

# integrity



**Economy, society, environment:  
responsibility**

**Clear ethical guidelines and binding procedures lead to  
integrity and sustainability**

Oerlikon recognizes its global responsibility to the various stakeholders and to the environment. We meet our obligations by ensuring a great degree of transparency in our business processes, by applying legal and ethical codes of practice and by going beyond them. Integrity is an important part of our business activities.



# = trust

**Based on trust**

In a complex and fast-paced business world where there is a great deal of dependency between the parties involved, reliability is of the utmost importance. That's why we want our partners to see us as a trustworthy partner. To make sure they do, we not only work to the highest ethical standards, but we also generate security and stability through a differentiated risk management system and detailed continuity planning.

## **Sustainability is of utmost importance**

Long-term plans and decisions are particularly important in fast-paced times with rapid changes – supporting our customers, employees, investors, partners and the environment.

# **It is our aim to apply consistent principles to the economy, the environment and social issues**

### **Oerlikon, a responsible global citizen**

Oerlikon is a global player whose aim is, as a responsible global citizen, to generate sustainable corporate value that goes beyond successful business activity. Consequently Oerlikon sees itself as part of the solution for capturing the future challenges of an increasingly globalizing business environment.

Therefore, in 2003 the former Unaxis Holding signed Kofi Annan's, ex-Secretary-General of the United Nations, international initiative: the UN Global Compact (UNGC). The vision of the initiative is to realize a more sustainable and inclusive global economy. In 2006 Unaxis' legacy was transferred to the new Oerlikon endorsing the ten principles set out by the UN. Oerlikon will build on this external framework offering general guidelines for economically, environmentally and socially sound growth. This framework supports Oerlikon in promoting a business climate of respect and trust. Oerlikon is convinced that trust can only be earned through upright relationships with all its relevant stakeholders.

### **Management approach**

At Oerlikon we insist that all employees comply with national and international laws and ethical standards. All employees shall be an example to Oerlikon's business, signalling to Oerlikon's stakeholders that we are a trustworthy partner they can rely on. Oerlikon's commitment to the Global Compact comprises actively going beyond the legal regulations by integrating the UNGC principles into Oerlikon's management system; proactively combating corruption, upholding human rights, ensuring good labor practices, and last but not least protecting the environment in Oerlikon's sphere of influence.

In 2006 the shifting of Oerlikon's decentralized organization towards a more centralized one made a general overhaul of the corporate management system with all its policies & directives essential. Next to centralizing operational responsibilities, particular focus was given to addressing compliance issues such as improper payments, conflict of interest, intellectual property rights, employment, and money laundering. New policies on environment, health and safety management and trade control were released, and a Group-wide integrated management system was installed. In 2007 Oerlikon's revised Code of Corporate Business Ethics and a Code of Conduct are to be released.



#### Environmentally sustainable solar energy from Oerlikon

Oerlikon does everything in its power to achieve environmental sustainability and not only in its own production processes. In addition, with new technologies such as thin-film solar technology, we also make our own contribution towards aligning rising energy consumption with environmental demands.

In order to track and control the implementation of the principles and directives, the Group management has instigated several initiatives to ensure an accurate realization of its commitment. In 2007 an ombudsman on corporate level will be implemented, where dubious conduct and violations are to be reported by our employees and external stakeholders, also anonymously. Once reported, the ombudsman is obliged to handle the issue responsibly and take corrective actions such as: providing assistance to the employees, or notifying the authorities when a violation has been identified.

#### Earning trust

Trust can only thrive when both partners treat each other with mutual respect and integrity. Transferring this assurance to the operational level, Oerlikon places its stakeholders' concerns in the center of its activities, anxious to offer the optimum win-win situation to its customers, suppliers, employees, as well as coming generations in an open dialogue.

Oerlikon is intensively working on harmonizing its central management processes on a new corporate SAP platform. At present we are unable to

document our ecological and social progress with consolidated data on the corporate level. So here are a few examples of how Oerlikon sees its future as a responsible world citizen:

#### Customers

Long-term relationships between Oerlikon and its customers rely to a large extent on delivering top quality. By keeping an open dialogue with our customers we aim to continuously improve our quality and grow together with our customers, creating a common understanding and added value. Oerlikon understands quality as controlled processes, certifications, continuous improvements, and products and services that exceed customer expectations.

#### ISO certification

For a modern high-tech company such as Oerlikon, third-party quality and environmental management certifications have become an implicitness. Certification serves as a quality seal for customers and is an indication of good management practice. Consequently, all legal entities will be third-party certified according to ISO 9001 (Quality management) by the end of 2007. This includes the new facilities in China (Oerlikon Leybold Vacuum in Tianjin as well as Oerlikon Saurer in Suzhou).

Additionally, all units supplying the automotive industry have received the ISO 16949 certification, an extended certification focusing on the strict technological requirements of the automotive industry. In 2006 Oerlikon achieved the ISO14001 group certification (Environmental Management), including all our major operating units. True to the aspiration of "One Company" the Oerlikon management has decided that all future third-party certifications will be carried out in cooperation with one auditing partner, assuring uniformity.

### Complaint management

In order to exceed its own quality standards, Oerlikon will install a corporate customer complaint management system in 2007, covering the whole organization. Here, the customer can file a complaint or a question of any nature, be it technical or order-based. Once a complaint is registered, corrective measures will be taken. We welcome our customers to report all questions or complaints, allowing us to offer satisfactory solutions.

### Export control

Europe, several states in Asia and the USA in particular, have been engaged in introducing widely harmonized and continuously intensified export control regulations to counteract the efforts of various countries, to realize the acquisition programs for weapons of mass destruction. As a globally active supplier of vacuum technology, coating plants, space components, solutions and services, Oerlikon has the potential to supply customers in a wide range of industries. Although not producing weapons, experience has shown that especially vacuum technology is an indispensable medium for many state-of-the-art production processes, including weapons.

Consequently, recognizing its responsibility before the law and its customers, Oerlikon issued the Corporate Guidelines Governing Export Compliance. The following points are of particular importance:

- Oerlikon pledges its unequivocal and emphatic support for a policy of non-proliferation; this corporate goal has priority over commercial interest.
- All employees are obligated to actively participate towards achieving this corporate goal in their field of work.
- It is the duty of managing staff to ensure that employees have adequate knowledge of all relevant regulations, by means of trainings and access to regulations.
- In order to ascertain which countries and entities should be regarded as sensitive for the purpose of this policy, Oerlikon will maintain contact with the responsible agencies.
- If Oerlikon has continued concerns regarding the end use, it will terminate the transaction immediately.

During 2006 Oerlikon carried out a number of employee training events in Asia and Europe, as well as specialized training for the newly appointed regional Trade Control Managers. Given the responsibility to ensure uniformity and compliance with national and international laws, these managers will be the multipliers of the corporate directives. Access to up-to-date information on laws and corporate procedures is assured by our Intranet. As a next step Oerlikon is implementing a new SAP product "Global Trade Service" facilitating the information exchange and supporting the efforts for compliance processes.

No doubt the key to success is the risk awareness of the employees. If the country of purchase or destination is defined as sensitive, or if the inquiry looks suspicious for other reasons, the case is reviewed by a member of the Corporate Trade Control. The review is thorough, including the involvement of the authorities if necessary. Accordingly, in 2007 Oerlikon will intensify the training for its employees primarily in sales/services, order management, and logistics to improve risk awareness among these crucial employee categories.

### Fighting corruption

Believing in the idea of good governance, and recognizing corruption to be a main reason keeping certain economies from developing into democratic markets, Oerlikon endorses the UN Global Compact. Oerlikon pledges a pro-active approach against corrupt behavior on a corporate as well as public level. Oerlikon puts its trust in competing on an open and fair market, based on the quality of its products rather than by using unfair business practices for personal gain. Oerlikon does not use funds or assets for any unethical purpose or to purchase privileges or special benefits by any form of improper payment. Neither does Oerlikon engage in any direct or indirect payments, granting advantages to officials, civil servants, or other private or public decision-makers. Guidelines on this sensitive issue are integrated in the revised Corporate Code of Business Ethics and the new Code of Conduct, which will be released in 2007.

### Suppliers

Oerlikon's recent expansion and the centralization of its processes allows to unite our buying power in its corporate global sourcing strategy. This position on the world market grants Oerlikon worldwide accessibility to resources and suppliers at competitive costs. With standardized sourcing practices Oerlikon can offer its suppliers uniform and simplified procedures.

Long-term relationships depend on personal interaction, which is only possible if Oerlikon keeps its footing in the local markets. Moreover, Oerlikon can act as a responsible partner, creating a trustful relationship. Oerlikon selects our suppliers according to fair business principles and foster a fair pricing policy. Furthermore, we only engage with suppliers, who are certified according to international standards.

### Employees

We at Oerlikon believe that true innovation can only be accomplished by people who trust in our company. To ensure the well-being of all our people, Oerlikon invests considerable human and financial resources to create a safe work environment and a healthy work climate.

### Organizational change

In the course of the takeover and integration process of the Saurer Group Oerlikon gave example for the high expectations to its own integrity through fair, open and timely dialogue. Oerlikon has found the ideal partner in Saurer for designing its expansion strategy and creating sustainable value. With a highly efficient organization and a unique position on the market, there are no better preconditions for continued growth ensuring the jobs of our employees.

As the Annual Report goes into print, the assigned integration team including Saurer and Oerlikon will be fully occupied handling this complex integration process. The integration is to be completed with a final integration of all employees in the new SAP system by 2008. The management recognizes that the situation must be handled openly and fully transparent towards all employees, in order to avoid uncertainty.

A practical implication is the intensified transcending activities among our locations – worldwide. The exchange of ideas and the development of common goals contribute to a closer collaboration and mutual understanding. This is facilitated by job rotation, regionally and internationally.

### Work-life balance

Work-life balance is the management of the relationship between the period of time an employee spends on the job and its spare time. An important aspect is employee attraction and retention. Oerlikon employs highly skilled people, with plenty of talent and expertise, and is looking for more every day. Such employees are wanted on a competitive market, allowing them to be particular about their choice of employer. Consequently, next to competitive salaries and benefit packages Oerlikon offers flexible working hours and part-time employment. When the basic conditions fit, the prospect for a positive work environment increases, clearing the road for creativity and innovation.

### Diversity and equal opportunity

At Oerlikon, employees from 48 nationalities and as many cultures unite under the umbrella "One Culture". With such a diverse team Oerlikon is confident in being well-represented in all ends of the world, keeping up the pace with its international customers' needs.

Being an international company with more than 170 locations around the globe, Oerlikon believes in the strength of locality. The majority of the employees, including management, are locally hired reflecting the demography of the market. By developing technologies and educating employees locally Oerlikon keeps the know-how close to its core. A regular exchange of know-how between the different segments improves the cooperation and supports the utilization of synergies. The Asia Support Team initiated by Oerlikon Leybold Vacuum is one example thereof. Experts from China, Taiwan, Japan and Korea have come together to form a technical support team for the Asian market. During a five-week intensive training in Cologne the experts had the possibility to exchange and extend know-how.

Technology-driven companies such as Oerlikon traditionally have a strong engineering culture, rendering an imbalance in the male-female ratio. Knowing that a diverse team often displays a higher level of creativity, Oerlikon recognizes the need for improvement. Therefore, increasing efforts are made, e.g. in the recruitment processes, to boost the numbers of female employees in technical positions.

### Non-discrimination

As a responsible employer active in a global, multicultural environment Oerlikon is sensitive to the problem of discrimination. Therefore, Oerlikon has implemented a corporate-wide policy on non-discrimination incorporating the UN Guidelines. No form of discrimination on the basis of ethnical heritage, skin color, religion, nationality, gender, sexual orientation, age, or disability is tolerated.

### Health and safety

Oerlikon is committed to an integrated management system, covering health and safety standards. All Oerlikon units and affiliated companies define goals for major health and safety issues.

The 2006 corporate health and safety objective was to increase the health and safety at the workplace. The business units installed awareness programs and offered on-site first aid and general safety courses focusing on e.g. cardiac attacks. As a result, several business units acquired defibrillators, whereas its responsible handling was part of the on-site safety trainings.

The main objective for 2007 will be the harmonization of all EHS (Environmental Health and Safety) management systems worldwide. With the acquisition of Saurer, Oerlikon will benefit from additional EHS know-how, which will be necessary to consolidate these sometimes hardly compatible systems.

### Future generations

Oerlikon is convinced that the main challenges our society faces today are to reduce the world's energy demand, its dependency on non-renewable energy sources, and tackle global warming.

With sharply rising energy prices that e.g. account for up to 20 percent of operating cost for spinning mills, energy efficiency has become an important purchasing factor. Oerlikon Saurer Textile took up this challenge and improves energy and resource efficiencies of its products and services. When buying e-save<sup>®</sup> certified products, customers can realize energy savings of over 15 percent on average, and generate cost savings while reducing their impact on climate change.

Even though energy and resource efficiency is the cheapest, fastest, and most environmentally friendly way to meet future energy demands, on the supply side research needs to focus on technologies capitalizing the use of renewable and pollution free energy sources at competitive costs.

Oerlikon Solar is well-positioned at the forefront of seminal photovoltaic research, giving it the unique prospect of commercializing photovoltaic energy at reasonable cost. Oerlikon's PEVCD technology allows Oerlikon to deposit thin films from a gas to a solid state on some substrate, which substantially lowers the amount of silicone required for cell design, leading to lower production cost. Although the efficiency of thin-film solar cells are generally lower compared to wafer-based ones, the achieved 30-percent efficiency increase combined with the higher resource efficiency significantly lowers the price of solar energy in terms of cost per watt of electrical output. By further improving the production processes a 20-percent cost reduction at triennial intervals is within reach.

Oerlikon does not only provide energy-efficient products and state-of-the-art solar technology to its customers. With joining the UN Global Compact, Oerlikon actively endorses the so-called precautionary approach (principle 15 of the Rio Declaration) requiring a systematic reduction of the environmental footprint. Oerlikon puts this commitment into practice by continuously improving its products, services and manufacturing processes. A first milestone for the new management in 2006 was the ISO 14001 Group certification, which is a clear statement to further improvements of Oerlikon's environmental performance. Optimizing waste management systems of the worldwide business units was Oerlikon's 2006 corporate environmental objective. Employee awareness programs targeted at waste cutbacks and separation, have resulted in a lower environmental impact. Moreover, the disposal of hazardous waste will be in the spotlight in 2007, whereas intensified safety inspections will trigger the safe handling of hazardous materials.

## Risk management/business continuity

### Risk management further optimized

The successfully negotiated strategic reorientation towards a leading global high-tech industry group opens up trendsetting growth and development opportunities for Oerlikon. At the same time, clearly enhanced business activity, as well as strengthened inward and outward networking, mean this transformation process involves operative risks. That is why in the 2006 financial year, Oerlikon adapted and accordingly expanded the integrated control system for the preventive risk monitoring of the current group development. The objective is to achieve continuous transparency optimization in all corporate units and along the entire value chain. Possible risks can thus be detected, analyzed, assessed and objectively incorporated into business decisions. The targeted control and minimizing of risks is not only of substantial importance from a Group perspective, but also meets the demand for operational sustainability from the perspective of legislators, customers and market partners.

The Group functions of risk management, internal revision, controlling and business excellence form the central control and monitoring body of the integrated control system. In addition, for specific risk assessments, experts from legal and IT departments or external review areas are called in, depending on the task.

Risk management is a continuous process on all Group levels. In periodic assessments and workshops, risk potentials of individual business units are determined, recorded and prioritized. The results form the basis for establishing risk strategies and developing appropriate measures, the implementation and control of which is the business unit's responsibility. Every quarter, as part of the Business Review, the risk situation evaluation is reassessed and adapted if necessary.

In mid-2005, Oerlikon implemented an electronic information system for risk management and further improved this during the year under review. The specialized R2C software maps the entire process and enables automatic reporting as a central data platform. The responsible function levels and Group management are thus always informed of the risk situation in the collective enterprise and are always in a position to introduce important counteractive measures.

### Continuity plan successfully implemented

During the 2006 financial year, Oerlikon agreed to establish and promote extensive Business Continuity Planning (BCP) as an integral component of the internal risk management. The BCP objective is to set up effective emergency and crisis management as systematic preparation to cope with damages caused by, for example, natural hazards, malfunctions and accidents during the operating process or human irregularity. The main BCP requirements are to uphold the running of important business processes in critical situations, thus ensuring the company's economic existence. BCP develops, realizes and implements concepts, strategies and concrete measures to counteract and neutralize crises, limit damages to the company and return to normal business processes as quickly as possible.

A continuity plan specifically and individually co-ordinated for all corporate units and locations is required, as well as making collaborators receptive to the idea of securing company existence.

In 2006, Oerlikon took important steps towards the introduction and implementation of the BCP, some of which have already been implemented:

- Development of BCP organization structure and integration in the collective group.
- Establishment of management and control levels with BCP unit management.
- Definition and establishment of specific responsibility units within the corporate organization.
- Implementation of BCP teams in the individual corporate sectors and important corporate locations.
- Incorporation of objectives as well as task and responsibility areas in the Group's rules and regulations.
- Preparation for incorporation of BCP database and reporting system into the R2C information software.
- Initiation and execution of periodic BCP audits and assessments.

On these grounds, Oerlikon will develop and implement advanced, extensive concepts and packages of measure in the continuity plan. The definition and development of rules of conduct in crises will be the particular focus, customized to meet the individual demands of the individual business units, as well as a dedicated BCP for the Group's IT headquarters.

## Corporate Governance

Oerlikon Corporate Governance follows the “Swiss Code of Best Practice for Corporate Governance” as well as internationally recognized standards.

Oerlikon feels a strong sense of obligation to uphold the recognized principles of good corporate governance as laid out in the “Swiss Code of Best Practice for Corporate Governance” propounded by “Economiesuisse”. By addressing this justified concern, Oerlikon aims to sustain and increase the trust placed in it by the company’s present and future shareholders, providers of funding, employees and business partners, as well as the general public.

Responsible corporate governance requires transparency with regard to the organization of management and control mechanisms at the uppermost echelons of the enterprise. Therefore, the “Directive on Information Relating to Corporate Governance” (DCG), enacted by the SWX Swiss Exchange and effective since July 1, 2002, requires issuers of securities to make available to investors certain key information pertaining to corporate governance.

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

Further information regarding Corporate Governance can be found on the company’s website [www.oerlikon.com](http://www.oerlikon.com)



## Group structure



<sup>1</sup>Europe, Middle East, Africa

<sup>2</sup>From March 1, 2007

<sup>3</sup>From February 1, 2007

<sup>4</sup>The name Oerlikon Fairfield Drive Systems applies only in the USA

## Group structure and Group companies

### Operational Group structure:

Management of the Group is carried out at the behest of the Board of Directors by the CEO and the Board of Directors and the operational business units. The Board of Directors, Executive Board and the company's business units are supported in their work by centralized Corporate Functions offices and regional organizations.

### Listed Group companies:

OC Oerlikon Corporation AG, Pfäffikon is listed on the SWX Swiss Exchange (Symbol: OERL; security number: 081682; ISIN number: CH0000816824). On 31 December 2006, the company's stock market capitalization totaled CHF 8 521 million. For further information on OC Oerlikon Corporation AG, Pfäffikon see page 127 et seqq.

Saurer AG, headquartered in Arbon, is listed on the SWX Swiss Exchange (Symbol: SAUN, security number: 1234514; ISIN number: CH0012345143). As of the end of February 2007, OC Oerlikon Corporation AG, Pfäffikon holds 99.45 percent of the company. On December 31, 2006, Saurer AG's stock market capitalization totaled CHF 1 954 million. Saurer has been fully consolidated by OC Oerlikon Corporation AG, Pfäffikon since November 2006. Saurer AG has indirect interests in two companies which are listed on foreign stock exchanges: Fairfield Atlas Limited, India, and Schlafhorst Engineering, India Ltd. Both companies are listed on the Bombay Stock Exchange Limited.

### Unlisted Group companies:

OC Oerlikon Corporation AG, Pfäffikon as parent company of the Group, owns all of the Group companies either directly or indirectly, mostly with a 100 percent interest. The local companies included in the scope of consolidation are shown on page 135 in their legal structure, then on page 122 et seqq. they are listed by country together with each company's share capital, percentage of shares owned and workforce.

## Significant shareholders (as at 31 December 2006)

	Shareholdings as per official disclosure	
	No. of shares	in percent <sup>1</sup>
Victory Industriebeteiligung AG, Vienna <sup>2</sup>	4 831 192	34.16
Zürcher Kantonalbank, Zurich	2 506 601	17.72
Renova Holding Ltd., Nassau, Bahamas <sup>3</sup>	1 450 000	10.25
OC Oerlikon Corporation AG, Pfäffikon <sup>4</sup>	1 050 010	7.42
Merrill Lynch Group, New York	716 023	5.06

<sup>1</sup> Basis: issued shares (14 142 437)

<sup>2</sup> Beneficial ownership:

- 50% Millennium Privatstiftung, Praterstrasse 62-64, 1020 Vienna, Austria
- 50% RPR Privatstiftung, Seilerstätte 18-20, 1010 Vienna, Austria

<sup>3</sup> Beneficial ownership: Victor F. Vekselberg, Moscow and Zurich

<sup>4</sup> Actual shareholding as at December 31, 2006

## Cross-shareholdings

There are no cross-shareholdings.

## Capital structure

### Capital

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

### Authorized capital and conditional capital

**Authorized capital:** the company has no authorized capital.

**Conditional capital for warrant and convertible bonds:** Pursuant to Art. 6a of the Articles of Association, the company's share capital can be increased by a maximum aggregate amount of CHF 40 million through the issuance of a maximum of two million registered shares with a par value of CHF 20 per share, by exercising the option and conversion rights granted in connection with bonds of the company or one of its Group companies. The subscription rights of shareholders are excluded in this regard. Current holders of option certificates and/or convertible bonds are entitled to acquire the new shares. When issuing warrant and convertible bonds, the Board of Directors can limit or exclude the preemptive subscription rights of shareholders (1) to finance or refinance the acquisition of enterprises, units thereof or equity interests, or newly planned investments of the company, (2) to issue warrant and convertible bonds on international capital markets. In as far as preemptive subscription rights are excluded, (1) the bonds are to be made public under market conditions, (2) the exercise period for the option and conversion rights may not exceed seven years from the date the bond was issued and (3) the exercise price for the new shares must at least correspond to the market conditions at the time the bond was issued.

**Conditional capital for employee stock ownership plans:** Pursuant to Art. 6b of the Articles of Association, the company's share capital shall, to the exclusion of the preemptive subscription rights of current shareholders, be increased by a maximum aggregate amount of CHF 7.2 million through the issuance of a maximum of 360 000 fully paid-in registered shares with a par value of CHF 20 each, by exercising the option rights granted to the employees of the company or one of its Group companies according to an employee stock ownership plan to be approved by the Board of Directors. The issuance of shares at less than the market price is permissible. The details shall be determined by the Board of Directors.

### Changes in capital

The share capital of OC Oerlikon Corporation AG, Pfäffikon has remained unchanged since the capital increase of 2004. Detailed information on changes in the equity capital of OC Oerlikon Corporation AG, Pfäffikon over the last three years can be found in the holding company's equity capital certificate on page 132, note 17, of the Annual Report.

### Shares and participation certificates

The equity securities of OC Oerlikon Corporation AG, Pfäffikon consist exclusively of 14 142 437 fully paid-in registered shares with a par value of CHF 20, all of which are equal with respect to their attendant voting rights, dividend entitlement and other rights. The registered shares of OC Oerlikon Corporation AG, Pfäffikon are in principle not certificated but instead are registered solely as book-entry securities in the inventory of SIS SegalnterSettle AG. Shareholders may at any time request that the company print and deliver their shares in certificate form free of charge, and the company may at any time print certificates for non-certificated shares (registered shares where printing of certificates has been deferred). If registered shares are to be printed, OC Oerlikon Corporation AG, Pfäffikon may issue certificates covering multiples of registered shares. The share certificates bear the facsimile signatures of two members of the Board of Directors.

### Profit-sharing certificates

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

### Limitations on transferability and nominee registration

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

### Convertible bonds and options

As at December 31, 2006 there were no outstanding convertible bonds or warrant bonds. In conjunction with share ownership programs, members of the Board of Directors and employees held a total of 47 508 options (cf. page 115 et seqq., note 28) on December 31, 2006, each of which entitles the holder to acquire one registered share in OC Oerlikon Corporation AG, Pfäffikon. These option rights are covered in full by shares that have been acquired in the open market, such that their exercise will not result in any change in share capital. The aggregate par value of the shares purchasable by means of the outstanding options is CHF 950 160.

## Competent and lean The Oerlikon Board of Directors



### Georg Stumpf

Has been Chairman of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon since February 2006, after having been elected to the Board in 2005. The Millennium Privatstiftung, Vienna, which was founded by Georg Stumpf, owns 50 percent of Victory Industriebeteiligung AG, the largest shareholder in Oerlikon. Georg Stumpf has been successfully managing investment projects in Europe since 1995 via his own company, Stumpf AG, which has offices in Vienna, London and Budapest. Prior to that he was Managing Director of the Stumpf family business, which for the past 50 years has owned an array of financial interests in industrial companies and in the field of commercial real estate development. Georg Stumpf graduated summa cum laude from the Vienna University of Economics and Business Administration and has an educational background in structural and civil engineering.



### Thomas Limberger

Has been a member of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon since 2004 and is Vice Chairman since February 2006. He has headed Oerlikon since August 1, 2005 as Chief Executive Officer. Prior to that, Thomas Limberger was CEO of General Electric Germany, Austria and Switzerland, and in this position was responsible for 11 000 employees and an annual sales of over EUR 6 billion. From 1996 to 2002 he held various management positions with healthcare company Fresenius and Fresenius Medical Care. Thomas Limberger is a Board member of the American Chamber of Commerce in Germany and the Central Association of the Electrical Engineering and Electronics Industry Germany. He holds a Master of Business Administration degree (MBA) in Finance & Strategic Management.



### Günther Robol

Has been a member of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon since 2005. He is an independent management consultant who specializes in auditing, corporate financial examination and insolvency law. Prior to that, Günther Robol headed the Austrian affiliate of Price Waterhouse as the President of its management committee. From 1965 to 1991 he worked for a number of auditing firms. Günther Robol is a director of several other companies and a lecturer at the Innsbruck University of Applied Sciences. He has also been Vice President of the Austrian Institute of Auditors and a member of various professional associations. Günther Robol completed his studies in economics and sociology in Vienna with a degree in business management.



### Christian Schmidt

Has been a member of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon since 2005. He is co-owner and Executive Board member of a number of industrial companies and holds various directorships in Switzerland and elsewhere: he is chairman of Board of Von Roll Inova Holding AG, Zurich. Christian Schmidt completed studies in the field of geotechnics and water resource planning at the University of Natural Resources and Applied Life Sciences in Vienna, as well as in technical management sciences at the Swiss Federal Institute of Technology (ETH) in Zurich.

### Mirko Kovats

(not pictured) held the post of Chairman of the Board of OC Oerlikon Corporation AG, Pfäffikon from June 2005 to January 2006. Until January 2006 he was co-owner of Victory Industriebeteiligung AG. Mirko Kovats is the largest shareholder of A-Tec Industries AG and Chairman of the Board of ATB Austria Antriebstechnik AG. He studied commercial sciences at the Vienna School of Economics.

## Board of Directors

The basis for the organization and duties of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon is anchored in the Swiss Code of Obligations and the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon and its Rules of Organization.

### Members of the Board of Directors

In this financial year, the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon was composed of Mirko Kovats (Chairman up to January 31, 2006), Georg Stumpf (Vice Chairman), Thomas Limberger, Günther Robol and Christian Schmidt. Mirko Kovats stepped down from the Board of Directors as of January 31, 2006. Effective from February 1, 2006, Georg Stumpf was elected Chairman of the Board and Thomas Limberger Vice Chairman.

In the three financial years up to the reporting period, the non-executive members of the Board of Directors were not involved in the upper management of OC Oerlikon Corporation AG, Pfäffikon or any other Group company. They do not have any material business dealings with the Oerlikon Group.

### Composition of the Board of Directors

Name (Nationality)	Residency	Position	Age	Elected	Term expires	Executive/ Non-executive
Georg Stumpf (A)	A	Chairman since 1.2.2006 Vice Chairman until 31.1.2006	34	2005	2008	Non-executive
Thomas Limberger (D)	CH	Vice Chairman since 1.2.2006	39	2004	2007	Executive since 1.8.2005
Günther Robol (A)	CH	Member	66	2005	2008	Non-executive
Christian Schmidt (A)	CH	Member	49	2005	2008	Non-executive
Mirko Kovats (A)	A	Member and Chairman until 31.1.2006	58	2005	–	Non-executive

### Other activities and vested interests

See page 67.

### Cross-involvement

There are no cross-involvements.

### Elections and terms of office

Board members are elected by the General Meeting of shareholders for a term of three years. They may be re-elected for a new three-year term of office prior to the expiration of their current term. The schedule of elections is where possible set in such a way that the term of office of about one-third of the members expires each year. Pursuant to the Rules of Organization, the mandate of Board members expires – the current term of office notwithstanding – at the next Ordinary General Meeting of shareholders after a given Board member reaches the age of 70.

### Internal organizational structure

Allocation of tasks within the Board of Directors: The Board of Directors is the ultimate management body of the Group. It is empowered to rule on all matters not by law, statutes or regulations reserved for, or otherwise delegated to, some other corporate body (see also page 70, Definition of Areas of Responsibility). Implementation of the Board's resolutions is the responsibility of the Executive Board.

The Chairman of the Board of Directors presides over the Board and is the immediate superior of the Chief Executive Officer (CEO) and the other members of the Executive Board. The Chairman convokes, prepares and chairs meetings of the Board. He also represents the corporation vis-à-vis shareholders, chairs the General Meeting of the shareholders and supervises the internal audit in conjunction with the Audit Committee. If the Chairman is prevented from performing his duties due to illness, accident or extended absence, those duties are assumed by the Vice Chairman of the Board for the duration of any such absence or, should he also be unavailable, by some other member to be designated by the Board.

Committees of the Board of Directors: two permanent committees exist to assist the Board of Directors or prepare for important decisions:

Audit Committee (AC) and Human Resources Committee (HRC).

Membership of these committees in 2006 was as follows:

#### Composition of committees of the Board of Directors

Name	Audit Committee (AC)	Human Resources Committee (HRC)
Georg Stumpf	Member	Chairman from 1.2.2006
Thomas Limberger	Member	Member
Günther Robol	Chairman	–
Christian Schmidt	–	Member
Mirko Kovats	–	Chairman until 31.1.2006

Mirko Kovats stepped down from the Board of Directors as of 31 January 2006; since that time the Human Resources Committee has been chaired by Georg Stumpf.

### Audit Committee (AC)

The responsibilities of the former Audit and Finance Committee were reduced during the reporting year – as was the norm internationally – to just audit-related matters, and the name of the committee therefore changed to Audit Committee. Finance matters are now dealt with directly by the full Board. The AC comprises at least three and a maximum of six preferably non-executive, independent members of the Board of Directors. The majority of its members, including its Chairman, must be experienced in the fields of finance and accounting. At least one member should have experience of financial reporting. The AC advises and supports the Board of Directors primarily in the areas of accounting and financial reporting, internal and external audit, internal control systems, corporate governance and compliance.

Its responsibilities include:

- examining and reviewing financial reporting, in particular the individual financial statements of the holding and consolidated financial statements and the publication of certain intermediate financial reports,
- deciding whether the individual financial statements of the holding and the consolidated financial statements be recommended to the Board of Directors for presentation to the General Meeting,
- examining and approving instruments, entities and processes for monitoring and managing risks in the corporation, i.e. business risk management, external and internal audit,
- examining and approving the work, compensation and independence of external auditors,
- examining and approving the effectiveness of the monitoring system to ensure compliance with legal and regulatory provisions.

### **Human Resources Committee (HRC)**

The HRC comprises at least three individuals, the majority of whom are non-executive, independent members of the Board of Directors. It primarily advises the Board in the following areas:

- composition of the Board of Directors, Executive Board and other key corporate positions,
- compensation of Board members, the Executive Board and other key corporate positions,
- planning for successors to the members of the Board of Directors, the Executive Board, heads of segments and business units and other important corporate positions,
- introduction of employee stock ownership programs,
- management development measures.

The HRC has decision-making powers concerning the introduction of and changes to compensation schemes for the Executive Board and senior management.

### **Work methods of the Board of Directors and its committees**

The Board of Directors meets at the invitation of its Chairman as often as business matters require, or at the request of one of its members. In 2006, seven Board meetings were held, two of them in the form of telephone conferences. Meetings lasted on average around two hours. Additionally, many decisions were taken by circular.

The members of the committees, as well as their respective chairmen, are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their term of office as a Director. Those Board members who are not members of the committees are entitled to take part in committee meetings in an advisory capacity. As a general rule, members of the Executive Board and, as required, individual experts also take part in such meetings in an advisory capacity. Where necessary, representatives of auditors or external consultants take part in committee meetings. Minutes are kept of the meetings. The committees meet at the invitation of their respective chairmen as often as business matters require, but at least four times (AC) or three times (HRC) annually.

In 2006 there were four meetings of the AC, lasting between one and four hours. In addition to the official meetings of the AC, there were frequent information meetings between the Chairman of the AC and the CFO as well as representatives of the corporate areas concerned (in particular Corporate Accounting and Internal Audit). The Chairman of the AC also met regularly with representatives of KPMG (External audit) and Ernst & Young (Internal audit). As three out of four members of the Board of Directors are also members of the HRC (and the Chairman of the Board is also Chairman of the HRC), that committee's responsibilities in this reporting period were undertaken directly by the full Board of Directors.

### **Definition of areas of responsibility**

Pursuant to Art. 17 Para. 3 of the Articles of Association, the Board of Directors has essentially delegated the business management of OC Oerlikon Corporation AG, Pfäffikon and the Group as a whole to the Executive Board. The scope of tasks for which the Board bears responsibility essentially encompasses those inalienable and non-delegable tasks defined by law. These include the overall management of OC Oerlikon Corporation AG, Pfäffikon and the Group as a whole, the determination of the company's strategic orientation, the appointment and dismissal of the CEO and other members of the Executive Board and heads of the business units, as well as the overall supervision of those individuals entrusted with managing and representing the company.

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

The Board of Directors has a wide array of instruments that enable it to perform the tasks of monitoring strategic and operational progress as well as risk developments.

The instruments at its disposal include the following elements:

#### The Board of Directors' right of access to and the Executive Board's duty of information:

The CEO must keep the Chairman constantly informed and the Board of Directors periodically informed about the current course of the business. He must also bring any extraordinary incidents which could have considerable impact to the immediate attention of the Board. The Board of Directors also has comprehensive right of access to the CEO and the other members of the Executive Board.

The Board of Directors and its committees regularly take advice from members of the Executive Board in order to ensure that the most comprehensive and up-to-date information on the state of the corporation and all relevant elements are included in its decision-making. Additionally, heads of business units and specialist areas or other members of the Group may be consulted on a case-by-case basis in order to gain detailed and comprehensive information on complex matters.

**Controlling:** With regard to strategic controlling, the key instruments are strategic analyses prepared by the Group's individual business units, as well as an annually revised strategic plan. In terms of operational controlling, the Board of Directors receives the annual financial plan (budget) along with monthly controlling reports with budgeted/actual analyses to assist in the assessment of the Group's operations.

**Business risk management:** A key component of business risk management (BRM) is the generation of a risk matrix for the company as a whole, as well as for its individual business units. This overview, which is closely scrutinized at least once a year, enables monitoring of ongoing risks and developments and constitutes the basis for measures aimed at managing those risks. BRM is integrated into the strategic planning and budgeting processes.

**Internal Audit:** Oerlikon Group has had an internal audit function since 2003, originally outsourced to Ernst & Young, but since 2006 co-sourced by an internal department. With the focus on the primary risks identified by the company's Business Risk Management, past experience and current group requirements, the internal audit department checks critical processes with a view to improving security and efficiency. Compliance issues are also audited. The audit plan for the coming year addresses Oerlikon's strategic goals of the next years and has been defined in agreement with the external auditors. The internal audit plan for the year 2007 was approved by the Audit Committee in November 2006.

**External Audit:** The external auditor reports primarily to the Audit Committee, then to the Board of Directors, and lastly to the shareholders. Since 2003 external audit has been carried out by KPMG AG. The external auditor's plans are coordinated with those of internal audit. On completion of the audit, the Group auditor reports his findings in detail to the Audit Committee.

The continued independence of the Group auditors is ensured by written representations provided by the auditors and also by monitoring of audit fees in relation to total fees for all services paid by Oerlikon to the audit firm.



## Executive Board

### Management philosophy

The Executive Board, supported by the corporate functions and regional offices, manage the company centrally as a unit. The overriding Group strategy and a shared corporate culture form the basis for this collaboration. Within those guidelines, the business units bear responsibility for the day-to-day operational activities. Clearly defined, binding goals and regular monitoring of the achievement of those goals ensure a high level of transparency throughout the Group.

### Composition of the Executive Board

On December 31, 2006, Thomas Limberger (CEO) and Dr. Jörg Eichkorn (CFO) were members of the Executive Board. Siegfried Lamprecht (Head of Corporate Human Resources) and Rainer Mück (CFO) stepped down from the Executive Board at the end of June 2006 and on December 12, 2006 respectively.

### Composition of the Executive Board

Name	Nationality	Age	Position	Joined	In position since	Stepped down
Thomas Limberger	D	39	CEO	2004	01.08.2005	–
Dr. Jörg Eichkorn	D	41	CFO	2006	12.12.2006	–
Rainer Mück	D	40	CFO	2005	01.10.2005	12.12.2006
Siegfried Lamprecht	D	47	Head of Corporate Human Resources	2005	01.08.2005	03.06.2006

### Education and professional background of Board members

#### Thomas Limberger, Chief Executive Officer

See page 67 of this Annual Report.

#### Dr. Jörg Eichkorn, Chief Financial Officer

Dr. Jörg Eichkorn (1966, German citizen) is Chief Financial Officer of Oerlikon. He was in charge of Corporate Controlling from February 1, 2006 and became deputy CFO in June 2006. On December 12, 2006 he was appointed CFO of Oerlikon. Jörg Eichkorn is well-experienced and knowledgeable in international financial management. He studied Business Management at the University of St. Gallen, and took his degree there in 1996. After studying law in Konstanz (first examinations) he spent six years as a consultant with Boston Consulting Group in Munich and two and a half years as COO for taxes and balance sheet preparation with Commerzbank in Frankfurt.

### Other activities and interests of Board members

No member of Oerlikon's Executive Board is a member of management or supervisory boards of any significant Swiss or foreign corporation, institution or foundation other than Oerlikon and Saurer. Members of corporate management do not carry out permanent consulting or management functions for any significant Swiss or foreign companies, nor do they have responsibilities in government service or politics.

### Important changes since December 31, 2006

Dr. Uwe Krüger (42) and Björn Bajan (47) were appointed as new members of the Executive Board, Dr. Uwe Krüger as Chief Operating Officer (COO) and Björn Bajan as General Counsel. The appointments were made by the Board of Directors on January 31, 2007. Björn Bajan took up office on February 1, 2007, Dr. Uwe Krüger on March 1, 2007.

### Management contracts

As of December 31, 2006, OC Oerlikon Corporation AG, Pfäffikon and its Group companies had no material third-party management contracts.

## Remuneration, shareholdings and loans

### **Content and method of determining the compensation and share ownership programs**

In a normal year, about half of the value of remuneration received by members of the Board of Directors is paid in cash and half in the form of stock options and/or shares. The amount of remuneration for Board members is proposed by the Human Resources Committee and set by the Board of Directors.

Members of the Executive Board receive remuneration composed of a fixed base salary and a variable component generally amounting to about 30 percent of total remuneration if goals are met. The amount of the variable component is based on attainment of individual (30 percent) and financial (70 percent) goals, with the financial goals measured against the operating profit. Additionally, Executive Board members receive shares and/or options as a long-term bonus. The Board of Directors approves remuneration plans for Executive Board members at the proposal of the Human Resources Committee. The option plan for members of the Executive Board was established by the Board of Directors on December 15, 2005.

### **Compensation for acting members of governing bodies**

The total of all compensation that was conferred by OC Oerlikon Corporation AG, Pfäffikon or one of its Group companies for the financial year 2006 and directly or indirectly benefited non-executive members of the Board of Directors, amounted to CHF 795 000.

The total of all compensation that was conferred by OC Oerlikon Corporation AG, Pfäffikon or one of its Group companies for the financial year 2006 and directly or indirectly benefited executive members of the Board of Directors, amounted to CHF 4 198 332.

### **Compensation for former members of governing bodies**

In the financial year 2006, CHF 1 228 706 was paid to former executive members of the governing bodies. No payments were made to former non-executive Board members.

### **Share allocations**

For the financial year 2006 a total of 1 169 shares were allotted to non-executive members of the Board of Directors (and parties closely linked to such persons), and a total of 7 000 shares to executive members of the Board of Directors and members of the Executive Board.

### Share ownership

As at 31 December 2006, non-executive members of the Board of Directors (and parties closely linked to such people) held, by their own declaration, no registered shares in OC Oerlikon Corporation AG, Pfäffikon. The executive members of the Board of Directors who were active on December 31, 2006 and members of the Executive Board (and parties closely linked to such people) held, according to their own declarations, a total of 13 027 registered shares in OC Oerlikon Corporation AG, Pfäffikon.

### Options

As at December 31, 2006, non-executive members of the Board of Directors held no options on equity securities in OC Oerlikon Corporation AG, Pfäffikon. The executive members of the Board of Directors and the members of the Executive Board on December 31, 2006 held a total of 40 000 options, which were allocated January 1, 2006. These options are blocked until December 31, 2008 and have an exercise price of CHF 250. The exercise period runs from January 1, 2009 to December 31, 2009. Options not exercised expire if the beneficiary leaves the company. Each option grants entitlement to a single registered share in OC Oerlikon Corporation AG, Pfäffikon.

### Additional fees and remunerations

The members of the Board of Directors and Executive Board and parties closely related to those individuals received no fees or other remuneration for additional services rendered to OC Oerlikon Corporation AG, Pfäffikon or its Group companies in the financial year 2006.

### Loans to members of governing bodies

As at December 31, 2006, OC Oerlikon Corporation AG, Pfäffikon and its Group companies had not granted any guarantees, loans, advances or credits to members of the Board of Directors, the Executive Board or and party related to those individuals.

### Highest total compensation

The highest total compensation paid to a member of the Board of Directors in the financial year 2006 was as follows:

■ Compensation:	CHF 1 954 982
■ Shares:	5 000 shares
■ Options:	40 000 options*

\* The options were granted in December 2005 to take effect from January 1, 2006. These options are blocked until December 31, 2008. The exercise price is CHF 250. The exercise period runs from January 1, 2009 to December 31, 2009. Options not exercised expire if the beneficiary leaves the company. Each option grants entitlement to a single registered share in OC Oerlikon Corporation AG, Pfäffikon.

## Shareholder participation rights

### Voting right restrictions and representation

There are no restrictions on voting rights. Each shareholder may be represented at the General Meeting by means of a written proxy issued to some other registered shareholder, by the institutional representative (OC Oerlikon Corporation AG, Pfäffikon) or by the company-appointed independent voting rights representative.

### Statutory quorums

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

### Convocation of the shareholders' General Meeting

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

### Agenda

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

### Share register entries and related deadlines

The 2007 General Meeting of shareholders will be held on May 8, 2007 in the Lucerne Culture and Convention Center (KKL). Shareholders who are already registered in the share register or will be registered by April 12, 2007 will receive, along with their invitation, a registration form for participation at the General Meeting with which an admission card, including voting materials, can be requested. Changes to the share register after April 12, 2007 will only be taken into account provided it is possible to do so from an organizational standpoint and the equal treatment of other shareholders can be ensured.

The status of the share register as at May 4, 2007 determines the right to vote at the General Meeting. Shareholders are not entitled to vote on shares listed on an admission card which they have subsequently sold. In such cases previously issued admission cards will be exchanged at the entrance to the General Meeting.

### Right to inspect the minutes of the General Meeting

The minutes of the 33<sup>rd</sup> Ordinary General Meeting of shareholders held on May 23, 2006 can be read on the Internet at [www.oerlikon.com](http://www.oerlikon.com) and shareholders may also inspect the minutes at the headquarters of the corporation upon prior notice. The minutes of the Ordinary General Meeting 2007 will be published on the Oerlikon website as soon as they are compiled.

## Changes of control and defense measures

### Duty to make an offer

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

### Change of control clause

In the event of a change of control at OC Oerlikon Corporation AG, Pfäffikon OC Oerlikon Management AG, Pfäffikon is obliged to make a severance payment to any members of the Executive Board active on December 31, 2006 who have been dismissed other than for cause within the context of Art. 337 of the Swiss Code of Obligation, within a period of two years from the effective date of the change of control, or who themselves resign within one month subsequent to the effective date of a change of control. The amount of such severance payment is equal to one annual base salary at the time of termination plus one yearly target achievement bonus and all the employer contributions to the pension fund paid in the twelve-month period preceding the date of termination of the contract.

A change of control is deemed to be the direct or indirect acquisition of at least 50 percent of the voting shares in OC Oerlikon Corporation AG, Pfäffikon by any person or entity who, at the time the contract with a given Executive Board member was signed, held no more than 5 percent of the company's shares, in combination with the replacement of the Chairman of the Board of Directors.

## Auditors

### Duration of mandate and lead auditor's term of office

KPMG AG was elected as auditor by the General Meeting of May 23, 2003 for the first time. At the 33<sup>rd</sup> General Meeting of May 23, 2006, they were confirmed in that role for a further year. For the audit of the 2005 financial year, Mr. Herbert Bussmann was, for the first time, auditor in charge at Oerlikon.

### Auditing fees

In the calendar year 2006, KPMG AG invoiced the company for CHF 2.3 million for global auditing fees.

### Additional fees

In the calendar year 2006, KPMG AG invoiced the company for CHF 1.0 million for additional services.

### Supervisory and control instruments pertaining to audit

The Audit Committee of the Board of Directors conducts a thorough annual assessment of the performance, remuneration and independence of the auditors and Group auditors (see also page 71) and submits a proposal to the Board of Directors for the election of external auditors by the General Meeting of shareholders. On the basis of an integrated strategic audit plan that encompasses both the internal and external audit, the Audit Committee conducts an annual examination of the auditing plan for the upcoming annual financial statements. Once the auditing work has been completed, the results are analyzed and discussed with the external auditors through a comprehensive management letter. The results of this constitute the basis for determining the following year's audit plan.

The Chairman of the Audit Committee meets regularly with the lead auditor and other representatives of the audit company. They also participate in meetings of the Audit Committee dealing with the relevant agenda points.

In the reported year, KPMG AG participated in one meeting of the Audit Committee.

## Information policy

### General

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

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

### Corporate notifications

The corporate notifications published in 2006, along with all notifications dating back to March 2004, can be accessed on the website [www.oerlikon.com](http://www.oerlikon.com).

### Agenda

March 27, 2007

Media and analysts' conference on the 2006 annual results, Park Hyatt, Zurich

April 24, 2007

Key figures for the first quarter of 2007

May 8, 2007

General Meeting of shareholders, Lucerne Culture and Convention Center (KKL)

August 28, 2007

Publication of the mid-year report 2007

October 23, 2007

Key figures for the third quarter of 2007

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**Pioneering  
Innovations**  
**This is how  
we ensure  
our Customers'  
Success**

## Our innovations give our customers a clear competitive edge.

Based on core technologies, we develop comprehensive solutions that are further enhanced by a range of complementary services.

### Breakthrough in solar energy: Thin-film solar technology



The new thin-film solar technology offers numerous advantages over conventional solar technology. The thin-film process requires no expensive silicon wafer, but instead, it uses the process gas silane. Moreover, the 0.002 millimetre thin silicon film that is applied to a float glass uses approx. 200 times less raw material. The module costs and therefore the energy costs are approx. 30 percent lower than with conventional solar cells. In addition, solar modules with a surface area of 1.4 square meters and a homogeneous design are much better suited for installation on buildings.

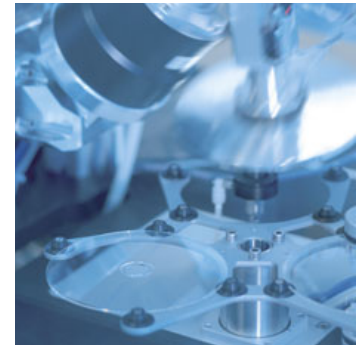
The professional world agrees that thin-film solar technology will grow much faster than conventional solar technology and that it will surpass conventional technology in the long term. At present, Oerlikon Solar is the only supplier of production lines in the world for the production of thin-film solar modules on the basis of amorphous silicon. Within a seven-step process, a viable solar module is created from an untreated glass top. Through own developments as well as specific acquisitions, Oerlikon Solar controls the whole process and can supply fully automated turnkey production lines.

### A revolution in coating: P3e™

“P3e” stands for “Pulsed Enhanced Electron Emission” and is pronounced “P Triple E”. Behind it lies a technological breakthrough: for the first time, oxide coatings can be produced in the required corundum structure at temperatures around 500°C. After diamonds, corundum is the second-hardest mineral in the world. Previously, such incredibly resilient coatings could only be produced at high temperatures, with all the disadvantages that this involves for the carrier materials. Using P3e™ technology, important coating properties can be influenced in a more direct and targeted manner. This opens up whole new perspectives for coating developers, by enabling the use of materials that could not previously be processed and by giving them more scope in terms of the composition and thickness of coatings. Alongside this technology, Oerlikon has developed its new INNOVA coating system, which can already be used with P3e™. It is also equipped with a new etching technology, which makes the pre-treatment of tools even more efficient and reliable. The first focus area for the P3e™ technology is indexable inserts for milling and turning. These small precision tools are produced in vast quantities. Scientists have been searching for a process like this for more than a decade: now Oerlikon has found the solution.



### Data galore: Blu-ray



With the advent of high-definition television (HDTV), plasma screens and home cinema, home entertainment electronics are becoming more and more data intensive. The capacity of current optical storage media, such as DVDs, is no longer enough for such vast data volumes. That's why the leading manufacturers of drives, media and production lines have spent years developing the next generation: the new Blu-ray format. These discs, which look similar to DVDs, can store up to 50 Gigabytes. Just one disc with a diameter of only 12 centimetres can store up to 12 hours of high-definition film, 24 hours of standard DVD picture quality or 36 hours of music. Oerlikon Coating Systems is leading the way in this market of the future through its Data Storage division. As one of the first suppliers in this field, Oerlikon Balzers Coating is launching the INDIGO R/RE production line, which can be used to manufacture Blu-ray discs and has been developed with the close cooperation of Philips. A cooperation that is about to be taken one stage further. Philips OM&T is going to introduce the INDIGO R/RE product line for the production of its Blu-ray storage media. Besides this, Sony and Oerlikon have signed a contract for joint development of the production technology for 50 Gigabytes Blu-ray-discs. Oerlikon is integrating Sony's proven processes into its INDIGO equipment and will supply this to Blu-ray-discs manufacturers worldwide.

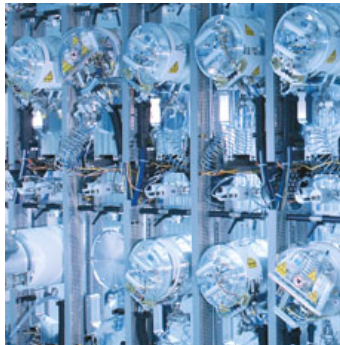


## Nanotechnology for semiconductors: GEN V

With the MASK ETCHER V™ (GEN V), Oerlikon Coating Systems has made the next technological leap in the semiconductor industry. Mask Etcher is used to create the stencils (photomasks) necessary for the exposure and production of wafers. The aim of this development is to make the structures of these stencils even smaller, in order to be able to accommodate more and higher performance components on one chip. This in turn will increase the performance of processors and memory. With GEN V, these structures can now be reduced in size to 32 nanometres – with further development potential for 22 nanometres. The individual lines of the stencils must therefore be accurate to better than two nanometres. Here, Oerlikon technology is operating at the very limits of optical physics. In order to achieve this level of precision, the Oerlikon Mask etcher hardware and process technology have been completely redeveloped and use nanotechnology processes. Leading semiconductor manufacturers have already opted for GEN V and others are currently evaluating the system. The mass production of chips with 32 nanometre technology is already at the preparation stage and is expected to begin in two years time.



## 10 times more storage capacity for hard disks



RACETRACK makes use of this so-called perpendicular magnetic recording technology (PMR). To understand the advantages PMR offers, you have to look at the memory coating on a hard disk using a magnifying glass. It consists of a more or less large collection of data bits. A data bit is a micromagnet shaped like a rod. It is 40 nanometers in size, about one 50th of the thickness of a human hair. In the longitudinal magnetic recording technique used until now (abbreviated: LMR), the micromagnets were aligned horizontally on the hard disk. In PMR they stand upright next to each other, like tin soldiers; in other words they are perpendicular to the surface of the hard disk. This creates more space. In fact, this approach can increase the storage density ten-fold and enable tiny high performance hard disks to be made with a diameter of only a few centimeters. To make hard disks with PMR technology, new coating equipment is needed. Oerlikon's RACETRACK offers a whole list of superlatives:

- Highest output on the market: 1,000 hard disks coated in an hour
- Shortest processing time: 2.9 seconds per hard disk
- Ultra-fast transport: 0.3 seconds from chamber to chamber
- Great diversity: suitable for hard disks ranging in diameter from 20 to 95 mm
- Maximum flexibility: modular concept with as many as 24 coating chambers
- Optimum maintenance: open design for problem-free service

## No vibrations: MAG W 300

The requirements of high-tech production and modern science are becoming ever more demanding in terms of purity and nanometre-level precision. Vacuum pumps play a key role in many applications of advanced technology and fundamental research. Thin film coatings and experiments with particle accelerators need a vacuum. As a supplier of these components, Oerlikon Leybold Vacuum is providing a new generation of high-tech turbomolecular vacuum pumps, which will be able to better meet the increased demands placed upon them. The pump design – realised for the first time with the launch of the MAG W 300 – has been completely revised. A new drive system and an active magnetic bearing enables these pumps to operate at speeds of up to 70,000 revolutions per minute with virtually no vibration. Their extremely compact design, modular construction and innovative interface design make system integration easy. Another special feature is the ability to choose any installation position.



## Seven-metre spunbond range sets new industry standard



With its seven-metre spunbond range, Oerlikon Neumag is setting a new standard in the textile industry. Thanks to a unique solution for separating synthetic fibres, systems with this width can produce the same quality that was previously only possible with smaller production systems. This new technology not only means lower investment costs and very low energy consumption, but also significantly less waste. This all makes production considerably more efficient.

The drawing off of the curtain of filaments using a compressed air system enables high drawing off speeds of up to 8,000 metres per minute. Together with setting parameters for cooling time, plaiting height and, above all, spin speed, this enables fine filaments under 1 dtex to be produced from standard polymers without special accessories. In addition to PP and PET, which are the main polymers used in the fleece industry, many other spinnable polymers are being introduced which previously had little application in the fleece industry. The modular system construction of all Oerlikon Neumag fleece spinning systems enables problem-free upgrading and retrofitting with innovative system components. This allows customers to always keep their systems up-to-date at the latest levels of technology with only small investments.

## COCOON – new manual texturing concept

The new Oerlikon Barmag COCOON, a manual texturing machine, is characterized by innovative, new components such as ATT and gadgets, efficient texturing using, for example, higher speeds and respecting natural resources by saving energy with the Oerlikon Saurer Textile energy efficiency programme e-save®. That means also more freedom in influencing the DTY process with the 240-position machine and producing premium yarn qualities.

### Background material

Push into the mid-range sector: The new COCOON mid-range texturing machine from Oerlikon Barmag has received a very positive response, in particular on the Asian market, and has already been supplied to leading customers.

More freedom in influencing the DTY process, significantly lower energy consumption, premium yarn qualities. As the manual "sibling" of the MPS, COCOON combines sturdy technology with groundbreaking high tech.



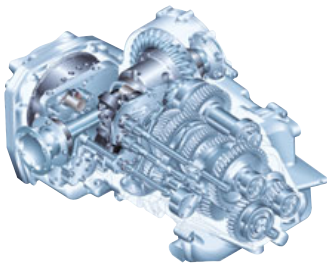
## New laser cutting and engraving technology



Oerlikon Saurer's new laser technology enables the efficient production of cutting patterns, entirely new pattern creations and a considerable increase in productivity. This new cutting and engraving technology sets new standards in terms of precision, productivity and flexibility. The laser system moves across the length of the stitching with tremendous speed and is accurate to within 0.5 millimetre. The operating area of the laser is set to 30 x 30 centimetres.

## New generation in transmission systems: “Dual Clutch”

A dual clutch consists of two interconnecting clutches. When selecting a higher gear, the components are so finely tuned that the higher gear is selected in milliseconds. When a higher gear is automatically selected, jerks and delays cannot be felt. Changing gears within the optimum torque range enables rapid acceleration, optimum road performance and efficient fuel consumption. Although this technology had in principle already been invented in 1940, it is only now becoming more popular. Thanks to sophisticated sensor technology, integrated processors and intelligent software, the mechanical systems can now be used in everyday applications. A control unit calculates the ideal switching point based on the signals from the sensor, torque, speed and transmission load, whereby different driving characteristics may be selected by the software – from sporty to relaxed drives. Oerlikon Graziano Drive Systems is the first independent gear manufacturer to produce a prototype, which has already been presented to different automobile manufacturers.



## Ultra-thin chips

Enabling semiconductor components to have continually increasing functionality in ever smaller space, requires the stacking of increasing numbers of very thin chips. The latest generation of these “Thin Dies”, ultra-thin chips, is only around 50 micrometres “thick”. Thin chips like these are extraordinarily delicate and place particular demands on the production process. The biggest challenge in processing these thin chips is picking them from the carrier foil. The usual procedure up until now of removing the chips from the foil using steel needles would

destroy them. So Oerlikon Assembly Equipment has developed a totally new solution: the “Advanced Thin Die Pick Up” (ATD). Here, the microchip is transported on a ramp, which is raised as soon as the chip is on it. A vacuum is created underneath the ramp, which lifts the chip from the foil and removes it. Once it has been removed, the microchip is placed on a system of smooth vacuum grooves. This system prevents the chip from coming into contact with the foil again and sticking to it. At the same time, it can be positioned to within one thousandth of a millimetre for further processing. With this innovation, Oerlikon Assembly Equipment has made the mass production of ultra-thin chips possible for the first time.



## Energy for satellites

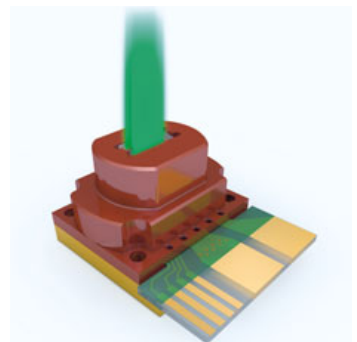
Galileo is the European satellite navigation system, which is due to be ready for operation at the end of 2011. It is based on 30 satellites and a network of earth stations that control the satellites. Galileo will provide more precise and reliable data than current systems. Economic experts predict that Galileo will create a new market worth billions. The energy for satellites is produced by solar generators, which convert the sun’s rays into electrical energy. In order to obtain the highest yield possible, the solar modules must always be optimally positioned in regard to the sun, which is exactly what is ensured by Solar Array Drive Mechanisms (SADM). Without these high-precision, complex components, satellites would not be able to function. In

recent years, Oerlikon Components Space has therefore developed and extensively tested its own targeted products, as well as taking over the SADM activities of other companies.



## New laser projection

Although lasers are already being used as a light source in projectors because of their high level of colour quality, they have not been suitable until now for mass production. Laser-based projection displays did not have the energy they needed, took up too much space and drove production costs up to dizzying heights. This is not true of the NECSEL (Novalux Extended Cavity Surface Emitting Laser) laser technology developed by Novalux, for which Oerlikon has secured marketing rights through the acquisition of a holding in the company. This new laser technology fits inside a matchbox and has impressive brightness and true colour. NECSEL chips render the installation of multiple components unnecessary. Using this base technology, Oerlikon Optics is developing its own modules for series production and opens up new markets, such as small LCD projectors, (‘pico projectors’), laser TV and 3-D applications.



### **Unique through innovative solutions**

Innovations are the core competence of Oerlikon. With unique processes and innovative solutions we rise above the competition. With an investment of CHF 260 million, we are among the most research-intensive industrial companies. By long-term and efficient innovation management we ensure that significant technological trends, for example in nanotechnology, are turned into new products and solutions for our customers and ourselves.

### **Our aim: To go beyond the limits of what is technically possible**

1 500 Oerlikon R&D specialists do not only work on the optimization of current products, they also endeavor to open up completely new applications and markets with the help of technological advances. In the past, we repeatedly demonstrated this skill with the invention of thin-film coating, pioneering work in vacuum technology or in textile-machine construction. Today, we are reaching new horizons, for example in the fields of thin-film solar technology or laser-projection systems.

### **Technology for the benefit of our customers**

For us, innovations are a means to an end. In close cooperation with our customers, we develop new processes and products and turn these into comprehensive solutions. It is our aim to provide users of leading technologies with a competitive edge.

We ensure our customers' sustainable success through the use of innovative solutions.

### **Research emphasis**

- Material sciences
- Surface physics – PVD
- Surface physics – CVD, plasma physics
- Solid-state & surface chemistry
- Mechatronics
- Optics, laser physics
- Electronics
- Simulation



**Hard disk coating with RACETRACK:  
innovative solutions for our customers.**