oerlikon

Annual Report 2007

Enabling High Technology

Oerlikon stands for innovation in machinery and plant engineering. With high-tech components and engineered solutions we are leaders in global growth markets.

With technology tailored to their needs we enable our customers to achieve sustainable competitive advantages.

Enabling High Technology.

Key figures 2007

(in CHF)

			Year-on-year	Pro forma Year-on-year [6]
5.63	**billion**	**sales**	**+155%**	**+20%**
6.04	**billion**	**orders received**	**+143%**	**+16%**
496	**million**	**EBIT**	**+53%**	**+15%**
678	**million**	**cash flow**	**+82%**	**+42%**

Key figures Oerlikon Group [1]

in CHF million	**January 1 to December 31** 2007	January 1 to December 31 2006
Orders received	6 041	2 491
Orders on hand	1 841	1 748
Sales	5 629	2 206
EBITDA	724	408
– as % of sales	13%	18%
EBIT	496	325
– as % of sales	9%	15%
Net profit	319	306
– as % of sales	6%	14%
– as % of equity attributable to shareholders of the parent	17%	21%
Cash flow from operating activities [2]	678	372
Capital expenditure for fixed and intangible assets	347	227
Total assets	6 290	6 189
Equity attributable to shareholders of the parent	1 859	1 488
– as % of total assets	30%	24%
Net liquidity [3]	–794	–592
Net assets [4]	3 266	3 114
EBIT as % of net assets (RONA)	15%	10%
Number of employees	19 349	18 735
Personnel expenses	1 412	693
Research and development expenses [5]	274	149

Key figures Oerlikon Group pro forma [6]

in CHF million	**January 1 to December 31 2007**	January 1 to December 31 2006
Orders received	6 041	5 220
Orders on hand	1 841	1 748
Sales	5 629	4 684
EBITDA	724	610
– as % of sales	13%	13%
EBIT	496	430
– as % of sales	9%	9%
Cash flow from operating activities [2]	678	479
Capital expenditure for fixed and intangible assets	347	339
Number of employees	19 349	18 735
Personnel expenses	1 412	1 324
Research and development expenses [5]	274	260

[1] A multiple year comparison of key figures 2003–2007 may be found on page 156.

[2] Before changes in net current assets.

[3] Net liquidity includes marketable securities and treasury shares at market value as per December 31.

[4] Net assets include current and non-current operating assets (excluding cash and financial assets) less operating liabilities (excluding financial liabilities and tax provisions).

[5] Research and development expenses include expenses recognized as intangible assets CHF 52 million (previous year: CHF 49 million).

[6] Pro forma presentation assuming an initial consolidation of the Saurer Group as per January 1, 2006.

Highlights 2007

Board of Directors and Executive Board
The annual general meeting elects the new Board of Directors. Dr. Uwe Krüger is appointed as new CEO. Björn Bajan becomes General Counsel and Corporate Secretary.

New Oerlikon Solar segment
All solar-related group activities are transferred to the new Oerlikon Solar segment headed by its CEO, Jeannine Sargent.

The first solar plants begin production

The first Oerlikon solar plant begins production on schedule at ersol Thin Film. Oerlikon Solar becomes the first and only supplier in the world of thin-film silicon production solutions with customer references for fully functional facilities. In the meantime, other customers such as SCHOTT Solar have also begun production of thin-film silicon solar modules.

Textile exhibition ITMA

At the world's largest textile machinery trade show Oerlikon Textile demonstrates its technological and economic leadership with a circle of innovation and numerous product innovations, including the new WINGS (Winder Integrated Godet System) POY (Partly Oriented Yarn) equipment, with a thread guidance mechanism previously believed to be unfeasible, and the new Autoconer 5 winding machine.

Expansion of business in Asia

The foundation is laid for the next phase of expansion in the textile machine plant in Suzhou, China. 30 000 square meters will be added to the existing 70 000 square meters. At the same time, Oerlikon Balzers opens a coating center at the same location in record time. Business in Asia accounted for almost 40 percent of group sales in 2007.

Syndicated CHF 2.5 billion loan
Oerlikon transfers the interim financing for the acquisition of Saurer AG to a credit facility for an amount of CHF 2.5 billion on investment-grade terms. 19 top international banks take part, among them Citi, UBS and Deutsche Bank.

Transmissions for wind power plants
Oerlikon Fairfield is awarded its first major contract from a global manufacturer of wind turbine drives to deliver complex gear and shaft components. This contract marks Oerlikon Fairfield's entry into the clean technology market.

Zero-emission vehicle
Oerlikon Graziano forms a partnership with the Norwegian automotive manufacturer Th!nk Technology for zero-emission vehicles and supplies the company with special transmissions.

Acquisition of VST Keller

Oerlikon Balzers acquires the coating company VST Keller, which brings special expertise for coating medium-sized and large stamping and forming tools using the innovative and environmentally friendly Pulsed Plasma Diffusion (PPD™) technology.

Market launch Micromorph Tandem

Oerlikon Solar begins a new chapter in solar technology with the market debut of its patented Micromorph Tandem technology. The process combines two different silicon materials – amorphous and microcrystalline silicon – and achieves efficiency of up to 10 percent by 2010.

Wire Bonder 3200

The latest development from Oerlikon Esec, the Wire Bonder 3200, is currently the fastest and most precise machine for wire bonding semiconductor chips.

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Oerlikon Textile

Textile technology

Oerlikon Textile is a total solution provider in the area of textile machines and textile plant engineering and thus covers the entire textile value chain. From plant design for the production of chemical fibers or non-wovens to equipment for ring spinning, rotor spinning, winding, twisting or embroidery, the products from Oerlikon Textile offer innovative and cost-effective solutions.

Applications and products

oerlikon barmag
- Filament yarn plants
- Texturizing systems

oerlikon neumag
- Staple fiber plants
- Non-woven plants
- Carpet yarn plants

oerlikon saurer
- Twisting systems
- Embroidery systems

oerlikon schlafhorst
- Spinning preparation systems
- Rotor spinning systems
- Ring spinning systems
- Winding systems

oerlikon textile components
- Components for the textile machine industry

Clients and partners (selection)

Barmag: DuPont, Hyosung, Michelin, Nanya Plastics, Reliance, Shaw Industries, Technofibres
Neumag: Albis, Mohawk, Oriental Weavers, Sanfangxiang, Shaw Industries
Saurer: Kordsa, Michelin, Pirelli, Shaw Industries, Vardhmann
Schlafhorst: Coteminas, Frontier, Fruit of the Loom, Parkdale, Sanko, Vardhmann

Key figures

in CHF million	2007	2006*
Orders received	**2 655**	2 329
Sales	**2 719**	2 148
EBIT	**208**	68
Employees	**7 753**	7 822
Percentage of sales spent on R&D	**3.8**	5.5

* Pro forma presentation

Oerlikon Coating

Coating technology

Oerlikon Coating plays the leading role in the global market for coating technology. Innovative processes for coating tools and components, complete production lines for data storage devices and production solutions for the manufacture of semiconductors: all build on the expertise of Oerlikon Coating.

Applications and products

oerlikon balzers

Coatings and solutions for:
- Head cutting tools
- Precision tools
- Precision components
- Forming tools
- Synthetic processing
- Diecast tools
- Motor technology
- Fluid technology
- Drive technology
- Fuel injection

oerlikon systems
- Metallizer DVD formats
- Hard drives
- Metallizer Blu-ray
- Thin-film heads
- Wafer production equipment
- Advanced packaging
- Thin wafer and multi-level metallization
- Photomask etching
- Compound Semi, MEMS and nanotechnology

Clients and partners (selection)

Balzers: ABB, Audi, Bosch, Ceratizit, Ford, Hitachi, Iscar, Kennametal, Mahle, OSG, Samputensili, Sandvik, Siemens, SKF, VW
Systems: AMD, Amkor, CREE, IBM, Infineon, NXP, Osram, Ricoh, Samsung, Seagate, Sony, ST, Technicolor

Key figures

in CHF million	2007*	2006*
Orders received	**1 346**	1 195
Sales	**994**	816
EBIT	**147**	135
Employees	**3 655**	3 463
Percentage of sales spent on R&D	**6.5**	5.4

* incl. Oerlikon Solar

Oerlikon Solar

Solar technology

Oerlikon Solar is the leading global provider of cost-effective and high-performance product solutions for thin-film silicon solar modules. The product range includes automated turnkey production lines, PECVD, LPCVD, laser systems and special metrology and encapsulation machinery.

Applications and products

oerlikon solar
- Turnkey equipment for the manufacture of thin-film silicon solar modules
- Amorphous silicon PV technology
- Micromorph Tandem PV technology
- Industrial laser high-precision head-cutting
- Special metrology and encapsulation machinery

Clients and partners (selection)

Solar: Auria Solar, CMC Magnetics, Ecole Polytechnique Fédérale de Lausanne (EPFL), ersol Thin Film, Interstaatliche Hochschule für Technik Buchs (NTB), Inventux, Pramac, SCHOTT Solar

Separate figures will be reported for the new Oerlikon Solar segment for the first quarter of 2008.

A leader in six high-tech markets

The six segments are classified according to key technology. Knowledge transfer, flexibility and efficiency are thus optimized within the business units.

Oerlikon Vacuum

Vacuum technology

Oerlikon Leybold Vacuum offers a broad range of ultramodern vacuum components which are used in both analysis and manufacture as well as in research. Customer-specific consulting and development and after-sales services complete the range offered by Oerlikon Leybold Vacuum.

oerlikon
leybold vacuum

- Fore vacuum pumps
- High-vacuum pumps
- Consulting and engineering of vacuum solutions
- Vacuum gauges
- Leak detecting instruments
- Flanges
- Fittings and valves
- After-sales services and training

Leybold Vacuum: Bystronic Laser AG, JEOL, LOT Vacuum, MDS Sciex, Prima North America

in CHF million	2007	2006
Orders received	**477**	444
Sales	**458**	430
EBIT	**55**	47
Employees	**1 436**	1 378
Percentage of sales spent on R&D	**5.5**	5.3

Oerlikon Drive Systems

Drive Technologies

Oerlikon Drive Systems, market leader in the field of gears and gearing components, has achieved the ambitious target of being perceived as the "Global Drive Systems Provider" by its strategic customers, becoming their reference for any aspect, issue or opportunity related to gears and transmission systems.

oerlikon
graziano

- Agricultural equipment
- Construction equipment
- Passenger cars
- High-performance cars
- All-wheel vehicles
- Material handling
- City buses
- Utility and commercial vehicles

oerlikon
fairfield

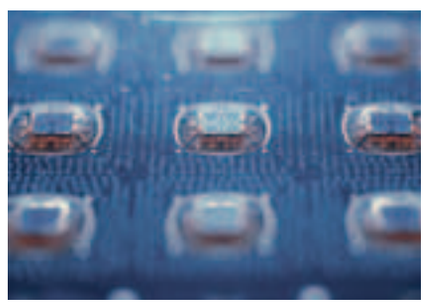
- Construction and mining
- Agricultural equipment
- Rail and transportation
- Off-shore marine
- Windpower
- Specialty industrial

Graziano: AGCO, Aston Martin, Audi, Caterpillar, Club Car, CNH, Ferrari, Fiat Auto, GM, Iveco, JCB, John Deere, Lamborghini, Maserati, Th!nk, VW
Fairfield: Allison, EMD, General Electric, Genie, Gusto MSC, Hitachi, JLG, Marley-SPX

in CHF million	2007	2006*
Orders received	**1 185**	952
Sales	**1 113**	952
EBIT	**83**	75
Employees	**5 048**	4 759
Percentage of sales spent on R&D	**1.2**	1.4

* Pro forma presentation

Oerlikon Components



Precision technology

Oerlikon Components stands for innovative product solutions in areas that require the greatest degree of precision and accuracy. Oerlikon Components makes a significant contribution to technological progress in projection technology, space exploration and the semiconductor industry.

oerlikon
esec

- Die attach
- Wire bonding
- Flip chip bonding

oerlikon
optics

Optical components and systems for:
- Projection displays
- Life science
- Optical packaging
- Automotive industry
- Lighting industry

oerlikon
space

- Payload fairings
- Satellite structures
- Scientific instruments
- High-precision mechanisms
- Electro-optical systems
- Optical satellite communication

Esec: ASE, Greatek Electronics, Infineon, Micronas, Qimonda, Spansion, SPIL
Optics: Martin Professional, Samsung, Sony, Texas Instruments
Space: Arianespace, EADS, ESA, Lockheed Martin, Tesat-Spacecom, Thales Alenia Space

in CHF million	2007	2006
Orders received	**376**	297
Sales	**344**	336
EBIT	**33**	55
Employees	**1 161**	1 089
Percentage of sales spent on R&D	**7.0**	6.7

Statement of the Chairman of the Board of Directors

With its record growth, 2007 confirmed that the course we set out on following a phase of fundamental realignment is the right one.

Sunny prospects for the future of Oerlikon.

Dear Shareholders,

2007 was a very successful year across the board for the Oerlikon Group. We reported record growth in sales that significantly surpassed expectations and the operating profit (EBIT) was much higher than the previous year. The performance of the group was further enhanced by numerous changes in our organization and processes, and we took important steps to ensure our success over the long term. Overall, focusing fully on our operational business led to noticeable improvements.

Specifically:
- Sales grew in 2007 by 155.2 percent from CHF 2.2 billion to CHF 5.6 billion (pro forma 20.2 percent);
- EBIT rose by 52.7 percent from CHF 325 million to CHF 496 million (pro forma 15.4 percent);
- Net profit increased by 4.2 percent from CHF 306 to CHF 319 million. This represents a net profit margin of 6 percent;
- Orders received saw positive growth of 142.5 percent (pro forma 15.7 percent), reaching a figure of CHF 6.0 billion;
- Operating cash flow increased by 82.3 percent (pro forma 41.5 percent) to CHF 678 million.

Growth exceeded projections

Overall, the Oerlikon Group was able to not only continue its growth trajectory in 2007, but significantly accelerate it. In almost all segments, growth was above the market average, particularly at Oerlikon Textile, Oerlikon Drive Systems and Oerlikon Coating, boosting sales figures far beyond expectations. Even the new sales target of CHF 5.5 billion set in the middle of the year was surpassed. If restructuring costs for Oerlikon Systems (Blu-ray/DVD) are excluded, the EBIT of CHF 508 million exceeds the target of CHF 500 million.

Company liquidity also saw a marked improvement. Operating cash flow increased significantly by 82.3 percent from CHF 372 million to CHF 678 million (pro forma: by 41.5 percent from CHF 479 million to CHF 678 million). The key factors for this increase were a solid operating performance coupled with more effective management of group assets.

The Oerlikon Group's strategic focus on high-tech components and engineered solutions, along with their operational management, was thus reaffirmed in the year under review. The high level of investment in research and development and in the expansion of the solar business paid off. Following incisive changes in 2005/2006 and the transformational acquisition of Saurer, normal business activity resumed, with an emphasis on improvements in operating efficiency.

Oerlikon Solar set for the future

One of the foremost tasks the Board of Directors and Executive Board set themselves in 2007 was the successful expansion of the solar business. The goal was to introduce a new generation of tandem cell technology (Micromorph Tandem) to the market after intensive research and development, and to structure organizational and production capacities to meet the enormous global demand over the long run. Oerlikon Solar was able to successfully implement these plans in all respects, with the patented Micromorph Tandem technology launched in September 2007 and initial contracts with customers such as Inventux signed. Oerlikon Solar consolidated its technological edge over the competition with this development. All the solar-related activities were brought together into the new Oerlikon Solar segment under the direction of Jeannine Sargent, creating an organizational structure that will be able to meet the forecast annual growth rates of considerably more than 50 percent in the coming years. The expansion of the main plant in Truebbach (Switzerland) which is already underway and the opening of a new site in Singapore will more than quadruple production capacities by the end of 2009. This puts Oerlikon in a unique position in the booming global solar market: Oerlikon Solar is currently the only supplier of turnkey solutions for the manufacturing of advanced thin-film silicon solar modules who can point to solar plants that are already operational – such as those for ersol Thin Film, CMC Magnetics or SCHOTT Solar. In other words, all the conditions are now in place to industrialize the solar business on a global scale. We anticipate a further increase in the rate of growth of Oerlikon's solar business in the years to come and expect sales to increase to around CHF 700 million in 2008, significantly exceeding the CHF one billion mark as early as 2009.

New management

To accommodate the increased range of requirements and management responsibilities, the Board of Directors and Executive Board were enlarged and several new appointments made. In March, the Board of Directors appointed Dr. Uwe Krüger as Chief Operating Officer (COO), after which he was named new CEO in early May. With his diverse international background, his industry experience and expertise in high technology and M&A, Krüger is perfectly suited to lead the Oerlikon Group. At the Annual General Meeting of Shareholders on May 8, 2007, Thomas Limberger decided not to stand for re-election to the Board of Directors, and Christian Schmidt stood down. In their place, Mr. Vladimir Kuznetsov and Dr. Hanno Bästlein were appointed to the Board of Directors. Björn Bajan joined the Executive Board in February 2007 in the function of General Counsel and Corporate Secretary. As these newly formed management bodies clearly demonstrate, the Board of Directors and the Executive Board are now able to draw on an expanded pool of skills and industry expertise in addressing the growing responsibilities and challenges facing a global high-tech enterprise.

Targeted acquisitions strengthen market position

To further support the position of our business units in their markets, we are relying not only on strong organic growth, but on the acquisition of suitable companies that either bring new technologies or access to new markets to the Oerlikon Group. In this regard, two acquisitions were completed in 2007: the first was the laser specialist SiLas whose expertise enables Oerlikon Solar to use its own technology to perform the central process step of laser scribing; and the second was the medium-sized VST Keller, which has developed special technologies for coating large forming dies – an acquisition that will further enhance the position of Oerlikon Balzers, particularly in the automotive industry.

Saurer successfully integrated

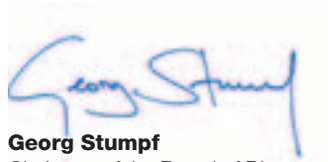
Whether or not these types of acquisitions are successful depends to a large extent on the speed and consistency with which the acquired company is integrated into the Oerlikon Group. The takeover of Saurer AG, which has been the largest transaction by far, is evidence that another core competence of the group lies in this area, in addition to its capacity for innovation. The success of the integration, completed in 2007, is apparent in various areas – joint sites, technology transfer and cross-divisional development projects, cost savings in purchasing and management responsibility for former Saurer employees at group headquarters. Expectations of the fresh energy the acquisition would bring to the entire company have been more than fulfilled. Oerlikon Textile and Oerlikon Drive Systems were the primary growth engines of the overall group in 2007 with the global positioning of these business units and a strong presence in Asia also benefiting other Oerlikon segments.

Syndicated loan

The syndicated credit facility totaling CHF 2.5 billion concluded under the lead management of Citi with participation from top banks around the world is recognition of this and other achievements – in particular the promising future prospects of the Oerlikon Group. This loan with which Oerlikon presented itself for the first time on the European market for syndicated credit facilities and for which the group negotiated investment grade terms, replaces the interim financing for the takeover of Saurer and gives the group additional latitude, for example, for targeted acquisitions. The excellent terms of the loan and the fact that this contract does not contain any restrictive agreements is evidence of the confidence these banks have in Oerlikon.

Thank you for your deep commitment and trust

Oerlikon continued on a successful course in 2007. We owe our success to the tireless dedication of our employees, who put their skills entirely in the service of the company. I would like to thank them on behalf of the entire Board of Directors. We would also like to thank our customers, suppliers and other business partners for the trust they have placed in us and for the good collaboration between us, as well as you, our shareholders, for your support in this year of affirmation.



Georg Stumpf
Chairman of the Board of Directors

Statement of the CEO

The secret to Oerlikon's success – our DNA, if you will – is our ability to constantly transform the latest research findings into tailored customer solutions. We generate further growth and enhance the profitability of the group over the long term by concentrating fully on our operational business and the needs of our customers.

Oerlikon thrives from the inside out based on our successful operational business.

Dear Shareholders,

In 2007, Oerlikon once again proved that the group's operating business can drive its own growth while also gaining market share. At the same time, we have considerably improved our profit margins in most segments and undertaken appropriate measures in areas with less potential for the future. Our position is excellent, both in promising niche markets with high-tech components as well as in high-volume markets with engineered solutions. The 2007 figures of CHF 5.6 billion in sales and an EBIT of CHF 496 million reflect the productivity of the group.

This productivity is based on the five cornerstones:
- Tailored solutions for customer needs
- Innovation and group-wide research and development
- Operational excellence and leveraging synergies
- Regional expansion, particularly in Asia
- Skilled and highly motivated employees

A realistic analysis of the strengths and weaknesses of the Oerlikon Group served as the basis for optimization and changes in all five areas with the goal of further enhancing the company's customer focus, efficiency and speed. The close collaboration with our customers that extends all the way to development partnerships is our top priority in these efforts. Direct and trust-based cooperation with our customers makes it possible for us to define and implement responses to market requirements together. This annual report captures the spirit of that focus and gives our customers their say in several customer references.

Innovation push and realignment of R&D

The basis for our success is the Oerlikon Group's immense capacity for innovation. With investments of CHF 274 million – a figure that represents 4.9 percent of sales – over 1 500 R&D employees and a 25 percent increase in the number of patent families in 2007, Oerlikon is one of the most research-intensive industrial groups in the world. Apart from continually optimizing existing products, this also allows us to develop completely new, ground-breaking technologies and solutions, as we amply demonstrated once again in 2007. Oerlikon Textile, for example, introduced a completely new system for winding synthetic fibers that has increased productivity and at the same time needs 25 percent less space. Oerlikon Esec launched a new platform to manufacture semiconductors with the highly precise and user-friendly die bonder 2100 xP, which is up to 45 percent more productive. Oerlikon Balzers developed BALINIT® ALDURA, a new coating procedure for ultrahard steels – "the Formula 1" of cutting.

The market debut of patented Micromorph Tandem technology from Oerlikon Solar also featured prominently. The significantly higher efficiency rates of dual-coated solar modules – by 2010 we expect a conversion rate of around 10 percent – will soon make it possible to produce solar energy at competitive prices without subsidies. All development efforts at Oerlikon Solar are geared toward more than halving the costs of approximately USD 1.5 per Watt peak (Wp) to under USD 0.7 per Wp within the next two years and thus achieving grid parity. Oerlikon Solar, with its Micromorph Tandem technology and many solar plants already on line for the manufacture of thin-film silicon modules, is at the forefront of the global solar boom and has excellent prospects for the future.

To ensure that Oerlikon will also be in a position to access new markets with these types of innovations in the future and leverage the potential for synergy within the group, group-wide research and development was realigned and a system for managing innovation was introduced. While product development will remain decentralized in the business units, the new Executive Vice President (EVP) for research and development Dr. Andreas Widl will initiate across-the-board and forward-looking R&D projects in close cooperation with the newly formed Scientific Advisory Board. As part of these efforts, we will strengthen cooperation with leading scientific institutes such as the ETH Zurich, Lawrence Berkeley Lab, the Johann Wolfgang Goethe University of Frankfurt/M. and the Institut de Microtechnique (IMT), Neuchâtel. The focus of future projects will be clean technologies and nanotechnology, areas in which Oerlikon is already represented with numerous procedures and products.

Operational excellence through decentralized responsibility with strategic control

To take this unique technological potential and turn it into growth and earnings, the organization of the group was further streamlined in 2007. The matrix structure with regional responsibilities has been eliminated, while IT projects were scaled down to a healthy volume. The Senior Leadership Team (SLT) made up of the Executive Board, the segment CEOs and other central functions was founded as a new control and management committee in the middle of the year. The goal of the organizational changes made by the SLT was to

give the operational units complete responsibility for their businesses under the control of a strategic management holding. To achieve this goal, operational functions that had previously been centralized at the group level were also shifted to the business units. The business units have unrestricted freedom to respond to customer and market requirements quickly, unbureaucratically and systematically within a predefined strategic framework and a binding budget. In addition, the segment CEOs have assumed group-wide responsibility, for example, in IT, purchasing and trade control. Group headquarters ensures that the agreed goals are achieved through effective controlling.

These measures go hand-in-hand with a leaner, lower-cost group headquarters and thus fully reflect the new spirit of cost-consciousness and a culture of modesty. Streamlining group headquarters alone reduced administrative costs by more than CHF 30 million. The operational basis of the new structure taps into potential synergies, generating measurable added value for the group.

One of the main goals of this integrated corporate management is for all decisions by group headquarters to be consistent with the needs of the operational business units and for it to be possible to fully leverage potential synergies within the Oerlikon Group. Significant progress was made in 2007, particularly with regard to purchasing. Around 100 individual measures were implemented, adding up to a total cost saving of more than CHF 100 million. Considerable progress was also made in cross-divisional research projects, technology transfer, exchange of best practices and the shared use of sites.

Asia as the most important growth market

The business units also provided active support for further regional expansion. The new Chinese coating center for Oerlikon Balzers, for example, was constructed in the existing Oerlikon Textile plant in Suzhou in the record time of just a few months. Overall, Asia, and China in particular, continued to be the most important regional growth market in 2007. The excellent position that Oerlikon has established in this region over many years has paid off handsomely. Sales in Asia accounted for 37.5 percent with China's share growing from 15 percent to 17.3 percent. We attribute this development to further investments such as the expansion of the state-of-the-art factory in Suzhou. This also applies to Oerlikon Solar, where Asia will become the most important and highest-growth region in the short term. We are already well represented with two major contracts – CMC Magnetics and Auria Solar, both in Taiwan. The decision made at the end of 2007 to construct a new site for the solar business in Singapore marked a milestone both for Oerlikon Solar and for the group's Asian business.

Outlook for 2008

We will continue to stay on course for 2008. The clear focus is on further improvements in profitability in addition to further growth initiatives for each individual segment through product innovation, regional expansion and targeted acquisitions. Our goal is to boost the EBIT margin of the group to over ten percent by 2009 at the latest.

Strong emphasis will continue to be placed on the measures introduced in 2007 to consolidate the portfolio and restructure or eliminate unprofitable business units such as Oerlikon Optics. The same applies to further streamlining of the organizational structure and business processes. The Six Sigma method which was started last year in several pilot projects will now be introducted in all segments, resulting in measurable improvements in process and quality. We expect further consolidation of purchasing volumes and a cross-divisional intelligent sourcing policy to bring considerably more cost savings.

The business outlook for 2008 remains positive for Oerlikon despite clear signs of an economic slowdown on the global market. The group is involved in structural growth areas that will drive solid growth in sales and earnings in the medium and long term.

Dr. Uwe Krüger
Chief Executive Officer

Interview
Why CEO Dr. Uwe Krüger believes Oerlikon is not even close to exhausting the possibilities open to it.

“Without causing a big stir, but as reliably as a Swiss watch.”

Dr. Krüger, you have now been CEO for just under nine months – what have you achieved during this time?
The most important adjustmend is that we have focused the group and placed the operational business with our customers back in the foreground. We have considerably simplified and streamlined Oerlikon’s organizational structure and processes, introduced an effective assignment of roles between group headquarters and the operating business units, established a new cost consciousness and culture of modesty, realigned the solar business and formed a Senior Leadership Team that functions well together and works closely with the Board of Directors in an atmosphere of trust. What was of primary importance was to gear all the group’s activities to measurable targets and objectives. And last but not least, we have succeeded in calming the unrest both in and around the Oerlikon Group. The numbers reflect the sum total of all these measures: growth was higher than expected and we were able to significantly improve margins in certain areas.

What exactly does a new assignment of roles between group headquarters and the business units mean? Is the one-company model already out the door and will Pfaeffikon once again be merely a financial holding?
No, on the contrary. One Company means leveraging the synergies that actually exist in the group with a clear head and our feet on the ground and doing it systematically with the focus on operational business. This is only possible if the segments drive the process and group headquarters defines our strategic thrust and the overarching goals. This is how we manage our group – cost-consciously and with a sense of scale. But the business units are fully responsible for implementation and for the first time they now have complete responsibility for budget and results. This structure lets the business units act more independently, more quickly and in closer proximity to the market. This is the only way to sustain the high growth rates within our diversified business over the long run. I and my colleagues on the Executive Board would never presume to understand the business of the 14 business units better than the people who manage them.

So no change of strategy then ...
Strategy means above all making decisions, also decisions about which business activities to discontinue. Blu-ray is a good example of this. We have zeroed in on our priorities and will continue to do so, in order to bring our forward-looking businesses to full fruition.

Where, for example?
Certainly first and foremost in the solar business. Historically speaking, we are in a unique position here, comparable to other technological pioneering efforts of the current century, such as in semiconductor technology or the peaceful use of nuclear energy.



These are scientific breakthroughs, such as our thin-film silicon technology, that have the potential to make industrial history. We are still the only supplier of this cost-effective process for mass production of solar modules that has demonstrated it can deliver turnkey production facilities. Our customer references from SCHOTT Solar, ersol Thin Film or CMC prove this. Taking advantage of this historically unique opportunity to expand our production capacities as quickly as possible and, at the same time, optimizing our processes – this is and will remain our focus in the foreseeable future. Within just a few years, we will create a new billion CHF business for Oerlikon with a future potential that we cannot yet accurately predict. We want to exceed the billion CHF sales mark as early as 2009.

In general, the subject of solar occupies a prominent position. Will Oerlikon turn into a solar company?
Even though expanding the solar business demands a lot of our attention, we are far from overlooking the other business areas, which are also making excellent contributions. The innovations Oerlikon introduced to the market last year were certainly impressive, quite apart from the solar technologies: These range from a completely new die bonder platform for processing computer chips, a previously unknown process for manufacturing synthetic fibers, a new coating technology for extremely hard steel or a laser communication system for outer space, fuel-saving dual-clutch gear systems or special transmission systems for wind power plants – to name just a few examples.

How do you plan to maintain the technology edge that Oerlikon has in many business units?
By intensifying our research and development activities intelligently. And not by just spending more money. With investments in research and development of around CHF 274 million, we are already one of the world's most research-intensive industrial groups. But in today's extremely complex research landscape, it is much more important to establish close partnerships with the best scientific institutions in the world and extend our horizons into the future. And this is exactly what we are doing. An important component of this networking strategy has been to set up our Scientific Advisory Board – a committee made up of top-level, renowned scientists that provides major support in identifying trends early on and creating research projects and joint ventures (e.g. with start-ups) on the basis of these trends.

The Oerlikon portfolio now contains a series of products and solutions that could be described as "clean technologies." What role will these areas play in the future?
As a company we not only have a responsibility towards our investors, but also to tackle the challenges of our times. Precisely because we are a high-tech corporation we can make a significant contribution to helping renewable energy sources, new possibilities of saving energy or climate research establish themselves. Moreover, these business areas are particularly fast-growing and attract the best talent. We will therefore be working at full stretch to develop this range of products and solutions further.

Dr. Uwe Krüger
Chief Executive Officer

In total, Oerlikon now has six segments with 14 different business units. What is the common thread?
We generally break down our business into two major areas of activity: high-tech components and engineered solutions. The technical link is that everywhere we are dealing with interfaces and surfaces. These are coated, structured or shaped. That applies to textile fibers as well as to the hardening of gear components or the silicon coating of glass substrates.

What does your agenda look like for 2008 and the years ahead?
The most important goal is to raise the group's profitability by focusing the portfolio, simplifying structures and systematically enlarging our technological expertise in our core growth areas. These include chiefly the Oerlikon Solar and Oerlikon Coating segments. Alongside this, the projects we have initiated in the operational units are not anywhere near the end yet. We are not even close to exhausting the possibilities open to us. This means we will continue to simplify our organizational structure. For example, if we have five locations within a radius of 100 kilometers, we have to ask ourselves if this makes sense. Simple workflows and structures almost automatically result in increased efficiency and quality. This is exactly how we will continue – identifying and leveraging synergies, making strategic acquisitions and divestments and further lowering costs. The same applies to our efforts to find the best employees and further enhance their skills. We are doing all this without causing a big stir, but as ceaselessly and reliably as a Swiss watch.

Management organization realigned

To enhance customer focus and streamline internal workflows, management structures were redefined. Group headquarters defines overall strategy while the segments have full responsibility for the operational business.

Senior Leadership Team (SLT)
The Executive Board and top management together form the Senior Leadership Team. Working together closely, they discuss and decide on key issues in the group. This ensures that the decisions by group headquarters take into account the concerns of the business units.

1 **Dr. Uwe Krüger**
Chief Executive Officer

“Our complete attention is focused on the operational business and the needs of our customers and markets. We aim to guide the group’s further evolution on the basis of high-tech components and machinery as well as engineered solutions and related services.”

2 **Dr. Jörg Eichkorn**
Chief Financial Officer

“Oerlikon has a very healthy balance sheet. We are financially equipped both for strong organic growth as well as other transactions. The syndicated CHF 2.5 billion loan on investment grade terms is strong evidence of Oerlikon’s future viability and the market’s confidence in Oerlikon.”

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

“Our employees are our most important resource. Because we can only reach our goals with the help of skilled and committed professionals, we increased investments in the search for talent and in further training.”

4 **Dr. Andreas Widl**
Head of Research and Development
Executive Vice President

5 **Jeff Herriman**
Head of Corporate Development
Executive Vice President

6 **Peter Tinner**
Head of Global Sales & Marketing
Executive Vice President

7 **Jeannine Sargent**
CEO Oerlikon Solar

8 **Thomas Babacan**
CEO Oerlikon Vacuum

9 **Gary Lehman**
CEO Oerlikon Fairfield

10 **Daniel Lippuner**
Head of Corporate Controlling
Executive Vice President

11 **Dr. Marcello Lamberto**
CEO Oerlikon Graziano

12 **Kurt Trippacher**
CEO Oerlikon Components

13 **Dr. Hans Brändle**
CEO Oerlikon Coating

14 **Dr. Carsten Voigtländer**
CEO Oerlikon Textile

Review of the year 2007
The Oerlikon Group once again achieved above-average growth and good earnings in 2007. We continued to optimize the organizational structure, the solar business was realigned and expanded, and the group's position in growth markets like China was further strengthened. Oerlikon is thus steadfastly well positioned to capitalize on the opportunities open to it and to pursue its expansion course in 2008 and beyond.

Oerlikon Group 2007: an impressive validation of our ongoing expansion strategy.

Corporate key figures

in CHF million	2007	2006	2006 (pro forma)	Change
Orders received	6 041	2 491	5 220	15.7%
Orders on hand	1 841	1 748	1 748	5.3%
Sales	5 629	2 206	4 684	20.2%
EBIT	496	325	430	15.4%

Oerlikon Solar more than tripled its sales in 2007 and widened its technology lead

2007 was in every way a breakthrough year for Oerlikon Solar: Our first solar plants went into operation at ersol Thin Film and SCHOTT Solar, demonstrating the functional maturity of Oerlikon technology; Oerlikon Solar increased its technological edge with the market launch of the forward-looking Micromorph Tandem technology; and created the organizational prerequisites to meet the enormous demand long term by spinning the business off into an autonomous segment with a new management team headed by CEO Jeannine Sargent.

2007 was a successful year for Oerlikon. Growth considerably exceeded expectations; group net profit was up sharply on the previous year. The key financial figures reflect the strong expansion course:

- Sales grew by 155.2 percent in 2007 from CHF 2.2 billion to CHF 5.6 billion (pro forma +20.2 percent);
- EBIT rose by 52.7 percent from CHF 325 million to CHF 496 million (pro forma +15.4 percent);
- Group net profit was up 4.2 percent from CHF 306 million to CHF 319 million which corresponds to a net profit margin of 6 percent;
- Orders received grew by 142.5 percent (pro forma 15.7 percent) to reach CHF 6.0 billion;
- Operating cash flow rose by 82.3 percent (pro forma 41.5 percent) from CHF 372 million (pro forma CHF 479 million) to CHF 678 million.

Highlights from the business segments

A detailed analysis of our operating business shows that virtually all segments contributed to these positive results – but the largest contribution came from Oerlikon Coating with its growth engine, the Oerlikon Solar business unit. The excellent sales growth of 21.8 percent to CHF 994 million is primarily attributable to the boom in the solar business but was also bolstered by continued above-average growth and gains in market share by Oerlikon Balzers. The sale of the Blu-ray business to Singulus Technologies by Oerlikon Systems in February 2008 was a logical step in concentrating on strategic business fields. Numerous measures to boost efficiency and cut costs in the segment helped generate EBIT growth of 9.1 percent to CHF 147 million.

During the year under review, Oerlikon Textile also reported an excellent trend in its business, once again demonstrating its technological leadership at the world's most important textile machinery trade show, the ITMA, in September. With organic sales growth of 26.6 percent (pro forma) to CHF 2 719 million and an EBIT increase of 205.9 percent (pro forma) to CHF 208 million, the segment clearly exceeded the previous year's figures. These impressive results were principally attributable to the high demand for staple fiber machines in Asia.

Oerlikon Vacuum also recorded strong sales growth of 6.4 percent to CHF 458 million in 2007 with an EBIT of CHF 55 million (up 17.1 percent), one factor being the segment's successful positioning in the booming solar market. With its leading products, Oerlikon Drive Systems capitalized on strong market demand to generate sales growth of 16.9 percent (pro forma) to CHF 1 113 million and an increase in EBIT of 10.7 percent (pro forma) to CHF 83 million.

Oerlikon Components' business performance during the second half-year was pleasing. The drop in sales during the first half of the year was almost completely made up by a market and product offensive initiated by Oerlikon Esec and solid ongoing growth from Oerlikon Space. Strategic action was required at Oerlikon Optics where we rigorously implemented restructuring measures. In addition, management has decided to part company with the business unit Oerlikon Optics in the coming 12 months. This business will therefore be divested. The main reasons for this decision were the reduced growth perspectives for the rear projection TV market, and the complexity of the optical components business not matching Oerlikon's portfolio strategy.

All in all, 2007 has thus been the most successful year in recent history for the Oerlikon Group.

Convincing leadership and further expansion of market position

The segments and business units of the Oerlikon Group occupy leading positions in numerous future growth markets. With a share of 32 percent, Oerlikon Coating is number one by a wide measure in the global PVD coatings market, which is projected to grow by 10 percent. In the textile machinery business Oerlikon is also a clear market leader with market shares from 35 percent (staple fibre machines) to 65 percent (BCF-Carpet yarn machines). The same goes for Oerlikon Space, with a market share of 50 percent in payload fairings. In the rapidly growing market for vacuum equipment in the photovoltaic industry, Oerlikon Leybold Vacuum is also taking a leading position with 35 percent of the market.

The group will continue to expand these strong market positions through targeted bolt-on acquisitions. In 2007, this was accomplished through the acquisition of Verschleissschutz Technik Keller (VST) for Oerlikon Coating and of SiLas, the laser specialists, for Oerlikon Solar.

Strong position in Asia

From a regional standpoint, Oerlikon further expanded its position in the most important growth markets in 2007, primarily in Asia. In the end of 2007, Oerlikon Solar decided to set up a new production and development location in Singapore, scheduled to start operations in just 12 short months. Oerlikon Vacuum completed a further technology transfer to Tianjin (China) and is now manufacturing three product lines in the Chinese plant. Oerlikon has also strengthened its presence in the Chinese market with the opening of the coating center in the Suzhou industrial park near Shanghai and the expansion of its existing textile machinery facility there at the end of 2007. The group is thus preparing the way for further profitable growth, both in this region and in Asia as a whole. In 2007, China already accounted for 17.3 percent of the Oerlikon Group's total sales (Asia: 37.5 percent).

Oerlikon's textile, vacuum and coating businesses can all look back on almost 20 years of success in Asia and China. The fact that Oerlikon's business segments were early movers in this region is currently paying off in full. As early as 1984, Oerlikon Textile signed its first cooperation agreements with Chinese machinery companies and became the preferred supplier of machines for building up the Chinese chemical fiber industry. In 1997, Oerlikon Balzers opened the first coating center in the Far East – Oerlikon now has a total of 18 coating centers in Asia with four in China. One of the largest and most state-of-the-art production facilities for textile machines was completed in Suzhou, China, in 2006 with a total floor space of 70 000 square meters. Since it opened, the manufacturing output for textile machines has increased by almost a factor of three to 1 200 machines per annum.

Given the strong ongoing growth, Oerlikon is preparing itself to continue this positive development by setting up a coating center on the site of the Oerlikon Textile plant and laying the foundation for its expansion.

Strategic management holding

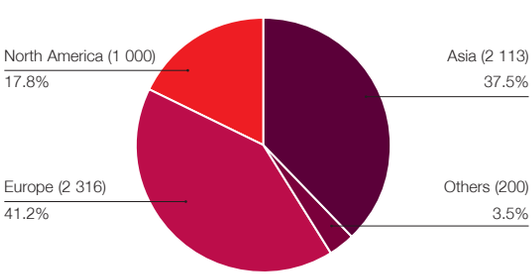
Oerlikon is a diversified industrial group that operates in attractive growth markets with strong margins and whose businesses cover technology fields that are related to each other. They are divided into two areas: high-tech components and machinery and engineered solutions and related services.

In order to ensure optimal management of this organizational structure via group headquarters, while focusing on the operational side of business and remaining close to the customer, numerous structural changes were carried out in 2007. The complexity of the organizational structure was reduced, decision-making lines were made leaner and additional costs were saved.

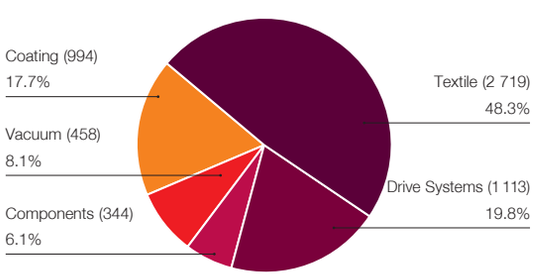
The heart of this new management model is a decentralization of responsibility away from the holding to the segments and business units where the operational business is done. The role the segments play was strengthened with each of the segment managers responsible receiving the title of Segment CEO and being given full responsibility for sales and earnings. As a logical consequence, several operational functions that had previously fallen under the auspices of the holding, such as IT, Business Application Design and Sourcing, were shifted to the segments at the beginning of 2008. The segment CEOs simultaneously assumed responsibility for the entire group because the services they coordinate also benefit the other segments. Despite all this, the "One-Company" model remains intact. To reflect the growing significance of the operational business units, the brand architecture was reviewed again in 2007 and finalized.

Under this new allocation of responsibilities, the holding concentrates on defining corporate strategy and general guidelines, managing the portfolio of businesses and providing effective controlling. At the center of the company's operational management is the Senior Leadership Team (SLT), formed in mid-2007, which consists of the Executive Board, the Segment CEOs and other central functions of the company. This ensures that group-wide decisions take the needs of the operational units into account, that these decisions are made quickly with appropriate buy-in from everyone and that synergies

Sales 2007 by region in CHF million



Sales 2007 by segment in CHF million



between the segments can be identified and exploited.

Organizational forms or structures that conflict with this clear structure and its decision lines have been eliminated – such as the matrix structure with regional responsibilities.

Cost optimization and culture of modesty

These measures were accompanied by rigorous cost-saving efforts, primarily by group headquarters. These savings are consistent with a new culture of modesty in which all expenditures are measured against their real added value for operational business and the group. Additional cost savings in the group were also achieved by an expanded sourcing program which saw around 100 individual measures implemented. These resulted in total savings of more than CHF 100 million.

But sourcing is only one way of further optimizing costs. At least as important is a production process that is as efficient as possible with minimal lead times, low inventory levels and zero error quality. The Oerlikon Esec business unit in Cham (Switzerland) gives some idea of the additional opportunities that are still being exploited there. Under the motto "Operational Excellence," production was completely redesigned in keeping with the principles of "lean manufacturing." The individual sub-assemblies, which used to be produced in batches, are now manufactured in parallel as required and then assembled in synchronous cycles over several stages to produce an entire system. Oerlikon Esec, with the close involvement of suppliers and partners, reduced the lead times and inventory levels in these production areas by up to 50 percent. These types of best practices are now being adopted for other production sites in the Oerlikon Group.

Integration of Saurer and synergies in the group

A central factor in optimizing costs and increasing efficiency are the synergies arising from the integration of the former Saurer business units and the close cooperation between all Oerlikon business units. Considerable progress was made in 2007 in harmonizing fundamental business processes and systems as well as broadening cooperation across the organization:

- Increase in intra-group sales: Although vacuum pumps represent a key component in many Oerlikon products, Oerlikon Vacuum only supplied its affiliates to a limited extent in previous years. Thanks to a systematic qualification program launched at the beginning of 2007, Oerlikon Vacuum is now one of the preferred suppliers within its own company and was able to increase its intra-group sales considerably as a result; Oerlikon Balzers and Oerlikon Graziano signed an exclusive agreement for coating cutting tools.
- Serving customers across the group: Oerlikon Graziano was awarded a major long term contract for the supply of special drive components to the TLD Group – one of the world's leading suppliers of special airport vehicles and systems. This was made possible chiefly by the fact that Oerlikon Graziano has access to the resources of the Oerlikon Textile factory in Suzhou, China, and can depend on the support of the Oerlikon Fairfield and Oerlikon Graziano plants in the US.
- Integrated locations: For Oerlikon Balzers, China is one of the fastest-growing markets. Within just a couple of weeks, Oerlikon Balzers was able to open a new coating plant in Oerlikon Textile's existing factory in Suzhou and simultaneously shift its China headquarters there.
- Best practices: The Six Sigma methodology is used to identify and develop optimum processes and structures that serve as models. Overall, eight pilot projects were initiated in six business units that exhibited a high degree of potential cost savings and whose results benefit other business units or locations.
- Joint research and development projects: In this area in particular, the Oerlikon Group can capitalize on its synergy potential. Oerlikon Balzers and Oerlikon Graziano have started a joint development project to make coatings which are suitable for use in transmission parts – the first tests that have been completed are extremely promising; Oerlikon Schlafhorst and Oerlikon Vacuum are working together in a joint project team to make magnetic ball-bearing suspensions of shafts suitable for vacuum pumps; Oerlikon Systems' engineers and expertise provided essential support for the development of Oerlikon Solar's new TCO coating machines; the expertise of Oerlikon Textile in the area of integrated machines and factory control systems is now also being put to use for Oerlikon Solar.

Technology leadership extended

These types of development partnerships were also instrumental in further strengthening Oerlikon's innovative capacity in many areas in 2007 and advancing its technological leadership (see also "R&D" section, pages 52–63). Highlights for the group were the market launch of the new BALINIT® ALDURA coating technology for extremely hard steels, the commissioning of the first fully integrated nonwoven production plant for fleece fabrics by Oerlikon Neumag, the supply of an extensive, innovative vacuum system with more than 100 molecular pumps for a glass coating system, the market launch of a new

Sales 2007 by region and segment

in CHF million	2007	Europe	Asia	North America	Other
Coating	994	513	289	178	13
Vacuum	458	244	121	89	3
Textile	2 719	788	1 453	299	179
Drive Systems	1 113	645	54	413	2
Components	344	123	196	21	3
Other	3	3	0	0	0
Total	**5 629**	**2 316**	**2 113**	**1 000**	**200**

wire bonder platform and a brand new die bonder generation by Oerlikon Esec, the development of an extremely precise, laser-based communication system by Oerlikon Space and the partnership between Oerlikon Systems and Sony to develop a 50-Gigabyte Blu-ray disk.

It is Oerlikon Solar that offers the most convincing evidence of Oerlikon's innovative power and the business opportunities it generates. During the reporting period, the world's first factory for thin-film silicon solar modules went into operation at ersol Thin Film in Erfurt and at SCHOTT Solar in Alzenau, both Germany.

New methods for two core processes used in the manufacture of thin-film silicon modules became ready for series production: one was the first "Transparent Conductive Oxide" (TCO) coating, which has a considerable effect on module efficiency; the other was the Micromorph Tandem technology for the actual coating with silicon, which was launched on the market in September after intensive development (see also pages 20–21).

The importance of the patented Micromorph Tandem technology cannot be estimated highly enough. The higher levels of efficacy achieved with it, set to reach 10 percent by 2010, are the basis for making electricity generated from solar energy fully competitive with conventional power production in the years to come (grid parity), a feat that will be accomplished completely without subsidies. It is a realistic prospect that grid parity will be achieved by 2010.

The upcoming challenge facing Oerlikon's solar business is to ensure our technological edge over the long run, to supply systems on schedule and in line with quality standards, to set up a global research, production and services network and expand our production capacities as quickly as possible. To master these challenges, changes were also made to the organizational structure of the Oerlikon Group. All solar-related activities in the group were transferred to the newly created Oerlikon Solar segment headed by Jeannine Sargent. These included the laser systems that had previously been with Oerlikon Optics as well as the Oerlikon Solutions business unit that had been part of the Oerlikon Components segment. Reporting for 2007 remains unaffected by this restructuring, which will start in 2008.

Realignment of R&D and formation of the Scientific Advisory Board

The realignment of research and development and the formation of a Scientific Advisory Board (SAB) in 2007 paved the way for entry into completely new markets with groundbreaking innovations in the future. The realignment was aimed in four directions: first, increased focus on product-related R&D activities in the segments and business units; second, beginning basic research designed for the long term through selected cooperation projects with leading scientific institutions around the world; third, systematically structured cooperation between all Oerlikon business units through Dr. Andreas Widl, Executive Vice President for Innovation and Technology, in order to tap into the enormous potential for synergies in R&D; and fourth, systematic acquisition of development funds.

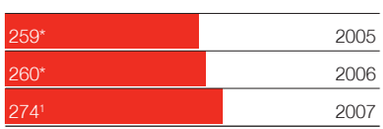
With R&D investments totaling CHF 274 million, or 4.9 percent of sales, Oerlikon is one of the most research-intensive industrial groups in the world. As a result of the realignment, closer partnerships with the scientific community and the SAB's consulting activities, these resources will be employed more effectively in the future and the Oerlikon Group's capacity for innovation will be strengthened permanently over the long run.

Clean technologies

One focus of future research projects will be to establish Oerlikon more firmly in the clean technology area with new technological developments and processes and to position it in this increasingly important industry. In addition to the solar business, the Oerlikon Group is already represented in this area with a number of products.

- Vacuum pumps for solar market: Oerlikon Vacuum has successfully established itself in the booming solar market as a preferred supplier – both with components for manufacturing silicon wafers as well as for the production of thin-film silicon modules.
- Energy savings for textile machines: Under the slogan e-save, Oerlikon Textile is developing production plants with a considerably lower energy consumption. New aggregates such as the MPS texturing machine from Oerlikon Barmag reduce energy consumption by up to 40 percent.
- Zero-emission vehicle: Oerlikon Graziano has signed a long term contract to supply special transmissions to Th!nk Technology, the Norwegian manufacturer of zero-emission vehicles.

R&D expenses in CHF million



[1] Research and development expenses include the capitalized share of development costs recognized as assets of CHF 52 million (prior year: CHF 49 million).
* Aggregated figures for Saurer and Oerlikon for full-year

- More efficient engines: The highly resilient surface coatings from Oerlikon Coating are increasingly used in engine construction where they help to increase durability by as much as ten times and reduce fuel requirements by up to four percent.
- Wind energy: Oerlikon Fairfield has unique expertise in the construction of complex gear and shaft components and has successfully positioned itself in the market for wind power systems by signing a long term agreement with a leading manufacturer.
- Climate research: Oerlikon Space has developed special instruments that are used in satellites for climate research.

Risk management further optimized

The strategic realignment to become a globally leading high-tech industrial group, successfully completed in 2006, creates growth and development opportunities for Oerlikon in the future. At the same time, this transformation process also poses certain operational risks as we considerably expand our business activities and networks both externally and internally. Oerlikon thus fine-tuned and expanded the internal control system for preventive risk monitoring of current group developments during the 2007 business year. The main focus was integrating the former Saurer business units into the system.

The goal is ongoing optimization of transparency in all corporate divisions and along the entire value chain. Potential risks can be identified early on, analyzed, evaluated and taken into account objectively in company decisions. Systematic control and minimization of risks is not only of vital importance from the group's point of view, but also satisfies the demand for operational sustainability from the perspective of lawmakers, customers and market partners.

The group functions of risk management, internal auditing, controlling and business excellence form the central control and monitoring entity of the internal control system. Experts from the legal and IT departments or external experts are called in for specific risk assessments, depending on the task.

Risk management is a continuous process at all group levels. The potential risks in the individual business units are identified, documented and prioritized in ongoing assessments and workshops. The results serve as the basis for defining the risk strategy and developing appropriate measures. The business units are responsible for implementing and monitoring these measures. The evaluation of the risk situation is reassessed and modified if necessary on a quarterly basis as part of the business review.

The specialized Software R2C maps the entire risk management process and enables automatic reporting as a central data platform. The responsible function levels and the Executive Board are thus always up-to-date on the risk situation throughout the company and in a position to take preventive action if necessary.

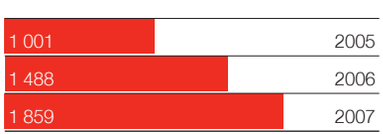
Outlook

The Oerlikon Group will continue to actively pursue its expansion course in the current financial year. Each business unit has an individual strategy aimed at exploiting its growth and earnings potential to the fullest. Additional growth will be generated by new, innovative products, ongoing regional expansion, primarily in Asia, and by extending the service business. Many products are only at the beginning of their lifecycles – in particular, the thin-film silicon solutions from Oerlikon Solar, but also the new P3e™ or BALINIT® ALDURA coating processes from Oerlikon Balzers, new textile machines such as WINGS, the integrated nonwoven plant for the production of fleece fabrics or the new wire and die bonder platforms from Oerlikon Esec.

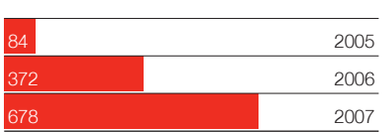
In addition to sales growth, the central goal for 2008 is to increase the profitability of the group. To achieve this goal, additional measures will be implemented to boost efficiency such as a redesign of the group-wide sourcing program and the simplification of the organization, processes and products.

Overall, we are confident that we can continue to achieve above-average growth rates and substantially increase profit margins. Our target for 2008 is to exceed CHF 6 billion in sales and we aim for a further increase in earnings. We aim to report a double-digit EBIT margin by 2009 at the latest.

Equity* in CHF million



Operating cash flow in CHF million



* Attributable to shareholders of the parent.

1 gigawatt firmly in its sights

In just nine months Taiwan's technology group CMC is ready to start production of thin-film silicon solar modules and plans to install production capacities of over 1 gigawatt in the years ahead.

For two years Bob Wong, chairman of the Taiwanese technology supplier CMC Magnetics, watched the technological and business developments in the solar market closely. At the end of July 2007, Wong decided together with his team to move into the innovative thin-film silicon technology market with Oerlikon Solar as his supplier. He chose thin film because "It's the technology of the future for solar." He chose Oerlikon Solar because "the company is in our view the absolute leader in thin-film solar technology and is also currently the only supplier of turnkey production plants for thin-film solar modules. Our decision was therefore clear: We are going with the market and the technology leader."

First turnkey solution for 40 MWp

The first order was for a turnkey 40 Megawatt peak (MWp) plant. This made Oerlikon the world's first company to supply a fully automated production line for thin-film solar modules with integrated testing systems. The contract also included the option to upgrade capacity and migrate to the next Oerlikon technology generation, the Micromorph Tandem cell. The turnkey end-to-end plant embraces the entire production process from glass cleaning to the testing of finished solar modules. It also includes a service package for commissioning the process equipment and for ramping up production. A new feature of the contract with CMC was the implementation of the entire metrology system for quality control, the "back end" of module production, as well as Oerlikon Solar's proprietary Transparent Conductive Oxide (TCO) technology.

CMC aiming for the top 3 worldwide

These technically ambitious plans are in line with major economical and ecological objectives. "At CMC we want to make an active contribution to combating global warming," says Wong. Because this is at the same time one of the most promising future growth markets, CMC is thinking in larger capacity. In a few years the company wants to build up production capacities of over one GWp and to be among the top 3 providers of thin-film solar technology. As the technology supplier, Oerlikon is a fixed part of this strategy. "CMC and Oerlikon are now about to repeat the success story that we wrote together in the market for optical storage devices – this time at Solar. And we could even beat it by a wide margin," adds CMC chairman Wong.

Reaching grid parity together

The plant now installed is the beginning of a long term partnership between CMC and Oerlikon in the solar market, which also includes joint research and development projects. In close collaboration the companies plan to further optimize production processes and the efficiency of solar modules. "This is where we can bring in our know-how from the mass production of data carriers," says CMC chairman Wong. This market is particularly price-sensitive, so that production is geared for optimum productivity, and the same approach can be applied to manufacturing solar modules. The migration of the Oerlikon plant to new Micromorph Tandem technology will be a further milestone in the second half of 2008. This will increase module efficiency from currently seven percent to around ten percent. "Overall we want to reduce costs drastically to reach grid parity at around a level of 0.7 dollars per Wp in the near future," explains Wong.

CMC Magnetics at a glance	
Employees	3 478
Sales in USD	731 million
Headquarters	Taipei (Taiwan)
Founded	1978
Customer since	1996

Products and technologies
Turnkey 40 MWp production line amorphous silicon with upgrade to Micromorph Tandem
Fully integrated plant with TCO, backend and metrology system


CMC
中環股份有限公司
CMC Magnetics Corporation
CMC
«Oerlikon Solar is in our view the absolute leader in thin-film solar technology and is also currently the only supplier of turnkey production plants for thin-film silicon solar modules.»
Bob Wong
Chairman CMC Magnetics
ABB
oerlikon

Thin films as sun collectors

Experts today agree: photovoltaic technology is the energy source of the future. While the costs of fossil fuels continue to rise in the face of increasing demand and the growing shortage of resources, the generation of electric power from solar energy will soon reach grid parity, with thin-film photovoltaic technology leading the way. Forecasts of annual growth rates up to the end of the decade confirm this trend: a mere two-percent rise in primary energy consumption will translate into a growth rate for photovoltaics of some 50 percent, with the specific field of silicon thin-film technology and related plant engineering expanding at even higher rates. This area is thus the fastest growing market, not only in the field of regenerative energy sources, but in the entire energy sector as well.

Unimagined possibilities

The advantages of thin-film technology over conventional crystalline solar cells (which are based on wafers like those also used in the semiconductor industry), are many and varied. Through their specific characteristics, silicon thin-film solar modules supply more energy in diffuse light conditions (mornings, evenings and under cloudy skies) as opposed to conventional solar cells. Performance decreases due to higher module temperatures when used in hot, sunny locations are only around half. Together, the boost in efficiency from these factors alone can be estimated at around 7 percent. On the manufacturing side, the use of silicon is 200 times less than with crystalline cells. All the raw materials needed are inexpensive and unlimitedly available. This means that the per-watt manufacturing costs today are 30 percent lower than for wafer-based cells and since thin-film technology is a comparably new technology, the improvement and cost-saving potentials that can be achieved are far greater. In addition to innovation, cost-savings potential can also be achieved through economy of scale through increasing larger production lines – we are already in talks with customers today regarding gigawatt production facilities.

50 percent increase in efficiency through Micromorph Tandem

Oerlikon Solar has been involved in developing this future-oriented technology since its early days, playing a decisive role in its advancement. In 2007, once thin-film technology using amorphous silicon had been successfully established, the company also brought its Micromorph Tandem cell to the market. This new solution, which constitutes the second generation of thin-film technology, possesses an additional layer of microcrystalline silicon film in comparison to cells made from amorphous silicon. This double-layer structure makes optimum use of the sun's light spectrum, as the two layers combine to convert the entire spectrum of solar irradiation, in the visible as well as infrared range, into electric power. This is why the efficiency of Micromorph Tandem cells are some 50 percent higher than that of amorphous cells, which means that module efficiency will reach ten percent and more by 2010.

An important role in these successful efforts to develop the Micromorph Tandem cell was played by Oerlikon's research laboratory in Neuchâtel, Switzerland, which closely collaborates with the Institute of Microtechnology at the University of Neuchâtel. It was here that Dr. Johannes Meier, head of Research and Development at Oerlikon since 2003, discovered the Micromorph Tandem cell. Oerlikon is striving to refine the design even further, for example by improving the interfacing between the two layers. This is being achieved through in-house research and development as well as collaborative efforts with leading research institutes worldwide.

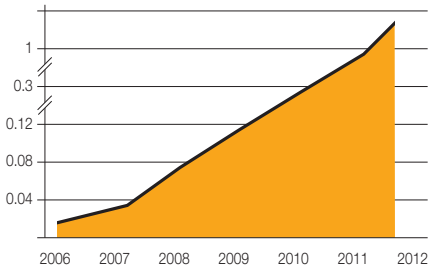
Cost-efficient, field-proven and turnkey

Today, Oerlikon Solar is the leading provider of the complete production process for manufacturing silicon thin-film solar modules. These turnkey, fully automated production systems enable field-proven solar modules to be manufactured cost-efficiently. Oerlikon Solar offers comprehensive, end-to-end solutions that encompass all the processes required, right down to metrology systems and quality controls.

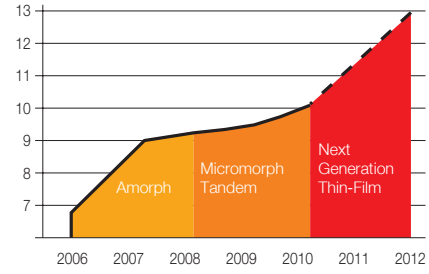
The production facility concept FAB 1200 is suitable for manufacturing both module types. Key elements of these facilities are the KAI 1200 coating systems in which the silicon film layers are applied to the substrate by means of vapour deposition. Depending on the reactor and pre-selected process conditions, deposition can be steered in either the amorph or microcrystalline directions. In addition, the transparent, conductive zinc oxide layers applied by the TCO 1200 as the first film to the glass substrates prior to depositing the semiconductor material is important for the overall process.

On the way to grid parity

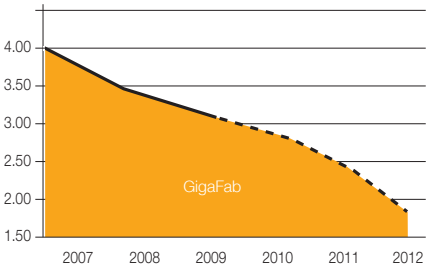
Nominal plant capacity in GWp



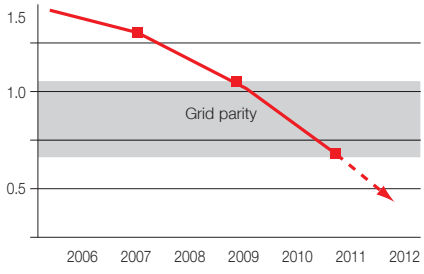
Module efficiency in %



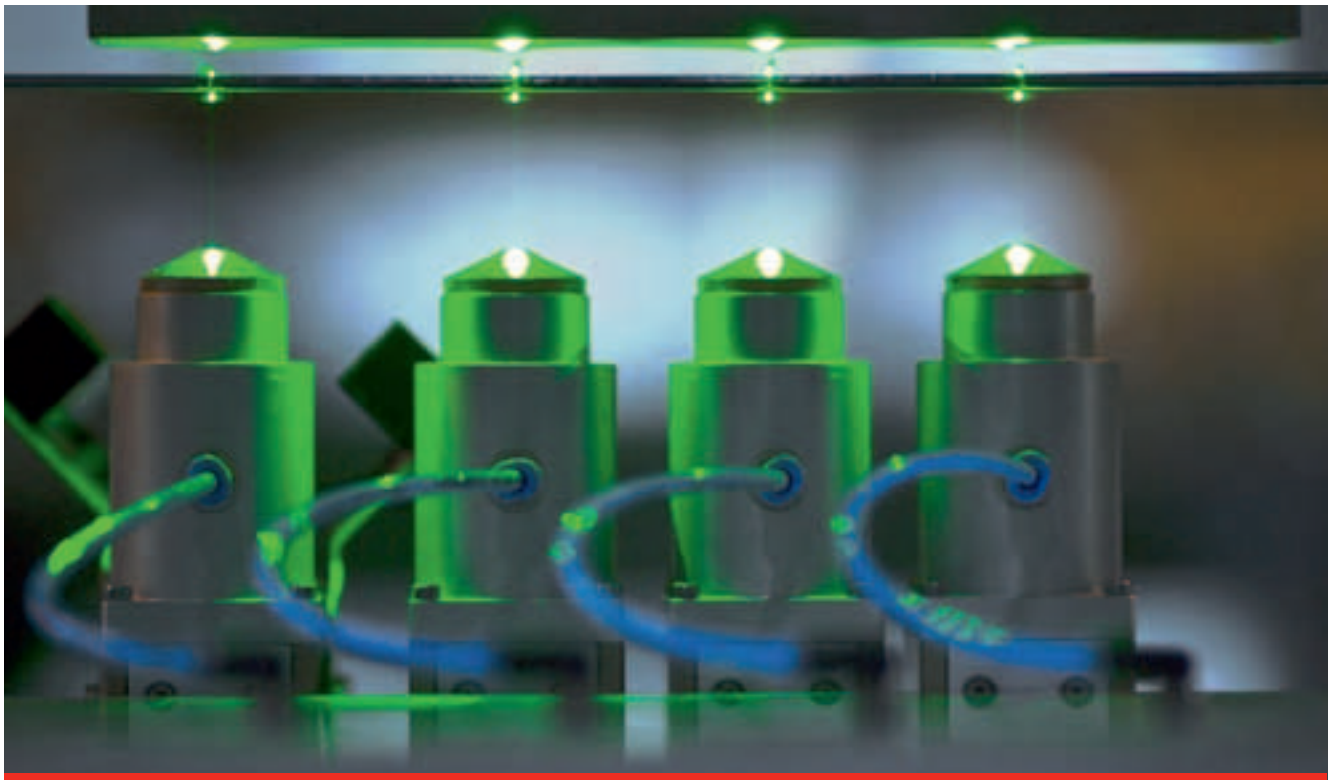
CapEx per watt in USD
(capital invested per watt)



Full-cost perspective in USD



Oerlikon Solar's central R&D objective is to reduce the per watt (peak) costs of solar modules as rapidly and drastically as possible. The principal requirements for this are lower material costs, improved production line productivity, economies of scale from mass production and increased module efficiency.



Laserscribing: Oerlikon Solar has the proprietary technologies to control all the process steps

With the marketing success that both of these technologies have enjoyed, Oerlikon has further expanded its position as leading provider of production facilities for thin-film silicon solar modules. In addition to its production and research facilities in Switzerland, Oerlikon Solar maintains sales and service centers in the United States, Europe and Asia in order to ensure close proximity to customers. The company's first production location in Asia will open in Singapore in 2009.

Grid parity as of 2010

Despite all the success of recent years, photovoltaics must achieve even greater cost-effectiveness if it is to become the most important globally utilized source of energy. The historical development shows that the process has already come a long way towards achieving this goal. In 1980, the price of photovoltaic-generated power was around USD 22 per Watt peak (Wp), while 20 later years these prices had already sunk to USD 4.00. Given that Oerlikon has already initiated the transition from amorph to micromorph technology, numerous individual positive effects, such as lower costs for materials, improved cycle times, higher module efficiency, will contribute towards achieving grid parity in large areas of the sun belt as early as 2010. At the production facilities currently in operation, with their annual output of 20 MWp, costs are already around USD 1.50 per Wp, and by 2010, when the new gigawatt FAB facilities go on stream, the price will drop to less than USD 0.70 per Wp.

Potential for renewable energies

Sun	120 000.0 TW
Geothermal	12.0 TW
Wind	3.0 TW
Tides and Ocean Currents	2.0 TW
Hydroelectric	0.5 TW

The sun's energy is available in unlimited quantities and has by far the biggest potential of all the renewable energies.

Greater efficiency

In mid-2007, the new technology for producing transparent conductive oxide (TCO) films was launched on the market with the TCO 1200 FAB. Besides displaying very good electrical conductivity and low optical absorption, these photoactive silicon layers also have the best light trapping potential as a result of the TCO's particular surface morphology. Ultimately, all of these factors together determine solar module performance and directly lower the costs per watt (peak). The KAI 1200 central production facility has likewise been successfully adapted to the micromorph process.

Already on the horizon: the gigawatt FAB

Today Oerlikon Solar already has the process technology needed for gigawatt production. The prerequisites for further cost reductions are not just more effective production processes, higher throughput in the solar factories and better performance by the solar modules, but the rationalization effect of mass production through economies of scale. In order to reduce the costs per watt (peak) of solar modules even more, further innovations are in preparation. These involve reducing the time needed to set up production lines as well as shortening production ramp-up times and improving yields through intelligent automation and system solutions for efficient production control (manufacturing execution systems).

Power the world

There is no doubt about it – solar energy is booming. Already today, everyone is talking about power from the sun as a clean alternative to fossil and nuclear fuels. There is still little awareness, though, of the gigantic potential of this energy source. With 120 000 terawatt/year (annual worldwide energy demand currently amounts to 13 TW), the sun offers sufficient clean energy to meet total worldwide energy demand. These facts are generating considerable economic interest and offer the perspective of a gigantic market for the future. The thin-film photovoltaic market is a significant beneficiary of this development.

The experts agree

In early December 2007, the 17th International Photovoltaic Science and Industry Conference in Fukuoka, Japan, confirmed that solar power generation is one of the fastest growing production industries worldwide. The investment bank Morgan Stanley in New York, also expects significant expansion in this sector, anticipating continuing growth rates above 40 percent. After surveying over 400 solar energy companies, Photon Consulting of Boston, a consulting enterprise for the solar energy sector, projects that the systems produced will already achieve an annual output of over ten gigawatts by 2010. Thin-film solutions will already be supplying 20 percent of this solar power. Against this backdrop, Oerlikon Solar will continue to expand its leading position in the particularly high-growth field of thin-film technology and develop this technology further through its in-house research effort.

oerlikon
barmag

- Filament yarn plants
- Texturing systems

oerlikon
neumag

- Staple fiber plants
- Nonwoven plants
- Carpet yarn plants

oerlikon
saurer

- Twisting systems
- Embroidery systems

oerlikon
schlafhorst

- Spinning preparation systems
- Rotor spinning systems
- Ring spinning systems
- Winding systems

oerlikon
textile components

- Components for the textile industry

Oerlikon Textile

2007 was an outstanding year for Oerlikon Textile with both sales and profits seeing significant growth. Sales rose from CHF 2 148 million (pro forma) to CHF 2 719 million and profits increased by 205.9 percent (pro forma) to CHF 208 million. In particular, Oerlikon Textile was able to benefit from the boom in the staple yarn market and record growth in the winding machine and rotor spinning machine sectors thanks to its excellent market position.

In 2007, Oerlikon Textile significantly topped previous years.

"2007 was a very successful year for Oerlikon Textile. Our managers and employees responded excellently to the challenges of volatile markets, coping extremely well with a high volume of orders in production. With the innovations we presented at the ITMA in Munich we are well positioned for 2008 and beyond."

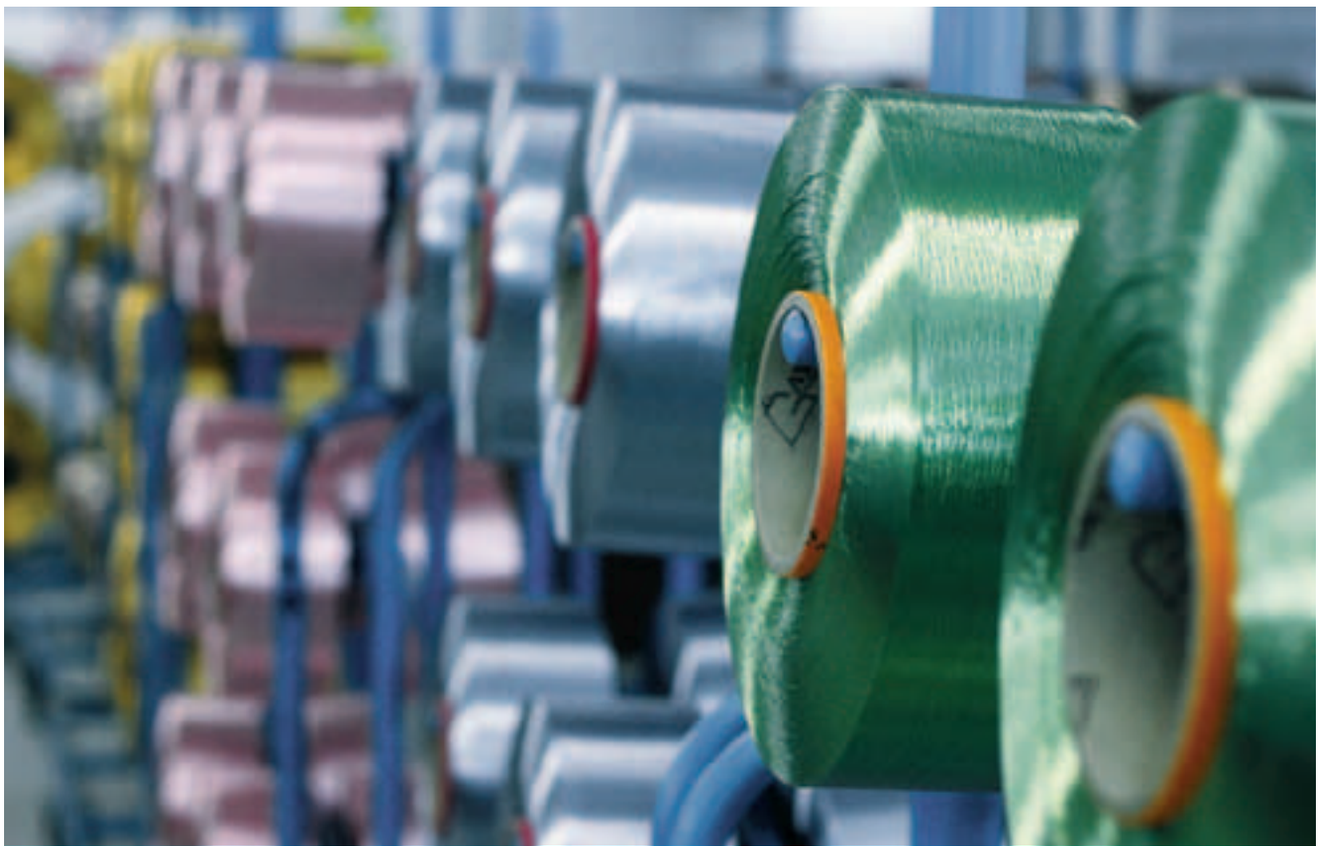
Dr. Carsten Voigtländer
CEO Oerlikon Textile

Key figures of Oerlikon Textile

in CHF million	2007	2006*	2006 (pro forma)	Change
Orders received	2 655	398	2 329	14.0%
Orders on hand	821	867	867	–5.3%
Sales	2 719	464	2 148	26.6%
EBIT	208	24	68	205.9%

* The data for November/December 2006 is consolidated in the figures of the Oerlikon Group.

www.oerlikon.com/textile



Guaranteed total solution for Technofibres

Technofibres
"All our yarns are destined for the automotive industry. These customers are extremely demanding in terms of yarn quality," explains Michael Hübner, CEO of the Luxembourg yarn manufacturer Technofibres S.A., which is part of the AUNDE group. By using Oerlikon Barmag systems, the Technofibres spin-dyed yarns comply with the high demands of automobile manufacturers. Furthermore, the modular-concept systems also permit the flexible and efficient production of even very small batch sizes, hence making special requests from demanding customers possible on short notice. Why was the decision made to commission the Remscheid-based company with the implementation of the planned new investment? "Because, according to our experience and estimation, Oerlikon Barmag manufactures the most technologically advanced spinning systems. The system was handed over on-schedule by Oerlikon Barmag and its partners and included guarantees for the yarn quality. This is a good example of top-notch customer orientation", admits Technofibres CEO Hübner.

Circle of Innovation

Oerlikon Textile's dominant market presence was evident at the ITMA 2007 textile machinery exhibition. With a booth area of more than 2 000 square meters, Oerlikon Textile showcased its circle of innovation to an international trade audience under the new Oerlikon umbrella brand for the first time.

The main driver for the growth of Oerlikon Textile remains Asia, particularly China, where Oerlikon Textile now generates 53.4 percent of total sales. To cope with this increased demand, work began in autumn 2007 on the further expansion of Oerlikon Textile's state-of-the-art production plant in Suzhou (China).

Outlook

For 2008, Oerlikon Textile expects markets in Asia to slow, which can be partially compensated for by gains in market share and by developing new markets and areas of business.

Oerlikon Barmag

Despite capacity bottlenecks due to delivery problems experienced by raw material suppliers at the start of 2007, Oerlikon Barmag was able to increase the number of manufactured spinning units compared with the previous year significantly, thereby securing an outstanding market position with a market share of more than 40 percent. In particular, demand from China continued to be high, although there was some tail-off towards the end of the fiscal year as a result of more restrictive investment policies for filament plants in China.

In the texturizing machine sector, the main focus was also on China, where the company profited from close customer relationships thanks to the longstanding local presence of Oerlikon Barmag.

Highlights

- The new POY WINGS platform was exhibited at ITMA 2007 and attracted a great deal of interest from customers. The first deliveries are due to take place in 2008.
- By far the largest PES POY microfiber installation in the world with Oerlikon Barmag EvoQuench technology was commissioned.
- Rapid and successful development of total solutions.
- First coarse yarn industrial spinning plant ordered.

Outlook

As a result of the stronger Euro, which is making life more difficult for European producers, and a more restrictive investment policy on the part of the Chinese government, it will not be possible to repeat the record levels of spinning units supplied in 2007. On the other hand, there is currently strong demand for solution packages for applications such as Spandex and geotextiles, and customers increasingly want to use Oerlikon Barmag for these services.

Oerlikon Neumag

The market for carpet yarn machinery also saw a marked increase in 2007. Demand from Western Europe in particular grew strongly. As expected, the trend in China was positive, although at a lower level of investment. Thanks to a single large order from the important North American market, Oerlikon Neumag was able to increase its incoming orders in this area significantly. The development of the new "nonwovens" business segment has been particularly pleasing and already accounts for more than a third of total sales. The staple fiber market for polyester-cotton yarns is still characterized by overcapacity and consolidations. However, the first slight signs of market recovery can now be seen in China and other Asian countries.

Highlights

- Launch of the innovative Sytec One system for carpet yarn production at ITMA 2007. The new machine design enables a 40 percent increase in production over conventional systems plus easier handling and greater efficiency.
- Oerlikon Neumag has systematically furthered the integration of individual technologies in the nonwovens business segment. In particular, technology integration in the carded web range has been rewarded by the market with a number of important orders being placed by leading producers.
- The new plant concept for the production of synthetic staple fibers allows a doubling of production capacity from its current level of 200 up to 400 tons per day. This enables new technical solutions not only to lower investment costs per unit of capacity, but also to reduce energy and operating costs.

Outlook

The BCF market will rise back up to a high level next year. The effects of the property crisis on the carpet sector will continue to impact the market in 2008.

Signs of movement are slowly beginning to appear again in the staple fiber market for polyester applications for the clothing industry and the investment climate is also becoming somewhat more positive in China, this sector's main market.

Growth in the nonwovens sector will be positive again next year. In addition to the main markets of USA and Europe, there are other interesting projects in Asia, Russia and Latin America.

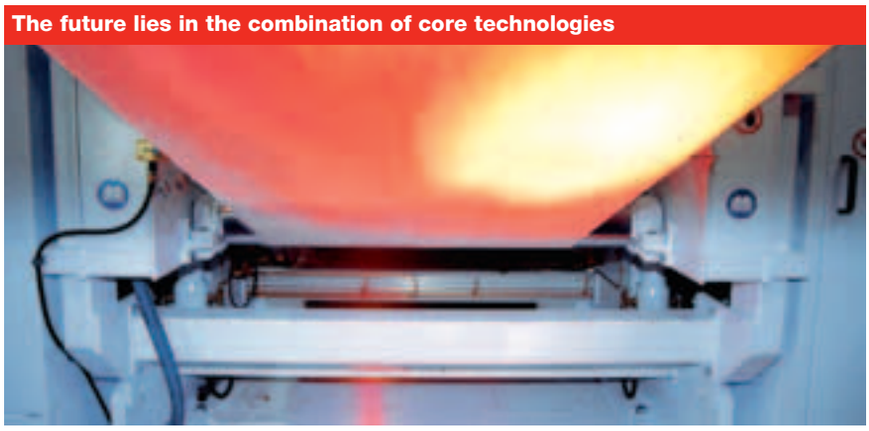
Oerlikon Saurer

The twisting and embroidery machinery activities were successfully consolidated within Oerlikon Saurer in the first year after their merger. This was supported in a major way by the international collaboration between all the business unit's locations. In China, the new fancy twisting machine Allma ECP1 was further developed and optimally adapted for the Chinese market. The Volkmann glass-twisting product line also enjoyed a successful launch on the Chinese market. Business with multi-head embroidery machines saw a pleasing development in 2007, with Oerlikon Saurer being able to post above-average growth through its international Melco dealer distribution network. Due to a sharp decline in demand for Schiffli embroidery machines from China, the volume of large embroidery machines sold worldwide contracted. Oerlikon Saurer maintained its position well overall, however, despite the difficult environment.

Highlights

- WINPRO long staple spinning system presented successfully at the ITMA in Munich.
- Presentation of the Sequins & Soutache devices and the new laser technology in the latest generation of Saurer Schiffli embroidery machines during ITMA 2007.
- Commissioning of an Epcoa 5 machine at a leading Swiss embroidery customer.

The future lies in the combination of core technologies



Albis

"The future for the production of nonwoven fabrics lies in the combination of three core technologies," says Gianni Boscolo, owner of the ALBIS SpA group. Oerlikon Neumag has already put this future into practice for his project in Aschersleben in Germany. At Ascania GmbH, an affiliated company of ALBIS, the engineers combined the spunbond, carding and airlaid technologies in an unrivaled way. The result: a perfect nonwoven fabric.

"We are very satisfied with the product that we produce in this plant," says Gianni Boscolo. However, he appreciates the beneficial effects of combined nonwoven production methods on the product properties for another reason as well: The new product offers a broader application potential and hence better margins. And it has become a success for his customers as well. Thanks to the optimized product properties, they have also been able to increase their own market shares.

Direct interface to business

Kordsa

Business process optimization far beyond production and machinery plays a major role at companies like Kordsa Inc., the worldwide leader in tire cord manufacturing. With this in mind, Oerlikon Saurer realized a business-to-business solution with its technology development partner Kordsa for its SECOS web-based online purchase platform for original parts. "We wanted our ERP system to communicate directly with SECOS via an SAP interface in order to make processes safer, easier and also faster," Ali Caliskan, Director Operations at Kordsa Global, explained. He also mentions how valuable this approach has proven, like the general development of the new Oerlikon e-save energy-saving concept for the Allma CableCorder, which was launched in 2007 for 23 machines. Caliskan: "The e-save energy-saving concept is meeting our expectations."

Outlook
The twisting machine business will generally slow down in 2008, especially in the staple yarn and carpet yarn segments. Oerlikon Saurer will be able to gain further market share, however, by optimizing energy efficiency (e-save) and through various new developments. The capacity situation in worldwide embroidery plants will improve, so that demand will increase again in 2008. The trend towards finishing textiles with personalized embroidery motifs continues to grow. Oerlikon Saurer is ideally positioned to benefit from this trend with its Melco multi-head embroidery machines.

Oerlikon Schlafhorst

2007 was marked by an extremely good demand situation in the staple yarn machinery sector. Turkey, in particular, experienced a real boom and both India and China significantly increased their sales figures. Oerlikon Schlafhorst benefited more than most from this growth and also positioned itself in new sub-markets through the launch of new products. Its dominant market position in the high-end machine sector was strengthened, and at the same time products matched to customer requirements were added to the company's portfolio in response to increasing competition from local Chinese and Indian suppliers.

Highlights
- Successful launch of new Oerlikon Schlafhorst products: Zinser 360 ring spinning machine, Autoconer 5 winding machine, Autocoro 480 and S 360 and BD 380 rotor spinning machines.
- Record production of winding units again this year.
- Largest customer order for semi-automatic BD machines.
- Consolidation of all staple yarn products in a single organization: Oerlikon Schlafhorst, enabling significant reduction in complexity costs and increased market presence.

Outlook
The demand from the volume markets of India, China and Turkey for high-end Oerlikon Schlafhorst products will fall in 2008 as the economic and political conditions change for these markets. To compensate for this, Oerlikon Schlafhorst will be able to gain market share in new segments of the staple yarn market with its systematic strategy of differentiation.

Oerlikon Textile Components

As the leading supplier of textile components, Oerlikon Textile Components was able to benefit from the strong situation in the staple fiber machine sector. However, the market trend away from Europe and North America to Asia continued to be in evidence. In particular, the demand for ring spinning machine components from China and India was very strong in the first half of 2007. However, Vietnam and Indonesia are also becoming increasingly important.

Highlights
- Successful integration of the new business unit structure with considerable savings and added marketing potentials.
- 2007 with record sales and profitability.

Outlook
The demand for ring spinning machine components cooled down markedly since the second half of 2007. This trend looks set to continue in 2008. Oerlikon Textile Components aims to gain additional market share through new products and innovative developments.

Trust-based partnership

Century Textiles

For many years, Oerlikon Schlafhorst and the Indian textile company Century Textiles have been collaborative partners. "At that time, we decided for Oerlikon Schlafhorst because they offer cutting-edge technology and an excellent service in ring spinning and winding," says U. C. Garg, Jt. President of Century Textiles. "The innovative power of Oerlikon Schlafhorst's engineers enables us to transfer the competitive edge to our textile end products as well," continues Garg. Furthermore, the machines of Oerlikon Schlafhorst make a great contribution to the environmental policy of the company. "We at Century Textiles are committed to continual improvement in our environmental performance during the manufacture and supply of cotton fabric and yarn. The machines of Oerlikon Schlafhorst are not only highly productive, they also save a lot of energy," explains the Jt. President.

A strong partnership

The Indian Reliance Group relies on Oerlikon Barmag technology.

The Reliance Group, India's largest private sector company and the world's largest manufacturer of polyester filaments and fibers, selected Oerlikon Barmag as its partner for expansion projects in its POY, FDY and PSF businesses at the Hazira and Patalganga plants. In addition, Oerlikon Barmag was also successful in supplying the FK6-V-1000 HTI high speed draw texturing machines for their Silvassa plant.

Partner with total solutions

Today, Reliance – at eight polyester production locations in India – manufactures approximately 1.8 million tons of polyester products, principally polyester filament yarn (PFY), polyester staple fiber (PSF), PET bottle grade resin, polyester fiber and polyester textured yarn. This output represents approximately 35 percent of India's total polyester market. In these areas, growth at Reliance during the past three years was more than 10 percent. Oerlikon Barmag assisted in this increase as a reliable technology partner with individually tailored comprehensive solutions.

"What we expected from our partners was highly innovative technology and cost effective equipment and solutions to achieve our company targets," says Man Mohan, COO of the Polyester Division of Reliance Industries. "For that we continuously need new ideas, processes and technologies," he explains.

Thus, innovations represent the best way of reviving markets, and in some cases even attaining dominance as a market leader. At the ITMA, with the new POY concept, dubbed WINGS, Oerlikon Barmag identified another opportunity that may prove appealing for Reliance Industries. But there are other innovations, too – such as the new staplefiber line at Oerlikon Neumag, or their BCF product "Sytec One" – that have been impressing the managers responsible at Reliance.

In-house service workshop

Man Mohan is excited about more than just the innovative force of machinery and equipment alone. Service is always a big thing for companies with production operations that involve such complex technology. Which is why Oerlikon Barmag created an in-house workshop for Reliance, for which Oerlikon Textile India is responsible. The technicians in the plants on-site attend to the projects and to Oerlikon Barmag facilities around the clock. Here, their tasks include maintenance, alterations, as well as original-parts procurement and replacement. "For us, this is a perfect solution. This way, we always have the best expertise of Oerlikon technicians on-site. Since then, the productivity of the machines has improved considerably," Mohan explains.

Reliance expects a speedy response when realizing new projects, too. "We want our partners to actively take the initiative and develop market-ready products for us and with us in a very short period of time," he explains. The partnership with Oerlikon Barmag is exemplary in this respect as well.

Joint work began in 2002 on the POY equipment. The order, which was placed in late 2004, was then realized in stages and was nearly completed in 2007. Oerlikon Barmag delivered more than 10 000 POY spinning positions producing high quality yarn. "With the help of the equipment supplied by Oerlikon Barmag, we were able to offer new niche products on the market. Microfilaments, bishrinkage yarns, spunlaced fabrics and filaments with high POY titers are now part of our product portfolio," observes Mohan.

Working on the same wave

"We are very proud to work with Oerlikon. They are the right partner for us and are on the same wave length as we are," Mohan explains. The close partnership moved a big step forward in late 2005, when catastrophic monsoon waters flooded large parts of the plant in Patalganga. For the employees of Oerlikon Textile India, there was no question that they would offer their complete support with total dedication. At the time, Nikhil R. Meswani, Executive Director of Reliance Industries, expressed his gratitude for this spontaneous assistance: "It was a mammoth task, and your company did excellent work. Reliance always relied on its equal partner. This is a further example of how partners such as yourself have lived up to our high expectations and earned our high regard."

Reliance at a glance	
Employees	24 700
Sales in USD	27 billion
Headquarters	Mumbai (India)
Locations	14
Founded	1977
Customer since	2002

Solutions & Technology
POY Spinning
FDY Spinning
Texturing
In-house Service Workshops

Reliance Industries

“The world is changing and the markets are moving faster than they did years ago. Working with a strong and flexible partner like Oerlikon Barmag helps us to develop the right products in a short space of time. That makes us successful.”

Man Mohan
COO Polyester Sector, Reliance Industries

oerlikon
balzers

Coatings and solutions for:
- Head cutting tools
- Precision tools
- Precision components
- Forming tools
- Synthetic processing
- Diecast tools
- Motor technology
- Fluid technology
- Drive technology
- Fuel injection

oerlikon
systems

- Metallizer DVD formats
- Hard drives
- Metallizer Blu-ray
- Thin-film heads
- Wafer production equipment
- Advanced packaging
- Thin wafer and multi-level metallization
- Photomask etching
- Compound Semi, MEMS & nanotech-nology

oerlikon
solar

- Turnkey equipment for the manufacture of thin-film silicon solar modules
- Amorphous silicon PV technology
- Micromorph Tandem PV technology
- Industrial laser high-precision head-cutting
- Special metrology and encapsulation machinery

Oerlikon Coating

This business segment reported excellent financial results in 2007. High demand was reflected in the strong increase in new orders received, amounting to CHF 1 346 million (12.6 percent higher than the previous year). Leading tool manufacturers worldwide have opted for the INNOVA coating system with its revolutionary P3e™ technology as their development platform. The global focus on renewable energy sources in the field of solar energy, in conjunction with Oerlikon's market leadership in thin-film photovoltaics, provided the rationale for spinning off the Oerlikon Solar business unit from Oerlikon Coating at the beginning of 2008 to create a separate segment.

Leadership position and product range extended.

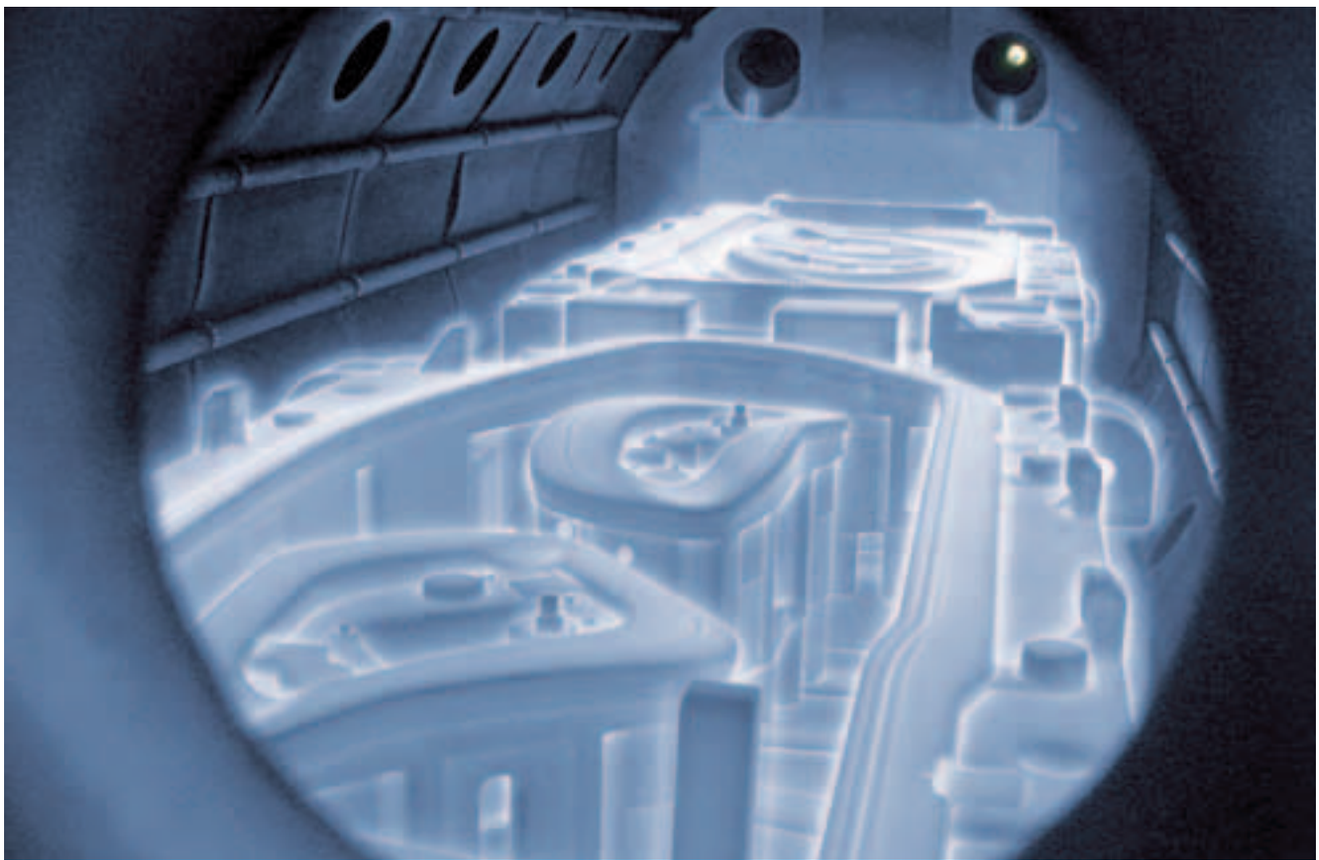
"Our principal efforts were directed to focusing the business for 2007: further development of the solar business unit to stand alone as a segment, targeted development of the profitable, high-growth Oerlikon Balzers business unit by acquisition of a 'hidden champion', re-focus of resources following divestment of Blu-ray business from a position of strength."

Dr. Hans Brändle
CEO Oerlikon Coating

Key figures of Oerlikon Coating

in CHF million	2007	2006	Change
Orders received	1 346	1 195	12.6%
Orders on hand	510	478	6.8%
Sales	994	816	21.8%
EBIT	147	135	9.1%

www.oerlikon.com/coating



Range of environmentally friendly surface treatment technologies using PDD™ processes expanded

Oerlikon Balzers VST
For Oerlikon Balzers, the acquisition of Verschleiss Schutz Technik Keller (VST) based in Schopfheim, Germany, represents a major addition to its own range of products and services, thereby strengthening its position as a global partner to the automotive industry. Pulsed Plasma Diffusion (PPD™) technology constitutes an extremely environmentally friendly alternative wear and tear protection compared to today's widely used hard chromium plating of forming tools for chassis and body components. Oerlikon Balzers is already using this technology in Europe and the United States. In the important Asian automobile market, the first facility of this type will go into operation in early 2008.

Oerlikon Balzers

The Oerlikon Balzers business unit saw above-average and notably profitable growth – especially in Asian markets. Profitability increased significantly. A number of Oerlikon Balzers' business areas registered significant growth in 2007. There was an increasingly noticeable trend among tool manufacturers towards insourcing of coating technology for first-time coating of cutting tools. In addition, cutting tool recoating activities enjoyed above-average growth. The development in high-load precision components for large-series production was particularly pleasing. This market segment is the main driver of growth in our Job Coating business.

Initiatives launched in 2006 to increase production and sales efficiency have become visible in enhanced profitabilty. Deploying full automation in production series projects for the coating of piston pins resulted in a dramatic reduction in production costs. All told, these initiatives produced a significant increase in the margin for Job Coating activities.

The expectations placed on Oerlikon Balzers as the world market leader with respect to market share and technology leadership have clearly been met. The pioneering P3e™ technology and BALINIT® ALDURA, by far the best coating for cutting even the hardest of steels, are proof of this leading technological edge. Efforts to expand the global network of coating centers have pressed ahead in particular in Eastern Europe and Asia, already encompassing 80 coating centers worldwide.

Milestones 2007

- Expanding the portfolio: With the acquisition of Verschleiss Schutz Technik Keller (VST Keller) based in Schopfheim, Germany, Oerlikon Balzers has further consolidated its leading position in the world's surface coating market and as a supplier for the global automotive industry. With products designed primarily for medium and large-sized stamping and forming dies, VST Keller brings innovative and environmentally friendly technologies such as its Pulsed Plasma Diffusion (PPD™) to the Oerlikon Group along with additional customer contacts and resources. This acquisition opens up a new area for Oerlikon Balzers in the surface coating market that has far-reaching synergies with our existing job coating business, but also with other business units such as Oerlikon Vacuum. In addition to this, VST Keller's environmentally friendly PPD™ technology as a substitute for hard chroming strengthens the company's position as a provider of clean technologies.
- P3e™ technology: Most of the world's leading tool manufacturers have already chosen to adopt this coating system and its P3e™ technology as a development platform for the coming generation of new coatings. Only with P3e™ technology can corundum typed aluminum oxide coating layers be deposited at temperatures under 600 degrees Celsius. This technology was also used as a basis for efforts to advance coating development in our own in-house development laboratories. Within just a few months, X3turn – the first P3e™ coating for turning operations – was able to match the performance level of the dominating chemical vapor deposition (CVD) coating technology.
- BALINIT® ALDURA: This new coating with its dual-layer structure is setting new standards in the prestigious field of hard metal cutting. In tool and die making, the ability to machine steels with hardness properties of 60 HRC and greater offers decisive productivity benefits.

Outlook
The business unit Oerlikon Balzers forecasts an overall favorable economic environment and double-digit growth for 2008 as well. Oerlikon Balzers will continue to concentrate above-average investments in the Asian market. Our introduction of the new, environmentally friendly PPD™ technology in Asia will represent yet another special milestone. An application center is to open in Liechtenstein, dedicated to large-series coating of engine components. Projects targeting improved efficiency in production and sales continue to be pursued with high priority.

Oerlikon Solar
For Oerlikon's growing business in the solar energy sector, 2007 proved a decisive year in which all objectives were met and important strategic directions taken in the further expansion of the solar energy business. Primarily, the production plants at ersol Thin Film and SCHOTT Solar were successfully delivered, installed and ramped up on schedule. Oerlikon Solar is currently the only supplier of production plants for thin-film silicon solar modules that has fully operational production systems as reference projects. These references further stimulated demand and new orders worldwide.

Milestones 2007
- To be able to tap the full potential of the rapidly expanding solar energy market, the business unit was reorganized into a separate segment headed by Jeannine Sargent.
- 40 MWp production capacity for thin-film silicon solar modules was successfully delivered and installed at ersol Thin Film. These initial orders containing system and process technology from Oerlikon Solar confirmed the concept of innovative Oerlikon technology and laid the foundation for growing customer interest and rising new orders.
- With a further 40 MWp order from CMC Magnetics Corp. in Taiwan (Sunwell Solar Corp.), Oerlikon Solar won its first Asian client. For the first time, a contract was concluded for a complete turnkey solution including integrated measurement technology for quality control, with an option for extending production capacity and upgrading to the next generation of Oerlikon Solar technology. Delivery and commissioning were performed on schedule.
- In September, Oerlikon Solar launched the next technology generation Micromorph Tandem. This patented solar module type improves efficiency by up to 50 percent over traditional amorphous thin-film technology. This new technology possesses the potential to increase overall energy-conversion efficiency to over 10 percent by 2010. What is more, it lowers the per-watt costs of peak power even further. Inventux Technologies AG was the first customer to order a 30 MWp production line for Micromorph Tandem solar modules.
- Further orders followed for a 60 MWp production facility from Auria Solar Co. Ltd. in Taiwan and a 30 MWp production facility from the Italian company Pramac SpA. Both clients have committed to Oerlikon's patented Micromorph Tandem technology.

Outlook
Oerlikon Solar is making great efforts to rapidly establish a global research, production and service network that will enable it to meet the increasing global demand. The company's Asian location, currently under construction in Singapore and scheduled to commence operations by the end of this year, represents a milestone in these efforts. In light of our excellent market position as a provider of turnkey solutions and our innovative technology portfolio as well as the fast-expanding market, Oerlikon Solar expects sales to exceed CHF 700 million in 2008, and to top the CHF 1 billion mark in 2009.

Improving our edge even further through own research efforts.

High efficiency
In Neuchâtel, Switzerland, Oerlikon Solar maintains an in-house research laboratory dedicated to the further development of thin-film silicon solar modules. Current success: The patented Micromorph Tandem module is ready for serial production. The new production line for the manufacture of micromorphous solar modules builds on the tried and proven KAI 1200 in which the rasor-thin silicon film layers are applied to the substrate. The Micromorph Tandem modules collect solar irradiation in both the visible as well as infrared spectra, thereby achieving a high level of efficiency. All module-handling operations of this highly automated production process are performed by robots.

Oerlikon Systems

The plant and equipment sales business of Oerlikon Systems has well positioned technology at its disposal which was further expanded in 2007. Oerlikon offers the leading products in all market segments – hard disks, wafer processing (etching and coating) and photomask etching.

Oerlikon's Blu-ray business was sold at the start of 2008 to Singulus Technologies AG in Kahl am Rhein, Germany. With this acquisition, the world market leader Singulus has assured itself a strategic advantage in the consolidated market for optical storage media, whereas the divestment helps Oerlikon to focus its core portfolio by exiting a peripheral business. This also released additional resources for the development of the solar business.

In the field of hard disks, Oerlikon Systems pursues a dual business model. The product and service offering ranges from complete plant and equipment systems to process modules for upgrading existing facilities that Oerlikon did not originally manufacture. The RACETRACK system for the next generation of hard disks, employing perpendicular magnetic recording technology (PMR), has roused the interest of the leading hard disk manufacturers in Asia and the United States. In the field of wafer processing, Oerlikon has further expanded its product portfolio with an eye to providing improved production solutions for current applications.

The new, rapidly growing market for solid state lighting (compound semiconductor segment) has been successfully tapped for our new etching and deposition production lines. Thanks to the convincing process, high flexibility and the excellent cost of ownership, we succeeded in launching the single wafer Clusterline CLN 200 PVD system for thin-film head (TFH) applications. At the same time, leading semiconductor manufacturers have decided in favor of the new GEN V photomask etching system.

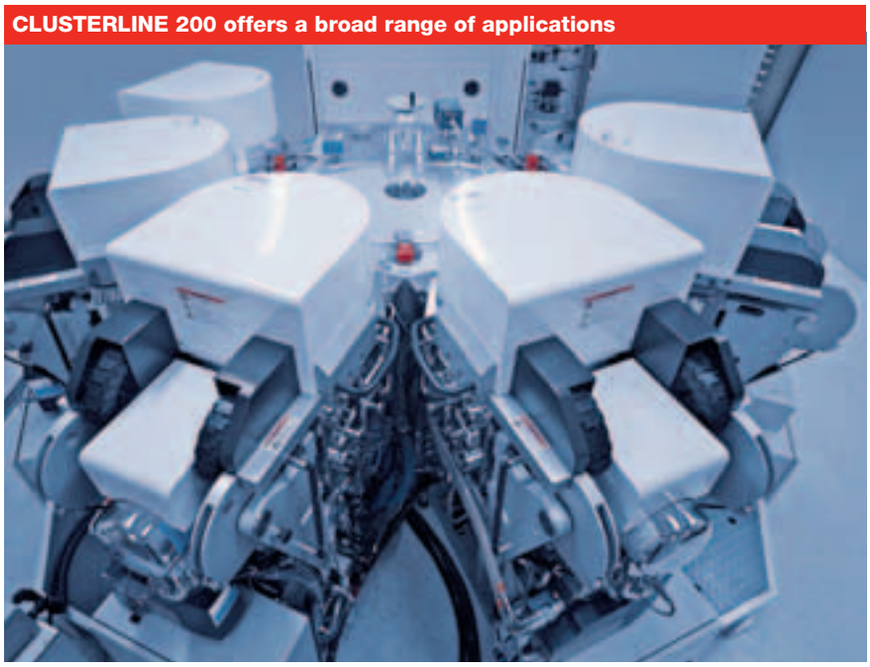
Milestones 2007

- Oerlikon addressed industry requirements for mass production of Blu-ray disks and developed the first manufacturing systems worldwide using an INDIGO SL with 25 GB. With a high production capacity exceeding 70 percent throughput as well as high efficiency and process stability, these systems have been tried and proven in manufacturing. These ongoing developments were important prerequisites for the successful sale of the business to Singulus in early 2008.
- In the hard disk industry, Oerlikon implemented the new RACETRACK coating system. Acceptance testing was successfully completed in 2007.
- Oerlikon has secured an excellent market position with a product portfolio that covers the segments of Advanced Packaging, Backside Metallization and Thin Wafer Processing, Interconnects, Solid State Lighting, Compound Semiconductors and Thin Film Heads as well as Mask Etching. With its single-wafer Clusterline systems, the business unit has successfully established itself in the market for thin-film heads (TFH). These tried and proven systems together with the recently developed features of this application resulted in extensive orders from one of the world's leading TFH manufacturers in 2007.

Outlook

The Business Unit Systems is well positioned in 2008 by focusing its technology on special applications in future growing market of the semiconductor industry. The hard disk industry is implementing the PMR technology, the Solid State Lighting (SSL) LED technology is advancing fast, the demand in the telecom sector and MEMS is continuously growing and the HIS (Highly Ionized Sputtering)-Technology for the 3D-Packaging is being introduced to the market. Thereby Oerlikon Systems is prepared for the anticipated consolidation of the semiconductor market in 2008.

CLUSTERLINE 200 offers a broad range of applications



The workhorse of the semiconductor industry

The CLUSTERLINE 200 is a single wafer system that is used in all major semiconductor segments such as multi-level interconnects, under bump metallization for wafer level packaging, backside metallization for thin wafers, thin-film heads, MEMS (micro-electro-mechanical systems) and bulk acoustic wave filters.

Ceratizit and Oerlikon Balzers: a longstanding partnership geared toward innovation

The companies' collaboration in developing a new generation of indexable cutting inserts should shorten the time-to-market considerably.

High-performance machining

Ceratizit tools and know-how are in demand wherever aluminum wheels or engine blocks for automobiles are produced, turbine blades milled for aircraft engines, or heavy wheelsets machined for rail vehicles. These and other niche market segments are the fields in which this Luxembourg-based enterprise has specialized, achieving a leading position worldwide. The company's success is based on its vast experience and expertise as a manufacturer of hard metals, the complete solutions it delivers and its high-level advisory competence in the specific use of its products.

"The demands placed on the productivity and profitability of metal cutting tools operations are constantly growing. Tools must therefore be capable of delivering higher levels of performance. Only those manufacturers who are capable of producing more advanced tool materials, designs and coatings of the highest quality will be able to compete. This is why we need to cover the entire process chain, using only the very best technologies available", explains Dipl.-Ing. MBA Thierry Wolter, emphasizing the company's own high standards.

Accelerated development process based on close collaboration

"Oerlikon Balzers is an ideal, competent partner that helps us achieve our ambitious goals. The company is a clear market and technology leader with a global presence, and possesses unique know-how and development potential in the field of physical vapour deposition (PVD) coating techniques. This is impressively demonstrated by the development of its P3e™ technology. With this groundbreaking, exclusive technology Ceratizit has an important platform on which to take its own development forward. This is why we are one of the first enterprises in the world to purchase the new INNOVA coating system together with the P3e™ technology."

Breakthrough coating technique using P3e™ technology

Up to now, thermodynamically stable metal oxide coatings could only be fabricated at temperatures above 1 000 degrees Celsius, and were the domain of chemical vapor deposition (CVD) coating technology. With its P3e™ technology, Oerlikon Balzers has succeeded in achieving an innovative technological breakthrough: For the first time ever, hard, chemically and thermally stable metal oxide coatings can be applied to tools in a PVD process at coating temperatures significantly below 600 degrees Celsius. From now on, the typical advantages of PVD coatings can also be used for metal oxide coatings: sharper cutting edges, strongly reduced risk of crack formation, and no embrittlement of the hard metal substrates in the coating process.

And that's not all: Another novel factor is that hard metal oxides can now be tailored with conventional nitride coatings in almost any desired combination, and the properties of coatings fine-tuned to a previously unknown degree. This opens up entirely new possibilities for the design of high-performance tools. We will continue to pursue targeted development of substrate materials with an eye to optimally utilizing the benefits of PVD metal oxides. All in all, this will substantially enhance machining performance in the foreseeable future, while significantly increasing productivity. It is no wonder then that Thierry Wolter is not the only one who sees enormous potential in the innovative field of "coatings": "There are a lot more possibilities, too."

Ceratizit's customers are also customers of Oerlikon Balzers

Ceratizit supplies many tool manufacturers with blanks for their solid hard metal tools. Some of these materials are particularly well suited for diamond coating, which Oerlikon Balzers offers at its Competence Center in Niedercorn, Luxembourg. Tool manufacturers – clients which both of us serve – thus profit from the know-how transfer between Oerlikon Balzers and Ceratizit.

Ceratizit at a glance

Employees	4 000
Sales in EUR	550 million
Headquarters	Mamer (Luxembourg)
Locations	38
Founded	1921
Customer since	1985

Solutions / Technology Facts

Oerlikon Balzers PVD coating machines
BALINIT® coatings
P3e™ development partner

CERATIZIT

“As a leading manufacturer of tools and hard material products, we depend on innovative coating technology and require intelligent solutions for tomorrow and beyond. We can always rely on Oerlikon Balzers’ expertise and groundbreaking developments in these fields to take us that decisive step forward!”

Dipl.-Ing. MBA Thierry Wolter
Member of the Board, Business Head Cutting Tools, Ceratizit

oerlikon
leybold vacuum

Systems
- Fore vacuum pumps
- High vacuum pumps
- Vacuum measurement equipment
- Leak detectors
- Flanges
- Valves and fittings

Services
- After-sales services and training

Solutions
- Consultancy and development of vacuum solutions

Oerlikon Vacuum

The Oerlikon Vacuum segment was able to achieve very good results again in 2007. Sales increased by 6.4 percent to CHF 458 million, thereby exceeding the general market growth. Orders received grew by 7.3 percent to CHF 477 million and orders on hand by 32.8 percent to CHF 78 million. EBIT grew by 17.1 percent from CHF 47 million to CHF 55 million compared to the previous year. The development of new products and new services improved the segment's market position globally. Further measures to strengthen sales and service have been implemented and will generate a positive impact on future activities.

Strong results with new products and services.

"Know-how and profitability are the basis of our daily activities, and this is the standard we are ready to measure up to. This means for our customers that we will continue to design leading technologies and develop innovations to meet our customers' demands. In the long run this ensures profitable and sustainable growth for all parties and makes a contribution to future development."

Thomas Babacan
CEO Oerlikon Vacuum

Key figures of Oerlikon Vacuum

in CHF million	2007	2006	Change
Orders received	477	444	7.3%
Orders on hand	78	59	32.8%
Sales	458	430	6.4%
EBIT	55	47	17.1%

www.oerlikon.com/leyboldvacuum

Architectural glass - Vacuum technology is a part of modern lifestyle

International challenge
The struggle for market share has become international with the need to develop new products in an increasingly short time and with limited resources. At the same time, technological progress is demanding leaner and faster production processes. A multitude of modern production and manufacturing processes require vacuum technology as the enabling factor. At Oerlikon Leybold Vacuum, experts with their know-how in customer application demands and complete vacuum solutions do everything possible to increase their customers' benefit, thus helping sophisticated products and technology enter the market in the shortest possible time and at the lowest total operating cost.

High-tech processes

In addition to classic industrial manufacturing sectors such as refrigerators, lamps, TVs or packaging, there are a whole range of areas requiring particularly sophisticated high vacuum technology for applications such as space simulation, laboratory instrumentation or research. The energy and environmental markets are also developing at an extraordinary speed and on a global scale – benefiting from Oerlikon Leybold Vacuum's combination of experience and innovative force. One of the most important market developments for the vacuum industry will be photovoltaic module manufacturing – with vacuums serving once again as an enabling technology for almost all processes used today in the solar industry.

Well positioned for solar

In 2007, Oerlikon Leybold Vacuum positioned itself as one of the few full line suppliers for all vacuum application demands in the solar industry, delivering all necessary vacuum components and solutions for the various manufacturing processes, from crystal pulling to lamination, or even for the thin-film deposition technology. Products for this application are solutions based on pumping systems with SOGEVAC, SCREWLINE, DURADRY and RUVAC fore vacuum pumps, combined with high vacuum pumps such as the MAG 2200. Feedback on the ability of Oerlikon Leybold Vacuum to adapt existing solutions to customer demands and process requirements is proof of the clear and committed customer focus.

Innovative solutions

Oerlikon Leybold Vacuum has a highly qualified team of scientists and engineers working on the development of new products. We use complex calculation and simulation programs in conjunction with state-of-the-art methods. This enables Oerlikon Leybold Vacuum to provide innovative solutions to the semiconductor, instrumentation, and coating industries.

Oerlikon Leybold Vacuum intensified all research activities in order to strengthen the know-how for core technologies, especially concerning the main product lines such as turbomolecular pumps, screw technology, roots blowers and their ATEX variants. The new turbomolecular pumps MAG W 300 and 600 have been well received by the market. A number of OEM qualifications have been successfully passed in 2007 already. The complete product line of wide-range turbomolecular pumps has been upgraded for an extended lifetime, offering additional features such as higher pumping speed, operation in any assembly orientation and long-life bearing technology. Customized vacuum solutions and transparent and fast services contribute to enhanced customer benefit.

Future markets

Asia's role in the development of Oerlikon Leybold Vacuum is constantly increasing. In 2007, the manufacturing site in China celebrated its 10th anniversary. Manufacturing rough vacuum pumps for the local markets in Asia, yet adhering to high quality standards has proven to be the right approach. Oerlikon Leybold Vacuum concluded its third technology transfer project in 2007 and is now producing three product lines locally – TRIVAC, RUVAC, and SOGEVAC rough vacuum pumps. The outlook for the development of the Asian markets remains favorable. With the expected market growth for China at 10 percent, Oerlikon Vacuum is set to participate in this development.

Sustainability

Oerlikon Leybold Vacuum is continually optimizing the vacuum and gas processes of its customers' equipment. Apart from cost considerations, the reduction of environmental pollution plays a central role in this regard. Both of those objectives can be achieved by using dry vacuum pumps, a technology characterized by its low cost of operation and reduced level of oil-related pollution.

Oerlikon Leybold Vacuum factories use state-of-the-art waste concepts. These entail the precise sorting and appropriate disposal of production waste materials such as metal filings, oil and lubricants. Our ecological responsibility begins the minute we start planning new products.

Milestones in 2007

- The magnetically levitated turbomolecular pumps MAG W 300 and 600 were successfully established in the market.
- Started the introduction of technically enhanced wide-range turbomolecular high vacuum pumps for specific applications.
- Successful qualification as vacuum supplier at solar module manufacturers and for crystal-growing processes due to expansion and specification of the product portfolio.
- Advance significant major orders for research and development projects from leading institutes in fundamental, laser and space flight research.
- Realizing growth in industrial process applications, e.g. laser welding and cutting.

Outlook

Oerlikon Leybold Vacuum expects above average growth for 2008. Globally, Sales and Services will be reinforced. The new product lines at Oerlikon Leybold Vacuum in China will further contribute to the growth in Asia.

Industrial investments still scheduled for 2008 in analysis, research and process industries will have positive effects on innovation and product development in all application fields, with adequate impact on vacuum technology demands.

The global demand for solar modules and solar manufacturing plants will continue in 2008. Oerlikon Leybold Vacuum is one of the few vacuum technology suppliers who are able to master all the requirements for the various production processes of the quickly developing solar technology. With this green technology using dry vacuum solutions in the manufacturing process, Oerlikon Leybold Vacuum is contributing greatly to a sustainable, energy-saving power generation.

Fit for all technological demands
For all production needs, Oerlikon Leybold Vacuum supplies the optimal solution. The know-how in application requirements, vacuum components and the ability to provide complete customized vacuum solutions with extensive after-sales services is a unique capability in the market. Products for these applications range from fore vacuum pumps such as SCREWLINE and SOGEVAC to the proven high vacuum technology TURBOVAC turbo molecular pumps. Economically successful concepts in solar cell and module manufacturing are essential to establish solar energy as a competitive power source globally. All presently known technologies used for solar cell and module manufacture need vacuum technology in various steps of the production process. Vacuum pumps are used during crystal pulling and wafer production, as well as in the coating of thin-film silicon modules and lamination to protect the solar cells against environmental influences. The quality of the vacuum provided always influences the quality of the production process. Optimizing vacuum solutions in the early stages of a development project or new production process invariably leads to a higher customer benefit.

Vacuum solution – pump system developed for Oerlikon Solar – KAI 1200

Services

The Services business of Oerlikon Leybold Vacuum showed favorable results for 2007. The Customer Care Program has been well received by customers worldwide, offering them the chance to run their processes with tailored vacuum technology packages and thus concentrate on their core businesses.

The same value is added by the possibility of having all vacuum pumps maintained and serviced by Oerlikon Leybold Vacuum, whatever the brand of the product is. Due to the fact that Oerlikon Leybold Vacuum offers the best service network, the geographical and technological proximity to the customers is a real asset, ensuring optimized performance and enhanced customer benefit.

Milestones in 2007

- Established service as a key product.
- Strengthened global service structures.
- Invested in new repair facilities.
- Increased engineering staff.

Solutions

While business in all fields of vacuum technology was favorable during 2007, the performance of the Solutions Group within Leybold Vacuum was outstanding. Business increased by almost 30 percent and order intake remained high throughout the year.

“Solutions” are customized vacuum pump systems where more than one pump is gathered in a system designed to meet vacuum technology requirements. These systems typically consist of several fore vacuum pumps, high vacuum pumps, instruments and gauges, and the electronic equipment for controlling and monitoring purposes. Even remote monitoring is possible. The Solutions Group provides detailed engineering for setting up the system at the customers’ site, such as piping, and of course supplies the relevant know-how in application processes.

Customized mobile field pump systems can also be realized. Complete vacuum solutions can be mounted on trailers and thus follow the geographical necessities of some applications.

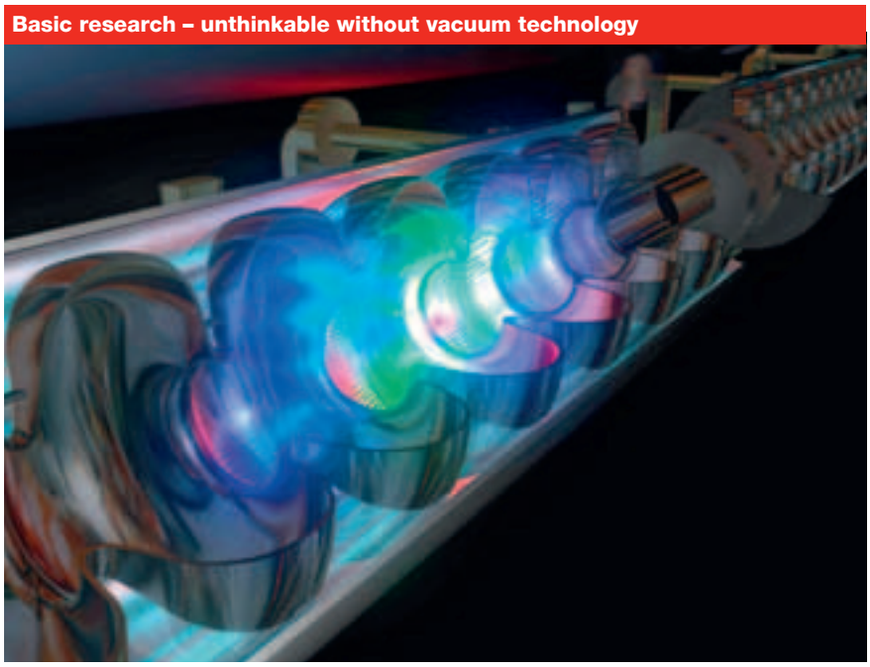
Milestones in 2007

- Expanded vacuum solution expertise in Asia.
- Increased solution business by almost 30 percent.
- Personnel doubled in the last three years.
- Investment in assembly facilities.

Outlook

For the Solutions Group, Oerlikon Leybold Vacuum expects continued growth for 2008. The order intake during the last quarter of 2007 shows exceptional potential. Activities worldwide will be reinforced considerably and the new Solutions team at Oerlikon Leybold Vacuum in China will roll out its excellent know-how and expertise to Asian customers in order to offer tailor-made vacuum solutions and thus contribute to our customers’ success.

Basic research – unthinkable without vacuum technology



Research and Development

The German DESY Electron Synchrotron is one of the leading accelerator centers in the world. The success of these accelerators is closely linked to the technical development of these instruments, which accelerate charged particles to high energies and allow researchers to study the smallest structures of matter. They also generate a special kind of light used for analysis purposes. The Oerlikon Leybold Vacuum pump system is used to cool down the supraconducting components and maintain the helium cycle of the process.

Partnership between pioneers

"We can say without hesitation that we are extremely satisfied with Oerlikon Leybold Vacuum. We are proud to maintain such a good relationship with one of the pioneers in the vacuum industry."

Discovering the universe of the minuscule

JEOL Ltd. is a leading global supplier of scientific instruments such as electron microscopes for research and development in the fields of nanotechnology, life sciences, optical communication, forensics, and biotechnology. They deliver their products to the five major market segments electron optics, analytical instruments, semiconductor equipment, film coating systems and medical equipment. Oerlikon Leybold Vacuum covers the same fields of application, as vacuum technology is the enabling factor in the manufacture of all these devices. JEOL uses highly innovative and reliable vacuum pumps and systems from Oerlikon Leybold Vacuum.

Electron optics

Featuring nanoscale and high resolution imaging, electron microscopes are used in a variety of industrial fields from biological research, to advanced semiconductor devices and advanced materials development.

Analytical instruments

Another group of products are the advanced analytical instruments which are used to explore the unknown at the molecular level and are designed to study the molecular structures and chemical composition of substances.

Semiconductor equipment

Requirements in today's information technology world are similar: Device size has shrunk to the nanoscale while packing density has greatly increased. JEOL has developed electron beam lithography systems as well as microscopes for defect review and failure analysis of these increasingly intricate devices.

Film coating systems

High quality thin-film coatings are in increasing demand for advanced optical communication and digital AV equipment. Utilizing its expertise in high frequency, electron beam, and plasma applications, JEOL offers complete lines for thin-film coating systems applications.

Medical equipment

JEOL produces state-of-the-art medical devices designed for development of advanced drugs and medical technology. Of all these product lines the Scanning Electron Microscope (SEM) has been one of JEOL's most important and strategic products since they manufactured their first electron microscope in 1950. When producing an SEM, vacuum technology is one of the most critical factors as the vacuum quality also determines the quality of the SEM.

Vacuum technology enables quality

In his function as technical manager more than 20 years ago, Dr. Harada approached Oerlikon Leybold Vacuum while searching for a high performance pump, offering a defined vacuum quality. Oerlikon Leybold Vacuum presented their reliable turbomolecular pumps to him. After extensive testing, JEOL decided to qualify Oerlikon Leybold Vacuum as a supplier and to install these vacuum components. This was the start of a long-lasting relationship between JEOL and Oerlikon Leybold Vacuum.

Growing together

Dr. Harada describes these past decades: "As we were convinced of the high quality and stability of their products and of Oerlikon Leybold Vacuum as a powerful and reliable partner with whom we could envisage growing, we started to offer Oerlikon Leybold Vacuum further opportunities.

Recently, Oerlikon Leybold Vacuum turbomolecular pumps also became the core component of our mass spectrometer DART. We would like to express our thanks to Oerlikon Leybold Vacuum for their reliable and meticulous performance and hope that the company will continue to grow, serving the interests of our mutual success."

JEOL at a glance

Employees	3014
Sales in JPY	102 billion
Headquarters	Tokyo (Japan)
Locations	26
Founded	1949
Customer since	1986

Product facts

- Rough Vacuum Pumps
- High Vacuum Pumps
- Valves & Flanges
- Measuring Instruments and Devices

JEOL

“Performance and quality of the Oerlikon Leybold Vacuum Turbovac Classic Series are critical to the competitive advantage of JEOL products in the global marketplace. We regard Oerlikon Leybold Vacuum as a strategic partner for our business growth, not just as a supplier of components. JEOL is aiming for further win-win achievements with Oerlikon Leybold Vacuum.”

Dr. Yoshiyasu Harada
President and COO, JEOL

oerlikon
graziano

Gears & Components
- Agricultural equipment
- Construction equipment
- Passenger cars
- Commercial vehicles

Automotive Transmissions
- High-performance cars
- All-wheel vehicles

Off-Highway Drivelines
- Construction equipment
- Agricultural equipment
- Material handling
- City buses
- Utility vehicles

oerlikon
fairfield

- Construction and mining
- Agricultural equipment
- Rail and transportation
- Off-shore marine
- Windpower
- Specialty industrial

Oerlikon Drive Systems

Under the Oerlikon Group umbrella, Oerlikon Drive Systems exceeded its targets in 2007, both in growth and market positioning, strengthening its leadership as "Gear Solutions Provider." Sales increased pro forma by 16.9 percent to CHF 1 113 million; EBIT grew pro forma by 10.7 percent to CHF 83 million.

Strong partnerships with key customers are the basis for success.

"New regulations and environmental efforts are driving Oerlikon Graziano to develop innovative and more environmentally friendly transmission solutions."

Dr. Marcello Lamberto
CEO Oerlikon Graziano

"2007 brought success in establishing Oerlikon Fairfield as a global drive system solutions provider, through the utilization of our technical capabilities and worldwide manufacturing presence."

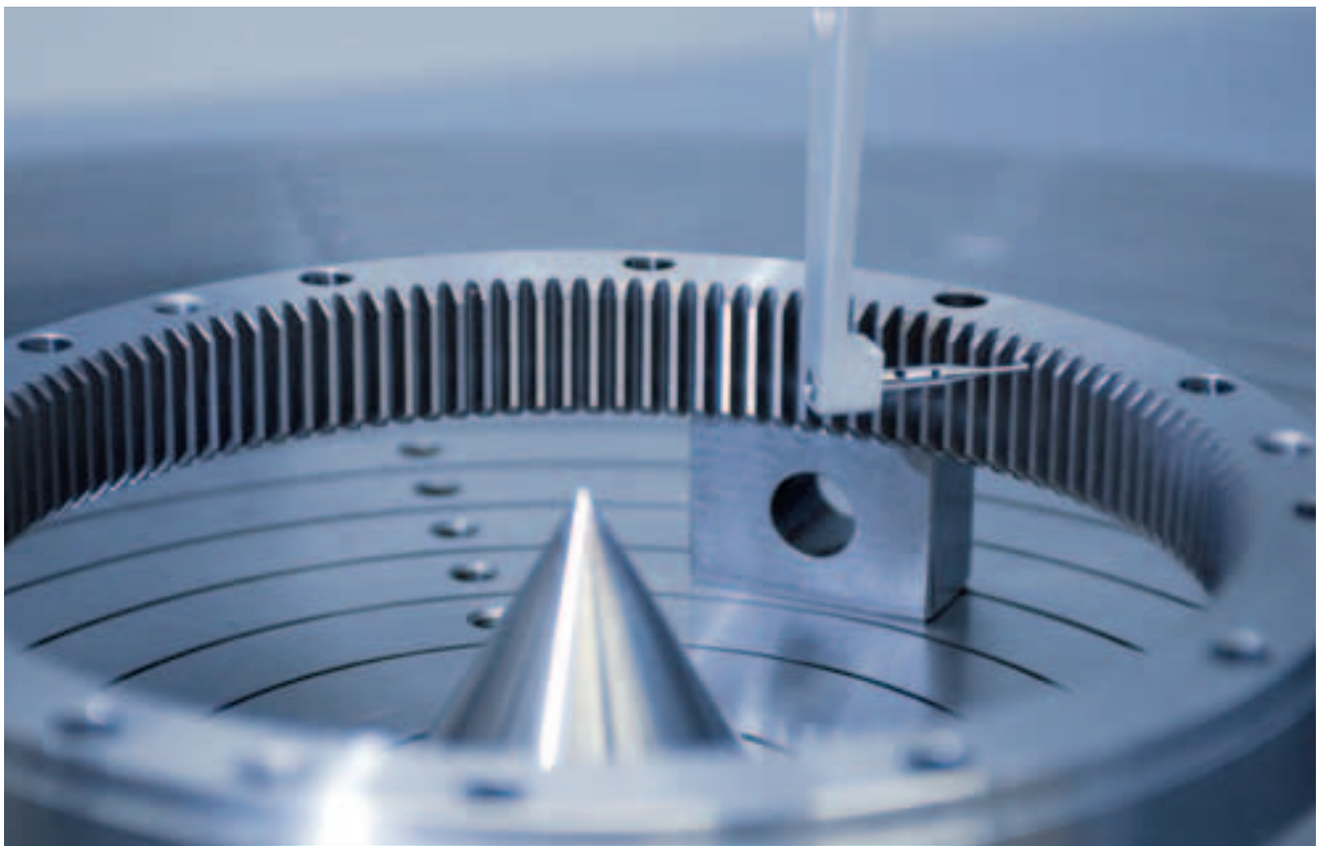
Gary Lehman
CEO Oerlikon Fairfield

Key figures of Oerlikon Drive Systems

in CHF million	2007	2006	2006 (pro-forma)	Change
Orders received	1 185	154	952	24.5%
Orders on hand	231	175	175	32.0%
Sales	1 113	157	952	16.9%
EBIT	83	14	75	10.7%

* The data for November/December 2006 is consolidated in the figures of the Oerlikon Group.

www.oerlikon.com/graziano
www.oerlikon.com/fairfield



Oerlikon Graziano is a leading global manufacturer of ring gears for off-highway applications

Leadership as a Global Drive Systems Provider
Oerlikon Graziano and Oerlikon Fairfield are going ahead with the integration program to become an aligned "Global Drive Systems Provider" for off-highway machines. The product portfolio comprises complete drive systems including axles, transmissions, planetary wheel and final drives and swing/rotation drives for a wide range of different applications.

Oerlikon Graziano: Gears & Components

In 2007, Oerlikon Graziano Gears & Components continued to meet the demands of its customers on a truly global basis. The year saw exceptionally high demand from all our major agricultural customers for transmission components, driven by increased confidence within the farming sector due to improved commodity prices. This increase in demand for our products was however tempered slightly by the availability of raw materials and by price increases; despite thus, we successfully met the needs of our customers.

Our thrust to establish a presence within the emerging markets is starting to bear fruits, with sales of specialist synchronizer applications to new customers in India, Russia and China. This will continue to be supported by the established Oerlikon sales networks in these areas. We are constantly reviewing opportunities to broaden our customer base and are in preliminary discussions with a number of major companies regarding potential development of innovative and more environmentally friendly transmission solutions. Oerlikon Graziano continues to be involved in a number of new development programs supporting our customers in the area of continuously variable transmissions (CVTs) for agricultural and construction applications. The contribution of Oerlikon Graziano in developing these concepts is in the field of synchronization, integrated clutch design and the manufacturing of gears and shafts for these transmissions.

Milestones 2007

- Satisfied exceptional growth in demand (10 percent) for transmission components from all our agricultural customers around the world.
- Confirmed our position as the premier supplier of crown wheel and pinions to the automotive and off-highway sectors with new business awarded by Dangel and Axletech respectively.
- Consolidated our position as the preferred transmission component supplier to the top players in the agricultural tractor market with additional business awarded for delivery of global combined transmission precision gear equipment and new component business for the supply of large gearing for construction equipment.
- Consolidated our position as India's preferred transmission component supplier, starting serial production for new customers such as TAFE and Force Motors.

Outlook

The outlook for the market in 2008 is promising for our major agricultural customers, with forecasts of almost double-digit growth over the previous year. The prospects for construction and automotive business remain stable, though. Again we will focus our attention on developing niches for our core competencies in the developing markets and support our major customers in their global needs.

Oerlikon Graziano: Automotive Transmissions

The consolidation and production ramp-up of incremental business secured in 2006 led to expectations for the 2007 business year being significantly exceeded. The good results are reflected in increased sales, which went up 18 percent compared to 2006. Key customers commissioned the development of high-technology transmission systems to equip their high-performance cars in the coming years.

Oerlikon Graziano transmission systems are featured in the following vehicles which entered production: the new Aston Martin DBS, the Ferrari 430 Scuderia and the Alfa Romeo 8C. Power transfer units from Oerlikon Graziano are used in the GM Global Epsilon

and Fiat Panda (4WD platform) and for the Triumph Rocket "Grand Tourer Version." In the course of 2007 the electronic limited slip differential "by Oerlikon Graziano" was designed and will reach its prototype stage in early 2008.

The strategy is to have an in-house developed active torque distribution system targeted at equipping future generations of our transaxles, which today use a standard type of mechanical limited slip differential. The electric vehicle market is under scrutiny and discussions are on the right track with an OEM for an electric-powered citycar gearbox.

The strategic investment in Vocis Driveline Controls, an engineering company, highly specialized in transmission controls, will allow Oerlikon Graziano to become a fully competent electronically controlled transmission system developer.

Milestones 2007

- Successful start of production of the manual and automated manual transaxles for the first Audi supersportscar, the "R8," sold out for the whole of 2008 in many markets.
- Launch in the market of the sportshift version of the Aston Martin "V8 Vantage," adopting our automated manual transaxle.
- Launch in the market of the new Maserati "GranTurismo," equipped with a new version of our rear differential assembly.
- Development contract awarded for two high-tech transmission systems (one automated manual and one dual clutch) to be executed in conjunction with Vocis Driveline Controls.

Outlook

The positive market trend in luxury and high-performance cars as well as in all-wheel drive versions of mainstream production cars is expected to continue steadily in 2008, with new models equipped with Oerlikon Graziano technology entering the market and the OEMs focusing more and more on sourcing complete "mechatronic" transmission systems.

Oerlikon Graziano: Off-Highway Drivelines

The efforts of Oerlikon Graziano Off-Highway Drivelines to be perceived as a system supplier by the market started to generate business opportunities with important OEMs. In 2007, sales of Oerlikon Graziano increased somewhat overall, but will receive a major boost in connection with the new programs launched. There is a good market environment in agriculture and golf and a positive trend at our specific construction equipment customers.

Oerlikon Graziano has developed a drive line (front and rear axles) with a special wet disk brake system and suspension arrangement for a high-tech agricultural tractor and a "new chain-CVT gearbox" for farming tractor application launched as a new design and concept for this specific market. Oerlikon Graziano has already signed and finalized the long term supply agreements with TLD (No. 1 worldwide in ground support equipment) to supply the powershift gearbox for the diesel engine driven vehicles for airport application, and with JCB Earth Movers to supply all the requirements of drive axles for the wheeled loader range, both in the UK and in India.

During 2007, Oerlikon Graziano reinforced its cooperation with VOITH AG, a German industrial and engineering company, to develop the city bus market for our "Inverted Portal Axle," generating interesting opportunities in Asia, Eastern Europe and Russia.

Milestones 2007

- Resourced important packages of purchased items referred to LCC and to other European producers supplies with important savings.
- Several new products have been developed and industrialized, and are ready to go into production at the beginning of 2008: a complete range of grader axles for CNH, a new innovative CVT for light compact tractors, a new family of inverted portal axles for the new platform of the Irisbus city bus and a transaxle for the gas engine utility vehicle of Club Car.
- Established and enlarged the operation in China for the whole transmissions product line for material handling equipment.
- The production of a high-volume Oerlikon Graziano designed light axle for a golf cart as well as a heavy-duty drive axle for wheeled loaders has been successfully consolidated in Oerlikon Graziano India Plant, generating significant margin improvements.

Outlook

Construction and earth movers look good despite five years of strong growth. Agricultural and material handling are increasing. Low floor city bus demand is growing in Asia Pacific and boosting the potential market for our inverted portal axle range.

Dangel

Dangel manufactures 4x4 versions of 4x2 vehicles. In June 2007 Dangel approached Oerlikon Graziano about noise problems from the crown wheel and pinion set supplied by a competitor in a specific 4WD transmission application. Based on our experience with noise and vibration in high-performance car applications, we advised a number of necessary adjustments. Dangel placed the order. Prototypes were delivered in November 2007 for rig and vehicle evaluation. The results were instantaneous and in line with our design predications of quiet. Needless to say, Mr Pascal Buzon CEO of Dangel greatly appreciated Graziano's ability to resolve this issue, demonstrating yet again its credentials as the world's leading supplier of crown wheel and pinion sets for automotive applications.

Oerlikon Graziano: world market leader for crown wheel and pinion sets

Oerlikon Fairfield

Oerlikon Fairfield continued on course with significant growth and progress in business development in the international markets as well as further penetration into the energy and "green" market sector. In 2007 Oerlikon Fairfield sales increased in the aerial work platform market segment and in the energy market. Oerlikon Fairfield has also achieved good results in windpower, receiving a new order from a leading supplier of wind power systems for complex gears and shafts; reinforcing its markets in off-shore oil and gas exploration with new orders for jacking leg drive gear assemblies for two new vessel programs; producing a new prototype for large wheel and gearing assemblies for on/off-highway haul trucks; and last but not least, in large-boom aerial work platform wheel drives. Generally, Oerlikon Fairfield showed a very strong sales growth compared to 2006.

During 2007 new projects and products were developed in different fields such as the lift platform market with the new 8HL Torque Hub® wheel drive, the new jack-up drive gearboxes for the marine platform market as well as the new fully integrated track drive for demanding off-highway loader applications.

Milestones 2007

- Received an order and long term contract to produce gearing for wind turbine drive gear box assemblies, beginning in early 2008.
- Nearing very successful completion of its contract with Gusto MSC initiated in early 2006, Oerlikon Fairfield received two additional contracts to produce new jacking leg drives for two new programs that will begin in the second half of 2008.
- After successfully completing tests in early 2007, Oerlikon Fairfield received production orders from China to manufacture specially designed 2-speed gear drive assemblies used in the propulsion of railway maintenance vehicles in connection with the Chinese Railway Ministry.
- Oerlikon Fairfield also continued to further penetrate applications for their Torque Hub® planetary drives in the aerial work platform and undercarriage track drive markets.

Outlook

Projections for 2008 in North America forecast a slowdown in economic activity and industrial order inflow. With the severe housing slump, several related industries are experiencing a decline in areas such as forestry, material handling, etc. However, on the international side, markets such as China and India are projecting continued growth and activity through 2008. Additionally, global energy markets are projected to stay extremely active, especially the wind power and related "green" technology market segments.

GUSTO MSC

Gusto is a leading engineering company engaged in the engineering consultation, design and management of off-shore oil and gas exploration technology. Gusto specializes in all types of off-shore mobile jack-ups, semi-submersibles, ships and barges, heavy lifting cranes and a range of deck-mounted and associated equipment. Their experience profile covers a remarkably wide spectrum of capabilities, all in depth. Jack Dalmaijer, Senior Project Manager Gusto B.V., says: "We are pleased with the professional way the engineering team of Oerlikon Fairfield worked with our engineers in an open, flexible and cooperative manner, thus achieving a robust, high-quality product, delivered within the time schedule."

Oerlikon Fairfield delivers high-tech solutions and provides a high level of customer service

CNH and Oerlikon Graziano
A global supplier for a global player

Oerlikon Graziano, together with its sister company Oerlikon Fairfield, is a market leader in the field of gears and gearing components. It has an ambitious target: to be perceived as the "Gear Solution Provider" by its strategic customers. As such, Oerlikon Graziano is their global reference point for any problems, issues or opportunities related to gear and transmission systems. They are also a "natural" and "easy" partner who will help them to manage a new product development program, a new application, a production reorganization involving transfer of production, the outsourcing of products or production assets, production delocalization, market expansion and growth. Our clear goal: "When it comes to gears and transmission systems, whatever the issue, Oerlikon Graziano must be the solution!"

Enduring partnership
With CNH, Oerlikon Graziano is virtually perceived as the "Gear Solution Provider", currently supplying about 3 000 different components for a total volume of more than one million parts per year. These are manufactured in operations throughout the globe: in Italy (eight plants), the Czech Republic, USA, India (two plants) and China. Oerlikon Graziano products are delivered to all CNH operations worldwide, equipping a large variety of CNH transmissions and drivelines and a significant portion of the overall transmission range. A large number of Oerlikon Graziano employees are in daily contact with CNH worldwide.

In the last two years CNH's business has grown dramatically, bolstered by growth in the global agricultural and construction equipment market as well as in CNH's market share. Oerlikon Graziano was ready to support such strong growth, increasing the output of its world operations and securing timely delivery of competitive components. Thanks to its focus and commitment to the Customer, Oerlikon Graziano has been able to grasp the opportunity offered by CNH to progressively develop their partnership into an increasingly integrated and strategic relationship.

Enabling high technology
In product development, Oerlikon Graziano uses a simultaneous engineering process to support customers with the conceptual definition, calculation and design to cost of gears, shafts, synchronizer systems, powershift clutch units and other components. With its engineering and technological know-how it contributes to the development of competitive and reliable high-tech solutions that help to secure our customers' success.

Speed matters
The validation process – for example – of a new off-highway vehicle transmission is a big task, both in terms of resources (staff, equipment, expenses) and time. For some time now Oerlikon Graziano has supported CNH's validation program, handling validation of its components, significantly reducing the risk of problems and speeding up the overall time to market for new customer products. The industrialization and production process for the products was managed by Oerlikon Graziano simultaneously with the customer process and program, thereby helping to achieve major improvements in both time to market and production flexibility – factors which are critical to CNH's business.

Service – state-of-the-art and on time
The methodologies and the production processes in the off-highway equipment sectors are as sophisticated and challenging as they are in the automobile business. Products have to be delivered to customers' assembly lines precisely on time. Oerlikon Graziano has developed its own expertise in managing the complexity of its customers' portfolios, securing a state-of-the-art service through JIT, KanBan or Stock on Consignment methodologies, depending on the product and the geographic position of the customer's plant. Technical support is an additional strategic factor to which Oerlikon Graziano attaches great importance in each phase of the product life, starting with development, right through the production process and on to after-market service.

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CNH at a glance

Employees	25 000
Sales in USD	13.0 billion
Headquarters	Burr Ridge, IL (USA)
CASE founded	1842
New Holland founded	1919
Customer since	1951

Products/Applications

Axles for construction equipment
Transmissions for agricultural equipment
High-tech gearing solutions (powershift clutch units, synchronizer systems, crown wheel and pinion sets)

CNH

“We have awarded our Gold Medal to Oerlikon Graziano as one of the four best suppliers in 2006. In particular, we recognize the excellent support it gives Fiat Group in terms of volume, geographical footprint and proactiveness in innovative solutions.”

Loris Spaltini,
Senior Vice President Purchasing, CNH

oerlikon
esec

Esec
- Die attach
- Wire bonding
- Flip chip bonding

oerlikon
optics

Optics
Optical components and modules for:
- Projection displays
- Life science
- Optical packaging
- Automotive industry
- Lighting industry

oerlikon
space

Space
- Payload fairings
- Spacecraft structures
- Scientific instruments
- High-precision mechanisms
- Electro-optical systems

oerlikon
solutions

Solutions*
- Customized plants, systems, machines and modules for business units of Oerlikon and external customers

Oerlikon Components

Oerlikon Components – the smallest of the Oerlikon Group's business segments, with around 6.1 percent of Group sales – recorded growth of 26.7 percent in new orders and a sales volume virtually on par with last year. In the second half of the year, Oerlikon Esec enjoyed strong growth, with a disproportionally large surge in sales and earnings. Oerlikon Space succeeded in continuing its profitable growth. Oerlikon Solutions* also distinguished itself with good capacity utilization and growth through external orders. As for Oerlikon Optics, the divestment of the business within the coming 12 months was decided.

Product offensives and operational excellence.

"This year we continued to spark enthusiasm among our customers with innovative products and solutions. Thanks to the introduction of our Lean Manufacturing Program and optimized project management systems we continued to give prime importance to the concept of operational excellence."

Kurt Trippacher
CEO Oerlikon Components

Key figures of Oerlikon Components

In CHF million	2007	2006	Change
Orders received	376	297	26.7%
Orders on hand	200	169	18.4%
Sales	344	336	2.3%
EBIT	33	55	–39.4%

* As of January 1, 2008, Oerlikon Solutions now operates under its new name, Oerlikon Mechatronics, and has been integrated into the Oerlikon Solar segment.

Greatek Electronics: Ten-year successful partnership

Greatek Electronics
For over ten years Greatek Electronics Inc. has relied on the products of Oerlikon Esec. This Taiwan-based company is mainly engaged in the packaging and testing of integrated circuits, as well as in the distribution and sale of related products. As a semiconductor company Greatek Electronics is exclusively equipped with Oerlikon Esec die bonders and wire bonders. Over these impressive ten years of close partnership more than 1 100 Oerlikon Esec machines have been installed. These figures not only demonstrate the quality of Oerlikon Esec's equipment but also the high level of support and service provided. Oerlikon Esec thus measures up to all challenges in terms of both quality and capacity and has achieved a very successful record with its customers. "10 years of partnership and the close relationship with Oerlikon Esec have established the trust and confidence that enable us to concentrate on expanding our line of business," says Louis Ning, President of Greatek Electronics Inc.

Oerlikon Esec

In early 2007, the market for semiconductor assembly equipment experienced a stronger economic downturn than expected, characterized by sluggish market activity and low demand. Demand in the chip industry picked up again starting in the second quarter, which also led to strong growth in new orders and sales at Oerlikon Esec. Owing to a flexible production structure as well as high efficiency and productivity in its manufacturing operations, Oerlikon Esec was in a position to cushion these market cycles and fully exploit the positive market development. The machines shipped in the third quarter nearly equaled the volume of the entire first six months of 2007. Sales in the fourth quarter were at a comparable level, but with a slight dip in demand due to seasonal factors. Viewed over the entire year, the gains achieved in the final two quarters almost made up entirely for the lower earnings in the first two quarters. The launch of our new wire bonder model 3200 and the completely newly developed die bonder generation 2100 xP received great interest from customers and received excellent scores in various evaluations. The initial positive effects of these product offensives will become apparent over the course of 2008. The concept of Operational Excellence at Oerlikon Esec stands for continuous optimization of structures and processes along the entire value chain. In particular the Lean Manufacturing Program, initiated globally in production operations, generated initial success in the form of lower inventories and shorter throughput times along with improved quality.

Milestones 2007

- Successful market launch of the new Wire Bonder 3200: With a speed of 22 wires per second manufactured with the highest possible precision, a new world record has been set. This constitutes a productivity increase of 20 percent over the Wire Bonder 3100^{Optima}, previously the leading Oerlikon model.
- The entirely newly developed Die Bonder platform 2100 set new industry standards. The revolutionary design, with up to 45 percent better production performance, extremely high precision and reliability – and all that with the simplest of operator interfacing – underscores the benefits of this new generation for our customers.
- Oerlikon's market leadership in the field of soft solder was impressively reinforced, and the gains achieved in market share as well as in client acquisition and retention far exceeded all expectations.
- The Lean Manufacturing Program was introduced with great success in the newly opened bond head module assembly facility in Cham, Switzerland.

Outlook

The major sporting events scheduled for 2008 (i.e. European Soccer Championship and Olympic Games) and the planned rollout of the Microsoft Vista operating system, together with the general development expected in the market, point to flat growth in 2008 for the assembly equipment market. Following the principle of continual improvement, Oerlikon Esec will once again demonstrate its capacity for innovation in this, its 40th anniversary year. This will be achieved with further groundbreaking product innovations as well as significant process optimization efforts like the Lean Manufacturing Program initiated in 2007.

Oerlikon Optics

The keener competitive situation for optical components posed challenges to Oerlikon Optics in all market segments, especially in the Projection Display area. Alternative technologies that quickly gained a foothold in the market caused a sharp decline in the key area of optical components for rear projection. Despite price erosion, the bulk business in the front projection segment was still attractive, recording double-digit growth rates. Good business in the market for front projection and in the Advanced Components area was able only partially to offset the decline in the rear projection market. Extensive restructuring measures were started in the second half of the year with a view to ensuring adequate profitability. Management has decided to part company with the business unit Oerlikon Optics in the coming 12 months. This business will therefore be divested.

Oerlikon Space

The Space business unit is the world leader in the development and manufacture of payload fairings for launch vehicles. Demand for such payload fairings – the single most important contributor to sales at Oerlikon Space – continued to rise in 2007. The largest client of Oerlikon Space, Arianespace, has expanded its market position and is increasing the frequency of its rocket launches, from the previously number of five to up to eight launches per year in the future.

The other product lines of Oerlikon Space – Structures, Mechanisms and Electro-Optical Systems – also saw positive business development. Of particular note in this regard are the unit's non-aerospace products, such as aperture mechanisms for lithography systems in microchip fabrication.

Electro-Optical Systems recorded the first orders for laser communication terminals in 2007. Among other orders, the German radar satellite TanDEM-X (launch scheduled for 2009) is to be equipped with this type of communication system, which Germany's Tesat-Spacecom will jointly supply with Oerlikon Space.

Milestones 2007

- The launch vehicle Ariane 5, equipped with an Oerlikon payload fairing, carried twelve telecommunciations satellites into space in six successful launches.
- In March 2007, the European Space Agency (ESA) awarded an order to develop a new platform for small geostationary satellites to an industrial consortium comprising OHB of Germany, Oerlikon Space and the Swedish Space Company.
- At the International Aerospace Show in Le Bourget, France, Oerlikon Space and Tesat-Spacecom signed a cooperation agreement in the field of spaceborne optical broadband communication with laser terminals.
- In an experimental testing program conducted on the Canary Islands, Oerlikon Space proved the feasibility of laser-based broadband communication across a distance of 1.5 million kilometers. Data transmission rates of up to 10 Mbit/s were achieved in these experiments.

Automotive Lighting Reutlingen

Equipped with optical components from Oerlikon Optics, the latest Mercedes S-Class is out on the road and once again setting new standards in the automotive industry. Such as with its Night Vision System, an important safety enhancement. The secret of this innovation lies in the infrared headlights developed by Automotive Lighting (AL). These high beam lights illuminate the road with infrared radiation which is invisible to the human eye. It was Oerlikon Optics' NightVision filter, developed in close cooperation between the companies, that made this possible. The infrared projection module illuminates the road in full-beam quality but without blinding oncoming traffic. According to Dr. Ernst-Olaf Rosenhahn, Head of the R&D Optical Engineering group at AL: "With the development of its NightVision filter, Oerlikon Optics demonstrated outstanding flexibility and the courage to go new ways in the early project stages in order to meet the new and particularly high standards required. As a result of this collaboration, Oerlikon Optics has achieved its first significant series production in the automotive industry. The extension to other vehicle types is already planned.

Better safety at night

Outlook

The excellent market position of the Ariane rocket will guarantee sales of Oerlikon payload fairings in future as well. Owing to the growing number of Ariane 5 launches, this business unit can expect to maintain an ongoing strong business performance. Further impetus is anticipated from the new small European carrier rocket, Vega (first launch scheduled for 2009), for which Oerlikon Space is likewise supplying the fairings.

Institutional aerospace business is reliant on the aerospace budgets of the European Space Agency (ESA) and its member states, which for years have been either stagnating or growing only slowly. Nevertheless, Oerlikon Space is very promisingly positioned in several important ESA programs for which contracts are to be tendered in the coming year. The Exomars Mission is one example, for which a Mars rover is scheduled to investigate the Red Planet in 2015, as well as the Mercury mission BepiColombo.

Additional impetus for growth can be expected from the partnership with Carl Zeiss SMT AG in non-aerospace fields. The aerospace market outside Europe offers further opportunities. Whereas market access in the aspiring Asiatic aerospace nations (China and India) is extremely difficult, Oerlikon Space has succeeded in registering initial market successes in the United States with payload fairings and structures.

Oerlikon Solutions

Oerlikon Solutions is active in special machinery manufacturing and construction of turnkey plants and systems, mechanical modules and high vacuum systems. In addition to supplying products to the internal business segments of the Oerlikon Group, Oerlikon Solutions has successfully positioned itself in the market as an outsourcing service provider for third-party clients. In this way, it was able to win further new promising customers in 2007 and expand business with leading manufacturers of vacuum and optical systems. Sales as well as the volume of new orders received increased significantly over last year.

A major factor contributing to these good results was the sharp rise in the business activities of Oerlikon Solar. At the end of 2007, Oerlikon Solutions was integrated into the newly established segment Oerlikon Solar and renamed Oerlikon Mechatronics.

Milestones 2007

- Intensification of strategic cooperation with Oerlikon Solar as a system supplier (procurement, manufacture, assembly/installation and functional testing).
- Ten percent rise in sustainable business with third-party clients.
- Installation and commissioning of a new measurement room for the optimization of manufacturing processes.
- Large-scale expansion of apprenticeship training and installation of new training equipment.

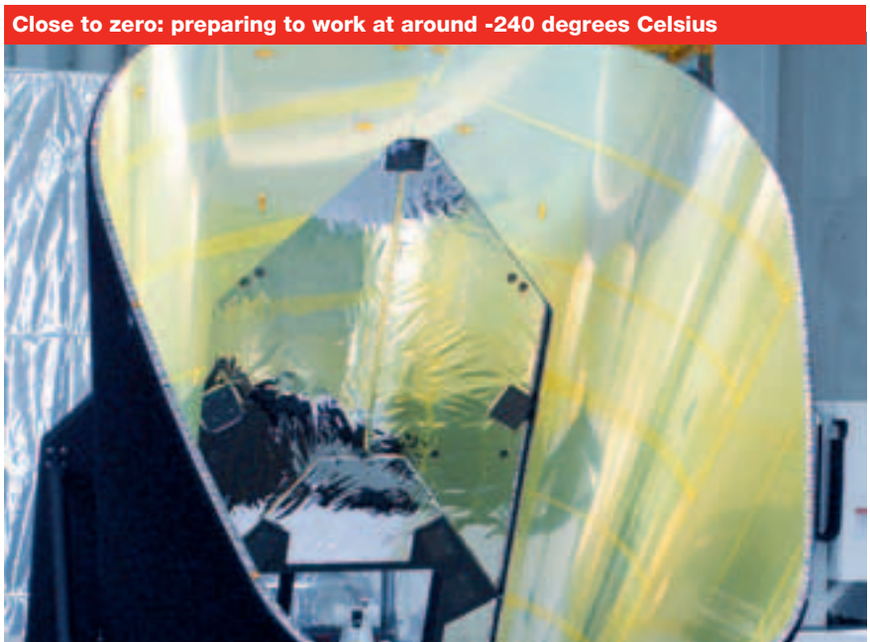
Outlook

Business development forecasts project a marked rise in group-internal orders from Oerlikon Solar for 2008 as well. Importantly, further growth is also anticipated for third-party customer business. In order to keep pace with this development, a new production building will be constructed by the end of 2008 to house several major processing and machining centers at the company's location in Truebbach, Switzerland.

Planck space telescope

Oerlikon Space developed and built the telescope structure for the Planck space telescope, scheduled for launch in autumn 2008. Planck will observe cosmic background radiation – a 14 billion-year-old relic of the Big Bang. The Planck mission scientists expect new findings about the origins of the universe. Today, the background radiation can be measured only at temperatures just above absolute zero. The Planck telescope therefore works at an operating temperature of -240 degrees Celsius. This iciness made the development of the Planck structure an extreme challenge for the engineers of Oerlikon Space, as the structure was only allowed to deform in the micrometer range despite the low temperatures. To achieve this, the Oerlikon experts used highly stiff carbon fibre along with a special resin for the telescope structure. The telescope also had to be insulated thermally from the heat of the satellite service module. This was achieved by an Oerlikon-built cryostructure with glass fiber struts ensuring a rigid connection at extremely low thermal conductivity.

Close to zero: preparing to work at around -240 degrees Celsius



Oerlikon Space at the top with Ariane 5

Whenever Europe's Ariane 5 launchers lift off into space, technology from Oerlikon is on board. The nose cone of the rocket is made by Oerlikon Space.

Global market leader Arianespace

Thanks to its Ariane launchers, Arianespace has established itself as the global market leader for launching satellites. Around two-thirds of all commercial satellites currently in orbit have been launched by Arianespace. At present, Ariane 5 is the most successful rocket for launching large payloads with a total weight of almost 10 tons. In order to cope with the rising demand for Ariane launches, Arianespace has decided to increase Ariane 5's yearly number of lift-offs from five to eight.

Ever since the beginning of the Ariane space program, Oerlikon Space has been supplying the payload fairings which shield the tip of the Ariane launchers. Apart from giving the launcher its aerodynamic form, these fairings protect the satellites against the high temperatures and mechanical stress that the rocket is exposed to during launch.

"From the very first minute, payload fairings provided by Oerlikon Space have played a vital role in the success of the Ariane program," says Jean-Yves Le Gall, Chairman and CEO of Arianespace, adding, "Low weight, complete protection of our valuable payload and the highest level of reliability are the outstanding features of Oerlikon fairings."

Composite design helps reduce weight

The question of weight is decisive in space transportation. The essential issue is that every gram which can be shaved off the rocket weight can be utilized instead for the payload, making the launcher more efficient and competitive. By developing the world's first payload fairing with a composite construction for Ariane 4, the engineers at Oerlikon made a significant contribution to reducing the weight of the upper section of the Ariane launchers. This gave Ariane a decisive competitive edge over launchers with payload fairings using a conventional aluminum design. Today, all Oerlikon fairings have a composite design. A 17-meter long composite fairing with a diameter of 5.40 meters for Ariane 5 weighs only about 2.7 tons.

The payload fairings from Oerlikon Space are only a few centimeters thick. If the nose of the rocket is compared to the dimensions of an egg, the fairing would be thinner than the eggshell. Yet these fairings are capable of providing comprehensive protection for the sensitive satellites. Before take-off, the fairings protect the satellite against dirt and rain. During lift-off, the satellite must be fully protected against frictional heat and vibrations generated by the rocket engines. Due to the high take-off velocity, the rocket nose is exposed to temperatures up to 600 degrees Celsius. Special corkboards on the exterior of the fairings provide the necessary insulation. The enormous sound pressure generated during take-off is absorbed by a special foam material on the interior of the fairings.

Absolute reliability in over 180 flights

Quite frequently, Ariane 5 transports satellites that cost several hundred million Swiss francs. Needless to say, the top priority at Arianespace is providing customers with absolute reliability. The fairings produced by Oerlikon Space have proven their worth in over 180 flights – and until now an Oerlikon fairing has never failed to meet expectations.

Right from the development stage, the engineers at Oerlikon Space laid the foundations for the reliability of a new generation of payload fairings. Computer models help simulate the enormous stresses experienced during lift-off. In addition, Oerlikon employs complex programs to test new fairings and ensure that they function perfectly. For instance, Oerlikon engineers test the jettisoning of payload fairings in almost space-like conditions in the world's largest vacuum chamber. Currently, Oerlikon is developing a new separation system which will help further reduce the different stresses satellites are exposed to during the separating procedure.

It goes without saying that reliability and quality are of prime importance in the manufacture of fairings. Each individual production stage is meticulously documented. And after delivery, Oerlikon's experts provide extensive on-site support. Together with the satellite manufacturer's engineers, they make sure that the payload and fairing are properly integrated on the rocket nose. A final on-site system check guarantees that every Oerlikon product functions perfectly.

Arianespace at a glance

Employees	289
Sales in EUR	983 million
Headquarters	Evry (France)
Founded	1980
Customer since	1980

Ariane 5 Payload Fairing

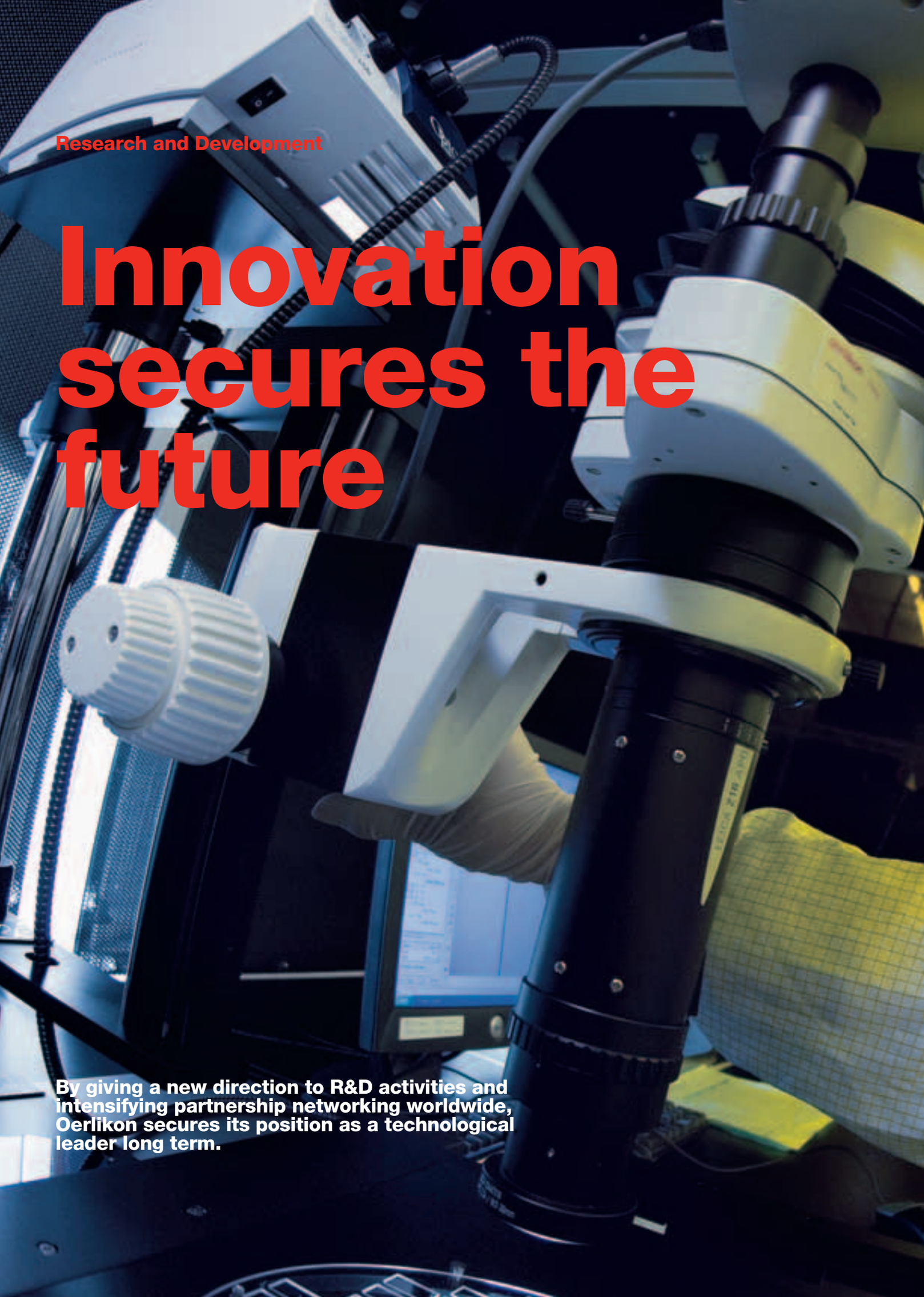
Diameter	5.4 m
Height	17 m
Mass	2 675 kg
Structure	Sandwich CFRP sheets and aluminum honeycomb core

Arianespace

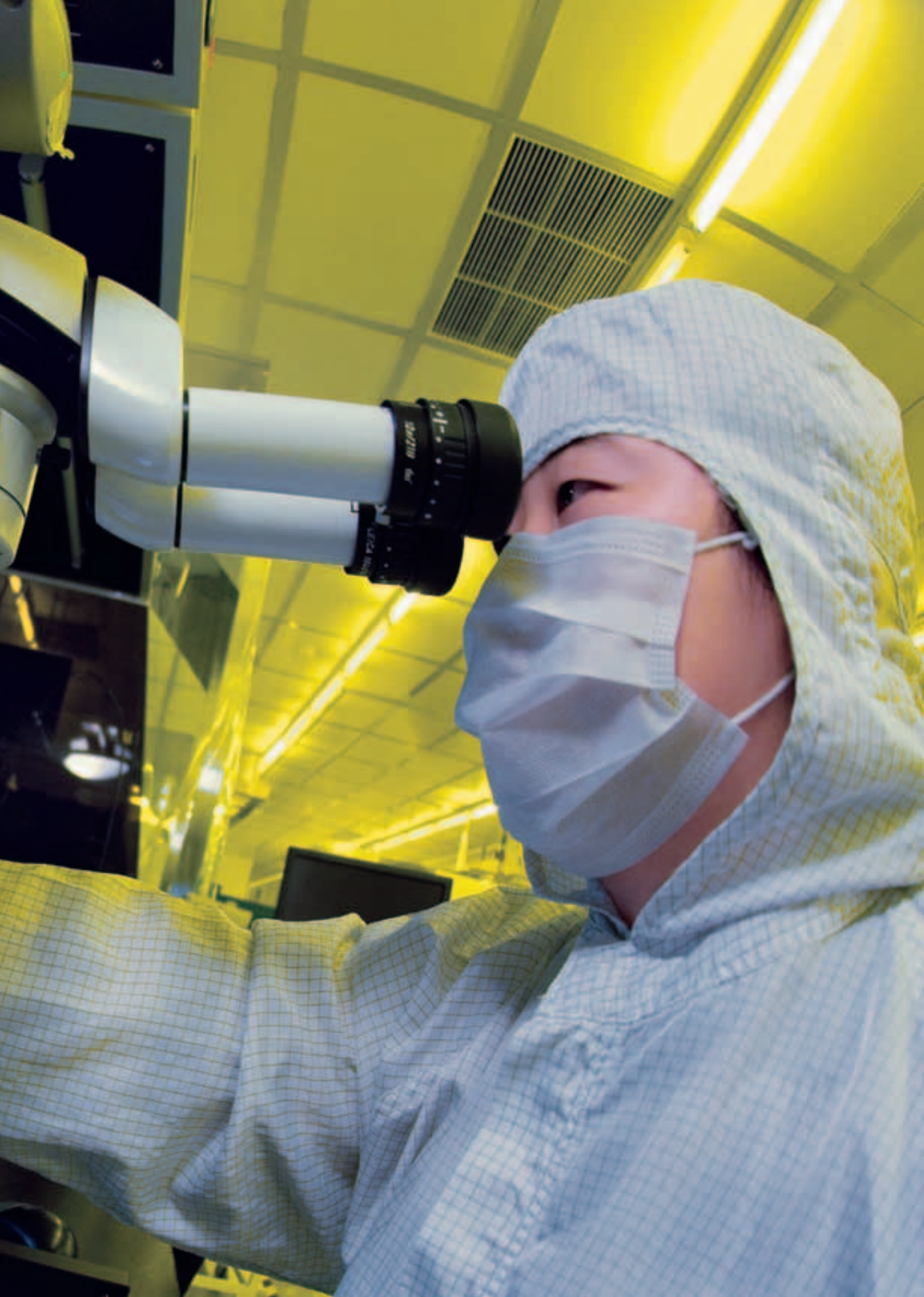
“From the very first minute, payload fairings supplied by Oerlikon Space have played a vital role in the success of the Ariane program. Low weight, complete protection of our valuable payload and utmost reliability are the outstanding features of Oerlikon fairings.”

Jean-Yves Le Gall
Chairman and CEO, Arianespace

Innovation secures the future



By giving a new direction to R&D activities and intensifying partnership networking worldwide, Oerlikon secures its position as a technological leader long term.

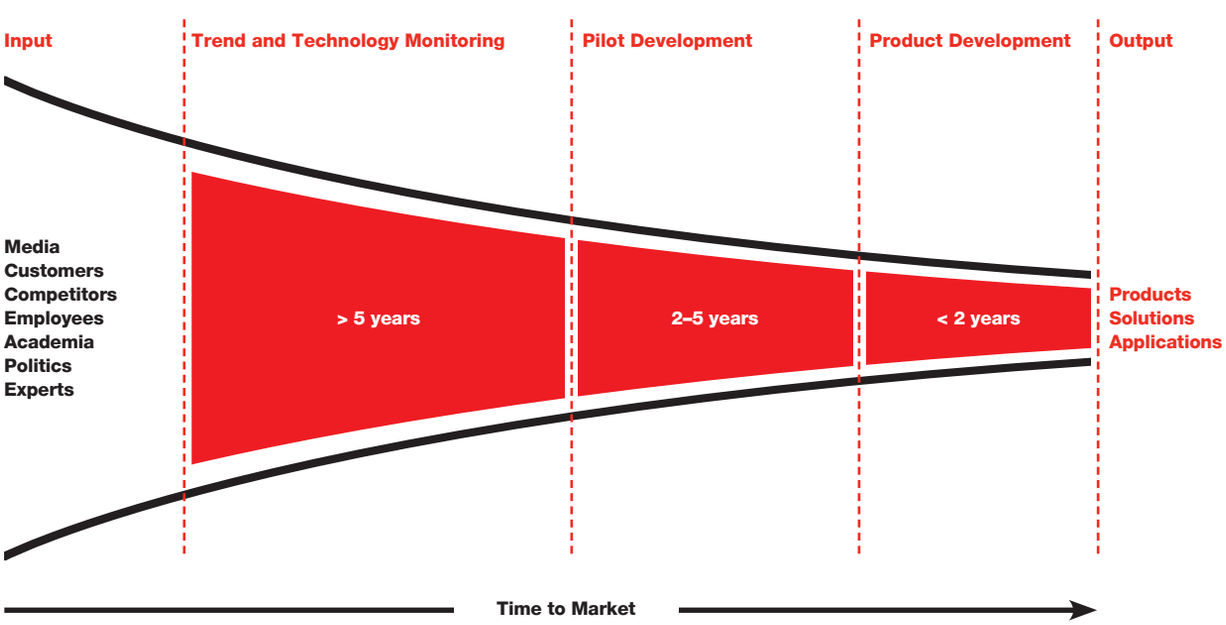


At its core, Oerlikon is a high-tech group with the ability to re-invent itself constantly and the will to expand its knowledge continuously through a close exchange with internal and external experts. Its ambition is to create new solutions, and to tap new markets, thereby providing customers with the best product solutions that meet the highest technical and economical standards.

Hardly any other enterprise in the field of machine and plant engineering possesses a technology and product portfolio of comparable complexity, or invests so many resources in research and development as Oerlikon. Already today, the Oerlikon Group ranks among the most research-intensive industrial concerns in the world, with R&D investments in 2007 of some CHF 274 million, corresponding to an R&D/sales ratio of 4.9 percent. Over 1 500 scientists and engineers work at Oerlikon on the products of tomorrow and the number of Oerlikon's registered patent families grew in 2007 by 25 percent to 213.

Oerlikon is a cutting-edge technology leader in all its business segments, from coating technologies such as P3e™ to innovative die and wire bonders for making semiconductors, seamless automatic dual-clutch transmission systems, integrated textile machines for fleece fabrication or pioneering solutions for manufacturing solar modules from thin-film silicon. The group's innovative skills are the foundation for its growth and its ability to build strong positions in high-margin markets.

Innovation Funnel
Through systematic innovation management Oerlikon is expanding its R&D scope both time-wise and in terms of technical focus. The aim is to develop products and solutions today that will open up new business potential five years down the road.



Technology fields

The Oerlikon Group brings together a uniquely broad and diverse range of technology and application fields:

- Surface coating using physical vapour deposition (PVD) and chemical vapour deposition (CVD) processes as well as plasma etching technologies
- Vacuum technology
- Textile production techniques, composites and new materials
- Precision engineering and manufacturing technologies for mechanical drive and bearing systems, optical equipment and components
- Thin-film silicon solar modules
- High-speed data communication
- Software simulation and control

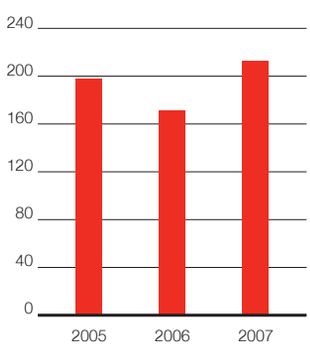
Systematic innovation management

In the past, Oerlikon has successfully leveraged the innovative power of its individual business segments, and will continue to pursue this strategy of decentralized, applied research and development in the future. It is important to these efforts that information from the market – and particularly from customers – flows back directly into product definition and improvements so that development resources are deployed as efficiently as possible. The active exchange of information between sales, product management and development units is an essential element and enabler of the innovative climate within the companies of the Oerlikon Group.

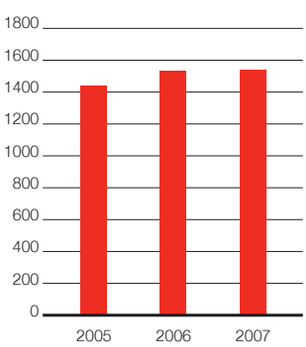
Through systematic innovation management, and by creating the new position of Executive Vice President (EVP) at group corporate headquarters, Oerlikon is stepping up its R&D activities significantly with the following objectives in mind:

- To tap R&D synergies between the Oerlikon business units, organize technology transfer and, wherever possible, establish joint research and development projects
- To strengthen Oerlikon's links to cutting-edge research worldwide, and establish partnerships with top universities and research institutes
- To intensify efforts to raise external funding
- To ensure efficient control of R&D projects

Development of Patent Families



R&D Employee Development



Scientific Advisory Board

With the help of the Scientific Advisory Board (SAB), Oerlikon is expanding its R&D scope both time-wise and in terms of technical focus. The research and development of new kinds of environmental technologies (clean technologies) will play a key role in these efforts.

In particular basic research in collaboration with leading academic institutions worldwide will in future assume much greater importance at Oerlikon than was previously the case. Both time-wise and in terms of technical focus, the horizons are being considerably expanded. The newly founded Scientific Advisory Board (SAB), in which Oerlikon has succeeded in gathering together a team of world-renowned researchers, will play a key role in these efforts. The members of the Scientific Advisory Board are:

1 2

1 **Prof. Dr. Albert Pisano**
University of California, Berkeley, USA

Professor Pisano is chairman of the Department of Mechanical Engineering and has simultaneous responsibilities at the Department of Electrical Engineering and Computer Science. His areas of specialization are microelectromechanical systems (MEMS) and nanotechnology. He is the founder of five start-up enterprises in this field.

2 **Prof. Dr. Peter Chen**
Swiss Federal Institute of Technology (ETH) Zurich, Switzerland

Dr. Chen is Vice-President of Research at the ETH Zurich, professor of physical organic chemistry, and member of the ETH Zurich Research Commission. Previously active at Yale and Harvard Universities, he specializes in nonlinear dynamics and interpretation and planning of chemical reactions at a molecular level, and acts as consultant to international chemical tech firms.

3 **Prof. Dr.-Ing. Georg Färber**
Technical University of Munich, Germany

Professor Färber chairs the Institute for Real-Time Computer Systems, with research focusing on bioanalog sensors, telepresence and cognitive automobiles. He was awarded the TU Munich's Heinz Maier-Leibnitz Medal and is the founder of a computer company.

4 **Prof. Dr. Werner Martienssen**
Johann Wolfgang Goethe University, Frankfurt am Main, Germany

Professor Martienssen represents the research fields materials science, chaotic systems and quantum optics. He is a member of the German Academy of Sciences Leopoldina, Halle, and the Academy of Sciences in Göttingen. In 1991 he was granted an honorary doctorate by the University of Dortmund; the German Physical Society awarded him the Robert Wichard Pohl prize in 2001. Two of his former students and fellow researchers are Nobel prize winners: Gerd Binnig (Munich) received a Nobel prize in physics in 1986 and Horst Störmer (New York) in 1998.

5 **Prof. Dr.-Ing. Christian Brecher**
Rheinisch-Westfälische Technische Hochschule Aachen (RWTH Aachen University), Germany

Prof. Brecher holds the Chair of Machine Tools at the Laboratory for Machine Tools and Production Engineering (WZL), and is also Director of the Production Machinery Department at the Fraunhofer Institute for Production Technology (IPT). In addition to receiving the Springorum Memorial Medal and the Borchers Medal from the RWTH Aachen, he was awarded the scholarship prize of the German Machine Tool Builders' Association (VDW) and was honoured with the Otto-Kienzle Memorial Medal by Germany's Scientific Society for Production Technology (WGP).

3 4 5

Together with this committee, Oerlikon will in future initiate medium- and long term innovation projects with a time frame of three to seven years, which, if successful, will lead to entirely new product solutions or even new business areas for the company. Research and development in the area of innovative environmental technologies (i.e. clean technologies) – notably a economical use of resources and change toward renewable energies – will play a central role.

In this way, R&D strategy follows the company's operational strategy: Product-oriented and customer-specific solutions will be developed and implemented at decentralized, applied R&D facilities within the business segments under the responsiblity of the respective units. This serves to ensure that they are executed at maximum speed and are geared as closely as possible to customer needs. These segment-specific R&D activities form part of the strategic objectives defined for Group Corporate Headquarters and are governed by jointly determined budgets. Projects are also subject to precise controlling in order to ensure efficient deployment of funds.

Medium- and long term innovations involving multiple segments are initiated and coordinated by group headquarters and implemented with the advisory support of the expanded expert network and the Scientific Advisory Board. All in all, this effort will lift Oerlikon's innovative power to an entirely new level.

Interview with Professor Werner Martienssen

The chairman of the Scientific Advisory Board believes that clean technologies will play a key role for Oerlikon in the future.

"We are Oerlikon's link to cutting-edge research worldwide"

Prof. Martienssen, is it possible to plan innovations?
No, creative processes cannot be anticipated, because if you could do that, you wouldn't need creativity. If out of ten projects you have three which are usable and one which is a real blockbuster, you can consider that a good result.

If planability is so low, why did Oerlikon need to create its Scientific Advisory Board?
The opposite conclusion implied by your question is not correct. In order to increase the success rate for R&D projects, you need ideal conditions. That includes an open, co-operative working atmosphere with sufficient scope for development, along with excellent innovation management using clearly defined processes and the best possible expertise from various disciplines. Of course, we are ready to contribute this expertise. In a certain sense, we are Oerlikon's most important link to cutting-edge research worldwide and our efforts are directed at improving Oerlikon's long term success rate in this field.

Oerlikon is already very active in the field of research and development ...
That is definitely true. Oerlikon's focus in R&D is on product-oriented projects, and that is why the Scientific Advisory Board should help determine the various fields of interest, the geographical scope and the time frames relevant to the expansion of our planning horizon.

What is going to be relevant in five to ten years? What can we predict will happen in neighboring markets and related fields of technology?
We do our best to anticipate such developments as early as possible and align them with the company's operational possibilities. From the results, we derive proposals for group management, setting out the areas that we believe are extremely promising. We intend to play an active part in ensuring that Oerlikon will be able to offer leading products five years down the road. To achieve this goal, we will be meeting at least twice a year. And if required, we will also be available for direct discussions.



What are the multidisciplinary global trends? How do you think the world is going to change in the coming years, and how can Oerlikon take advantage of such developments?
The debate on climate change currently ongoing all over the world is, in my opinion, just the beginning of a new environmental awareness which will result in top priority being given to the entire range of environmental or "clean technologies." Whether we are talking about water treatment, regenerative energy sources, or more efficient and economical exploitation of resources, there is a huge demand everywhere for new solutions. By virtue of an interdisciplinary exchange across diverse fields of technology, for instance coating, solar technology or know-how in textiles, Oerlikon has a unique opportunity to try out some exceptional concepts and record several major successes in the process.

Why does it need an external advisory body? Isn't it possible for companies to achieve this on their own, maybe through centralized R&D facilities?
Barring a few exceptions, the era of industrial fundamental research being conducted in large central laboratories is over. There are several reasons for this. On the one hand, the necessary equipment is extremely expensive. However, many companies often do not make full use of their equipment. But a more important fact is that the really excit-

ing developments today are taking place in the fringe areas between the disciplines and through the interaction between diverse disciplines like physics, chemistry, medicine or computer science. The actual composition of a team of experts varies according to the project. In addition, a new set of cooperation partners will be defined each time. As one can imagine, a central organization is not at all suitable for such tasks since it is not flexible enough. It is much more important to build an organization of networks, and that is exactly what we are doing. Moreover, we are not constrained by a departmental head who is part of the daily operating business. So that means we have the freedom to come up with new ideas and proposals.

Based on your first impressions: Which technologies would you recommend that Oerlikon should be involved in more intensively?
I think that the possibilities of nanotechnology and development of new materials in general have not been exploited fully. Many processes which are being developed by Oerlikon deal with surfaces and interfaces between different materials. Surfaces of materials have properties other than the actual material volume. It is important to customize the interfaces and surfaces for definite properties, and nanotechnology is a fantastic tool for achieving this goal. Applying nanotechnology, it is possible on the one hand to create a large area of the material surface, but it also allows us to manipulate the surface properties and to redesign them to exhibit a particular material behavior. This is being exploited fully in the field of semiconductors, in medicine and in the textile industry.

Nanotechnology has given material development a completely new degree of freedom – a development which no-one had previously anticipated at all.

Prof. Dr. Werner Martienssen, Chairman of the Oerlikon Scientific Advisory Board
"Networking is everything"

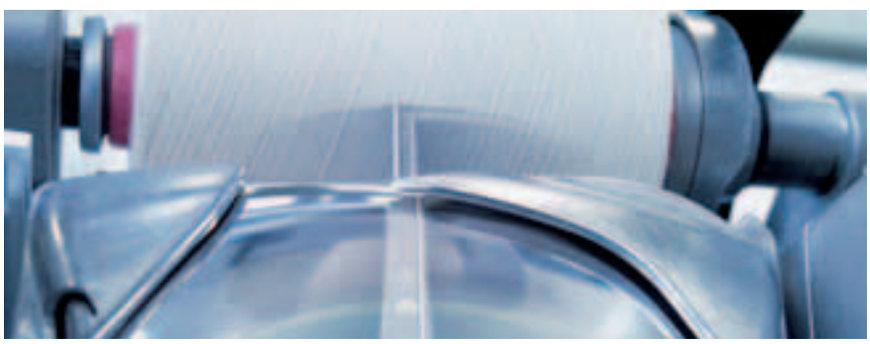
Oerlikon's business segments are wide-ranging. Technologically speaking, do they have enough in common to enable your board to work cross-divisionally for the benefit of the entire group?
Oh, definitely, because almost all the departments are involved in the construction of systems, plants or equipment. So I can easily envisage the Scientific Advisory Board working across the segments for the group as a whole. In our view, the individual disciplines are not as different as they may appear to you and it will thus also be important to support an interdisciplinary exchange of ideas within the company.

In which fields, for instance?
I can give you three examples: First of all, whether we are talking about textile machines, solar technology, vacuum pumps or drive systems, almost all of Oerlikon's business segments primarily deal with either surfaces or interface effects. New findings as to how to specifically adapt the properties of surfaces can be used everywhere. The same goes secondly for computer science. If we succeed in integrating learning systems into the machine controls in real time, it is going to have far-reaching consequences for many applications at Oerlikon. Thirdly take robotics. Oerlikon's strategy of becoming a provider of solutions requires an immense amount of automation technology. And, in this context, robots play a vital part.

Innovation Highlights 2007

In 2007, the segments and business units of the Oerlikon Group once again demonstrated their capacity for innovation.

WINGS – the new POY system: paradigm shift with a completely new plant concept.

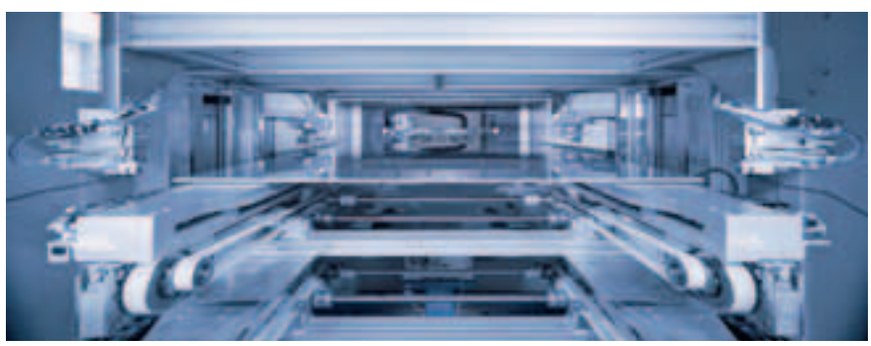


Autoconer 5 with new yarn displacement system Preci FX: excellent winding, splicing and yarn quality plus high productivity.

Oerlikon Textile

- Oerlikon Barmag: The new POY spinning system called the Winder Integrated Godet System (WINGS) represents a completely new plant concept for a spinning line. A particularly low-stress thread guiding system that was previously not considered feasible and the integration of functions in the machine head open up whole new possibilities in structural design. The machinery requires some 25 percent less space, plants can be put into operation more rapidly, and the operator interface has been ergonomically enhanced. Together, these features considerably increase the efficiency of POY production.
- Oerlikon Neumag: At the end of 2007, our client Ascania Vliesstoffe put the first plant into operation that integrates three different production processes in a production line width of four meters: a bicomponent spunbond beam, an M&J Airlaid forming head from Oerlikon Neumag and a carding machine. Integration of these processes results in greater productivity, lower costs and higher quality.
- Oerlikon Schlafhorst: With the new Autoconer 5, Oerlikon Schlafhorst once again demonstrated its innovation and technology leadership in winding machines. The excellent winding, splicing and yarn quality, high productivity and flexible, dynamic processes thanks to new single-motor drives were well received, as were the rapid setup, precise error diagnosis and low maintenance. The new Preci FX yarn displacement system, a drumless system for automatic yarn package winding, proved to be a quantum leap in winding technology. The advantages of the Preci FX system for customers are: maximum flexibility, digitally controlled package structure and package characteristics at the push of a button. With full digital control, Preci FX ensures an absolutely pattern-free package, which is particularly valued in downstream processes.
- Oerlikon Saurer: Oerlikon Saurer set new standards in embroidery with its new, laser-supported cutting and engraving technology for shuttle embroidery machines. The laser technology enables economical production of cutting patterns, completely new design creations and a substantial increase in productivity. This new cutting and engraving technology is to date unrivalled in terms of precision, productivity and flexibility. The laser system moves across the entire length of the stitching with tremendous speed and an accuracy of less than 0.5 millimeters.

BALINIT® ALDURA high-performance coating: the optimum synthesis of two coating systems.



Micromorph Tandem: dual-layer coating structure increases the efficiency of solar modules by 50 percent and contributes significantly to reducing the cost of solar energy mid term to grid parity.

Oerlikon Coating

- Oerlikon Balzers: The new BALINIT® ALDURA high-performance coating combines the strengths of two proven high-performance coatings in an innovative dual-layer system with optimized characteristics. A perfectly adapted TiAlN base layer ensures excellent coating adhesion and great mechanical strength. The nanocrystalline AlCrN-based coating features excellent hot hardness, resistance to oxidation and thermal insulating properties. The unique properties of this coating prevent the cutting heat from penetrating into the tool, instead keeping it where it best supports the machining process: in the chip. Solid carbide end mills coated with BALINIT® ALDURA can fully machine heat-treated, hardened steels with 60 HRC and more, while decisively reducing costs as well as throughput times in tool and die engineering.
- Oerlikon Systems: In the field of wafer packaging, a new technology is coming to the fore that enables even greater enhancement of chip performance capability – the so-called 3D packaging technique. Chips are no longer joined together by long wires, but rather by connections that run directly through the chip. For this purpose, holes are bored in the chip and filled with conductive material. Decisive in this process is the ability to fill very fine structures reliably. Oerlikon Systems has opened up whole new possibilities in this field with its newly developed highly ionized sputtering (HIS) technique. This technique makes it possible to fill very deep structures that are 20 times deeper than their diameter. This new technology has been greeted with great interest throughout the semiconductor industry.

Oerlikon Solar

- Oerlikon Solar: With the market launch of the patented Micromorph Tandem technology, Oerlikon opened a new chapter in solar energy technology. The process combines two different silicon materials – amorphous and microcrystalline – in a top and a bottom layer. The amorphous top layer converts the visible part of the sun's spectrum while the microcrystalline bottom layer absorbs the energy of sunlight in the near infrared spectrum. This new Micromorph Tandem technology allows efficiency levels to be raised by approximately 50 percent compared to conventional amorphous cells, and within two years will enable overall energy conversion efficiencies of as much as 10 percent. This increase in module efficiency along with further innovations in the production process are prerequisites for reducing the cost of constructing solar modules from thin-film silicon, and hence for lowering solar-based electricity generating costs to the level of current conventional power generation (so-called "grid parity"). Oerlikon Solar wants to achieve grid parity at the very latest by 2010.

Turbomolecular vacuum pumps: reliable, efficient and low-vibration

Dual clutch transmission: automatic gear shifting without interruption of power transmission

Oerlikon Vacum

- Oerlikon Vacuum: The specialist for high vacuum technology, Oerlikon Leybold Vacuum has rounded out its product range with the new MAG W 300 and 600 series of magnetically levitated turbomolecular pumps. Based on a technically mature design platform, these pumps, equipped with a 5-axis magnetic bearing and drive system and integrated converter, are extremely reliable, efficient and low in vibration. Additional flexibiliy is provided by the option of using the pump with integrated converter or a separate converter as a desktop version. In addition, an innovative interfacing concept enables easy integration into customer systems. The MAG W 300 and 600 series pumps are especially suitable for vibration-sensitive applications in analytical systems and instruments, thin-film technology, in electron microscopes, research and development and similar, technically demanding, future-oriented applications.

Oerlikon Drive Systems

- Oerlikon Graziano has developed the prototypes for a new automatic dual clutch transmission. This new type of transmission allows automatic gear shifting without interrupting power and thus leads to faster and smoother acceleration and more efficient transmission of power. Oerlikon Graziano has presented this groundbreaking transmission technology to various automobile manufacturers and is one of the few transmission manufacturers offering a power train of this kind.

Right angle drive gear: dry start without risk

Laser system for data communication: connecting across 1.5 million kilometers

- Oerlikon Fairfield completed the development of a new invention targeted at right angle drive gear reducers used in applications such as cooling tower fan drives and related applications requiring vertically positioned gear reducers. A patent application for this invention has been filed. The invention solves the problem of providing adequate lubrication of the internal bearings in the gear reducer, and prevents bearing damage due to “dry start-ups.” It also offers additional protection against corrosion of the internal operating parts of the gear reducer. These problems are typical of those that commonly occur in continuous duty industrial applications and result in extremely costly repairs, not to mention the high secondary cost of “down time” and resultant damage to other components within the system. As a leader in the field of gear assembly design and development, this innovation will serve to further distinguish Oerlikon Fairfield as a technology leader and true solutions provider.

Oerlikon Components

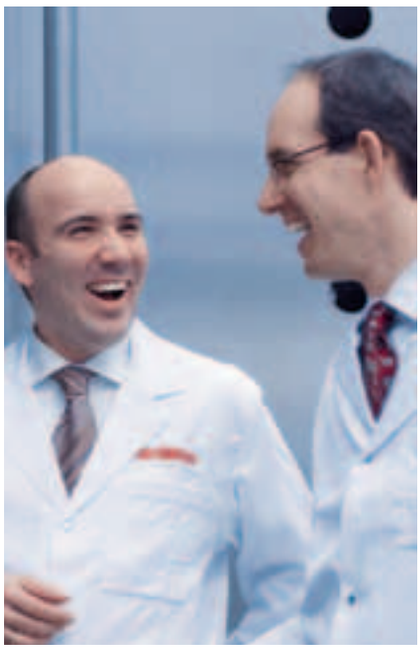
- Oerlikon Esec: The latest development from Oerlikon Esec, the 3200 wire bonder, is currently the fastest and most precise bonding machine available to the semiconductor industry. Wire bonders create the electrical links between the semiconductor and the connections on the substrate material. The control pulses generated in the chip are transmitted to the outside world via a gold wire that is thinner than a human hair. Thanks to its optimized air-bearing technology and rotation axis, the 3200 wire bonder creates 22 wire connections per second – and that with a positioning precision of 1.8 µm (1.8 thousandth of a millimeter) using ultra-thin wires measuring as little as 15 µm in diameter. The 3200 series wire bonder thus sets a world record for speed combined with extremely high accuracy.
- Oerlikon Space: Oerlikon Space is developing a laser-based system for data communication, and has proven for the first time with its prototype the feasibility of establishing and maintaining a laser connection across a distance of 1.5 million kilometers. Such laser communication connections will in future enable data to be transmitted across vast distances through space much more quickly and efficiently than is possible today using conventional radio connections. Data rates achieved in experimental testing exceeded 10 Mbit/s. At this data rate, it would take only two seconds to transmit the entire text of the Bible. Such data transmission rates would also be sufficient to transmit three digital television programs simultaneously.

Diversity and Innovation

Oerlikon is a global company that brings together people from the most diverse cultures into a single company. We use this diversity as an engine and an inspiration to regularly challenge and reinvent ourselves, while avoiding the familiar clichés we have assimilated. We treat one another with mutual respect, interest and openness. In this way we create a culture of active exchange and lively cooperation.

Oerlikon offers international career opportunities and a wide range of possibilities for development.

Headcount



Engine of innovation and growth

Oerlikon's employees drive its innovation and growth and are the basis of the group's leadership in the global high-tech business. They put their passion, courage and flexibility to work in developing products and solutions that are decisive for the success of our customers and the Oerlikon Group. At the end of 2007, Oerlikon employed nearly 20 000 people at 170 locations in 35 countries worldwide.

Shared values

An extremely diverse team spread across many different locations can only be successful if it shares a common vision and identity. Building on our core values of innovation, teamwork, excellence and integrity, Oerlikon employees are passionately committed to delivering exceptional performance. Our organizational culture is characterized by open communication and a strong sense of individual responsibility. In 2007 as well, we continued to strengthen our organization in key strategic positions.

Professional human resources processes provide the foundation for this, support the business units in the segments and actively contribute to Oerlikon's success and growth.

Living integration

The successful integration of the former Saurer Group with its approximately 12 000 employees is an impressive example of Oerlikon's high potential of integration. In just 12 months, we have accomplished to create a dynamic unit out of diverse corporate philosophies and identities. An example of these efforts is that today, the entire HR team works with common HR processes in all the countries of Asia.

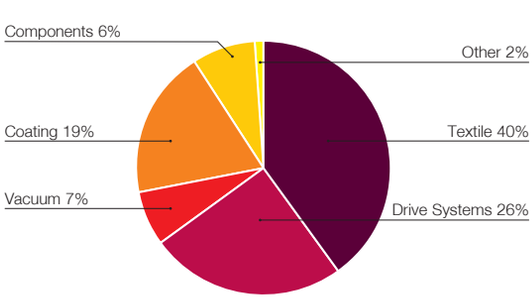
Timing and intuition

Using strategic HR planning processes, we define the employee resources needed and initiate recruitment measures based on the requirements of the business units.

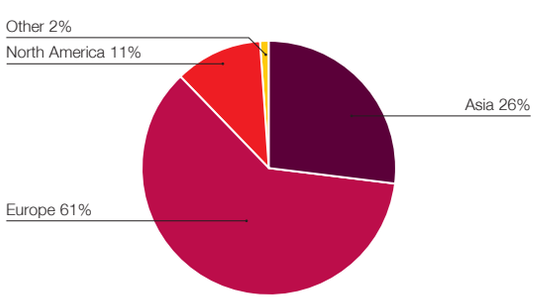
A good example of the need for professional recruiting can be seen in the explosive growth in the Solar business unit that took place in 2007. When the unit was turned into a segment of its own, employee headcount jumped by 50 percent in the space of just a few months. At the Swiss Truebbach plant alone a total of 60 new researchers and process and system engineers were hired. This is just one of many examples of the organization's flexibility and ability to respond rapidly to changing market needs.

Oerlikon is always on the lookout for highly-qualified and motivated employees who will enable the company to stay abreast of dynamically developing markets in the future and contribute to technological progress.

Employees 2007 by segment



Employees 2007 by region



Valuable partnerships

We foster good, long-lasting relationships with leading international universities and institutes of higher learning and support forward-looking research projects. Besides the collaboration of individual research departments with leading institutes and universities, partnerships aimed at supporting students were expanded in 2007. Oerlikon is fostering its collaboration efforts with diverse organizations to connect with potential employees at an early stage. In 2007, for instance, Oerlikon started partnering with ESTIEM (European Students of Industrial Engineering and Management), an association of industrial engineers from over 60 European universities. Intensive contacts were established with students and graduates of physics and mechanical engineering through our participation in the Federal Institute of Technology's Academic and Career Advisory Program at the ETH Zurich.

Grooming the next generation "Design your own career"

In the last two years, Oerlikon has developed an international program that aims at integrating talented graduates into the worldwide Oerlikon Group. In 2007, more than 600 applicants registered online for one of these sought-after training places. The growing number of applicants for the "Global Oerlikon Trainee Program" underscores the group's attractiveness as an employer who offers a broad range of development possibilities.

The global trainees participating in the program are university graduates with a technical, scientific or business background, who work on a number of consecutive projects. During the traineeship they are assigned to various business units at different locations and are able to develop their own strengths and interests. The aim of the program is to introduce new ideas and personal capabilities into the various teams and areas of activity, while helping trainees find a suitable position within Oerlikon. International project assignments enable participants to expand their intercultural skills and prepare them for work in a multinational corporation. Throughout the program trainees are accompanied by a mentor: a line manager who helps to promote their integration in the company and whom they can consult at any time.

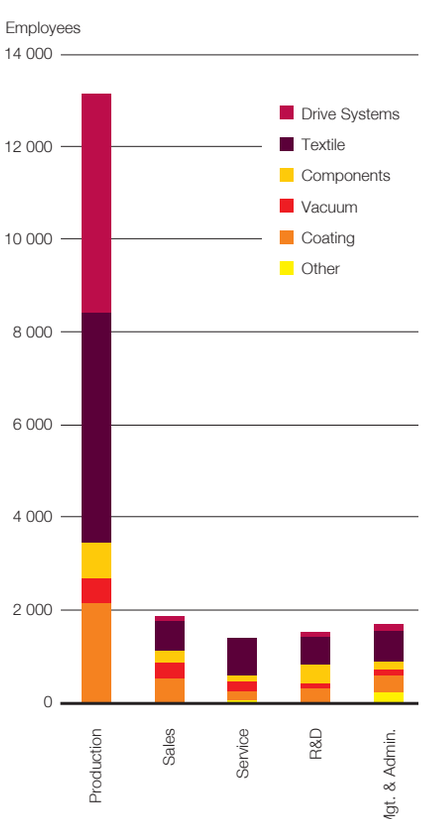
Interns from all over the world

Oerlikon is also an attractive employer for students and interns. The company offers a range of internships in all segments which give students a good insight into the working environment of a global corporation. In this way they can turn their theoretical knowledge into practice at an early stage.

In-house vocational education "The Apprenticeship Career Ladder"

Expanding our internal professional training programs and advancing the development of skilled employees within our own companies was also an important objective in 2007. Oerlikon deployed and trained more than 450 apprentices in 20 different professional fields at 18 locations throughout the world. Last year, more than CHF 5 million were spent to promote apprenticeships in our European vocational education center.

Functions by segment



Fujimoto Takeshi
Project Manager Oerlikon Solar

"This course gave me an in-depth understanding of how I think and act on a daily basis in the management context. It really helped me expand my focus enormously. As a technician, you think that everything operates digitally, 'on' or 'off' – even the employees. It was extremely important and helpful for me to see that that is not necessarily how it is and especially to be given tools and methods that can be used in my day-to-day work."

Quality & modernity
In October of last year, the Oerlikon Esec vocational education center in Cham (Switzerland) introduced a new apprenticeship workshop. The training center with its state-of-the-art equipment offers a more interactive combination of theoretical knowledge with practical implementation to the young apprentices.

Recognition for our apprentices in Germany and Switzerland
Oerlikon's performance-oriented and hands-on training strategy pays off. For the third time in a row, all of the apprentices in Oerlikon Esec achieved excellent results in their final exams.

Within the technical baccalaureate one of the Oerlikon Esec apprentices was best of the respective age group. The vocational educational center in Balzers/Truebbach in Switzerland reached outstanding results as well. To be not only one of the best vocational trainers in the region, but one of the best in the world was the motto of the vocational championships in Japan.

Victory in business simulation competition
The participation of the Oerlikon Neumag Neumünster (Germany) apprentices in the "S.P.E.E.D." business simulation competition, where participants learn to plan, decide and implement in a game context, was a complete success. In 2007, the team beat several teams from international companies of Germany.

Encouraging and stretching goals
One of the central cornerstones of Oerlikon's human resources strategy has always been to encourage and develop promising employees. It is important for us to create an overall framework that helps our employees to achieve their best personal performance. We therefore make every effort to provide a working environment that enables them to be innovative and tackle the challenges they face in their daily work.

Employee retention

Various factors influence employee retention. Besides attractive compensation, incentive systems and a fair performance assessment, individual training and development possibilities are important. We emphasize these factors in all our business units. Working for Oerlikon means enjoying perspectives and continuity as part of a dynamically growing global corporate player.

Competitive compensation

Oerlikon's compensation philosophy is to attract and motivate employees with competitive compensation packages. This performance-based compensation encourages entrepreneurial thinking and action and is aligned to realizing our business targets.

Modern performance management

Within the company's performance management concept, our employees follow a predefined performance process where the agreed goals are compared to individual performance. In the annual performance review between manager and employee the attainment of individual objectives in the past year is analysed and new targets defined. Importance is attached to setting ambitious yet realistic objectives in consultation with the employee. The annual performance review is a key element in attaining our strategic business objectives.

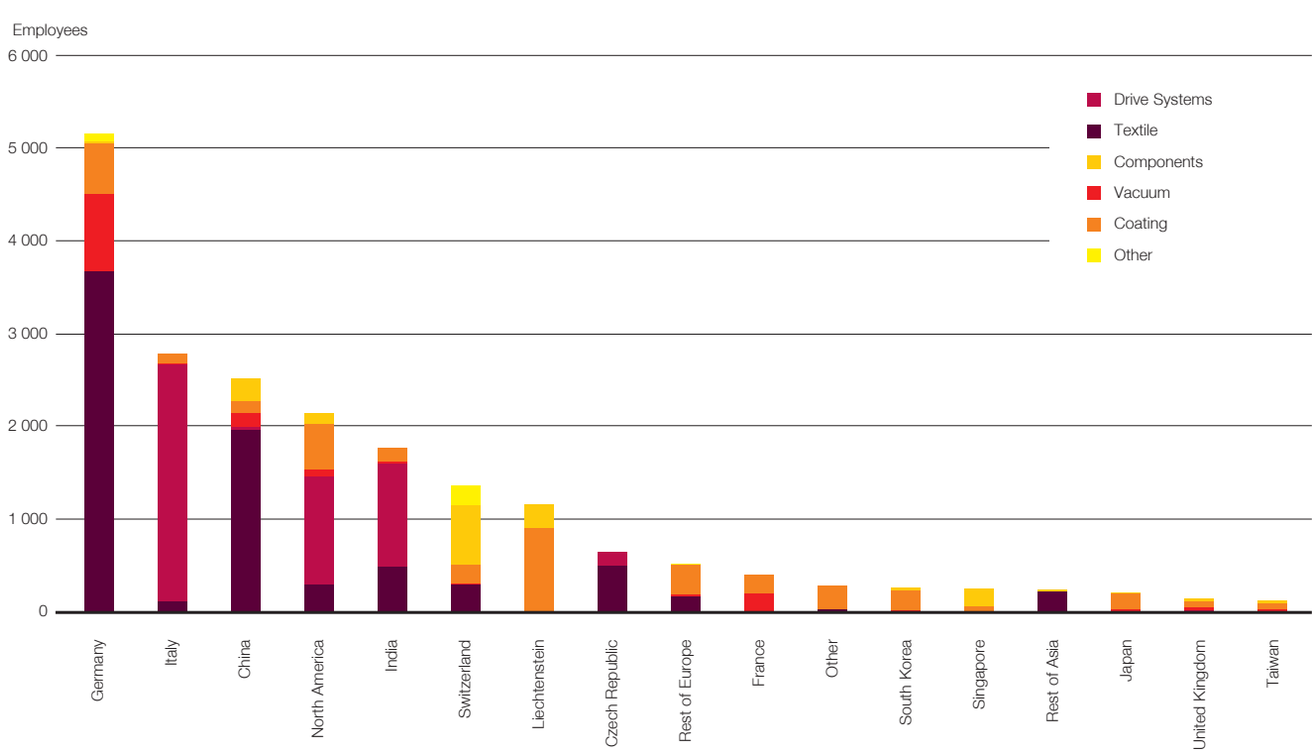
Wide range of further education options

Our HR development follows a needs-based principle. All of the measures required are individually coordinated with the employees. A wide range of further education options is offered in our training centers and in the various business units throughout the world. More than 2 000 employees attended seminars offering training in either technical or interpersonal skills in the Oerlikon training centers in 2007.

Expert development

Last year Oerlikon invested systematically in the area of expert development. One example is the "Oerlikon Project Management" course offered by the Oerlikon Space business unit. More than 100 employees with direct or indirect influence on the project process were educated in a training curriculum with very sophisticated methodology. Special priority was given here to core competencies such as entrepreneurial thinking, modern project management methods, management skills and customer orientation.

Employees 2007 by segments and regions



Leadership development

Oerlikon operates on the basis of a very lean and effective management and leadership model. Customer and value orientation, innovation and leadership as well as strategy orientation are core competencies that are a must for all employees. An example is Oerlikon's Leadership Challenge Program.

Oerlikon Leadership Challenge

More than 250 managers or prospective managers from Asia, Europe and the US have completed the "Leadership Challenge" management course over the last five years. The course focuses primarily on learning the use of "management tools" and establishing an international network. Over a 12-month period, the participants enhance their management skills in diverse training modules and put them to work in practice through measures that each participant agrees on with his or her line manager. "Learning transfer" is what Oerlikon calls the process in which participants, together with their line managers and team members, transfer what they have learned to their day-to-day work and assess the corporate success achieved as a result at the end of the course.

Oerlikon – a Global Player

With its roots (firmly planted) in Switzerland, Oerlikon's operations today are truly global, with production facilities, research institutions and service points around the world. The group's 170 locations are spread over 35 countries and Oerlikon's people come from 48 different nations.

Close to our customers all over the world.

Selected locations

Liechtenstein 1
Balzers Oerlikon Coating/Components

Employees	1 159
Production	■
Distribution	■
R&D	■
Service	■

China 3
Suzhou Oerlikon Textile/Balzers

Employees	1 126
Production	■
Distribution	■
R&D	□
Service	■

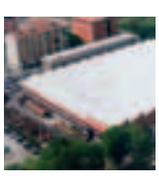
Germany 5
Moenchengladbach Oerlikon Textile

Employees	752
Production	■
Distribution	■
R&D	■
Service	■

USA 2
Lafayette Oerlikon Fairfield

Employees	1 152
Production	■
Distribution	■
R&D	■
Service	■

Italy 4
Rivoli Oerlikon Graziano



Employees	801
Production	■
Distribution	■
R&D	■
Service	■

India 6
New-Delhi Oerlikon Graziano

Employees	518
Production	■
Distribution	■
R&D	■
Service	□

Singapore 7

Singapore Oerlikon Esec/Solar

Employees	206
Production	■
Distribution	■
R&D	■
Service	■

Brazil 9

Jundiai Oerlikon Balzers

Employees	161
Production	■
Distribution	■
R&D	□
Service	□

France 8

Valence Oerlikon Vacuum

Employees	201
Production	■
Distribution	■
R&D	■
Service	□

Switzerland 10

Truebbach Oerlikon Solar

Employees	161
Production	■
Distribution	■
R&D	■
Service	□

An ongoing dialogue with the capital market
The open and ongoing exchange of information with our investors and analysts guarantees a fair valuation of our businesses.

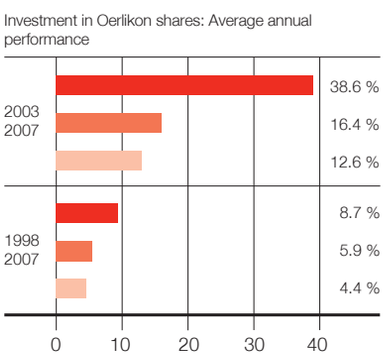
High transparency.

Capital market and share performance 2007

After a positive start into 2007, the first correction in the financial markets came at the end of February, which more than wiped out the previous rise in share prices (DJ STOXX 600 +4.6 percent until February 26, 2007). A sharp rebound lifted markets to their highs for the year at the beginning of June (DJ STOXX 600 +9.6 percent until June 1, 2007) before a consolidation in mid-July took prices to slightly below their January levels. The ensuing recovery was only brief and share prices started falling in mid-October to reach a low for the year in mid-November (DJ STOXX 600 –4.4 percent on November 21, 2007). The year-end rally that followed came to a halt in mid-December and markets closed the year just below their January levels (DJ STOXX 600 –0.2 percent on December 28, 2007).

The Oerlikon share outperformed the market clearly at the beginning of 2007 (closing price on March 26, 2007 was CHF 775.00, a gain of 28.6 percent since the beginning of the year). After a slight dip, the market caught up with it early in the second half of the year. The second correction hit Oerlikon, knocking the share price down to CHF 336.50 (–44 percent), although the move was in no way based on corporate fundamentals. It is possible that declining growth expectations for the semiconductor industry were perceived as negative for Oerlikon, even though its exposure to this market declined to about 10 percent. The solid mid-year figures caused the stock to rebound rapidly to overtake the market again (+6.2 percent on November 13, 2007).

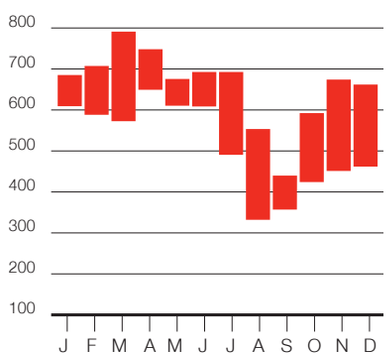
Multi-year performance comparison



Investors in Oerlikon shares earned considerably higher returns over a 5 and 10-year period compared with the SPI or DJSTOXX 600 Index.

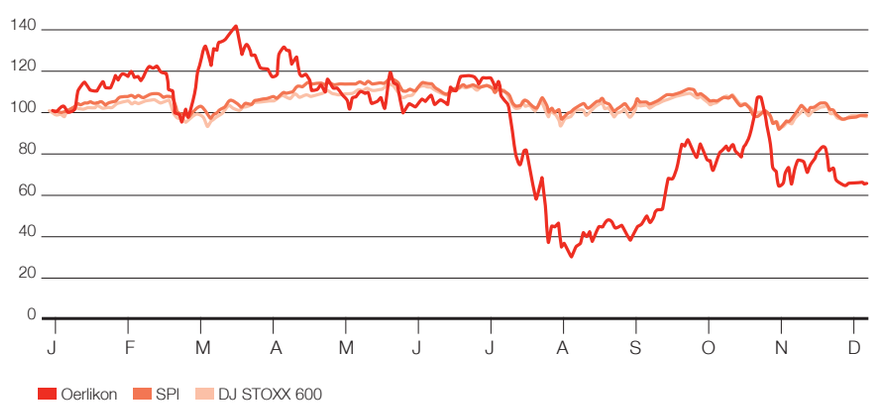
Trading range 2007

in CHF



Share performance 2007

in %



Listing on the stock exchange

The registered shares of OC Oerlikon Corporation AG, Pfäffikon have been listed on the SWX since December 22, 1975, and are traded on the virt-x in London.

Securities number	OERL
Securities number	081682
Security type	Registered share
ISIN International Stock Identification Number	CH0000816824
Settlement currency/ stock exchange	CHF/XVTX
Traded on/ clearing via	Virt-x/ virt-x core CSDs
First trading day	22.12.1975
Bloomberg ticker symbol	OERL VX
Reuters ticker symbol	OERL.VX

Oerlikon's impressive demonstration of its capabilities at important trade shows for textiles (ITMA) and solar (EPVC, Solar Power USA, Semicon Europe) also gave the share's performance solid support. The generally nervous trading at the end of the year saw the Oerlikon share close at CHF 473.25 (–21.5 percent) on December 28, 2007. At this point in time, the market capitalization was CHF 6.7 billion.

Trading volume and liquidity

On 249 trading days in 2007, an average of 112 350 shares (0.79 percent of the share capital) were traded on the virt-x trading platform. This is an increase of 2.2 percent over the previous year. In the month of August approximately 5 million shares were traded.

Founding member of the Swiss Leader Index

The Swiss stock exchange SWX launched the newly created Swiss Leader Index (SLI) on July 2, 2007. It includes the 30 largest and most liquid shares in the Swiss stock market (domestic shares). The OC Oerlikon share has been a member of this new index from the outset.

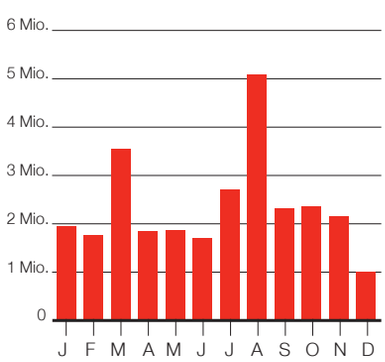
Oerlikon is also included in key indices such as the European Dow Jones STOXX 600, the Swiss Performance Index (SPI) and the Swiss Market Mid Caps Performance Index (SMIM).

Share buyback program/ treasury shares

The Board of Directors of OC Oerlikon Corporation AG, Pfäffikon approved a share buyback program for a maximum of 2.59 percent of the share capital on August 8, 2007. The program, which started on August 9, 2007, is scheduled to run until the Ordinary General Meeting in 2009. The purpose of the share buyback is to finance acquisitions and an employee stock option program. The company reserves the right to use the shares repurchased for other financing purposes.

In 2007 Oerlikon repurchased a total of 2 660 shares at an average price of CHF 394.87 per share. As of December 31, 2007, the company held a total of 1 048 146 shares (7.41 percent of the shares issued).

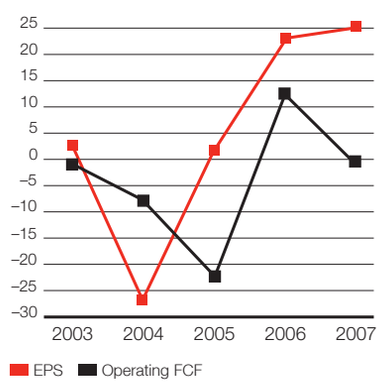
Monthly trading volume in 2007 (virt-x) in number of shares



Weighting of the Oerlikon share in important indices on December 31, 2007 in %

SLI	0.41222
SPI	0.14747
SMIM	1.49760
DJ STOXX 600	0.02983

EPS/FCF per share in CHF



Key share-related figures

		2007	2006	2005	2004	2003
Share trading						
Price at year-end	in CHF	473.25	602.50	197.90	113.00	175.25
High	in CHF	794.50	605.00	198.80	199.75	186.00
Low	in CHF	336.50	191.00	112.30	95.60	72.80
Average trading volume virt-x (12 months)	in thousands	112	110	304	114	74
Shares outstanding	number	14 142 437	14 142 437	14 142 437	14 142 437	13 170 092
Stock market capitalization at year-end	in CHF million	6 693	8 521	2 799	1 598	2 305
Per share data[1]						
Earnings per registered share (undiluted)	in CHF	25.24[2]	23.78	1.43	–27.68	2.50
Earnings per registered share (diluted)	in CHF	25.24[2]	23.73	1.43	–27.68	2.49
Dividend[3]	in CHF	0.00	0.00	0.00	0.00	2.00
Payout ratio	in percent	–	–	–	–	80
Ex-dividend day		–	–	–	–	04.06.2004
Equity per share	in CHF	142.01	116.48	73.47	88.87	114.86
Net cash flow per share	in CHF	–0.18	12.73	–22.51	–5.97	–1.1

[1] Average number of shares with voting and dividend rights

[2] Continued operations

[3] Dividend 2007: Proposal of the Board of Directors

Financing strategy

Oerlikon has a solid financial position on which to build and is firmly committed to pursuing a conservative financing policy. Part of this policy is to secure timely financing for foreseeable needs while keeping within the limits required to maintain investment grade status.

One important focus, apart from generating a high level of operating cash flow, is the strict allocation of financial resources for investments, research and development and acquisitions within the group. This continues to make Oerlikon an attractive candidate for equity and debt capital investors.

To cover its long term financing needs, Oerlikon successfully placed a CHF 2.5 billion syndicated credit facility on the capital market in 2007. A total of 19 well-known banks, including Citi, Deutsche Bank and UBS, participated in the transaction. In addition to replacing the bridging loan used to acquire the Saurer Group, more than 95 percent of the outstanding CHF 200 million bond issued by Saurer AG, Arbon, was purchased as part of a cash tender offering in 2007. Following delisting of the Saurer share in September 2007, the bond is to be redeemed prematurely and fully following approval by the court.

Dividend policy

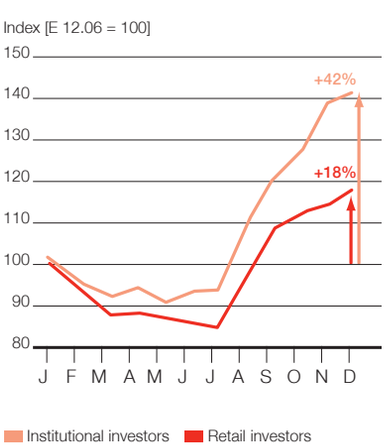
Oerlikon has a clear, long term growth strategy. To finance this expansion, the Board of Directors recommends initially reinvesting profits in the company instead of paying an annual dividend. The investments envisaged by the group are geared toward those segments that offer above-average growth and earnings prospects.

Shareholder structure

The list of significant shareholders portrays a stable picture of the company's strategic investors. Victory Industriebeteilung AG, Vienna, continues to be the largest shareholder with a share of 27.6 percent as notified on December 7, 2007. Renova Industries Ltd. with registered office in Nassau, Bahamas, has increased its 2006 holding to 13.8 percent as notified on September 14, 2007. Other shareholder groups which have disclosed a share of more than 3 percent are the Deutsche Bank Group and Merrill Lynch, whereas ZKB has reduced its share below the notification threshold. Oerlikon itself also held treasury shares amounting to 7.4 percent of total shares outstanding on December 31, 2007.

The total number of shareholders entered in the share register increased significantly in 2007 by some 1 300 to almost 8 000 shareholders. Both the number of institutional investors (+42 percent over December 31, 2006) as well as private investors (+18 percent) were noticeably higher.

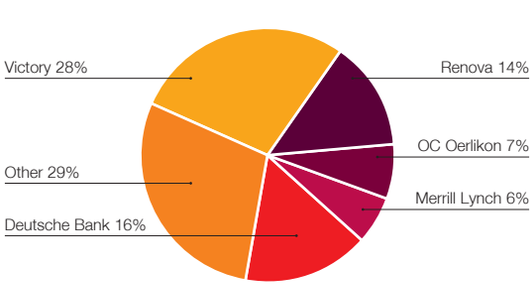
Shareholder base in the share register in 2007 in %



Shareholder structure

Shareholder	Dec. 2007 No. of shares	in percent[1]	Dec. 2006 No. of shares	in percent[1]
Victory Industriebeteiligung AG	3 898 644	27.57	4 831 192	34.16
Renova Industries Ltd.	1 950 000	13.79	1 450 000	10.25
OC Oerlikon	1 048 146	7.41	1 050 113	7.43
Deutsche Bank Group	2 209 744	15.62	77 899	0.55
Merrill Lynch Group	884 858	6.26	716 023	5.06
ZKB	n/a		2 506 601	17.72
Other	4 153 088	29.37	3 510 609	24.82

[1] Based on shares outstanding



Investor relations overview

Equal treatment of all capital market participants and reporting and communication in compliance with legal requirements and regulations are of central importance to Oerlikon. Respecting these principles is our top priority and is ensured by means of a regular open dialogue with institutional investors, retail investors and financial analysts. Our Investor Relations team supplied the capital market promptly with information about the acquisitions of SiLas and VST Keller, the progress we are making in expanding the solar business, the integration of Saurer and details of key financing measures.

In 2007, investor relations activities included road shows to the key financial markets. Participation in various banking conferences, numerous one-on-one discussions with investors and analysts and joint visits to our manufacturing locations rounded out the program.

In addition to the annual general meeting and the semi-annual media and analyst conferences, Oerlikon management also presented our business performance in the interim quarters to interested participants via conference calls.

For the 2008 financial year, Oerlikon will increase transparency in financial reporting further by reporting on solar activities as a separate segment. In addition, the introduction of a new group-wide consolidation tool will shorten processes and make it possible to get information to the capital market even faster.

Last year saw more coverage by financial analysts, such as JPMorgan Cazenove or Cantor Fitzgerald.

IR benchmarking

For the first time, Oerlikon Investor Relations was ranked among the top 20 companies in the capital goods sector in the Thomson Extel Pan-European Investor Relations Survey.

In a comparison carried out by Edition Renteria SA, Oerlikon's website was ranked among the top 5 in the Swiss machinery and equipment manufacturing industry.

Corporate calendar

Important dates

March 27, 2008	Media and analyst conference on the 2007 financial year Oerlikon Space, Zurich
April 23, 2008	Key figures for the first quarter of 2008
May 13, 2008	Annual general meeting Culture and Convention Center Lucerne (KKL)
August 26, 2008	Publication of the half-year report 2008 Media and analyst conference
October 22, 2008	Key figures for the third quarter of 2008

Contact

You can find futher information at:
www.oerlikon.com/ir

Corporate Investor Relations

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F: +41 58 360 98 22
ir@oerlikon.com

Sustainability has high priority
Oerlikon's business policy is geared toward sustainability over the long term – for the benefit of our customers, employees, investors, partners and the environment.

Thinking and acting with tomorrow and beyond in mind.

Oerlikon – a responsible global citizen

Oerlikon is a global high-tech company whose aim is to generate sustainable corporate value that goes beyond successful business activity. We take our responsibility to society seriously and see ourselves as part of the solution to future challenges in an increasingly globalized economic environment.

In 2003, the former Unaxis signed the UN Global Compact (UNGC), an international initiative launched by the former General Secretary of the United Nations, Kofi Annan, to realize a more sustainable and fair global economy. In 2006, Oerlikon committed itself to the ten principles of the Global Compact. On the basis of these principles, Oerlikon will establish binding guidelines for economically, environmentally and socially sustainable growth that provide the framework for a business climate defined by respect and trust. We are convinced that trust can only be built through integrity in our relationships with all the company's target groups and stakeholders.

Management philosophy

We require all our employees to comply with national and international laws and ethical standards. They represent Oerlikon's business ethics and in our relations with our stakeholders they build confidence in us as a reliable partner. Our commitment to the Global Compact means that we do not just comply with legal provisions, we also actively integrate the UNGC principles into our management system, proactively combating corruption, observing human rights, guaranteeing good working conditions and extensive measures to protect the environment within the company's sphere of influence.

In 2007, the group's Executive Board introduced various measures to ensure that our commitment to ethical conduct was implemented in our day-to-day business. In 2008, Oerlikon will issue a revised Code of Conduct that embodies this commitment and gives our employees clear rules of conduct. Alongside this, processes are being created at group level that are designed to enable every employee to report violations of this Code of Conduct ("whistleblowing") and ensure that this information can be effectively pursued regardless of hierarchies.

Earning trust

Trust is only possible if partners treat each other with respect and integrity. Oerlikon practices this credo at the operating level and places the needs of its stakeholders at the center of all of its activities. Through open dialogue with our customers, partners, investors and employees we aim to create a win-win situation for everyone involved – with the benefit of future generations in mind.

Our Customers

The long-standing, successful relationships with our customers are based to a large extent on the high quality of our services. By maintaining an open dialogue with our customers we aim to improve our quality continuously and grow in line with our customers' needs, creating a common understanding and added value. For Oerlikon, quality means first and foremost not just meeting customer expectations but exceeding them with outstanding products and services. Using the Six Sigma management methodology, Oerlikon is currently in the process of simplifying and stabilizing its organizational structure and processes to further enhance our quality level.

Environmentally friendly energy with Oerlikon
Oerlikon not only does everything in its power to ensure environmental compatibility in its own production. With new technologies such as special transmissions for wind power systems or thin-film silicon solar technology, we also make a contribution to reconciling growing energy demand with environmental concerns.

ISO certification

For a modern, high-tech company like Oerlikon, an independent quality and environmental management certification is today a matter of course. The certification is a quality seal for our customers and evidence of our good management practices. Already in 2006, the Oerlikon Group received the ISO 14001 certification (environmental management) following the group's fundamental realignment in the previous year. By the end of 2007, all legal entities were ISO 9001 certified (quality management). All new companies acquired, such as the laser specialist SiLas, will also be certified within a year. All business units that supply the automotive market have received the ISO 16949 certification that meets the strict technical requirements of the automotive industry.

Complaint management

In 2008, Oerlikon will install a customer complaint management system for the entire organization which will go beyond its own self-imposed quality standards. Once a complaint or questions about technical issues or order processing are received, centrally coordinated measures are undertaken to solve the problem. Problems are a valuable opportunity for Oerlikon to gather the information it needs to further optimize its services and be able to offer customer solutions of the highest quality.

Trade control

Europe, many Asian countries and the USA in particular are engaged in introducing harmonized and stricter export control regulations to combat international terrorism and the plans of specific countries to manufacture weapons of mass destruction. As a global supplier of high-technology solutions, Oerlikon works for customers from very diverse industries. We do not manufacture weapons, but we are aware that vacuum and coating technology in particular play an important role in modern weapons production. Oerlikon is aware of the ethical and legal responsibility it has in this respect and has issued valid group-wide guidelines on export controls. The following points are of central importance:

- Oerlikon pledges its unequivocal and emphatic support for a policy of non-proliferation. This corporate goal takes precedence over business interests.
- All employees are obligated to contribute actively to achieving this goal in the area they work in.
- It is management's responsibility to ensure that all employees have adequate knowledge of all the relevant regulations by providing them with training and access to the guidelines.
- In order to ascertain which countries and organizations are to be judged as sensitive for the purposes of this policy, Oerlikon maintains ongoing contact with the responsible agencies.
- If concerns arise about the end use to which our products and services are put, Oerlikon will immediately terminate the business transaction.

In 2007, Oerlikon conducted a number of employee training events in the USA, Asia and Europe as well as specialized training courses for our newly appointed export control managers. These individuals are responsible for compliance with national and international laws and for promoting broad awareness and uniform implementation of the corporate directives. Access to up-to-date information, to laws and regulations is provided via the intranet.

Oerlikon's export control system was highly acclaimed by participants and voted best in the category "Best New Policy Proposals" at the renowned Carnegie International Non-proliferation Conference. Oerlikon experts are now also sought after around the world as speakers on the subject of "Global Trade Control."

Suppliers

By expanding its areas of business activity and centralizing its processes Oerlikon has consolidated its buying power as part of a group-wide global sourcing strategy. This strengthened market position secures Oerlikon's global access to resources and suppliers on competitive terms. Oerlikon offers its suppliers uniform and lean processes with standardized sourcing procedures.

Personal contacts are essential to maintaining good relationships over the long term.

Clean technologies from Oerlikon

Oerlikon Coating: coated engine parts increase the durability of components by a factor of 10 and reduce fuel consumption by up to four percent.

The thin-film silicon technology from Oerlikon Solar has begun a new chapter in the use of solar energy.

Certainly a key factor in our success is our empoyees' awareness of risk. If an ordering country or purchase destination of our products is defined as sensitive or an inquiry is suspect for other reasons, the case is reviewed by a member of our Corporate Trade Control unit. They perform a comprehensive examination and contact the agencies responsible if necessary. To enhance our employees' awareness of risk, the Corporate Guidelines were presented in international workshops and other training measures carried out in the regions. The program will be continued in 2008 and the content expanded, e.g. with targeted measures in the area of import and supply chain security.

Oerlikon is currently implementing a new SAP module (Global Trade Service) that facilitates the exchange of information, simplifies and accelerates processes and helps us to meet the rapidly changing compliance requirements for our business units.

Fighting corruption

In keeping with the UN Global Compact, we are convinced that good governance and fighting corruption are the two main factors in the development and strengthening of democracy and market economies. Consequently, Oerlikon is committed to actively fighting corrupt behavior both at the corporate level as well as in the public sector. Oerlikon strictly rejects the use of unfair business practices to achieve short term competitive advantages. Our competitive success is based exclusively on the exceptional performance of our employees and the high quality of our technologies, products and services. Oerlikon does not use its resources and assets for unethical purposes or to gain advantage and privileges. Oerlikon does not participate in direct or indirect payments to officeholders, civil servants or other private and public decision-makers.

Through its local presence, Oerlikon builds trustworthy partnerships with its suppliers. Suppliers are selected on the basis of fair business principles. We encourage fair pricing policies and only work with companies who are certified according to international norms.

Employees

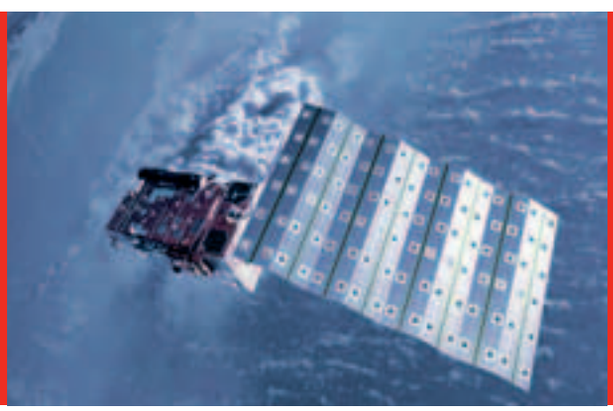
Oerlikon is convinced that true innovation can only be accomplished by employees who trust the company they work for. To ensure the well-being of our employees, Oerlikon invests significant human and financial resources in developing a safe working environment and a positive working atmosphere.

Organizational change
In the course of the takeover and integration process of the Saurer Group, Oerlikon lived up to its own integrity standards by conducting a fair, open and timely dialogue. Saurer is an ideal partner for the implementation of Oerlikon's expansion strategy and the creation of sustainable corporate values. The successful integration process is reflected both in the many standardized processes and systems as well as in the intensive cooperation between the business units, such as the strengthening of activities

Diversity and equal opportunity
At Oerlikon, employees of 48 different nationalities are united. With such a diverse team, made up of qualified professionals from a variety of cultures, Oerlikon is excellently represented everywhere in the world and can individually address the needs of its international customers. As a global company with 170 locations, Oerlikon believes in the strength of being local. The majority of employees, even in management, are hired locally, reflecting the demography of the market. By developing technology

Non-discrimination
Through Oerlikon's activities in a multicultural environment, the company has developed a strong awareness of the problem of discrimination. We do not tolerate any form of discrimination on the basis of ethnic origin, skin color, religion, nationality, gender, sexual orientation, age or disability.

Health and safety
Oerlikon is committed to an integrated management system covering the full range



Oerlikon Space builds satellite components to research climate change.

"e-save"-systems from Oerlikon Textile use up to 40 percent less energy.

across the different locations. The group-wide exchange of ideas and development of shared goals make an essential contribution to closer cooperation and better mutual understanding. The principle of regional and international job rotation is just one way of enabling this process.

Work-life balance and the personal sphere
Managing the competing claims of professional and private life means finding a healthy balance between work and leisure time. This factor plays a decisive role in recruiting and retaining employees. Oerlikon employs highly skilled professionals and is constantly on the lookout for experts. People of this caliber are highly sought-after on the global job market, and can choose from any number of different potential employers. This is why, in addition to offering competitive salaries and social benefits, Oerlikon also accommodates flexible working hours and part-time employment. It is only when an individual's professional and private life are in balance that a positive working environment emerges where creativity can be transformed into innovation.

and training employees locally, knowledge remains closely bound to the group. The regular exchange of experiences and knowledge between the different business segments improves cooperation and helps to leverage synergies. One example is the Asian support team initiated by Oerlikon Leybold Vacuum. Experts from China, Taiwan, Japan and Korea have formed a specialized unit that offers technical support for the Asian market. Technology-oriented companies like Oerlikon traditionally employ a large number of engineers, which can often result in an imbalance in the number of men and women in the project teams. Oerlikon knows from experience that mixed teams often develop more creativity and thus encourages the hiring of more female employees in technical positions during the recruitment process.

of health and safety standards. All business units and group companies define their specific goals in these areas.

The goals of the entire company are to continuously improve occupational safety, taking into account the respective country-specific regulations. Cooperation between the business segments has contributed here to a significant improvement in processes. These results can be attributed to the conscious desire to share knowledge and further efforts will be made in these areas in 2008. The important factor here is firstly to raise awareness among employees on how to handle resources such as energy and consumer goods in an environmentally friendly manner in the business environment.

Future generations
One of the most important challenges for our company today is to lower global energy consumption, reduce dependence on non-renewable energy sources and stop climate change. Oerlikon has numerous products in the "Clean Technologies" field and will strategically expand them.

With sharply rising energy prices that account for 20 percent of operating costs in spinning mills, for instance, energy efficiency has become a key factor in the procurement process. Oerlikon Textile took up this challenge and has drastically improved the energy and resource efficiency of its products and services. When buying products that are e-save certified, customers can achieve average energy savings of more than 15 percent, generating considerable cost savings and simultaneously making a positive contribution to environmental protection. New aggregates such as the MPS texturing machine from Oerlikon Barmag reduce energy consumption by up to 40 percent.

Saving energy by improving efficiency is the cheapest, fastest and most environmentally friendly way to cover future energy demand. Besides pursuing this demand-oriented strategy, research also needs to focus on developing new technologies that leverage the benefits of renewable and emission-free energy sources while at the same time lowering costs to a competitive level.

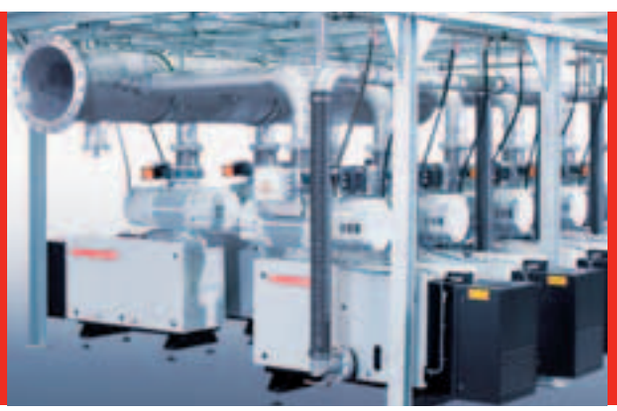
Oerlikon Solar is at the forefront of groundbreaking developments in the area of photovoltaics and has the unique opportunity to be the first to commercialize use of this energy. Plasma enhanced chemical vapour deposition (PECVD)-technology has made it possible for Oerlikon to considerably decrease the amount of silicon necessary to produce solar cells and hence markedly lower production costs. In 2007, the Micromorph Tandem technology was introduced that enables a module efficiency of more than 10 percent by 2010, hence making solar power competitive with conventional power generation in the medium term ("grid parity").

Oerlikon is also active in environmentally relevant markets and applications with additional technologies and products:

- Zero-emission vehicle: Oerlikon Graziano has concluded a long term contract with the Norwegian manufacturer Th!nk Technology to supply special transmissions for their zero-emission vehicles.
- Vacuum pumps for solar market: Oerlikon Vacuum has successfully established itself on the booming solar market as a preferred supplier – both with components for manufacturing silicon wafers as well as for the production of thin-film silicon modules.
- More efficient engines: The highly resilient surface coatings from Oerlikon Balzers are increasingly used in engine design and help to increase the durability by up to a factor of 10 and reduce fuel requirements by up to 4 percent.
- Wind energy: Oerlikon Fairfield was able to successfully position its unique expertise in complex gear and shaft component design on the market for wind power systems and to sign a long term agreement with a globally leading supplier.
- Climate research: Oerlikon Space has developed special instruments that are used in satellites for climate research.

Oerlikon also actively endorses the precautionary approach that forms part of the UN Global Compact (Principle 15 of the Rio declaration) which requires a systematic reduction of the environmental "footprint." Oerlikon puts this commitment into practice by continuously optimizing its products, services and production processes. A first milestone was the Group ISO 14001 certification in 2006 – which is a clear sign of the company's commitment to improving its environmental performance. Optimizing the waste management systems of its global business units was an additional objective in 2007. Employee awareness programs for waste prevention and separation have led to a reduction in the negative impact we have on the environment. In 2008, the disposal of sensitive waste will be the focus of Oerlikon's efforts in this area – more stringent safety inspections will ensure that hazardous materials are handled safely.

Clean technologies from Oerlikon



The use of oil-free screw pumps from Oerlikon Leybold Vacuum reduces environmental impact.

The Pulsed Plasma Diffusion (PPD™)-technology from VST Keller for coating large punching tools is completely environmentally neutral compared to conventional hard plating.

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

Orientation to international standards.

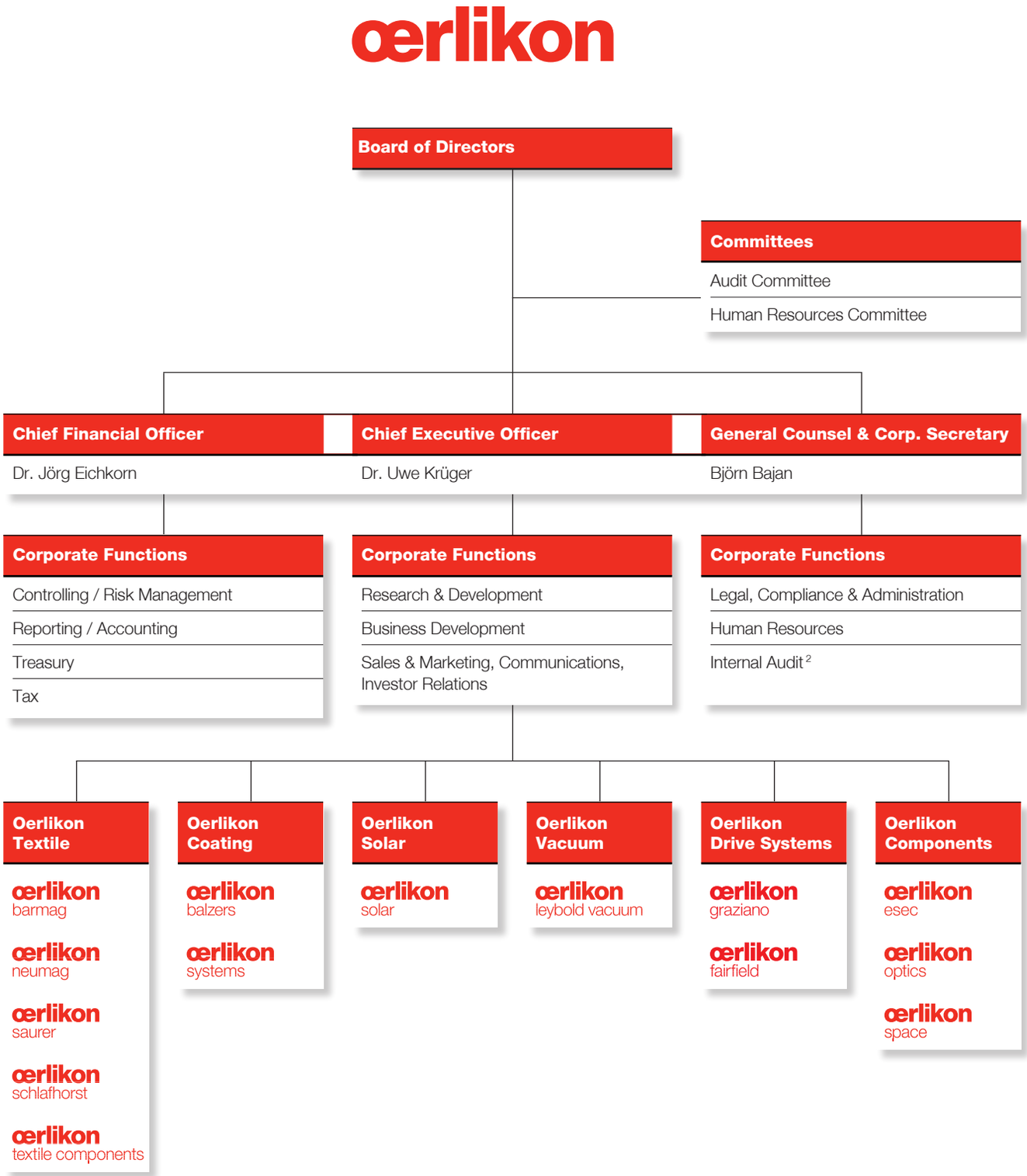
Oerlikon is committed to the principles of good corporate governance as defined by Economiesuisse in the Swiss Code of Best Practice for Corporate Governance of March 25, 2002. Through this commitment Oerlikon aims to reinforce the trust placed in it by the company's present and future shareholders, lenders, employees, business partners and the general public.

Responsible corporate governance requires transparency with regard to the organization of management and control mechanisms at the uppermost level of the enterprise. Therefore, the "Directive on Information Relating to Corporate Governance" (DCG), enacted by the SWX Swiss Exchange on July 1, 2002 and revised on May 29, 2006, 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 seperate section, as prescribed by DCG. The framework of the directive has been adopted. References to other portions of the annual report are included in certain instances in an effort to avoid redundancies and enhance readability. All material changes between the balance sheet date and the time this annual report went to print have been taken into account.

Further information regarding corporate governance can be found on the company website www.oerlikon.com.

Group structure [1]



[1] As of January 2008
[2] Reports directly to the Board of Directors

Group structure and group companies

Operational group structure: The Board of Directors is responsible for the strategic management of the group. Pursuant to Art. 17 of the Articles of Association, the Board of Directors has delegated corporate management in principle to the Executive Board. Operational responsibility lies with the individual segments, each of which is overseen by its own segment CEO. The Board of Directors, the Executive Board and the business units are supported by centralized corporate functions. Any previously centralized functions that are closely linked to the operational business (e.g. IT, Business Application Design, Trade Control and Quality Management) will be allocated to an individual segment in the future.

Listed group companies: OC Oerlikon Corporation AG, Pfäffikon is listed on the SWX Swiss Exchange (Symbol: OERL; securities number: 081682; ISIN: CH0000816824). On December 31, 2007 the company's market capitalization totaled CHF 6 693 million. For further information on OC Oerlikon Corporation AG, Pfäffikon see pages 157–167.
Saurer AG, registered in Arbon, was listed on the SWX Swiss Exchange until October 10, 2007 (Symbol: SAUN, securities number: 1234514; ISIN: CH0012345143). OC Oerlikon Corporation AG, Pfäffikon is the sole shareholder of Saurer AG now that the judicial proceedings have been concluded to cancel the shares of Saurer AG still remaining in public hands following a public tender offer launched on October 18, 2006. Accordingly, the company's shares were delisted from the stock exchange on October 10, 2007. Saurer AG has indirect holdings in two companies listed on foreign stock exchanges: Fairfield Atlas Limited, India, and Schlafhorst Engineering Ltd., India. Both companies are listed on the Bombay Stock Exchange.

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 pages 165–166 in their legal ownership structure, and on pages 152–154 they are listed by country together with each company's share capital, percentage of shares owned and number of employees.

Significant shareholders (as of December 31, 2007)

	Shareholdings as per official disclosure [1]	
	No. of shares	in percent [2]
Victory Industriebeteiligung AG, Vienna [3]	3 898 644	27.57
Deutsche Bank Group, Frankfurt am Main	2 209 744	15.62
Renova Holding Ltd., Nassau, Bahamas [4]	1 950 000	13.79
OC Oerlikon Corporation AG, Pfäffikon [5]	1 048 146	7.41
Merrill Lynch Group, New York	884 858	6.26

[1] The media releases concerning disclosures of shareholdings can be accessed on our website at http://www.oerlikon.com/ecomaXL/index.php?site=OERLIKON_EN_mandatory_notifications.
[2] Basis: shares issued (14 142 437)
[3] Beneficial owners:
- Millennium Privatstiftung, Praterstrasse 62–64, 1020 Vienna, Austria
- RPR Privatstiftung, Seilerstätte 18–20, 1010 Vienna, Austria

[4] Beneficial owner: Victor F. Vekselberg, Moscow and Zurich
[5] Actual shareholding as of December 31, 2007

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Capital

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

Authorized capital and conditional capital

Authorized capital: The company has no authorized capital.

Conditional capital for warrant and convertible bonds: Pursuant to Art. 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 2 million registered shares with a par value of CHF 20 per share, by exercising the option and conversion rights granted in connection with bonds of the company or one of its group companies. The subscription rights of shareholders are excluded in this regard. Current holders of option certificates and/or convertible bonds are entitled to acquire the new shares. When issuing warrant and convertible bonds, the Board of Directors can limit or exclude the preemptive subscription rights of shareholders (1) to finance or refinance the acquisition of enterprises, units thereof or equity interests, or newly planned investments of the company, (2) to issue warrant and convertible bonds on international capital markets. Insofar as preemptive subscription rights are excluded, (1) the bonds are to be placed publicly on market terms, (2) the exercise period for the option and conversion rights may not exceed seven years from the date the bond was issued and (3) the exercise price for the new shares must at least correspond to the market terms at the time the bond was issued.

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

Changes in capital

The share capital of OC Oerlikon Corporation AG, Pfäffikon has remained unchanged since the capital increase of 2004. Detailed information on changes in the equity capital of OC Oerlikon Corporation AG, Pfäffikon over the last three years can be found in the holding company's equity capital statement on page 162, note 19, 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 with SIS SegaInterSettle 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 with deferred printing of certificates). If registered shares are to be printed, OC Oerlikon Corporation AG, Pfäffikon may issue certificates covering multiples of registered shares. The share certificates bear the facsimile signatures of two members of the Board of Directors.

Profit-sharing certificates

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

Limitations on transferability and nominee registration

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

Convertible bonds and options

As at December 31, 2007 there were no convertible bonds or warrant bonds outstanding. In conjunction with stock option plans, employees held a total of 8 706 options (cf. page 146, note 23) on December 31, 2007, each of which entitles the holder to subscribe one registered share in OC Oerlikon Corporation AG, Pfäffikon. These option rights are covered in full by shares acquired in the open market, such that their exercise will not result in any change in share capital. The aggregate par value of the shares purchasable via the outstanding options is CHF 174 120.

Stability and competence
The Oerlikon Board of Directors

1 **Dr. Hanno M. Bästlein**
Member of the Board of Directors
Member of the Human Resources Committee

Dr. Hanno M. Bästlein (1963; German citizen) has been CEO of CONSTANTIA Packaging AG, Vienna since April 2006. With a background in banking, in 1992 he began his professional career at a medium-sized engineering and construction company. In 1994 he changed to HOCHTIEF AG International where he held several senior positions within the company as managing director. In this position he was responsible for the internationalization of the entire group. In 2002, he became CFO of a European retail group before he was appointed CFO on the Executive Board of VA Technologie AG, Vienna/Linz in June 2004. Hanno Bästlein studied at the University of Witten/Herdecke and at Stanford University in California. He graduated with a Master's in Business Administration and Economics and received his Ph.D. from the Albert Ludwig University in Freiburg.

2 **Vladimir Kuznetsov**
Vice Chairman of the Board of Directors
Member of the Audit Committee

Vladimir Kuznetsov (Russian citizen) was born in Moscow in 1961 and has been living in Zurich since 2004. He has been involved with the Renova Group since 2001, and was appointed Chief Investment Officer and a member of the Executive Board of Renova Management AG, Zurich, in 2004. In December 2007 he has been appointed as a member of the Board of Directors of Sulzer AG, Winterthur. Before joining Renova Group Vladimir Kuznetsov was head of the Financial Markets Research department at the Institute for Economics and International Relations in Moscow, he held several management positions at Goldman Sachs, Moscow, and at Salomon Brothers, Moscow and London, and in 1998, he became managing director at Financial Advisory Services, Moscow.

Vladimir Kuznetsov completed his studies in economics at the State University of Moscow in 1984. In 1990, he received the diploma "Candidate of Sciences in Securities Markets studies" at the Institute for Global Economics and International Relations in Moscow. He was awarded a Master of International Affairs degree from the School of International and Public Affairs, Columbia University (New York) in 1991.

3 **Georg Stumpf**
Chairman of the Board of Directors
Chairman of the Human Resources Committee
Member of the Audit Committee

Georg Stumpf (1972; Austrian citizen) joined OC Oerlikon Corporation AG, Pfäffikon as Vice Chairman of the Board of Directors in June 2005 and was elected Chairman on February 1, 2006. From 1991 onwards, he was chief executive of the Stumpf family business which has managed an array of industrial shareholdings and investments in commercial real estate over the past 50 years. Since 1995, Georg Stumpf has been the sole shareholder of Stumpf AG which has offices in Vienna, London and Budapest and has numerous successful investment projects throughout Europe. Georg Stumpf has an educational background in structural and civil engineering and graduated summa cum laude with a degree in economics from the Vienna University of Economics.

3 4

4 **Günther Robol**
Member of the Board of Directors
Chairman of the Audit Committee
Member of the Human Resources Committee

Günther Robol (1940; Austrian citizen) has been a member of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon since 2005. He is a chartered accountant and an independent management consultant specialized in accounting, transaction support and restructuring. Previously he was managing partner of Price Waterhouse in Austria. Günther Robol is a board member of numerous companies and lectures at the University of Graz and at the Management Center Innsbruck. He was also Vice President of the Austrian Institute of Chartered Accountants and represented the profession on a number of international committees. Günther Robol studied Social and Economic Science in Vienna, where he graduated with a Bachelor of Commerce degree.

Christian Schmidt (without picture)
Member of the Board of Directors
until May 8, 2007

Christian Schmidt (Austrian citizen) was a member of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon from June 28, 2005 until May 8, 2007. He is co-owner and Executive Board member of a number of industrial companies and holds various directorships, in Switzerland and abroad. He is Chairman of the Board of Von Roll Inova Holding AG, Zurich. Christian Schmidt studied geotechnics and water resource planning at the University of Natural Resources and Applied Life Sciences in Vienna, as well as technical management sciences at the Swiss Federal Institute of Technology (ETH) in Zurich.

Thomas Limberger (without picture)
Member of the Board of Directors
until May 8, 2007

Thomas Limberger (German citizen) has been Chairman of the Board of Directors, Delegate and CEO of Von Roll Holding AG and Von Roll Group since August 2007. He was a member of the Board of Directors until May 8, 2007 (from June 1, 2004), Vice Chairman of the Board of Directors (from February 1, 2006) and CEO (from August 1, 2005) of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. Prior to that, Thomas Limberger was CEO of General Electric Germany, Austria and Switzerland. From 1996 to 2002 he held various management positions with the healthcare group Fresenius and Fresenius Medical Care. Thomas Limberger holds a MBA in Finance & Strategic Management.

Board of Directors

The regulations governing the organization and duties of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon are to be found in the Swiss Code of Obligations and the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon and its Rules of Organization.

Members of the Board of Directors

In the year under review, the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon was composed of Georg Stumpf (Chairman), Günther Robol, Vladimir Kuznetsov (starting May 8, 2007), Dr. Hanno Bästlein (starting May 8, 2007), Thomas Limberger (until May 8, 2007) and Christian Schmidt (until May 8, 2007). Thomas Limberger, whose statutory term of office expired May 8, 2007, decided not to run for re-election and Christian Schmidt announced his resignation from the Board of Directors as of May 8, 2007.

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

Composition of the Board of Directors

Name (Nationality)	Domicile	Position	Age	Joined	Term expires	Executive/ non-executive
Georg Stumpf (A)	A	Chairman	35	2005	2008	Non-executive
Vladimir Kuznetsov (RUS)	CH	Vice Chairman since May 8, 2007	47	2007	2010	Non-executive
Günther Robol (A)	CH	Member	67	2005	2008	Non-executive
Dr. Hanno Bästlein (D)	A	Member	44	2007	2010	Non-executive
Thomas Limberger (D)	CH	Member and Vice Chairman until May 8, 2007	40	2004	–	Executive since August 1, 2005
Christian Schmidt (A)	CH	Member until May 8, 2007	50	2005	–	Non-executive

Other activities and vested interests

See pages 86–87.

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. Where possible, the schedule of elections is 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 highest management body in the group. It is empowered to rule on all matters not by law, the company's articles of association or regulations reserved for, or otherwise delegated to, another corporate body (see also page 91, 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 General Counsel/Corporate Secretary. The Chairman convokes, prepares and chairs the meetings of the Board of Directors. 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, these duties are assumed by the Vice Chairman of the Board for the duration of any such absence or, if he is also 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, namely the Audit Committee (AC) and the Human Resources Committee (HRC).

Membership of these committees in the year under review was as follows:

Composition of committees of the Board of Directors

Name	Audit Committee (AC)	Human Resources Committee (HRC)
Georg Stumpf	Member	Chairman
Vladimir Kuznetsov	Member since May 8, 2007	–
Günther Robol	Chairman	Member
Dr. Hanno Bästlein	–	Member since May 8, 2007
Christian Schmidt	–	Member until May 8, 2007
Thomas Limberger	Member until May 8, 2007	Member until May 8, 2007

Thomas Limberger stepped down from the Board of Directors as of May 8, 2007; Dr. Hanno Bästlein assumed his function as a member of the Human Resources Committee.

Audit Committee (AC)

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 in 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. It exercises a control function without intervening in the operational management of the business.

Its responsibilities include:

- examining and reviewing the financial reporting, in particular the individual financial statements of the holding and consolidated financial statements of the group as well as certain intermediate financial reports destined for publication
- deciding whether the financial statements of the holding and the consolidated financial statements of the group be recommended to the Board of Directors for presentation to the General Meeting of Shareholders
- assessing the effectiveness of the internal organization and the internal controls over reporting for the year-end and interim financial statements
- reviewing the charter, plans, activities, personnel resources and organizational structure of the internal audit activity
- reviewing the organization, activities, performance and effectiveness of the internal auditors and their interaction with the external auditors
- reviewing the external auditors' proposed audit scope and approach
- reviewing and assessing the performance, compensation and independence of the external auditors
- submitting a recommendation to the Board of Directors about whether it should propose to the General Meeting of Shareholders the election or dismissal of the external auditors
- reviewing the annual "Management Letter" of the external auditors
- reviewing the effectiveness of the monitoring system to ensure compliance with legal and regulatory provisions
- reviewing the findings of investigations by any official bodies or observations of the external auditors
- initiating and overseeing special investigations (where necessary)
- dealing with employee complaints in matters related to annual and interim financial statements, internal control and compliance with applicable rules and regulations ("whistle-blowing")
- reporting to the Board of Directors on the activities of the AC, issues and related recommendations on a regular basis
- evaluating the committee's and individual members' performance on a regular basis

Human Resources Committee (HRC)

The HRC comprises at least three for the most part non-executive, independent members of the Board of Directors. It prepares the business of the Board of Directors and advises and supports the latter in important human resources matters of the group. These consist primarily of the following:

- 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
- assessing the performance of members of the Executive Board
- planning for successors to the members of the Board of Directors, the Executive Board and other important corporate positions
- introduction of employee stock ownership programs
- management development initiatives

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

The HRC reports regularly on its activities to the Board of Directors.

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 2007, nine Board meetings were held, three of them in the form of telephone conferences. Eight of the nine meetings were attended by all Board members. Meetings lasted on average around three and a half hours.

The members of the committees, as well as their respective chairmen, are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their term of office as a Director. Those Board members who are not members of the committees 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 also 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 2007 there were four meetings of the AC, lasting between two and four hours. The members of the AC participated in these meetings along with members of the Executive Board and representatives of the corporate functions concerned (in particular, Corporate Accounting and Internal Audit). The external auditors also took part in one meeting. In addition to the official AC meetings, more than 20 work group meetings comprised of different participants were held. The Chairman of the AC also met regularly with representatives of KPMG AG (external auditors). The HRC had two meetings in 2007, one in the form of a telephone conference. 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), some of these 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 delegated the corporate management of OC Oerlikon Corporation AG, Pfäffikon and the group as a whole to the Executive Board in principle. 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 direction, the appointment and dismissal of the CEO, the other members of the Executive Board and the heads of the segments, as well as the overall supervision of those individuals entrusted with managing and representing the company. The powers of the Board of Directors also include deciding on whether to enter new areas of activity or any significant changes in existing areas of activity as well as the acquisition, sale, pledge, merger or liquidation of strategically important companies or investments.

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

The Board of Directors has a wide array of instruments that enable it to perform the tasks of monitoring strategic and operational progress as well as risk exposure. The instruments at its disposal include the following elements:

The Board of Directors' right of access to and the Executive Board's duty of information: The CEO must keep the Chairman constantly informed and the Board of Directors periodically informed about the course of 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 information vis-à-vis 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 company and all relevant elements are included in its decision-making. Additionally, heads of business units and corporate functions 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.

Monthly reports: The group-wide Corporate Reporting function prepares monthly financial statements for the Executive Board and the Board of Directors. These show the performance of each business unit and the group, the reasons for any deviations as well as graphs of the key performance indicators. The Board of Directors may demand access to the relevant details at any time.

Controlling: With regard to strategic controlling, the key instruments are strategic analyses prepared by the group's individual business units, as well as an annually revised strategic plan. In terms of operational controlling, the Board of Directors receives the annual financial plan (budget) and the Executive Board receives a monthly actual/target analysis 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 reviewed at least once a year, enables monitoring of ongoing risk developments and exposure and constitutes the basis for measures aimed at managing those risks. BRM is integrated into the strategic planning and budgeting processes. See also Risk Management on page 19.

Internal Audit: Oerlikon Group has had an Internal Audit function since 2003, originally outsourced to Ernst & Young, but co-sourced by an internal department in 2006 and since 2007, handled completely by internal employees. The Internal Audit corporate function independently and objectively reviews the effectiveness of the internal risk management controls and the governance system and presents its findings to the Board of Directors. The management's review of risk management and the internal controls follow the Integrated Control Framework of COSO. The Audit Committee approves the budget, the resources and the internal audit plan for the following year every fall. The internal audit projects are selected on the basis of a group-wide risk assessment that focuses on operational processes. The results of the internal audit are communicated to the management team responsible, the Executive Board, the Audit Committee and the external auditors through formal audit reports. Regular checks are carried out to ensure that measures to reduce risk and improve controls are implemented at the right time.

External Audit: The external auditor examines the books and accounts of OC Oerlikon Corporation AG, Pfäffikon and those of Oerlikon Group, coordinating his audit plan with that of internal audit. On completion of the audit the external auditor prepares a detailed Memorandum on Examination for discussion with the Audit Committee and the Board of Directors, and a summary thereof for the General Meeting of Shareholders, detailing the findings of the audit. Since 2003 the external audit has been carried out by KPMG AG.

The 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 Oerlikon Group works with a decentralized, distributed management structure. This means that corporate headquarters determines strategic guildelines and sets targets, monitoring these with effective controlling; the segments and business units are then fully responsible for operations and for implementing the agreed strategy within the given guidelines. Additionally, the segments also perform functions on behalf of the group as a whole, such as sourcing or information technology. This ensures that processes and structures conform to the needs of the operating units and all decisions taken by corporate headquarters give due consideration to the requirements of the segments.

Members of the Executive Board

On December 31, 2007 Dr. Uwe Krüger (CEO), Dr. Jörg Eichkorn (CFO) and Björn Bajan (General Counsel and Corporate Secretary) were all members of the Executive Board. Thomas Limberger (CEO) stepped down from the Executive Board as of May 8, 2007.

Composition of the Executive Board

Name	Nationality	Age	Position	Joined	In position since	Stepped down
Dr. Uwe Krüger	D	43	CEO COO	2007	08.05.2007 01.03.2007	– 08.05.2007
Dr. Jörg Eichkorn	D	42	CFO	2006	12.12.2006	–
Björn Bajan	CH	47	General Counsel and Corporate Secretary	2007	01.02.2007	–
Thomas Limberger	D	40	CEO	2005	01.08.2005	08.05.2007

Education and professional background of Executive Board members

Dr. Uwe Krüger, Chief Executive Officer

Dr. Uwe Krüger (1964; German citizen) has been a member of the Executive Board since March 1, 2007, and Chief Executive Officer of Oerlikon since May 8, 2007. From March 1 to May 8, 2007 he performed the task of Chief Operating Officer (COO). Before joining Oerlikon, Dr. Krüger was Chairman of Turner International, a member of the HOCHTIEF Group, and Senior Vice President of the Turner Corporation (Dallas), where he was chiefly responsible for strategic corporate development, new business areas and for M&A projects. Dr. Krüger studied physics, math and economics at the University of Frankfurt with research internships at the Physikalisch-Technische Bundesanstalt, Braunschweig, Columbia University, New York, and the École Normale Supérieure in Paris. He began his professional career as a consultant with A.T. Kearney, working on consulting projects in the automotive and high-tech industries. In 1997, he moved to the HOCHTIEF Group, where his main positions included Senior Vice President Corporate Development and CEO Central Eastern Europe.

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 2006 and became Deputy CFO in June 2006. On December 12, 2006 he was appointed CFO of Oerlikon. Dr. Eichkorn has extensive experience and knowledge of international financial management. During his many years as a consultant for Commerzbank and Boston Consulting Group, he was responsible for various projects related to finance and industry. He studied business management at the University of St. Gallen, earning his PhD in 1996. After studying law in Konstanz (first state 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.

Björn Bajan, General Counsel und Corporate Secretary

Björn Bajan (1960; Swiss citizen) has been General Counsel and Corporate Secretary of the Oerlikon Group since February 1, 2007. Bajan is a lawyer who specializes in commercial law, banking and stock exchange law as well as international procedural law. In his former position he was a partner at a renowned firm of Zurich lawyers. Björn Bajan studied at the University of Zurich and at Queen Mary College, London, and worked as a practicing lawyer from 1989 until January 2007. In his capacity as a lawyer, he held directorships at various Swiss companies. From the summer of 2005 until his election to the Executive Board, Björn Bajan was responsible as an external legal counsel for various companies of the Oerlikon Group.

Thomas Limberger, Chief Executive Officer until May 8, 2007

See page 87 of the annual report.

Other activities and vested interests of Executive Board members

No member of Oerlikon's Executive Board holds a position in management or on the supervisory boards of any significant Swiss or foreign corporation, institution or foundation outside of the Oerlikon Group other than Björn Bajan, who has represented OC Oerlikon Corporation AG, Pfäffikon on the Board of Directors of Pilatus Flugzeugwerke AG, Stans since the end of June 2006. Members of the Executive Board do not carry out permanent 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, 2007

None.

Management contracts

As of December 31, 2007, 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 compensation and the share ownership programs

About half of compensation received by members of the Board of Directors is normally paid in cash and the other half in the form of stock options and/or shares. The amount of compensation for Board members is proposed by the Human Resources Committee usually at the end of the year and set by the Board of Directors.

The amount of total compensation for members of the Board of Directors is set by taking into account the remuneration for board members of similar European industrial companies and the responsibility assigned, the complexity of the task, the functional and individual requirements and the amount of time required.

The Chairman and Vice Chairman of the Board of Directors waived their right to compensation in 2007.

The members of the Executive Board are compensated, as are all other employees in the group, in line with their skills, experience and performance. The Board of Directors decides on the proposals submitted by the Human Resources Committee for the compensation of Executive Board members without consulting the Executive Board. In 2007, the short and long term incentive systems were integrated into the basic salary so that the compensation of the Executive Board members consisted of a fixed base salary and a bonus paid out in shares.

The base salary is determined primarily by the individual's function, responsibility, capabilities and experience as well as the market environment. The amount of the bonus is based on the Board of Directors' assessment of the member's individual and financial results. The variable proportion of the total remuneration was around 49–57 percent at the time of allocation in 2007. It was paid in shares of OC Oerlikon Corporation AG, Pfäffikon which are not subject to any vesting period.

In 2007, no external consultants, benchmarks or salary comparisons were used to determine the design and amount of compensation for the Board of Directors and the Executive Board.

See note 24 to the Consolidated Financial Statements (pages 147–148) for further information on remuneration, shareholdings and loans.

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

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

Share register entries and related deadlines
The 2008 General Meeting of shareholders will be held on May 13, 2008 in the Lucerne Culture and Convention Center (KKL). Shareholders who are already registered in the share register or will be registered by April 17, 2008 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 17, 2008 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 9, 2008 determines the right to vote at the General Meeting. Shareholders are not entitled to vote any 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 34th Ordinary General Meeting of shareholders held on May 8, 2007 can be viewed on the Internet at www.oerlikon.com and shareholders may also read the minutes at the headquarters of the corporation upon prior notice. The minutes of the Ordinary General Meeting 2008 will be published on the Oerlikon website as soon as they are compiled.

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).

Changes of control and defense measures

Change of control clause

In the event of a change of control OC Oerlikon Management AG, Pfäffikon is obliged to make a one-time net severance payment to any members of the Executive Board active on December 31, 2007 who have been dismissed for another reason than cause in the sense of Art. 337 of the Swiss Code of Obligation, within a period of three months before and two years after the effective date of a change of control, or who themselves give notice within twelve months from the effective date of a change of control. The amount of such severance payment is equal to a two years compensation at the time of giving notice (total compensation including discretionary bonus payments).

A change of control is deemed to be the acquisition by whatever means directly or indirectly of 33 percent or more of voting control of OC Oerlikon Corporation AG, Pfäffikon by any person, entity or group (other than Victory Industriebeteiligung AG). No severance-payment becomes due in case of termination of the employment agreement by a member of the Executive Board within a period of twelve months from the effective date of a change of control effected by Renova Industries Ltd., Nassau.

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 34th General Meeting of May 8, 2007, they were confirmed in that role for an additional year. For the audit of the 2005 financial year, Mr. Herbert Bussmann was auditor in charge at Oerlikon for the first time.

Auditing fees

In the calendar year 2007, KPMG AG invoiced the company for CHF 3.0 million in global auditing fees.

Additional fees

In the calendar year 2007, KPMG AG invoiced the company for CHF 2.8 million in 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, compensation and independence of the auditors and group auditors (see also page 90) 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 on the basis of 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 auditing firm. They also participate in meetings of the Audit Committee dealing with the relevant agenda points.

In the reporting 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, press releases keep shareholders and the capital market informed of significant changes and developments in the company. The company's website, www.oerlikon.com, is a permanently accessible platform for information concerning the company.

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

Press releases

Press releases published in 2007, along with all others dating back to March 2004, can be accessed on our website at www.oerlikon.com/ecomaXL/index.php?site=OERLIKON_EN_press_releases. Those interested in receiving our press releases regularly by e-mail can register at http:www.oerlikon.com/ecomaXL/index.php?site=OERLIKON_EN_subscribe_to_media_releases.

Important dates

March 27, 2008
Media and analyst conference on the 2007 annual results, Oerlikon Space, Zurich Oerlikon

April 23, 2008
Key figures for the first quarter of 2008

May 13, 2008
General Meeting of Shareholders, Lucerne Culture and Convention Center (KKL)

August 26, 2008
Publication of the mid-year report 2008

October 22, 2008
Key figures for the third quarter of 2008

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Financial Report

Key figures Group

Key figures Oerlikon Group [1]

in CHF million	**January 1 to December 31 2007**	January 1 to December 31 2006 restated
Orders received	6 041	2 491
Orders on hand	1 841	1 748
Sales	5 629	2 206
EBITDA	724	408
– as % of sales	13%	18%
EBIT	496	325
– as % of sales	9%	15%
Net profit	319	306
– as % of sales	6%	14%
– as % of equity attributable to shareholders of the parent	17%	21%
Cash flow from operating activities [2]	678	372
Capital expenditure for fixed and intangible assets	347	227
Total assets	6 290	6 189
Equity attributable to shareholders of the parent	1 859	1 488
– as % of total assets	30%	24%
Net liquidity [3]	–794	–592
Net assets [4]	3 266	3 114
EBIT as % of net assets (RONA)	15%	10%
Number of employees	19 349	18 735
Personnel expenses	1 412	693
Research and development expenses [5]	274	149

[1] A multiple year comparison of key figures 2003–2007 may be found on page 156.

[2] Before changes in net current assets.

[3] Net liquidity includes marketable securities and treasury shares at market value as per December 31.

[4] Net assets include current and non-current operating assets (excluding cash and financial assets) less operating liabilities (excluding financial liabilities and tax provisions).

[5] Research and development expenses include expenses recognized as intangible assets CHF 52 million (previous year: CHF 49 million).

Key share-related figures [6]

in CHF	**January 1 to December 31 2007**	January 1 to December 31 2006 restated
Share price		
High	795	605
Low	337	191
Year-end	473	603
Total shares outstanding	14 142 437	14 142 437
Market capitalization in millions	6 693	8 528
EBIT	37.88	25.42
Net income for the period	24.00	23.78
Net cash flow	51.76	29.12
Shareholders' equity	142.01	116.48
Dividend [7]	0.00	0.00

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

[7] Dividend 2007: proposal of the Board of Directors.

Key figures by segment

Business development by segment

in CHF million	**January 1 to December 31 2007**	January 1 to December 31 2006 restated
Oerlikon Coating		
Orders received	1 346	1 195
Orders on hand	510	478
Sales	994	816
EBITDA	209	176
EBIT	147	135
– as % of sales	15%	17%
Net assets	562	592
Number of employees	3 655	3 463
Oerlikon Vacuum		
Orders received	477	444
Orders on hand	78	59
Sales	458	430
EBITDA	64	56
EBIT	55	47
– as % of sales	12%	11%
Net assets	–40	–72
Number of employees	1 436	1 378
Oerlikon Textile		
Orders received	2 655	398
Orders on hand	821	867
Sales	2 719	464
EBITDA	276	35
EBIT	208	24
– as % of sales	8%	5%
Net assets	1 453	1 337
Number of employees	7 753	7 822
Oerlikon Drive Systems		
Orders received	1 185	154
Orders on hand	231	175
Sales	1 113	157
EBITDA	143	24
EBIT	83	14
– as % of sales	7%	9%
Net assets	1 097	1 118
Number of employees	5 048	4 759
Oerlikon Components		
Orders received	376	297
Orders on hand	200	169
Sales	344	336
EBITDA	48	60
EBIT	33	55
– as % of sales	10%	16%
Net assets	213	199
Number of employees	1 161	1 089
Other		
Orders received	3	3
Sales	3	3
EBITDA	–17	57
EBIT	–29	51
Net assets	–20	–60
Number of employees	297	225

Net assets include current and non-current operating assets (excluding cash and financial assets) less operating liabilities (excluding financial liabilities and tax provisions).

Consolidated income statement

in CHF million	Notes	**January 1 to December 31 2007**	January 1 to December 31 2006 restated
Sales of goods		4 967	1 705
Services rendered		662	501
Total sales		**5 629**	**2 206**
Cost of sales		–4 214	–1 465
Gross profit		**1 415**	**741**
Marketing and selling		–354	–186
Research and development		–230	–108
Administration		–384	–212
Other income and expenses	2	48	90
EBIT		**496**	**325**
Result from associated companies		–15	–2
Financial income	4	17	18
Financial expenses	4	–145	–38
Profit before taxes (EBT)		**353**	**302**
Income taxes	5	–18	–1
Result from continuing operations		**335**	**302**
Result from discontinued operations	22	–16	4
Net profit		**319**	**306**
Attributable to:			
Shareholders of the parent		314	304
Minority interests		4	2
Earnings per registered share in CHF	6	**24.00**	23.78
Fully diluted earnings per registered share in CHF	6	**24.00**	23.73
Earnings per registered share continuing operations in CHF		**25.24**	23.45
Fully diluted earnings per registered share continuing operations in CHF		**25.24**	23.39
Earnings per registered share discontinued operations in CHF	6	**–1.24**	0.33
Fully diluted earnings per registered share discontinued operations in CHF	6	**–1.24**	0.32

Consolidated balance sheet at December 31

Assets

in CHF million	Notes	2007	2006 restated
Cash and cash equivalents	7	484	486
Current financial investments	8	25	102
Trade receivables	9	794	767
Other receivables	9	96	100
Current tax receivables		27	38
Inventories	10	985	970
Prepaid expenses and accrued income		25	26
Assets classified as held-for-sale	22	65	0
Current assets		**2 501**	**2 490**
Loans and other financial receivables	9	15	20
Investments in associated companies	8	0	12
Non-current financial investments	8	34	33
Property, plant and equipment	11	1 394	1 380
Intangible assets	12	2 170	2 081
Post-employment benefit assets	13	23	22
Deferred tax assets	5	154	151
Non-current assets		**3 789**	**3 700**
Total assets		**6 290**	**6 189**

Liabilities and equity

in CHF million	Notes	2007	2006 restated
Trade payables	14	587	459
Loans and borrowings	14	40	1 554
Other liabilities	14	121	395
Accrued liabilities	15	408	380
Current customer advances		249	222
Current income tax provisions		139	135
Current post-employment benefit provisions	13	16	15
Current other provisions	16	167	239
Liabilities classified as held-for-sale	22	27	0
Current liabilities		**1 755**	**3 399**
Loans and borrowings	14	1 748	259
Non-current customer advances		48	46
Non-current post-employment benefit provisions	13	539	641
Deferred tax liabilities	5	222	218
Non-current other provisions	16	93	113
Non-current liabilities		**2 649**	**1 278**
Total liabilities		**4 403**	**4 677**
Share capital		283	283
Treasury shares		–184	–183
Reserves and retained earnings		1 760	1 388
Equity attributable to shareholders of the parent		**1 859**	**1 488**
Minority interests		**28**	24
Total shareholders' equity		**1 887**	**1 512**
Total liabilities and equity		**6 290**	**6 189**

Consolidated cash flow statement

in CHF million	Notes	**January 1 to December 31 2007**	January 1 to December 31 2006 restated
Net profit		319	306
Tax expenses (+) / tax income (–)		18	1
Interest expenses (+) / interest income (–) from financial liabilities and assets		73	8
Depreciation of property, plant and equipment	11	205	99
Amortization of intangible assets	12	30	6
Impairment losses on property, plant and equipment	11	7	–11
Impairment losses on intangible assets	12	1	0
Losses (+) / gains (–) from investment in associated companies		15	2
Addition to (+) / release of (–) other provisions	16	41	–7
Increase (+) / decrease (–) in post-employment benefit provisions	13	–29	–5
Losses (+) / gains (–) from sale of non-current assets		2	–2
Income taxes paid		–40	–28
Other non-cash expenses (+) / income (–)		34	5
Cash flow from operating activities (before change in net current assets)		678	372
Decrease (+) / increase (–) in receivables / accrued assets		–24	86
Decrease (+) / increase (–) in inventories	10	–6	–7
Increase (+) / decrease (–) in payables / accrued liabilities and use of other provisions		22	–64
Increase (+) / decrease (–) in customer advances		20	–9
Non cash impact on net current assets due to hedge accounting		–7	4
Cash flow from changes in net current assets		4	10
Cash flow from operating activities		**682**	**382**
Capital expenditure for property, plant and equipment	11	–273	–161
Capital expenditure for intangible assets	12	–80	–76
Investment in associated companies		–4	–14
Increase in loans receivable	9	0	–9
Decrease in loans receivable	9	5	0
Purchase of marketable securities	8	0	0
Sale of marketable securities	8	87	59
Acquisition of subsidiaries		–371	–1 534
Proceeds from sale of property, plant and equipment		47	22
Interest received		10	6
Cash flow from / used by investing activities		**–578**	**–1 707**
Dividends paid		–1	–1
Purchase of treasury shares		–2	0
Sale of treasury shares		1	189
Increase of financial debt	14	1 706	1 317
Repayment of financial debt	14	–1 732	0
Interest paid		–83	–14
Cash flow from / used by financing activities		**–111**	**1 490**
Conversion adjustments to cash and cash equivalents		5	–2
Increase (+) / decrease (–) in cash and cash equivalents		**–2**	**163**
Cash and cash equivalents at the beginning of the year	7	486	324
Cash and cash equivalents at the end of the year	7	484	486
Increase (+) / decrease (–) in cash and cash equivalents		**–2**	**163**

Statement of recognized income and expenses

in CHF million	2007	2006
Fair value adjustments IAS 39	3	–1
Realization under IAS 39	–2	5
Actuarial gains / losses under IAS 19	99	12
Deferred taxes	–39	–8
Conversion differences	–5	–17
Net result recognized directly in equity	57	–8
Net profit	319	306
Total recognized income and expenses in equity	**376**	**298**
– of which attributable to shareholders of the parent	372	295
– of which attributable to minority interests	4	3

Consolidated statement of changes in shareholders' equity

in CHF million	Share capital [1]	Additional paid-in capital [2]	Treasury shares [3]	Conversion differences	Retained earnings	Hedge accounting	Fair value adjustments	Deferred taxes	Total equity attributable to shareholders	Minority interests	Total shareholders' equity
Balance at January 1, 2006	**283**	**622**	**–244**	**–39**	**359**	**–3**	**1**	**22**	**1 001**	**7**	**1 008**
Total recognized income and expenses				–17	316	5	–1	–8	295	3	298
Dividend distributions									0	–1	–1
Change in scope of consolidation									0	16	16
Purchase of treasury shares			–3						–3		–3
Sale of treasury shares			65		130				195		195
Balance at December 31, 2006	**283**	**622**	**–183**	**–56**	**806**	**2**	**0**	**14**	**1 488**	**24**	**1 512**
Balance at January 1, 2007	**283**	**622**	**–183**	**–56**	**806**	**2**	**0**	**14**	**1 488**	**24**	**1 512**
Total recognized income and expenses				–5	414	1	0	–39	372	4	376
Dividend distributions									0	–1	–1
Change in scope of consolidation									0	1	1
Share-based payments					–2				–2		–2
Purchase of treasury shares			–2						–2		–2
Sale of treasury shares			1		3				4		4
Balance at December 31, 2007	**283**	**622**	**–184**	**–61**	**1 220**	**3**	**0**	**–25**	**1 859**	**28**	**1 887**

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

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

[3] Treasury shares held at cost in coverage of potential obligations associated with stock option plans of OC Oerlikon Corporation AG, Pfäffikon:

Detail of footnote [3]	Number of shares	Price per share in CHF	Cost in CHF million	Fair value in CHF million	Result in CHF million
Balance at January 1, 2006	**1 412 694**	**173**	**244**		
Sale 2006	–351 040	173	–61	–187	126
Sale 2006 due to employee purchase plan	–21 243	173	–4	–7	4
Repurchase of employee shares	9 601	350	3	3	0
Balance at December 31, 2006	**1 050 012**	**174**	**183**		**130**
Sale 2007	–1	175	0	0	0
Sale 2007 due to employee purchase plan	–6 130	175	–1	–4	3
Purchase 2007	2 660	395	1	1	0
Repurchase of employee shares	1 605	663	1	1	0
Balance at December 31, 2007	**1 048 146**	**175**	**184**		**3**

Share buyback program / Treasury shares

The Board of Directors of OC Oerlikon Corporation AG, Pfäffikon approved a share buyback program for a maximum of 2.59 percent of the share capital on August 8, 2007. The program, which started on August 9, 2007, is scheduled to run until the Ordinary General Meeting in 2009. The purpose of the share buyback program is financing of acquisition as well as employee share option program. The Company reserves the right to use the shares repurchased for other financing purposes.

In 2007, Oerlikon repurchased 2 660 shares in total under this program, at an average price of CHF 395. As of December 31, 2007, the Company held a total 1 048 146 shares (7.40 percent of the shares issued).

Accounting principles

Introduction

OC Oerlikon Corporation AG is a Swiss public company located in Freienbach SZ, Churerstrasse 120, Pfäffikon SZ. It is the ultimate parent company of the Oerlikon group, a globally leading supplier of production systems, components and services for selected information technology market segments and industrial applications. The acquisition of Saurer in November 2006 added two new business activities: transmission technology and yarn processing solutions (textile machinery). The growing importance of the solar panel business has led to its recognition as a separate business segment, from 2008 onwards.

Apart from its activities in Switzerland, the Oerlikon group operates in the EU region, North America and Asia, and employs some 19 300 individuals.

Basis of preparation

The consolidated financial statements of OC Oerlikon Corporation AG have been prepared in accordance with International Financial Reporting Standards (IFRS) and Swiss company law. These accounting standards have been applied consistently in all periods presented in this report. The reporting period is twelve months. The consolidated financial statements are prepared and presented in Swiss Francs (CHF). The consolidated income statement shows operating costs grouped by function. Assets and liabilities in the consolidated balance sheet are classified as current or non-current. The consolidated financial statements were approved by the Board of Directors on March 26, 2008 and will be submitted to the annual general meeting of shareholders on May 13, 2008 for approval. All standards issued by the IASB and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) effective at the date of the consolidated financial statements have been taken into account. The consolidation is based on audited annual individual company accounts of the Group's subsidiaries, prepared according to uniform Group accounting principles. All line item amounts in the consolidated financial statements are presented in millions of Swiss francs and all such amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus an addition of the figures presented can result in rounding differences. Values of assets and liabilities have been determined in accordance with the historical cost convention, with the exception of derivative financial instruments and financial assets available for sale or held for trading purposes, which are stated at fair value.

Judgements, estimates and assumptions

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

The most important accounting estimates are to be found in:

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

Discontinued businesses and non-current assets held for sale: A discontinued business is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Within limits, management may use its discretion in defining discontinued operations. Management does not expect the 2008 result will be adversely affected by the current sale activities.

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

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

Post-employment benefit plans: The valuation of assets and liabilities pertaining to defined benefit pension plans is based on complex actuarial calculations. These, in turn, are based on assumptions, such as the expected inflation rate, salary progression, personnel fluctuation, life expectancy of the insured, discount factors used and the return on invested plan assets. Significant variations in the actual development of such factors from the assumptions made can have far-reaching effects on the company's eventual obligations and on the related funding.

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

New and revised accounting standards

The International Accounting Standards Board (IASB) has published a number of new and revised standards and interpretations that Oerlikon has adopted as of January 1, 2007. The effects of these on the Group's consolidation principles are discussed below.

IAS 1 Presentation of Financial Statements – revisions in presentation of owner changes in equity and comprehensive income (effective January 1, 2007): The statement also calls for disclosure of information regarding the entity's objectives, policies and procedures for managing capital. The revision of the standard calls for additional disclosures, but has no effect on the Group's accounting methods.

IFRS 7 Financial Instruments: Disclosures: the standard is in force since January 1, 2007 and contains new disclosure requirements to improve information presented regarding financial instruments. It calls for disclosures regarding the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which the entity is exposed, in particular credit risks, liquidity risks, and other market risks, together with a sensitivity analysis of the market risks. The standard replaces IAS 30 "Dis-

closures in the Financial Statements of Banks and Similar Financial Institutions" and also the disclosure requirements of IAS 32 "Financial Instruments", and applies to all entities reporting under IFRS. The standard affects disclosure only and has no effect on the accounting treatment or valuation of the Group's financial instruments. Adoption of this standard affects neither Oerlikon group's business result nor the disclosed values of its assets and liabilities.

IFRIC 9 Reassessment of Embedded Derivatives: this interpretation came into force on June 1, 2006, valid for all reporting periods starting on or after this date. The interpretation requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The interpretation affects neither the attached financial statements nor the accounting methods of the Group.

IFRIC 10 Interim Financial Reporting and Impairment (effective November 2006): The interpretation provides that an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This interpretation has no effect on the attached financial statements.

Future developments in IFRS accounting standards

The International Accounting Standards Board (IASB) has published a number of new and revised standards and interpretations, which come into force on or after January 1, 2008 and have not been implemented early in the attached accounts:

IAS 1 Presentation of Financial Statements: the revised standard is effective from January 1, 2009. It calls for disclosure of a "Statement of Comprehensive Income" showing all income-related transactions which have been charged or credited directly to equity, with the exception of transactions with shareholders. Disclosure of such transactions should be either in a single "statement of comprehensive income" or in two statements, being an income statement as currently used, together with a separate statement of income and expenses charged or credited to equity. It will not be permissible to show such transactions as movements within the equity movement table. Tax effects of all such transactions must be separately disclosed. The revised standard has no influence on valuation or disclosure criteria of other IFRS standards. The effect of implementing this standard is expected to be limited to changes in disclosure.

IFRS 8 Operating Segments: the standard is effective from January 1, 2009 when it will replace IAS 14 "Segment Reporting." The standard requires a company to define its operating segments and to show their operating performance in its financial statements, using the same indicators as are used by the chief operating decision maker in assessing performance and allocating resources. This new standard could have a significant effect on the valuation and disclosure of segment information. A definitive evaluation of the effect of implementing this standard has not yet been made.

IAS 23 Borrowing Costs: revision of this standard comes into effect from January 1, 2009. The revised standard calls for capitalization of borrowing costs which are directly attributable to a qualifying asset. The revised standard is to be applied prospectively.

IFRIC 11 Group and Treasury Share Transactions (effective March 1, 2007): according to IFRIC 11, a share-based payment transaction, in which an entity receives goods or services as consideration for its own equity instruments, should always be accounted for as equity-settled, regardless of how the equity instruments are actually transferred. Oerlikon group expects this interpretation will have no effect on its accounting methods.

IFRIC 12 Service Concession Agreements (effective January 1, 2008): this IFRIC offers guidance to service organizations regarding the accounting treatment of their rights and obligations in service concession arrangements. Oerlikon group expects this interpretation will have no effect on its accounting methods.

IFRIC 13 Customer Loyalty Programs (effective from July 1, 2008): This interpretation addresses the accounting treatment of award credits, such as "loyalty points" or "air-miles" given by certain organizations to their customers, for redemption when they buy again at a future date. Guidance is provided as to how the obligation to provide goods or services at reduced prices or free of charge at some future date should be recognized in current period accounts. Oerlikon group expects this interpretation will have no effect on its accounting methods.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 1, 2008): This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as a benefit under IAS 19. Oerlikon group expects this interpretation will have no effect on its accounting methods.

Presentation of Group accounts

To enhance comparability, the Group has made the following changes in the manner of presentation. Certain comparative figures have been reclassified or supplemented to conform to the current year.

Saurer – Finalization of purchase price allocation: At the time of its initial acquisition, Saurer was included in the Oerlikon consolidation at provisional values, because the fair values of identifiable assets, liabilities and contingent liabilities had not yet been determined. The purchase price allocation was finalized in October 2007 and as a result new, updated values were recognized for the identifiable assets, liabilities and contingent liabilities. The table in Note 1 shows the relevant adjustments required in the balance sheet published in Oerlikon group's Annual Report for 2006. Most of the changes are revaluations of tangible and intangible assets to fair values, or adjustments of provisions to reflect market conditions, in accordance with expert opinion on such values. Finalization of the purchase price allocation had no significant effect on the income statement for 2006.

Saurer – Revenue and variable selling costs: Before Saurer's acquisition by the Oerlikon group, certain variable selling costs were disclosed as deductions from revenue. The Oerlikon group-wide accounting and valuation principles result in an increase in sales in 2006 amounting to CHF 29 million. This adjustment has no effect on the result for 2006.

Discontinued operations: As a result of the strategic realignment in the Oerlikon Components segment the Optics business will be sold in 2008. Optics is a significant division of the Oerlikon group and is shown as a discontinued operation in the attached accounts, in accordance with IFRS 5.

Equity loan: In connection with the acquisition of Saurer one loan has now been treated as an equity loan in view of its long term nature and the change in the purpose of the loan resulting from the acquisition. The result from currency conversion is booked in equity and the income statement for 2006 has thus been credited with CHF 4 million.

Reclassification of derivative financial instruments: IFRS 7 requires the disclosure of derivative financial instruments as financial investments. Previously the Oerlikon Group disclosed these as prepaid expenses and accrued income. The book value of CHF 7 million in assets and CHF 6 million in liabilities for the year 2006 was reclassified in the annual report accordingly.

Effects of adjustments to profit and loss

in CHF million	2006 Annual Report	Reclassification equity loan	Revenue definition Saurer	Discontinued operations	January 1 to December 31 2006 restated
Sales of goods	1 781		29	–105	1 705
Services rendered	510			–9	501
Total sales	**2 291**		29	–114	2 206
Cost of sales	–1 517		–29	81	–1 465
Gross profit	**773**		0	–33	741
Operating expenses	–444			28	–416
EBIT	**329**		0	–4	325
Result from associated companies	–2				–2
Financial income	14	4			18
Financial expenses	–39		0		–38
Profit before taxes (EBT)	**303**	4	0	–4	302
Income taxes	–1				–1
Result from continuing operations	**302**	4	0	–4	302
Result from discontinued operations	0			4	4
Net profit	**302**	4	0	0	306

Effects of adjustments to balance sheet

Assets

in CHF million	2006 Annual Report	PPA Saurer	IFRS 7	2006 restated
Cash and cash equivalents	486			486
Current financial investments	95		7	102
Trade receivables	767			767
Other receivables	100			100
Current tax receivables	38			38
Inventories	970	–1		970
Prepaid expenses and accrued income	34		–7	26
Current assets	**2 490**	–1	0	**2 490**
Loans and other financial receivables	20			20
Investments in associated companies	12			12
Non-current financial investments	34	–1		33
Property, plant and equipment	1 336	44		1 380
Intangible assets	1 949	132		2 081
Post-employment benefit assets	22			22
Deferred tax assets	171	–19		151
Non-current assets	**3 544**	156		**3 700**
Total assets	**6 034**	155	0	**6 189**

Liabilities and equity

in CHF million	2006 Annual Report	PPA Saurer	IFRS 7	2006 restated
Trade payables	459			459
Loans and borrowings	1 548		6	1 554
Other liabilities	395			395
Accrued liabilities	386		–6	380
Current customer advances	222			222
Current income tax provisions	174	–39		135
Current post-employment benefit provisions	15			15
Current other provisions	202	37		239
Current liabilities	**3 401**	–2	0	**3 399**
Loans and borrowings	256	3		259
Non-current customer advances	46			46
Non-current post-employment benefit provisions	629	12		641
Deferred tax liabilities	96	123		218
Non-current other provisions	102	11		113
Non-current liabilities	**1 128**	150		**1 278**
Total liabilities	**4 528**	149	0	**4 677**
Total equity	**1 506**	6		**1 512**
Total liabilities and equity	**6 034**	155	0	**6 189**

Presentation of the cash flow statement

The presentation of the cash flow statement has been changed in the reporting period. In earlier versions of the published cash flow statement, interest and taxes paid were not reallocated, but merely disclosed as supplementary information in the statement footnotes. The related income and cost were included in the cash flow from operating activities. The amounts involved were relatively minor and the accuracy of the cash flow statement was not materially impaired.

In 2006, Oerlikon group assumed substantial financial liabilities and the interest payments to service these are significant. These are now disclosed for the first time as part of the cash flow from financing activities, which reflects their origin more accurately. Interest income is earned mainly from the Group's investments, so the related cash receipts are shown as cash flows from investing activities.

Together with the reallocation of interest receipts and payments, tax payments have also been integrated into the cash flow statement. They are shown as cash flows from operating activities, which reflects their origin.

Further changes arise from the reclassification of the equity loan and from the finalization of the Saurer purchase price allocation.

The prior period comparative figures have been adjusted. The changes in presentation can be seen as follows:

Presentation of the cash flow statement

in CHF million	2006 Annual Report	Restatement	2006 restated
Net profit	302	4	306
Tax expense	–30	31	1
Interest expense (+) / interest income (–) for financial liabilities and loans granted	0	8	8
Taxes paid	0	–28	–28
Other	83	2	85
Cash flow from operating activities (before changes in net current assets)	355	17	372
Decrease (–) in payables / accrued liabilities and utilization of other provisions	–62	–2	–64
Increase in inventory	–1	–6	–7
Other	81		81
Cash flow from changes in net current assets	18	–8	10
Cash flow from operating activities	**373**	**9**	**382**
Interest received	0	6	6
Other	–1 713		–1 713
Cash flow from / used by investing activities	**–1 713**	**6**	**–1 707**
Interest paid	0	–14	–14
Other	1 505		1 505
Cash flow from / used by financing activities	**1 505**	**–14**	**1 490**
Conversion adjustments to cash and cash equivalents	–2		–2
Increase (+) / decrease (–) in cash and cash equivalents	**163**		**163**

Principles of consolidation

Method and scope of consolidation

December 31 is the uniform closing date for all companies included in the consolidated financial statements. All companies in which OC Oerlikon Corporation AG, Pfäffikon has either a direct or indirect interest exceeding 50 percent of the shareholders' voting rights and companies over which control is assured through contractual arrangements are consolidated. Using the full consolidation method the assets, liabilities, income and expenses of these consolidated subsidiaries are included in their entirety. Minority interests are recorded under equity in the consolidated financial statements. Group companies acquired or sold during the course of the financial year are included in or, respectively, eliminated from, the consolidated financial statements as of the date of purchase or sale. All consolidated investments held are shown in the listing at the end of this report.

Changes in scope of consolidation and Group structure

Successive acquisition of Saurer shares

In 2007, payments of CHF 288 million were made in connection with the acquisition of Saurer. Of these, CHF 277 million were recognized as a liability as of December 31, 2006 in connection with the public tender offer. Further transaction costs of CHF 6 million were paid and charged to profit in 2007 in connection with the acquisition. An amount of CHF 26 million, which had been capitalized in the Oerlikon group accounts as of December 31, 2006, was attributed to the transaction costs and charged to income in 2007.

Acquisition of SiLas GmbH

Effective April 1, 2007, the Oerlikon group acquired the operations of SiLas GmbH (Germany). SiLas specializes in laser-scribing of thin-film silicon solar modules. Laser technology plays a central role in the production of thin-film solar modules and nanostructures. SiLas GmbH has been integrated in the Oerlikon Components segment.

Acquisition of Peass Industrial Engineers Ltd, India

On February 16, 2007, the Oerlikon group acquired a 51 percent share of Peass Industrial Engineers Ltd., Navsari, South Gujarat, India. The company produces and sells winding machines and complements the product range of Oerlikon Schlafhorst. The company has been integrated into the Oerlikon Textile segment.

Acquisition of Verschleiss Schutz Technik Keller GmbH & Co. KG

Effective October 31, 2007, the Oerlikon group acquired the operations of Verschleiss Schutz Technik Keller GmbH & Co. KG in Schopfheim, Germany. VST Keller has been at the forefront of surface technology for stamping and forming dies for the automotive industry. The company has been integrated into the Oerlikon Coating Segment.

Acquisition of VOCIS Driveline Controls Ltd.

Effective November 30, 2007, the Oerlikon group acquired a 51 percent share in VOCIS Driveline Controls Ltd. (United Kingdom). VOCIS is an engineering company and has been integrated into Oerlikon Drive Systems.

Acquisition of minority shareholdings in existing subsidiaries of the Group

On January 1, 2007, Oerlikon group acquired the existing minority holding of 41 percent in Saurer Textile Machinery (Beijing) Co. Ltd. (China) and now holds 100 percent of this subsidiary company.

In October 2007, Oerlikon group's investment in Fairfield Atlas Limited (India) was increased by 8.14 percent to 83.91 percent.

On December 7, 2007, Oerlikon group acquired the existing minority holding of 0.5 percent in Oerlikon Deutschland Holding GmbH, Munich (Germany) and now owns 100 percent of this subsidiary company.

Business combinations and goodwill

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

Translation of foreign currencies

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

Elimination of inter-company profits

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

Valuation principles

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

Assets

Cash and cash equivalents: are placed with various financial institutions with top-quality international ratings. Time deposits included therein mature in three months or less.

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

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

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

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

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

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

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

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

Estimated useful life and residual values are examined annually.

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

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

Discontinued operations and assets held for sale: A business unit or segment is reclassified into “discontinued operations” if it is sold, or at an earlier date if it fulfills the criteria for being classified as “held for sale.”

Long term assets held for sale are carried at the lower of their carrying amount or fair value less cost to sell, and any value impairments are booked to the income statement.

Liabilities

Short and long term financial liabilities and derivative financial instruments: Short and long term financial liabilities and derivative financial instruments are initially valued at market value less directly attributable costs. Subsequent valuation is at amortized cost adjusted using the effective interest rate method. The financial liabilities consist mainly of loans raised to finance acquisitions. The loans have floating interest rates.

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

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

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

Warranty provisions: provisions are set up for known customer claims and also for latent warranty exposure.

Product liability: provisions are set up for known claims; latent exposure is not provided.

Employee benefits: provisions are set up in accordance with IAS 19. The interest component of pension costs is shown as financial expense.

Post-employment benefit plans: Assets and liabilities shown in the balance sheet for defined-benefit pension plans are based on statistical and actuarial calculations. The present value of the future benefit obligation depends on assumptions concerning the discount rate used to arrive at the present value, future salary expectations and possible increases in social costs of employment. Other factors included in the calculation are statistical data for employee turnover and life expectancy. Actuarial gains and losses are recorded directly in equity.

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

Income statement

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

Long term contracts are accounted for under the Percentage of Completion (PoC) method. In the business unit Oerlikon Solar (Oerlikon Coating segment) and in a part of the Oerlikon Textile segment the percentage of completion is determined by measuring costs incurred to date as a proportion of extrapolated total contract cost (cost to cost method).

The Oerlikon Space business unit (Oerlikon Components segment) uses the "milestone" method. Under this method, project milestones are defined for each individual contract. The milestones determine the timing of progress billings to the customer, and thus offer a recognition point for measuring the progress of the contract and taking profit accordingly.

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

Research and development: Development costs are recognized as intangible assets if they meet the criteria for such recognition set forth in IAS 38. A system for control of development costs has been introduced throughout Oerlikon group, under which development costs may be recognized as assets when it can be shown that all IAS 38 criteria have been met. The cost thus capitalized comprises all costs directly attributable to the development process. After the development phase is complete the asset is amortized over its estimated useful life, usually five years.

Financial expense: Interest expense is charged to the income statement without restriction. Borrowing costs are not capitalized, but are charged to income in the period in which they fall.

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

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

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

Risks

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

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

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

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

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

Contingent liabilities

Contingent liabilities represent potential obligations whose impact depends on the occurrence of one or more future events which cannot be influenced. Contingent liabilities are also existing obligations which are not expected to result in a future outflow of benefits, or where the outflow of benefits can not reliably be quantified. IAS 37 states that such obligations should not be set up as liabilities on the balance sheet.

Participation plans

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

Post-employment benefit plans

Oerlikon companies operate various plans for providing employees with retirement benefits, which conform to local circumstances and practice in the countries concerned. For defined benefit plans, the Group's obligation to pay future retirement benefits is determined by independent actuaries using the "projected unit credit method." For existing pensioners, any changes in the plan are charged or credited directly to the income statement. Actuarial gains and losses, which arise from changes in actuarial assumptions, are charged or credited directly to shareholders' equity.

Related-party transactions

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

Notes to the consolidated financial statements

Changes in scope of consolidation and group structure

Note 1

Successive Acquisition of Saurer Shares

Acquisition price

On November 1, 2006, Oerlikon acquired full control of Saurer group by way of a public tender offer. The purchase price was CHF 1 902 million including total transaction costs of CHF 57 million. In 2007 a reduction of the acquisition costs of CHF 10 million was recognized (see page 114).

Goodwill, valuation and method of valuation

For the purpose of testing its value, goodwill is allocated to Group cash-generating units which show a profit from the business combination. Goodwill is tested annually for possible impairment of value. The impairment test is carried out in the fourth quarter after completion of the Business Planning cycle. Should there be any indication of possible value impairment at another time earlier in the year, then the impairment test is carried out at this earlier time. If the enterprise value of the cash-generating unit lies below its carrying value, a value adjustment is booked. The enterprise value is the higher of fair value less costs to sell or value in use.

Test for impairment of value

The book values of goodwill are tested for impairment at segment level – Oerlikon Textile and Oerlikon Drive Systems – in accordance with IAS 36. For internal purposes, Management monitors goodwill on a segment level, i.e. for groups of cash-generating units (CGUs), since there are interdependences between CGUs within individual segments.

Financing

The Saurer acquisition (Saurer was fully consolidated into the Oerlikon group as of November 1, 2006) was financed by an acquisition credit facility provided by the Bayerische Hypovereinsbank, Munich, together with liquid funds of the Group. The total credit facility for this financing amounted to CHF 1 525 million at a variable interest rate and matured in June 2007. This acquisition financing was replaced as planned by a new syndicated loan for CHF 2 500 million in which 19 top international banks participated.

The syndicated loan is divided into two parts, a 3-year Term Loan of CHF 600 million and a 5-year revolving credit of CHF 1 900 million. It is provided as refinancing of existing debt and also for general business purposes. Initially the interest rates for the two parts are 40 and 45 basis points above LIBOR, and later they will be based on a leveraged pricing grid. No assets were pledged as collateral for this facility. The only covenant is a leverage ratio, which was fully covered as of December 31, 2007. This loan was taken up by OC Oerlikon Corporation AG, Pfäffikon.

An amount of CHF 1 703 million is included in financial liabilities in respect of this syndicated loan as of December 31, 2007, which is shown net of directly attributable transaction costs of CHF 22 million.

The allocation of the purchase price to fair values of related assets and liabilities was first carried out on a provisional basis. The valuation was completed on November 1, 2007 and is now final.

in CHF million	Acquired book values IFRS	Provisional PPA	Adjustments to fair values	Final PPA	Fair Values
Cash and cash equivalents	127		0	0	127
Other current assets	685		0	0	685
Inventory	739	12	–1	11	750
Other non-current assets	818	54	364	418	1 236
Deferred tax assets	77		0	0	77
Total assets	**2 446**	**66**	**363**	**429**	**2 875**
Other current liabilities	848		0	0	848
Loans and borrowings	496		3	3	499
Provisions	580	83	–21	62	642
Deferred tax liabilities [1]	66	16	182	198	263
Total liabilities	**1 990**	**99**	**163**	**262**	**2 252**
Minority interests	17				17
Identifiable assets and liabilities	439	–33	200	167	606
Goodwill					1 307
Acquisition cost					1 912
Cash and cash equivalents acquired					126
Net cash outflow					**1 786**

The acquisition cost is as follows, as of November 1, 2006:

in CHF million	
Purchase price	1 855
Transaction costs	57
Total acquisition cost	**1 912**

[1] includes deferred tax liabilities of CHF 132 million.

Most of the changes are revaluations of tangible and intangible assets to fair values, or adjustments of provisions to reflect market conditions, in accordance with expert opinion on such values. For information on the finalization of the purchase price allocation in connection with the Saurer acquisition, please refer to the section "Saurer – Finalization of the purchase price allocation" in the accounting principles. For tax provisions see Note 5.

The goodwill arising from this acquisition represents the expected potential for synergies deriving from the combination of Saurer with Oerlikon, the merging of the two workforces and all other intangible assets which could not be separately identified.

Other acquisitions

The other acquisitions are as follows:

in CHF million	Acquired book values IFRS	Adjustments to fair values	Fair values
Cash and cash equivalents	4		4
Trade accounts receivable	7		7
Inventory	11		11
Property, plant and equipment	12		12
Intangible assets	26	–3	23
Deferred taxes	3	1	4
Total assets	**63**	**–2**	**61**
Trade accounts payable	5		5
Other short term liabilities	1		1
Customer advances	12		12
Provisions	2		2
Total liabilities	**19**		**19**
Minority interests	2		2
Identifiable assets and liabilities	41	–2	40
Goodwill			37
Acquisition cost			77
Cash and cash equivalents acquired			4
Net cash outflow			**73**

The acquisition costs are as follows:

in CHF million	
Purchase price	76
Transaction costs	1
Total acquisition cost	**77**

Acquisition of SiLas GmbH
Effective April 1, 2007, the Oerlikon group acquired the operations of SiLas GmbH (Germany). SiLas specializes in laser-scribing of thin-film silicon solar modules. Laser technology plays a central role in the production of thin-film solar modules and nanostructures. SiLas GmbH has been integrated into the Oerlikon Components segment.

The goodwill arising from this acquisition of CHF 13 million represents the expected potential for synergies deriving from the combination of SiLas GmbH with Oerlikon, mainly with the Oerlikon Solar business, the merging of the two workforces and all other intangible assets, which could not be separately identified.

In the nine month period from April 1 to December 31, 2007, SiLas GmbH reported a profit of CHF 8 million on sales of CHF 32 million. The company sells its products as semifinished goods exclusively to other Oerlikon companies; the related intercompany profits have been eliminated in the consolidation. For the full twelve months of 2007, SiLas reported sales of CHF 34 million and a profit of CHF 8 million.

The assets and liabilities of SiLas GmbH are included in the consolidated financial statements of Oerlikon group at provisional values, because the process of determining fair values for SiLas GmbH identifiable assets, liabilities and contingent liabilities is not yet complete. The provisional purchase accounting gives rise to a goodwill figure of CHF 13 million. However, the goodwill itself and also the extent and values of the identified assets, liabilities and contingent liabilities included in the purchase accounting are subject to change. The purchase accounting process will be concluded in the first quarter of 2008.

Acquisition of Peass Industrial Engineers Ltd., India
On February 16, 2007, the Oerlikon group acquired a 51 percent share of Peass Industrial Engineers Ltd., Navsari, South Gujarat, India. The company produces and sells winding machines and complements the product range of Oerlikon Schlafhorst. The company has been integrated into the Oerlikon Textile segment.

The goodwill of CHF 7 million arising from this acquisition represents the expected potential for synergies deriving from the combination of Peass Industrial Engineers Ltd. with Oerlikon, mainly with the Oerlikon Textile segment, the merging of the two workforces and all other intangible assets which could not be separately identified.

In the 10 month period from February 16 to December 31, 2007, Peass Industrial Engineers Ltd. reported a profit of CHF 0.5 million on sales of CHF 9 million. For the full twelve months of 2007, Peass Industrial Engineers Ltd. reported sales of CHF 12 million and a profit of CHF 1 million.

Acquisition of Verschleiss Schutz Technik Keller GmbH & Co KG, Germany
Effective October 31, 2007, the Oerlikon group acquired the operations of Verschleiss Schutz Technik Keller GmbH & Co KG in Schopfheim, Germany. VST Keller has been at the forefront of surface technology for stamping and forming dies for the automotive industry. The company has been integrated into the Oerlikon Coating Segment.

The goodwill of CHF 17 million arising from this acquisition represents the expected potential for synergies deriving from the combination of VST Keller with Oerlikon, mainly with the Oerlikon Coating segment, the merging of the two workforces and all other intangible assets which could not be separately identified.

In the 2 month period from October 31 to December 31, 2007, VST Keller reported a profit of CHF 0.2 million on sales of CHF 3 million. For the full twelve months of 2007, VST Keller reported sales of CHF 25 million and a profit of CHF 6 million.

The assets and liabilities of VST Keller & Co. KG are included in the consolidated financial statements of Oerlikon group at provisional values, because the process of determining fair values for VST Keller & Co. KG identifiable assets, liabilities and contingent liabilities is not yet complete. The provisional purchase accounting gives rise to a goodwill figure of CHF 17 million. However, the goodwill itself and also the extent and values of the identified assets, liabilities and contingent liabilities included in the purchase accounting are subject to change. The purchase accounting process is expected to be concluded in the first half of 2008.

Acquisition of VOCIS Driveline Controls Ltd., United Kingdom
Effective November 30, 2007, the Oerlikon group acquired a 51 percent share in VOCIS Driveline Controls Ltd. (United Kingdom). VOCIS is an engineering company and has been integrated into Oerlikon Drive Systems.

In 2007, the newly acquired company contributed CHF 0.5 million to the consolidated sales and CHF 0.5 million to the consolidated result of Oerlikon group. Had the acquisition occured on January 1, 2007, VOCIS Driveline Controls Ltd. would have contributed sales of CHF 3 million and a profit of CHF 1 million for the year 2007.

Acquisition of minority shareholdings in Saurer Textile Machinery (Beijing) Co. Ltd., China
On January 1, 2007, Oerlikon group acquired the existing minority holding of 41 percent in Saurer Textile Machinery (Beijing) Co. Ltd. (China) and now owns 100 percent of this subsidiary company.

Increase in investment in Fairfield Atlas Limited, India
In October 2007, Oerlikon group's investment in Fairfield Atlas Limited (India) was increased by 8.14 percent to 83.91 percent.

Acquisition of minority shareholdings in Oerlikon Deutschland Holding GmbH
On December 7, 2007, Oerlikon group acquired the existing minority holding of 0.5 percent in Oerlikon Deutschland Holding GmbH, Munich (Germany) and now owns 100 percent of this subsidiary company.

Other income and expenses

Note 2

in CHF million	2007	2006
Licensing, patent and know-how income	1	2
Gain from sale of operating real estate	0	4
Change in post-employment benefit plan accruals	5	1
Gain on sale of securities	2	76
Gain on sale of business activities and investments	0	12
Impairment reversal of property, plant and equipment	0	5
Impairment reversal of operating real estate	0	6
Rental income from non-operating real estate	24	2
Gain on sale of non-operating real estate	1	4
Other income	49	15
Other income	**82**	**127**
Taxes not based on income	–7	–15
Restructuring costs	–2	0
Impairment of property, plant and equipment	–1	0
Expense of non-operating real estate	–1	–1
Depreciation on non-operating real estate	–1	–1
Other expenses	–23	–20
Other expenses	**–34**	**–37**
Other income	**48**	**90**

Other income includes the release of a provision for legal claims for onerous contracts of CHF 13 million taken over with the acquisition of Saurer (see note 16).

Expenses included in EBIT

Note 3

in CHF million	2007	2006
Personnel expense [1]		
Salaries and wages	1 096	557
Social security and other employee benefits [2]	316	136
Total	**1 412**	**693**
Depreciation and amortization [3]		
– operating property, plant and equipment	195	88
– intangible assets (excluding goodwill)	25	6
thereof in:		
Cost of sales	0	1
Marketing and selling	6	0
Research and development	9	2
Administration	9	3
Total	**220**	**94**

[1] The discontinued operations are excluded from the personnel expense. The personnel expense for these operations amount to CHF 48 million in 2007 (previous year: CHF 44 million).

[2] Included in the CHF 316 million expense for social security and other benefits is CHF 29 million (previous year: CHF 20 million) attributable to specific post-employment benefit plans of the individual companies. The remainder includes the legally required benefit contributions of Group companies as well as other social security expenses.

[3] The depreciation of property plant and equipment of discontinued operations would amount to CHF 10 million (previous year: CHF 10 million) and the amortization would amount to CHF 6 million (previous year: CHF 0 million). These expenses are excluded from the depreciation and amortization above.

Finance cost, net

Note 4

in CHF million	2007	2006
Interest income	10	6
Other financial income	4	4
Net gain on hedging transactions booked through profit and loss	3	4
Foreign currency gains, net	0	4
Financial income	**17**	**18**
Interest on financial debt [1]	–83	–14
Interest on provisions for post-employment benefit plans	–20	–13
Other financial expenses	–35	–12
Foreign currency loss, net	–7	0
Financial expense	**–145**	**–38**
Total	**–128**	**–21**

[1] Interest on financial debt includes CHF 62 million related to financing the Group's acquisitions. An additional CHF 7 million expense relates to the Saurer bond.

Income taxes

Note 5

in CHF million	2007	2006
Current income taxes	–60	–30
Deferred taxes [1]	42	29
Total	**–18**	**–1**

[1] The change in deferred taxes results from revised estimates of the future use of tax losses.

Analysis of tax expense

in CHF million	2007	2006
Profit before taxes	353	302
Tax expense	–18	–1
Expected tax expense [2]	–79	–72
Difference between actual and expected tax expense	61	71

The difference between the tax rate calculated using the weighted average tax rate of Oerlikon group of 21.5% (previous year: 22.6%) and the effective tax rate arises from the following factors:

Unrecognized deferred taxes on current-year losses	–18	–7
Recognition of unrecognized tax loss carryforwards from previous periods	47	33
Offset of unrecognized tax loss carryforwards from previous periods	16	43
Other effects [3]	14	0
Non-taxable income	2	2
Total of differences	**61**	**71**

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

[3] Effect of costs disallowed by tax audit.

Deferred taxes

Note 5 (cont.)

Composition of deferred taxes in CHF million	2007 Deferred tax balances Assets	 Liabilities	2006 Deferred tax balances Assets	 Liabilities
Cash, cash equivalents and securities	0	2	0	0
Trade accounts receivable	2	3	12	2
Other receivables and accruals	16	2	6	2
Inventories	19	20	16	12
Post-employment benefit assets	0	7	0	5
Financial assets	1	5	2	8
Property, plant and equipment	17	84	22	104
Intangible assets	32	169	45	179
Assets	**87**	**292**	**103**	**314**
Trade accounts payable	0	2	0	2
Other current and long term liabilities	41	19	61	9
Financial liabilities	4	2	3	0
Provisions	41	7	74	4
Liabilities	**85**	**31**	**138**	**14**
Of which, unrecognized deferred tax assets	0	43	0	61
Tax loss carryforwards recognized [1]	125	0	83	0
Netting	–144	–144	–172	–172
Total	**154**	**222**	**151**	**218**
Of which, deferred taxes recognized in equity	–9	34	–16	1

[1] Total of timing differences based on tax losses recognized as assets in 2007: CHF –550 million (previous year: CHF –334 million).

Tax losses are available for offset against taxable profits as follows:

in CHF million	Tax losses not capitalized as deferred tax assets	Total tax loss carryforwards
1 year	4	61
2 years	27	184
3 years	98	154
4 years	117	117
5 years	132	132
over 5 years	204	483
Total	**582**	**1 131**

The deferred tax on not recognized tax loss carryforwards would amount to CHF 107 million in 2007 (previous year: CHF 174 million).

Earnings per share

Note 6

in CHF million	2007	2006
Result from continuing operations	335	302
Result from discontinued operations	–16	4
Net profit	**319**	**306**
Minority interests	4	2
Net profit attributable to shareholders of the parent	**314**	**304**
Earnings per registered share in CHF [1]	24.00	23.78
Diluted earnings per registered share in CHF [1]	24.00	23.73
Earnings per registered share continuing operations in CHF	25.24	23.45
Fully diluted earnings per registered share continuing operations in CHF	25.24	23.39
Earnings per registered share discontinued operations in CHF	–1.24	0.33
Fully diluted earnings per registered share discontinued operations in CHF	–1.24	0.32

[1] Earnings per share of CHF 24.00 has been calculated on the basis of a net profit of CHF 314 million attributable to shareholders (previous year: CHF 304 million) and the average weighted number of outstanding shares (issued shares less treasury shares). In 2007, the average weighted number for shares entitled to vote and receive dividends amounted to 13 093 428 (previous year: 12 773 290). Fully diluted earnings per share amounted to CHF 24.00. The average weighted number of shares used in the calculation of fully diluted earnings per share amounted to 13 094 423 (previous year: 12 801 455).

Number of outstanding shares:	2007	2006
Total shares issued at year-end	14 142 437	14 142 437
Weighted average number of shares outstanding at year-end	13 093 428	12 773 290
Effect of potential excercise of option rights	995	28 165
Weighted average number of shares diluted at year-end (diluted)	13 094 423	12 801 455

Cash and cash equivalents

Note 7

in CHF million	2007	2006
Cash, postal and bank current accounts	440	431
Time deposits	44	55
Total	**484**	**486**

CHF 87 million (previous year: 61 million) of total cash and cash equivalents are held in countries in which prior approval is required to transfer funds abroad. Nevertheless, if the Group complies with these requirements, such liquid funds are at its disposition within a reasonable period of time.

Cash and cash equivalents are held in the following currencies:

Currency

in CHF million	2007	2006
CHF	132	170
EUR	199	182
USD	64	68
Others	89	66
Total	**484**	**486**

Associated companies and financial investments

Note 8

Associated companies

in CHF million	2007	2006
Novalux Inc., USA	0	12

The investment in Novalux Inc., USA was revalued following the decision to sell out, which was taken before the year end. Oerlikon's shares were sold on January 9, 2008 for zero consideration. The investment was written off at December 31, 2007.

Financial investments

in CHF million	2007	2006
Total current [1]	8	95
Total non-current	0	0
Available-for-sale financial assets, carried at fair value	**8**	**95**
Total current	0	0
Total non-current [2]	34	33
Available-for-sale financial assets, carried at cost	**34**	**33**
Total current	18	7
Total non-current	0	0
Derivatives used for hedging	**18**	**7**
Total current financial investments	**25**	**102**
Total non-current financial investments	**34**	**33**
Total	**59**	**136**

There are no income statement effects deriving from fair value adjustments.

[1] In 2007, marketable securities are held mainly as funding for the provision for part-time work.

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

Loans and receivables

Note 9

in CHF million	2007	2006
Current		
Trade accounts receivable	768	746
Trade notes receivable	27	21
Other receivables [1]	96	100
Non-current		
Loans receivable [2]	15	20
Total	**906**	**887**

[1] Other receivables include only amounts receivable from Swiss and foreign tax authorities and insurance companies.

[2] The loans receivable include reimbursement rights for pensions in the amount of CHF 6 million. The expected interest rate is 4 percent. Further loans in the amount of CHF 9 million were granted to various third parties. These loans will be paid back in the years 2009, 2011 and 2012 and the interest rates are between 3 and 7 percent.

Inventories and construction contracts according to percentage of completion method (POC)

Note 10

in CHF million	2007 Gross value	2007 Value adjustment	2007 **Net value**	2006 Gross value	2006 Value adjustment	2006 **Net value**
Raw material and components	385	–57	**328**	362	–53	**309**
Work in progress	257	–18	**239**	387	–19	**367**
Finished goods	267	–52	**215**	267	–60	**207**
Trade merchandise	43	–11	**32**	43	–11	**32**
Advances paid for inventories to suppliers	51	0	**51**	39	0	**39**
Accrued sales under percentage of completion (POC) method for orders without customer advances	121	0	**121**	16	0	**16**
Total	1 123	–138	**985**	1 113	–143	**970**

Amounts charged to income for write-down of inventories in the reporting year were CHF 43 million (previous year: CHF 19 million).

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

in CHF million	**2007**	2006
Realized POC sales	**605**	169
Realized POC project costs	**–449**	–109
Realized contribution from POC projects	**156**	**60**
POC project costs included in work in progress at December 31	**7**	**5**

	2007	2006
Customer advances received for POC projects	**496**	128
Offset with POC revenue accruals (orders with customer advances)	**–210**	–60
Net amount of customer advances for POC projects [1]	**286**	**68**

[1] This amount is included in the short and long term customer advances totalling CHF 297 million (previous year: CHF 268 million).

The accumulated order costs incurred and POC results realized amount to CHF 612 million (previous year: CHF 173 million).

Property, plant and equipment

Note 11

in CHF million	Plant, equipment and furniture	Production and administration buildings[1]	Developed land	Facilities under construction	Non-operating real estate	**2007 Total**
Cost						
Balance at January 1, 2007	1 457	742	124	24	32	2 380
Conversion differences		4	4	1		8
Changes in Group companies	9	3				12
Additions	173	19	1	80		273
Disposals	–76	–27	–4	–2		–109
Reclassification into property, plant and equipment held for sale	–115	–24		–1		–140
Transfers	33		–2	–32		0
Balance at December 31, 2007	1 482	717	122	70	32	2 424
Accumulated depreciation and impairment losses						
Balance at January 1, 2007	–756	–223	0	0	–20	–999
Conversion differences	5	2				6
Changes in Group companies						0
Depreciation	–178	–27			–1	–205
Impairment losses	–7					–7
Disposals	46	14				60
Reclassification into property, plant and equipment held for sale	98	17				115
Balance at December 31, 2007	–791	–217	0	0	–21	–1 030
Net Group values at December 31, 2006	701	519	124	24	12	1 380
Net Group values at December 31, 2007	**691**	**500**	**122**	**70**	**11**	**1 394**
Thereof assets held under finance leases	1	48				49
Insured values in event of fire	3 152	1 549		19	48	4 768
Estimated fair value					32	32

Open purchase commitments for property, plant and equipment at the end of 2007 amounted to CHF 17 million (previous year: CHF 15 million).

[1] Oerlikon owns a number of industrial sites and office buildings, or parts of larger sites, which are no longer necessary for its operations. It is not possible at present to identify all of these individually. The value of these properties is largely dependent on their future use, and for this reason it is not possible to make a reliable estimate of their fair value. However, based on estimates, the proceeds from the possible sale of these properties are not expected to be below their book values.

Property, plant and equipment

Note 11 (cont.)

in CHF million	Plant, equipment and furniture	Production and administration buildings [1]	Developed land	Facilities under construction	Non-operating real estate	**2006 Total**
Cost						
Balance at January 1, 2006	1 019	422	32	10	43	1 525
Conversion differences	4	7	1			11
Changes in Group companies [1]	332	304	90	22		749
Additions	114	8	1	44		167
Disposals	–48	–8	–3		–11	–70
Transfers	36	10	2	–52		–3
Balance at December 31, 2006	1 457	742	124	24	32	2 380
Accumulated depreciation and impairment losses						
Balance at January 1, 2006	–714	–216	0	0	–28	–958
Conversion differences	–2	–2				–4
Changes in Group companies						0
Depreciation	–84	–14			–1	–99
Impairment losses reversed [2]	5	6				11
Disposals	39	3			9	51
Transfers						0
Balance at December 31, 2006	–756	–223	0	0	–20	–999
Net Group values at December 31, 2005	304	206	32	9	15	567
Net Group values at December 31, 2006	**701**	**519**	**124**	**24**	**12**	**1 380**
Thereof assets held under finance leases	2	44				47
Insured values in event of fire	3 091	1 636		6	47	4 780
Estimated fair value					33	33

[1] Differences from amounts shown in last year's report arise from finalization of fair values for identifiable assets, liabilities and contingent liabilities of Saurer group.

[2] In the segments Oerlikon Coating and Oerlikon Components, certain operating assets were brought back into service and previously recognized value impairments could be reversed.

Intangible assets

Note 12

in CHF million	Goodwill	Software	Development costs [2]	Other intangible assets [1]	**2007 Total**
Cost					
Balance at January 1, 2007	1 522	44	49	495	2 110
Conversion differences	–16			9	–6
Changes in Group companies	37		23		60
Additions		6	52	22	80
Disposals	–10	–1		–1	–12
Reclassification into property, plant and equipment held for sale		–1	–4	–1	–6
Balance at December 31, 2007	1 532	49	120	525	2 226
Accumulated amortization and impairment losses					
Balance at January 1, 2007		–26	0	–3	–29
Conversion differences					0
Changes in Group companies					0
Amortization		–12	–8	–9	–30
Impairment losses			–1		–1
Disposals		1			1
Reclassification into property, plant and equipment held for sale		1	1	1	3
Balance at December 31, 2007		–36	–9	–11	–56
Net Group values at December 31, 2006	1 522	18	49	492	2 081
Net Group values at December 31, 2007	**1 532**	**13**	**111**	**514**	**2 170**

[1] The other intangible assets include brands with indefinite life and are tested for impairment on a regular basis.

[2] Additions to capitalized development costs are costs incurred in internal development projects. Development costs are recognized as intangible assets if they meet the criteria for such recognition set forth in IAS 38. A system for control of development costs has been introduced throughout Oerlikon group, under which development costs may be recognized as assets when it can be shown that all IAS 38 criteria have been met. The cost thus capitalized comprises all costs directly attributable to the development process. After the development phase is complete the asset is generally amortized over 5 years. The capitalized development costs pertain to the segments as follows:

in CHF million	**2007**	2006
Oerlikon Coating	13	20
Oerlikon Vacuum	3	2
Oerlikon Textile	16	5
Oerlikon Drive Systems	2	0
Oerlikon Components	19	21
Total	**52**	**49**

A further CHF 23 million of additions to capitalized development cost derives from the acquisition of SiLas GmbH and is allocated to the Oerlikon Components segment.

Intangible assets

Note 12 (cont.)

Goodwill is attributed to the segments as follows:

in CHF million	**2007**	2006
Oerlikon Coating	124	112
Oerlikon Components	113	102
Oerlikon Textile	707	710
Oerlikon Drive Systems	588	597
Total	**1 532**	**1 522**

Goodwill and other intangible assets with infinite useful life are allocated to the Group of Cash-Generating Units (CGUs) which are expected to benefit from the business combination which gave rise to the goodwill concerned. Goodwill is tested annually for possible impairment of value, using discounted cash flow analysis. The enterprise value of the CGUs is determined based on value-in-use calculations and the latest plan approved by management or budget information available, in this case covering the years 2008 to 2012. The discount rates used are based on the weighted average cost of capital (WACC) in the various business segments and reflect specific risks of the businesses concerned and the countries in which they operate. The capital costs were determined using the Capital Asset Pricing Model (CAPM).

The following pre-tax discount rates were used for the various segments:

Segment	**Discount factor**
Oerlikon Coating	10.5%
Oerlikon Components	10.5%
Oerlikon Textile	9.4%
Oerlikon Drive Systems	8.6%

For each segment, the cash flows subsequent to the five-year period 2008 to 2012 were extrapolated using an assumed growth rate of 2 percent per annum; growth rates of 1 percent and 0 percent were used for the sensitivity analyses.

The test as well as the sensitivity analyses indicated that no impairment of goodwill values was necessary for the year 2007.

in CHF million	Goodwill	Software	Development costs	Other intangible assets [1]	**2006 Total**
Cost					
Balance at January 1, 2006	209	32	0	2	243
Conversion differences	–8			8	0
Changes in Group companies [2]	1 321	8		463	1 792
Additions		9	49	23	81
Disposals		–6			–6
Transfers					0
Balance at December 31, 2006	1 522	44	49	495	2 110
Accumulated amortization and impairment losses					
Balance at January 1, 2006		–28	0	–1	–29
Conversion differences					0
Changes in Group companies					0
Amortization		–4		–2	–6
Impairment losses					0
Disposals		6			6
Transfers					0
Balance at December 31, 2006		–26	0	–3	–29
Net Group values at December 31, 2005	209	4	0	0	214
Net Group values at December 31, 2006	**1 522**	**18**	**49**	**492**	**2 081**

[1] The other intangible assets include brands with indefinite life and are tested for impairment on a regular basis. These brands were capitalized during the purchase price allocation for the acquisition of Saurer. The brands are allocated to the two business segments Oerlikon Textile (CHF 314 million) and Oerlikon Drive System (CHF 94 million). Furthermore during the PPA technology of CHF 29 million and customer relationships of CHF 26 million were capitalized.

[2] Differences from amounts shown in last year's report arise from finalization of fair values for identifiable assets, liabilities and contingent liabilities of Saurer group.

Post-employment benefit provisions

Note 13

in CHF million	2007	Due within 1 year	Due beyond 1 year	2006	Due within 1 year	Due beyond 1 year
Total	**554**	16	539	657	15	641

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

Summary of post-employment benefit plans	2007 Total	2007 Defined benefit	2007 Defined contribution	2006 Total	2006 Defined benefit	2006 Defined contribution
Number of plans						
Funded plans	**52**	36	16	46	35	11
Unfunded plans	**19**	16	3	21	18	3
Number of insured members						
Active members	**13 651**	11 457	2 194	13 608	11 741	1 961
Retired members	**10 358**	10 355	3	10 336	10 333	3
in CHF million						
Pension cost (operative)	**29**	23	5	20	17	3
Pension cost (financial)	**20**	20	0	13	13	0
Total post-employment benefit plan cost	**49**	44	5	32	29	3
Post-employment benefit provisions	**554**	553	1	657	656	1
Post-employment benefit assets	**23**	23	0	22	22	0

in CHF million	2007 Total	2007 Funded	2007 Unfunded	2006 Total	2006 Funded	2006 Unfunded
Plan assets at market value [1]	**1 028**	1 028	0	1 008	1 008	0
Projected benefit obligation (PBO)	**–1 471**	–991	–479	–1 566	–1 026	–541
Assets in excess of / below PBO	**–442**	37	–479	–559	–18	–541
Post-employment benefit provisions	**553**	74	479	656	115	541
Post-employment benefit assets	**–23**	–23	0	–22	–22	0
Unrecognized gains (+)/losses (–)	**88**	88	0	74	74	0
of which:						
– Past service costs	**6**	6	0	8	8	0
– Actuarial gains/losses (effect of capitalization limit IAS 19.58(b))	**82**	82	0	66	66	0

[1] Plan assets include:	2007		2006	
Equity instruments	**291**	28%	280	28%
Bonds and other obligations	**347**	34%	320	32%
Real estate [2]	**116**	11%	106	11%
Other	**274**	27%	302	30%
Total plan assets	**1 028**	100%	1 008	100%

[2] Plan assets include real estate in Germany with a fair value of CHF 22 million (previous year: CHF 22 million), which is rented by a Group company, with an annual rent of CHF 1 million (previous year: CHF 1 million).

Post-employment benefit provisions

Note 13 (cont.)

in CHF million	2007	2006
Plan assets at market value at January 1	**1 008**	**508**
Expected return on plan assets	48	26
Employee contributions	14	12
Employer contributions	64	34
Actuarial gains / (losses)	–4	2
Curtailments / Settlements	0	1
Amounts paid out	–90	–73
Changes in Group companies	0	513
Conversion differences	–12	–15
Plan assets at market value at December 31	**1 028**	**1 008**
Present value of projected benefit obligation (PBO) at January 1	**1 566**	**781**
Service cost	52	36
Interest cost	61	33
Plan extensions / (curtailments)	–8	2
Actuarial (gains) / losses	–117	–15
Amounts paid out	–90	–73
Changes in Group companies	0	809
Conversion differences	6	–6
Present value of projected benefit obligation (PBO) at December 31	**1 471**	**1 566**
Pension cost – defined benefit plans		
Current service costs	–52	–36
Employee contributions	14	12
Current service costs after deduction of employee contributions	**–38**	**–24**
Interest costs	– 61	–33
Expected return on plan assets	48	26
Effect of plan mutations	1	1
Gains / (losses) from terminations and curtailments	7	0
Total pension costs	**–44**	**–29**

Assumptions used in actuarial calculations

in %	2007	2006
(weighted average rates)		
Discount rate	4.7	4.0
Salary progression	2.1	2.1
Benefit progression	1.2	1.0
Return on plan assets	4.9	4.8

The expected return on funded plan assets is based on the long term historical performance and the market expectations of the separate categories of plan assets for each funded pension plan with funded plan assets. The calculation includes assumptions concerning expected income and realized or unrealized gains on plan assets. The exptected return on plan assets included in the income statement is calculated by multiplying the expected rate of return by the fair value of plan assets. The difference between the expected return and the actual return in any twelve month period is an actuarial gain/loss and is recorded directly to equity. In 2007, the actual return on plan assets was CHF 44 million (previous year: CHF 28 million).

in CHF million	2007	2006
Experience adjustments to obligations	–43	–2
Experience adjustments to plan assets	–8	1

Actuarial (gains) / losses recognized in equity

in CHF million	2007	2006
Accumulated values at January 1	**49**	**62**
Actuarial (gains)/losses recognized during year	–99	–12
Accumulated values at December 31	**–50**	**49**
Effect of capitalization limit IAS 19.58(b)	14	4

The employer contributions for 2008 are expected to be approximately CHF 65 million (previous year: CHF 42 million).

Financial liabilities

Note 14

in CHF million	2007	2006
Current		
Short term bank debts	22	8
Short term financial leases	7	7
Short term loans payable	6	1 533
Trade accounts payable	583	455
Trade notes payable	4	4
Other payables, excluding derivatives	121	395
Total	**743**	**2 402**
Derivatives used for hedging	5	6
Total current financial liabilities	**748**	**2 408**
Non-current		
Long term loans payable	1 715	34
Bonds	9	201
Long term financial leases	19	22
Mortgages	3	2
Total	**1 747**	**259**
Derivatives used for hedging	1	0
Total non-current financial liabilities	**1 748**	**259**

Accrued liabilities

Note 15

in CHF million	2007	2006
Accrued personnel costs	178	167
Accrued cost of sales	76	56
Other accrued liabilities	154	157
Total	**408**	**380**

Provisions

Note 16

in CHF million	Product warranties	Onerous contracts	Long term employee benefits	Restructuring	Other provisions [1]	**2007 Total**
Balance at January 1, 2007 [2]	77	106	38	40	92	**353**
Conversion differences	1	2	1	1	2	**7**
Additions	48	14	13	12	15	**101**
Amounts used [3]	–21	–50	–9	–26	–27	**–133**
Amounts reversed	–6	–39	–1	–6	–8	**–60**
Liabilities classified as held-for-sale	–1	0	0	–5	0	**–7**
Balance at December 31, 2007	**97**	**33**	**41**	**16**	**73**	**260**
Thereof:						
Due within 1 year	90	13	2	16	46	**167**
Due beyond 1 year	7	20	39	0	27	**93**

[1] Other provisions cover various risks which occur in the normal course of business. They consist mainly of provisions for pending litigations, technical risks and product anomalies.

[2] The changes in the opening balances compared to the annual report 2006 arise exclusively from finalization of the purchase price allocation of the Saurer acquisition.

[3] Onerous contracts include CHF 42 million relating to the Saurer acquisition.

Provisions are made for cases where the costs of fulfilling contractual obligations (e.g. projects) are higher than their expected economic benefit. During the preparation of the financial statements, a systematic reassessment of project risks was conducted and appropriate adjustments made to the cost estimates for projects underway in the individual business units. The basis for this was the so-called “most likely outcome.” This requires estimates to be made with regard to the technical and time-related realization of those projects, and also includes a quantification of the relevant risks.

Financial instruments

Note 17

in CHF million	2007 Contract amounts	2007 Fair value positive	2007 Fair value negative	2006 Contract volume	2006 Fair value positive	2006 Fair value negative
Forward exchange contracts	**1 072**	**17**	**6**	**1 048**	**7**	**6**
Interest-rate derivatives	**1 218**	**1**	**0**	**28**	**0**	**0**
Interest-rate swaps	18	0	0	28	0	0
Interest caps	1 200	1	0	0	0	0
Total	**2 290**	**18**	**6**	**1 076**	**7**	**6**

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

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

Maturity structure of open foreign exchange contracts at December 31:

in CHF million	Carrying amount	Expected cash flows	6 months or less	6–12 months	1–2 years	2–5 years	More than 5 years
Forward exchange contracts							
2007	11	**1 072**	809	214	49	0	0
2006	1	**1 048**	939	89	17	3	0
Interest-rate swaps [1]							
2007	0	**18**	0	0	0	18	0
2006	0	**28**	4	0	0	24	0

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

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

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

The total premiums of CHF 2 million payable at the inception of this contract were capitalized and were revalued to fair values in the balance sheet at December 31, 2007. The interest cap is booked through the income statement.

Liquidity risk

Note 18

Liquidity risk is the risk that Oerlikon may be unable to discharge its financial liabilities in a timely manner or at an acceptable cost. Oerlikon group supervises and manages the Group's liquidity to ensure that outstanding financial liabilities can at all times be met within their maturity period, at an acceptable cost and without damage to the Group's reputation. Corporate Treasury prepares and provides the relevant decision support and arranges for the availability of the relevant funds once approval is given.

Corporate Treasury determines the Group's required liquidity on the basis of a consolidated, rolling liquidity plan. Senior management is informed regularly on the liquidity plan. Oerlikon's policy is to keep a good number of financial sources open, for maximum flexibility and to limit dependence on individual sources of finance as far as possible.

Debt repayment schedule

in CHF million	2007 Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	More than 5 years	Thereof secured
Bank overdrafts	18	18	18			
Fixed advances	4	4	4			
Trade payables	587	587	587			
Loans and borrowings	1 724	1 784	6	1 776	2	6
Bond	9	11		11		
Gross finance lease obligation	26	28	9	17	2	22
Non-derivative financial liabilities	**2 369**	**2 433**	**625**	**1 804**	**4**	**28**
Forward exchange contracts used for hedging	11	1 072	1 023	50	0	0
- Cash outflow (liability)	–6	509	502	7		
- Cash inflow (asset)	17	563	520	43		
Derivative financial instruments	**11**	**1 072**	**1 023**	**50**	**0**	**0**
Total	**2 380**	**3 505**	**1 647**	**1 854**	**4**	**28**

in CHF million	2006 Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	thereof secured
Bank overdrafts	8	8	8			
Fixed advances	0	0	0			
Trade payables	459	459	459			
Loans and borrowings	1 569	1 671	1 625	41	5	9
Bond	201	249	7	28	214	
Gross finance lease obligation	29	33	9	24	0	28
Non-derivative financial liabilities	**2 266**	**2 420**	**2 108**	**93**	**219**	**37**
Forward exchange contracts used for hedging	1	1 048	1 028	20	0	0
– Cash outflow (liability)	–6	580	577	3		
– Cash inflow (asset)	7	468	451	17		
Derivative financial instruments	**1**	**1 048**	**1 028**	**20**	**0**	**0**
Total	**2 267**	**3 468**	**3 135**	**114**	**219**	**37**

Terms and conditions of financial liabilities

Note 18 (cont.)

in CHF million	Currency	Nominal interest rate	Year of maturity	2007 Face Value	2007 Carrying Amount	2006 Face Value	2006 Carrying Amount
Syndicated Loan/Term Loan (Facility A)[1]	CHF	Libor+0.40%	2010	600	578		
Syndicated Loan/Revolving Facility (Facility B)	CHF	Libor+0.45%	2012	600	600		
Syndicated Loan/Revolving Facility (Facility B)	CHF	Libor+0.45%	2012	410	410		
Syndicated Loan/Revolving Facility (Facility B)	USD	Libor+0.45%	2012	116	116		
Finance Lease	EUR	4.48%–4.98 %	2010–2011	25	25	23	23
Finance Lease	var.	var.	var.	1	1	6	6
Saurer AG Bond[2]	CHF	3.50%	2013	9	9	201	201
Bridging Loan – Acquisition of Saurer[3]	CHF	3.20%	2007			1268	1268
Short term Loan[4]	EUR	Euribor+2%	2007			48	48
Short term Loan acquisition Fairfield	USD	Libor+0.40%–0.42%	2007			168	168
Short term Loan acquisition Fairfield	USD	5.60%	2007			31	31
Other short term liabilities	JPY	0.9–1.625%	var.			4	4
Various short- and long term liabilities[5]	var.	1.145–12.5%	2008–2014	42	42	58	58
Total interest-bearing liabilities					**1 782**		**1 807**

[1] Face value differs from book value in respect of Term Loan (Facility A) because CHF 22 million of directly attributable transaction costs were deducted from the loan.

[2] On November 12, 2007, Oerlikon invited the holders of the CHF 200 million 3.5 percent bond issued by Saurer AG, Arbon and due on August 28, 2013, to offer their holdings for sale by November 20, 2007.

By this expiry date, bond holdings valid for sale in the amount of CHF 191 million had been offered, corresponding to 95.38 percent of the bond capital in circulation. The offer price of 100.25 percent, together with interest accrued to the closing date, was paid to the bondholders on November 26, 2007.

Following the offer process, Oerlikon formally requested the issuer of the bond (Saurer AG) to call a meeting of the remaining bond creditors. The meeting was duly called and agreed to the early repayment of 100 percent of the bond at the offer price of 100.125 percent. If this decision is accepted by the responsible authority for the canton, all obligations not so far covered by the offer process will be repaid, probably in the first half of 2008.

The bonds held by OC Oerlikon Corporation AG, Pfäffikon were cancelled internally within the Group against the obligation of Saurer AG. The remaining bonds held by the public have been valued at 100.125 percent (the expected repayment price) in the consolidated balance sheet.

[3] The interest rate of 3.2 percent is an average rate of interest paid on the loan in 2006.

[4] Secured over certain assets of the Group.

[5] Various currencies including: BRL, CHF, CNY, EUR, INR, JPY, SEK, TWD, USD.

With the exception of the finance leases, all the above financial liabilities are unsecured at December 31, 2007. The finance leases are secured by contract provisions normal for such leases.

Credit risk

Note 19

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

Trade receivables are valued at the original invoiced amount less any necessary value adjustments for default risks. The maximum credit risk at balance sheet date is equal to the fair value of the receivables disclosed. No impairments of value are expected with regard to non-overdue receivables, or indeed any receivables against which no provision has been set up.These risks are insured with third parties only in exceptional cases.

As a fundamental principle, the Group places funds only with first-rate domestic and foreign banking institutions. As of December 31, 2007, the Group had no treasury or derivative transactions that represented a significant concentration of credit risk.

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

in CHF million	**2007**	2006
Cash and cash equivalents	484	486
Available-for-sale financial assets, carried at fair value	8	95
Available-for-sale financial assets, carried at cost	34	33
Derivatives used for hedging	18	7
Trade receivables	794	767
Other receivables	96	100
Loans and other financial receivables	15	20
Total	**1 448**	**1 508**

Trade receivables are distributed geographically as follows:

in CHF million	**2007**	2006
Asia	44	53
Europe	693	659
USA	50	47
Other	8	8
Total	**794**	**767**

No cluster risks to the Group are expected from the outstanding receivables.

Ageing of trade accounts receivable Note 19 (cont.)

in CHF million	**2007 Gross amount**	**Value adjustment**	2006 Gross amount	Value adjustment
Current (not due)	**657**		**637**	
Total past due	**162**	**–25**	**158**	**–28**
0–30 days	79	–3	80	–4
31–60 days	27	–3	31	–1
61–90 days	17	–2	17	–3
91–120 days	9	–3	6	–3
over 120 days	31	–15	24	–17
Total	**819**	**–25**	**795**	**–28**

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

Reconciliation of changes in allowance accounts for credit losses:

in CHF million	**2007**	2006
Balance at January 1, 2007	–28	–18
Change in scope of consolidation	0	–18
Additional impairment losses charged to income	–9	–3
Reversal of impairment losses	9	11
Write-off	–2	0
Translation effect	5	0
Balance at December 31, 2007	**–25**	**–28**

Market risk

Note 20

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

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

Currency risk

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

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

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

Foreign Exchange Economic Risk
The Group policy is not to hedge long term foreign exchange risk.

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

	Average rates 2007	2006	Change 06/07	**Year-end rates 2007**	2006	Change 06/07
1 USD	1.20	1.25	–4.3%	1.13	1.22	–7.9%
1 EUR	1.64	1.57	4.5%	1.66	1.61	3.2%
100 CNY	15.80	15.70	0.6%	15.50	15.70	–1.3%
100 HKD	15.40	16.10	–4.3%	14.40	15.70	–8.3%
100 JPY	1.02	1.08	–5.5%	1.00	1.03	–2.6%
1 SGD	0.80	0.79	1.0%	0.78	0.80	–2.3%

Sensitivity analysis

For the sensitivity analysis the two currencies were selected in which the Group holds significant amounts of receivables and payables. A 10 percent change in exchange rates at December 31, 2007 would have increased the equity and profit or loss by the amounts listed below.

December 31, 2007

Effect in CHF million	Equity	Profit or loss
USD	23	11
EUR	184	2

A 10 percent weakening of the euro against the above currencies at December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Exposure to currency risk Note 20 (cont.)

The Group's exposure to foreign currency risk was as follows based on nominal amounts:

in LC million	2007 EUR	2007 USD	2007 CHF	2006 EUR	2006 USD	2006 CHF
Trade receivables	29	118	1	30	72	7
Trade payables	–14	–24	–8	–13	–12	–1
Net financial position	294	53	–230	163	158	–292
Gross exposure consolidated balance sheet	**309**	**147**	**–237**	**180**	**218**	**–286**
Foreign currency risk in business operations	**65**	**121**	**6**	**61**	**67**	**–6**
Open foreign exchange forward contracts	**–61**	**–183**	**–3**	**–59**	**–119**	**1**
Net exposure	**313**	**85**	**–234**	**182**	**166**	**–292**

Interest rate risk

Oerlikon is exposed to interest rate risk mainly from its financial debt, which is placed at variable interest rates, but also on a much smaller scale from its liquid funds, which are also placed at variable rates or held as short term investments. A small part of the financial debt, namely the remainder of the Saurer AG bond, is held at a fixed rate of interest, but the much larger amounts drawn down from the syndicated loan are subject to interest rate fluctuations.

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

At the reporting date December 31, 2007, the interest rate profile of the Group's interest-bearing financial instruments was:

in CHF million	December 31, 2007 Net carrying amount	December 31, 2006 Net carrying amount
Fixed rate interest		
Financial assets	0	0
Financial liabilities	–34	–254
Total	**–34**	**–254**
Variable rate interest		
Financial assets	484	486
Financial liabilities	–1 747	–1 553
Total	**–1 263**	**–1 067**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date December 31, 2007 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect in CHF million	Profit or loss 100 bp increase	100 bp decrease
December 31, 2007		
Cash flow sensitivity (net)	–14	14
December 31, 2006		
Cash flow sensitivity (net)	–2	2

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

Capital management Note 20 (cont.)

Oerlikon has a solid capital base, living up to the trust of investors, suppliers and capital markets. At the same time, management is eager to exploit the benefits of external financing wherever such appears sensible. Oerlikon's aim is to maintain its "Investment Grade" rating in the capital markets and, thus, enable future financing requirements to be met at advantageous conditions. The successful launch of the syndicated loan in 2007 supports Oerlikon's view that the company's reliability and creditworthiness are highly rated in financial markets.

Oerlikon's senior financial management uses the equity ratio (equity as a percentage of total assets) and the debt-to-equity ratio (relationship of interest-bearing debt to equity) to monitor the adequacy of its equity capitalization as well as the return on equity.

Oerlikon is not constrained by any minimum capital requirements, which are common for banks and other financial institutions.

The ratios are shown in the table below:

in CHF million	**2007**	2006
Total assets	6 290	6 189
Equity	1 887	1 512
Equity ratio in %	**30%**	**24%**
Interest bearing liability	1 782	1 807
Equity	1 887	1 512
Debt / Equity ratio in %	**0.9**	**1.2**
Average equity	1 699	1 260
Net profit attributable to shareholders of the parent	314	304
Return on equity	**18%**	**24%**

Oerlikon strives to maintain an adequate equity base, in order to preserve its "Investment Grade" rating in the capital markets. As a guide, Oerlikon management keeps watch on the Net debt to EBITDA ratio.

in CHF million	**2007**	2006
Financial debt	1 782	1 807
Cash and cash equivalents	–484	–486
Net debt	1 298	1 321
EBITDA	724	408
Net debt to EBITDA ratio	**1.8**	**3.2**

Fair values versus carrying amounts at December 31

Note 21

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

in CHF million	**2007 Carrying amount**	**Fair Value**	2006 Carrying amount	Fair Value
Cash and cash equivalents	**484**	**484**	486	486
Available-for-sale financial assets	**8**	**8**	95	95
Loans and receivables	**906**	**906**	887	887
Interest rate derivatives				
– Assets	**1**	**1**	0	0
– Liabilities	**0**	**0**	0	0
Forward exchange contracts				
– Assets	**17**	**17**	7	7
– Liabilities	**–6**	**–6**	–6	–6
Secured bank loans	**0**	**0**	–1 548	–1 548
Unsecured bank loans	**–1 747**	**–1 747**	–29	–29
Bonds	**–9**	**–9**	–201	–201
Finance lease liabilities	**–26**	**–26**	–29	–29
Trade and other payables	**–587**	**–587**	–459	–459
Total	**–960**	**–960**	**–797**	**–797**
Unrecognized gains / (losses)		**0**		**0**

Discontinued operations and assets held for sale

Note 22

Following a strategic realignment of the Oerlikon Components segment, the business unit Optics will be sold in 2008. This business unit is a significant division of Oerlikon group and is therefore presented as a discontinued operation in accordance with IFRS 5.

In the Oerlikon Coating segment the business unit Blu-ray/DVD was sold as at January 31, 2008. The assets and liabilities of this business unit are therefore shown as assets held for sale and liabilities related to assets held for sale.

Assets in CHF million	**2007** **Total**	**Discontinued operations** Oerlikon Optics	**Assets held for sale** Blu-ray/DVD
Receivables	19	15	4
Inventories	18	8	10
Other assets	1	1	0
Current assets	**38**	**24**	**14**
Property, plant and equipment	24	24	0
Intangible assets	4	2	2
Non-current assets	**27**	**25**	**2**
Total assets	**65**	**49**	**15**

Liabilities in CHF million	**2007**	Oerlikon Optics	Blu-ray/DVD
Trade payables	9	6	2
Other liabilities	11	9	2
Current other provisions	6	6	1
Current liabilities	**26**	**21**	**5**
Non-current post-employment benefit provisions	1	1	0
Non-current liabilities	**1**	**1**	**0**
Total liabilities	**27**	**22**	**5**

The assets and liabilities held for sale are valued at book value or fair value minus selling costs, if lower. No revaluations were made.

Further details to discontinued operations

Note 22 (cont.)

in CHF million	**January 1 to December 31 2007 Oerlikon Optics**	January 1 to December 31 2006 Oerlikon Optics
Orders received	96	140
Orders on hand	19	26
Sales of goods	95	105
Services rendered	8	9
Total sales	**103**	**114**
Cost of sales	–81	–81
Gross profit	**22**	**33**
Marketing and selling	–11	–12
Research and development	–8	–5
Administration	–10	–12
Other income and expenses	–8	0
EBIT from discontinued operations	**–16**	**4**
Net financing costs	0	0
Profit before taxes (EBT) from discontinued operations	**–16**	**4**
Income tax from discontinued operations	0	0
Net profit from discontinued operations	**–16**	**4**
Attributable to:		
Shareholders of the parent	–16	4
Minority interests	0	0
Cash flow from operating activities in CHF million	8	15
Cash flow from investing activities in CHF million	–5	–5
Cash flow from financing activities in CHF million	–5	–13

OC Oerlikon participation plans

Note 23

The following plans are in existence, pursuant to which the holder is entitled to purchase one share of OC Oerlikon Corporation AG, Pfäffikon for each option held:

– Since 1998, members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon receive a portion of their compensation by means of a stock option plan (exercise period: 3 to 4 years). Since 2004, Board members may opt to take a part or all of their compensation in the form of shares. Such shares are subject to a blocking period of 2 years. Members of the Board have a choice as to the type of compensation they receive (cash or equity settlement). Such plans have not existed since 2005.

– As a long term bonus, members of the Executive Board and senior management may receive a portion of their compensation in the form of options on OC Oerlikon Corporation AG, Pfäffikon shares (exercise period: 4 or, as the case may be, 7 years). For employees still employed by the Company a blocking period of 1, 2, 3 or 4 years may apply. Out of these plans, no options were granted in 2007 to the members of the Executive Board.

At December 31, 2007 the following options were open pertaining to the plans described above:

Board of Directors

All options were either exercised or expired in the previous year. Because no options were granted in 2007, none were open at December 31, 2007. Non-executive Board members were granted 600 shares at a price of CHF 473. The shares have no blocking period. The income statement for the reporting period has been charged with CHF 0.3 million (previous year: CHF 1 million).

Employees

Allotment year	Options outstanding at 1.1.	Additions in 2007	Exercised in 2007	Expired in 2007	Options outstanding at 31.12.	Exercise price in CHF	Exercise period from	to
2001	1 038		–713	–60	265	315	29.05.2003	28.05.2008
	1 045		–713	–63	269	315	29.05.2004	28.05.2008
2002	2 357		–1 823	–62	472	189.5	14.05.2004	13.05.2009
	2 367		–1 824	–64	479	189.5	14.05.2005	13.05.2009
2003	321				321	110	24.05.2005	23.05.2010
2004	380		–380		0	176	07.01.2007	07.01.2011
2006	40 000			–40 000	0	250	01.01.2009	31.12.2009
2007		2 003		–278	1 725	602.5	01.01.2008	31.12.2013
		2 003		–278	1 725	602.5	01.01.2009	31.12.2013
		2 003		–278	1 725	602.5	01.01.2010	31.12.2013
		2 003		–278	1 725	602.5	01.01.2011	31.12.2013
Total	**47 508**	**8 012**	**–5 453**	**–41 361**	**8 706**			

Members of the Executive Board were granted a total of 14 000 Oerlikon shares in the 2007 financial year (6 000 shares on November 21, 2006 for the 2007 business year, at a price of CHF 528, 3 000 shares on March 28, 2007 at a price of CHF 720 and 5 000 shares on December 13, 2007 at a price of CHF 494). The shares have no blocking period.

Per January 2007, Executive Board Members were granted 8 012 options for the business year 2006 valid for 7 years at an exercise price of CHF 602.50. The options have a blocking period of 4 years whereof one fourth of the granted options will become exercisable each year.

The employee stock options are valued based on the Black-Scholes option pricing model. For the calculation, volatility rates were based on historically observed prices of the underlying equity, and risk-free interest rates were based on Swiss Government bonds with similar maturities. For the valuation of options granted in 2007 a share price of CHF 602.50 and an exercise price of CHF 602.50 were used. The expected volatility was assumed to be 40 percent. The option life underlying the computation is 7 years.

The employee options plan entitles the beneficiary to acquire shares (equity settlement). The expense booked in 2007 amounted to CHF 0 million (previous year: CHF 0 million). Shareholders' equity was charged accordingly. The 40 000 options granted in 2006 were withdrawn on March 28, 2007 and replaced by 3 000 shares valued at the closing price of CHF 720 for a total value of CHF 2.2 million. The cost of these transactions was charged to income in the reporting period.

For options exercised in the 2007 financial year, the weighted average share price upon exercise amounted to CHF 682.

A number of options classified under "expired in 2007" expired when the relevant employees left the company.

The potential obligation to issue shares to cover the exercise of outstanding options is covered exclusively through the purchase of Oerlikon shares in the open market. Social security contributions related to options are chargeable only as of the exercise date. The social security expense recorded in the income statement in 2007 as the result of the exercise of options amounts to CHF 0 million.

Other option plans

The Board of Directors of Saurer agreed with OC Oerlikon Corporation AG, Pfäffikon to tender all underlying Saurer shares held to hedge the employee stock options in the public tender offer process on January 4, 2007 at the official offer price of CHF 135. Employees were compensated accordingly in January 2007 (CHF 7 million).

Related party transactions

Note 24

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

Primary shareholder

The share capital of OC Oerlikon Corporation AG, Pfäffikon consists of 14 142 437 shares. At December 31, 2007 the following primary shareholders are entered in the share register:

	Share ownership as per mandatory disclosure	
Shareholder	Number of shares	in % [1]
Victory Industriebeteiligung AG, Vienna, Austria [2]	3 898 644	27.57
Deutsche Bank Group	2 209 744	15.62
Renova Industries Ltd., Zurich, Switzerland [3]	1 950 000	13.79

[1] Basis: 14 142 437 outstanding shares

[2] Beneficial ownership at December 31, 2007:

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

[3] Beneficial ownership: Victor F. Vekselberg, Moscow and Zurich

Compensation of non-executive board members

The total of all compensation paid directly or indirectly to non-executive members of the Board of Directors in 2007, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon group, was CHF 0.9 million. This included 600 shares at a price of CHF 473. No options were granted to members of the Board of Directors in 2007. The highest level of compensation paid to an individual non-executive board member was CHF 0.6 million. Compensation was as follows:

in CHF 000	Cash compensation	Shares/ Options	Other compensation [1]	Total compensation
Günther Robol	600		19	**619**
Dr. Hanno M. Bästlein, since May 8, 2007		284		**284**
Total	600	284	19	**903**

[1] The other compensation consists mainly of reimbursement of expenses.

The Chairman of the Board of Directors Georg Stumpf and the Vice-Chairman of the Board of Directors Vladimir Kuznetsov have waived their compensation for the year 2007.

Thomas Limberger retired as the sole executive member from the Board of Directors on May 8, 2007. No separate compensation was paid for this period.

On December 31, 2007 non-executive members of the Board of Directors held a total of 1 126 registered shares of OC Oerlikon Corporation AG, Pfäffikon. The shares are held by the following members:

	Number	in %
Günther Robol	876	0.009
Dr. Hanno M. Bästlein	250	0.003

Related party transactions

Note 24 (cont.)

Compensation of members of the Executive Board

The total of all compensation paid to members of the Executive Board for the year 2007 was CHF 15 million. The highest compensation paid to an individual board member was CHF 8 million.

Members of the Executive Board were also granted a total of 14 000 shares with a value of CHF 8 million, with respect to the business year 2007: 6 000 shares on November 21, 2006 at a price of CHF 528, 3 000 shares on March 28, 2007 at a price of CHF 720 and 5 000 shares on December 13, 2007 at a price of CHF 494. These shares were granted with no blocking period.

Compensation was paid to the Executive Board as follows:

in CHF 000	Fees/ salaries	Bonus	Shares/ Options	Pensions	Severance payments	Other compensation [1]	Total compensation
Total compensation to members of the Executive Board	3 900	691	7 798	379	2 252	254	**15 273**
Thereof highest paid to one individual: T. Limberger (CEO until May 8, 2007)	549	566	4 272	39	2 252	93	**7 771**

[1] The other compensation consists mainly of reimbursement of expenses as well as consulting fees for Thomas Limberger in the amount of CHF 67 000.

On December 31, 2007 members of the Executive Board held a total of 6 960 registered shares of OC Oerlikon corporation AG, Pfäffikon. The shares are held by the following members of the Executive Board:

	Number	%
Dr. Uwe Krüger, CEO	2 041	0.014%
Dr. Jörg Eichkorn, CFO	2 914	0.021%
Björn Bajan, General Counsel	2 005	0.014%

Compensation paid to former related parties

The total of all compensation paid directly or indirectly to former members of the Board of Directors or the Executive Board for the year 2007, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon group, was CHF 3 million. It was paid to two former members of the Executive Board.

No payments were made to former non-executive Board members.

The following payments were made in the year under report to former members of the Executive Board:

in CHF 000	Cash Compensation	Pensions	Severance payments	Other compensation [1]	Total compensation
Total compensation	421	71	2 580	41	**3 112**

[1] The other compensation consists mainly of reimbursement of expenses.

Loans and other payments to members of the Board of Directors and the Executive Board

No loans were granted and no other payments were made to current or former members of the Board of Directors or the Executive Board during 2007. No such loans or payments were outstanding as of December 31, 2007.

Group and associated companies

An overview of the Group subsidiary companies can be found on page 152–154. Transactions between the parent company and its subsidiaries as well as between the Group subsidiaries themselves have been eliminated in the consolidated annual financial statements.

In Germany, a Group company rents property from its pension fund. The fair value of the real estate included in the fair value of the assets of the pension fund is CHF 22 million and the annual rent is CHF 1 million.

Participation plans: see note 23.

During the year under review, there were no other related party transactions.

Contingent liabilities

Note 25

in CHF million	2007	2006
Debt guarantees	8	8
Discounted bills of exchange	7	8
Total	**15**	**16**

The contingent liabilities from guarantee of debt are mainly guarantees of debt to banks.

Payments under non-cancellable leases

Note 26

in CHF million	2007	2006
Due in 1st year	33	34
Due in 2nd year	27	28
Due in 3rd year	21	22
Due in 4th year	16	17
Due in or beyond 5th year	43	46
Total	**138**	**148**

These amounts primarily relate to rental contracts for buildings. The largest amounts pertain to the facilities of Saurer GmbH & Co. KG, Deutschland (CHF 28 million), Oerlikon Balzers Coating USA Inc. (CHF 12 million), Oerlikon Assembly Equipment AG in Steinhausen, Switzerland (CHF 12 million), and Oerlikon Balzers Coating in Bingen, Germany (CHF 11 million).

The expenses of operating leases charged to the income statement amount to CHF 25 million (previous year: CHF 24 million).

Pledged assets

Note 27

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

in CHF million	2007	2006
Property, plant and equipment	65	49
Securities	0	48
Other financial assets	0	33
Total	**65**	**130**

Assets were pledged in 2006 as collateral for bank loans raised to finance the acquisition of Saurer. These loans matured in June 2007 and were replaced by a new syndicated loan, for which no assets are pledged.

A significant part of the above mentioned pledged property, plant and equipment relates to a single sale-and-leaseback contract from an Italian subsidiary.

Events subsequent to the balance sheet date

Note 28

Sale of blu-ray business
As of January 31, 2008 Oerlikon group sold its blu-ray disc business to Singulus Technologies AG, Kahl am Main. The assets and liabilities of this business unit are therefore shown in the attached accounts as assets held for sale and liabilities related to assets held for sale.

Sale of associated company
Oerlikon's investment in 23 percent of Novalux Inc., USA, was sold to Arasor with effect from January 9, 2008. The sale price was set at the symbolic value of CHF 1, so for this reason the investment was fully written off as of December 31st, 2007.

Segment information 2006–2007

in CHF million	Oerlikon Coating 2007	Oerlikon Coating 2006	Oerlikon Vacuum 2007	Oerlikon Vacuum 2006	Oerlikon Components 2007	Oerlikon Components 2006	Oerlikon Textile 2007	Oerlikon Textile 2006
Order intake	1 346	1 195	477	444	376	297	2 655	398
Orders on hand	510	478	78	59	200	169	821	867
Sales								
Sales to third parties	994	816	458	430	344	336	2 719	464
Sales to Group companies	1	1	7	5	88	52	0	0
	995	**817**	**464**	**434**	**432**	**388**	**2 719**	**464**
Sales by market region								
Japan and Asia / Pacific	289	249	121	110	196	191	1 453	237
Europe	513	406	244	219	123	112	788	144
North America	178	154	89	98	21	31	299	55
Other regions	13	8	3	3	3	2	179	28
	994	**816**	**458**	**430**	**344**	**336**	**2 719**	**464**
Sales by location								
Japan and Asia / Pacific	119	143	94	84	8	76	374	56
Europe	670	499	283	258	274	184	2 207	384
North America	153	131	80	88	61	76	134	21
Other regions	52	43	0	0	0	0	3	2
	994	**816**	**458**	**430**	**344**	**336**	**2 719**	**464**
Capital expenditure for fixed and intangible assets								
Japan and Asia / Pacific	17	19	3	3	0	2	14	4
Europe	64	55	14	10	37	24	69	23
North America	10	21	0	0	0	0	1	0
Other regions	14	7	0	0	0	0	0	0
	105	**102**	**18**	**12**	**37**	**26**	**84**	**27**
Number of employees								
Japan and Asia / Pacific	641	568	244	219	290	261	2 652	2 389
Europe	2 155	1 987	1 101	1 075	860	815	4 736	5 054
North America	485	551	82	78	11	12	332	304
Other regions	373	357	9	6	0	0	33	75
	3 655	**3 463**	**1 436**	**1 378**	**1 161**	**1 089**	**7 753**	**7 822**
Assets (only third-party)								
Japan and Asia / Pacific	109	106	43	39	28	36	261	205
Europe	491	445	159	143	352	330	2 083	2 102
North America	205	214	22	27	13	16	40	51
Other regions	84	53	0	0	0	0	5	7
	889	**819**	**223**	**209**	**394**	**382**	**2 389**	**2 364**
Liabilities (only third-party)	–327	–226	–263	–281	–180	–182	–936	–1 027
Net Assets (only third-party) [1]	**562**	**592**	**–40**	**–72**	**213**	**199**	**1 453**	**1 337**
Assets including intercompany relationships	902	820	231	210	413	388	2 391	2 364
Liabilities including intercompany relationships	–363	–240	–267	–284	–197	–185	–944	–1 027
Net assets including intercompany relationships [1]	**539**	**580**	**–36**	**–74**	**216**	**203**	**1 447**	**1 337**
Research and development expenses	–65	–44	–25	–23	–24	–18	–103	–20
Earnings before deprecaition and amortization (EBITDA)	209	176	64	56	48	60	276	35
Depreciation and amortization	–62	–50	–9	–9	–8	–7	–69	–11
Impairment / Reversal of impairment on property, plant and equipment	0	9	0	0	–8	2	0	0
EBIT	**147**	**135**	**55**	**47**	**33**	**55**	**208**	**24**

[1] Net assets include all current and non-current operating assets (excluding cash and financial assets), less operating liabilities (excluding financial liabilities and tax provisions).

Segment information 2006–2007

	Oerlikon Drive Systems		Other		Oerlikon Group Continuing operations		Discontinued operations		Elimination		Total Oerlikon Group	
	2007	2006	**2007**	2006	**2007**	2006	2007	2006	2007	2006	**2007**	2006
	1 185	154	3	3	6 041	2 491	96	140			6 137	2 631
	231	175	0	0	1 841	1 748	19	26			1 860	1 732
	1 113	157	3	3	5 629	2 206	103	114			5 732	2 319
	0	0	0	0	96	58			–96	–58	0	0
	1 113	**157**	**3**	**3**	**5 725**	**2 263**	**103**	**114**	**–96**	**–58**	**5 732**	**2 319**
	54	8	0	0	2 113	795	58	62			2 171	856
	645	87	3	3	2 316	970	6	6			2 322	975
	413	62	0	0	1 000	400	39	47			1 039	447
	2	0	0	0	200	41	0	0			200	41
	1 113	**157**	**3**	**3**	**5 629**	**2 206**	**103**	**114**			**5 732**	**2 319**
	56	6	0	0	651	365	6	10			657	375
	731	108	3	3	4 167	1 436	42	45			4 209	1 481
	326	43	0	0	755	360	54	58			809	418
	0	0	0	0	56	45	0	0			56	45
	1 113	**157**	**3**	**3**	**5 629**	**2 206**	**103**	**114**			**5 732**	**2 319**
	11	1	0	0	46	29	1	3			47	32
	48	5	29	45	261	163	3	5			263	168
	15	3	0	5	26	29	2	1			28	30
	0	0	0	0	14	7	0	0			14	7
	74	**9**	**29**	**50**	**347**	**227**	**6**	**9**			**353**	**237**
	1 158	1 102	0	0	4 985	4 539	197	153			5 182	4 692
	2 731	2 616	287	221	11 871	11 768	254	294			12 124	12 062
	1 159	1 041	4	4	2 073	1 990	96	85			2 169	2 075
	0	0	6	0	421	438					421	438
	5 048	**4 759**	**297**	**225**	**19 349**	**18 735**	**547**	**532**			**19 896**	**19 267**
	89	72	0	0	531	458	13	0			544	458
	961	1 058	134	138	4 180	4 216	42	0			4 223	4 216
	388	283	13	17	681	607	10	0			690	607
	0	0	0	0	89	60	0	0			89	60
	1 438	**1 413**	**148**	**156**	**5 481**	**5 342**	**65**	**0**			**5 547**	**5 342**
	–341	–295	–168	–216	–2 215	–2 228	–27	0			–2 243	–2 228
	1 097	**1 118**	**–20**	**–60**	**3 266**	**3 114**	**38**	**0**			**3 305**	**3 114**
	1 439	1 413	194	168	5 569	5 363	67	0	–88	–21	5 547	5 342
	–353	–295	–178	–218	–2 302	–2 249	–30	0	88	21	–2 243	–2 228
	1 086	**1 118**	**16**	**–50**	**3 266**	**3 114**	**37**	**0**			**3 305**	**3 114**
	–14	–4	0	0	–231	–109	–8	–5			–239	–114
	143	24	–17	57	724	408	0	14			724	422
	–60	–10	–12	–7	–220	–94	–16	–10			–235	–104
	0	0	0	0	–8	11	0	0			–8	11
	83	**14**	**–29**	**51**	**496**	**325**	**–16**	**4**			**480**	**329**

Companies by country

Country	Production	Distribution	R&D	Service	Name, registered office	Local currency	Sharecapital	Group owns %	Number of employees
Austria	■	■			Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00	73
Austria	■	■	■	■	Oerlikon Neumag Austria GmbH, Leonding/AT	EUR	600 000	100.00	127
Austria				■	Saurer Holding GmbH, Leonding/AT	EUR	35 000	100.00	0
Belgium	■	■			Oerlikon Balzers Coating Benelux N.V., St. Truiden/BE	EUR	620 000	100.00	51
Brazil	■	■			Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	15 358 000	99.00	161
Brazil		■		■	Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR	BRL	9 384 968	100.00	34
Cayman Islands				■	Saurer Group Investments Ltd., George Town/KY	CHF	474 469 300	100.00	0
China	■	■			Jintan Texparts Components Co. Ltd., Jintan/CN	USD	5 062 288	70.00	73
China	■	■			Oerlikon (Shanghai) Co. Ltd., Shanghai/CN	USD	12 000 000	100.00	261
China	■	■			Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 000 000	100.00	94
China	■	■			Oerlikon Leybold Vacuum (Tianjin) Co. Ltd., Tianjin/CN	USD	4 960 000	100.00	99
China		■			Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN	USD	200 000	100.00	58
China				■	Oerlikon Textile China Investments Ltd., Hong Kong/CN	HKD	266 052 505	100.00	0
China		■			Oerlikon Textile Components Far East Ltd., Hong Kong/CN	HKD	10 000	100.00	7
China		■		■	Oerlikon Textile Far East Ltd., Hong Kong/CN	HKD	100 000	100.00	20
China		■			Oerlikon Textile Trading and Services Ltd., Hong Kong/CN	HKD	275 200	100.00	0
China	■	■		■	Oerlikon (China) Technology Co. Ltd., Suzhou/CN	USD	30 000 000	100.00	951
China				■	Saurer China Equity Ltd., Hong Kong/CN	HKD	253 910 000	100.00	0
China	■	■	■	■	Saurer (Jintan) Textile Machinery Co. Ltd., Jintan/CN	USD	22 482 422	70.00	579
China	■	■	■	■	Saurer Textile Machinery (Beijing) Co. Ltd., Beijing/CN	USD	1 112 220	100.00	188
China	■	■	■		Saurer Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN	USD	7 000 000	100.00	172
Czech Republic	■	■			Graziano Trasmissioni Czech s.r.o., Praha/CZ	CZK	110 000 000	100.00	141
Czech Republic	■	■	■	■	Oerlikon Czech s.r.o., Cerveny Kostelec/CZ	CZK	30 000 000	100.00	495
Denmark					Neumag Denmark a/s, Horsens/DK	DKK	42 000 000	100.00	0
France	■	■			Oerlikon Balzers Coating France SAS, St. Thibault des Vignes/FR	EUR	3 150 000	100.00	195
France		■	■		Oerlikon France SAS, Palaiseau/FR	EUR	923 072	100.00	0
France				■	Oerlikon France Holding SAS, St. Thibault des Vignes/FR	EUR	4 000 000	100.00	0
France	■	■	■		Oerlikon Leybold Vacuum France SAS, Villebon sur Yvette/FR	EUR	3 095 750	100.00	201
Germany	■	■	■	■	AUTEFA automation GmbH, Friedberg/DE	EUR	25 000	60.00	89
Germany				■	Barmag Liegenschaften GmbH & Co. KG, Remscheid/DE	EUR	5 000 000	100.00	0
Germany		■	■	■	ERMAFA Kunststofftechnik Chemnitz GmbH, Chemnitz/DE	EUR	50 000	100.00	33
Germany				■	Keller Tribotechnik GmbH, Schopfheim/DE	EUR	600 000	100.00	0
Germany	■	■	■		Oerlikon Accotex Texparts GmbH, Fellbach/DE	EUR	51 400	100.00	406
Germany	■	■			Oerlikon Balzers Coating Germany GmbH, Bingen/DE	DEM	1 000 000	100.00	431
Germany	■	■	■	■	Oerlikon Balzers VST GmbH & Co. KG, Schopfheim/DE	EUR	850 000	100.00	74
Germany				■	Oerlikon Deutschland Holding GmbH, München/DE	EUR	30 680 000	100.00	13
Germany		■			Oerlikon Deutschland Vertriebs GmbH, München/DE	EUR	26 000	100.00	35
Germany		■	■	■	Oerlikon Enka tecnica GmbH, Übach-Palenberg/DE	EUR	511 300	100.00	119
Germany		■	■	■	Oerlikon Heberlein TEMCO GmbH, Hammelburg/DE	EUR	25 000	100.00	88
Germany				■	Oerlikon IT Solutions GmbH, Alzenau/DE	EUR	25 000	100.00	61
Germany	■	■			Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE	EUR	100 000	100.00	79
Germany	■	■	■		Oerlikon Leybold Vacuum GmbH, Köln/DE	EUR	1 200 000	100.00	751
Germany	■	■	■		Oerlikon Optics Deutschland GmbH, Geisenheim/DE	EUR	5 150 000	100.00	27
Germany				■	Oerlikon Real Estate GmbH, Köln/DE	EUR	50 000	100.00	5
Germany	■	■	■	■	Oerlikon Textile GmbH & Co. KG, Mönchengladbach/DE	EUR	41 000 000	100.00	2 981
Germany				■	Oerlikon Textile Verwaltungs GmbH, Mönchengladbach/DE	EUR	250 000	49.00	0
Germany				■	Oerlikon Vacuum Holding GmbH, München/DE	EUR	25 000	100.00	0
Germany				■	Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Köln/DE	EUR	25 000	100.00	0
Germany				■	Oerlikon Vermögens-Verwaltungs GmbH, München/DE	EUR	25 000	100.00	0
Germany				■	Saurer Beteiligungs AG, Mönchengladbach	EUR	250 000	49.00	0
Germany				■	Saurer IP GmbH, Remscheid/DE	EUR	250 000	100.00	0
Germany				■	VERSCHLEISS SCHUTZ TECHNIK KELLER Verwaltungs GmbH, Schopfheim/DE	DEM	50 000	100.00	0
Germany				■	W. Reiners Verwaltungs GmbH, Mönchengladbach/DE	DEM	75 000 000	100.00	0
Great Britain	■	■	■		Fibrevision Ltd., Macclesfield/UK	GBP	3	25.00	0
Great Britain		■			Graziano Trasmissioni UK Ltd., St. Neots/UK	GBP	40 000	100.00	9
Great Britain	■	■			Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK	GBP	2 000 000	100.00	62
Great Britain		■			Oerlikon Leybold Vacuum UK Ltd., London/UK	GBP	300 000	100.00	24
Great Britain		■			Oerlikon Optics UK Ltd., London/UK	GBP	1	100.00	32
Great Britain		■			Unaxis IT (UK) Ltd., Monmouth/UK	GBP	1 000	100.00	0
Great Britain		■	■		Vocis Limited, Warwick/UK	GBP	200 000	100.00	11
India	■	■	■		Fairfield Atlas Ltd., Kolhapur/IN	INR	273 205 400	83.87	644
India	■	■			Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN	INR	267 124 880	100.00	479
India	■	■			Oerlikon Balzers Coating (India) Pvt. Ltd., Pune/IN	INR	70 000 000	100.00	146
India		■			Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN	INR	2 000 000	100.00	9

Companies by country

Country	Production	Distribution	R&D	Service	Name, registered office	Local currency	Sharecapital	Group owns %	Number of employees
India	■	■			Oerlikon Textile Components India Pvt. Ltd., Mumbai/IN	INR	100 000	100.00	0
India		■	■	■	Oerlikon Textile India Pvt. Ltd., Mumbai/IN	INR	57 360 000	100.00	262
India	■	■	■	■	Peass Industrial Engineers Ltd., Gujarat/IN	INR	15 000 000	51.00	161
India	■	■	■		Saurer Precicomp Pvt. Ltd., Bangalore/IN	INR	16 000 000	76.00	19
India	■	■	■	■	Zinser Textile Systems Pvt. Ltd., Ahmedabad/IN	INR	45 500 000	70.00	42
Italy		■	■		Graziano Trasmissioni Engineering S.p.A., Cascine Vica Rivoli/IT	EUR	1 500 000	100.00	0
Italy				■	Graziano Trasmissioni Group S.p.A., Torino/IT	EUR	50 725 138	100.00	0
Italy		■	■	■	Graziano Trasmissioni S.p.A., Cascine Vica Rivoli/IT	EUR	58 697 357	100.00	2 568
Italy	■	■			I.T.T. Industria Trattamenti termici S.r.l., Cervere/IT	EUR	5 000 000	100.00	0
Italy	■	■	■	■	Oerlikon Neumag Italy S.p.A., Biella/IT	EUR	1 500 000	100.00	105
Italy	■	■			Oerlikon Balzers Coating Italy S.p.A., Milano/IT	EUR	130 000	100.00	98
Italy		■			Oerlikon Leybold Vacuum Italy S.r.l., Milano/IT	EUR	1 040 000	100.00	13
Japan		■	■		Oerlikon Japan Co. Ltd., Tokio/JP	JPY	450 000 000	100.00	36
Japan		■			Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP	JPY	450 000 000	100.00	33
Japan	■	■			Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00	136
Liechtenstein	■	■	■	■	OC Oerlikon Balzers AG, Balzers/FL	CHF	30 000 000	100.00	1 159
Luxembourg	■	■			Oerlikon Balzers Coating Luxembourg S.A.R.L., Differdange/LU	EUR	1 000 000	60.00	13
Mexico	■	■			Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX	MXN	71 458 000	100.00	66
Netherlands		■			Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL	EUR	2 314 280	100.00	7
Netherlands		■			Oerlikon Nederland B.V., Utrecht/NL	EUR	37 000	100.00	8
Netherlands				■	SAC Saurer Automotive Components B.V., Rotterdam/NL	NLG	25 000 000	100.00	0
Philippines		■			Unaxis (Philippines) Inc., Manila/PH	PHP	5 250 000	100.00	0
Poland	■	■			Oerlikon Balzers Coating Poland Sp.z.o o., Polkowice-Dolne/PL	PLZ	5 000 000	100.00	37
Russia		■			OOO Oerlikon Rus, Moskwa/RU	RUB	7 790 760	100.00	6
Singapore	■	■	■	■	Oerlikon Assembly Equipment Pte. Ltd., Singapore/SG [2]	USD		100.00	206
Singapore		■			Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG [1]	EUR		100.00	6
Singapore		■			Oerlikon SEA Pte. Ltd., Singapore/SG	SGD	100 000	100.00	0
Singapore	■	■	■		Oerlikon Textile Components Singapore Pte. Ltd., Singapore/SG	SGD	1 000 000	100.00	213
South Korea	■	■			Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90	205
South Korea		■	■		Oerlikon Korea Ltd., Seoul/KR	KRW	1 220 000 000	100.00	31
South Korea		■			Oerlikon Leybold Vacuum Korea Ltd., Seoul/KR	KRW	7 079 680 000	100.00	20
Spain	■	■			Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES	EUR	150 000	51.00	70
Spain		■			Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES	EUR	168 283	100.00	8
Sweden	■	■			Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00	56
Sweden		■			Oerlikon Leybold Vacuum Skandinavia AB, Göteborg/SE	SEK	800 000	100.00	11
Switzerland				■	AKTIENGESELLSCHAFT ADOLPH SAURER, Arbon/CH	CHF	10 000 000	100.00	2
Switzerland		■			GTG-Graziano Trasmissioni Group AG, Arbon/CH	CHF	250 000	100.00	2
Switzerland				■	InnoDisc AG, Windisch/CH	CHF	100 000	100.00	0
Switzerland				■	OC Oerlikon Corporation AG, Pfäffikon, Pfäffikon SZ/CH	CHF	282 848 740	100.00	0
Switzerland				■	OC Oerlikon Management AG, Pfäffikon, Pfäffikon SZ/CH	CHF	2 000 000	100.00	146
Switzerland				■	Oerlikon Aerospace AG, Zürich/CH	CHF	100 000	100.00	0
Switzerland	■	■	■		Oerlikon Assembly Equipment AG, Steinhausen, Steinhausen/CH	CHF	2 400 000	100.00	335
Switzerland	■	■			Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00	35
Switzerland		■			Oerlikon Heberlein Temco Wattwil AG, Wattwil/CH	CHF	1 000 000	100.00	13
Switzerland				■	Oerlikon IT Solutions AG, Pfäffikon, Pfäffikon SZ/CH	CHF	500 000	100.00	62
Switzerland		■			Oerlikon Leybold Vacuum Schweiz AG, Zürich/CH	CHF	300 000	100.00	7
Switzerland				■	Oerlikon Licensing Arbon GmbH, Arbon/CH	CHF	20 000	100.00	0
Switzerland	■	■	■	■	Oerlikon Saurer Arbon AG, Arbon/CH	CHF	14 160 000	100.00	279
Switzerland				■	Oerlikon SB Holdings Arbon AG, Arbon/CH	CHF	100 000	100.00	0
Switzerland			■		Oerlikon Solar-Lab SA, Neuchâtel, Neuchâtel/CH	CHF	1 000 000	100.00	13
Switzerland	■	■	■		Oerlikon Solutions AG, Trübbach, Trübbach/CH	CHF	100 000	100.00	161
Switzerland	■	■	■	■	Oerlikon Space AG, Zürich/CH	CHF	15 000 000	100.00	303
Switzerland				■	Oerlikon Trading AG, Trübbach, Trübbach/CH	CHF	8 000 000	100.00	0
Switzerland				■	Saurer AG, Arbon/CH	CHF	112 019 600	100.00	0
Switzerland				■	Saurer Management AG, Winterthur/CH	CHF	100 000	100.00	1
Switzerland				■	Unaxis Corporation AG, Pfäffikon SZ/CH	CHF	100 000	100.00	0
Taiwan		■			Oerlikon Assembly Equipment (Taiwan) Ltd., Hsin Chu/TW	TWD	5 000 000	100.00	26
Taiwan		■			Oerlikon Leybold Vacuum Taiwan Ltd., Hsin Chu/TW	TWD	20 000 000	100.00	28
Taiwan		■			Oerlikon Taiwan Ltd., Hsin Chu/TW	TWD	20 000 000	100.00	63
Thailand	■	■			Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	100.00	21
Turkey	■	■			Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	100.00	8
Turkey		■		■	Saurer Middle East Tekstil Makinalari Dis Ticaret A.S., Istanbul/TR	TRY	650 000	100.00	33
USA	■	■	■		Fairfield Manufacturing Company Inc., Lafayette, IN/US	USD	10 000	100.00	1 152
USA		■			Graziano Trasmissioni North America Inc., Duluth, GA/US	USD	1	100.00	7
USA	■	■	■	■	Melco Industries Inc., Denver, CO/US	USD	2 407 000	100.00	114
USA	■	■	■		Oerlikon Accotex Texparts Inc., Greenville, SC/US	USD	100	100.00	52
USA	■	■			Oerlikon Balzers Coating USA Inc., Elgin, IL/US	USD	25 000	100.00	314
USA	■	■	■		Oerlikon Leybold Vacuum USA Inc., Export, PA/US	USD	1 375 000	100.00	82
USA	■	■			Oerlikon Optics USA Inc., Golden, CO/US	USD	1 000	100.00	96

Companies by country

Country	Production	Distribution	R&D	Service	Name, registered office	Local currency	Sharecapital	Group owns %	Number of employees
USA				■	Oerlikon Space Inc., Pittsburgh, PA/US	USD	500 000	100.00	3
USA		■		■	Oerlikon Textile Inc., Charlotte, NC/US	USD	3 000 000	100.00	133
USA				■	Oerlikon USA Holding Inc., Pittsburgh, PA/US	USD	24 980 000	100.00	1
USA	■	■	■		Oerlikon USA Inc., St. Petersburg, FL/US	USD	14 730 000	100.00	172
USA				■	Saurer Financing LP, Charlotte, NC/US	USD	2 000 000	100.00	1
USA				■	Saurer Holding Inc., Denver, CO/US	USD	5 058 000	100.00	0
USA	■	■	■	■	VST Keller Inc., Wilmington, DE/US [3]	USD		100.00	10

[1] Shares have no par value. Share capital amounts to EUR 187 441

[2] Shares have no par value. Share capital amounts to USD 8 747 797

[3] Shares have no par value. Share capital amounts to USD 50 000

Report of the Group Auditors

Report of the Group Auditors to the General Meeting of OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of recognised income and expense, statement of changes in equity, cash flow statement and notes on pages 105 to 154) of OC Oerlikon Corporation AG, Pfäffikon for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

KPMG Ltd

Herbert Bussmann
Auditor in Charge

Thomas Affolter

Zurich, 26 March 2008

Key figures 2003–2007

in CHF million	**2007**	2006	2005	2004	2003
Orders received	**6 041**	2 491	1 455	1 778	1 788
Orders on hand	**1 841**	1 706	355	494	575
Sales	**5 629**	2 206	1 605	1 850	1 610
EBITDA	**724**	408	128	–3	157
- as % of sales	**13%**	18%	8%	–0%	10%
EBIT	**496**	325	34	–329	16
- as % of sales	**9%**	15%	2%	–18%	1%
Net profit	**319**	306	21	–372	32
- as % of sales	**6%**	14%	1%	–20%	2%
- as % of equity attributable to shareholders of the parent	**17%**	21%	2%	–31%	2%
Cash flow from operating activities [1]	**678**	372	84	114	
Capital expenditure for fixed and intangible assets	**347**	227	91	240	98
Total assets	**6 290**	6 189	1 979	2 411	2 550
Equity attributable to shareholders of the parent	**1 859**	1 488	1 001	1 215	1 488
- as % of total assets	**30%**	24%	51%	50%	58%
Net liquidity [2]	**–794**	–592	706	669	728
Net assets [3]	**3 266**	3 114	510	488	1 032
EBIT as % of net assets (RONA)	**15%**	10%	7%	–67%	2%
Number of employees	**19 349**	18 735	6 434	6 844	6 456
Personnel expenses	**1 412**	693	600	629	595
Research and development expenses [4]	**274**	149	148	180	154

[1] Before changes in net current assets.

[2] Net liquidity includes marketable securities and treasury shares at market value at December 31.

[3] Net assets include current and non-current operating assets (excluding cash and financial assets) less operating liabilities (excluding financial liabilities and tax provisions).

[4] Research and development expenses include expenses recognized as intangible assets CHF 52 million (previous year: CHF 49 million).

OC Oerlikon Corporation AG, Pfäffikon

Income statement of OC Oerlikon Corporation AG, Pfäffikon

in CHF	Notes	**2007**	2006
Income from investments in subsidiaries	2	23 901 585	4 524 862
Financial income	3	208 199 296	228 460 130
Other income	5	38 730 063	4 091 739
		270 830 944	237 076 731
Financial expense	4	–102 842 291	–39 815 822
Other expense	6	–70 523 391	–32 641 936
		97 465 262	164 618 973
Change in value adjustments to loans and investments in subsidiaries		–6 093 986	–63 210 195
Net income		**91 371 276**	**101 408 778**

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

Assets

in CHF	Notes	2007	in %	2006	in %
Cash and cash equivalents	7	210 152 590	5.7	226 993 998	7.9
Marketable securities	8	0	0.0	48 963 600	1.7
Treasury shares	9	343 267 815	9.2	182 932 007	6.4
Receivables					
– from third parties		871 329	0.0	1 060 242	0.0
– from affiliated companies		27 844 358	0.7	3 309 698	0.1
Prepaid expenses and accrued income		0	0.0	12 946	0.0
Current assets		**582 136 092**	**15.7**	**463 272 491**	**16.2**
Investments	10	2 446 279 638	65.8	1 998 259 828	69.7
Loans to affiliated companies	11	630 255 868	17.0	393 139 487	13.7
Intangible assets	12	56 516 041	1.5	12 490 000	0.4
Non-current assets		**3 133 051 547**	**84.3**	**2 403 889 315**	**83.8**
Total assets		**3 715 187 639**	**100.0**	**2 867 161 806**	**100.0**

Liabilities and equity

in CHF	Notes	2007	in %	2006	in %
Current payables					
– to third parties		1 544 242	0.0	3 489 300	0.1
– to affiliated companies		122 309 782	3.3	19 765 949	0.7
Accrued liabilities		37 158 610	1.0	15 965 300	0.6
Short term deposits from affiliated companies	13	647 501 302	17.4	384 520 426	13.4
Short term bank loans	14	1 725 742 900	46.5	1 316 612 165	45.9
Provisions	15	78 444 020	2.1	115 727 409	4.0
Liabilities		**2 612 700 856**	**70.3**	**1 856 080 549**	**64.7**
Share capital	16	282 848 740	7.6	282 848 740	9.9
Legal reserve		196 814 878	5.3	197 587 992	6.9
Free reserve		235 000 000	6.3	235 000 000	8.2
Reserve for treasury shares	17	183 739 370	4.9	182 932 007	6.4
Retained earnings					
– Balance brought forward		112 712 518	3.0	11 303 740	0.4
– Net income		91 371 276	2.5	101 408 778	3.5
Total equity	19	**1 102 486 783**	**29.7**	**1 011 081 257**	**35.3**
Equity and liabilities		**3 715 187 639**	**100.0**	**2 867 161 806**	**100.0**
Contingent liabilities	18	**55 558 000**		**58 211 000**	

Notes to the financial statements of OC Oerlikon Corporation AG, Pfäffikon

General

Reporting basis (1)

The financial statements of OC Oerlikon Corporation AG, Pfäffikon are prepared in compliance with Swiss Corporate Law. They are a supplement to the consolidated financial statements prepared according to International Financial Reporting Standards (IFRS). While the consolidated financial statements reflect the economic situation of the Group as a whole, the information contained in the financial statements of OC Oerlikon Corporation AG, Pfäffikon relates to the ultimate parent company alone. The retained earnings reported in these financial statements provide the basis for the decision regarding the distribution of earnings to be made during the annual General Meeting of Shareholders.

Income Statement

Income from investments in subsidiaries (2)

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

Financial income (3)

Financial income includes dividends received from marketable securities, interest income from inter-company loans, profit on sale of treasury shares and income from revaluation of treasury shares.

Financial expense (4)

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

Other income (5)

Other income consists mainly of trade mark fees, which were increased with the acquisition of Saurer AG.

Other expense (6)

Other expense consists mainly of management fees charged in favor of OC Oerlikon Management AG, Pfäffikon and costs incurred in connection with the Saurer acquisition.

Balance sheet

Cash and cash equivalents (7)

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

Marketable securities (8)

The marketable securities were sold in the first half of 2007.

Treasury shares (9)

The number of treasury shares was reduced from 1 050 012 to 1 048 146 (7.4% of the share capital). At year-end the shares had a market value of CHF 496 million (2006: CHF 633 million). In the attached accounts the treasury shares have been valued at their market value as at March 6, 2008 (CHF 327.50), giving a total value of CHF 343 267 815. This was a change in the basis of valuation of treasury shares (held at acquisition cost in prior years) which had an income effect of CHF 160 million.

During 2007, 1 share was sold (2006: 351 040) and 6 130 (2006: 21 243) shares were given to employees. 1 605 shares (2006: 9 601) were repurchased from employees and 2 660 purchased on the stock exchange. The shares were purchased at prices between CHF 394.87 and CHF 760.50 and sold at prices between CHF 494.00 and 750.00. No shares were offered to employees at preferential prices. Further information on treasury share transactions can be found in the consolidated statement of changes in shareholders' equity.

Investments (10)

The significant equity interests in subsidiary companies listed on page 161 were included in the investment portfolio of OC Oerlikon Corporation AG, Pfäffikon as at December 31, 2007. A list of the more important companies in which OC Oerlikon Corporation AG, Pfäffikon has a direct or indirect equity interest is shown at the end of this report. These investments are recorded at historical cost less any value adjustments.

Loans to affiliated companies (11)

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

Intangible assets (12)

These include mainly trademarks of Oerlikon and Saurer. These are being depreciated over 5 years.

Short term deposits from affiliated companies (13)

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

Bank loans (14)

In 2007, bank loans amounting to CHF 1 726 million were taken up to finance the acquisition of Saurer AG, and also for general business purposes.

Provisions (15)

The reduction versus prior year arises from a reduced requirement for provisions.

Share capital (16)

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

Shareholders holding more than 5% as at December 31, 2007 were [1]:
– 27.6% (2006: 34.2%) Victory Industriebeteiligung AG, Vienna [2]
– 5.6% (2006: 0.6%) Deutsche Bank Group
– 13.8% (2006: 10.3%) Renova Industries Ltd. [3] Nassau, Bahamas [4]
– 7.4% (2006: 7.4%) OC Oerlikon Corporation AG, Pfäffikon
– 6.3% (2006: 5.1%) Merrill Lynch Group

Reserve for treasury shares (17)

This reserve represents the acquisition cost of 1 048 146 (2006: 1 050 012) treasury shares.

Contingent Liabilities (18)

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

Release of hidden reserves

In addition to the increased income resulting from the change in valuation of treasury shares (see note 9), hidden reserves were released in the amount of CHF 36 million.

Disclosure of compensation of Members of the Board of Directors and the Executive Board

The disclosure of the compensation of the members of the Board of Directors and the Executive Board as required by the Swiss Code of Obligations may be found on pages 147 to 148.

[1] The holdings listed are the most recent disclosures made in late 2007 by the investors concerned. (Exception: in the case of OC Oerlikon Corporation AG, Pfäffikon the exact holding at the year-end is given.) Holdings actually entered in the share register were in some cases considerably lower (the holding of Merrill Lynch was not entered in the share register at all).
[2] Beneficial owners:
– Millennium Privatstiftung, Vienna
– RPR Privatstiftung, Vienna
[3] In 2006 this investment was held by Renova Holding Ltd., Nassau, Bahamas
[4] Beneficial owner: Victor F. Vekselberg, Moscow and Zürich

Notes to the financial statements of OC Oerlikon Corporation AG, Pfäffikon

Investments

Company	Currency	Share capital	Investment in %
AKTIENGESELLSCHAFT ADOLPH SAURER, Arbon/CH	CHF	10 000 000	100.00
InnoDisc AG, Windisch/CH	CHF	100 000	100.00
OC Oerlikon Balzers AG, Balzers/FL	CHF	30 000 000	100.00
OC Oerlikon Management AG, Pfäffikon, Pfäffikon SZ/CH	CHF	2 000 000	100.00
Oerlikon (Shanghai) Co. Ltd., Shanghai/CN	USD	12 000 000	100.00
Oerlikon Aerospace AG, Zürich/CH	CHF	100 000	100.00
Oerlikon Assembly Equipment AG, Steinhausen, Steinhausen/CH	CHF	2 400 000	100.00
Oerlikon Assembly Equipment Pte. Ltd., Singapore/SG [1]	USD		100.00
Oerlikon Balzers Coating (India) Pvt. Ltd., Pune/IN	INR	70 000 000	100.00
Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 000 000	100.00
Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	100.00
Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00
Oerlikon Balzers Coating Italy S.p.A., Milano/IT	EUR	130 000	100.00
Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90
Oerlikon Balzers Coating Luxembourg S.A.R.L., Differdange/LU	EUR	1 000 000	60.00
Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX	MXN	71 458 000	100.00
Oerlikon Balzers Coating Poland Sp.z.o o., Polkowice-Dolne/PL	PLZ	5 000 000	100.00
Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	2 000 000	100.00
Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00
Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK	GBP	2 000 000	100.00
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	100.00
Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	15 358 000	99.00
Oerlikon Balzers Sandvik Coating AB, Stockholm/SE	SEK	11 600 000	51.00
Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES	EUR	150 000	51.00
Oerlikon Deutschland Holding GmbH, München/DE	EUR	30 680 000	100.00
Oerlikon France Holding SAS, St. Thibault des Vignes/FR	EUR	4 000 000	100.00
Oerlikon IT Solutions AG, Pfäffikon, Pfäffikon SZ/CH	CHF	500 000	100.00
Oerlikon Japan Co. Ltd., Tokio/JP	JPY	450 000 000	100.00
Oerlikon Korea Ltd., Seoul/KR	KRW	1 220 000 000	100.00
Oerlikon Leybold Vacuum Taiwan Ltd., Hsin Chu/TW	TWD	20 000 000	100.00
Oerlikon Licensing Arbon GmbH, Arbon/CH	CHF	20 000	100.00
Oerlikon Nederland B.V., Utrecht/NL	EUR	37 000	100.00
Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00
Oerlikon Optics UK Ltd., London/UK	GBP	1	100.00
Oerlikon Solar-Lab SA, Neuchâtel, Neuchâtel/CH	CHF	1 000 000	100.00
Oerlikon Solutions AG, Trübbach, Trübbach/CH	CHF	100 000	100.00
Oerlikon Space AG, Zürich/CH	CHF	15 000 000	100.00
Oerlikon Trading AG, Trübbach, Trübbach/CH	CHF	8 000 000	100.00
Oerlikon USA Holding Inc., Pittsburgh, PA/US	USD	24 980 000	100.00
Oerlikon Vermögens-Verwaltungs GmbH, München/DE	EUR	25 000	100.00
OOO Oerlikon Rus, Moskwa/RU	RUB	7 790 760	100.00
Saurer AG, Arbon/CH	CHF	112 019 600	100.00
Saurer Management AG, Winterthur/CH	CHF	100 000	100.00
Unaxis Corporation AG, Pfäffikon SZ/CH	CHF	100 000	100.00
Unaxis IT (UK) Ltd., Monmouth/UK	GBP	1 000	100.00
Vocis Limited, Warwick/UK	GBP	200 000	100.00

[1] Shares have no par value. Share capital amounts to USD 8 747 797.

Changes in shareholders' equity

Note 19

in CHF millions	Share capital	Legal reserve	Reserve for treasury shares	Free reserve	Retained earnings	Total shareholders' equity
Balance at 1.1.2004	**263.4**	**133.5**	**44.0**	**345.0**	**338.8**	**1 124.7**
Capital increase	19.4					19.4
Merger loss (ESEC)				–52.0		–52.0
Allocation to free reserve				305.0	–305.0	0.0
Payment of dividend for financial year 2003					–27.7	–27.7
Elimination of reserve for treasury shares		2.8	–2.8			0.0
Net loss 2004					–159.2	–159.2
Balance at 31.12.2004	**282.8**	**136.3**	**41.2**	**598.0**	**–153.1**	**905.2**
Transfer from free reserve				–160.0	160.0	0.0
Elimination of reserve for treasury shares			203.0	–203.0		0.0
Net profit 2005					4.4	4.4
Balance at 31.12.2005	**282.8**	**136.3**	**244.2**	**235.0**	**11.3**	**909.6**
Elimination of reserve for treasury shares		61.3	–61.3			0.0
Net profit 2006					101.4	101.4
Balance at 31.12.2006	**282.8**	**197.6**	**182.9**	**235.0**	**112.7**	**1 011.0**
Elimination of reserve for treasury shares		–0.8	0.8			0.0
Net profit 2007					91.4	91.4
Balance at 31.12.2007	**282.8**	**196.8**	**183.7**	**235.0**	**204.1**	**1 102.4**

Proposal of the Board of Directors

The Board of Directors proposes to the General Meeting to be held on May 13, 2008, that the available earnings from the financial year namely:

in CHF	2007
Net profit	91 371 276
Balance brought forward from previous year	112 712 518
Available earnings	204 083 794

be appropriated as follows:

Balance to be carried forward	204 083 794

Pfäffikon SZ, March 26, 2008

On behalf of the Board of Directors
Chairman

Georg Stumpf

Report of the Statutory Auditors

Report of the Statutory Auditors to the General Meeting of OC Oerlikon Corporation AG, Pfäffikon, Freienbach SZ

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes on pages 158 to 162) of OC Oerlikon Corporation AG, Pfäffikon for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

KPMG Ltd

Herbert Bussmann
Auditor in Charge

Thomas Affolter

Zurich, 26 March 2008

Legal structure

as at December 31, 2007

OC Oerlikon Corporation AG, Pfäffikon, Pfäffikon SZ/CH

– AKTIENGESELLSCHAFT ADOLPH SAURER, Arbon/CH
– InnoDisc AG, Windisch/CH
– OC Oerlikon Balzers AG, Balzers/FL
– OC Oerlikon Management AG, Pfäffikon, Pfäffikon SZ/CH
– Oerlikon (Shanghai) Co. Ltd., Shanghai/CN
– Oerlikon Aerospace AG, Zürich/CH
– Oerlikon Assembly Equipment AG, Steinhausen, Steinhausen/CH
– Oerlikon Assembly Equipment Pte. Ltd., Singapore/SG
  · Unaxis (Philippines) Inc., Manila/PH
– Oerlikon Balzers Coating (India) Pvt. Ltd., Pune/IN
– Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
– Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH
– Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT
– Oerlikon Balzers Coating Italy S.p.A., Milano/IT
– Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR
– Oerlikon Balzers Coating Luxembourg S.A.R.L., Differdange/LU
– Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX
– Oerlikon Balzers Coating Poland Sp.z.o o., Polkowice-Dolne/PL
– Oerlikon Balzers Coating SA, Brügg, Brügg/CH
– Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG
– Oerlikon Balzers Coating UK Ltd., Milton Keynes/UK
– Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR
– Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR
– Oerlikon Balzers Sandvik Coating AB, Stockholm/SE
– Oerlikon Balzers-ELAY Coating S.A., Antzuola/ES
– Oerlikon Deutschland Holding GmbH, München/DE
  · Oerlikon Balzers Coating Benelux N.V., St. Truiden/BE
  · Oerlikon Balzers Coating Germany GmbH, Bingen/DE
  · Oerlikon Deutschland Vertriebs GmbH, München/DE
  · Oerlikon IT Solutions GmbH, Köln/DE
  · Oerlikon Leybold Vacuum GmbH, Köln/DE
    * Oerlikon Leybold Vacuum (Tianjin) Co. Ltd., Tianjin/CN
    * Oerlikon Leybold Vacuum (Tianjin) International Trade Co. Ltd., Tianjin/CN
    * Oerlikon Leybold Vacuum Dresden GmbH, Dresden/DE
    * Oerlikon Leybold Vacuum France SAS, Villebon sur Yvette/FR
    * Oerlikon Leybold Vacuum India Pvt. Ltd., Pune/IN
    * Oerlikon Leybold Vacuum Italy S.r.l, Milano/IT
    * Oerlikon Leybold Vacuum Japan Co. Ltd., Yokohama/JP
    * Oerlikon Leybold Vacuum Nederland B.V., Utrecht/NL
    * Oerlikon Leybold Vacuum Schweiz AG, Zürich/CH
    * Oerlikon Leybold Vacuum Singapore Pte. Ltd., Singapore/SG
    * Oerlikon Leybold Vacuum Skandinavia AB, Göteborg/SE
    * Oerlikon Leybold Vacuum Spain S.A., Cornellà de Llobregat/ES
    * Oerlikon Leybold Vacuum UK Ltd., London/UK
  · Oerlikon Leybold Vacuum Korea Ltd., Seoul/KR
  · Oerlikon Optics Deutschland GmbH, Geisenheim/DE
  · Oerlikon Real Estate GmbH, Köln/DE
  · Oerlikon Vermietungs- und Verwaltungsgesellschaft mbH, Köln/DE
– Oerlikon France Holding SAS, St. Thibault des Vignes/FR
  · Oerlikon Balzers Coating France SAS, St. Thibault des Vignes/FR
  · Oerlikon France SAS, Palaiseau/FR
– Oerlikon IT Solutions AG, Pfäffikon, Pfäffikon SZ/CH
– Oerlikon Japan Co. Ltd., Tokio/JP
– Oerlikon Korea Ltd., Seoul/KR
– Oerlikon Leybold Vacuum Taiwan Ltd., Hsin Chu/TW
– Oerlikon Licensing Arbon GmbH, Arbon/CH
– Oerlikon Nederland B.V., Utrecht/NL
  · Oerlikon Assembly Equipment (Taiwan) Ltd, Hsin Chu/TW
  · Oerlikon Taiwan Ltd., Hsin Chu/TW
– Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP
– Oerlikon Optics UK Ltd., London/UK
– Oerlikon Solar-Lab SA, Neuchâtel, Neuchâtel/CH
– Oerlikon Solutions AG, Trübbach, Trübbach/CH
– Oerlikon Space AG, Zürich/CH
– Oerlikon Trading AG, Trübbach, Trübbach/CH
– Oerlikon USA Holding Inc., Pittsburgh, PA/US
  · Oerlikon Balzers Coating USA Inc., Elgin, IL/US
  · Oerlikon Leybold Vacuum USA Inc., Export, PA/US

as at December 31, 2007

· Oerlikon Optics USA Inc., Golden, CO/US
· Oerlikon Space Inc., Pittsburgh, PA/US
· Oerlikon USA Inc., St. Petersburg, FL/US
· Saurer Holding Inc., Denver, CO/US
* Fairfield Manufacturing Company Inc., Lafayette, IN/US
- Fairfield Atlas Ltd., Kolhapur/IN
* Graziano Trasmissioni North America Inc., Duluth, GA/US
* Melco Industries Inc., Denver, CO/US
* Oerlikon Accotex Texparts Inc., Greenville, SC/US
* Oerlikon Textile Inc., Charlotte, NC/US
– Oerlikon Vermögens-Verwaltungs GmbH, München/DE
– OOO Oerlikon Rus, Moskwa/RU
– Saurer AG, Arbon/CH
· Fibrevision Ltd., Macclesfield/UK
· GTG-Graziano Trasmissioni Group AG, Arbon/CH
· Neumag Denmark a/s, Horsens/DK
· Oerlikon Czech s.r.o., Cerney Kostelec/CZ
· Oerlikon Saurer Arbon AG, Arbon/CH
* Saurer China Equity Ltd., Hong Kong/CN
- Jintan Texparts Components Co. Ltd., Jintan/CN
- Saurer (Jintan) Textile Machinery Co. Ltd., Jintan/CN
* Oerlikon Textile China Investments Ltd., Hong Kong/CN
- Oerlikon (China) Technology Co. Ltd., Suzhou/CN
- Saurer Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN
* Oerlikon Heberlein Temco Wattwil AG, Wattwil/CH
· Oerlikon SB Holdings Arbon AG, Arbon/CH
* W. Reiners Verwaltungs GmbH, Mönchengladbach/DE
- Oerlikon Textile GmbH & Co. KG, Mönchengladbach/DE
AUTEFA automation GmbH, Friedberg/DE
Barmag Liegenschaften GmbH & Co. KG, Remscheid/DE
ERMAFA Kunststofftechnik Chemnitz GmbH, Chemnitz/DE
Oerlikon Accotex Texparts GmbH, Fellbach/DE
Oerlikon Enka tecnica GmbH, Übach-Palenberg/DE
Oerlikon Heberlein TEMCO GmbH, Hammelburg/DE
Oerlikon Textile Far East Ltd., Hong Kong/CN
Saurer Textile Machinery (Beijing) Co. Ltd., Beijing/CN
Oerlikon Textile India Pvt. Ltd., Mumbai/IN
Oerlikon Textile Components India Pvt. Ltd., Mumbai/IN
Saurer Precicomp Pvt. Ltd., Bangalore/IN
Zinser Textile Systems Pvt. Ltd., Ahmedabad/IN
Peass Industrial Engineers Ltd, Gujarat/IN
Saurer IP GmbH, Remscheid/DE
- Oerlikon Balzers VST GmbH & Co KG, Schopfheim/DE
Keller Tribotechnik GmbH, Schopfheim/DE
VST Keller Inc., Wilmington, DE/US
VERSCHLEISS SCHUTZ TECHNIK KELLER Verwaltungs GmbH, Schopfheim/DE
- Oerlikon Vacuum Holding GmbH, München/DE
· Oerlikon Textile Components Far East Ltd., Hong Kong/CN
· Oerlikon Textile Components Singapore Pte. Ltd., Singapore/SG
· Oerlikon Textile do Brasil Máquinas Ltda., São Leopoldo, RS/BR
· Oerlikon Textile Trading and Services Ltd., Hong Kong/CN
· SAC Saurer Automotive Components BV, Rotterdam/NL
* Graziano Trasmissioni Group S.p.A., Torino/IT
- Graziano Trasmissioni S.p.A., Cascine Vica Rivoli/IT
Graziano Trasmissioni Czech s.r.o., Praha, CZ
Graziano Trasmissioni Engineering S.p.A., Cascine Vica Rivoli/IT
Graziano Trasmissioni India Pvt. Ltd., New Delhi/IN
Graziano Trasmissioni UK Ltd., St. Neots/UK
I.T.T. Industria Trattamenti termici S.r.l., Cervere/IT
- Oerlikon Neumag Italy S.p.A., Biella/IT
· Saurer Beteiligungs AG, Mönchengladbach/DE
* Oerlikon Textile Verwaltungs GmbH, Mönchengladbach/DE
· Saurer Financing LP, Charlotte, NC/US
· Saurer Group Investments Ltd., George Town/KY
· Saurer Holding GmbH, Leonding/AT
* Oerlikon Neumag Austria GmbH, Leonding/AT
· Saurer Middle East Tekstil Makinalari Dis Ticaret A.S., Istanbul/TR
– Saurer Management AG, Winterthur/CH
– Unaxis Corporation AG, Pfäffikon SZ/CH
– Unaxis IT (UK) Ltd., Monmouth/UK
– Vocis Limited, Warwick/UK

Agenda, Contact

Important dates

March 27, 2008
Media and analyst conference on the 2007 annual results,
Oerlikon Space, Zurich

April 23, 2008
Key figures for the first quarter of 2008

May 13, 2008
General Meeting of Shareholders,
Culture and Convention Center Lucerne (KKL)

August 26, 2008
Publication of the mid-year report 2008
Media and analyst conference

October 22, 2008
Key figures for the third quarter of 2008

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Index of pictures
Page 35 Getty Images
Page 37 Deutsches Elektronen-Synchrotron (DESY)
Page 77 Getty Images
Page 79 ESA (links)

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This financial report is a translation from the original German version.
In case of inconsistencies the German version prevails.

Oerlikon business units in brief

Oerlikon Textile

œrlikon barmag

Oerlikon Barmag is the global market leader in the production of texturing machines as well as spinning lines for nylon, polyester and polypropheneene fibers. In additional to plant design and spinning and texturing systems, its core competencies include the production of associated components such as pumps, winders and godets. The company develops innovative, cutting-edge products of the future at its technical center in Remscheid, the largest of its kind in the world.

œrlikon neumag

Oerlikon's Neumag business unit is the market leader in plants for the production of BCF carpet yarn and synthetic staple fibers, where it holds a commanding position. It also offers the widest range of technologies for the production of nonwoven products of any company in the world. It is the only supplier able to offer all three nonwoven technologies – airlaid, carding and spunbond – from a single source.

œrlikon saurer

As a supplier of innovative system solutions and service packages, the Oerlikon Saurer business unit, with its Allma and Volkmann brands of twisting systems and the Saurer and Melco brands of embroidery systems, is characterized by its commitment to quality, spirit of innovation and close market proximity. This allows us to supply our customers with tailored solutions that best meet their specific needs.

œrlikon schlafhorst

The Oerlikon Schlafhorst business unit is the global market leader in machine and system solutions for the production of staple fiber yarns. The company dominates the global market for rotor-spinning equipment, offers a extensive range of ring-spinning products and in 2007 set the benchmark in the package winding sector with its innovative new Autoconer 5.

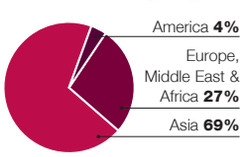
œrlikon textile components

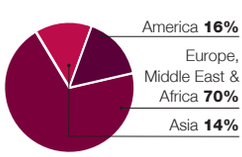
Oerlikon Textile Components is the global market leader in premium components. Its product portfolio includes quality-determining components for all spinning applications and the nonwoven industry. All of its products are of the highest quality and reliability. The global network of production, R&D, sales and service locations reinforce Oerlikon Textile Components' position as a top-quality supplier of components.

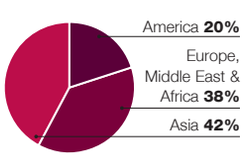
Competitors

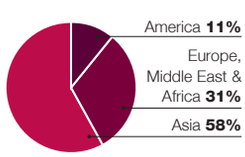
barmag	neumag	saurer	schlafhorst	textile components
TMT Machinery	Reifenhäuser	Savio	Rieter Textile	Rieter/TCC
Chonglee	Swisstex	Murata Textile Machinery	Murata Textile Machinery	Tonghe
Jiangsu Hongyuan	Dilo	Lässer	Savio	Precitex
Himson	Rieter/NSC	Tajima	Lakshmi	Aircomponents
Alidhra	CTMC	Barudan	CTMC	Kasen

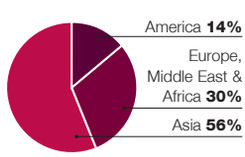
2007 sales by region



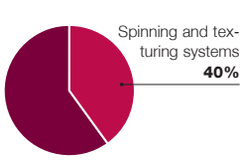


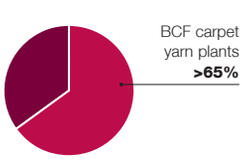


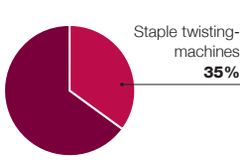


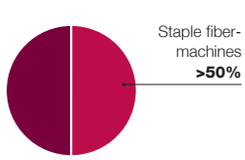


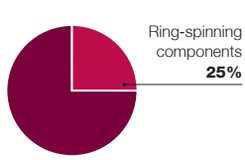
Selected market share











Selected market growth (2008)

barmag	neumag	saurer	schlafhorst	textile components
+/–0%	+/–0%	+/–0%	–16%	–10%

Selected market position

oerlikon

Oerlikon customers*

ABB, AGCO, Albis, Alfa Romeo, Allison, AMD, Arianespace, ASE, Aston Martin, Audi, Audi-Lamborghini, Auria Solar, Bosch, Bystronic Laser AG, Caterpillar, Ceratizit, Club Car, CMC, CNH, Coteminas, CREE, DuPont Nanya Plastics, EADS, EMD, ersol Thin Film, ESA, Ferrari, Fiat, Ford, Frontier, Fruit of the Loom, GE, GM, Greatek, Gusto, Hitachi, Hydraquip, Hyosung, IBM, Infineon, Inventux, Irisbus, Iscar, Iveco, JCB, JLG, John Deere, Kennametall, KordSA, Lockheed Martin, LOT Vacuum, Mahindra, Mahle, Manitou, Martin Professional, Maserati, MDS Sciex, Michelin, Micronas, Mohawk, Nanja Plastics, Oriental Weavers, OSG, Parkdale, Philips, Pirelli, Pramac, Prima North America, Qimonda, Reliance, Ricoh, Samputensili, Samsung, Sandvik, Sanko, Sanfangxiang, SCHOTT Solar, Seagate, Shaw Industries, Siemens, SKF, SMT/NTS, Sony, Spansion, SPIL, SPX, ST, Technicolor, Texas Instruments, Vardhmann Group, VW

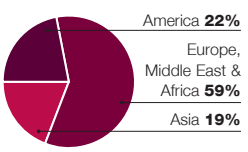
* Extract from the Oerlikon reference list

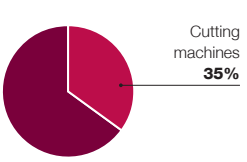
Oerlikon Coating

oerlikon balzers

Oerlikon Balzers is the global leader in wear protection and tribological coatings that significantly enhance the durability of tools and components. The coating service is offered at a network of over 80 coating centers in 29 countries throughout the world.

- Ionbond
- Eifeler
- Cemecon
- Kobelco
- Hauzer
- Platit





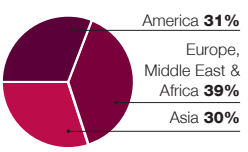
+14%

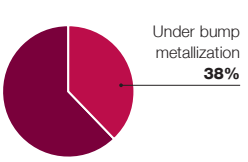
Oerlikon Systems

oerlikon systems

Oerlikon Systems is a global player in the data storage and semiconductor industry. The business unit is leading in coating and etching systems for the microchip production as well as in coating systems for optical and magnetic data storage media.

- Aviza
- Applied Materials
- Nexx
- Ulvac
- Intevac
- Anelva





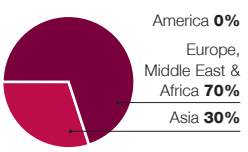
+5%

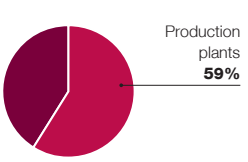
Oerlikon Solar

oerlikon solar

Oerlikon Solar is the global leader in low-cost, high-performance production solutions for thin-film silicon solar modules. Its product range includes fully automated, turnkey manufacturing lines, production systems as well as worldwide support.

- Applied Materials
- Ulvac
- Leybold Optics





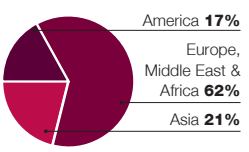
+40%

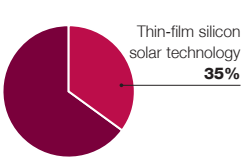
Oerlikon Vacuum

oerlikon leybold vacuum

For more than 150 years, Leybold has stood for customized system solutions and services for vacuum production and process gas management. Its product range includes vacuum solutions for production, analysis and R&D processes. High-tech production methods such as those used in manufacturing solar modules must be performed under absolute vacuum conditions.

- BOC Edwards
- Pfeiffer Vacuum
- Busch
- Adixen
- Ulvac





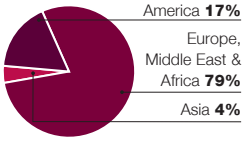
+25%

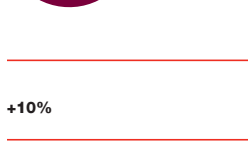
Oerlikon Drive Systems

oerlikon graziano

Innovation, technology and manufacturing excellence are the high performance on which the Oerlikon Graziano's success is founded. Our know-how and capabilities allow us to lead the full deployment of a development program to meet our customer needs, providing complete mechatronic driveline systems as well as single gearing components. More than 80 years in power transmission field, Oerlikon Graziano is focused on Automotive, Off-Highway and Industrial markets.

- ZF
- Getrag
- Carraro
- Gear World
- Aisin
- Cattini



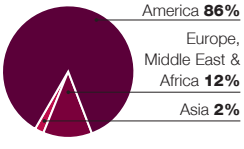


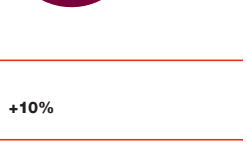
+10%

oerlikon fairfield

With almost 90 years in the gearing and drive system industry, experience, dependability and reliability are what makes Oerlikon Fairfield a global leader in today's off-highway, marine, specialty industrial or even wind-power markets. With worldwide locations, we are able to provide our customers solutions for design, manufacturing and product support like never before, continuing to grow in new regions and markets everyday.

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





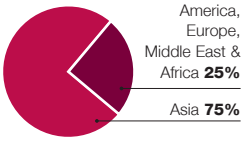
+10%

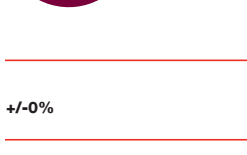
Oerlikon Components

oerlikon esec

Oerlikon Esec is the leading supplier of highly innovative systems and solutions for the semiconductor and micro-technology industry. With its innovative power and a staff of 630 employees worldwide Oerlikon Esec contributes to its customers' business success. Its main products include die bonders (for affixing exposed, unprotected semiconductors to substrate material) and wire bonders (for establishing an electrical connection between the semiconductors and contacts on the substrate).

- ASM Pacific Technology
- Kulicke & Soffa
- Renesas (Hitachi)
- Shinkawa
- Canon Machinery



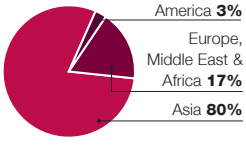


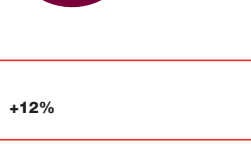
+/-0%

oerlikon optics

For over 60 years Oerlikon Optics has been producing coated optical components and assemblies for the optical and photonics industry. As a global market leader they are mainly active in such markets as Projection Displays, Life Science, Optical Packaging and in the automobile industry. Oerlikon Optics not only has comprehensive knowledge of optical coatings, but also of glass manufacture, lithography and the production of complete optical assemblies.

- Delta
- Young Optics
- Prodisc



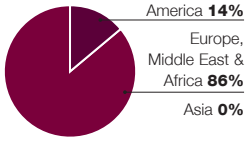


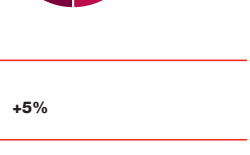
+12%

oerlikon space

Some 320 highly-qualified employees at Oerlikon Space develop and manufacture high-tech components for use in space missions. Oerlikon Space supplies payload fairings for the European Ariane 5 and Vega launchers. The company is involved in numerous space programs around the world with its ultra-lightweight, high-stability structures, precision mechanisms, and innovative products such as laser terminals for inter-satellite communication.

- Sener
- Moog
- MT Aerospace
- CASA (EADS)





+5%

OC Oerlikon Corporation AG, Pfäffikon
Churerstrasse 120
CH-8808 Pfäffikon SZ