

**Knowledge transfer and cooperation:  
real partnership**

**Together we achieve peak performance – internally and  
with our customers**

Every day Oerlikon employees give their best in order to achieve outstanding performance. Mutual respect and cooperation form the fundamental elements of our corporate culture. This environment enables our employees to exchange knowledge and experience and efficiently utilize the synergies between the business units.



# teamwork



# = performance

**Increasing value**

Increasing share prices express a company's success. In 2006 we were able to more than triple the value of our company's shares.

Our employees' outstanding motivation and their close cooperation, both internally and with customers, represented a central factor in achieving this success.

## Higher sales and lower costs led to a clear increase in EBIT in 2006.

Comprehensive transformation program successfully implemented.

With successful company development in 2006, the Oerlikon Corporation was also able to achieve substantial gains for its investors. Over the year, Oerlikon shares grew 204 percent from CHF 198 to CHF 603 and the market capitalization reached a level in excess of CHF 8.5 billion. Earnings per Share (EPS) also increased from 2005 levels, from CHF 1.43 for 2005 to CHF 23.44 for 2006. With the acquisition of Saurer, Oerlikon consolidated its position as one of the world's largest high tech corporation, and boosted its powers of innovation and growth rate with an extended portfolio.

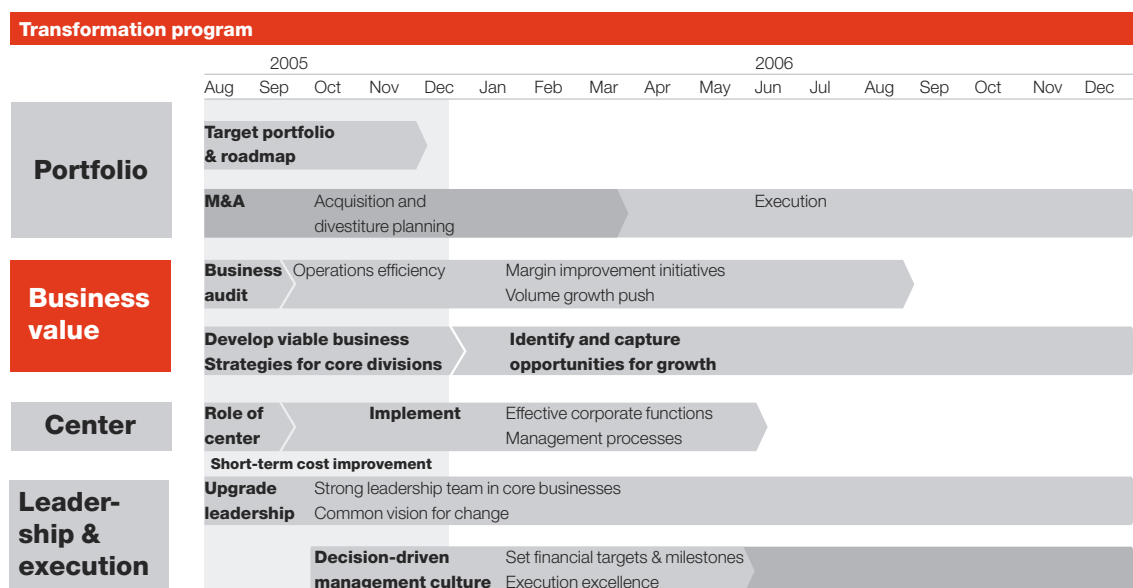
In many ways, 2006 gave Oerlikon new direction: first of all, operating results have confirmed the merits of the strategy adopted of a centrally led, integrated high-tech industrial corporation; the implementation of the corresponding transformation program was a success (see also page 22). Secondly, the acquisition of Saurer increased the growth dynamic of the entire Group of companies. 2007 is set to see this above-average growth in sales and profit continue.

In order to achieve this goal, Oerlikon will use the following strategy:

- Growth through technological leadership and the development of innovative new solutions.
- Increased customer focus through regional expansion, expansion of services and close cooperations.
- High profitability through cost management with centrally managed businesses and efficient business processes.
- A single-entity approach as a globally integrated, transparent and efficiently organized corporation.

### Successful implementation of transformation program

In order to implement the fundamental change in direction and restructuring of the former Unaxis into the new Oerlikon systematically and promptly, an extensive transformation program was set in place in the third quarter of 2005. More than 180 individual measures were centralized in four major areas (see diagram).



For the Corporate Headquarter and for each Business Unit alike, a detailed action program was developed, to increase margins, boost sales and reduce administrative costs. All of these measures were IT-supported, time-managed and steered by a Program Management Office (PMO). In 2006, all of the major component parts of the transformation program were completed. This gave Oerlikon the central foundation on which to adopt and pursue its new business strategy. In connection with the acquisition of Saurer AG, the transformation program was extended and re-implemented.

### Innovative solutions

For Oerlikon as a high-tech industrial group, it is vitally important to differentiate itself from the competition with leading technological solutions and to provide its customers with economic advantages. This is the only way we can continue to generate sustained growth. In 2006, Innovations Management was streamlined to concentrate only on the projects with the best prospects. This led to drastically reduced lead times for product development and many new products on the market, many of which are revolutionary. These include manufacturing systems for thin-film solar modules (KAI 1200), the new P3e™ coating technology including the "INNOVA" equipment, production lines for Blu-ray-discs (INDIGO) or the new vacuum pump platform MAG W 300. In order to perfect its own developments, strategic investments or acquisitions were also entered into, such as the investment in the Californian

Novalux for the development of laser-based projection systems, and the acquisition of the UK laser specialist Exitech, for the processing of solar modules.

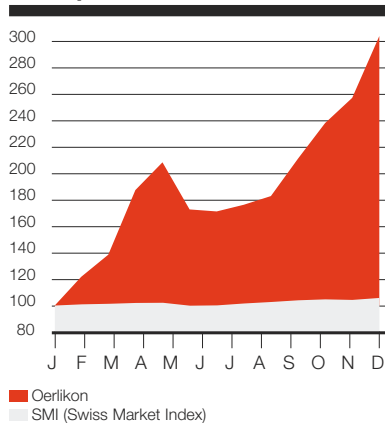
### Strong customer focus and regional expansion

Oerlikon has increased its focus on its customers and their needs through numerous measures in 2006; the customer's voice continues to take top priority with Oerlikon. Oerlikon Balzers Coating was able to cement customer relations by creating specific in-house coating centers and expand its position on the American market with the acquisition of the US coating company Gold Star. The regional expansion of Oerlikon Balzers Coating and Oerlikon Leybold Vacuum through new coating and service centers also bring proximity to customers into the foreground. Oerlikon Saurer Textile has opened a new production site in the southern Chinese city of Suzhou and a further four sales locations throughout China, thereby strengthening its presence on the world's most important textile market. By moving production for Wire Bonder to Singapore, Oerlikon Assembly Equipment is now also within easy reach of its biggest customers. Another important instrument in increasing customer focus is joint development projects. This is another area in which Oerlikon started a range of initiatives in 2006, such as Oerlikon's cooperation with Philips and Sony in optimizing the production line for Blu-ray-discs (INDIGO).

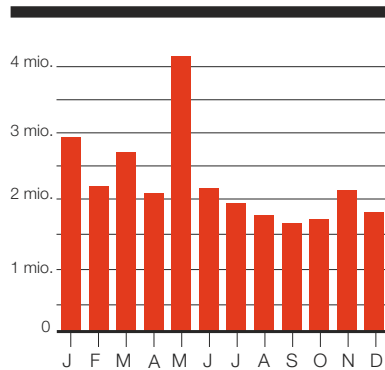
### Higher margins through cost-efficiency and strategic pricing

A high level of profitability is important to Oerlikon not only in order to increase the company value, but also because as a high-tech provider it is important that we are able to make the necessary investments in new developments. In 2006 all of our segments increased in profitability – Oerlikon Leybold Vacuum was a particularly clear example of this, with an EBIT increase from CHF –4 million in 2005 to CHF 47 million in 2006. The corporation's EBIT rose in total from CHF 34 million in 2005, to CHF 329 million in 2006, which is equivalent to an EBIT-margin of 14 percent. Earnings per Share (EPS) thereby achieved an increase of CHF 1.43 to CHF 23.44, and the Free Cash Flow per Share (FCF) rose from CHF –9.6 to CHF 12.8. Major factors in this were the tight rein kept on the segments by the Corporate Headquarter, the introduction of central services, for example for IT and human resources, and the implementation of detailed efficiency programs in the business units. In various coating centers, for instance, productivity was increased by up to 30 percent. With the introduction of global sourcing, purchase volumes were centralized and better conditions could be negotiated with suppliers. Individual measures such as the reintegration of manufacturing in the area of wafer processing in Rochester, USA, also brought substantial cost savings. Strategic pricing according to specific customer needs also had a positive effect on margins.

Share performance 2006 in %



Trade volume 2006 number of shares



### Common corporate identity increases transparency and visibility

The former eight units of Unaxis were rearranged into three segments according to key technology in 2006 and classified according to their system and service activities. They were augmented by the newly acquired Saurer Segments Textile and Graziano Drive Systems. This new segment structure, with its focus on customers, technology and markets, increases transparency and creates synergies among the business units. It thereby supports company growth and provides a flexible platform for the integration of companies acquired and for active portfolio management. This new management approach was embodied in the rebranding of Unaxis to Oerlikon. The new brand, with its core values of teamwork, excellence, innovation and integrity, stands for both tradition as a Swiss high-tech provider and for the new central tenet of "One Company". The individual business units mutually strengthen their visibility and the effectiveness of their marketing and distribution through a common corporate identity under a common label. Internally, Oerlikon acts as an integration point for employees and encourages cooperation across borders between units and countries.

### Saurer AG

As a top worldwide provider of high-tech textile machinery and drive systems, Saurer AG fits perfectly into the Oerlikon Group. The takeover was an important milestone in the development of a technology-leading industrial corporation. There is potential for synergy in the areas of administration, research and development, and production, as well as market access. Saurer strengthens Oerlikon's worldwide customer base; particularly on the Asian market, where Saurer is established as a leading provider, with production sites in China and India. Saurer also brings an increase in resources and know-how, which will strengthen Oerlikon's potential for innovation in the longer term. Altogether there are now over 1 500 engineers and scientists working on the products of the future in the Oerlikon Corporation, with a budget of over CHF 260 million. Immediate positive effects can be seen in, for example, the coating of various Oerlikon Graziano Drive Systems automobile components by Oerlikon Balzers Coating. Saurer's knowledge of magnetic bearings for fast-spinning components (spindles) is directly applicable for business units such as Oerlikon Leybold Vacuum. By integrating the Saurer segments, Oerlikon is expanding the scope of its portfolios with technology-leading products in markets with varying macro-economic dynamics, and is thereby better protected from market cycles.

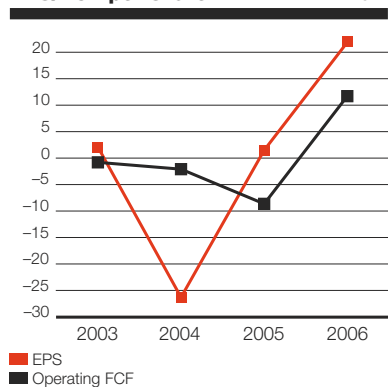
### Investor relations: a transparent information policy

In order to keep the capital markets and the financial community comprehensively and swiftly informed about Group developments, Oerlikon has standardized and systemized its financial reporting across the whole Corporation. Equality of treatment for all capital market participants and legally compatible reporting are of central importance to Oerlikon. The Investor Relations segment guarantees both the quarterly publication of the financial figures and up-to-the-minute reporting on relevant company developments, as well as ad hoc announcements. The corporate website, [www.oerlikon.com](http://www.oerlikon.com), also serves as a central platform for information. On page 63 of the Corporate Governance report, further information about Oerlikon's information policy can be found.

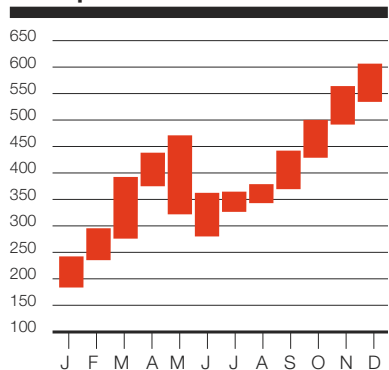
### Share performance

In 2006, the performance of Oerlikon shares recorded an increase of 204 percent. With this impressive performance, it outperformed the SMI by 163.5 percent and was included in the Dow Jones STOXX 600 Index, where it was the most successful European share of 2006. Oerlikon's market value increased over the whole year from CHF 2.8 billion at the beginning of the year to CHF 8.5 billion at the end, with an average trading volume of 109 955 shares in 251 trading days.

EPS/FCF per share in CHF



Share performance 2006 in CHF



The positive development of share prices was due in large part to the successes of the transformation program, which led to the steady improvement of the company figures, with high profitability at the same time. Further impetus was provided by the ground-breaking development of the fledgling Oerlikon Solar business unit and strategic acquisitions. The profitable operating results of the fourth quarter of 2005 and further increases in the first quarter of 2006, together with its first bulk orders in the solar business, all contributed to a share price which rose to a level in excess of CHF 450 in the first half of the year. The positive half-year figures gave fresh momentum to share prices in June 2006. The capital market reacted to this continual operative growth and the takeover of Saurer with constant share price rises. At the end of 2006, Oerlikon shares closed at CHF 603 and at the time of going to press CHF 764 (appointed date March 23, 2007).

### Stock market valuation and shareholder structure

The registered shares of OC Oerlikon Corporation AG, Pfäffikon (stock exchange symbol: OERL, bond security number 081682) are quoted on SWX Swiss Exchange and will be traded on the virt-x in London. The largest shareholder in OC Oerlikon Corporation AG, Pfäffikon, according to the stock exchange announcement of March 16, 2007, is Victory Industriebeteiligung AG, with headquarters in Vienna, (Austria), with a total shareholding of 34.2 percent. In July 2006 the investment was reported of Renova Holding Ltd. with headquarters in Nassau, (Bahamas), which acquired shares of 13.8 percent, as per stock exchange announcement of January 17, 2007. A stake of 7.4 percent of the shares was kept by OC Oerlikon Corporation AG itself. More than 1.1 million shares were repurchased for an average price of CHF 173 in the framework of a share buy-back program. In 2006,

351 040 of these shares were sold at an average price of CHF 538, which amounts to a total of CHF 189 million.

### Outlook

With the takeover of Saurer AG, the core portfolio of the Oerlikon Group has been extended outward. By its future acquisitions, Oerlikon will continue to optimize added value across all segments, continue steadily with its plans to consolidate into complete solutions and systems and sustainably increase its regional presence. We are optimistic that we will be able to continue our above-average growth in sales and profit. The positive state of the most important markets, our leading positions in the fast-growing solar market, consistent innovation management focusing on the market and the customers and the continued initiative on margins and cost optimization have all helped to achieve an excellent starting point for Oerlikon.

### Oerlikon share data

	2006	2005	2004	2003	2002
<b>Number of shares</b>					
Par value per share	20	20	20	20	20
Voting rights per share	1	1	1	1	1
Total outstanding shares	14 142 437	14 142 437	14 142 437	13 170 092	13 170 092
Treasury shares	1 050 012	1 412 694	223 581	220 443	213 360
Shares with voting/dividend right	13 092 425	12 729 743	13 918 856	12 949 649	12 956 732
Conditional shares for convertible and warrant bonds	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000
– of which reserved	0	0	0	0	0
Conditional shares for employee stock ownership plans	360 000	360 000	360 000	360 000	360 000
– of which reserved	0	0	0	0	0
Authorized shares	–	–	–	2 000 000	2 000 000
<b>Per-share data (in CHF)<sup>1</sup></b>					
Net profit	23.44	1.43	-27.68	2.5	-3
Equity	116.01	73.47	89	115	114
Dividend <sup>2</sup>	0	0	0	2	2
Share price					
High	605	198	200	184	207
Low	191	114	98	74	66
Year-end	603	198	113	175	93
Market capitalization (in CHF million)					
High	8 556	2 799	2 829	2 423	2 726
Low	2 701	1 610	1 386	975	869
Year-end	8 521	2 799	1 598	2 305	1 225

<sup>1</sup> Based on average number of shares with voting and dividend rights.

<sup>2</sup> 2006 dividend: Proposal of the Board of Directors.

### Shareholder structure as at December 31, 2006

in %

