

General**Reporting basis (1)**

The financial statements of OC Oerlikon Corporation AG, Pfäffikon, formerly Unaxis Holding AG, are prepared in compliance with Swiss Corporate Law. They are a supplement to the consolidated financial statements (pages 85 through 124) prepared according to International Financial reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the financial statements of OC Oerlikon Corporation AG, Pfäffikon (pages 128 through 129) relates to the ultimate parent company alone. The retained earnings reported in these financial statements provide the basis for the decision regarding the distribution of earnings to be made during the annual general meeting of shareholders.

Income Statement**Income from investments in subsidiaries (2)**

The income from investments in subsidiaries consists mainly of dividend income from foreign subsidiaries.

Financial income (3)

Financial income includes the profit on sale of treasury shares, dividends received from marketable securities and interest income from intercompany loans.

Financial expense (4)

Financial expense includes interest expense and foreign exchange losses. The increase over the prior year results mainly from increased bank charges relating to the Saurer acquisition.

Change in value adjustments to loans and investments in subsidiaries (5)

Restructuring contributions of CHF 60 million were made to OC Oerlikon Balzers AG. Further restructuring contributions were made to subsidiary companies in Shanghai, China and in Brazil.

Balance sheet**Cash and cash equivalents (6)**

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

Marketable securities (7)

Marketable securities are short-term money market securities. They are reported at market value.

Treasury shares (8)

The number of treasury shares fell from 1 412 694 to 1 050 012 (7.4% of the share capital). At year-end the shares had a market value of approximately CHF 633 million (2005: CHF 280 million).

During 2006, a total of 351 040 shares were sold (2005: purchase of 1 104 551 and 21 243 shares were given to employees. 9 601 shares (2005: 92 092) were repurchased from employees. The purchase prices ranged from CHF 190.00 to 529.00. No shares were offered to employees at preferential prices (2005: 7 530). Further information on treasury share transactions can be found in the consolidated statement of changes in equity.

Investments (9)

The significant equity interests in subsidiary companies listed on page 131 were included in the investment portfolio of OC Oerlikon Corporation AG, Pfäffikon as at December 31, 2006. An overview of all companies in which OC Oerlikon Corporation AG, Pfäffikon has either a direct or indirect equity interest is shown at the end of this report. These investments are recorded at historical cost less any value adjustments. The increase of CHF 1 638 million versus the prior year results mainly from the acquisition of Saurer AG.

Loans to affiliated companies (10)

These loans are granted at prevailing market conditions and are denominated mainly in USD, EUR, CHF and GBP.

Short-term deposits from affiliated companies (11)

These are short-term deposits made with OC Oerlikon Corporation AG by affiliated companies.

Bank loans (12)

In 2006, bank loans amounting to CHF 1 317 million were taken up to finance the acquisition of Saurer AG. As collateral for these loans the investment in Saurer itself has been pledged, together with treasury shares having a book value of CHF 123 million and various consolidated subsidiaries having a book value of CHF 1 635 million.

Provisions (13)

The reduction versus prior year arises from a reduced requirement for provisions combined with usage of provisions set up previously.

Share capital (14)

The share capital of CHF 282 848 740 consists of 14 142 437 registered shares, each with a par value of CHF 20. On the balance sheet date, conditional capital amounted to CHF 47 million.

Shareholders registered as holding more than 5% as at December 31, 2006 were: 28.6% (published shareholding 34.2%) Victory Industriebeteiligung AG, Vienna (2005: 46.5%) and 5.2% Bank Austria Creditanstalt. Further shareholders holding over 5% known to the company from official notices were: Zürcher Kantonalbank 17.7%, Renova Holding Ltd., 10.3% and Merrill Lynch Group 5.1%.

Reserve for treasury shares (15)

This reserve represents the acquisition cost of 1 050 012 (2005: 1 412 694) treasury shares (see also Note 8).

Contingent Liabilities (16)

Contingent liabilities relate primarily to performance guarantees and guarantees for bank loans of affiliated companies.

Changes in shareholders' equity (17)

See table on page 132.

Net release of hidden reserves

No hidden reserves were released in 2006 (2005: CHF 78 million).

Investments

Company	Currency	Share capital 2006	Investment in % 2006
Balzers (India) Ltd., Bhosari, Pune/IN		INR 70 000 000	78.00
Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN		CNY 49 087 000	100.00
Contraves Space AG, Zürich/CH		CHF 100 000	100.00
InnoDisc AG, Windisch/CH		CHF 100 000	100.00
OC Oerlikon Balzers AG, Balzers/LI		CHF 30 000 000	100.00
OC Oerlikon Management AG, Pfäffikon, Freienbach SZ/CH		CHF 2 000 000	100.00
Oerlikon (Shanghai) Co. Ltd., Shanghai/CN		CNY 99 321 000	100.00
Oerlikon Assembly Equipment AG, Steinhausen/CH		CHF 2 400 000	100.00
Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH		THB 80 000 000	100.00
Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT		EUR 350 000	100.00
Oerlikon Balzers Coating Italy S.p.A., Brughiero, Milan/IT		EUR 130 000	100.00
Oerlikon Balzers Coating Korea Co. Ltd., Pyong Taek, Kyonggi-Do/KR		KRW 6 000 000 000	89.90
Oerlikon Balzers Coating Luxembourg S.A.R.L., Differdange/LU		EUR 1 000 000	60.00
Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX		MXN 71 458 000	100.00
Oerlikon Balzers Coating Poland Sp. z o.o., Polkowice-Dolne/PL		PLZ 5 000 000	100.00
Oerlikon Balzers Coating SA, Brügg bei Biel/CH		CHF 2 000 000	100.00
Oerlikon Balzers Coating Singapore Pte. Ltd. Singapore/SG		SGD 6 000 000	100.00
Oerlikon Balzers Coating UK Ltd., Milton Keynes/GB		GBP 2 000 000	100.00
Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí-São Paulo/BR		BRL 15 358 000	99.00
Oerlikon Balzers Sandvik Coating AB, Stockholm/SE		SEK 11 600 000	51.00
Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES		EUR 150 000	51.00
Oerlikon Deutschland Holding GmbH, Munich/DE		EUR 30 680 000	99.50
Oerlikon France Holding SAS, St. Thibault des Vignes/FR		EUR 4 000 000	100.00
Oerlikon IT Solutions AG, Pfäffikon, Freienbach SZ/CH		CHF 500 000	100.00
Oerlikon Japan Co. Ltd., Tokyo/JP		JPY 450 000 000	100.00
Oerlikon Korea Ltd., Seoul/KR		KRW 1 220 000 000	100.00
Oerlikon Leybold Vacuum Taiwan Ltd., Hsin Chu/TW		TWD 20 000 000	100.00
Oerlikon Nederland B.V., Utrecht/NL		EUR 37 000	100.00
Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP		JPY 100 000 000	100.00
Oerlikon Optics UK Ltd., Oxford/GB		GBP 1	100.00
Oerlikon SEA Pte. Ltd., Singapore/SG		SGD 250 000	100.00
Oerlikon Solar-Lab SA, Neuchâtel/CH		CHF 1 000 000	100.00
Oerlikon Solutions AG, Trübbach/CH		CHF 100 000	100.00
Oerlikon Space AG, Zürich/CH		CHF 15 000 000	100.00
Oerlikon Trading AG, Trübbach/CH		CHF 8'000 000	100.00
Oerlikon USA Holding Inc., New York/NY		USD 24 980 000	100.00
Pilatus Flugzeugwerke AG, Stans/CH		CHF 10 000 000	13.97
Saurer AG, Arbon/CH		CHF 112 019 600	85.92
Unaxis Corporation AG, Freienbach SZ/CH		CHF 100 000	100.00
Unaxis IT (UK) Ltd., Monmouth/GB		GBP 1 000	100.00
Unaxis Singapore Pte. Ltd., Singapore/SG		SGD 15 000 000	100.00

Changes in shareholders' equity

in CHF million	Share capital	Legal reserve	Free reserve	Reserve for treasury shares	Retained earnings	Total shareholders' equity
Balance at January 1, 2004	263.4	133.5	345.0	44.0	338.8	1 124.7
Capital increase	19.4					19.4
Merger loss (ESEC)			-52.0			-52.0
Allocation to free reserve			305.0		-305.0	0.0
Payment of dividend for financial year 2003					-27.7	-27.7
Elimination of reserve for treasury shares		2.8		-2.8		0.0
Net loss 2004					-159.2	-159.2
Balance at December 31, 2004	282.8	136.3	598.0	41.2	-153.1	905.2
Transfer from free reserve			-160.0		160.0	0.0
Elimination of reserve for treasury shares			-203.0	203.0		0.0
Net profit 2005					4.4	4.4
Balance at December 31, 2005	282.8	136.3	235.0	244.2	11.3	909.6
Elimination of reserve for treasury shares		61.3		-61.3		0.0
Net profit 2006					101.4	101.4
Balance at December 31, 2006	282.8	197.6	235.0	182.9	112.7	1 011.0