Accounting principles

Company operations
OC Oerlikon Corporation AG, Pfäffikon, is a Swiss public company located in Churerstrasse 120, Pfäffikon canton of Schwyz, Switzerland. It is the ultimate parent company of the Oerlikon Group, a leading high-tech industrial group specializing in machine and plant engineering, and a provider of innovative industrial solutions and cutting-edge technologies for manmade fibers manufacturing, drive systems, vacuum, coating and advanced nanotechnology.

Apart from its activities in Switzerland, the Oerlikon Group operates in EU member states, North America and Asia, and has a workforce of 12 860 employees (full-time equivalents).

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 consolidated financial statements are presented in Swiss francs (CHF). The consolidated financial statements were approved by the Board of Directors on February 21, 2014, and will be submitted to the Annual General Meeting of Shareholders on April 15, 2014, for approval. All standards issued by the International Accounting Standards Board (IASB) and all interpretations of the IFRS Interpretations Committee (IFRIC) effective at the date of the consolidated financial statements have been taken into account. All line item amounts in the consolidated financial statements are presented in millions of Swiss francs, and all such amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus, an addition of the figures presented can result in rounding differences. Values of assets and liabilities have been determined in accordance with the historical cost convention, with the exception of derivative financial instruments and financial assets held 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 consolidated 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:

Impairment of value: Property, plant and equipment, goodwill and intangibles: A detailed test for impairment of the carrying amount is carried out for goodwill and other intangible assets with indefinite 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) that are expected to benefit from the synergies of the business combination to which goodwill gave rise. The recoverable amount of the CGUs is determined based on fair value less cost of disposal 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. 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. Refer to Note 12 for impairment of property, plant and equipment and Note 13 for impairment of goodwill and intangible assets.

Provisions and contingent liabilities: 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. Specific 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 made. These are based on management's estimates. Refer to Note 17 for provisions and Note 23 for contingent liabilities.

In connection with the sale of the Natural Fibers and Textile Components Business Units, the Group has assumed certain customary obligations such as warranty obligations and indemnifications. To assess the impact of these obligations, management had to make assumptions with estimation uncertainties. For further details, see Note 2.

Pensions: The estimates and assumptions used are based on future projections and actuarial calculations that have been determined together with the actuaries. Refer to Note 14 for details.

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. Refer to Note 6 for details.

Adoption of new and revised accounting standards
The IASB has published a number of new and revised standards and interpretations, which have been applied by the Oerlikon Group since January 1, 2013:
– IFRS 10 – Consolidated Financial Statements
– IFRS 11 – Joint Arrangements
– IFRS 12 – Disclosure of Interests in Other Entities
– IFRS 13 – Fair Value Measurements
– IAS 19 (revised) – Employee Benefits
– IAS 27 (revised) – Separate Financial Statements
– IAS 28 (revised) – Investments in Associates and Joint Ventures
– IAS 36 amended – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
– IFRS 7 amended – Offsetting Financial Assets and Liabilities
– IAS 1 amended – Presentation of Items of Other Comprehensive Income
– Improvements to IFRSs (May 2012)
– IFRS 10, IFRS 11 and IFRS 12 amended – Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities (Transition Guidance)

With the exception of IAS 19 (revised), the new and revised accounting standards have no material impact on the Group's results or financial position. The nature and the effects of the changes most relevant to the Group's financial statements are explained below.

IAS 19 (revised) – Employee Benefits: The main impacts of the adoption of IAS 19 (revised) on the Group's financial reporting are as follows:

- Net interest on the net defined benefit liability comprises interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of asset ceiling. The net interest is calculated using the same discount rate that is used in calculating the defined benefit obligation, applied to the net defined liability at the start of the period, taking into account any changes from contribution or benefit payments. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. The impact on the restated 2012 income statement was an increase in financial expense by CHF 7 million. The related tax impact (decrease of income tax expense) is CHF 2 million. The impact for 2013 is of similar magnitude.
- The impact of "risk sharing" in the Swiss benefit plans as of January 1, 2012 was a decrease in non-current post-employment benefit provisions by CHF 3 million and a decrease in deferred tax assets by CHF 1 million, leading to a net increase of retained earnings of CHF 2 million. The impact on the 2012 results and financial position is not material.

The other amendments to IAS 19 "Employee Benefits" have no material impact on the Group's results or financial position. In particular, the requirement to directly recognize remeasurements of defined benefit plans in other comprehensive income (which eliminates the option known as the "corridor method" to defer such gains and losses) has no impact on the Group's financial statements since this requirement is already in line with the Group's previous accounting policy.

IAS 1 (amended) – Presentation of Items of Other Comprehensive Income: As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to the income statement in the future from those that will not. The 2012 comparative information has been represented for this change. The change had no impact on the Group's overall results and financial position.

IFRS 13 – Fair Value Measurements: IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. IFRS 13 unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 "Financial Instruments: Disclosures". The change had no impact on the measurements of the Group's assets and liabilities. Refer to Note 19 for additional disclosures.

Newly published accounting standards not early adopted

The IASB has published a number of new and revised standards and interpretations that will come into force later and have not been implemented ahead of their effective dates. Their effects on the Oerlikon Group's financial statements have not yet been fully analyzed, but an initial review has been conducted, and the expected effects of each standard and interpretation are presented in the table below:

Standard/interpretation	Impact level	Effective date	Planned application by Oerlikon
IAS 32 amended – Offsetting Financial Assets and Financial Liabilities	*	January 1, 2014	Reporting year 2014
IFRS 10, IFRS 12 and IAS 27 amended – Investment Entities	*	January 1, 2014	Reporting year 2014
IAS 39 amended – Novation of Derivatives and Continuation of Hedge Accounting	*	January 1, 2014	Reporting year 2014
IFRIC 21 – Levies	*	January 1, 2014	Reporting year 2014
IAS 19 amended – Employee Contributions	**	July 1, 2014	Reporting year 2015
Annual Improvements to IFRSs 2010–2012 Cycle	**	July 1, 2014	Reporting year 2015
Annual Improvements to IFRSs 2011–2013 Cycle	**	July 1, 2014	Reporting year 2015
IFRS 9 – Financial Instruments	**	January 1, 2017	Reporting year 2017

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

** The impact on the consolidated financial statements cannot yet be determined with sufficient reliability.

Principles of consolidation

Subsidiaries
December 31 is the uniform closing date for all subsidiaries included in the consolidated financial statements. Subsidiaries are all entities over which OC Oerlikon Corporation AG, Pfäffikon, has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Oerlikon Group from the date on which control commences until the date on which control ceases.

Non-controlling interests are recorded separately under equity in the consolidated financial statements. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

All significant consolidated investments held are shown in the listing at the end of the notes.

Disposal of subsidiaries
When the Group ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the income statement. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the income statement. Any retained interest in the former subsidiary is remeasured to its fair value at the date when control is lost.

Associates
Associates are all entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies (generally accompanying a shareholding of between 20 % and 50 % of the voting rights). Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and the comprehensive income of the investee after the date of acquisition until the date on which significant influence ceases.

Joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Oerlikon Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method (see above under "associates").

Business combinations and goodwill
The Oerlikon Group accounts for business combinations using the acquisition method when control is transferred to the Group (see above under "Subsidiaries"). At the date of their initial consolidation, the identifiable assets acquired and liabilities assumed of subsidiaries are measured at fair value. Goodwill is measured at the acquisition date as the fair value of the consideration transferred plus the amount of non-controlling interests in the acquiree less the net recognized assets. Transaction costs are expensed as incurred, except if related to the issue of debt or equity. Goodwill denominated in foreign currencies is translated into Swiss francs at the rates prevailing at the balance sheet date.

Translation of foreign currencies
The accounts of foreign entities 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. In the consolidation, assets and liabilities of foreign subsidiaries are translated into Swiss francs at the exchange rate prevailing on the balance sheet date, while income, expenses and cash flows are translated using average rates for the year. Differences resulting from the application of different exchange rates are recognized in other comprehensive income. Exchange gains and losses, as recorded in the individual company accounts of subsidiaries, are included in the income statement. Excluded from this rule are specific long-term intercompany monetary items that form part of the net investment in a foreign subsidiary, whose exchange translation differences are recognized in other comprehensive income. In the year that a foreign entity is divested, the cumulative translation differences recorded in other comprehensive income are reclassified to the income statement as part of the gain or loss upon disposal.

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

Segment information
The Segment reporting of the Oerlikon Group is in accordance with the "management approach" and based on the internal structure and reporting. The Executive Committee is an advisory body to the Chief Executive Officer (CEO). The CEO performs the function of the Chief Operating Decision Maker (CODM), assesses performance and makes resource allocation decisions. The internal reporting to the Executive Committee and the Board of Directors is based on uniform Group accounting principles, which correspond to those used in the consolidated financial statements. Intersegment pricing is determined on an arm's length basis.

According to the internal Segment reporting, the Group consists of the following reportable Segments:
- Manmade Fibers Segment (formerly Textile Segment) develops and manufactures textile machinery.
- Drive Systems Segment manufactures gears and other components for power transmission, mainly in motor vehicles.
- Vacuum Segment develops application- and customer-specific systems for the creation of vacuums and extraction of processing gases.
- Coating Segment supplies metal coatings that improve the performance of tools and precision components, offering coating services at 93 centers worldwide.
- Advanced Technologies Segment develops applications and technologies, from which the highest precision and accuracy is required, and mainly specializes in nanotechnology.

Assets

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

Financial assets and derivative financial instruments: Marketable securities are held at fair values, with their values adjusted as required through the income statement. Gains or losses are measured by reference to fair value.

Regular-way purchases or sales of financial assets are recognized at settlement date. Financial investments held to maturity as well as loans and receivables 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 other comprehensive income 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 other comprehensive income, 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.

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 lives and residual values are examined annually.

Fixed assets under financial leasing agreements are treated identically to fixed assets owned.

Major spare parts and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period.

Intangible assets: Intangible assets are identifiable nonmonetary 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 generally over five years. In the case of intangible assets with indefinite useful lives, an impairment test of the asset value is conducted annually at the balance sheet date, or earlier on the occurrence of a triggering event. Goodwill is not amortized, but instead tested annually for possible value impairment.

Liabilities

Current and non-current financial liabilities: Current and non-current 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 the bond.

Current and non-current 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. Non-current provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

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 contracts: provisions are established when unavoidable 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 “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 for.

Post-employment benefits provisions: The Oerlikon Group operates various post-employment benefit schemes, including both defined benefit and defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity. The Group will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability (asset) recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, taking into account any asset ceiling. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurements of the net defined benefit liability (asset) are charged or credited to other comprehensive income in the period in which they arise.

Current and past-service costs are recognized immediately in the income statement (operating result).

Net interest on the net defined benefit liability comprises interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of asset ceiling. The net interest is calculated using the same discount rate that is used in calculating the defined benefit obligation, applied to the net defined liability at the start of the period, taking into account any changes from contribution or benefit payments. Net interest on the net defined benefit liability is recognized in the income statement (financial result).

The contributions to defined contribution plans are recognized in the income statement (operating result) when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 the Oerlikon Group. Sales of goods are booked 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 Manmade Fibers Segment, 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 that can be directly allocated to the construction, build-up or purchase of a qualified asset are capitalized through the costs of the assets.

Current income taxes: Current income taxes 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.

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 (balance sheet liability method). Taxes on dividends from subsidiaries are only accrued when distributions are contemplated. 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, 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 tax is not recognized for: a) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting profit nor taxable profit or loss; b) temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and c) taxable temporary differences arising on the initial recognition of goodwill.

Earnings per share: Earnings per share (EPS) is based on the portion of consolidated net profit 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.

Discontinued operations and assets and liabilities classified as held for sale

A component of the Group is reclassified into "discontinued operations" if its divestment is intended, and if it fulfills the criteria for being classified as "held for sale" and for being presented as discontinued operations. Non-current assets held for sale are carried at the lower of their carrying amount or fair value less cost to sell, and any value impairments are recognized in the income statement. Depreciation of non-current assets ceases when the respective qualification as assets held for sale is met.

All disclosures in the notes to the consolidated financial statements refer to continuing operations, except where otherwise indicated.

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 preapproved instruments are used, and as a fundamental rule, no speculative transactions are conducted in the areas of foreign exchange or interest rates. No hedges are entered into without a corresponding base transaction. Management monitors and steers such risks continuously with the support of Group Treasury, who identifies and evaluates all financial risks, working with the Group's operating companies and hedging the risks as appropriate. The Group has documented guidelines for financial risk management, covering the use of derivative and non-derivative financial instruments and policies for use of surplus funds.

Foreign exchange risks: Risks related to fluctuations in foreign currencies are in certain instances hedged at Group level (refer to Note 19 "Financial instruments").

Interest rate risks: Risks related to fluctuations in interest rates are monitored by Group Treasury and in certain instances hedged at Group level (refer to Note 19 "Financial instruments").

Credit risks: Risks of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations is monitored locally by the individual Group companies (refer to Note 19 "Financial instruments").

Liquidity risks: The 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 (refer to Note 19 "Financial instruments").

Contingent liabilities

Contingent liabilities represent potential obligations whose impact depends on the occurrence of one or more future events that cannot be influenced. Contingent liabilities are also existing obligations that 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, Pfäffikon, offers members of the Board of Directors and Executive Committee, 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 within operating results, with a corresponding increase in equity (equity settled plans).

Related-party transactions

Members of the Board of Directors or Executive Committee, significant shareholders and companies controlled or jointly controlled by any of those individuals as well as post-employment benefit plans of the Group are deemed to be related parties.

Adjustment of previously reported figures

Adoption of IAS 19 (revised): The effects from the adoption of IAS 19 (revised) on the consolidated income statement and the consolidated statement of comprehensive income for the period from January 1 to December 31, 2012, and on the consolidated balance sheet at December 31, 2012, are as follows:

Consolidated income statement

in CHF million	January 1 to December 31, 2012, reported	Adoption of IAS 19 (revised)	**January 1 to December 31, 2012, restated**
Result before interest and taxes (EBIT)	**421**	**–**	**421**
Financial expense	–138	–7	–145
Result before taxes (EBT)	**334**	**–7**	**327**
Income taxes	–111	2	–109
Result from continuing operations	**223**	**–5**	**218**
Net income	**385**	**–5**	**380**
Earnings per share in CHF	1.18	–0.02	1.16
Diluted earnings per share in CHF	1.16	–0.01	1.15

Consolidated statement of comprehensive income

in CHF million	January 1 to December 31, 2012, reported	Adoption of IAS 19 (revised)	**January 1 to December 31, 2012, restated**
Remeasurements of defined benefit plans	–70	7	–63
Income taxes on other comprehensive income	21	–2	19

Consolidated balance sheet

in CHF million	December 31, 2012, reported	Adoption of IAS 19 (revised)	**December 31, 2012, restated**
Deferred tax assets	113	–1	112
Non-current post-employment benefit provisions	533	–3	530
Retained earnings and reserves	1 540	2	1 542

in CHF million	January 1, 2012, reported	Adoption of IAS 19 (revised)	**January 1, 2012, restated**
Deferred tax assets	111	–1	110
Non-current post-employment benefit provisions	525	–3	522
Retained earnings and reserves	1 266	2	1 268

Notes to the consolidated financial statements

Group structure

Note 1

Subsidiaries
A list of Oerlikon's subsidiaries can be found on page 142.

During the financial year 2013, the following changes in the scope of consolidation have occurred:

Acquisition of non-controlling interests
During 2013, the Group purchased non-controlling interests in Fairfield Atlas Ltd., increasing the ownership from 83.87 % to 97.70 %.

Divestments
On December 3, 2012, the Oerlikon Group signed an agreement with the Jinsheng Group of China to divest the Natural Fibers and Textile Components Business Units. The transaction was closed on July 3, 2013. The following material companies were sold as part of this transaction: Aktiengesellschaft Adolph Saurer, Oerlikon Heberlein Temco Wattwil AG, Oerlikon Czech s.r.o., Oerlikon Tekstil Middle East Makilanari Dis Ticarat A.S., Oerlikon Textile Components Singapore Pte. Ltd., Oerlikon Fibrevision Ltd., Jintan Texparts Components Co. Ltd., Saurer Jintan Textile Machinery Co. Ltd., Oerlikon Textile Components GmbH, Zinser Textile Systems Private Ltd., Peass Industrial Engineers Ltd. Refer to Note 2 for details.

Mergers
– On June 14, 2013, Graziano Trasmissioni Group AG was merged into OC Oerlikon Textile Holding AG.
– On August 28, 2013, Afetau GmbH was merged into Oerlikon Textile GmbH & Co KG.
– On November 26, 2013, Graziano Trasmissioni North America Inc. was merged into Fairfield Manufacturing Company Inc.

Liquidations and foundations
– As of June 19, 2013, Oerlikon Balzers Coating Philippines Inc. was founded.
– As of June 28, 2013, Oerlikon Advanced Technologies AG and Oerlikon Balzers Coating AG were founded.
– As of July 26, 2013, Oerlikon Leybold Vacuo do Brasil Ltda. was founded.
– As of July 29, 2013, Oerlikon (Liechtenstein) Holding AG was founded and became the parent company of Oerlikon Advanced Technologies AG, Oerlikon Balzers Coating AG and OC Oerlikon Balzers AG.
– As of August 8, 2013, Oerlikon Rus LLC was founded.
– As of September 19, 2013, Oerlikon Optics UK Ltd. was liquidated and deleted from the register.

Non-controlling interests
The following Group companies have non-controlling interests as at December 31:

		Non-controlling interests in %	
Company	**Country**	**2013**	**2012**
Jintan Texparts Component Co. Ltd.	China	–	30.00
Saurer Jintan Textile Machinery Co. Ltd.	China	–	30.00
Oerikon Balzers Sandvik Coating Oy	Finland	49.00	49.00
Vocis Limited	UK	49.00	49.00
Fairfield Atlas Ltd.	India	2.30	16.13
Peass Industrial Engineers Ltd.	India	–	49.00
Zinser Textile Systems Private Ltd.	India	–	30.00
Oerlikon Balzers Coating Luxembourg S.à.r.l.	Luxembourg	40.00	40.00
Oerlikon Balzers Coating Korea Co. Ltd.	South Korea	10.10	10.10
Oerlikon Balzers Coating Philippines Inc.	Philippines	0.01	–
Oerlikon Balzers Sandvik Coating AB	Sweden	49.00	49.00
Oerlikon Balzers Coating (Thailand) Co. Ltd.	Thailand	0.01	0.01
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi	Turkey	0.01	0.01

The interests that non-controlling interests have in the Oerlikon Group's activities and cash flows are not material.

Interests in joint arrangements and associates
The Oerlikon Group does not hold any significant interests in joint arrangements and associates.

Discontinued operations and assets and liabilities classified as held for sale

Note 2

Divestment of the Natural Fibers and Textile Components Business Units
On December 3, 2012, the Oerlikon Group signed an agreement with the Jinsheng Group of China to divest the Natural Fibers and Textile Components Business Units from its Textile Segment. The sale was closed on July 3, 2013. The final determination of the sales price is subject to a customary financial adjustment mechanism. This process is currently ongoing. In connection with the divestment, Oerlikon has assumed certain customary obligations such as warranty obligations and indemnifications. The indemnification obligations cover in particular topics related to employment, intellectual property and the environment. The duration and overall liability caps for these indemnifications vary, but are customary for transactions of this nature.

Divestment of the Solar Segment
On March 2, 2012, the Oerlikon Group agreed the terms of a divestment of its Solar Segment to a leading global supplier of semiconductor production equipment, Tokyo Electron Limited (TEL) of Japan. The transaction closed on November 26, 2012. In connection with this divestment, Oerlikon has assumed specifically restricted representations for disclosure of claims with a notification duration that lapsed in 2013.

Divestment of property in Germany
Following the commitment of the Oerlikon Group in December 2012 to sell a property in Germany, the respective assets amounting to CHF 24 million have been classified as held for sale. The sale was finalized in January 2013.

Result of discontinued operations

	January 1 to December 31, 2013		January 1 to December 31, 2012		
in CHF million	Natural Fibers and Textile Components	**Total**	Solar	Natural Fibers and Textile Components	**Total**
Sales	**469**	**469**	**51**	**956**	**1 007**
Total expenses	–424	–424	–145	–894	–1 039
Result before taxes (EBT) from operating activities	**45**	**45**	**–94**	**62**	**–32**
Income taxes	–11	–11	–5	–8	–13
Result from operating activities	**34**	**34**	**–99**	**54**	**–45**
Gain on sale of discontinued operations before reclassification of translation differences	4	4	214	–	214
Reclassification of translation differences[1]	–114	–114	–7	–	–7
Income tax on sale of discontinued operations	18	18	–	–	–
Net result from discontinued operations	**–58**	**–58**	**108**	**54**	**162**
Attributable to:					
Shareholders of the parent	–58	–58	108	55	163
Non-controlling interests	–	–	–	–1	–1
Earnings per share in CHF	–0.18	–0.18	0.33	0.17	0.50
Diluted earnings per share in CHF	–0.17	–0.17	0.32	0.17	0.49

[1] In the year that a foreign entity is divested, the cumulative translation differences recorded in other comprehensive income (equity) are reclassified to the income statement as part of the gain or loss upon disposal.

Cash flows from discontinued operations

	January 1 to December 31, 2013		January 1 to December 31, 2012		
in CHF million	Natural Fibers and Textile Components	**Total**	Solar	Natural Fibers and Textile Components	**Total**
Cash flow from operating activities	–8	–8	3	131	134
Cash flow from investing activities	–7	–7	–9	–5	–14
Cash flow from financing activities	–	–	50	–9	41
Net cash flows from discontinued operations	–15	–15	44	117	161

Discontinued operations and assets and liabilities classified as held for sale

Note 2 (cont.)

Effect of disposal of the Natural Fibers and Textile Components Business Units on the financial position

in CHF million	**July 3, 2013**
Cash and cash equivalents	–59
Trade and other receivables	–169
Inventories	–175
Prepaid expenses and accrued income	–2
Non-current financial investments	–3
Property, plant and equipment	–124
Goodwill and intangible assets	–289
Post-employment benefit assets	–8
Deferred tax assets	–3
Trade and other payables	116
Accrued liabilities	40
Current customer advances	51
Current income taxes payable	5
Other current provisions	15
Non-current post-employment benefit provisions	33
Deferred tax liabilities	7
Other non-current provisions	1
Net assets	**–564**
Consideration received (cash and cash equivalents)	586
Cash and cash equivalents disposed of	–59
Net cash inflow	**527**

Effect of disposal of the Solar Segment on the financial position

in CHF million	November 26, 2012
Cash and cash equivalents	–65
Trade and other receivables	–38
Prepaid expenses and accrued income	–3
Inventories	–16
Non-current financial investments	–7
Property, plant and equipment	–78
Goodwill and intangible assets	–19
Trade and other payables	22
Accrued liabilities	26
Current customer advances	54
Other current provisions	22
Deferred tax liabilities	7
Non-current post-employment benefit provisions	11
Net assets	**–84**
Consideration received (cash)	296
Cash and cash equivalents disposed of	–65
Net cash inflow	**231**

Discontinued operations and assets and liabilities classified as held for sale

Note 2 (cont.)

Disposal group classified as held for sale as at December 31, 2012
The assets and liabilities of the disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell and presented separately in the balance sheet. No losses on remeasurement have been incurred.

At December 31, 2012, the following assets and liabilities have been classified as held for sale:

Assets classified as held for sale

in CHF million	2012
Cash and cash equivalents	22
Current financial investments and derivatives	2
Trade receivables	137
Other receivables	13
Current tax receivables	2
Inventories	125
Prepaid expenses and accrued income	2
Loans and other non-current financial receivables	2
Non-current financial investments	3
Property, plant and equipment[1]	137
Goodwill and intangible assets	281
Post-employment benefit assets	8
Deferred tax assets	3
Total assets classified as held for sale	**737**

[1] Includes CHF 24 million related to the property in Germany – refer to “Divestment of property in Germany”.

Liabilities classified as held for sale

in CHF million	2012
Trade payables	104
Other current liabilities	12
Accrued liabilities	27
Current customer advances	38
Current income taxes payable	3
Other current provisions	16
Non-current post-employment benefit provisions	34
Deferred tax liabilities	3
Other non-current provisions	2
Total liabilities classified as held for sale	**239**

Other income and expense

Note 3

in CHF million	**2013**	2012
Licensing, patent and know-how income	2	2
Rental income from non-operating real estate	10	13
Other income[1]	24	62
Other income	**36**	**77**
Taxes not based on income	–4	–4
Restructuring costs	–3	–
Other expense	–16	–5
Other expense	**–23**	**–9**
Other income and expense	**13**	**68**

[1] Other income for the financial year 2012 includes the gain on the sale of the Oerlikon Group's property in Arbon, Switzerland, amounting to CHF 39 million.

Expenses included in EBIT

Note 4

in CHF million	**2013**	2012
Personnel expense		
Salaries and wages	594	595
Social security and other employee benefits[1]	172	170
Total	**766**	**765**
Depreciation and amortization		
– Property, plant and equipment	108	105
of which in:		
Cost of sales	85	82
Marketing and selling	1	1
Research and development	5	5
Administration	17	17
– Intangible assets	18	21
of which in:		
Marketing and selling	2	2
Research and development	13	16
Administration	3	3
Total	**126**	**126**

[1] Included in the CHF 172 million expense for social security and other employee benefits is CHF 27 million (previous year: CHF 32 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.

Financial income and expense

Note 5

in CHF million	2013	2012
Interest income	7	5
Other financial income[1]	5	32
Foreign currency gain, net	4	–
Net gain on hedging transactions recognized in the income statement	–	14
Financial income	**16**	**51**
Interest on financial debt[2]	–18	–41
Interest on provisions for post-employment benefit plans, net[3]	–20	–24
Other financial expense[4]	–4	–67
Foreign currency loss, net	–	–13
Net loss on hedging transactions recognized in the income statement	–6	–
Financial expense	**–48**	**–145**
Total	**–32**	**–94**

[1] Other financial income for the financial year 2012 includes a gain from the sale of a financial investment.

[2] The total interest expense amounted to CHF 19 million (previous year: CHF 70 million), which is included in interest on financial debt and other financial expense.

[3] Restatement of the prior-year figure in connection with the adoption of IAS 19 (revised), refer to section “Adoption of new and revised accounting standards” under “Accounting principles”.

[4] Other financial expense for the financial year 2012 includes one-time charges amounting to CHF 47 million in connection with the replacement of the old Syndicated Credit Facility.

Income taxes

Note 6

in CHF million	2013 Continuing operations	2013 Discontinued operations	2013 Total	2012, restated Total
Current income tax expense	–89	–16	–105	–98
Deferred tax expense	14	23	37	–24
Total			**–68**	**–122**

Analysis of tax expense

in CHF million	**2013**	2012, restated
Result before taxes from continuing operations	334	327
Result before taxes from discontinued operations	–65	175
Total	**269**	**502**
Tax expense from continuing operations	–75	–109
Tax expense from discontinued operations	7	–13
Total	**–68**	**–122**
Expected tax expense[1]	–57	–135
Difference between actual and expected tax expense	**–11**	**13**

The effective tax rate from continuing operations amounts to 22.5 % (previous year: 33.3 %). The difference of the effective tax rate from continuous operations compared to the previous year is mainly due to the utilization and recognition of previously not recognized tax loss carry forwards with taxable profits in the reporting period.

The difference between the tax expense calculated using the weighted average tax rate of the Oerlikon Group (expected tax expense) of 21.4 %, (previous year expected tax expense: 26.4 %) and the effective tax expense arises from the factors mentioned below. The expected tax rate from continuing operations amounts to 28.0 %.

Non-taxable income and expenses	–43	34
Unrecognized deferred taxes on current-year losses	–4	–27
Non-refundable withholding tax	–10	–16
Utilization of unrecognized tax loss carry forwards from previous periods	24	7
Income tax from previous periods	–1	14
Recognition of previously not recognized tax losses	20	4
Other effects	3	–3
	–11	**13**

[1] The expected tax expense is calculated from the various profits and losses of the individual Group companies, using local tax rates. From these, a composite tax rate is developed, averaged over the whole Group. This composite tax rate is influenced by the loss on the sale of the Natural Fibers and Textile Components Business Units.

Deferred taxes

Note 6 (cont.)

Composition of deferred taxes

in CHF million	2013 Deferred tax balances Assets	2013 Deferred tax balances Liabilities	2012, restated Deferred tax balances Assets	2012, restated Deferred tax balances Liabilities
Trade accounts receivable	2	1	4	1
Other receivables and accruals	–	15	1	12
Inventories	38	–	42	2
Post-employment benefit assets	–	1	–	–
Financial assets	1	3	1	6
Property, plant and equipment	25	39	18	46
Assets classified as held for sale	–	–	–3	–3
Goodwill and intangible assets	3	74	2	115
Assets	**69**	**133**	**65**	**179**
Trade accounts payable	–	–	1	–
Other current and long-term liabilities	12	18	11	15
Financial liabilities	1	–	3	–
Provisions	109	2	111	7
Liabilities	**122**	**20**	**126**	**22**
Deferred tax assets from recognized tax loss carry forwards[1]	38	–	49	–
Offsetting	–105	–105	–128	–128
Total	**124**	**48**	**112**	**73**

[1] In 2013, tax loss carry forwards of CHF 141 million for federal taxes and CHF 98 million for state/local taxes were recognized (previous year: CHF 296 for federal taxes and CHF 70 million for state/local taxes).

Movement in deferred tax balances during the year

2013

in CHF million	Balance at January 1	Recognized in the income statement	Recognized in other comprehensive income	Other[1]	Balance at December 31
Total	**39**	**37**	**2**	**–2**	**76**

[1] Effect of disposal of the Natural Fibers and Textile Components Business Units.

2012, restated

in CHF million	Balance at January 1	Recognized in the income statement	Recognized in other comprehensive income	Other[2]	Balance at December 31
Total	**38**	**–24**	**19**	**6**	**39**

[2] Effect of disposal of the Solar Segment on the financial position.

Limitation of utilization of tax loss carry forwards

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 carry forwards: federal tax	Total tax loss carry forwards: state/local tax
1 year	–	3	–	3
2 years	5	9	9	9
3 years	10	15	13	15
4 years	19	22	23	22
5 years	13	32	16	32
Over 5 years	230	171	357	269
Total	**277**	**252**	**418**	**350**

Compared to the previous year, tax loss carry forwards not recognized decreased by CHF 186 million for federal taxes and CHF 140 million for state/local taxes. This is mainly due to the divestment of the Natural Fibers and Textile Components businesses. Not recognized losses were utilized and, based on positive business outlook, not recognized losses were reclassified.

The deferred tax on unrecognized tax loss carry forwards would amount to CHF 62 million in 2013 (previous year: CHF 103 million).

Earnings per share

Note 7

Earnings per share of CHF 0.60 have been calculated on the basis of a net profit of CHF 198 million, attributable to shareholders (previous year: CHF 377 million), and the average weighted number of outstanding shares (issued shares less treasury shares). In 2013, the average weighted number of shares entitled to vote and receive dividends amounted to 330 564 091 (previous year: 323 700 961). Diluted earnings per share amounted to CHF 0.59. The average weighted number of shares used in the calculation of diluted earnings per share amounted to 335 018 675 (previous year: 328 200 827).

Number of outstanding shares	**2013**	2012
Total shares issued at year-end	334 633 258	325 964 498
Weighted average number of shares outstanding for the year	330 564 091	323 700 961
Effect of potential exercise of option rights	4 454 584	4 499 866
Weighted average number of shares diluted for the year	335 018 675	328 200 827

Cash and cash equivalents

Note 8

in CHF million	**2013**	2012
Cash, postal and bank current accounts	461	469
Time deposits and money market funds[1]	819	169
Total	**1 280**	**638**

[1] AAA rated money market fund available on a daily basis.

CHF 232 million (previous year: CHF 189 million) of total cash and cash equivalents are held in countries in which local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends. 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	**2013**	2012
CHF	460	207
EUR	485	185
USD	86	70
CNY	157	120
Other	92	56
Total	**1 280**	**638**

Financial investments

Note 9

in CHF million	Notes	2013	2012
Deposits	19	2	–
Debt and equity securities	19	3	5
Derivatives used for hedging	19	6	11
Current financial investments and derivatives		**11**	**16**
Investments in associates and joint arrangements		3	3
Other investments		1	1
Non-current financial investments		**4**	**4**
Total		**15**	**20**

Loans and receivables

Note 10

in CHF million	2013	2012
Current		
Trade receivables	382	419
Trade notes receivable	43	55
Other receivables[1]	88	89
Non-current		
Loans and other non-current financial receivables	25	6
Total	**538**	**569**

[1] Other receivables include:
– Receivables from Swiss and foreign tax authorities (VAT) and insurance companies.
– Accrued sales under the POC method for orders that are not completely pre-financed by customer advances.

Inventories

Note 11

	2013			2012		
in CHF million	Gross value	Value adjustment	Net value	Gross value	Value adjustment	Net value
Raw material and components	178	–30	**148**	172	–28	**144**
Work in progress	147	–7	**140**	143	–7	**136**
Finished goods	72	–8	**64**	64	–7	**57**
Trade merchandise	65	–13	**52**	62	–11	**51**
Total	462	–58	**404**	441	–53	**388**

Amounts charged to the income statement for write-downs of inventories in the reporting year were CHF 9 million (previous year: CHF 7 million).

Construction contracts according to the percentage of completion method (POC)
The accrued sales under the POC method pertain to customer orders in the Manmade Fibers Segment, summarized as follows:

in CHF million	2013	2012
POC sales recognized as revenue in the period	**623**	610
Aggregate contract costs incurred and recognized contract profits to date	**94**	80
Gross amount due from customers for contract work as an asset	**15**	18
Net amount of customer advances for POC projects[1]	**84**	68

[1] This amount is included in the current customer advances totaling CHF 407 million (previous year: CHF 450 million).

Property, plant and equipment

Note 12

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	**2013 Total**
Cost					
Balance at January 1, 2013	1 175	425	75	42	1 717
Conversion differences	–30	–	–2	–2	–34
Additions	80	7	–	73	160
Disposals	–22	–5	–1	–4	–32
Transfers	50	28	–1	–77	–
Balance at December 31, 2013	1 253	455	71	32	1 811
Accumulated depreciation and impairment losses					
Balance at January 1, 2013	–787	–212	–	–	–999
Conversion differences	16	–	–	–	16
Depreciation	–93	–15	–	–	–108
Disposals	18	4	–	–	22
Transfers	5	–5	–	–	–
Balance at December 31, 2013	–841	–228	–	–	–1 069
Net Group values at December 31, 2012	388	213	75	42	718
Net Group values at December 31, 2013	**412**	**227**	**71**	**32**	**742**
Of which assets held under finance leases	1	1	–	–	2
Insured values in event of fire	1 919	797	–	6	2 722

Open purchase commitments for property, plant and equipment at the end of 2013 amounted to CHF 6 million (previous year: CHF 14 million).

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	**2012 Total**
Cost					
Balance at January 1, 2012	1 369	598	94	42	2 103
Conversion differences	–21	–6	–2	–	–29
Additions	89	4	–	82	175
Disposals	–27	–12	–2	–2	–43
Reclassifications to assets held for sale	–288	–181	–15	–5	–489
Transfers	53	22	–	–75	–
Balance at December 31, 2012	1 175	425	75	42	1 717
Accumulated depreciation and impairment losses					
Balance at January 1, 2012	–903	–285	–	–	–1 188
Conversion differences	12	3	–	–	15
Depreciation	–106	–17	–	–	–123
Disposals	21	2	–	–	23
Reclassifications to assets held for sale	189	85	–	–	274
Transfers	–	–	–	–	–
Balance at December 31, 2012	–787	–212	–	–	–999
Net Group values at December 31, 2011	466	313	94	42	915
Net Group values at December 31, 2012	**388**	**213**	**75**	**42**	**718**
Of which assets held under finance leases	1	2	–	–	3
Insured values in event of fire	1 876	976	–	10	2 862

Goodwill and intangible assets

Note 13

in CHF million	Goodwill	Software	Technology and development costs	Other intangible assets[1]	2013 Total
Cost					
Balance at January 1, 2013	925	40	96	283	1 344
Conversion differences	1	–	1	4	6
Additions	–	4	14	2	20
Disposals	–	–	–14	–4	–18
Balance at December 31, 2013	926	44	97	285	1 352
Accumulated amortization and impairment losses					
Balance at January 1, 2013	–262	–32	–51	–61	–406
Conversion differences	–2	–	–	–1	–3
Amortization	–	–3	–10	–5	–18
Disposals	–	–	14	4	18
Balance at December 31, 2013	–264	–35	–47	–63	–409
Net Group values at December 31, 2012	663	8	45	222	938
Net Group values at December 31, 2013	**662**	**9**	**50**	**222**	**943**

[1] Other intangible assets include brands of CHF 208 million (previous year: CHF 207 million) with indefinite useful lives.

The capitalized development costs pertain to the Segments as follows:

Capitalized development costs for the period

in CHF million	**2013**	2012
Manmade Fibers Segment	1	3
Drive Systems Segment	2	–
Vacuum Segment	4	5
Coating Segment	6	5
Advanced Technologies Segment	1	2
Total	**14**	**15**

Goodwill and intangible assets

Note 13 (cont.)

Goodwill and brands are attributed to the Segments as follows:

Goodwill and brands in CHF million	2013	2012 Goodwill	2013	2012 Brands
Manmade Fibers Segment	116	114	137	136
Drive Systems Segment	482	485	71	71
Coating Segment	26	26	–	–
Advanced Technologies Segment	38	38	–	–
Total	**662**	**663**	**208**	**207**

Goodwill and other intangible assets with indefinite useful life are allocated to those cash-generating units (CGUs) that are expected to benefit from the relevant business combination. The Segments correspond to CGUs and are the lowest level at which goodwill is monitored by management. Goodwill and intangible assets with indefinite useful life are tested annually for possible impairment of value, using discounted cash flow analysis.

Asset values used in the impairment testing are based on fair value less costs of disposal and on the latest forecasts approved by management. The forecast period used for future cash flows covers the years 2014 to 2018. 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 tests carried out at Segment level supported the carrying amounts and therefore no need for impairment was identified.

Detailed results of the impairment testing are presented below for goodwill allocated to Manmade Fibers, Drive Systems, Advanced Technologies and Coating, representing 100 % of the net book value at December 31.

The following growth and pre-tax discount rates were used:

Growth and discount rates per Segment	2013	2012 Growth rates[1]	2013	2012 Discount rates
Manmade Fibers Segment	2.0 %	2.0 %	8.7 %	10.5 %
Drive Systems Segment	2.5 %	2.5 %	11.6 %	10.5 %
Coating Segment	2.0 %	2.0 %	10.2 %	10.9 %
Advanced Technologies Segment	2.0 %	2.0 %	7.8 %	9.6 %

[1] For periods following the five-year plan period 2014 to 2018 (previous year: 2013 to 2017).

For the Manmade Fibers as well as the Coating and the Advanced Technologies Segments, neither a reduction of the growth rate of the terminal value to 0.5 % (previous year: 0.5 %), nor an increase in the discount rate by 1.5 % (previous year: 1.5 %) would give rise to an impairment of goodwill.

For the Drive Systems Segment, the recoverable amount exceeded the carrying amount by CHF 136 million. A reduction of the growth rate to 1.5 percentage points or an increase in the discount rate by 0.8 percentage points would result in the recoverable amount to be equal to its carrying amount.

Goodwill and intangible assets

Note 13 (cont.)

Previous year in CHF million	Goodwill	Software	Technology and development costs	Other intangible assets	**2012 Total**
Cost					
Balance at January 1, 2012	1 204	43	142	463	1 852
Conversion differences	–15	–	–1	–2	–18
Additions	–	2	15	–	17
Disposals	–	–2	–	1	–1
Reclassifications to assets held for sale	–264	–3	–60	–179	–506
Balance at December 31, 2012	925	40	96	283	1 344
Accumulated amortization and impairment losses					
Balance at January 1, 2012	–398	–34	–61	–98	–591
Conversion differences	3	–	1	–	4
Amortization	–	–3	–18	–7	–28
Disposals	–	2	1	–	3
Reclassifications to assets held for sale	133	3	26	44	206
Balance at December 31, 2012	–262	–32	–51	–61	–406
Net Group values at December 31, 2011	806	9	81	365	1 261
Net Group values at December 31, 2012	**663**	**8**	**45**	**222**	**938**

Post-employment benefits

Note 14

in CHF million	2013 Total	2013 due within 1 year	2013 due beyond 1 year	2012, restated Total	2012, restated due within 1 year	2012, restated due beyond 1 year
Net defined benefit liability[1]	554	21	533	567	23	544
Other employee benefit provisions	9	1	8	12	1	11
Subtotal	**563**	22	541	579	24	555
Net defined benefit liability classified as held for sale	–	–	–	22	–	22
Other employee benefit provisions classified as held for sale	–	–	–	4	–	4
Total on the balance sheet	**563**	22	541	553	24	529
Post-employment benefit assets	**–5**	–	–5	–1	–	–1
Post-employment benefit provisions	**568**	22	546	554	24	530

[1] Net defined benefit liability related to funded plans was CHF 137 million and unfunded plans CHF 417 million (previous year: funded CHF 152 million, net of CHF 4 million classified as held for sale and unfunded CHF 393 million, net of CHF 18 million classified as held for sale).

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

in CHF million	2013 Total	2013 Defined benefit	2013 Defined contribution	2012, restated Total	2012, restated Defined benefit	2012, restated Defined contribution
Number of plans						
Funded plans	**49**	20	29	33	24	9
Unfunded plans	**31**	31	–	25	25	–
Number of insured members						
Active members[1]	**11 214**	5 748	5 466	11 329	9 615	1 714
Vested terminations[2]	**5 178**	4 374	804	5 450	5 016	434
Retired members	**8 403**	8 296	107	8 493	8 462	31
in CHF million						
Pension cost (operative)	**27**	17	10	32	24	8
Pension cost (financial)	**20**	20	–	24	24	–
Total post-employment benefit plan cost in the income statement	**47**	37	10	56	48	8

[1] In certain Group companies, members belong to multiple plans.

[2] Mainly former employees of a Group company in the USA with vested rights in a pension plan.

Post-employment benefits

Note 14 (cont.)

Defined benefit plans
The Group's material defined benefit pension plans are located in Germany, USA, and Switzerland and account for 95 % of the Group's net defined benefit liability (previous year: 95 %). Usually, the plans are established as trusts independent of the Group and are funded by payments from Group companies and by employees. The cash funding of these plans is designed to ensure that present and future contributions should be sufficient to meet future liabilities. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. Most of major plans in Germany are unfunded and as the result the Group pays pensions to retired employees directly from its own financial resources.

Pension plans in Germany
22 unfunded and 7 funded defined benefit plans existed in 2013 (previous year: 22 and 11 respectively). These pension arrangements are governed by the German Occupational Pensions Act (BetrAVG). The employer is required by German law to increase pensions in payment all three years according to price inflation, as measured by the Consumer Price Index ("Verbraucherpreisindex – VPI") or according to comparable pay grades. In case of unfunded pension plans, the Group pays pensions to retired employees directly from its own financial resources. Funded pension plans are administered through a Contractual Trust Agreement (CTA). In a CTA arrangement, the assets are outsourced to an independent entity (e.g. a trust), which has the sole purpose of financing, paying out and ensuring benefits. The transferred assets are completely segregated from the employer's assets to protect these assets against the risk of the employer's insolvency. No minimum funding requirements or regular funding obligations apply to CTAs.

Pension plans in the USA
4 funded and 2 unfunded defined benefit plans existed in 2013 (previous year: 4 and 2 respectively). The pension plan for members of Fairfield Manufacturing Company hired prior to March 2004 is non-contributory for the employees. The plan is a final-average pay design defined benefit plan. A member's benefit is based on a percentage of their final average pay multiplied by years of service and payable as a monthly life annuity. A lump sum payment is generally not available. The plan does not provide for automatic pension increases. This plan has been closed to new members since 2004. The Oerlikon USA Holding, Inc. Pension Plan is non-contributory for the employees. The plan uses a final-average-pay-based formula, with benefits based on members' years of service and final average pay earned while in the employ of a participating company. Benefit accruals under the plan ceased in January 2010. Participants receive their benefits in the form of monthly annuities, which are actuarially reduced for early retirement and/or election of a form of payment providing for continued payments after the participant's death to a surviving beneficiary. Some participants have the option of receiving their benefits in a single lump-sum payment in lieu of an annuity. The plan does not provide for automatic pension increases. This plan has been closed to new members since 2006. Employees joining Fairfield Manufacturing Company and Oerlikon USA Holding after specified dates participate in a defined contribution pension plan.

Pension plans in Switzerland
6 funded defined benefit plans existed in 2013 (previous year: 10 plans). These plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The pension plan assets are held within a separate foundation and cannot revert to employer. Board of Trustees, most senior governing body of the collective foundation, is ultimately responsible for investment strategy and policy. This Board is composed of equal numbers of employees and employer representatives. The plans provide old age, disability and death-in-service (survivors') benefits to plan participants, their spouses, and children, as defined in pension plan rules compliant with the BVG, which specifies the minimum benefits to be provided. Pension funds are financed according to a level premium system, which means that every insured person directly finances his/her own retirement benefits and saves up for his/her retirement. The insured and the employer usually pay equal contributions to the pension fund in case of retirement benefits. The employer must contribute an amount that equals at least the contributions of all employees together. Disability and survivors' benefits are funded via risk contributions; the corresponding benefits are defined based on the current salary.

The following risks arise from the 6 funded defined benefit plans (5 autonomous and 1 part-autonomous):

The autonomous pension institutions bear the risks from the savings process, the asset management and the demographic risks (longevity, death, disability). The respective pension institution may change the funding system (contributions and future benefits) at any time. In case of a deficit according to BVG and if there are no other measures, the pension institution may require contributions for financial recovery by the employer.

The part-autonomous pension institutions insure the demographic risks with a life insurance company, but bear the risks from the savings process and asset management. The respective pension institution may change the funding system (contributions and future benefits) at any time. In case of a deficit according to BVG and if there are no other measures, the pension institution may require contributions for financial recovery by the employer. With respect to the insured demographic risks, there are further risks, being that the insurance coverage is only of a temporary nature (cancellation by the life insurance company) and that the inherent risks of the plan result in variable insurance premiums over time.

Post-employment benefits

Note 14 (cont.)

Movement in net defined benefit (asset) liability
The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

	Defined benefit obligation		Fair value of plan assets		Adjustment to asset ceiling		Net defined benefit liability	
in CHF million	**2013**	2012 restated	**2013**	2012 restated	**2013**	2012 restated	**2013**	2012 restated
Balance at January 1	**1 175**	1 181	**–632**	–673	**24**	28	**567**	536
Included in the income statement								
Current service cost (employer)	20	24	–	–	–	–	**20**	24
Past service cost	–2	–	–	–	–	–	**–2**	–
Gains (–) and losses (+) on settlement	–1	–	–	–	–	–	**–1**	–
Interest expense on defined benefit obligation	36	43	–	–	–	–	**36**	43
Interest income on plan assets	–	–	–16	–19	–		**–16**	–19
Interest expense (+)/income (–) on effect of asset ceiling	–	–	–	–	–	–	–	–
Administration cost (excl. cost for managing plan assets)[1]	–	–	–	–	–	–	–	–
Total in the income statement[2]	**53**	67	**–16**	–19	**–**	–	**37**	48
Included in other comprehensive income								
Remeasurements:	30	89	–13	–30	–	–	**17**	59
– Actuarial gain (–)/loss (+) arising from:								
– demographic assumptions	–	–13	–	–	–	–	–	–13
– financial assumptions	24	113	–	–	–	–	24	113
– experience adjustments	6	–11	–	–	–	–	6	–11
– Return on plan assets excluding interest income	–	–	–13	–30	–	–	–13	–30
Change in effect of asset ceiling excluding interest expense/income	–	–	–	–	–6	–4	**–6**	–4
Effect of movements in exchange rates	2	–10	2	3	–	–	**4**	–7
Total in other comprehensive income	**32**	79	**–11**	–27	**–6**	–4	**15**	48
Other								
Employer contributions[3]	–	–	–21	–24	–	–	**–21**	–24
Employee contributions[4]	8	9	–6	–9	–	–	**2**	–
Benefits paid/deposited	–75	–59	49	36	–	–	**–26**	–23
Effect of business disposal	–95	–102	75	84	–	–	**–20**	–18
Total in other	**–162**	–152	**97**	87	**–**	–	**–65**	–65
Balance at December 31	**1 098**	1 175	**–562**	–632	**18**	24	**554**	567

of which:

in CHF million								
– Germany	**538**	551	**–67**	–95	**–**	–	**471**	456
– USA	**218**	239	**–162**	–154	**–**	–	**56**	85
– Switzerland	**313**	352	**–331**	–381	**18**	24	**–**	–5

[1] Administration costs (excl. cost for managing plan assets) are less than CHF 1 million (previous year: less than CHF 1 million).
[2] Pension costs of CHF 0 million are included in result of discontinued operations (previous year: CHF 8 million).
[3] Employer contributions for 2014 are expected to be approximately CHF 33 million (previous year: CHF 22 million).
[4] Including employee contributions in unfunded plans in the USA.

Post-employment benefits

Note 14 (cont.)

The plan assets consist of the following:

in CHF million	Total 2013	Quoted 2013	Unquoted 2013	% 2013	Total 2012	Quoted 2012	Unquoted 2012	% 2012
Equity instruments, of which in:	**124**	124	–	22 %	139	139	–	22 %
– Consumer markets	1	1	–	0 %	1	1	–	0 %
– Energy	10	10	–	2 %	11	11	–	2 %
– Financial services	35	35	–	6 %	41	41	–	7 %
– Industrial and manufacturing	11	11	–	2 %	13	13	–	2 %
– Information technology	12	12	–	2 %	14	14	–	2 %
– Pharmaceuticals and healthcare	15	15	–	3 %	18	18	–	3 %
– Other	40	40	–	7 %	41	41	–	6 %
Debt instruments, of which in:	**175**	175	–	31 %	209	207	2	33 %
– Government bonds	50	50	–	9 %	64	62	2	10 %
– Corporate bonds – investment grade	125	125	–	22 %	145	145	–	23 %
Real estate, of which in:	**81**	42	39	14 %	96	47	49	15 %
– Germany[1]	9	–	9	1 %	9	–	9	1 %
– Switzerland	72	42	30	13 %	87	47	40	14 %
Cash and cash equivalents	**30**	6	24	5 %	18	8	10	3 %
Investment funds	**114**	90	24	20 %	113	79	34	18 %
Other	**38**	38	–	7 %	57	57	–	9 %
Total plan assets	**562**	**475**	**87**	**100 %**	632	537	95	100 %

[1] Real estate in Germany with a fair value of CHF 9 million (previous year: CHF 9 million) is rented by a Group company, with an annual rent of CHF 1 million (previous year: CHF 1 million).

Plan assets
Asset-liability strategies match cash flows of the assets with the plan obligations. In the Group's financial statements the difference between the actual return on plan assets and interest income is a remeasurement recorded directly to other comprehensive income. During 2013 the actual return on plan assets was a gain of CHF 29 million (previous year: gain of CHF 49 million). The recognition of pension assets is limited to the present value of any economic benefits available from reductions in future contributions to the plans in Switzerland.

Post-employment benefits

Note 14 (cont.)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date for significant defined benefit plans in Germany, USA and Switzerland (expressed as weighted averages):

	2013			2012		
Assumptions used in actuarial calculations	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate	**3.0**	**4.5**	**2.1**	3.6	4.0	2.0
Future salary increases	**1.0**	**2.2**	**1.5**	0.5	2.3	1.5
Future pension increases	**1.7**	**–**	**–**	1.7	–	–

The discount rate is determined by reference to market yields at the end of the reporting period on AA and AAA rated corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the obligations.

Longevities

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date are provided below:

	2013			2012		
Longevities	Germany	USA	Switzerland	Germany	USA	Switzerland
Retiring at the end of the reporting period:						
– Males	**19.8**	**18.1**	**21.3**	19.3	18.1	21.3
– Females	**24.0**	**20.4**	**23.8**	23.4	20.4	23.8
Retiring 20 years after the end of the reporting period:						
– Males	**22.6**	**18.1**	**21.4**	21.9	18.1	21.3
– Females	**26.6**	**20.4**	**24.2**	25.8	20.4	24.1

	2013			2012		
Weighted average duration of the defined benefit obligation	Germany	USA	Switzerland	Germany	USA	Switzerland
Number of years	**12.2**	**10.9**	**12.4**	11.6	11.8	12.5

The Group's major pension plans give members lump sum or annuity benefit payment options. The Group values its pension liabilities on the assumption that the choices made by members who will retire in the future will be consistent with choices made by members who have retired recently.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assuptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation in 2013					
	Increase			Decrease		
Sensitivity analysis in CHF million	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate (0.5 % movement)	**–32**	**–13**	**–19**	**33**	**13**	**21**
Future salary increases (0.5 % movement)	**2**	**1**	**2**	**–5**	**–2**	**–2**
Future pension increases (0.5 % movement)	**24**	**–**	**15**	**–23**	**–**	**–15**
Future mortality (1 year movement)	**–28**	**–8**	**–10**	**21**	**6**	**9**

Current financial liabilities

Note 15

in CHF million	2013	2012
Bank overdrafts	–	1
Fixed advances	–	1
Current loans and borrowings	1	–
Derivatives used for hedging	1	1
Total other current financial liabilities and derivatives	**2**	**3**
Trade payables	314	287
Other payables	56	47
Total current financial liabilities	**372**	**337**

Accrued liabilities

Note 16

in CHF million	2013	2012
Accrued personnel costs	88	94
Accrued material costs	48	44
Other accrued liabilities	59	61
Total	**195**	**199**

Provisions

Note 17

in CHF million	Product warranties	Onerous contracts[1]	Restructuring[2]	Other provisions[3]	**2013 Total**
Balance at January 1, 2013	36	3	5	17	**61**
Additions	37	–	3	6	**46**
Amounts used	–18	–	–5	–3	**–26**
Amounts reversed	–6	–	–	–5	**–11**
Balance at December 31, 2013	**49**	**3**	**3**	**15**	**70**
of which:					
Due within 1 year	49	–	3	11	**63**
Due beyond 1 year[4]	–	3	–	4	**7**

[1] Provisions are made for cases where the costs of fulfilling contractual obligations 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 were made to the cost estimates for the projects under way 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 provision pertains to the Manmade Fibers Segment (CHF 3 million).

[3] Other provisions cover various risks that occur in the normal course of business. They consist mainly of provisions for pending litigation and technical risks.

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

Loans and borrowings

Note 18

in CHF million	2013	2012
Current		
Loans and borrowings	1	–
Total current loans and borrowings	**1**	**–**
Non-current		
Bond	299	298
Finance lease liabilities	4	3
Other loans and borrowings	–	3
Total non-current loans and borrowings	**303**	**304**
Total loans and borrowings	**304**	**304**

The terms and conditions of outstanding loans are as follows:

in CHF million	Currency	Nominal interest rate	Year of maturity	Face value	2013 Carrying amount
Syndicated loan/Revolving Credit Facility	CHF	Libor +2.00 %	2015	–	–
Bond[1]	CHF	4.25 %	2016	300	299
EIB loan	EUR	Libor +1.06 %	2018–2020	–	–
Finance lease liabilities[2]	var.	var.	2014–2027	4	4
Various current and non-current liabilities[3]	var.	var.	var.	1	1
Total loans and borrowings					**304**

in CHF million	Currency	Nominal interest rate	Year of maturity	Face value	2012 Carrying amount
Syndicated loan/Revolving Credit Facility	CHF	Libor +2.50 %	2015	–	–
Bond[1]	CHF	4.25 %	2016	300	298
Finance lease liabilities[2]	var.	var.	2014–2027	3	3
Various current and non-current liabilities[4]	var.	var.	var.	3	3
Total loans and borrowings					**304**

[1] Face value differs from book value, because CHF 1 million (originally CHF 2 million) of directly attributable transaction costs related to the financing of the bond were deducted and are being expensed over the term of the bond.

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

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

[4] Various currencies including: CHF, EUR, USD, RON, HUF.

Syndicated loan facility
The unsecured syndicated credit facility includes a CHF 700 million credit facility consisting of a revolving cash facility of CHF 450 million and an ancillary facility of CHF 250 million with a maturity in 2015 and two additional one-year extension options. As of December 31, 2013, the revolving credit facility balance was zero and the ancillary credit facility had an unused amount of CHF 153 million. CHF 97 million has been used for guarantees.

The interest rates of the loan under the syndicated credit facility is Libor plus a margin, as at December 31, 2013, of 2.0 % per year, subject to a downward ratchet based on the ratio of net debt to EBITDA (within a range of 2 % and 3 %).

As of December 31, 2013, the syndicated credit facility contains the following financial covenants, which are tested quarterly:
– Total equity
– Total borrowings/EBITDA
– EBITDA/net interest expense

Bond
On June 13, 2012, the Oerlikon Group issued a four-year CHF 300 million straight bond with a nominal interest of 4.25 % (effective interest: 4.46 %).

Loan with the European Investment Bank (EIB)
On December 13, 2013, Oerlikon signed an unsecured EUR 120 million loan facility with the European Investment Bank (EIB) to finance research and development costs of selected segments in Germany and Liechtenstein. The facility has a tenor of four to five years, and the interest rate is Libor plus 1.06 %. The loan has to be drawn within 24 months after contract signing. After the 24 months the undrawn amount will expire. It contains the same financial covenants as in the syndicated credit facility, and they are also tested quarterly. As of December 31, 2013, the loan facility balance was zero.

Financial instruments

Note 19

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2013, including their levels in the fair value hierarchy, are as follows:

	Carrying amount					Fair value			
in CHF million	Fair value – held for trading	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts	–	6	–	–	**6**	–	6	–	**6**
Debt and equity securities	3	–	–	–	**3**	3	–	–	**3**
Total	**3**	**6**	**–**	**–**	**9**	**3**	**6**	**–**	**9**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	1 280	–	**1 280**				
Deposits	–	–	2	–	**2**				
Trade and other financial receivables	–	–	440	–	**440**				
Loans and other non-current financial receivables	–	–	25	–	**25**				
Total	**–**	**–**	**1 747**	**–**	**1 747**				
Financial liabilities measured at fair value									
Forward exchange contracts	–	1	–	–	**1**	–	1	–	**1**
Total	**–**	**1**	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Financial liabilities not measured at fair value[1]									
Bond	–	–	–	299	**299**	319	–	–	**319**
Finance lease liabilities	–	–	–	4	**4**				
Trade payables	–	–	–	314	**314**				
Accrued financial liabilities	–	–	–	99	**99**				
Other loans and borrowings	–	–	–	1	**1**				
Total	**–**	**–**	**–**	**717**	**717**				

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2012, including their levels in the fair value hierarchy, are as follows:

	Carrying amount					Fair value			
in CHF million	Fair value – held for trading	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Forward exchange contracts	–	11	–	–	**11**	–	11	–	**11**
Debt and equity securities	5		–	–	**5**	5		–	**5**
Total	**5**	**11**	**–**	**–**	**16**	**5**	**11**	**–**	**16**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	638	–	**638**				
Trade and other financial receivables	–	–	492	–	**492**				
Loans and other non-current financial receivables	–	–	6	–	**6**				
Total	**–**	**–**	**1 136**	**–**	**1 136**				
Financial liabilities measured at fair value									
Forward exchange contracts	–	1	–	–	**1**	–	1	–	**1**
Total	**–**	**1**	**–**	**–**	**1**	**–**	**1**	**–**	**1**
Financial liabilities not measured at fair value[1]									
Bond	–	–	–	298	**298**	319	–	–	**319**
Finance lease liabilities	–	–	–	3	**3**				
Trade payables	–	–	–	287	**287**				
Accrued financial liabilities	–	–	–	98	**98**				
Bank overdrafts and fixed advances	–	–	–	2	**2**				
Other loans and borrowings	–	–	–	3	**3**				
Total	**–**	**–**	**–**	**691**	**691**				

[1] With the exception of the bond, the Group has not disclosed the fair values for financial assets and liabilities not measured at fair value because their carrying amounts are a reasonable approximation of fair values.

Financial instruments

Note 19 (cont.)

Measurement of fair values
The different levels of fair values have been defined as follows:

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 1 fair values
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume providing information on an ongoing basis. Instruments included in level 1 comprise investments in various debt and equity instruments via investment funds.

Level 2 fair values
The following table shows the valuation techniques used in measuring level 2 fair values:

Type of financial instrument	Valuation technique
Forward exchange contracts	The fair values of forward exchange contracts are based on broker quotes. Similar contracts traded in an active market and the quotes reflect the actual transactions in similar instruments.
Other financial assets and liabilities	Discounted cash flows.

Level 3 fair values
No financial instruments were included in level 3 fair values.

Transfers between level 1 and 2
There were no transfers between level 1 and 2 during the year.

Financial instruments

Note 19 (cont.)

Financial risk management
The Group has exposure to the following risks arising from financial instruments:

– Credit risk
– Liquidity risk
– Market risk

Credit risk
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. Credit risk arises principally from the Group's receivables from customers, investment securities and cash placed with banks.

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 Group Treasury periodically assesses the relevant ratings of these institutions.

The 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 that might lead to an exposure exceeding these book values. The maximum credit risk is therefore:

in CHF million	**2013**	2012
Cash and cash equivalents	1 280	638
Deposits	2	–
Debt and equity securities	3	5
Derivatives used for hedging	6	11
Trade and other financial receivables	440	492
Loans and other non-current financial receivables	25	6
Total	**1 756**	**1 152**

At December 31, trade receivables are distributed geographically (by location of the Group company) as follows:

in CHF million	**2013**	2012
Asia	113	133
Europe	258	290
North America	50	47
Other	4	4
Total	**425**	**474**

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

Financial instruments

Note 19 (cont.)

At December 31, the ageing of trade receivables was as follows:

in CHF million	**2013** Gross amount	**2013** Value adjustment	2012 Gross amount	2012 Value adjustment
Current (not due)	**367**	**–**	**417**	**–1**
Total past due	**70**	**–12**	**69**	**–11**
0–30 days	34	–2	33	–2
31–60 days	13	–	13	–
61–90 days	5	–	5	–1
91–120 days	3	–	4	–1
over 120 days	15	–10	14	–7
Total	**437**	**–12**	**486**	**–12**

Allowances 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 that 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	**2013**	2012
Balance at January 1	–12	–17
Change in the scope of consolidated companies	–	1
Reclassifications to assets held for sale	–	5
Additional impairment losses charged to income	–2	–6
Reversal of impairment losses	1	4
Write-off	1	1
Balance at December 31	**–12**	**–12**

Financial instruments

Note 19 (cont.)

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

Oerlikon's liquidity is monitored using short-, medium- and long-term rolling liquidity forecasts, about which senior management 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.

The remaining contractual maturities of financial liabilities as at December 31 are as follows:

in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured 2013
Trade payables	314	314	314	–	–	–
Loans and borrowings[1]	300	344	18	326	–	–
Finance lease liabilities	4	4	–	1	3	–
Accrued financial liabilities	99	99	99	–	–	–
Non-derivative financial liabilities	**717**	**761**	**431**	**327**	**3**	**–**
Forward exchange contracts used for hedging	–5	321	317	4	–	–
– thereof: for hedging fx-outflows	–	25	25	–	–	–
– thereof: for hedging fx-inflows	–5	296	292	4	–	–
Derivative financial instruments[2]	**–5**	**321**	**317**	**4**	**–**	**–**
Total	**712**	**1 082**	**748**	**331**	**3**	**–**

[1] Loans and borrowings mainly include a CHF 300 million bond with a coupon rate of 4.25 %, maturing in July 2016, including capitalized transaction costs of CHF 1 million. The contractual cash flows include future interest payments of the Swiss franc bond until maturity and commitment fees of the Syndicated Credit Facility as well as the EIB Loan.

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

in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured 2012
Bank overdrafts	1	1	1	–	–	–
Fixed advances	1	1	1	–	–	–
Trade payables	287	287	287	–	–	–
Loans and borrowings[1]	299	364	17	347	–	–
Finance lease liabilities	3	3	–	–	3	–
Accrued financial liabilities	98	98	98	–	–	–
Non-derivative financial liabilities	**689**	**754**	**404**	**347**	**3**	**–**
Forward exchange contracts used for hedging	–10	430	427	3	–	–
– thereof: for hedging fx-outflows	–10	117	115	2	–	–
– thereof: for hedging fx-inflows	–	313	312	1	–	–
Derivative financial instruments[2]	**–10**	**430**	**427**	**3**	**–**	**–**
Total	**679**	**1 184**	**831**	**350**	**3**	**–**

[1] Loans and borrowings mainly include a CHF 300 million bond with a coupon rate of 4.25%, maturing in July 2016, including capitalized transaction costs of CHF 2 million. The contractual cash flows include future interest payments until maturity.

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

Financial instruments

Note 19 (cont.)

Market risk
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.

Foreign exchange risk

Foreign exchange transaction risk
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 currencies other than the respective functional 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 refer these to Group Treasury, which 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. Periodically, a check is made to determine 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 that do not fall into either category – routine or project –, the hedging strategy can be determined for individual cases.

Foreign exchange translation risk
Translation exposure arises from consolidation of foreign currency denominated financial statements of the Group's subsidiaries. The Group's consolidated financial statements are reported in Swiss francs. The risk arising from foreign subsidiary balance sheets – the effect of which is a currency impact on consolidated Group equity – is not hedged.

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

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

		Average rates	Change		**Year-end rates**	Change
	2013	2012	12/13	**2013**	2012	12/13
1 USD	0.927	0.938	–1.2%	0.890	0.914	–2.6%
1 EUR	1.231	1.205	2.2%	1.226	1.208	1.5%
100 CNY	15.100	14.900	1.3%	14.700	14.700	0.0%
100 HKD	11.900	12.100	–1.7%	11.500	11.800	–2.5%
100 JPY	0.951	1.177	–19.2%	0.847	1.063	–20.3%
1 SGD	0.741	0.751	–1.3%	0.704	0.746	–5.6%

Sensitivity analysis
For the sensitivity analysis, the two most important currencies were selected in which the Group holds significant amounts of receivables and payables. Based on a two-year volatility of 8.22% (USD/CHF) and 3.28% (EUR/CHF), a corresponding strengthening of the Swiss franc at December 31 would have changed the equity and the income statement by the amounts listed below.

December 31		**2013**		2012
Effect in CHF million	Equity	Income statement	Equity	Income statement
USD	1	2	1	3
EUR	–	–	–1	3

An 8.22% (USD/CHF) and 3.28% (EUR/CHF) weakening of the Swiss franc against the above currencies 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 12.87% (USD/CHF) and 11.01% (EUR/CHF).

Financial instruments

Note 19 (cont.)

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

in million	EUR	USD	CHF	EUR	USD	CHF
			2013			2012
Trade receivables	7	16	2	11	10	–
Trade payables	7	9	2	6	5	2
Net financial position	15	21	–2	21	34	–67
Gross exposure consolidated balance sheet	**29**	**46**	**2**	**38**	**49**	**–65**
Foreign exchange risk in business operations	**32**	**150**	**–4**	**–9**	**140**	**–12**
Open foreign exchange forward contracts	**–37**	**–140**	**–**	**–6**	**–124**	**8**
Net exposure	**24**	**56**	**–2**	**23**	**65**	**–69**

Interest rate risk
Oerlikon is mainly exposed to interest risk in relation to its liquid funds that are placed at variable rates or held as short-term investments.

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

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

in CHF million	**2013** Net carrying amount	2012 Net carrying amount
Fixed rate interest		
Financial assets	–	–
Financial liabilities	–304	–303
Total	**–304**	**–303**
Variable rate interest		
Financial assets	1 285	643
Financial liabilities	–	–1
Total	**1 285**	**642**

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

Effect in CHF million	**Income statement** 100 bp increase	100 bp decrease
2013		
Cash flow sensitivity	10	–
2012		
Cash flow sensitivity	5	–

It has been assumed that a change of +100 bp has a full impact on interest income and expenses. In case of a decrease of 100 bp, we assumed a very small negative impact of interest on assets, due to the overall low interest rates. Tax impact has been included in all figures regarding interest sensitivity.

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

Financial instruments

Note 19 (cont.)

Derivative assets and liabilities

in CHF million	**2013** Contract volume	**2013** positive	**2013** Fair value negative	2012 Contract volume	2012 positive	2012 Fair value negative
Forward exchange contracts	**321**	**6**	**1**	**430**	**11**	**1**
Interest-rate derivatives	**600**	**–**	**–**	**600**	**–**	**–**
Interest-rate swaps	–	–	–	–	–	–
Interest-rate caps[1]	600	–	–	600	–	–
Total	**921**	**6**	**1**	**1 030**	**11**	**1**

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

Based on the Group's business activities, the following main currencies are hedged: Euro and US dollar. Positive and negative changes in fair values of currency derivatives are offset by the corresponding gain or loss on the underlying hedged transactions. The maximum risk of counterparty non-performance is equal to the positive deviation from fair value. In view of the reputation of the counterparties, this risk is deemed to be minimal. In principle, the maturities of currency and interest-rate hedges correspond to the maturity of the underlying base transaction. If the maturity of the base transaction shifts, the maturity of the hedge contract will be shifted correspondingly (roll-over/swaps). Thus, the cash flows deriving from the hedge contracts are synchronized with the impact of the base transaction in the income statement. The hedging transactions are first recorded in other comprehensive income, then recycled to the income statement when the base transaction is recorded. For this reason, there is no need for a separate presentation of the maturities of hedge contracts and their underlying transactions.

Maturity structure of open foreign exchange contracts and interest-rate derivatives at December 31:

in CHF million	Carrying amount	Expected cash flows	6 months or less	6–12 months	1–2 years	2–5 years	more than 5 years
Forward exchange contracts							
2013	5	**321**	280	37	4	–	–
2012	10	**430**	389	38	3	–	–

Netting of financial assets and liabilities
No significant netting of financial assets and liabilities has occurred in 2013 and 2012.

Capital management

Note 20

Oerlikon Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital using the ratios shown below:

in CHF million	**2013**	2012, restated
Total assets	4 094	4 158
Equity attributable to shareholders of the parent	2 072	1 860
Equity ratio in %	**51 %**	**45 %**
Interest-bearing debt	304	304
Equity	2 084	1 884
Debt-to-equity ratio	**0.1**	**0.2**
Average equity	1 985	1 747
Net result attributable to the shareholders of the parent	198	377
Return on equity	**10 %**	**22 %**

With an equity ratio of 51 % (previous year: 45 %), the Oerlikon Group trails slightly above the range of its financial policy. The current outstanding bond is being rated Investment Grade.

OC Oerlikon participation plans

Note 21

On December 31, 2013 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 General Meeting of Shareholders and vest upon the next Annual General Meeting of Shareholders at which time they are converted into Oerlikon shares. For Directors resigning their mandate prior to the end of the term, the number of RSU converted into shares is determined at the sole discretion of the Board of Directors. The fair value for the 2013 plan is based on the stock price at grant date of CHF 10.8.

Year of allocation	Outstanding on 1.1.	Granted in 2013	Forfeited in 2013	Exercised in 2013	Outstanding on 31.12.	Fair Value at grant date	Expenses 2013 in CHF million	Vesting Period
2012	130 711	–	–	130 711	–	8.1	0.4	12.04.12–30.04.13
2013	–	71 654	–	–	71 654	10.8	0.5	01.05.13–15.04.14
Total	**130 711**	**71 654**	**–**	**130 711**	**71 654**	**–**	**0.9**	

Performance Share Awards (PSA)
Members of the Executive Committee and senior management may receive a portion of their compensation as long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon shares which are based on performance conditions and a vesting period of three years. Performance conditions for the 2010 and 2011 plans may consist of financial objectives. Their achievement determines the effective number of total Performance Share Awards (PSA). Upon vesting, the effective number of PSA is converted into shares.

Performance conditions for the 2012 and 2013 plans are based on the rank of the Total Sharerholder Return (TSR) of Oerlikon over a three-year period within a Peer Group consisting of 27 companies including OC Oerlikon. One company from the original peer group of 28 companies was de-listed and is not being replaced. TSR is measured with a starting value of the Volume Weighted Average Share Price (VWAP) over the first 30 trading days of the first year and an ending value of the VWAP over the last 30 trading days of the third year. The rank of Oerlikon's TSR at the end of the Performance Period determines the effective number of total shares. At Rank 3 of the peer group or above a maximum payout of 200 % of target performance share awards (PSA) are converted into shares. At Rank 10 of the peer group, the payout is 100 %, at Rank 15 it is 80 % and at Rank 20 or below it is 0 %.

For the plan 2013, the fair value at grant date was CHF 11.11 (previous year: CHF 16.6) and was calculated using a Monte Carlo Simulation. Main assumptions include a stock price of CHF 10.75 (previous year: CHF 8.97) and an average expected volatility of the peer group of 36.05 % (previous year: 40.38 %).

Year of allocation	Outstanding on 1.1.	Granted in 2013	Forfeited in 2013	Exercised in 2013[1]	Outstanding on 31.12.	Fair Value at grant date	Expenses 2013 in CHF million[2]	Vesting Period
2010	370 316	–	64 273	306 043	–	4.6	0.0	01.05.10–30.04.13
2011	427 694	–	168 913	–	258 781	6.8	–0.5	01.05.11–30.04.14
2012	853 191	43 614	326 293	25 439	545 073	16.6	1.7	01.05.12–30.04.15
2013	–	472 460	64 286	–	408 174	11.1	0.9	01.05.13–30.04.16
Total	**1 651 201**	**516 074**	**623 765**	**331 482**	**1 212 028**	**–**	**2.1**	

[1] The share price at vesting of the 2010 grant was CHF 10.75.

[2] The total expense of CHF 2.1 million includes expenses of discontinued operations in the amount of CHF –0.4 million (previous year: CHF 0.6 million).

Share Options
In previous years, employees could receive a portion of their compensation as options for OC Oerlikon Corporation AG, Pfäffikon with a blocking period of one, two, three or four years. Holders are entitled to purchase one share for each option held. The value per year end is based on a Black-Scholes valuation including a weighted average share price of CHF 67. No options have been granted since 2008. Per year end all outstanding options expired (previous year: 37 128).

Related party transactions

Note 22

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

Primary Shareholder

The share capital of CHF 334 633 258 consists of 334 633 258 registered shares, each with a par value of CHF 1.00. On December 31, 2013 conditional capital amounted to CHF 52 665 671 (previous year: CHF 61 334 431).

The shareholders registered as holding more than 5 % of the shares as at December 31, 2013 were:

	Share ownership[1]	
Shareholder	**No of shares**	**in %**
Renova Group[2]	149 435 408[3]	44.66 %
Chase Nominees Ltd., London	17 465 087[4]	5.22 %

[1] Sources: Disclosure notification pursuant to Art. 20 of the Swiss Stock Exchange Law by Renova Group (published by SIX Exchange Regulation on August 6, 2013) and share register (Chase Nominees Ltd.).

[2] Beneficial owner (as per disclosure notification): Viktor F. Vekselberg, Zug and Moscow. Renova Group is composed of Liwet Holding AG, Zurich, Switzerland, Renova Innovation Technologies Ltd., Nassau, Bahamas, and Lamesa Holding S.A., Panama, Republic of Panama.

[3] At the end of 2012, the Renova Group held (as per disclosure notification) 156 210 954 shares (47.92 % of the issued Oerlikon shares).

[4] At the end of 2012, Chase Nominees Ltd., London held (according to the share register) 18 170 486 shares (5.57 % of the issued Oerlikon shares).

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

The total compensation for the eight non-executive members of the Board of Directors in 2013 was CHF 1.7 million. In 2012 the total compensation for the same non-executive members of the Board of Directors amounted to CHF 2.1 million while the total compensation for all non-executive members of the Board of Directors in 2012 amounted to CHF 2.2.

in CHF 000	Board of Directors	Strategy Committee	Audit Committee	HR Committee	Cash Compensation	Restricted Stock Units (RSU) 2013/14[1]	Other Compensation[2]	**Total Compensation 2013**	Total Compensation 2012
Tim Summers	C	C		C	175	238	43	457	517
Kurt J. Hausheer	M		C		125	106	20	252	283
Mikhail Lifshitz[3]	M		M		70	106	10	186	–
Hans Ziegler	M	M		M	135	106	24	266	288
Carl Stadelhofer	M		M[3]	M	125	106	24	255	260
Gerhard Pegam	M	M			105	106	5	216	243
Reyad Fezzani[4]	M		M		35	–	–	35	166
Wolfgang Tölsner[4]	M		M		35	–	–	35	373
Total					805	770	127	**1 702**	**2 130**

C(hairman), M(ember)

[1] The RSU grant for 2013 is based on a fair value at grant date of CHF 10.8. In previous years, disclosure used an accounting perspective which presented the costs of all grants for the reporting period. In preparation for a binding vote on variable compensation, disclosure is changed to present the total value of grants issued in a reporting period. The effect of this change on the reported numbers of the previous year is insignifcant.

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

[3] Since April 30, 2013.

[4] Until April 30, 2013.

Related party transactions

Note 22 (cont.)

Compensation of Members of the Executive Committee

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

The compensation for the members of the Executive Committee is set by the Human Resources Committee and approved by the Board of Directors at the end of the year. The achievement of targets defined for the annual performance-based 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.

For the Executive Committee, the accrued payout for the short-term incentive plan (STI) 2013 is 100 % of the target STI. The STI 2012 paid in 2013 reached a payout of 106 % of the target STI.

The total compensation paid to members of the Executive Committee for the year 2013 was CHF 9.9 million. The highest compensation paid to an individual Committee member was CHF 6.9 million.

Compensation to the Executive Committee is composed as follows:

in CHF 000	Salary	STI 2013	LTI Grant 2013[1]	Pension	Other Compensation[2]	Contractual payment[3]	**Total Compensation 2013**	Compensation 2012 (restated)
Total compensation to members of the Executive Committee	1 530	833	475	274	51	6 690	**9 852**	9 488
Thereof highest paid to one individual: Dr. Michael Buscher (former CEO)	176	–	–	48	9	6 690	**6 923**	4 197

[1] The Executive Committee was granted 47 506 PSA under the LTI 2013 program. The grant is based on a fair value at grant date of CHF 11.1. In previous years, disclosure used an accounting perspective which presented the costs of all grants for the reporting period. In preparation for a binding vote on variable compensation, disclosure is changed to present the total value of grants issued in a reporting period. The effect of this change on the reported numbers of the previous year amounts to a reduction of CHF 0.2 million of the total compensation of the Executive Committee and an increase of CHF 0.7 million of the highest paid member which is reflected in the table above.

[2] Other compensation includes expense and car allowances.

[3] Dr. Michael Buscher's employment ended on March 14, 2013.

Compensation of Former Members of Governing Bodies

During 2013 no compensation was paid to former members of the Board of Directors or the Executive Committee, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon Group. No compensation was paid to former members of the Board of Directors or the Executive Committee in 2012.

Share Ownership, Options and Related Instruments

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

Members of the Board of Directors	**Number of Shares**	**Number of Restricted Stock Units (RSU)**
Tim Summers	60 109	22 169
Kurt J. Hausheer	184 611	9 897
Mikhail Lifshitz (since April 30, 2013)	–	9 897
Hans Ziegler	175 349	9 897
Carl Stadelhofer	113 808	9 897
Gerhard Pegam	–	9 897
Reyad Fezzani (until April 30, 2013)	12 690	–
Wolfgang Tölsner (until April 30, 2013)	20 000	–
Total	**566 567**	**71 654**

Tim Summers (Chairman), Reyad Fezzani (Board Member until April 30, 2013), Mikhail Lifshitz (Board Member since April 30, 2013) and Carl Stadelhofer (Board Member) are also in senior positions at Renova Group. Mr. Summers is Managing Director of Renova Management AG. Mr. Fezzani is Supervisory Board Member of Renova US Holdings Ltd. Mr. Lifshitz is Director High-tech Assets Business Development of the Renova Group, CEO of ROTEC and Chairman of the Board of Ural Turbine Works. Mr. Stadelhofer is Chairman of Renova Holding Ltd. and other Renova Group companies, Vice Chairman of Renova Management AG and Chief Legal Counsel of Renova Group. 200 of his shares are held by a related party.

Members of the Executive Committee	**Number of Shares**	**Number of Performance Share Awards (PSA)**
Dr. Michael Buscher, former CEO	–	–
Jürg Fedier, CEO/CFO	238 750	208 514
Total	**238 750**	**208 514**

Related party transactions

Note 22 (cont.)

Loans and Other Payments to Members of Governing Bodies
No loans were granted and no other payments were made to current or former members of the Board of Directors or the Executive Committee during 2013 and 2012. No such loans or payments were outstanding as of December 31, 2013 and 2012.

Group and Associated Companies
An overview of the Group subsidiary companies can be found on pages 142 and 143. Transactions between the parent company and its subsidiaries as well as between the Group subsidiaries themselves have been eliminated in the consolidated annual financial statements.

In Germany, a Group company rents property from its pension fund. The fair value of the real estate included in the fair value of the assets of the pension fund is CHF 9 million (previous year: 9 million) and the annual rent is CHF 1 million (previous year: 1 million).

Participation plans: see note 21.

During the financial year 2013, there were no other related party transactions.

Contingent liabilities

Note 23

Contingent liabilities as of December 31, 2013, amount to CHF 2 million (previous year: CHF 8 million, net of CHF 1 million for discontinued operations) and mainly consist of debt guarantees to banks.

Payments under non-cancellable operating leases

Note 24

in CHF million	**2013**	2012
Due in 1st year	22	24
Due in 2nd year	12	19
Due in 3rd year	8	11
Due in 4th year	5	8
Due in or beyond 5th year	18	24
Total	**65**	**86**

The expenses of operating leases charged to the income statement amount to CHF 23 million (previous year: CHF 22 million).

Pledged assets

Note 25

As of December 31, 2013, no assets (previous year: CHF 7 million of property, plant and equipment) were pledged as a security.

Subsequent events

Note 26

On January 30, 2014, OC Oerlikon Group signed an agreement to acquire Metco, a division of Sulzer, for an enterprise value of CHF 1.0 billion through purchase of 100 % of all Metco companies.

Metco provides to customers a broad range of Surface Solutions and special components, including coating services, coating equipment, coating materials, as well as special components for the automotive industry and components for aero and land-based gas turbines.

A combination of Metco with Oerlikon’s existing Coating Segment will form the world technology leader in Surface Solutions. The combined business would have pro-forma sales of CHF 1.2 billion in 2012 and a unique global footprint with more than 110 coating centers worldwide.

Closing is expected in the third quarter of 2014.

Between the balance sheet date and the date of this report, no other events occurred that could have a significant impact on the 2013 consolidated financial statements.

Segment information

in CHF million		Manmade Fibers Segment 2013	Manmade Fibers Segment 2012	Drive Systems Segment 2013	Drive Systems Segment 2012	Vacuum Segment 2013	Vacuum Segment 2012	Coating Segment 2013	Coating Segment 2012
Order intake		**1 073**	**1 039**	**792**	**766**	**404**	**377**	**510**	**501**
Order backlog		**541**	**602**	**180**	**134**	**79**	**73**	**–**	**–**
Sales									
Sales to third parties		1 130	1 103	734	826	396	373	510	501
Sales to other segments		–	–	–	–	4	4	1	1
Eliminations		–	–	–	–	–4	–4	–1	–1
		1 130	**1 103**	**734**	**826**	**396**	**373**	**510**	**501**
Sales by market region to third parties									
Asia/Pacific		840	833	78	86	151	135	152	154
Europe		137	134	380	396	170	166	252	245
North America		110	48	234	309	69	64	68	66
Other regions		43	88	42	35	6	8	38	36
		1 130	**1 103**	**734**	**826**	**396**	**373**	**510**	**501**
Sales by location to third parties									
Asia/Pacific		306	315	109	101	126	111	149	157
thereof	China	301	301	22	17	65	51	36	29
Europe		806	763	403	413	200	193	260	248
thereof	Switzerland	–	1	–	–	–	–	55	47
	Germany	806	762	–	–	200	193	101	100
	Italy	–	–	397	407	–	–	13	11
North America		17	25	222	312	70	69	66	62
Other regions		1	–	–	–	–	–	35	34
		1 130	**1 103**	**734**	**826**	**396**	**373**	**510**	**501**
Capital expenditure for property, plant and equipment and intangible assets									
Asia/Pacific		4	11	17	31	1	4	33	24
Europe		19	18	26	18	19	12	31	28
North America		–	–	12	17	–	–	7	9
Other regions		–	–	–	–	–	–	3	3
		23	**29**	**55**	**66**	**20**	**16**	**74**	**64**
EBITDA		**207**	**209**	**67**	**111**	**54**	**52**	**149**	**145**
EBIT		**188**	**186**	**26**	**70**	**41**	**38**	**105**	**103**
Other material items									
Research and development expense		–31	–31	–13	–12	–21	–19	–34	–33
Depreciation and amortization		–19	–24	–41	–40	–13	–14	–45	–41
Impairment of property, lant and equipment		–	–	–	–	–	–	–	–
Restructuring costs		–3	–1	–	2	–	–	–	–
Net operating assets		**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
Operating assets[2]		676	715	1 115	1 132	269	249	417	402
Operating liabilities[3]		–662	–684	–190	–173	–74	–70	–67	–70
		14	**31**	**925**	**959**	**195**	**179**	**350**	**332**
Number of employees (full-time equivalents)		**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
Asia/Pacific		883	980	2 294	2 010	370	357	1 070	987
Europe		1 559	1 496	1 951	1 902	1 056	1 052	1 635	1 609
North America		38	35	912	1 265	86	82	335	302
Other regions		–	–	–	–	–	–	238	228
		2 480	**2 511**	**5 157**	**5 177**	**1 512**	**1 491**	**3 278**	**3 126**

[1] Discontinued operations include the Natural Fibers and Textile Components Business Units (for 2013 and 2012) and the Solar Segment (for 2012).

[2] Operating assets include current and non-current operating assets (including goodwill and brands), whereas cash and cash equivalents, current and non-current financial investments, current tax receivables as well as deferred tax assets are not included.

[3] Operating liabilities include current and non-current operating liabilities, whereas current and non-current financial liabilities, current tax payables and deferred tax liabilities are not included.

Segment information

Advanced Technologies Segment		Total Segments		Group/ Eliminations		Total from continuing operations		Discontinued operations[1]		Total including discontinued operations	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
114	**119**	**2 893**	**2 802**	**–**	**–**	**2 893**	**2 802**	**594**	**922**	**3 487**	**3 724**
25	**25**	**825**	**834**	**–**	**–**	**825**	**834**	**–**	**274**	**825**	**1 108**
113	103	2 883	2 906	–	–	2 883	2 906	469	1 007	3 352	3 913
–	1	5	6	–5	–6	–	–	23	33	23	33
–	–1	–5	–6	5	6	–	–	–23	–33	–23	–33
113	**103**	**2 883**	**2 906**	**–**	**–**	**2 883**	**2 906**	**469**	**1 007**	**3 352**	**3 913**
58	58	1 279	1 266	–	–	1 279	1 266	293	673	1 572	1 939
41	33	980	974	–	–	980	974	94	209	1 074	1 183
13	11	494	498	–	–	494	498	29	44	523	542
1	1	130	168	–	–	130	168	53	81	183	249
113	**103**	**2 883**	**2 906**	**–**	**–**	**2 883**	**2 906**	**469**	**1 007**	**3 352**	**3 913**
–	–	690	684	–	–	690	684	83	158	773	842
–	–	424	398	–	–	424	398	69	136	493	534
100	92	1 769	1 709	–	–	1 769	1 709	357	801	2 126	2 510
61	61	116	109	–	–	116	109	36	109	152	218
38	31	1 145	1 086	–	–	1 145	1 086	316	680	1 461	1 766
–	–	410	418	–	–	410	418	–	–	410	418
13	11	388	479	–	–	388	479	25	39	413	518
–	–	36	34	–	–	36	34	4	9	40	43
113	**103**	**2 883**	**2 906**	**–**	**–**	**2 883**	**2 906**	**469**	**1 007**	**3 352**	**3 913**
–	–	55	70	–	–	55	70	1	1	56	71
3	4	98	80	4	2	102	82	9	17	111	99
–	–	19	26	1	–	20	26	–	–	20	26
–	–	3	3	–	–	3	3	–	–	3	3
3	**4**	**175**	**179**	**5**	**2**	**180**	**181**	**10**	**18**	**190**	**199**
8	**11**	**485**	**528**	**7**	**19**	**492**	**547**	**–65**	**–19**	**427**	**528**
4	**7**	**364**	**404**	**2**	**17**	**366**	**421**	**–65**	**–47**	**301**	**374**
–18	–12	–117	–107	–	–	–117	–107	–22	–98	–139	–205
–4	–4	–122	–123	–4	–3	–126	–126	–	–25	–126	–151
–	–	–	–	–	–	–	–	–	–3	–	–3
–	–1	–3	–	–	–	–3	–	–1	–1	–4	–1
31.12.	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
124	117	2 601	2 615	47	22	2 648	2 637	–	682	2 648	3 319
–25	–30	–1 018	–1 027	–44	–35	–1 062	–1 062	–	–202	–1 062	–1 264
99	**87**	**1 583**	**1 588**	**3**	**–13**	**1 586**	**1 575**	**–**	**480**	**1 586**	**2 055**
31.12.	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.	**31.12.**	31.12.
–	–	4 617	4 334	–	–	4 617	4 334	–	1 633	4 617	5 967
183	170	6 384	6 229	230	210	6 614	6 439	–	1 977	6 614	8 416
17	18	1 388	1 702	–	–	1 388	1 702	–	63	1 388	1 765
–	–	238	228	3	5	241	233	–	58	241	291
200	**188**	**12 627**	**12 493**	**233**	**215**	**12 860**	**12 708**	**–**	**3 731**	**12 860**	**16 439**

Reconciliation to the Segment information

in CHF million	**2013**	2012
EBIT	366	421
Financial income	16	51
Financial expense[3]	–48	–145
EBT	**334**	**327**
Operating assets[1]	2 648	3 319
Non-operating assets[1,3]	1 446	839
Total assets	**4 094**	**4 158**
Operating liabilities[2]	1 062	1 264
Non-operating liabilities[2,3]	948	1 010
Total liabilities	**2 010**	**2 274**

[1] Including assets classified as held for sale.

[2] Including liabilities classified as held for sale.

[3] 2012 restated.

Geographical information on non-current assets

in CHF million		2013	2012
Asia/Pacific		**231**	**227**
thereof	China	112	104
Europe		**1 381**	**1 336**
thereof	Switzerland	982	956
	Germany	263	230
	Italy	130	126
North America		**89**	**88**
thereof	USA	89	88
Other regions		**13**	**15**
Total		**1 714**	**1 666**

Non-current assets do not include post-employment benefit assets and deferred tax assets.

Information about major customers

In 2013, no customer represented 10 % or more of the Group's third-party sales.

Companies by country

Country	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	111
Austria	Oerlikon GmbH, Linz/AT (formerly Saurer Holding GmbH)	EUR	35 000	100.00	–
Belgium	Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE	EUR	620 000	100.00	50
Brazil	Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	30 662 100	99.99	136
Brazil	Oerlikon Leybold Vacuo do Brasil Ltda., Jundiaí, SP/BR	BRL	800	100.00	–
Brazil	Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR	BRL	9 384 968	100.00	–
Cayman Islands	Oerlikon Group Investments Ltd., George Town/KY (formerly Saurer Group Investments Ltd.)	CHF	474 469 300	100.00	–
China	Oerlikon China Equity Ltd., Hong Kong/CN (formerly Saurer China Equity Ltd.)	HKD	253 910 000	100.00	–
China	Oerlikon (China) Technology Co. Ltd., Suzhou/CN	USD	30 000 000	100.00	342
China	Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00	362
China	Oerlikon Drive Systems (Suzhou) Co. Ltd., Suzhou/CN	USD	12 000 000	100.00	153
China	Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN	USD	200 000	100.00	107
China	Oerlikon Leybold Vacuum Equipment (Tianjin) Co. Ltd., Tianjin/CN	USD	4 960 000	100.00	131
China	Oerlikon Textile China Investments Ltd., Hong Kong/CN	HKD	266 052 505	100.00	–
China	Oerlikon Textile Far East Ltd., Hong Kong/CN	HKD	100 000	100.00	13
China	Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN	USD	7 000 000	100.00	198
China	Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN	USD	1 112 220	100.00	195
China	Oerlikon Textile Trading and Services Ltd., Hong Kong/CN	HKD	275 200	100.00	–
Finland	Oerlikon Balzers Sandvik Coating Oy, Helsinki/FI	EUR	2 500	51.00	8
France	Oerlikon Balzers Coating France SAS, Saint-Thibault-des-Vignes/FR	EUR	3 150 000	100.00	105
France	Oerlikon France Holding SAS, Saint-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	169
Germany	Oerlikon Balzers Coating Germany GmbH, Bingen/DE	EUR	511 300	100.00	561
Germany	Oerlikon Balzers Hartec GmbH, Stetten am kalten Markt/DE	EUR	25 000	100.00	49
Germany	Oerlikon Deutschland Holding GmbH, Köln/DE	EUR	30 680 000	100.00	–
Germany	Oerlikon Deutschland Vertriebs GmbH, Aschheim/DE	EUR	26 000	100.00	28
Germany	Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE	EUR	100 000	100.00	58
Germany	Oerlikon Leybold Vacuum GmbH, Köln/DE	EUR	1 200 000	100.00	771
Germany	Oerlikon Real Estate GmbH, Köln/DE	EUR	50 000	100.00	–
Germany	Oerlikon Textile GmbH & Co. KG, Remscheid/DE	EUR	41 000 000	100.00	1 558
Germany	Oerlikon Vacuum Holding GmbH, Köln/DE	EUR	25 000	100.00	–
Germany	Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Köln/DE	EUR	25 000	100.00	–
Germany	Oerlikon Vermögens-Verwaltungs GmbH, Köln/DE	EUR	25 000	100.00	–
Germany	W. Reiners Verwaltungs-GmbH, Remscheid/DE	EUR	38 346 900	100.00	–
Great Britain	Graziano Trasmissioni UK Ltd., St. Neots/UK	GBP	40 000	100.00	8
Great Britain	Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK	GBP	2 000 000	100.00	46
Great Britain	Oerlikon Leybold Vacuum UK Ltd., Chessington/UK	GBP	300 000	100.00	23
Great Britain	Vocis Limited, Warwick/UK	GBP	200	51.00	24
India	Fairfield Atlas Ltd., Kolhapur/IN	INR	273 205 400	97.70	913
India	Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN	INR	267 124 880	100.00	1 228
India	Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	100.00	237
India	Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN	INR	2 000 000	100.00	20
India	Oerlikon Textile India Pvt. Ltd., Mumbai/IN	INR	57 360 000	100.00	135
Italy	Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	129 125	100.00	76
Italy	Oerlikon Graziano Group S.p.A., Torino/IT	EUR	59 669 000	100.00	–
Italy	Oerlikon Graziano S.p.A., Cascine Vica Rivoli/IT	EUR	58 697 357	100.00	1 917
Italy	Oerlikon Leybold Vacuum Italia S.r.l., Milano/IT	EUR	110 000	100.00	12
Japan	Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP	JPY	450 000 000	100.00	33
Japan	Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00	136
Liechtenstein	OC Oerlikon Balzers AG, Balzers/LI	CHF	1 000 000	100.00	108
Liechtenstein	Oerlikon Advanced Technologies AG, Balzers/LI	CHF	1 000 000	100.00	155
Liechtenstein	Oerlikon Balzers Coating AG, Balzers/LI	CHF	1 000 000	100.00	274
Liechtenstein	Oerlikon (Liechtenstein) Holding AG, Balzers/LI	CHF	120 000	100.00	–
Luxembourg	Oerlikon Balzers Coating Luxembourg S.à.r.l., Differdange-Nierderkorn/LU	EUR	1 000 000	60.00	21
Malaysia	Oerlikon Balzers Coating Malaysia Sdn. Bhd., Kuala Lumpur/MY	MYR	2 000 000	100.00	22
Mexico	Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX	MXN	71 458 000	100.00	90
Netherlands	Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL	EUR	463 000	100.00	8
Netherlands	SAC Oerlikon Automotive Components B.V., Rotterdam/NL (formerly SAC Saurer Automotive Components B.V.)	EUR	11 500 000	100.00	–
Philippines	Oerlikon Balzers Coating Philippines Inc., Muntinlupa/PH	PHP	15 000 000	99.99	9
Poland	Oerlikon Balzers Coating Poland Sp. z o.o., Polkowice Dolne/PL	PLN	5 000 000	100.00	62
Russia	Oerlikon Rus LLC, Moscow/RU	RUB	1 700 000	100.00	3
Russia	OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00	12
Singapore	Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00	29
Singapore	Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG	SGD	300 000	100.00	13

Companies by country

Country	Name, registered office of significant companies by country	Currency	Share capital[1]	Group owns %	Number of employees
South Korea	Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90	195
South Korea	Oerlikon Leybold Vacuum Korea Ltd., Cheonan/KR	KRW	7 079 680 000	100.00	33
Spain	Oerlikon Balzers Coating Spain S.A.U., Antzuola/ES	EUR	150 250	100.00	68
Spain	Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES	EUR	168 283	100.00	9
Sweden	Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00	53
Switzerland	InnoDisc AG, Windisch/CH	CHF	100 000	100.00	–
Switzerland	OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ/CH	CHF	334 633 258	100.00	–
Switzerland	OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH	CHF	2 000 000	100.00	87
Switzerland	OC Oerlikon Services AG, Pfäffikon, Freienbach SZ/CH (formerly Saurer Management AG)	CHF	100 000	100.00	1
Switzerland	OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach SZ/CH (formerly Saurer AG)	CHF	112 019 600	100.00	–
Switzerland	OC Oerlikon Textile Schweiz AG, Pfäffikon, Freienbach SZ/CH (formerly Oerlikon Saurer Arbon AG)	CHF	14 160 000	100.00	–
Switzerland	Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00	30
Switzerland	Oerlikon Drive Systems GmbH, Pfäffikon, Freienbach SZ/CH (formerly Oerlikon Licensing Arbon GmbH)	CHF	20 000	100.00	2
Switzerland	Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	500 000	100.00	36
Switzerland	Oerlikon Leybold Vacuum Schweiz AG, Zürich/CH	CHF	300 000	100.00	8
Switzerland	Oerlikon Trading AG, Trübbach, Wartau/CH	CHF	8 000 000	100.00	2
Switzerland	OT Textile Verwaltungs GmbH, Arbon/CH	CHF	20 000	100.00	–
Switzerland	Unaxis GmbH, Freienbach SZ/CH	CHF	20 000	100.00	–
Taiwan	Oerlikon Leybold Vacuum Taiwan Ltd., Hsinchu/TW	TWD	20 000 000	100.00	33
Thailand	Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	99.99	50
Turkey	Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	99.99	29
USA	Fairfield Manufacturing Company Inc., Wilmington, DE/US	USD	10 000	100.00	912
USA	Melco Industries Inc., Denver, CO/US	USD	2 407 000	100.00	–
USA	Oerlikon Balzers Coating USA Inc., Wilmington, DE/US	USD	20 000	100.00	336
USA	Oerlikon Leybold Vacuum USA Inc., Wilmington, DE/US	USD	1 375 000	100.00	86
USA	Oerlikon Management USA Inc., Pittsburgh, PA/US	USD	500 000	100.00	–
USA	Oerlikon Textile Inc., Charlotte, NC/US	USD	3 000 000	100.00	38
USA	Oerlikon USA Holding Inc., Wilmington, DE/US	USD	40 234 000	100.00	–
USA	Oerlikon USA Inc., Plantation, FL/US	USD	14 730 000	100.00	17

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

Report of the statutory auditor

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

Report of the Statutory Auditor on the Consolidated Financial Statements
As statutory auditor, we have audited the accompanying consolidated financial statements of OC Oerlikon Corporation AG, Pfäffikon, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on pages 93 to 141 for the year ended December 31, 2013.

Board of Directors' Responsibility
The board of directors is responsible for the preparation 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 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.

Auditor's Responsibility
In our opinion, the consolidated financial statements for the year ended December 31, 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

KPMG AG

Thomas Affolter	Toni Wattenhofer
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, February 21, 2014

Five-year summary of key figures

in CHF million	**2013**	2012	2011	2010	2009
Order intake[1]	**2 893**	2 802	2 878	4 520	2 996
Order backlog[1]	**825**	834	971	1 702	997
Sales[1]	**2 883**	2 906	2 731	3 601	2 877
EBITDA[1]	**492**	547	450	278	–165
– as % of sales	**17 %**	19 %	16 %	8 %	–6 %
EBIT[1]	**366**	421	318	51	–589
– as % of sales	**13 %**	14 %	12 %	1 %	–20 %
Net income/loss[2]	**201**	380	224	5	–592
– as % of equity attributable to shareholders of the parent	**10 %**	20 %	14 %	0 %	–120 %
Cash flow from operating activities[3]	**435**	414	544	354	–92
Capital expenditure for property, plant and equipment and intangible assets	**180**	181	167	150	130
Total assets[2]	**4 094**	4 158	4 573	4 475	4 342
Equity attributable to shareholders of the parent[2]	**2 072**	1 860	1 586	1 430	493
– as % of total assets	**51 %**	45 %	35 %	32 %	11 %
Net cash[4]	**981**	339	–86	–274	–1 646
Net operating assets[5]	**1 586**	1 575	2 205	2 196	2 821
Number of employees[1]	**12 860**	12 708	12 726	16 657	16 369
Personnel expense[1]	**766**	765	740	1 015	1 001
Research and development expenditure[1,6]	**122**	106	102	239	210

[1] Continuing operations.

[2] 2012 restated.

[3] Before changes in net current assets.

[4] Net cash includes cash and cash equivalents and marketable securities less current and non-current debt.

[5] Net operating assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, financial assets, current and deferred tax receivables) less operating liabilities (excluding financial liabilities, current and deferred tax payables).

[6] Research and development expenditure includes expense recognized as intangible assets.