the filament business unit won the biggest order for textile machinery components in the company's history at the end of 2009. A major synthetic fiber manufacturer in Shengze Town (China) placed an order worth over CHF 2.5 million for Heberlein® SlideJets. Delivery is scheduled to begin in early 2010. The deal was concluded following substantial expansion of the production capacities of the long-standing customer.

The business unit launched numerous innovations on the market, laying the foundations for a further increase of the order intake in 2010.

Management buyout: In November a part of Oerlikon Textile Components, the Oerlikon Enka Tecnica business unit, was sold as part of a management buyout. 110 employees at the German sites in Übach-Palenberg and Gröbzig (both Germany) were transferred. This move allowed Oerlikon Textile Components to focus its core business on the areas of high-tech components and sensors for staple fiber and synthetic fiber systems.

Innovation: The OTC business unit was able to successfully launch numerous innovations. These included the highly flexible and easy-to-handle Texparts® PK SE spinning component. Additionally, the sub-business unit Sensors & Monitoring successfully brought the innovative monitoring systems Fibrevision® FraytecFV to the market.

Developments in the textile markets will impact the performance of Oerlikon Textile Components in different ways. A sustained increase in activities is expected to generate more filament system sales. Development will be slower for staple fiber systems. Textile Components expects moderate, profitable growth.

2.2 Oerlikon Coating

Facts & Figures

1. Timely cost-cutting measures enabled Oerlikon Coating to end the year with a positive operating result before restructuring.

2. The segment consolidated its strategic market leadership in the global coating business by optimizing its processes, boosting productivity and making regional adjustments to its network of coating centers.

3. Increasingly solid signs of market recovery have been seen since mid-2009. Oerlikon Coating anticipates a noticeable and profitable growth for 2010.

Key business figures [1]	2009	2008	Δ (%)
Orders received	326	509	–36.0
Orders on hand	–	–	–
Sales	326	509	–36.0
EBIT before restructuring costs and goodwill impairments	12	83	–85.5
EBIT	–4	78	–

Key restructuring figures	2009	2008
Restructuring costs [1]	16	5
Recurring cost savings [1, 2]	34	–
Employees	2 463	2 892

[1] in CHF million. [2] Basis: 2008.

œrlikon
balzers

Business development

About 80 percent of the sales of Oerlikon Coating is driven by the automotive and general machinery industry as well as the tooling industry. The global recession caused production in these industries to decline up to 50 percent or even more in some cases during the first half of 2009. In this market environment, sales of Oerlikon Coating declined by 36 percent to CHF 326 million. Trends clearly diverged over the year. During the first six months, sales for coating services fell by 40 percent compared to the same period of 2008. They stabilized at a low level in Q2 and then began steadily picking up leading to an increase of 14 percent in HY2 compared to HY1. However, sales trends differed significantly on a regional basis. All regions declined at a comparable level in Q1. Already in Q2, Asia except Japan started with a solid recovery and is in Q4 already above pre-crisis level, especially driven by China.

Timely, systematic cost-cutting measures enabled Oerlikon Coating to wrap up 2009 with a positive operating result before restructuring costs of CHF 12 million (previous year: CHF 83 million). EBIT came to CHF –4 million (previous year: CHF 78 million). Coating services was making losses in HY1 and has returned to profitability since then showing a rising margin toward the end of the year. EBITDA of the segment was at CHF 59 million before and at CHF 43 million including the mentioned restructuring costs.

Costs (before depreciation and amortization, without restructuring costs) were cut by 27 percent in 2009, with a higher contribution in HY2. This was achieved by optimizing all processes and adjusting capacities. Measures included the non-renewal of temporary employment contracts, short-time work and redundancies, resulting in a headcount reduction of more than 400 employees. Voluntary pay cuts on the part of management, the standardization of business processes as well as adjustments to the global coating center network were additional actions taken. Seven sites were closed since Q4 2008, of these closures four are permanent and three temporary; of these one started up again in Q4 2009.

All in all, in the midst of an unprecedented downturn, Oerlikon Coating consolidated its strategic market leadership in the global coating business by optimizing its processes, boosting productivity and making regional adjustments at its coating centers with a capacity shift from Western Europe to Asia.

Key topics

Regional expansion: Asia is taking on an increasingly important role in the world's economy. One indication of this is that in 2009, for the first time in history, more vehicles were built in China than in the US. Oerlikon Coating is driving a parallel development in the global coating market. 2009 saw the opening or start-up of three new coating centers in China, thus bringing the segment's total number of sites in China to seven. Development also continues in other emerging markets such as India, Indonesia and Eastern Europe. A coating center in Russia started operations in Q1 2010. End of 2009, Oerlikon Coating operated coating centers at 84 sites around the world.

Innovation: Leading-edge coatings and coating equipment are critical to the success of Oerlikon Coating. The aluminum-chrome-based high-performance coating BALINIT ALCRONA PRO was developed in 2009 for launch on the market in early 2010. Compared to its forerunner, BALINIT ALCRONA PRO displays superior performance characteristics making it suitable for use in a broader range of applications. The new RS50 coating system for carbon-based coatings was successfully validated in 2009. This new system is ideally suited to customized component coating applications outside of the automotive industry and is therefore one key element for the future growth of the segment.

Outlook

All market research institutes predict solid recovery in those industries relevant to the segment with strong momentum coming from Asia. Oerlikon Coating anticipates noticeable growth for 2010 based on recovery after the unprecedented drop in 2009. The recovery with double digit figures for coating services started already in HY2 2009.

With its leading-edge coating technologies and its increasing footprint in fast-growing regions, Oerlikon Coating is well placed to benefit from this growth. Moreover, the segment is currently in the process of increasing its involvement in the component business outside the automotive industry with a range of new structures and processes.

The considerably lower break-even point combined with growing sales and better use of production capacity will result in continuous improvements in profitability.

2.3
Oerlikon Solar

Facts & Figures

1. The financial crisis and recession had an adverse effect on the market for thin film silicon solar modules and equipment in 2009. A significant rebound is not expected before the second half of 2010.

2. Oerlikon Solar further expanded its leading technological position and intensified investments in R&D.

3. By the end of 2010, new production lines and upgrades for existing customers will put Oerlikon Solar in a position to lower module costs again as it strives for cost leadership and grid parity with enabling module costs of under USD 0.7/Wp.

Key business figures [1]	2009	2008	Δ (%)
Orders received	511	566	–9.7
Orders on hand	317	429	–26.1
Sales	442	598	–26.1
EBIT before restructuring costs and goodwill impairments	–69	108	–
EBIT	–78	107	–

Key restructuring figures	2009	2008
Restructuring costs [1]	9	1
Recurring cost savings [1, 2]	8	–
Employees	751	868

[1] in CHF million. [2] Basis: 2008.

oerlikon solar

Business development

Oerlikon Solar posted sales of CHF 442 million in 2009 (–26.1 percent year-on-year). Orders received came to CHF 511 million (–9.7 percent) and orders on hand totaled CHF 317 million (–26.1 percent). EBIT was CHF –78 million (prior year: CHF 107 million), including restructuring costs of CHF 9 million and an inventory write-down of around CHF 40 million. Weak demand combined with significant developments in products and processes made a revaluation of inventories necessary.

This business development can be mainly attributed to the financial crisis, the ensuing recession and a drastic decline in price of polycrystalline silicon. New projects and follow-up orders were suspended or postponed as a result. A follow-up order from Taiwan had to be cancelled and around CHF 180 million were taken out of the orders on hand. In response to the challenging market conditions, Oerlikon Solar reduced its headcount by more than 100 positions and implemented further cost-cutting measures while simultaneously increasing investments in research and development. Dr. Jürg Henz, formerly Head of research and development, replaced Jeannine Sargent as CEO of Oerlikon Solar in November 2009.

Despite the difficult market environment, the company succeeded in winning two important orders: Russia's Hevel LLC ordered a 120 megawatt (MW) end-to-end production line for Micromorph® modules and Greece's HelioSphera placed a follow-up order. On the promising US market, Oerlikon Solar managed to secure two memorandums of understanding for the development of major PV projects. A strategic alliance was agreed with Tokyo Electron in order to tap parts of the Asian market and Japan in cooperation with a strong locally based partner.

Oerlikon Solar demonstrated several times in 2009 that it was capable of successfully ramping up end-to-end production lines in cooperation with its customers within the shortest period of time. In June 2009, Auria Solar, Taiwan, reported the start of production at the world's very first turnkey factory for Micromorph® modules with a capacity of 60 MW. Auria Solar received IEC certification issued by TÜV Rheinland at the same time. Further customers who managed to achieve start-of-production and TÜV certification in 2009 were: Pramac Suisse (Switzerland), Tianwei (China), Gadir Solar (Spain) and HelioSphera (Greece). All in all, Oerlikon Solar has a total installed capacity of 456 MW. Over 1.2 million solar modules have already been produced on Oerlikon Solar's production lines.

Key topics

Cost leadership: The key to success in the photovoltaic (PV) industry is the lowest cost per kWh produced. Thin film silicon shows a great potential for cost reduction and is considered amongst the most promising of the competing PV technologies; mainly through low production and system integration cost and increasing efficiencies. In addition, Oerlikon Solar's thin film PV technology uses no toxic substances such as cadmium and is not restricted by the limited availability of resources as is the case with other PV technologies. Oerlikon Solar responded to the difficult economic conditions by intensifying research and development by almost 20 percent in an effort to further improve module efficiency and achieve substantial reductions in production cost. As an outcome of these efforts, Oerlikon Solar brought out a record-breaking Micromorph® module (1.4 m^2) in summer 2009 with an initial efficiency level of over 11 percent and an output of 151 watts. In September, it presented a new world record for solar cells made of amorphous silicon (a-Si) with a stabilized efficiency of over 10 percent.

Oerlikon Solar also made important advances in 2009 in its efforts to achieve global cost leadership. 2010 will also see the launch of a new generation of production plants, which will allow its customers to reach grid parity in key markets. Production costs will then amount to under 0.7 USD/Wp. The fact that existing plants can be economically upgraded with the latest state-of-the-art technology is another advantage from which Oerlikon Solar customers around the world can benefit.

Outlook

Forecasts for the performance of Oerlikon Solar lie in a broad range. One single order is enough to improve any predictions made. Due to ongoing adverse economic conditions, the current conservative estimate assumes a contraction in volumes at Oerlikon Solar, with high R&D investments also impacting the result in 2010.

Medium- and long-term market estimates remain very positive. Forecasts for the global PV market in the coming years assume growth rates in excess of 30 percent.

In order to be successful, reaching grid parity will be key in 2010. The track record of Oerlikon Solar's thin film silicon technology over the past few years is impressive. By concentrating on core themes such as R&D and the development of its process technologies, Oerlikon Solar is working on sustainably strengthening its position as a leading provider of high-quality modules on the thin film PV market from the end of 2010 onwards.

2.4

Oerlikon Vacuum

Facts & Figures

1. By implementing restructuring measures early, Oerlikon Vacuum was able to achieve a slightly positive operating result.

2. With a sales increase of 17.4 percent in the second half-year 2009 compared to the first six months, the segment showed first signs of recovery.

3. Despite the downturn Oerlikon Vacuum continued to invest strongly in R&D, focusing on real product innovation.

Key business figures[1]	2009	2008	Δ (%)
Orders received	325	460	–29.3
Orders on hand	68	68	–
Sales	324	465	–30.3
EBIT before restructuring costs and goodwill impairments	10	49	–79.6
EBIT	–3	49	–

Key restructuring figures	2009	2008
Restructuring costs[1]	13	0
Recurring cost savings[1, 2]	27	–
Employees	1 477	1 583

[1] in CHF million. [2] Basis: 2008.

oerlikon
leybold vacuum

Business development

In 2009, the market development of vacuum technology has experienced one of the strongest declines in its history. This development impaired the markets accessible with Oerlikon Vacuum's core technologies within the world's industrialized nations. The overall accessible market shrank from approximately CHF 4 billion to a mere CHF 2.5 billion. Primarily of importance were the regional developments in Europe and the US.

The 2009 figures for orders received were CHF 325 million, which is a reduction of 29.3 percent against the results of 2008. The US noted a decline of 24 percent, Europe recorded a decline of 40 percent, while Asia showed a lesser 15 percent decrease in orders received compared to 2008. Sales volumes in 2009 of CHF 324 million represent a reduction of 30.3 percent against 2008. Regionally, in the US the decrease was 16 percent, in Europe 40 percent and in Asia 23 percent, when compared with 2008.

All market segments reflected the downturn, but to varying degrees. Whereas sales figures for coating applications, including solar, were down by 50 percent, the high technology and research-oriented branches such as analytics and R&D showed a deviation of –10 percent against 2008. Process industries were severely affected and noted a decrease of 33 percent against the figures of 2008. Only the power transmission market was growing worldwide, even during recession time.

A comparison of the two half years indicates stabilization and first signs of an upward trend: order intake in the second half year rose by 24.1 percent versus the first six months, sales increased by 17.4 percent.

With restructuring measures implemented already in 2008, Oerlikon Vacuum was able to achieve a positive operating result of CHF 10 million (EBIT before restructuring costs). Headcount was reduced by more than 100 positions. Restructuring costs were at CHF 13 million, EBIT stood at CHF –3 million. In 2008, EBIT noted at CHF 49 million. The cost savings in 2009 amounted to approximately CHF 44 million and included savings due to the reduction of production and portfolio complexities, the shift from "buy" to "make" as well as reduction of cost of goods sold. Cuts in personnel costs, especially due to short-time working, reduced overtime and release of temporary staff also contributed to these measures. In addition, the initiation of rigorous net working capital reduction measures resulted in a significant stock reduction of almost 24 percent compared to 2008.

Key topics

Innovation: Despite the downturn Oerlikon Vacuum is continuing to invest strongly in the development of new products. The focus was on real product innovation of the new DRYVAC series rather than sustaining the portfolio. The new RUVAC WH was introduced into the market in the first half of 2009. This line of pumps is developed for special processes where high operating pressure, short cycle time and high system availability are essential. Classical market segments for these requirements are solar, metallurgy, coating and R&D. The RUVAC WH line is aimed to set new standards in reliability, even in harsh applications.

For 2010, several product launches are intended. The market introduction for the new DRYVAC product platform with tremendous advantages as to energy consumption, footprint and cost of ownership has already started.

Outlook

Two market segments – process industries and analytics – will remain on a comparatively lower level but swing back to stable growth. Coating applications will still take some time to gain speed again, and the solar segment will be highly dependent on investment policies and prerequisites of the market. For the R&D segment, state subsidies might take effect, yet it may take some more months before these orders reach the vacuum technology industries. As Asian markets have not suffered as much as the European ones, it is expected that the impetus for growth will stem from these markets first. Indications for an upswing of the US markets are also noted and the German machinery association VDMA reports export figures picking up again slightly.

Based on today's backlog and forecasted orders received, Oerlikon Vacuum expects a moderate volume and earnings increase for 2010.

2.5
Oerlikon Drive Systems

Facts & Figures

1. Oerlikon Drive Systems experienced a historic 45 percent decline in sales to CHF 660 million.

2. The segment used 2009 to initiate a comprehensive restructuring program which will continue into 2010 and beyond.

3. Most markets for Oerlikon Drive Systems seem to have bottomed out. Nevertheless, many challenges still lie ahead in 2010.

Key business figures[1]	2009	2008	Δ (%)
Orders received	569	1 171	–51.4
Orders on hand	93	183	–49.2
Sales	660	1 204	–45.2
EBIT before restructuring costs and goodwill impairments	–34	66	–
EBIT	–50	65	–

Key restructuring figures	2009	2008
Restructuring costs[1]	16	1
Recurring cost savings[1, 2]	88	–
Employees	5 013	5 146

[1] in CHF million. [2] Basis: 2008.

oerlikon graziano oerlikon fairfield

Business development

In 2009, all business sectors of Oerlikon Drive Systems were severely impacted by the global financial crisis and economic downturn. Destocking of products and materials along the fulfillment value chain and at customer sites in particular resulted in greater contraction than in the end markets. Overall, the Oerlikon Drive Systems segment experienced a further sharp decline in business in 2009. Sales fell from CHF 1 204 million in 2008 to CHF 660 million in 2009 (–45.2 percent). Orders recieved amounted to CHF 569 million (–51.4 percent year-on-year) and orders on hand stood at CHF 93 million. EBIT was CHF –50 million which includes CHF 16 million in restructuring costs.

Sales to customers in the construction equipment, materials handling and commercial vehicles segments were down around 60 percent while sales to the premium sports car segment declined by 40 percent. Agricultural equipment showed some resilience, especially in the high horsepower segment and in North America which had a mitigating effect on the drop in sales. Sales of agricultural machinery were strong and mining machinery sales also remained stable through 2009.

In order to align the workforce to market demand, Oerlikon Graziano has applied to the Italian Redundancy Fund to request that short/medium-term measures be covered. A monthly average of more than 2 700 employees were on short-time work and contracts for more than 300 temporary workers have not been renewed. A decision was made to shut down operations in the Czech Republic and to transfer the business to India and Italy. Oerlikon Fairfield has implemented three plant shutdown periods during the second half of 2009. Together, Oerlikon Graziano and Oerlikon Fairfield reduced the workforce in Europe and in the US by more than 500 employees. In Asia, especially in India, staff was increased by more than 400. Aggressive optimization of working capital, a focus on inventory reduction, renegotiation of payment terms with the supply chain, elimination of non-strategic capital investments and strict limitations on fixed costs and expenses have allowed the company to control cash flow effectively.

Despite a challenging environment, Oerlikon Drive Systems will continue to invest in new product developments and technology to lay the ground for future growth.

Key topics

Restructuring: Further cost-saving measures and workforce monitoring will continue throughout 2010. The segment has launched a number of strategic restructuring programs to reposition the company over the medium term with regard to its production footprint, product range and customer relations. In December 2009, a detailed restructuring plan for operations in Europe was presented. This plan concerns the shutdown of the Cento (center of Italy) plant and a reduction in the workforce at all other Italian plants, involving total layoffs of around 1 000 employees. Completion of the restructuring program is not expected before 2011.

Innovation: In 2009 Oerlikon Drive Systems launched a series of new products for a wide range of applications. Oerlikon Fairfield is introducing its new family of AC and DC electric drives. The business unit is also continuing to develop new products for zero-emission drive systems including one for a leading OEM commercial mowing machine. Oerlikon Graziano has launched a family of gearboxes for zero-emission vehicles with a two-speed full-power shift gearbox concept. These were developed for cars for inner-city use as well as taxi and light commercial vehicles. Promising negotiations with a number of car manufacturers are underway. In addition, Oerlikon Graziano introduced an innovative CVT® transmission solution for compact agricultural tractors.

Outlook

As the second half of 2009 showed initial signs of stabilization, most market segments for Oerlikon Drive Systems seems to have bottomed out. However, a substantial recovery of Oerlikon Drive Systems' markets is not expected before 2011. Applications on the agricultural and mining markets may weaken further in 2010 and be accompanied by continuing depressed activity in commercial construction. According to core customers, premium sports cars should see good market recovery in 2010. Moderate growth in the wind power market is expected to hold steady with most activity coming from China. Financial constraints for projects in North America are expected to loosen. From a geographical perspective, China and India are by far the strongest global markets and are expected to continue growing through 2010. Earnings will continue to be impacted by low volumes and ongoing restructuring projects.

2.6 Oerlikon Advanced Technologies

Facts & Figures

1. Following the divestment of Oerlikon Esec, Space and Optics, this segment consists of the business unit Oerlikon Systems.

2. The realignment of Oerlikon Systems as the Group's innovation hub for advanced nanotechnology, semiconductor and optical storage media applications begins to pay off.

3. Oerlikon Advanced Technologies expects strong growth in 2010 and a return to profitability.

Key business figures [1, 3]	2009	2008	Δ (%)
Orders received	95	139	–31.7
Orders on hand	30	24	25.0
Sales	79	166	–52.4
EBIT before restructuring costs and goodwill impairments	–3	–33	–
EBIT	–7	–88	–

Key restructuring figures	2009	2008
Restructuring costs [1]	4	3
Recurring cost savings [1, 2]	18	–
Employees [3]	188	459

[1] In CHF million. [2] Basis: 2008. [3] 2008 and 2009 continuing operations.

oerlikon systems

Business development

As the sole remaining business unit in the Oerlikon Advanced Technologies segment, 2009 was a year of transformation for Oerlikon Systems. After the divestment of the optical disc line business in 2008, the wafer etch business was also sold as part of a management buyout in 2009. At the same time, further investments in research and development were made to drive the realignment towards future-oriented advanced nanotechnology applications. As a result, the business unit is active in three markets: semiconductors with applications such as advanced packaging, read/write heads for hard drives, LEDs, micro-electromechanical systems (MEMS); optical storage media (metallization of Blu-ray and DVD discs); and advanced nanotechnology.

Oerlikon System's performance showed two clearly divergent trends during 2009. While business declined steeply during the first six months of the year, primarily due to a weak semiconductor market, the business unit succeeded in boosting sales during the second half of the year and thus reducing its losses. All in all, the unit posted sales of CHF 79 million in 2009, 52.4 percent less than the previous year. Orders on hand stood at CHF 30 million (+25.0 percent) and orders received amounted to CHF 95 million (–31.7 percent). The trend of orders received reflects most clearly how the recovery in this business is gaining momentum in the second half of 2009, together with some initial successes in the area of advanced nanotechnology. Orders received were up 96.9 percent over the first six months. EBIT also improved during the second half of the year to end at CHF –7 million for the year as a whole (first half 2009: CHF –12 million). The annual result includes restructuring costs of CHF 4 million.
During the period under review, Oerlikon Systems implemented a series of measures intended to counteract the contraction in volumes during the first half of the year. These primarily included the outsourcing of its sales and service organization in Asia to specialized partners, as well as the introduction of short-time work in large parts of the business unit and over 100 layoffs. These measures lowered the break-even point by more than 50 percent without negatively impacting the general performance and innovative capacity of the core business. This is clearly evidenced in the market launch of the SOLARIS, a new ground-breaking coating machine, during the second half of 2009. With its low power consumption, minimal space requirements, outstanding flexibility and productivity, the SOLARIS offers huge advantages in the mass production of nanotechnology applications. This new generation of machines is generating great interest. Immediately after the market launch, the unit succeeded in winning its first major order from the solar industry for the production of crystalline solar cells.

Key topics

Innovation: With the market debut of the SOLARIS, customers now have a machine which makes it possible to mass-produce nanotechnology applications while keeping costs low and flexibility high. Oerlikon Systems targets markets in the area of clean technology, particularly those involving energy conversion, energy storage and increased energy efficiency. This orientation has been validated by initial orders from a leading manufacturer in the solar industry as well as a first order from the thermoelectric sector. Significant investments, considerably in excess of 10 percent of sales, are still being made in R&D in order to gear the SOLARIS toward other applications. At the same time, developers within the business unit have carried the SOLARIS concept over to other types of machines such as the CLUSTERLINE in an effort to also boost the output and flexibility of semiconductor applications.

Strategic alliance: At the end of 2009 Oerlikon Systems entered into a strategic distribution and cooperation alliance with Meyer Burger, a Swiss manufacturer of solar technology. While this will allow Meyer Burger to offer additional elements of the crystalline solar cell production value chain, the alliance will give Oerlikon Systems direct access to all key producers of solar cells. This can be expected to considerably accelerate the market acceptance and penetration of the SOLARIS system. Moreover, joint customer projects will open up opportunities to research and develop new ways of increasing the efficiency of solar cells.

Outlook

According to current forecasts, 2010 will see further recovery in the semiconductor market, a stable development in the market for optical storage media – Blu-ray in particular – at Oerlikon Systems, as well as a breakthrough in advanced nanotechnology applications. This new field of application will contribute significantly to Oerlikon Systems' sales as early as 2010.

The segment expects a considerable increase in sales and a return to profitability. Continuing high investments in R&D will delay the impact of these increased volumes on the EBIT margin.

2.7 Senior Leadership Team

From left to right:

Dr. Hans Brändle
CEO Oerlikon Coating

Peter Tinner
Head of Global Sales & Marketing

Jeff Herriman
Head of Corporate Development

Hans Ziegler
CEO and Delegate of the Board

Gary Lehman (back)
CEO Oerlikon Fairfield

Jürg Fedier
CFO

Dr. Marcello Lamberto
CEO Oerlikon Graziano

Thomas Babacan
COO

Daniel Lippuner
Head of Corporate Controlling

Björn Bajan
General Counsel and
Corporate Secretary

Dr. Andreas Widl (back)
CEO Oerlikon Vacuum

Dr. Jürg Henz
CEO Oerlikon Solar

3.0 Research and Development

Leading-edge innovations in the area of clean tech.

Facts & Figures

1. Despite the global economic crisis and stringent cost-cutting measures, research and development remains a high priority at Oerlikon.

2. As a result, the company continues to make strategic investments in this area to strengthen its technology leadership.

3. The Group's focus is increasingly turning toward the efficient use of raw materials and energy.

R&D expenses [1, 2] in CHF million

2009	210
2008	246
2007	245

[1] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 26 million (2008: CHF 31 million).
[2] Continuing operations.

R&D employees [1]

2009	1 251
2008	1 278
2007	1 332

[1] Continuing operations.

New ideas and their transformation into processes and products are what drive Oerlikon's business activities. More and more the focus is shifting toward solutions aimed at the economical use of raw materials and energy. Benefiting not only customers but Oerlikon itself, these clean technologies are gaining traction, particularly within the context of the current climate debate.

The company received important recognition in this area last year in the form of the distinguished 2009 Solar Industry Award, presented at the European Photovoltaic Solar Energy Conference (EU PVSEC) in Hamburg (Germany). This distinction was awarded to Oerlikon Solar's TCO 1200 coating system which plays a key role in the development of next-generation thin film solar modules due to its higher light-trapping potential, a feat achieved through the use of an innovative zinc oxide film. This prize rewards Oerlikon's intense research and development effort in the area of thin film silicon solar module production.

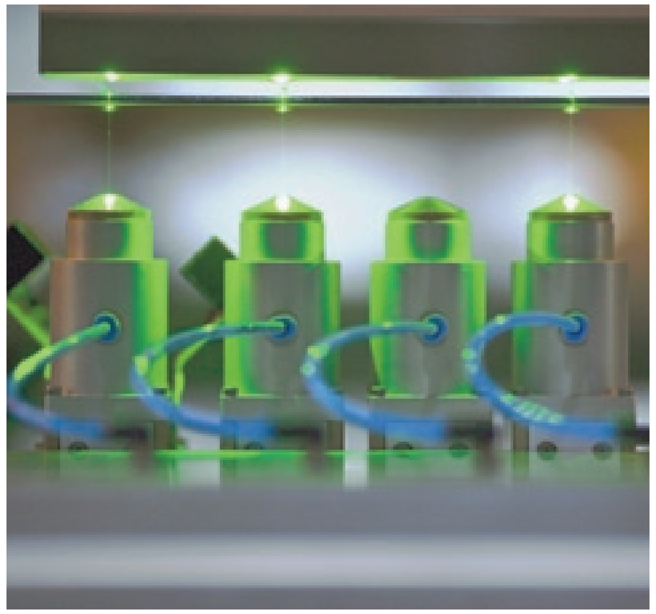
Motivated in part by distinctions such as this from international experts, Oerlikon is resolved to maintaining its focus on expanding research and development activities. Investments in R&D remain high with a view to not only preserving the company's technical and hence competitive edge, but also to enlarge it where possible. CHF 210 million was spent on R&D in 2009 (previous year: CHF 246 million), which represents 7.3 percent of sales (2008: 5.3 percent). Even though R&D investments were focused in 2009, in some cases the expenses were enlarged. One example is the solar lab in Neuchâtel (Switzerland) where the workforce was extended and the facilities underwent further expansion.

Over 1 200 scientists and engineers are busy developing leading-edge ideas for tomorrow's world – ideas which will have to furnish a growing population with energy, clothing, infrastructure and communication technology. Against this background, Oerlikon registered 159 new patents in 2009. All in all, Oerlikon holds more than 1 600 patent families with over 6 000 active property rights.

Renewable energy sources such as solar power and constant increases in energy efficiency are both vital parts of efforts to lower carbon dioxide emissions and thus help reduce the greenhouse effect. In its role as technology leader, Oerlikon takes its responsibility seriously to make advances on different levels in this field. All segments at Oerlikon contribute to these efforts through a range of diverse products – either applications which are directly connected to the production of clean energy or achievements which reduce energy consumption and thus use resources efficiently.

Take the example of Oerlikon Coating. Continuous new material developments have enabled Oerlikon Coating to set new standards in tool coating and, increasingly, component coating for the automotive industry. New aluminum chromium nitride films (AlCrN) have elevated their wear resistance to an entirely new level. Their performance characteristics also considerably exceed conventional titanium-based tool coatings. Over 500 coating systems from Oerlikon Coating are currently in operation around the world. They are generally considered to represent the benchmark with regard to productivity, diversity, availability, longevity and the economic consumption of production resources. INNOVA coating systems meet all the requirements of high-production manufacturing systems. Through the use of its innovative titanium, aluminum chrome and carbon-based BALINIT coatings for reducing friction, Oerlikon Coating is instrumental in boosting engine reliability but, above all, efficiency. This cuts down on fuel consumption and, in turn, pollutant emissions. Studies show that the coating of the piston rings and piston pin can save up to 1.4 l/100 km. Fuel efficiency can be increased by up to 10 percent.

At Oerlikon Textile, too, the economical use of resources is the order of the day and a declared development objective. Even some years ago, the segment had already launched its e-save program which aimed to cut the energy consumption of new machines and systems to levels considerably below those of their forerunners. And successfully: in many cases the new developments are able to reduce energy consumption by more than 40 percent.



Within the textile segment Oerlikon Saurer has now succeeded in achieving considerable improvements in the twisting and spinning systems used for carpet yarn manufacturing. In the segment of textile flooring, every year about 2.5 million tons of yarn are used. The development of a new spindle was the key for a reduction of energy consumption for e-save cabling by 35 percent. Because of this, less installed output is required.

Oerlikon has revolutionized technology in carpet yarn manufacturing. Oerlikon has now succeeded in integrating the key steps of the manufacturing process into one single machine. Materials in process are reduced and thus handled less, less waste is produced – and that is just a brief portrait of the new Heat-SET process which was developed with clean technologies in mind. For the customers this new solution implies not only lower process costs but also higher productivity.

The new root pumps RUVAC WH from Oerlikon Vacuum are also pioneers when it comes to saving energy and their development was driven forward specifically for this purpose. As a result, these pumps provide outstanding performance with corrosive and toxic gases and vapors. Moreover, the RUVAC WH series sets new standards for compact design, taking up less space than any competing roots unit.

Oerlikon Vacuum will systematically continue to pursue this course. In 2010, the company will be launching a new series of pumps on the market called DRYVAC. The series will serve as a technology platform and will be offered in different versions and combinations to meet the full range of customer needs. These pumps require less space, are particularly robust and have a low cost of ownership (CoO). This can be attributed in part to their lower power consumption, 30 percent less than comparable models. Other advantages include the high mounting flexibility, low noise and temperature to ambient or footprint. The new generation of pumps is also extremely easy to service and use. Preventative maintenance is only required every four years and a high-level monitoring and control system facilitate the configuration of the pump.

New developments at Oerlikon Drive Systems also help support the Group's aims of sustainability and energy efficiency. Electromobility will become an increasingly hot topic in the future as a way of reducing the carbon dioxide emissions generated by traffic. Electromobility requires two things: systems which can store renewable energy generated by the wind, sun, geothermics and biomass as well as effective electric drives. Here, Oerlikon Drive Systems have made an important contribution with an innovative two-speed transmission for electric vehicles. The concept behind this kind of transmission is higher performance and, above all, greater battery range and life – measured over the "New European Drive Cycle" industry standard, this means a 5 to 10 percent reduction in energy consumption. CVT technology represents a breakthrough in farm machinery. Despite the fact that it is entirely mechanical by design, it possesses the characteristics of a hydrostatic transmission and offers an infinite number of transmission ratios. All things considered, this new solution offers 25 percent greater efficiency, which then translates into reduced fuel consumption and lower noise levels. The impressive characteristics of Oerlikon's new development earned the company a silver medal in the 2009 Sima Innovation Award competition.

The same also holds true for developments at Oerlikon Solar which have led to new efficiency records in amorphous and Micromorph® technology. Oerlikon Solar's position as global leader in 2009 was emphatically confirmed by market researcher VLSI Research Inc. which named the company the "world's number one provider of turnkey facilities for the production of solar modules." Oerlikon Solar was also the recipient of two respected industrial awards: the Cell Award 2009 for the best technical product for thin film module manufacturing and the Solar Industry Award for thin film innovations.

Following intense research and development work, Oerlikon Solar succeeded in presenting a record-breaking module in 2009 which achieved an output of 151 watts and an initial efficiency of over 11 percent. This milestone was made possible by the fact that Oerlikon Solar operates a 1-megawatt pilot line at its Trübbach site which permits cell results to be upscaled to the 1.4 m^2 size of standard modules within an industrial production environment.

A new world record was even set at the company's own research center in Neuchâtel: 10 percent stabilized efficiency – something that had never been accomplished until now. Since amorphous silicon (a-Si) cells are considered to lay the foundation for high efficiency levels in Micromorph® tandem cells – each Micromorph® cell is made up of one amorphous base cell and one microcrystalline top cell – the significance of this result with an eye to achieving higher efficiency levels for both technologies in the future cannot be underestimated.

Oerlikon Systems is opening up entirely new possibilities in the energy sector by combining its substantial expertise in the application of thin films with advanced mass production technology. First presented in 2009, the SOLARIS system improves the production of crystalline solar cells – while also reducing the energy required to do so by around 50 percent. This not only makes SOLARIS an enabler technology, which will help renewable energies achieve breakthrough, but is also proof of the extent to which the costs of ownership can still be improved during solar cell production in comparison with established production processes. SOLARIS is thus setting new technology standards for today's crystalline solar cell production.

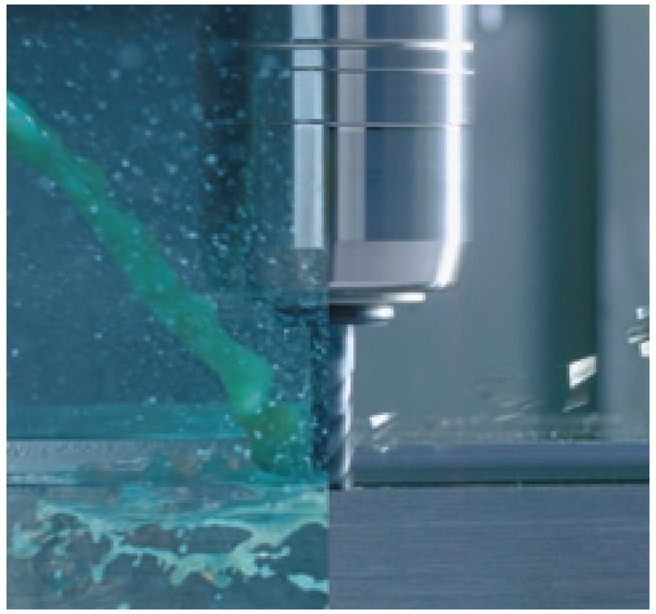
New approaches are the focus of development work on thermoelectric generators, supercaps and batteries which are to be implemented in the years to come. Fossil fuels will continue to form a cornerstone of power generation for the time being. This conversion process not only emits large amounts of carbon dioxide, but just a fraction of the energy produced is actually utilized for mechanical or electrical purposes. The internal combustion engines of cars with an efficiency level of merely 30 percent are no exception to this. One way of limiting heat loss is by using the heat to generate electricity. Oerlikon will apply its expertise in the area of thin films to create the conditions needed to cost-effectively manufacture the required thermoelectric generators. This solution will involve the use of multilayer technology not only to boost the efficiency of these thermoelectric generators but also to develop production technology which is suitable for mass-production applications.

The same applies to research in the field of supercaps and new types of batteries which could benefit from this in-depth knowledge of thin films. Multisource sputtering also allows Oerlikon Systems to quickly develop new material alloys. The ability to condition these thin layers makes it possible to transform the films applied into precisely the crystalline form required to perform a certain function. These projects, however, are still in the materials research phase.

The many successful research results achieved in the current adverse conditions are firm proof that the company is systematically maintaining its focus on innovative technology and product development. With that in mind, key technologies such as energy generation, energy efficiency, films, coatings and nanotechnology are pioneering, leading-edge themes which Oerlikon intends to actively influence by virtue of its technical expertise.

Innovation highlights

For Oerlikon's business segments, 2009 was once again characterized by pioneering technical developments, new processes and products which will further consolidate its position on the market.



Oerlikon Textile
Heat-SET

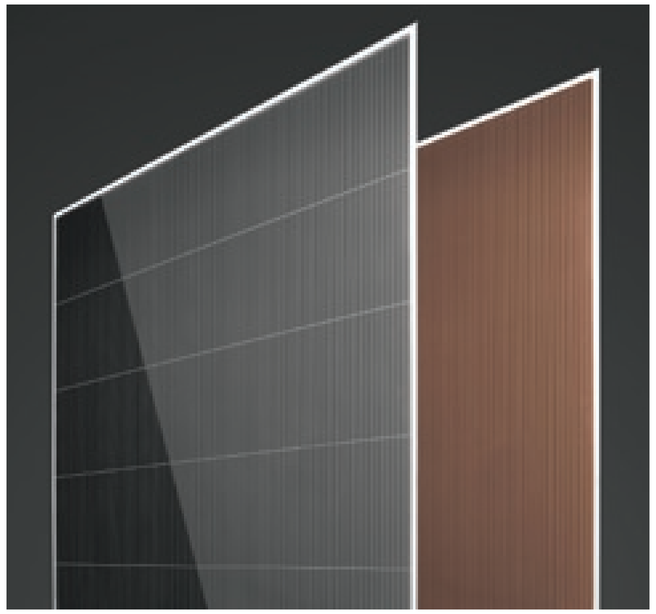
Innovative developments have enabled Oerlikon Saurer to secure a market share of about 80 percent and a reputation as the world's leading manufacturer of carpet yarn cable machines (Volkmann brand). The company is now expanding this solid position with another technical breakthrough in the area of heat setting. Extruded carpet yarns consist of several hundreds of single filaments. Without the thermal treatment, these tend to return to their original form in the finished carpet, in other words, they untwist. This not only causes unsightly shadows but also impacts the carpet's mechanical stability. To prevent this from happening, the carpet generally undergoes heat treatment which was previously done on large, separate, energy-intensive aggregates positioned between the cabling and winding machines.

In a revolutionary approach, Oerlikon Saurer has now developed a process which does the cabling, up-twisting, heat setting and winding in one operation. Customers benefit greatly from this. Intermediate storage and handling is no longer needed. Altogether process costs are greatly lowered which adds significantly to overall efficiency. Oerlikon's technique allows customers to reduce their order turnaround times, shorten processes and boost plant utilization.

Oerlikon Coating
BALINIT

As Oerlikon Coating's first AlCrN-based coating, BALINIT ALCRONA represents a milestone in tool-coating technology. Since its development it has established itself as a high-performance platform and as a new industry standard. With the launch of BALINIT ALCRONA PRO and BALINIT ALNOVA, Oerlikon has now achieved a double breakthrough in the manufacture of high-performance, broadband AlCrN-based coatings.

The optimized processes and modified coating structure of BALINIT ALCRONA PRO reaches new levels of high performance. Tools with these coatings are especially advantageous when wet-processing unalloyed and high-strength steels, in particular. They perform extremely well on materials with a hardness of up to 55 HRC. The range of potential applications is also impressive. The same holds true of the new BALINIT ALNOVA coating which was developed on INNOVA, the world's leading state-of-the-art coating machine. This coating boasts high hot hardness and outstanding oxidation resistance. These qualities enabled it to significantly enhance the range of applications and performance of BALINIT ALCRONA – both in a wide variety of materials as well as for numerous processing operations.



Oerlikon Solar
Record cells with Amorph and Micromorph®

In 2009 Oerlikon Solar set new efficiency records for both types of thin film silicon solar modules. Stabilized efficiency levels of over 10 percent were achieved in amorphous cells. The National Renewable Energy Laboratory (NREL, a facility of the US Department of Energy) recognized and confirmed this result. Oerlikon Solar's R&D group in Neuchâtel succeeded in reproducing cells at consistent, world-record efficiency levels, thus demonstrating the stability and reproducibility of the manufacturing process.

Oerlikon had already succeeded in generating an initial conversion efficiency of 11 percent in a Micromorph® module in the past. The 1.4 m^2 module achieved an output of 151 watts. In Micromorph® technology, Oerlikon combines an amorphous silicon film with a second microcrystalline absorber which boosts efficiency by up to 50 percent. The breakthrough in the efficiency of amorphous silicon will thus also benefit Micromorph® technology.

Oerlikon Vacuum
RUVAC WH

With the addition of the WH series, Oerlikon Vacuum now has two new root pumps (RUVAC WH 4400 and WH 7000) on offer which fully meet the increasingly strict vacuum requirements of the solar and process industries. These offer customers significantly greater benefits with regard to operating pressure, cycle time and system availability.Hermetically sealed motors as well as integrated liquid coolant technology were developed especially for these pumps, representing the most compact, robust and energy-efficient pump solution on the market. Improved performance, greater reliability, lower costs and optimized flexibility are direct results of the engine's design and the coolant systems.

A metal separating pot is generally used to divide the engine from the vacuum zone. The use of an epoxy-resin-sealed casing means that a smaller motor with improved efficiency can be used in the RUVAC WH, which also permits operation at lower temperatures. This innovative approach significantly cuts energy consumption and does away with shaft seals and their potential risk of leakage. The solution also boasts extraordinarily high performance when the unit is used with corrosive, poisonous gases and fumes.

Oerlikon Drive Systems
CVT and two-speed transmission for electric vehicles

With the new CVT transmission (chain continuously variable transmission) for tractors, Oerlikon has set new standards with regard to noise emissions, power transmission and fuel consumption. This innovative component replaces hydrostatic gearboxes and permits better power transmission and lower fuel consumption. The heart of this system is the chain drive variator made up of a chrome steel chain running between two pulleys with variable diameters. The manner in which the pulleys are arranged makes it possible to achieve an infinite number of transmission ratios. Sensors measure torque, engine speed and variator speed to control the transmission electronically.

Oerlikon Drive Systems has also developed a new concept for a two-speed transmission which is specifically suited to electric vehicles. This component reduces energy consumption and thus the drain on the battery. It also makes it possible to scale down both the power train and the battery pack. In most driving situations, the selectable variable transmission ratio allows the engine to achieve greater efficiency. This new type of transmission is most beneficial when the vehicle is carrying heavy loads uphill.

Oerlikon Advanced Technologies
SOLARIS

Oerlikon Systems, a business unit of Oerlikon Advanced Technologies, successfully launched its revolutionary coating system SOLARIS in 2009. Just a few weeks after its introduction, the unit was able to fill a major order for numerous systems in which PVD sputter technology is used to produce anti-reflective films. Oerlikon Systems has further reduced the cost of ownership (CoO) in crystalline solar cell production. This enables the mass production of solar cells with previously unheard of flexibility regarding the production planning and multi-layer thin film stacks to optimize the anti-reflective properties. SOLARIS' multilayer capability enables front-side passivation and SiN coating as well as back-side coating using a variety of materials while also reducing the CoO.

In the future, Oerlikon intends to research and develop additional thin film solutions for coatings down to the nano range. Some resulting applications include touch screen panels, thermoelectric generators, supercaps, thin film batteries and OLEDs. These efforts are being undertaken with a clear focus on the particularly important field of energy conversion and storage, among others. Different time horizons apply to the various R&D projects. Some applications will approach market introduction soon, while others still require some basic groundwork in materials research.

4.0

Information for Investors

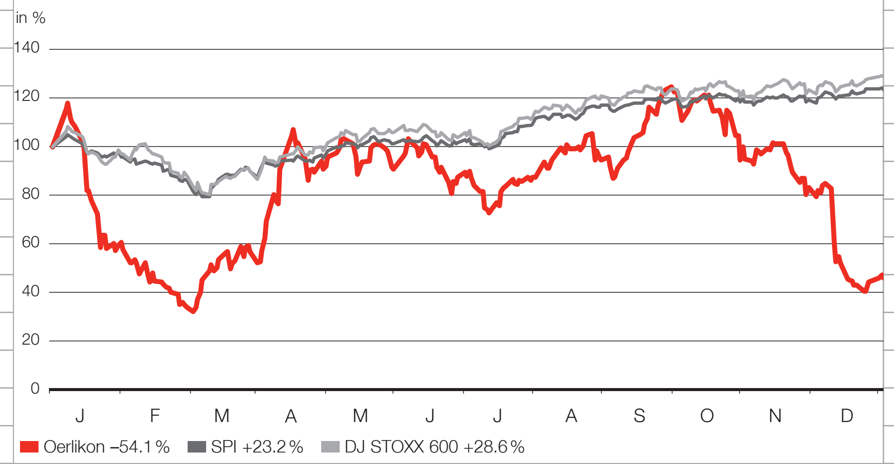
Facts & Figures

1. The Oerlikon share lost more than 50 percent of its value in anticipation of a comprehensive financial restructuring program.

2. The shareholder structure remained broadly stable. The main change was the increase of shares held by private investors.

3. Investor communication and services have been again evaluated and enhanced.

Performance of the Oerlikon share 2009
Indexed; 100 % = closing price as of Dec. 31, 2008



Oerlikon on the capital markets.

Capital market and share performance 2009

In 2009 the capital market showed its two faces. Up to the beginning of March, global financial markets experienced significant sell-offs in light of ongoing fears of a deep world-wide recession. Until March 9, the Swiss Performance Index (SPI) lost 20.6 percent compared to the prior year close. Also the European Dow Jones STOXX 600 Index declined by almost 20 percent in the same period. This decline was followed by a rather steep recovery bringing indices back into positive territory just eight weeks after their yearly lows. Increasing optimism about an improving economy resulted in a general upward trend within the second half of the year. The SPI closed on December 30, 2009 at 5 626.40, a plus of 23.2 percent (vs. prior year close). The DJ STOXX 600 increased by 28.6 percent to end the year at 253.16.

The Oerlikon share price development was highly volatile throughout 2009. Prior to the presentation of the 2008 results, the Oerlikon stock declined by almost 70 percent to its yearly intraday low of CHF 20.82 on March 2. The financial position of the Group added pressure in addition to the overall weak economy and retreat of capital markets. Following the company's confirmation that important credit covenants had been met at year-end 2008 the share price started a major recovery. Oerlikon was able to report progress in both streamlining its portfolio (e.g. sale of Esec and Space) and successfully amending its syndicated credit facility. Further support was provided through the market launch of the SOLARIS tool from Oerlikon Systems and two significant Solar order wins, despite ongoing tightness of financing for large projects. The change in the Group CEO together with an expansion of operational and financial restructuring measures were announced in conjunction with the presentation of half-year results at the end of August. Additional Solar achievements helped the share advance on high trading volumes to its yearly intraday high of CHF 86.20 on September 29. The Q3 trading update unveiled a potentially U-shaped recovery in most of the Group's businesses. This was overshadowed by the lack of additional major Solar orders resulting in a more cautious short-term outlook, which led the share into a slight downward trend. The December 8 communication of a significant reduction in current equity as part of a holistic financial restructuring proposal made the share lose more than one-third of its value in just two days. It finally closed at CHF 31.68 (–54 percent for the year) on December 30, 2009. The market capitalization amounted to CHF 448 million.

Trading volume and liquidity

On 251 trading days in 2009, an average of 97 530 shares (0.69 percent of the share capital) were traded on the virt-x trading platform. This represents an increase of 9 percent over the previous year, following a decrease of 20 percent in 2008. The monthly trading volume varied between its high of 3.48 million shares in September and 0.9 million shares in July.

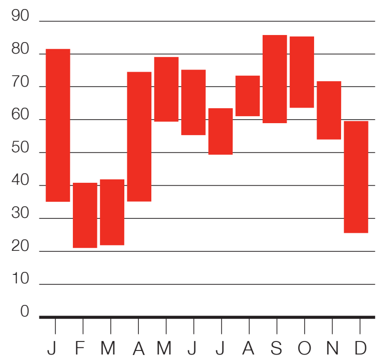
Oerlikon as a member of indices

Although Oerlikon was replaced in the Dow Jones STOXX Small 200 Index in March 2009 and the Swiss Leader Index in September 2009 following the reduction in market capitaliza-tion at almost stable free float, the company remains a member of the SPI and the SMIM.

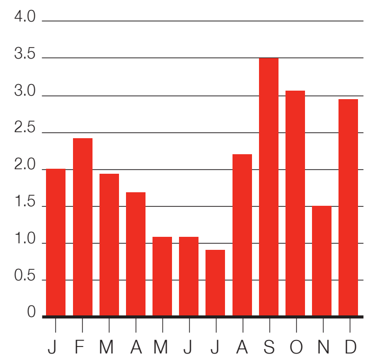
Share buyback program

The Board of Directors of OC Oerlikon Corporation AG, Pfäffikon approved a share buyback program for a maximum of 2.59 percent of the share capital on August 8, 2007. The program, which started on August 9, 2007, ended at the Annual General Meeting on May 12, 2009, as scheduled. In 2009 Oerlikon did not repurchase any additional shares under the program. As of December 31, 2009, the company held a total of 1 318 309 shares (9.32 percent of issued shares).

Trading range 2009 in CHF



Monthly trading volume in 2009 (SIX) in million of shares



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

	2009	2008
SPI	0.01649	0.04314
SMIM	0.18420	0.50144

Dividend

In 2009 Oerlikon had to face a significant deterioration of operational earnings in combination with additional burdens from its restructuring efforts and financing costs. The Board of Directors consequently proposes not to pay out any dividend for the year 2009.

Shareholder structure

In 2009, the most notable change in the shareholder structure came from private investors. The amount of shares held by this important shareholder group rose from 7.4 percent to 12.2 percent, an increase of almost 700 000 shares.

The rest of the shareholder structure was stable amid minor changes. Victory Industriebeteiligung GmbH, a member of the Renova/Victory Group slightly reduced its holding by 12 439 shares or 0.09 percent. Oerlikon also marginally decreased its holding in treasury shares by 10 855 shares or 0.08 percent to 9.32 percent of total shares outstanding as of December 31, 2009.

Following an increase of more than 5 000 shareholders to the share register in 2008, the number of registered shareholders rose in 2009 for the third consecutive year, now exceeding 14 000 shareholders (+5 percent over December 31, 2008). The group of private investors rose by almost 1 000 shareholders (+8 percent), while institutional investors decreased notably by some 200 (–27 percent).

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 portfolio measures executed in 2009, namely the divestment of the Space and Esec businesses as well as the resetting of priorities to the restructuring of the balance sheet. Subsequent progress was detailed in an additional shareholder letter.

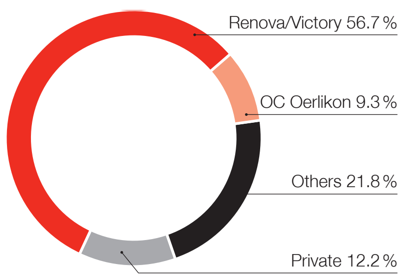
Following the relaunch in 2008, Oerlikon further enhanced its Internet content for investors, specifically aiming at addressing increasing information needs from private investors. The introduction of a new financial calendar tool is just one example. The Oerlikon website maintained its top 10 position in Switzerland in the 2009 Hallvarsson & Halvarsson Web ranking.

Also in 2009 Oerlikon presented and met investors at various bank conferences, road shows and trade fairs. Oerlikon is aiming at accelerating the closing process to leave even more room for dialogue with its investors.

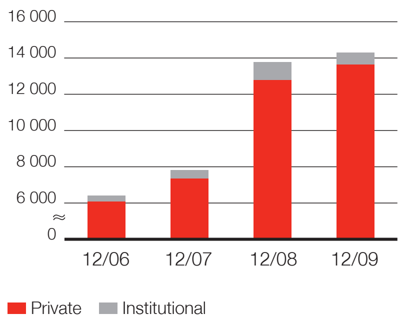
Coverage by financial analysts again broadened in 2009. Investors can find research notes on Oerlikon from, for example, Bank am Bellevue, Helvea, NZB, UBS, Vontobel or ZKB. Additional information can be obtained at www.oerlikon.com/ir.

Shareholder structure

at 31.12.2009



Number of shareholders



Key share-related figures

		2009	2008	2007	2006	2005
Share trading						
Price at year-end	in CHF	31.68	69.00	473.25	602.50	197.90
High	in CHF	86.20	472.00	776.50	605.00	198.80
Low	in CHF	20.82	66.50	336.50	191.00	112.30
Average trading volume SWX Europe (12 months)	in thousands	98	90	112	181	304
Shares outstanding	number	14 142 437	14 142 437	14 142 437	14 142 437	14 142 437
Stock market capitalization at year-end	in CHF million	448	976	6 693	8 521	2 799
Per share data						
Earnings per registered share (diluted)[1]	in CHF	–54.27	–17.69	23.00	23.44	1.43
Earnings per registered share (undiluted)[1]	in CHF	–54.27	–17.69	23.00	23.49	1.43
Dividend[2]	in CHF	0.00	0.00	0.00	0.00	0.00
Equity per share	in CHF	38.44	85.26	142.01	116.48	73.47
Net operating cash flow per share[3]	in CHF	–7.17	32.06	51.78	29.06	6.17

[1] Continuing operations.
[2] Dividend 2009: proposal of the Board of Directors.
[3] Before change in net current assets.

Shareholder structure

Shareholder	Dec. 2009 No. of shares	in percent[1]	Dec. 2008 No. of shares	in percent[1]	Dec. 2007 No. of shares	in percent[1]
Renova/Victory Group[2]	8 023 307	56.73	8 035 746	56.82		
Victory Industriebeteiligung GmbH					3 898 644	27.57
Renova Industries Ltd.					1 950 000	13.79
OC Oerlikon Corporation AG, Pfäffikon	1 318 309	9.32	1 329 164	9.40	1 046 146	7.41
Deutsche Bank Group	n/a		n/a		2 209 744	15.62
Merrill Lynch Group	n/a		n/a		884 858	6.26
Others	4 800 821	33.95	4 777 527	33.78	4 153 045	29.37

[1] Based on shares outstanding.
[2] Renova Group (6 317 392 shares, 44.67 percent according to their last disclosure notification) and Victory Industriebeteiligung GmbH (1 705 915 shares, 12.06 percent) have been forming a group according to Art. 15 and 17 BEHV-EBK since May 2008.

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.

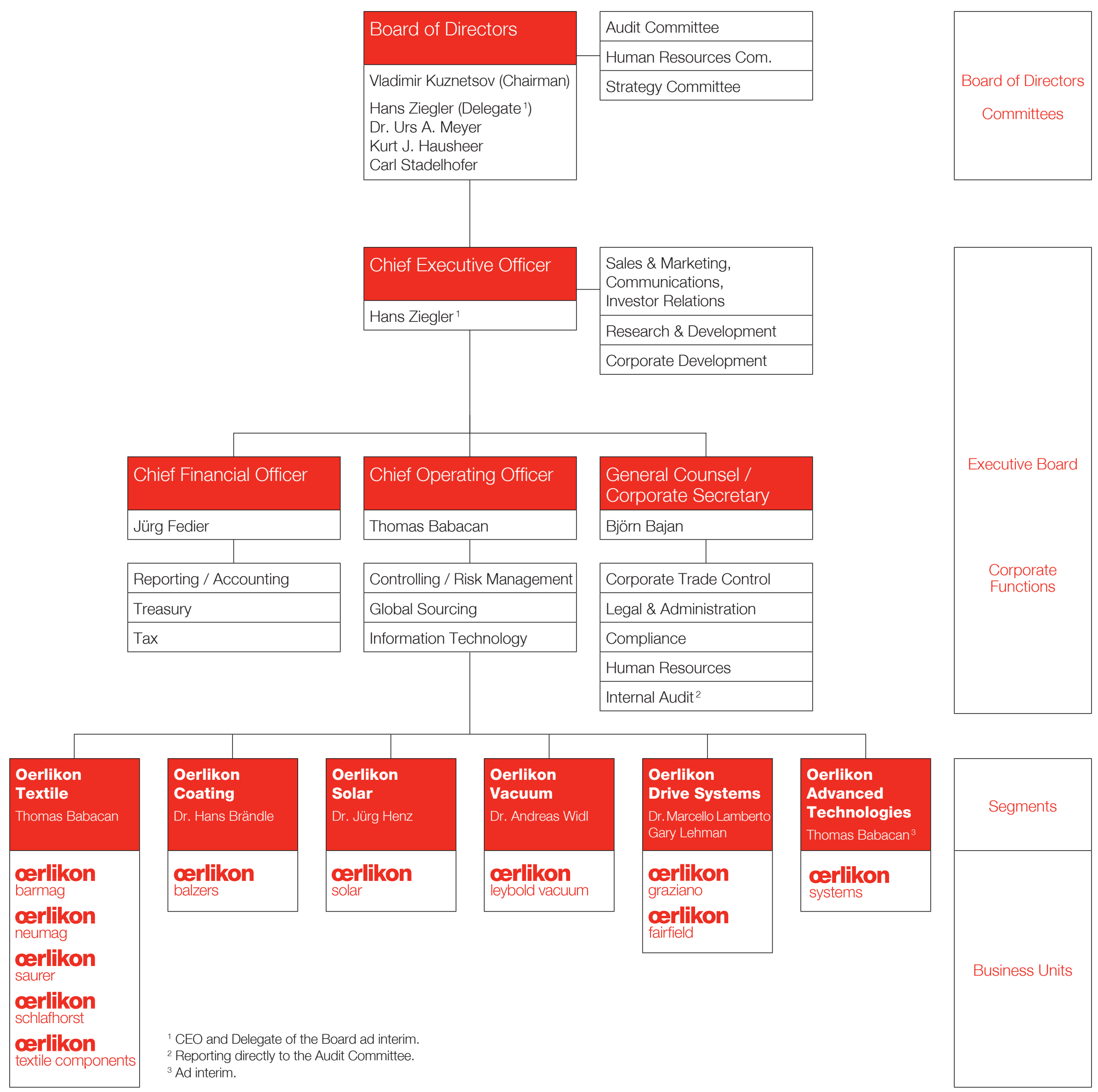
Securities symbol	OERL
Securities number	81 682
Security type	Registered share
ISIN International Stock Identification Number	CH0000816824
Settlement currency	CHF
Stock exchange	SIX Swiss Exchange
First trading day	22.12.1975
Bloomberg ticker symbol	OERL S
Reuters ticker symbol	OERL.S

Distribution of Oerlikon shares

At 31.12.2009	Shareholders registered/identified Number	Shareholders registered/identified in percent	Shares registered/identified Number	Shares registered/identified in percent
> 5 %	3	0.02	9 341 616	66.05
3–5 %	0	0.00	0	0.00
1–3 %	0	0.00	0	0.00
10 001–140 000	30	0.21	660 298	4.67
1 001–10 000	259	1.80	649 240	4.59
501–1 000	413	2.88	320 008	2.26
1–500	13 658	95.08	1 092 915	7.73
Unidentified/unregistered			2 078 360	14.70
Total shares issued	**14 363**	**100.00**	**14 142 437**	**100.00**

5.0 Corporate Governance

Group structure



[1] CEO and Delegate of the Board ad interim.
[2] Reporting directly to the Audit Committee.
[3] Ad interim.

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. 17 of the Articles of Association, the Board of Directors has delegated corporate management in principle to the Executive Board. Operational responsibility lies with the individual segments, each of which is overseen by its own segment CEO. The Board of Directors, the Executive Board and the business units are supported by centralized corporate functions. A graphical presentation of the operational Group structure can be found on page 42.

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, 2009 the company's market capitalization totaled CHF 448 million. For further information on OC Oerlikon Corporation AG, Pfäffikon see pages 139 et seq. Fairfield Atlas Limited, India, and Schlafhorst Engineering Ltd., India, both with indirect holdings of OC Oerlikon Corporation AG, Pfäffikon are listed on the Bombay Stock Exchange.

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 147 et seq. in their legal ownership structure, and on pages 134 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]
Group[3] composed of the Renova Group (Renova Industries Ltd., Nassau [Bahamas][4] and Beregan Holding AG, Zurich[4]) and Victory Industriebeteiligung GmbH, Vienna[5]	8 023 307[6]	56.73
OC Oerlikon Corporation AG, Pfäffikon	1 318 309	9.32

[1] Sources: shareholding notified by Renova-Victory Group pursuant to Article 20 of the Swiss Stock Exchange Law on December 21, 2009 and information on actual shareholding as of December 31, 2009 by OC Oerlikon Corporation AG, Pfäffikon.
[2] Basis: shares issued (14 142 437).
[3] Renova Industries Ltd. and Victory Industriebeteiligung GmbH agreed on May 9, 2008 to coordinate their voting at the May 13, 2008 Annual General Meeting of OC Oerlikon Corporation AG, Pfäfffikon and that Renova Industries Ltd. votes, subject to certain conditions, at future General Meetings for a Victory-designated Board member.
[4] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zurich and Moscow.
[5] Beneficial owner (as per disclosure notification): RPR Privatstiftung, Vienna.
[6] Renova Group: 6 317 392 shares (44.67 percent); Victory Industriebeteiligung GmbH: 1 705 915 shares (12.06 percent).

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Capital

The share capital of OC Oerlikon Corporation AG, Pfäffikon amounts to CHF 282 848 740 composed of 14 142 437 registered shares, each with a par value of CHF 20. The company also has conditional capital in the amount of CHF 40 million for convertible and warrant bonds, etc., and CHF 7.2 million for employee stock option plans.

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 can be increased by a maximum aggregate amount of CHF 40 million through the issuance of a maximum of 2 million registered shares with a par value of CHF 20 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 360 000 fully paid-in registered shares with a par value of CHF 20 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.

Changes in capital

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 145 of the annual report.

Shares and participation certificates

The equity securities of OC Oerlikon Corporation AG, Pfäffikon consist exclusively of 14 142 437 fully paid-in registered shares with a par value of CHF 20, 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 registration

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, 2009 there were no convertible bonds or warrant bonds outstanding. In conjunction with stock option plans, employees held a total of 4 957 options (cf. page 126, note 23) on December 31, 2009, each of which entitles the holder to subscribe one registered share in OC Oerlikon Corporation AG, Pfäffikon. These option rights are covered in full 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 purchasable via the outstanding options is CHF 99 140.

Stability and competence
The Oerlikon Board of Directors

1 **Carl Stadelhofer**
Member of the Board of Directors
Member of the Human Resources Committee
Member of the Strategy Committee

Carl Stadelhofer (1953; Swiss citizen) is a Senior Partner at Klein Attorneys 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 Ltd. He is also the Chairman of NZB Neue Zürcher Bank and NZB Holding. Carl Stadelhofer is 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 the Renova Group.

2 **Kurt J. Hausheer**
Member of the Board of Directors
Chairman of the Audit Committee
Member of the Strategy Committee

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. Until June 30, 2008, he was a member of the Management Board and the Board of Directors of PwC Switzerland.

3 **Hans Ziegler**
Member and Delegate (ad interim) of the Board of Directors and CEO (ad interim)
Member of the Human Resources Committee (active participation currently suspended)
Member of the Audit Committee (active participation currently suspended)

Hans Ziegler (1952; Swiss citizen) earned a degree as a business economist (KSZ) and completed a postgraduate course 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 (Switzerland) 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 a member of the Boards of Schlatter Holding AG, Schlieren, and Charles Vögele Holding AG in Pfäffikon SZ (all Switzerland).

4 **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 the 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 he was CEO of Satisloh, Baar (Switzerland), a division of Schweiter Technologies, Switzerland. Since 2007, Dr. Urs A. Meyer has been a member of the Board of Directors of Sulzer, Winterthur (Switzerland).

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 Zurich 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. In December 2007, he was appointed member of the Board of Directors of Sulzer AG, Winterthur. Still incumbent as a Renova executive, he became Chairman of the Board of Venetos Management AG, Zurich, in October 2008 – 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's degree in International Affairs from Columbia University, New York. He received a doctorate in economics in 1990.

Board of Directors

The 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.

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), Dr. Urs A. Meyer, Carl Stadelhofer, Hans Ziegler (Delegate since August 25, 2009) and Kurt J. Hausheer. They all were reelected by the Annual General Meeting of Shareholders 2009 for a further term of office of one year.

In the three financial years preceding the reporting period, the aforementioned members of the Board of Directors were not involved in the executive management of OC Oerlikon Corporation AG, Pfäffikon or any other Group company. 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, in which Vladimir Kuznetsov, Dr. Urs A. Meyer and Carl Stadelhofer are members of corporate bodies, and Oerlikon Solar AG, Trübbach (see page 129, note 24 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	49	2007	2010	Executive from 25.08.2009 till 31.10.2009
Dr. Urs A. Meyer (CH)	CH	Member	45	2008	2010	Non-executive
Carl Stadelhofer (CH)	CH	Member	56	2008	2010	Non-executive
Hans Ziegler (CH)	CH	Delegate since 25.08.2009	57	2008	2010	Executive since 25.08.2009
Kurt J. Hausheer (CH)	CH	Member since 01.07.2008	62	2008	2010	Non-executive

Other activities and vested interests

See page 46.

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. The only eligible persons are those 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 Executive Board. 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 may as conditions warrant, carve out certain executive tasks from the authority of the Executive Board or CEO and confer such tasks to a suitable member of the Board of Directors for a limited period of time.

The Board of Directors consists of at least three but not more than nine 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 Board, 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.

The Board of Directors is self-constituting, appointing from amongst its members the Chairman, 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 Chief Executive Officer (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 Executive Board, 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 make decisions themselves besides recommendations, proposals or motions to be submitted to the Board of Directors.

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
Hans Ziegler (CH)	Member[1]	Member[1]	
Kurt J. Hausheer (CH)	Chairman		Member

[1] Active participation suspended since 25.08.2009.

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 Board 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 Executive Board and 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.

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 Board 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 Board, 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 Board;
- the performance management of the members of the Board of Directors and the Executive Board;
- the appointment of the Chairman and the Vice Chairman of the Board of Directors;
- the appointment of Board members to the Committees; and
- the appointment and dismissal of the Executive Board members.

The HRC approves the appointment and dismissal of Segment CEOs by the Chief Executive Officer and sets, subject to the approval of the Board of Directors, the individual compensation packages of the Executive Board members.

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 Board in the preceding three years.

The SC monitors that Oerlikon's strategy is properly established, implemented and complied with by the Executive Board 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.

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. Each Board member and each member of the Executive Board may request the Chairman to convene a Board meeting by stating the reasons for such a request. In 2009, 22 Board meetings were held, four of them in the form of telephone conferences. 21 meetings were attended by all Board members. The meetings lasted on average around four hours.

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 CEO, the CFO and, where necessary, the Head of Internal Audit should attend the meetings of the AC; the CEO, the Head of Corporate Human Resources and the Corporate Secretary the meetings of the HRC; and the CEO the meetings of the SC. Additional persons (e.g. representatives of the external auditors) may be invited, if required.

In 2009, there were seven meetings of the AC (one of them in the form of a telephone conference), lasting on average around three hours. The members of the AC participated in these meetings along with other Board members, members of the Executive Board 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 two meetings in 2009 lasting on average one and a quarter hours, the SC held three meetings lasting on average around three 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 Executive Board. 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 Board of Directors may, as conditions warrant, carve out certain executive tasks from the authority of the Executive Board or CEO and confer such tasks to a suitable member of the Board of Directors for a limited period of time.

The Executive Board is as a collegial body 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 Board is chaired by the CEO, who has a right of veto against all resolutions of the Executive Board. The CEO heads and oversees the operational management of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group in accordance with any directives of the Executive Board. If exceptional circumstances call for urgent action, the Board of Directors may temporarily confer the role, authority and powers of the Executive Board to the CEO. During such time the Executive Board shall have the role of a sounding board and advisory body for all matters of Group management and organization.

Information and control instruments vis-à-vis the senior management

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 Executive Board's duty of information: The Executive Board 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 Board 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.

Corporate Accounting and Reporting: The Group-wide Corporate Accounting and Reporting function prepares monthly Group financial statements for the Executive Board 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 mid-range 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. The Executive Board receives a monthly actual/target analysis of the key performance indicators to assist in the assessment of the business units' performance. Furthermore, it 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. 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.

Compliance: In 2009 a new Code of Conduct (including a whistle-blowing policy) for the Oerlikon Group was rolled out. In this context the position of a Corporate Compliance Officer was created and a compliance organization 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 consultation.

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 Audit Committee of the Board of Directors and administratively to the General Counsel. 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 operational, financial, compliance, information technology and follow-up reviews. The results of internal audits are communicated to the management team responsible, the Executive Board, the Audit Committee, the Chairman of the Board and the external auditors through formal audit reports. During 2009 more than 35 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 detailed Memorandum on Examination for discussion with the Audit Committee and the Board of Directors, and a summary thereof for the General Meeting of Shareholders, detailing the findings of the audit. Since 2003 the external audit has been carried out by KPMG AG.

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.

Leadership and accountability
The Oerlikon Executive Board

1 **Hans Ziegler**
Member and Delegate (ad interim) of the Board of Directors and CEO (ad interim)

Hans Ziegler (1952; Swiss citizen) earned a degree as a business economist (KSZ) and completed a postgraduate course 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 (Switzerland) 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 a member of the Boards of Schlatter Holding AG, Schlieren, and Charles Vögele Holding AG in Pfäffikon Schwyz (all Switzerland).

2 **Thomas Babacan**
Chief Operating Officer

Thomas Babacan (1969; German citizen) joined the Corporate Treasury unit of Balzers & Leybold Deutschland Holding in Hanau in 1999. Since January 2000 he 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 of Leybold Vacuum, and since September 2005 has held the position of CEO of Oerlikon Vacuum. In October 2008, Thomas Babacan became COO of Oerlikon Group. Thomas Babacan holds a degree in business from the Johann Wolfgang Goethe University, Frankfurt.

3 **Jürg Fedier**
Chief Financial Officer

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.

4 **Björn Bajan**
General Counsel and Corporate Secretary

Björn Bajan (1960; Swiss citizen) has been General Counsel and Corporate Secretary of Oerlikon Group since February 1, 2007. He is a lawyer specializing in commercial law, banking and stock exchange law, as well as international procedural law, and prior to joining the Oerlikon Group was a partner at a reputable law firm in Zurich. Björn Bajan graduated from the University of Zurich in 1986 and completed postgraduate studies (LL.M) at Queen Mary College, London, in 1994. He has been a member of the Zurich Bar since 1989. Currently he represents Oerlikon on the Board of Directors of Pilatus Flugzeugwerke AG, Stans (Switzerland). During his private practice he also held directorships at various Swiss companies. From 2005 until his appointment to the Executive Board, Björn Bajan was an external legal adviser for various companies of the Oerlikon Group.

Executive Board

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 Board
On December 31, 2009 Hans Ziegler (CEO and Delegate a.i.), Thomas Babacan (COO), Jürg Fedier (CFO) and Björn Bajan (General Counsel and Corporate Secretary) were members of the Executive Board. Dr. Uwe Krüger, member of the Executive Board since March 2007 and CEO since May 8, 2007, left the Group on August 24, 2009.

Composition of the Executive Board

Name	Nationality	Age	Position	Joined	In position since	Stepped down
Hans Ziegler	CH	57	CEO (a.i.)	2009	25.08.2009	–
Björn Bajan	CH	49	General Counsel and Corporate Secretary	2007	01.02.2007	–
Thomas Babacan	D	40	COO	2008	01.10.2008	–
Jürg Fedier	CH	54	CFO	2009	01.01.2009	–
Dr. Uwe Krüger	D	45	CEO	2007	08.05.2007[1]	24.08.2009

[1] COO from 01.03.2007 until 08.05.2007.

Other activities and vested interests of Executive Board members
No member of Oerlikon's Executive Board 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 pages 46 and 56) 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 Board 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, 2009
None.

Management contracts
As of December 31, 2009, OC Oerlikon Corporation AG, Pfäffikon and its Group companies had no material third-party management contracts.

Remuneration report

In this remuneration report we inform our shareholders and interested members of the general public about the remuneration paid to our Directors and senior executives. We thus comply with the Swiss Code of Obligations (CO) – Art. 663b^bis 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 Board. 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 Note 23 (Participation Plans) and Note 24 (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 advises 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 Board, 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 Board members by the CEO.

The compensation policies for the Board of Directors, the Executive Board and the Senior Leadership Team require a continuous 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 decide in:
- December on the target compensation of the members of the Board of Directors, the Executive Board 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 Board for the past year;
- March on LTI grants.

Approval process

Decision on	Recommendation	Authority
Remuneration of the members of the Board of Directors (incl. Chairman)	Human Resources Committee	Board of Directors
Compensation of the CEO	Human Resources Committee	Board of Directors
Compensation of members of the Executive Board	Human Resources Committee	Board of Directors
Compensation of members of the Senior Leadership Team	Human Resources Committee	Board of Directors
LTI grants	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 Board of Directors decided to leave the cash compensation and target amounts for the RSU program unchanged in 2009.

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

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

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

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

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) 2008/09[1]	Restricted stock units (RSU) 2009/10[2]	Pension	Other compensation[3]	Total compensation 2009
Vladimir Kuznetsov[4]	C			C	145		–	213	–	20	378
Hans Ziegler[5]	M		M	M	530	150	21	95	16	14	826
Total					**675**	**150**	**21**	**308**	**16**	**34**	**1 204**

C(hairman), M(ember)

[1] Effective value of restricted stock units (RSU) for the mandate 2008/09 at conversion based on a share price of CHF 60 (transfer date).
[2] Accounting value of restricted stock units (RSU) for the mandate 2009/10 per year-end based on a share price of CHF 60 (grant date).
[3] Other compensation consists of social security contributions and an expense allowance which are paid by the OC Oerlikon Corporation.
[4] Mr. Kuznetsov waived his RSU for 2008/09.
[5] Remuneration for active participation in Committee meetings until August 24, 2009. Remuneration for Acting CEO as of August 25, 2009.

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

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) 2008/09[1]	Restricted stock units (RSU) 2009/10[2]	Pension	Other compensation[3]	Total compensation 2009
Kurt J. Hausheer[4]	M	M	C		295	21	95	–	23	434
Dr. Urs A. Meyer	M	C	M		195	21	95	–	18	329
Carl Stadelhofer	M	M		M	175	21	95	–	17	308
Total					**665**	**62**	**285**	**–**	**58**	**1 070**

C(hairman), M(ember)

[1] Effective value of restricted stock units (RSU) for the mandate 2008/09 at conversion based on a share price of CHF 60 (transfer date).
[2] Accounting value of restricted stock units (RSU) for the mandate 2009/10 per year-end based on a share price of CHF 60 (grant date).
[3] Other compensation consists of social security contributions and an expense allowance which are paid by the OC Oerlikon Corporation.
[4] Kurt J. Hausheer received an additional payment for the work exceeding the number of days which are covered by the Committee Chairman and Board Member honorarium.

Executive Board
Members of the Executive Board 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.

The Board of Directors decided to freeze the salaries of the Executive Board in 2009.

The performance-related bonus paid to Executive Board members is dependent on their achievement of individual performance objectives, which are directly linked to the business success of the Oerlikon Group. While the Acting CEO receives his annual performance-related bonus in shares, other members of the Executive Board receive their performance-related annual bonus in cash. The performance-related annual bonus of Executive Board members (except the Acting CEO) cannot exceed 150 percent of the target amount. The performance related annual bonus of the Acting CEO cannot exceed 100 percent of the target amount.

In 2009, members of the Executive Board (except the former CEO) participated in a restricted stock units (RSU) program. Following the vesting period of two years, a number of RSU is converted into Oerlikon shares. The number of RSU is calculated from a fixed amount and the share price as of the transfer date – but cannot exceed a set limit. In 2009, no grants were made under the performance share program. The variable portion of the total target compensation (short- and long-term bonus) of members of the Executive Board is on average 50 percent.

The termination of Dr. Uwe Krüger caused the long-term stock appreciation rights (SAR) program for the CEO to lapse. Mr. Ziegler's appointment as Acting CEO is temporary and does not contain any long-term incentive provisions.

The total compensation paid to all Executive Board members for the year 2009 was CHF 11.3 million. The highest compensation was paid to the former CEO and amounted to CHF 6.5 million, including a lump sum for the contractually agreed salary payment during the notice period of 12 months in the amount of CHF 1.9 million and a contractually agreed severance payment in the amount of CHF 3.1 million.

Compensation of members of the Executive Board

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

[1] Performance share awards were allocated in 2008 to members of the Executive Board (except the former CEO). Their value per year-end is based on a weighted average share price of CHF 93 (grant date). The former CEO had participated in a stock appreciation rights (SAR) program which lapsed upon his departure on August 24, 2009.
[2] Restricted stock units (RSU) were allocated in 2009 to members of the Executive Board (except the former CEO). Their value per year-end is based on a weighted average share price of CHF 31 (grant date).
[3] Other compensation includes expense and car allowances.

Compensation of former members of governing bodies

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

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

Compensation of former members of governing bodies

in CHF 000	Salary	Bonus	Restricted stock units (RSU) 2008/09[1]	Pension	Other compensation[2]	Severance payment[3]	Total compensation 2009
	335	353	21	64	13	750	1 536

[1] Effective value of restricted stock units (RSU) for the mandate 2008/09 at conversion based on a share price of CHF 60 (transfer date).
[2] Other compensation includes expense and car allowances.
[3] The severance payment was contractually agreed.

Senior Leadership Team

The Senior Leadership Team is comprised of the Segment CEOs and the heads of specific corporate functions. 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 market conditions, the Executive Board decided to freeze the salaries of the Senior Leadership Team and all other senior managers for the second consecutive year except in cases where competitiveness would have been compromised.

The Senior Leadership Team participates in the corporate short-term incentive (STI) program, which applies to all senior managers of the Oerlikon Group. In view of the difficult market conditions, the Executive Board decided to adjust the STI program in 2009. Financial and individual objectives were weighted equally to take account of the difficulties of financial planning in this year and to provide more flexibility for individual target definitions and closer target alignment. In addition, seasonal financial targets (EBITDA, operating free cash flow) were defined, the achievement of which was measured at mid-year and year-end in order to provide incentives for reaching imminent financial targets. 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 175 percent of the target bonus.

As Oerlikon businesses are moving into more stable market conditions, the Executive Board decided for 2010 to return to the previous plan design consisting of 70 percent financial targets and 30 percent individual targets while keeping the financial performance measures (EBITDA, operating free cash flow) in place.

Equity plans

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

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. The grant date fair value of the RSU is CHF 60.

In 2009, members of the Executive Board (other than the former CEO) received 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. Therefore, the value of the RSU is based on the share price per year-end (CHF 32).

In 2009, selected members of the senior management received as portion of their compensation as a long-term bonus in the form of restricted stock units (RSU) for OC Oerlikon Corporation AG, Pfäffikon shares with a vesting period of three years. The grant date fair value of the RSU is based on a weighted average share price of CHF 65.

Restricted stock units (RSU)

Year of allocation	Outstanding on 1.1	Granted in 2009	Forfeited in 2009	Exercised in 2009	Outstanding on 31.12	Grant date fair value in CHF	Expenses for the period in MCHF	Vesting period
2008	1 712			1 712		379	0.3	14.05.2008–12.05.2009
2009		16 859			16 859	60	0.6	12.05.2009–18.05.2010
2009		52 872			52 872	32	0.6	01.05.2009–30.04.2011
2009		48 703			48 703	65	0.6	01.05.2009–30.04.2012
Total	**1 712**	**118 434**	**0**	**1 712**	**118 434**		**2.0**	

Members of the Executive Board (other than the CEO) and senior management may receive as portion of their compensation a long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon shares which are subject to performance conditions and a vesting period of three years. The performance conditions are defined for a performance period of three years and the metrics used reflect the nature of the respective businesses, e.g. RONOA for steadily growing businesses in stable market conditions or EV for the Executive Board (except the CEO) and corporate functions. 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.

Due to the cancellation of a performance share plan at the end of 2008, 8 003 shares were exercised in 2009 while the rest lapsed. In 2009, the average performance over two years fell below the minimum threshold for most performance conditions.

In 2009, no grants were made under the performance share plan to either the members of the Executive Board or senior management.

Performance share awards (PSA)

Year of allocation	Outstanding on 1.1	Granted in 2009	Forfeited in 2009	Exercised in 2009	Outstanding on 31.12	Average grant date fair value in CHF	Expenses for the period in MCHF	Vesting period
2008	46 365		31 599	8 003	6 763	93	0.00	01.05.2008–30.04.2011

In previous years, employees could receive a portion of their compensation as options for OC Oerlikon Corporation AG 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 Oerlikon Options Plan (OOP) launched in 2007 was discontinued in 2008.

Share options

Year of allocation	Outstanding on 1.1	Granted in 2009	Forfeited in 2009	Exercised in 2009	Outstanding on 31.12	Exercise price in CHF	Expenses for the period in MCHF	Exercise period
2002	369		369		–	190	0.00	14.05.2004–13.05.2009
	374		374		–	190	0.00	14.05.2005–13.05.2009
2003	321		288		33	110	0.00	24.05.2005–23.05.2010
2007	1 431		200		1 231	603	0.00	01.01.2008–31.12.2013
	1 431		200		1 231	603	0.00	01.01.2009–31.12.2013
	1 431		200		1 231	603	0.00	01.01.2010–31.12.2013
	1 431		200		1 231	603	0.00	01.01.2011–31.12.2013
Total	**6 788**	**0**	**1 831**	**0**	**4 957**		**0.00**	

Other conditions and payments

The employment contract of the Acting CEO, Mr. Ziegler, contains no provision relating to severance payment or change in control.

The employment contracts of Executive Board members are of unlimited duration and terminate automatically upon a member reaching the age of 62 or 64 respectively.

Notice period: The contracts provide for a notice period of 12 months and a shorter period for the Acting CEO.

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 of control: A change of 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 Board or related parties did not receive any fees or other remuneration for additional services to OC Oerlikon or one of its subsidiaries in the 2009 business year.

Loans: In 2009, neither OC Oerlikon nor its subsidiaries granted any guarantees, loans, advances or credit facilities to members of the Board of Directors, the Executive Board or related parties.

Shareholder participation rights

Voting right restrictions and representation

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.

Agenda

Supplemental to the provisions of corporate law, the company's Articles of Association provide that the inclusion of an item in the agenda can be requested at the latest ten weeks prior to the date of the General Meeting of Shareholders.

Share register entries and related deadlines

The 37th General Meeting of Shareholders will be held on May 18, 2010 in the KKL Luzern (Culture and Convention Center), Lucerne. Entitled to vote in the General Meeting of Shareholders are the shareholders whose names are entered in 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 36th Annual General Meeting of Shareholders held on May 12, 2009 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 2010 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).

Change of control clauses
Please see under Remuneration report – Other conditions and payments (page 66).

Auditors

Duration of mandate and lead auditor's term of office
KPMG AG was elected as auditor by the General Meeting of May 23, 2003 for the first time. At the 36th General Meeting of May 12, 2009, it was confirmed in that role for an additional year. For the audit of the 2005 financial year, Mr. Herbert Bussmann was auditor in charge at Oerlikon for the first time.

Auditing fees
In the calendar year 2009, KPMG invoiced the company for CHF 4 790 391 in global auditing fees.

Additional fees
In the calendar year 2009, KPMG invoiced the company for CHF 378 735 in additional services, in particular for tax consultancy (CHF 318 325) and for transaction consultancy.

Information tools pertaining to the 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 implementation, and the result of the audit. Furthermore, the external auditors conduct interim audits during the year, on which they issue comprehensive interim audit reports to the Board of Directors.

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.

The Audit Committee monitors on behalf of the Board of Directors the qualification, independence, performance and fees of the external auditors. It 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, formerly IAS), 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).

Press releases
Press releases published in 2009, 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
April 1, 2010
Media and analyst conference on the 2009 annual results

May 18, 2010
Key figures for the first quarter of 2010

May 18, 2010
37th Annual General Meeting of Shareholders,
KKL Luzern (Culture and Convention Center), Lucerne

August 17, 2010
Media and analyst conference on the half-year report 2010

October 21, 2010
Key figures for the third quarter of 2010

6.0

Customer Testimonials

What customers say about Oerlikon.

"Oerlikon Saurer's new embroidery machines have enhanced productivity at our company."

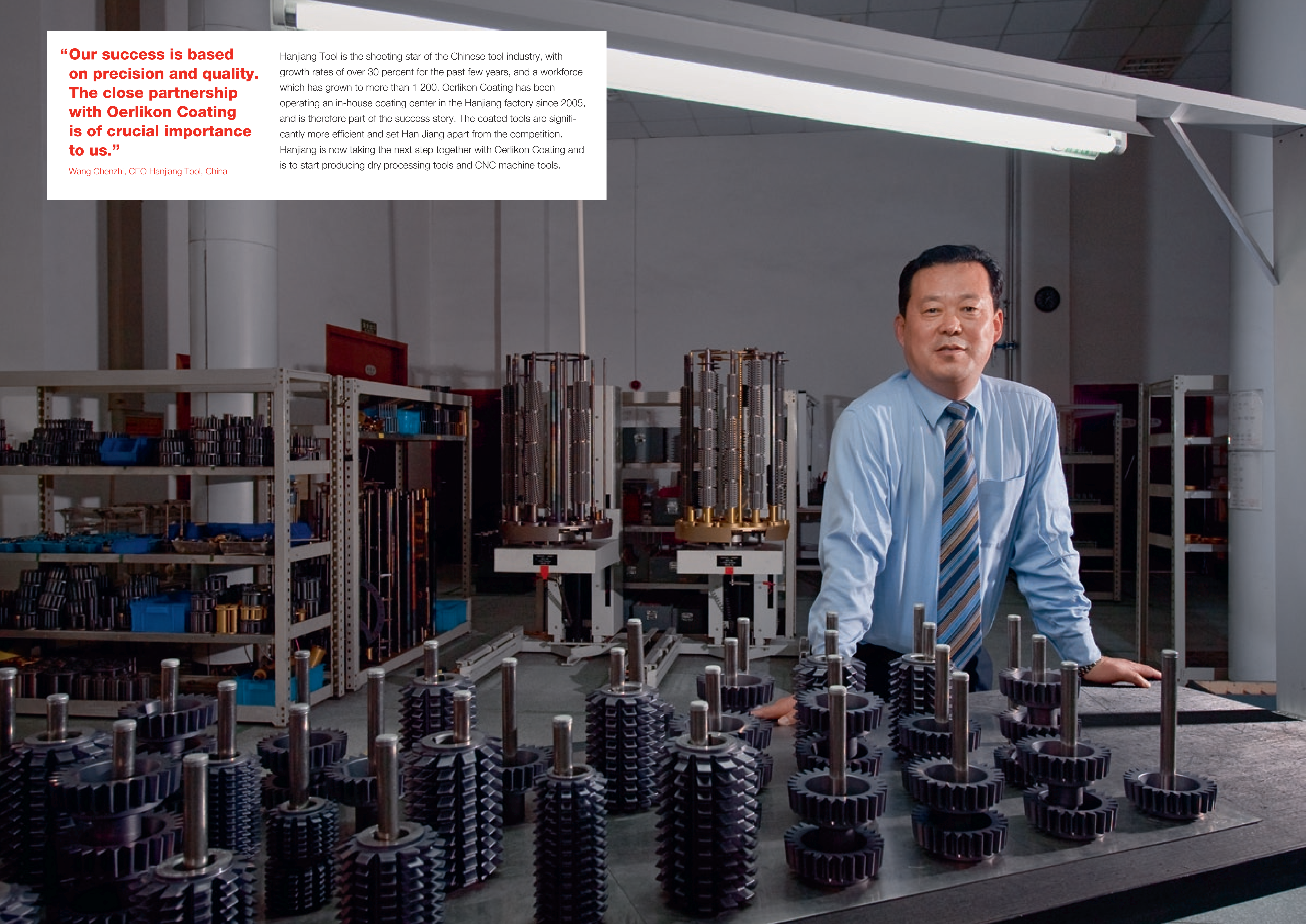
Caroline Forster, General Manager
Inter-Spitzen AG, Switzerland

When top lingerie brands decorate their garments with embroidery to make them more attractive, Inter-Spitzen AG from Oberbüren (Switzerland) plays its part behind the scenes: in many cases, the artistic embroidery is made by this traditional company on Saurer EPOCA 05 machines. Alongside creative designs for lingerie, day and nightwear, Oerlikon Saurer's embroidery machines are crucial to European manufacturers if they are to compete in the global market for high-end embroidery textiles.

“Our success is based on precision and quality. The close partnership with Oerlikon Coating is of crucial importance to us.”

Wang Chenzhi, CEO Hanjiang Tool, China

Hanjiang Tool is the shooting star of the Chinese tool industry, with growth rates of over 30 percent for the past few years, and a workforce which has grown to more than 1 200. Oerlikon Coating has been operating an in-house coating center in the Hanjiang factory since 2005, and is therefore part of the success story. The coated tools are significantly more efficient and set Han Jiang apart from the competition. Hanjiang is now taking the next step together with Oerlikon Coating and is to start producing dry processing tools and CNC machine tools.



"Together with Oerlikon Solar, we will further expand the range of applications for thin film silicon solar technology."

Cristian Cavazzuti, General Manager Pramac Swiss

It took seven months to build the plant and only another five months to ramp up production. Now, Pramac's new solar module factory in Ticino (Switzerland) is operating in four shifts and making 500 Micromorph® thin film silicon solar modules daily, each module meeting the same quality standard of over 115 watt-peak, certified by the German inspection agency TÜV Rheinland. This towering achievement was due to a close partnership between Pramac and Oerlikon Solar – a partnership that the Italian-Swiss manufacturer would like to take further.

“Oerlikon Vacuum is part of the set-up. Its vacuum technology was needed to satisfy our specific requirements.”

Pedro Álvarez, Director of GRANTECAN, Spain

In March 2009, GRANTECAN, the world’s biggest telescope, began operations in La Palma, Canary Islands, on a site 2,500 meters above sea level. With a 10.4-meter diameter mirror and high-tech sensors, GRANTECAN enables astronomers to look deeper into the universe than ever before. The mirror, made up of 36 segments, and the sensors use technology provided by Oerlikon Vacuum. The mirror segments have to be recoated on a regular basis under vacuum conditions, and the sensors can only deliver images of the desired quality at cryogenic temperatures of –258 °C in a vacuum.

“We’re building a vehicle without compromises – for that we need partners that refuse to compromise, such as Oerlikon Graziano.”

Antony Sheriff, Managing Director
McLaren Automotive, UK

The new McLaren MP4 12C is a vehicle of superlatives. Equipped with state-of-the-art technology, the car is as sporty and comfortable as it is powerful and efficient. This is thanks in part to the new dual clutch transmission from Oerlikon Graziano. Unveiled two years ago, this is the first time that the unit is being used in a production vehicle. The Graziano gearbox allows unbelievably fast, barely noticeable gear changes, featuring bespoke settings and optimized power transmission that reduces fuel consumption.

"As a start-up, we want to use equipment from the leading technology provider – and the leader, by some distance, is Oerlikon Systems."

Ralph Teunissen, CEO O-Flexx Technologies, Germany

Each day, energy worth billions is lost in the form of waste heat. To recapture part of this energy, start-up company O-Flexx from Duisburg (Germany) is pioneering new techniques, using tiny thermoelectric generators to turn temperature differences into electrical current. The thermoelectrical principal was discovered over 200 years ago, but it is only now that innovative thin film technologies are enabling high efficiency levels and low production costs. At the heart of O-Flexx's production operations: the new, highly flexible SOLARIS platform from Oerlikon Systems.

Financial Report

Key figures

Group

Notes

OC Oerlikon Corporation AG, Pfäffikon

Key figures Group

Key figures Oerlikon Group[1]

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

[1] A five-year summary of key figures may be found on page 137.

[2] 2008 and 2009 continuing operations.

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

[4] Before changes in net current assets.

[5] Net liquidity includes marketable securities, treasury shares at market value as of December 31 as well as current and non-current debt.

[6] 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).

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

Key share-related figures[8]

in CHF	January 1 to December 31 2009	January 1 to December 31 2008 restated
Share price		
High	86.20	472.00
Low	20.82	66.50
Year-end	31.68	69.00
Total shares outstanding	14 142 437	14 142 437
Market capitalization in million	448	976
EBIT	–45.93	–4.60
Earnings per registered share	–46.16	–33.13
Net operating cash flow	–7.17	32.06
Shareholders' equity	38.44	85.26
Dividend[9]	–	–

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

[9] Dividend 2009: proposal of the Board of Directors.

Key figures by segment [1]

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

[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).

[3] Incl. impairment of goodwill of CHF 202 million (previous year: CHF 200 million).

Consolidated income statement

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

Consolidated statement of comprehensive income

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

Consolidated balance sheet at December 31

Assets

in CHF million	Notes	2009	2008
Cash and cash equivalents	7	357	393
Current financial investments and derivatives	8	20	43
Trade receivables	9	433	534
Other receivables	9	221	340
Current tax receivables		17	16
Inventories	10	534	901
Prepaid expenses and accrued income		25	34
Assets classified as held for sale	22	10	60
Current assets		**1 617**	**2 321**
Loans and other non-current financial receivables	9	11	15
Non-current financial investments	8	33	33
Property, plant and equipment	11	1 137	1 278
Intangible assets	12	1 471	1 696
Post-employment benefit assets	13	1	–
Deferred tax assets	5	72	133
Non-current assets		**2 725**	**3 155**
Total assets		**4 342**	**5 476**

Liabilities and equity

in CHF million		2009	2008
Trade payables	14	332	455
Current loans and borrowings [1]	14	2 043	56
Other current liabilities	14	74	91
Accrued liabilities	15	232	373
Current customer advances		136	143
Current income taxes payable		38	130
Current post-employment benefit provisions	13	18	18
Other current provisions	16	207	149
Liabilities classified as held for sale	22	11	67
Current liabilities		**3 091**	**1 482**
Non-current loans and borrowings	14	11	2 039
Non-current customer advances		–	40
Non-current post-employment benefit provisions	13	562	552
Deferred tax liabilities	5	125	198
Other non-current provisions	16	33	47
Non-current liabilities		**731**	**2 876**
Total liabilities		**3 822**	**4 358**
Share capital		283	283
Treasury shares		–292	–294
Reserves and retained earnings		502	1 104
Equity attributable to shareholders of the parent		**493**	**1 093**
Minority interests		27	25
Total equity		**520**	**1 118**
Total liabilities and equity		**4 342**	**5 476**

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

Consolidated cash flow statement

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

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

[1] The share capital of OC Oerlikon Corporation AG, Pfäffikon consists of 14 142 437 registered shares of nominal value CHF 20.

[2] Additional paid-in capital includes CHF 57 million which are not distributable for legal reasons.

Treasury shares	Number of shares	Price per share in CHF	Cost in CHF million	Fair value in CHF million	Result in CHF million
Balance at January 1, 2008	**1 048 146**	**175**	**184**		**3**
Sale 2008	–2	175	–	–	–
Sale 2008 due to employee purchase plan	–6 319	203	–1	–2	1
Purchase 2008	287 294	388	111	111	–
Repurchase of employee shares	45	268	–	–	–
Balance at December 31, 2008	**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**		–

Share buyback program

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

Summary of significant accounting principles

Company operations

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

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

Basis of preparation

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

Judgments, estimates and assumptions

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

Business combinations: Where the Group acquires control of another business, the cost of the acquisition is allocated to the assets, liabilities and contingent liabilities of the acquired business, with any residual recorded as goodwill. This process calls for an assessment by management of the fair values of these items. Management's judgment is particularly involved in recognition and measurement of patents, licenses and trademarks, scientific knowledge associated with research projects, recoverability of tax losses accumulated in the acquired company and contingencies such as legal and environmental matters. In all cases management makes an assessment based on the underlying economic substance of the items concerned, not only on the contractual position. The aim is to present all values fairly in economic terms.

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

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

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

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

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

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

Adoption of new and revised accounting standards

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

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

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

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

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

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

Newly published IFRS accounting standards not early adopted

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

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

* No impact or no significant impact is expected on the consolidated financial statements of Oerlikon.
** The impact on the consolidated financial statements of Oerlikon is expected to result in additional disclosures or changes in valuation or presentation.
*** The revised standards are effective as of reporting year 2011 or later. The effects have not yet been assessed.

Principles of consolidation

Method and scope of consolidation

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

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

Changes in scope of consolidation and Group structure

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

Business combinations and goodwill

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

Translation of foreign currencies

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

Elimination of inter-company profits

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

Valuation principles

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

Segment reporting

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

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

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

Assets

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

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

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

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

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

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

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

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

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

Estimated useful life and residual values are examined annually.

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

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

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

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

Liabilities

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

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

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

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

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

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

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

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

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

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

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

Income statement

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

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

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

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

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

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

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

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

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

Risks

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

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

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

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

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

Contingent liabilities

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

Participation plans / share-based payments

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

Related-party transactions

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

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

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

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

Effects of adjustments to profit and loss

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

Notes to the consolidated financial statements

Capital and Debt Restructuring

Note 1

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

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

Renova has committed to participate in the rights offering in proportion to its current shareholding. Renova will subscribe for new shares in the amount of CHF 447 million, of which CHF 401 million will be paid in cash and the remainder against set-off of debt. Of the CHF 401 million cash proceeds received from Renova, the Company will retain CHF 300 million for investment in the business. The remaining new shares offered to existing shareholders in the rights offering, representing CHF 553 million at the issue price, have been fully underwritten by the lenders. To the extent existing shareholders other than Renova do not exercise their rights, the corresponding new shares will be subscribed by the lenders against set-off of debt in an amount equivalent to the issue price of CHF 3.72. Thus, the aggregate potential debt set-off by the lenders for the subscription of new shares not taken up by existing shareholders would amount to up to CHF 553 million. The capital measures described above are subject to shareholder approval at the AGM and are expected to be implemented and completed in June 2010.

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

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

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

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

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

The new debt facilities contain the following financial covenants, which will be tested quarterly or annually:
- Net Debt / EBITDA covenant
- Interest cover covenant
- Equity covenant
- Minimum Liquidity covenant
- Absolute EBITDA covenant
- CAPEX covenant

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

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

1.3 Balance Sheet
The planned capital restructuring measures will have the following effects:
- Net debt will be reduced by approximately CHF 1 050 million to approximately CHF 1 300 million depending on the subscription success.
- CHF 300 million will flow in as cash after the recapitalization.
- The equity ratio after the recapitalization would be between 34 percent and 39 percent.

1.4 Risks
The relevant lenders and investors including the major shareholder Renova have agreed to the re-financing plan and to providing bridge financing during the period from March 31, 2010 to the completion of the capital raise and the overall restructuring. Bank guarantees have been provided to cover Renova's subscription obligation under the capital increase. The success of the plan now depends on:
- The shareholders must approve the proposed capital reduction and subsequent capital increase at the Annual General Meeting.
- The company and shareholders must implement the Corporate Governance requirements foreseen in the contract (e.g. election of a Chief Restructuring Officer, and election of a board of directors consisting in the majority of independent directors).
- Closing of new debt facilities.

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

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

Other income and expenses

Note 2

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

Expenses included in EBIT

Note 3

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

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

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

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

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

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

Financial income and expenses

Note 4

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

[1] The total interest expenses amounted to CHF 121 million which is included in interest on financial debt and other financial expenses.

Income taxes

Note 5

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

Analysis of tax expense

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

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

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

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

Deferred taxes

Note 5 (cont.)

Composition of deferred taxes

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

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

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

Utilization of tax loss carryforwards is limited as follows:

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

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

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

Earnings per share

Note 6

in CHF million	2009	2008 restated
Result from continuing operations	–696	–224
Result from discontinued operations	104	–198
Net result	**–592**	**–422**
Minority interests	–	3
Net result attributable to shareholders	**–592**	**–425**
Earnings per registered share in CHF [1]	–46.16	–33.13
Diluted earnings per registered share in CHF [1]	–46.16	–33.13
Earnings per registered share continuing operations in CHF	–54.27	–17.69
Diluted earnings per registered share continuing operations in CHF	–54.27	–17.69
Earnings per registered share discontinued operations in CHF	8.11	–15.44
Diluted earnings per registered share discontinued operations in CHF	8.11	–15.44

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

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

Cash and cash equivalents

Note 7

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

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

Cash and cash equivalents are held in the following currencies:

Currency

in CHF million	2009	2008
CHF	106	114
EUR	132	164
USD	29	54
Others	90	61
Total	**357**	**393**

Financial investments

Note 8

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

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

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

[3] Valued at forward rates.

Loans and receivables

Note 9

in CHF million	2009	2008
Current		
Trade receivables	402	520
Trade notes receivable	31	14
Other receivables [1]	221	340
Non-current		
Loans and other non-current financial receivables	11	15
Total	**665**	**889**

[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 without customer advances

Inventories

Note 10

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

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

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

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

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

[1] Discontinued operations are excluded which amounted to CHF 54 million (previous year: CHF 118 million). No losses were generated.

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

Property, plant and equipment

Note 11

in CHF million	Plant, equipment and furniture	Production and administration buildings [1]	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

Open purchase commitments for property, plant and equipment at the end of 2009 amounted to CHF 27 million (previous year: CHF 37 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 11 (cont.)

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

Intangible assets

Note 12

in CHF million	Goodwill	Software	Technology and development costs [1]	Other intangible assets [2]	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**

[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 398 million (previous year CHF 395 million) with infinite life.

The capitalized development costs pertain to the segments as follows:

Capitalized development costs for the period

in CHF million	2009	2008
Oerlikon Textile	11	14
Oerlikon Coating	8	5
Oerlikon Solar	4	5
Oerlikon Vacuum	3	4
Oerlikon Drive Systems	–	1
Oerlikon Advanced Technologies	–	13
Total	**26**	**42**

Intangible assets

Note 12 (cont.)

Goodwill and brands are attributed to the segments as follows:

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

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

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

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

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

The following pre-tax discount rates were used:

Pre-tax discount rates per segment	
Oerlikon Advanced Technologies (Systems)	10.1 %
Oerlikon Textile	8.9 – 9.5 %
Oerlikon Drive Systems	9.4 – 9.5 %

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

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

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

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

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

Intangible assets

Note 12 (cont.)

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

Post-employment benefit provisions and pension surplus

Note 13

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

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

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

[1] The decrease in 2009 in the number of plans relates to divestments and merger of plans.
[2] In certain Group companies, members belong to multiple plans. Prior year figures have been adjusted to reflect this.
[3] Former employees of a Group company with vested rights in a pension plan. Prior year figures have been adjusted.
[4] Oerlikon Space AG was sold on June 30, 2009. Prior year figures have been restated.

Post-employment benefit provisions and pension surplus

Note 13 (cont.)

Defined benefit plans

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

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

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

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

Post-employment benefit provisions and pension surplus

Note 13 (cont.)

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

Assumptions used in actuarial calculations	2009	2008
(weighted average rates)		
Discount rate	4.7 %	5.0 %
Salary progression	1.9 %	2.0 %
Benefit progression	0.8 %	1.0 %
Return on plan assets	4.8 %	4.8 %

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

Actuarial losses / (gains) recognized in equity

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

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

Liabilities

Note 14

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

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

Accrued liabilities

Note 15

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

Provisions

Note 16

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

[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 are allocated as follows:

in CHF million	Restructuring
Textile	41
Drive Systems	13
Coating	7
Vacuum	10
Other	3
Total	**74**

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

[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 17

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

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

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

Maturity structure of open foreign exchange contracts at December 31:

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

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

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

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

[2] Interest-rate swaps are used in connection with a "sale and leaseback" real estate transaction for an Italian subsidiary.

Liquidity risk

Note 18

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

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

Terms and debt repayment schedule

2009

in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured [2]
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 hedged fx-outflows	–	217	217	–	–	–
– thereof: for hedged fx-inflows	–5	302	302	–	–	–
Derivative financial instruments [1]	**–5**	**519**	**519**	**–**	**–**	**–**
Total	**2 520**	**3 081**	**3 033**	**44**	**4**	**22**

[1] Contractual cash flows relate to underlying transactions which cover the contractual cash.

[2] Only individual pledged assets have been considered. Pledged shares in connection with the syndicated loan are not considered.

2008

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

Terms and debt repayment schedule

Note 18 (cont.)

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

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

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

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

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

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

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

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

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

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

Credit risk

Note 19

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

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

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

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

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

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

Trade receivables are distributed geographically as follows:

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

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

Aging of trade receivables

Note 19 (cont.)

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

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

Reconciliation of changes in allowance accounts for credit losses:

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

Market risk

Note 20

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

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

Currency risk

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

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

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

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

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

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

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

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

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

Exposure to currency risk

Note 20 (cont.)

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

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

Interest rate risk

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

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

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

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
Effect in CHF million	100 bp increase	100 bp decrease
2009		
Cash flow sensitivity	–14	4
2008		
Cash flow sensitivity	–21	21

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

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

Capital management

Note 20 (cont.)

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

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

The ratios are shown in the table below:

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

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

Fair values versus carrying amounts at December 31

Note 21

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

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

Details of discontinued operations

Note 22

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

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

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

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

OC Oerlikon participation plans

Note 23

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

Restricted stock units (RSU)

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

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

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

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

Performance share awards (PSA)

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

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

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

Share options

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

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

Related party transactions

Note 24

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

Primary shareholders

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

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

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

[2] Group consists of Renova Group with 6 317 392 shares (44.67 percent) and Victory Industriebeteiligung GmbH with 1 705 915 shares (12.06 percent).

[3] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zurich and Moscow.

[4] Beneficial owner (as per disclosure notification): RPR Privatstiftung, Vienna.

Compensation of executive members of the Board of Directors

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

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

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

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

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

C(hairman), M(ember)

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

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

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

[4] Mr. Kuznetsov waived his RSU for 2008/09.

Compensation of non-executive members of the Board of Directors

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

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

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

Note 24 (cont.)

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

C(hairman), M(ember)

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

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

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

Compensation of members of the Executive Board

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

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

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

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

Compensation was paid to the Executive Board as follows:

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

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

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

[3] Other compensation includes expense and car allowances.

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

Compensation of former members of governing bodies

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

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

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

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

in CHF 000	Salary	Bonus	LTI (2008–11)	LTI (2009–11)	Pension	Other compensation[1]	Severance payment	**Total compensation 2009**
Former Member of the Executive Board	335	353	–	–	64	13	750	1 515

[1] Other compensation includes expense and car allowances.

Share ownership, options and related instruments

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

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

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

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

Loans and other payments to members of governing bodies

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

Group and associated companies

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

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

Participation plans: see note 23.

Other related parties

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

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

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

Contingent liabilities

Note 25

in CHF million	2009	2008
Debt guarantees	9	9
Discounted bills of exchange	1	2
Total	**10**	**11**

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

Payments under non-cancellable leases

Note 26

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

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

Pledged assets

Note 27

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

in CHF million	2009	2008
Property, plant and equipment	54	59
Total	**54**	**59**

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

Risk assessment disclosure required by Swiss law

Note 28

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

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

Events subsequent to the balance sheet date

Note 29

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

Operating segments

in CHF million	Oerlikon Textile 2009	Oerlikon Textile 2008	Oerlikon Coating 2009	Oerlikon Coating 2008	Oerlikon Solar 2009	Oerlikon Solar 2008	Oerlikon Vacuum 2009	Oerlikon Vacuum 2008	Oerlikon Drive Systems 2009	Oerlikon Drive Systems 2008	Oerlikon Advanced Technologies [1] 2009	Oerlikon Advanced Technologies [1] 2008	Total Segments 2009	Total Segments 2008	Corporate / eliminations 2009	Corporate / eliminations 2008	Total from continuing operations 2009	Total from continuing operations 2008	Discontinued operations 2009	Discontinued operations 2008
Orders received	1 170	1 364	326	509	511	566	325	460	569	1 171	95	139	2 996	4 209	–	–	2 996	4 209	188	302
Orders on hand [2]	489	443	–	–	317	429	68	68	93	183	30	24	997	1 147	–	–	997	1 147	–	190
Sales																				
Sales to third parties	1 046	1 690	326	509	442	598	324	465	660	1 204	79	166	2 877	4 632	–	–	2 877	4 632	88	328
Sales to Group companies	2	–	1	1	11	29	5	30	–	–	2	–	21	60	–21	–60	–	–	–	–
	1 048	**1 690**	**327**	**510**	**453**	**628**	**329**	**495**	**660**	**1 204**	**81**	**166**	**2 898**	**4 693**	**–21**	**–60**	**2 877**	**4 632**	**88**	**328**
Net sales by market region to third parties																				
Japan and Asia/Pacific	619	893	79	106	81	334	97	126	48	73	42	67	966	1 599	–	–	966	1 599	–	147
Europe	169	411	184	298	185	260	158	263	335	679	23	48	1 054	1 959	–	–	1 054	1 959	88	134
North America	205	277	41	63	9	4	61	73	272	450	13	45	601	912	–	–	601	912	–	45
Other regions	53	109	22	42	167	–	8	3	5	2	1	6	256	162	–	–	256	162	–	2
	1 046	**1 690**	**326**	**509**	**442**	**598**	**324**	**465**	**660**	**1 204**	**79**	**166**	**2 877**	**4 632**	**–**	**–**	**2 877**	**4 632**	**88**	**328**
Net sales by location to third parties																				
Japan and Asia/Pacific	208	238	80	75	3	5	87	104	50	61	14	41	442	524	–	–	442	524	–	5
Europe	730	1 333	183	322	430	589	180	293	420	805	38	26	1 981	3 368	–	–	1 981	3 368	88	282
North America	90	103	41	60	9	4	57	68	190	338	27	98	414	671	–	–	414	671	–	41
Other regions	18	16	22	52	–	–	–	–	–	–	–	–	40	68	–	–	40	68	–	–
	1 046	**1 690**	**326**	**509**	**442**	**598**	**324**	**465**	**660**	**1 204**	**79**	**166**	**2 877**	**4 632**	**–**	**–**	**2 877**	**4 632**	**88**	**328**
Capital expenditure for fixed and intangible assets																				
Japan and Asia/Pacific	10	22	2	24	–	–	–	3	6	10	–	–	18	59	–	1	18	60	–	1
Europe	26	66	14	32	24	35	11	28	19	53	4	1	98	215	2	15	100	230	2	15
North America	–	1	2	7	–	–	–	1	8	24	–	–	10	33	–	–	10	33	–	–
Other regions	–	–	2	14	–	–	–	–	–	–	–	–	2	14	–	–	2	14	–	–
	36	**89**	**20**	**77**	**24**	**35**	**11**	**32**	**33**	**87**	**4**	**1**	**128**	**321**	**2**	**15**	**130**	**336**	**2**	**16**
Earnings before depreciation and amortization (EBITDA)	**–163**	**–9**	**43**	**134**	**–55**	**128**	**13**	**63**	**12**	**126**	**–5**	**–6**	**–155**	**436**	**–10**	**35**	**–165**	**471**	**–6**	**–34**
EBIT	**–424**	**–281**	**–4**	**78**	**–78**	**107**	**–3**	**49**	**–50**	**65**	**–7**	**–88**	**–566**	**–70**	**–23**	**10**	**–589**	**–59**	**–9**	**–184**
Other material items																				
Research and development expenses	–80	–96	–15	–23	–63	–50	–23	–25	–12	–15	–9	–26	–202	–235	–	–	–202	–235	–8	–62
Depreciation and amortization	–55	–69	–47	–54	–20	–21	–15	–14	–58	–61	–2	–10	–197	–229	–9	–13	–206	–241	–3	–12
Impairment / reversal of impairment on property, plant and equipment	–4	–	–	–1	–3	–	–1	–	–4	–	–	–21	–12	–22	–4	–12	–16	–34	–	–47
Impairment of goodwill	–202	–200	–	–	–	–	–	–	–	–	–	–52	–202	–252	–	–	–202	–252	–	–93
Restructuring costs	–49	–55	–16	–5	–9	–1	–13	–	–16	–1	–4	–3	–107	–65	–	–1	–107	–66	–2	–
Operating assets																				
Japan and Asia/Pacific	214	219	112	108	6	10	46	51	75	95	2	7	455	490	–	–	455	490	–	–
Europe	1 414	1 569	191	231	347	511	206	237	920	1 016	64	149	3 142	3 713	–162	100	2 980	3 813	–	121
North America	24	38	40	47	1	2	21	19	244	310	41	55	371	471	2	1	373	472	–	–
Other regions	11	9	40	55	–	2	–	–	–	–	–	–	51	66	–	1	51	67	–	–
	1 663	**1 835**	**383**	**441**	**354**	**525**	**273**	**307**	**1 239**	**1 421**	**107**	**211**	**4 019**	**4 740**	**–160**	**102**	**3 859**	**4 842**	**–**	**121**
Operating liabilities	–442	–448	–65	–73	–176	–278	–102	–90	–192	–269	–25	–133	–1 002	–1 291	–36	–53	–1 038	–1 344	–1	–167
Net operating assets [3]	**1 221**	**1 387**	**318**	**368**	**178**	**247**	**171**	**217**	**1 047**	**1 152**	**82**	**78**	**3 017**	**3 449**	**–196**	**49**	**2 821**	**3 498**	**–**	**–47**
Number of employees [4]																				
Japan and Asia/Pacific	2 345	2 580	720	744	94	98	288	287	1 448	1 014	1	168	4 896	4 891	–	–	4 896	4 891	–	444
Europe	3 716	4 402	1 353	1 665	651	762	1 112	1 207	2 767	2 917	165	139	9 764	11 092	207 [5]	140	9 971	11 232	–	645
North America	170	232	206	263	6	8	77	89	798	1 215	22	152	1 279	1 959	4	3	1 283	1 962	–	14
Other regions	29	61	184	220	–	–	–	–	–	–	–	–	213	281	6	6	219	287	–	–
	6 260	**7 275**	**2 463**	**2 892**	**751**	**868**	**1 477**	**1 583**	**5 013**	**5 146**	**188**	**459**	**16 152**	**18 223**	**217**	**149**	**16 369**	**18 372**	**–**	**1 103**

[1] After the sale of Oerlikon Space in 2009, the Oerlikon Advanced Technologies segment contains Oerlikon Systems business unit only.

[2] Cancelled orders amounting to CHF 258 million are netted with orders on hand.

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

[4] Oerlikon Textile and Oerlikon Drive Systems include as of 2008 also apprentices.

[5] Corporate employees include 84 trainees which were attributed to the operating segments in the prior year.

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

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

[1] Share capital partly rounded to full hundred. Some 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 89 to 133 for the year ended December 31, 2009.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG

Herbert Bussmann
Licensed Audit Expert
Auditor in Charge

Thomas Affolter
Licensed Audit Expert

Zurich, March 31 2010

Five-year summary of key figures

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

[1] 2008 and 2009 continuing operations.

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

[3] Before changes in net current assets.

[4] Net liquidity includes marketable securities, treasury shares at market value as of December 31 as well as current and non-current debt.

[5] 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).

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

OC Oerlikon Corporation AG, Pfäffikon

Income statement of OC Oerlikon Corporation AG, Pfäffikon

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

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

Assets

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

Liabilities and equity

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

1.1 Background

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

1.2 Proposal

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

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

Renova has committed to participate in the rights offering in proportion to its current shareholding. Renova will subscribe for new shares in the amount of CHF 447 million, of which CHF 401 million will be paid in cash and the remainder against set-off of debt. Of the CHF 401 million cash proceeds received from Renova, the Company will retain CHF 300 million for investment in the business. The remaining new shares offered to existing shareholders in the rights offering, representing CHF 553 million at the issue price, have been fully underwritten by the lenders. To the extent existing shareholders other than Renova do not exercise their rights, the corresponding new shares will be subscribed by the lenders against set-off of debt in an amount equivalent to the issue price of CHF 3.72. Thus, the aggregate potential debt set-off by the lenders for the subscription of new shares not taken up by existing shareholders would amount to up to CHF 553 million. The capital measures described above are subject to shareholder approval at the AGM and are expected to be implemented and completed in June 2010.

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

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

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

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

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

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

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

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

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

1.3 Balance Sheet

The planned capital restructuring measures will have the following effects:

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

1.4 Risks

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

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

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

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

Income statement

Income from investments in subsidiaries (2)

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

Financial income (3)

Financial income mainly includes interest income.

Financial expense (4)

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

Other income (5)

Other income consists mainly of trademark fees.

Other expense (6)

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

Valuation adjustments on loans and investments in subsidiaries (7)

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

Balance sheet

Accounting principles / reclassification

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

Cash and cash equivalents (8)

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

Treasury shares (9)

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

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

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

Investments (10)

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

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

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

Intangible assets (11)

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

Bank loans (12)

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

Provisions (13)

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

Share capital (14)

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

Shareholders registered as holding more than 5 percent as at December 31, 2009 were[1]:

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

[1] Sources: Shareholding notified pursuant to Article 20 of the Swiss Stock Exchange Law on December 21, 2009 by Renova-Victory Group and infomation on actual shareholding as of December 31, 2009 by OC Oerlikon Corporation AG, Pfäffikon.
[2] Renova Group: 44.67 %; Victory Industriebeteiligung GmbH: 12.06 %.
[3] In 2008 the holding of Renova Group was 44.67% and that of Victory Industriebeteiligung GmbH was 12.15 %.
[4] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zurich and Moscow.
[5] Beneficial owner (as per disclosure notification): RPR Privatstiftung, Vienna.

Reserve for treasury shares (15)

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

Contingent liabilities (16)

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

Disclosure of directors' remunerations (17)

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

Risk assessment disclosures (18)

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

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

Investments

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

Changes in equity of OC Oerlikon Corporation AG, Pfäffikon

in CHF million	Share capital	Legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
Balance at 01.01.2007	**282.8**	**197.6**	**182.9**	**235.0**	**112.7**	**1 011.0**
Changes in reserves for treasury shares	–	–0.8	0.8	–	–	–
Net result 2007	–	–	–	–	91.4	91.4
Balance at 31.12.2007	**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 31.12.2008	**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	–	–	–	–	–172.5	–172.5
Balance at 31.12.2009	**282.8**	**196.8**	**291.6**	**235.0**	**–62.9**	**943.3**

Report of the Statutory Auditor

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

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

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

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

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal contral system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

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

KPMG AG

Herbert Bussmann
Licensed Audit Expert
Auditor in Charge

Thomas Affolter
Licensed Audit Expert

Zurich, March 31, 2010

Legal structure

Legal structure of significant companies as at December 31, 2009

OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH

- Aktiengesellschaft Adolph Saurer, Arbon/CH
- InnoDisc AG, Windisch/CH
- OC Oerlikon Balzers AG, Balzers/LI
- OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH
- Oerlikon Balzers Coating India Ltd., Pune/IN
- Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
- Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH
- Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT
- Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT
- Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR
- Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niedercorn/LU
- Oerlikon Balzers Coating Poland Sp.z o.o., Polkowice Dolne/PL
- Oerlikon Balzers Coating SA, Brügg, Brügg/CH
- Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG
- Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK
- Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR
- Oerlikon Balzers Revestimentos Metálicos Ltda., 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 Nederland B.V., Utrecht/NL
- Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP
- Oerlikon Optics UK Ltd., London/UK
- Oerlikon SEA Pte. Ltd., Singapore/SG
- Oerlikon Solar Holding AG, Trübbach, Wartau/CH
  - Oerlikon Laser Systems GmbH, Krailling/DE
  - Oerlikon Mechatronics AG, Trübbach, Wartau/CH
  - Oerlikon Solar AG, Trübbach, Wartau/CH
  - Oerlikon Solar IP AG, Trübbach, Wartau/CH
  - Oerlikon Solar-Lab SA, Neuchâtel, Neuchâtel/CH
  - Oerlikon Solar Singapore Pte. Ltd., Singapore/SG
    - Oerlikon Solar (Shanghai) Trading Co. Ltd., Shanghai/CN
  - Oerlikon Taiwan Ltd., Hsinchu/TW
- Oerlikon Trading AG, Trübbach, Wartau/CH
  - Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX
- Oerlikon USA Holding Inc., Wilmington, DE/US
  - Oerlikon Balzers Coating USA Inc., Wilmington, DE/US
  - Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US
  - Oerlikon Optics USA Inc., Denver, CO/US
  - Oerlikon Solar USA Inc., Wilmington, DE/US
  - Oerlikon Space Inc., Pittsburgh, PA/US
  - Oerlikon USA Inc., Plantation, FL/US
  - Saurer Holding Inc., Westminster, CO/US
    - Fairfield Manufacturing Company Inc., Wilmington, DE/US
      - Fairfield Atlas Ltd., Kolhapur/IN
    - Graziano Trasmissioni North America Inc., Charlotte, NC/US
    - Melco Industries Inc., Denver, CO/US
    - Oerlikon Textile Inc., Charlotte, NC/US
- Oerlikon Vermögens-Verwaltungs GmbH, Cologne/DE
- OOO Oerlikon Balzers Rus, Elektrostal/RU
- OOO Oerlikon Rus, Moscow/RU
- OT Textile Verwaltungs GmbH, Arbon/CH
- Saurer AG, Arbon/CH
  - GTG-Graziano Trasmissioni Group AG, Arbon/CH
  - Neumag Denmark a/s, 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., Hong Kong/CN
      - Oerlikon (China) Technology Co. Ltd., Suzhou/CN
      - Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN

Legal structure of significant companies as at December 31, 2009

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

Agenda, Contact

Important dates

April 1, 2010
Media and analyst conference for the 2009 annual results

May 18, 2010
Key figures for the first quarter of 2010

May 18, 2010
37th Annual General Meeting of Shareholders,
KKL Luzern (Culture and Convention Centre, Lucerne)

August 17, 2010
Media and analyst conference on the half-year report 2010

October 21, 2010
Key figures for the third quarter of 2010

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Index of pictures
All pictures were taken by: Thomas Schuppisser, Zürich (Switzerland), except:
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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	2009	2008
Orders received	1 170	1 364
Orders on hand	489	443
Sales	1 046	1 690
EBIT	–424	–281
Employees	6 260	7 275

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 additional 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:
- Filament yarn plants
- Texturizing systems

Neumag:
- Staple fiber plants
- Nonwoven plants
- Carpet yarn plants

Saurer:
- Allma and Volkmann Twisting systems
- Melco and Saurer Embroidery systems

Schlafhorst:
- Spinning preparation systems
- Rotor spinning systems
- Zinser ring-spinning systems
- Winding systems

Textile components:
- Components for the textile machine industry

Clients and partners (selection)

Barmag: Hengli, Huaya Group, Shenghong Chemical, Guxiandao, Reliance, Alok, Wellknown Polyesters

Neumag: Hyundai Engineering, Heimbach, Albis, Mohawk, Oriental Weavers, Sanfangxiang, Shaw Industries

Saurer: Forster Rohner AG, Kordsa, Zhejiang Xinao Textile, Shaw Industries

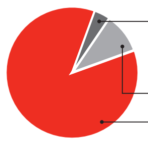
Schlafhorst: Tiangsheng, Hangzhou Jinfeng, Nahar Industrial, Beyteks, Radiant, Vardhmann

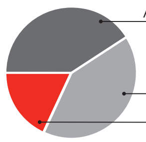
Textile components: n.s.

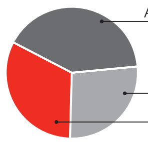
Competitors

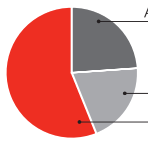
Barmag	Neumag	Saurer	Schlafhorst	Textile components
TMT Machinery	Reifenhäuser	Savio	Rieter Textile	Rieter/TCC
Chonglee	Swisstex	Murata Textile Machinery	Murata Textile Machinery	Tonghe
Jiangsu Hongyuan	Dilo	Lässer	Savio	Precitex
Himson	Rieter/NSC	Tajima	Lakshmi	Aircomponents
Aahlidhra	CTMC	Barudan	CTMC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

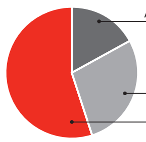
2009 sales by region



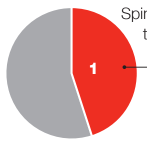


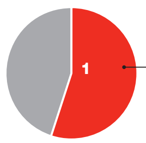


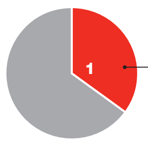


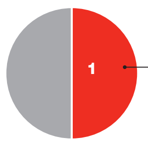


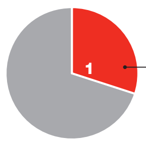
Selected market share and position in 2009











Oerlikon Coating

in CHF million	2009	2008
Orders received	326	509
Orders on hand	–	–
Sales	326	509
EBIT	–4	78
Employees	2 463	2 892

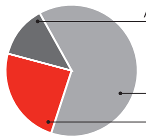
oerlikon balzers

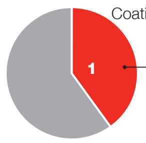
Oerlikon Balzers is the world's leading supplier of plasma-enhanced coatings for tools and precision components. The coatings – deposited with state-of-the-art coating equipment from Oerlikon Balzers – increases performance and therefore productivity. The coating service is offered at a network of 85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

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

ABB, Audi, Bosch, Ceratizit, Ford, Hitachi, Iscar, Kennametal, Mahle, OSG, Samputensili, Sandvik, Siemens, SKF, VW

Ionbond
Eifeler
Kobelco
Hauzer
Platit
Cemecon





Oerlikon Solar

in CHF million	2009	2008
Orders received	511	566
Orders on hand	317	429
Sales	442	598
EBIT	–78	107
Employees	751	868

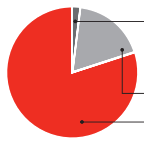
oerlikon solar

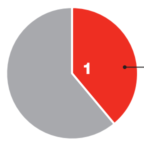
Oerlikon Solar offers cost-effective, field-proven, end-to-end solutions for the mass production of thin film silicon solar modules. These fully automated manufacturing solutions are focused on reducing device cost and maximizing productivity. They are available as modular end-to-end solutions with metrology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

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

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

Applied Materials
Ulvac





Oerlikon Vacuum

in CHF million	2009	2008
Orders received	325	460
Orders on hand	68	68
Sales	324	465
EBIT	–3	49
Employees	1 477	1 583

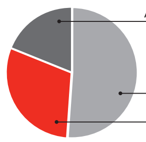
oerlikon leybold vacuum

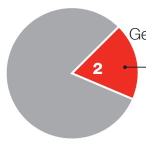
Leybold Vacuum offers a broad range of modern vacuum components, for industrial manufacturing and analytical technology, but also for research and development applications. Consulting, engineering and design of customer-specific solutions for highly demanding processes are as essential as the matching after-sales services.

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

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

Edwards
Pfeiffer Vacuum
Busch
Adixen
Ulvac





Oerlikon Drive Systems

in CHF million	2009	2008
Orders received	569	1 171
Orders on hand	93	183
Sales	660	1 204
EBIT	–50	65
Employees	5 013	5 146

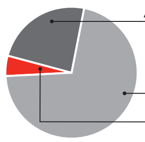
oerlikon graziano

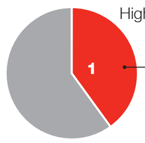
Oerlikon Graziano is a global player in the power transmission field with more than 80 years of experience. Today, the company is focused on the major markets; Automotive, including the zero-emissions sector, Off-Highway and Industrial, and is able to meet customer needs by providing complete driveline systems as well as 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, Aston Martin, Audi, Club Car, CNH, Fiat Auto, GM, JCB, John Deere, Lamborghini, Maserati, McLaren, Th!nk, VW

ZF
Getrag
Carraro
Gear World
Aisin
Cattini





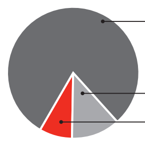
oerlikon fairfield

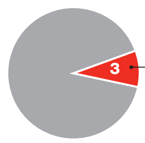
Oerlikon Fairfield is a leading provider of engineered gear and drive solutions for off-highway and industrial original equipment manufacturers throughout the world. With 90 years in the gearing and drive system industry, experience, dependability and reliability are what make Oerlikon Fairfield a global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

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

Allison, EMD, General Electric, Genie, Gusto MSC, Hitachi, JLG, Marley-SPX

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





Oerlikon Advanced Technologies

in CHF million	2009	2008
Orders received	**95**	139
Orders on hand	**30**	24
Sales	**79**	166
EBIT	**–7**	–88
Employees	**188**	459

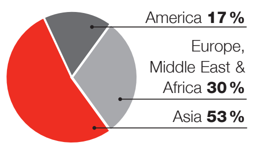
œrlikon
systems

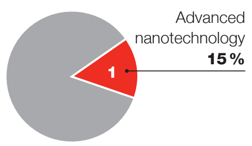
Oerlikon Systems focuses on production equipment for advanced nanotechnology, semiconductors and deposition equipment for the optical disc industry. Together with leading manufacturers, the company develops production techniques for future attractive and profitable nanotechnology applications – enabling clean technologies.

- Hard-disk thin film heads
- Semiconductor deposition production equipment
- Advanced packaging / 3D
- Thin wafer and multi-level metallization
- Compound Semi, MEMS and nanotechnology
- Anti-reflex coating for c-Si PV cell production

AMD, ASE, SMIC, Technology, CREE, IBM, Infineon, NXP, Osram, Samsung, Seagate, Sony, ST, Panasonic, PV Industry

SPTS
Applied Materials
Nexx
Ulvac
Centrotherm
Roth & Rau





2010

Preparing for the recovery.