innovation has a name
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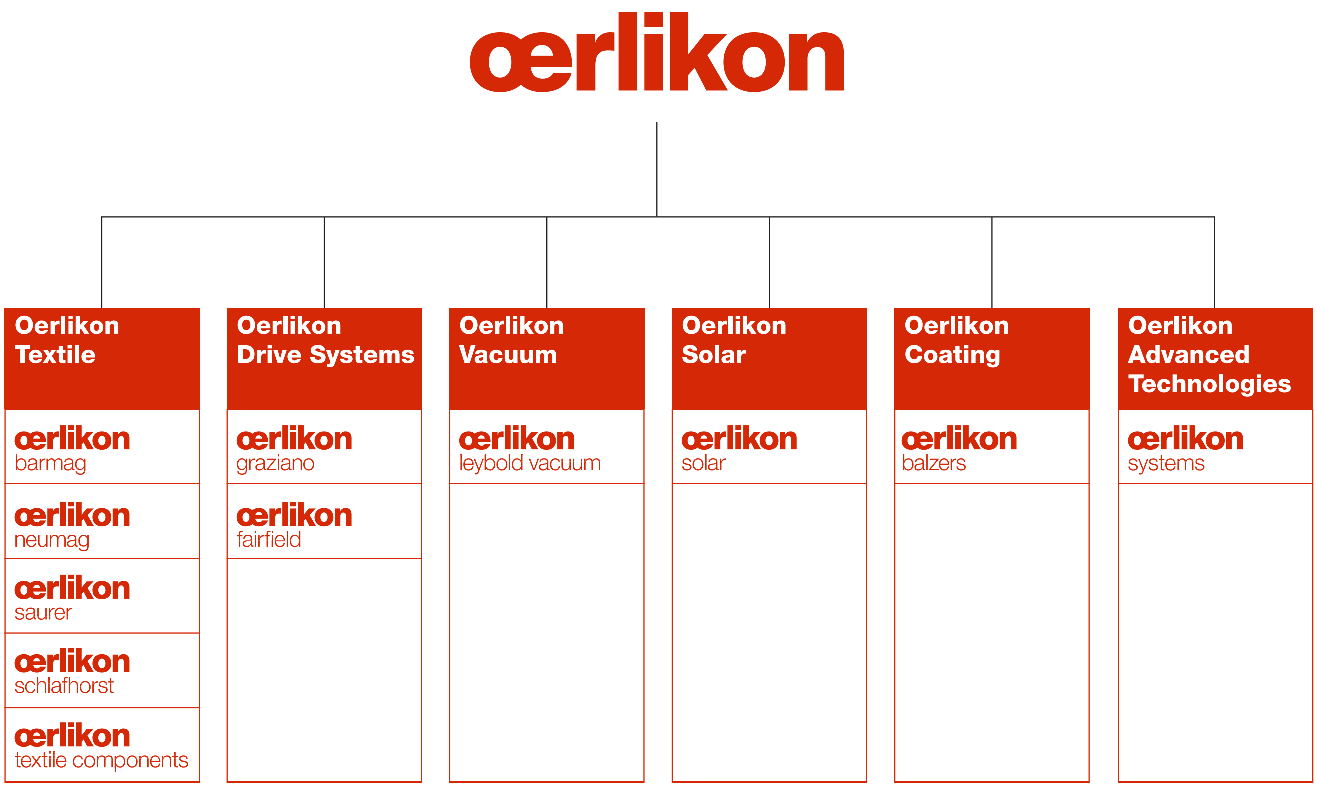
on the way

Interim Report **2011**

Contents

Group structure



Key figures first half-year 2011

(in CHF)

		Prior-year period	Change
2.3 billion	**Order intake**	**2.1**	**+12%**
2.0 billion	**Sales**	**1.6**	**+29%**
276 million	**EBITDA**	**71**	**+289%**
187 million	**EBIT**	**–31**	**n/a**
83 million	**Net profit / loss**	**–50**	**n/a**
250 million	**Cash flow from operating activities** (before changes in net current assets)	**130**	**+92%**

Key figures Oerlikon Group

in CHF million	**January 1 to June 30, 2011 unaudited**	January 1 to June 30, 2010 unaudited
Order intake	2 344	2 101
Order backlog	1 912	1 430
Sales	2 033	1 573
EBITDA	276	71
- as % of sales	14%	5%
EBIT [1]	187	–31
- as % of sales	9%	–2%
Net profit / loss	83	–50
- as % of sales	4%	–3%
- as % of equity attributable to shareholders of the parent	6%	–3%
Cash flow from operating activities before changes in net current assets [2]	250	130
Capital expenditure for fixed and intangible assets	60	53
Total assets (June 30, 2011 / December 31, 2010)	4 375	4 475
Equity attributable to shareholders of the parent (June 30, 2011 / December 31, 2010)	1 424	1 430
- as % of total assets	33%	32%
Net debt (June 30, 2011 / December 31, 2010) [3]	262	274
Net Operating Assets (June 30, 2011 / December 31, 2010) [4]	2 162	2 196
Number of employees (June 30, 2011 / December 31, 2010)	17 223	16 657
Personnel expenses	503	516
Research and development expenditures [5]	111	122

[1] EBIT before restructuring costs amounts to CHF 188 million in the first half of 2011 (previous year: CHF –14 million).

[2] Cash flow from operating activities (after changes in net current assets) amounts to CHF 137 million (previous year: CHF 86 million).

[3] Net debt is current and non-current debt minus cash and cash equivalents and marketable securities.

[4] Net operating assets include current and non-current operating assets (excluding cash, cash equivalents, financial assets, current tax receivables and assets classified as held for sale)minus operating liabilities (excluding financial liabilities, tax provisions and liabilities classified as held for sale).

[5] Research and development expenditures include an amount of CHF 13 million (previous year: CHF 12 million) recognized as intangible assets.

Tim Summers
Chairman of the Board of Directors

Dr. Michael Buscher
Chief Executive Officer

Statement from the Chairman of the Board of Directors and the Chief Executive Officer

Oerlikon reaches new profitability level

Dear Shareholders,

In the first half year of 2011, the Oerlikon Group reached a new level of profitability. All Segments delivered substantially increased sales and significantly improved their bottom-line performance. For the third straight quarter, EBIT improved with all Segments contributing to this achievement. The Group recorded its best-ever EBIT margin as Coating, Vacuum and Textile delivered record margins. Sales volumes were higher in Asia and across all Segments with Textile, Drive Systems, Solar and Coating delivering strong double-digit growth, while order intake was better than originally expected. As a result, the Group has put the difficult years of 2008/2009 behind it, and has emerged from this period stronger than before. This performance validates the Group's excellent position in growth markets, the ability to meet market demand with innovative products as well as systematic operational discipline.

Oerlikon's underlying continuous performance demonstrates that the Group is executing the 3 Year Business Plan with consistency and a strong focus on financial targets. The Group is confirming its guidance for the full financial year 2011, while seeing some upside potential in profitability (EBIT).

The Group's key figures for the first half of 2011 at a glance:

- **Order intake up by 12 %** to CHF 2.3 billion compared with CHF 2.1 billion in the prior-year period. Order intake in the second half of 2010 totaled CHF 2.4 billion, reflecting the stabilization in market demand. The book-to-bill ratio reached 1.2 (previous year: 1.3), signaling further growth in sales.
- **Sales up by 29 %** to CHF 2.0 billion, from CHF 1.6 billion, fueled by increased orders that resulted in full order books.
- **Order backlog up by 34 %** to CHF 1.9 billion (previous year: CHF 1.4 billion).
- **EBITDA increased significantly to CHF 276 million**, from a previous year CHF 71 million, reflecting a 14 % EBITDA margin.
- **EBIT margin reached record 9 %** as EBIT climbed steeply to CHF 187 million, compared with CHF –31 million in the prior-year period.
- Net profit grew substantially to CHF 83 million (previous year: CHF –50 million).
- Workforce increased 3 %, to 17 223 primarily from increases in Textile, Drive Systems and Coating as the Group expands into Asia.

Normalized for currency impacts, the increase in sales would have been 46 % to reach CHF 2.3 billion, and EBIT would have reached CHF 224 million. The currency impact from a strong Swiss franc on the EBIT margin was minor, benefiting from natural balance in our global network of production sites and suppliers. Oerlikon's cost base in Swiss francs accounts for around 10 % of our total costs.

Amid a continued recovery of the markets served by Oerlikon, the company's record EBIT margin validates the success of the Group's intense focus on profitability. The company's improved profitability demonstrates that Oerlikon is now also reaping the benefits of the restructuring measures implemented between 2008 and 2010. Despite this progress, Oerlikon continues to focus on improving Operational Excellence in order to unleash the full potential of the company. The continuous increase of value is fostered by our renewed Corporate Identity in a sustainable manner.

All Segments drive performance

Each of the Group's Segments played a role in the strong growth in sales and earnings in the first half-year. In the process, they substantially improved their respective performance parameters, with the Textile, Vacuum and Coating Segments each delivering record EBIT margins.

Oerlikon Textile reported an order intake of CHF 1 195 million, similar to the previous-year level of CHF 1 210 million. Order backlog totaled CHF 1 339 million (previous year: CHF 954 million). Sales rose by a significant 42 %, climbing to CHF 978 million. EBIT totaled CHF 76 million (previous year: CHF –9 million), reflecting a record 8 % EBIT margin. Building on this achievement, our aim is to further improve operational efficiency.

Oerlikon Drive Systems increased its order intake to CHF 452 million (a 15 % increase compared with the previous year's period) and continued its recovery. The order backlog totaled CHF 154 million (previous year: CHF 124 million). Sales rose by 13 % to CHF 416 million. Delivering an EBIT of CHF 18 million, the Segment returned to profitability (previous year: CHF –15 million). The Segment's performance was driven by increased demand in the agriculture and energy markets. With a strong focus on the Asian market, the Segment continues to systematically execute its strategy to accelerate growth and ensure further margin expansion.

Oerlikon Vacuum demonstrated its focus on improving profitability by achieving its best-ever EBIT margin of 16 %. EBIT more than doubled, reaching CHF 33 million during the first half of 2011, from CHF 13 million in the previous year's period. The order intake reached CHF 219 million, a stable level compared with a year ago. The Segment recorded sales growth of 8 % to CHF 209 million. Order backlog totaled CHF 87 million (previous year: CHF 95 million).

Oerlikon Solar increased the order intake to CHF 185 million from CHF 11 million in the previous year's period on the sale of the first ThinFab™ production line as well as several equipment orders. Sales grew by 80 % to CHF 133 million from CHF 74 million. Order backlog reached CHF 307 million (previous year: CHF 216 million). In line with the Group's expectations, EBIT totaled CHF –12 million in the first half of 2011 (previous year: CHF –60 million). To capitalize on the high growth rates in this sector, Oerlikon Solar will continue to reduce underlying costs to offset the strong price pressure in the global solar market.

Oerlikon Coating progressed further in the first half of 2011. Sales climbed 21 % to CHF 243 million from CHF 201 million in the previous year's period. During the period, Oerlikon Coating demonstrated the flexibility and global capability of its worldwide network of 87 coating centers to meet the high demand from the global automotive industry. The strategy of generating further growth by systematically tapping the component business is bearing fruit. Components now make up about 20 % of sales in Coating. This Segment also achieved its record EBIT margin performance of 20 % as EBIT reached CHF 49 million for the first half of 2011, an increase of 96 % compared with the first half-year 2010.

Oerlikon Advanced Technologies reported a 6 % increase in sales to CHF 54 million. Order intake declined by 19 % to CHF 50 million, primarily as a result of the weak market conditions of optical storage media. Order backlog totaled CHF 25 million (previous year: CHF 41 million). EBIT margin increased to 11 % compared with 6 % in the first half of 2010, as EBIT reached CHF 6 million (previous year: CHF 3 million).

Operational Excellence enables profitability

As the sustainable increase in profitability is a company's top priority, Operational Excellence remains a core area of focus for Oerlikon. To secure and further increase the company's profitability, we continue to strengthen a culture of operational discipline. In the first half of the year, Oerlikon made good progress toward stricter cost control and improving business operations through continuous improvement programs, including:

- Oerlikon Textile: Neumag reduced through-put times by almost 30 % based on an optimized material flow and supply chain management;
- Oerlikon Drive Systems: The integration of the Graziano and Fairfield units resulted in improved service and reduced lead times for key customers in North America through the transfer of manufacturing and the supply of components from Italy to Lafayette, Indiana (USA).
- Oerlikon Vacuum: Manufacturing output was increased by more than 25 % without adding additional resources. Special task forces implemented for each product line a broad variety of measures for each product line ranging from optimized material flow and raw material procurement to enhanced supplier on-time delivery.
- Oerlikon Solar: Full transparency and improved cost control for the project handling of big orders was achieved by the implementation of new management tools.
- Oerlikon Coating: The persistent internal benchmarking of all 87 coating centers worldwide on a monthly basis and the introduction of optimized sales processes strongly supported margin expansion.
- Oerlikon Advanced Technologies: By optimizing the cross-functional planning process and by integration of suppliers into regular progress reviews of critical projects, the Segment was able to deliver all equipment orders in 100 % on time as confirmed to the customer.

Strong presence in emerging markets

The Oerlikon Group's global footprint allowed the Segments to benefit from growth opportunities worldwide. Coating opened a site in Poland, Neumag profited from a strong US carpet market and Drive Systems benefited from higher replacement activities in the aerial work platform in North America. Emerging markets remain a focus in order to identify new business and to better balance Oerlikon's geographic diversification.

In the first half of 2011, Asian markets primarily fueled volumes at Oerlikon. In particular, the thriving textile and automotive industry contributed significantly to this marked rise in volume.

In order to continuously better meet customers' needs on the ground in those markets, Oerlikon's Segments moved ahead in the first half of 2011 with their expansion of production sites located there:

- Oerlikon Textile operates the largest production facility of the Group in China. Additional products will be added to manufacturing sites in China as part of its continuous improvement to its global production network.
- Oerlikon Drive Systems is expanding its production capacity in India and is currently ramping up the new factory in Suzhou (China) as part of the execution of its profitable growth strategy.
- Oerlikon Vacuum is expanding the capacity of the factory in Tianjin (China) and is transferring additional production to this area.
- Oerlikon Coating opened an additional coating center in China and is tripling its capacities at the Suzhou location.

Overall, the regional distribution of sales continued to shift toward Asia. In the first half of 2011, Asia's share of Group-wide sales rose to 48 % (previous year: 41 %). Europe's share totaled 30 % (previous year: 33 %), while North America accounted for 14 % (previous year: 17 %). Other regions reported a sales share of 8 % (previous year: 9 %).

Innovation for future growth

The sustained development of new products that differentiate Oerlikon in the marketplace is crucial in order to meet and exceed customers' expectations. For this reason, the company continued to invest consistently in research and development (R&D). R&D expenditures during the first half of 2011 totaled CHF 111 million (previous year: CHF 122 million).

Our continued focus on R&D activities enabled Oerlikon to enhance its product pipeline, launch a number of ground-breaking innovations and get others ready for market launch in the coming months.

- At Oerlikon Textile, seven new products are now ready for market launch and will be introduced to customers at the textile trade fair ITMA in Barcelona in September. The new generation of Oerlikon Schlafhorst's Autocoro, the world's leading automatic rotor spinning machine, will be among the innovations to be exhibited.
- At Oerlikon Drive Systems, three of our customers presented new vehicles featuring completely redesigned Oerlikon transmissions at the March International Motor Show in Geneva: Aston Martin, Lamborghini – and McLaren, which uses our leading dual clutch transmission (DCT) technology. The Segment has also started supplying prototypes for transmission systems in e-drive high-performance sports cars being developed by two major OEMs. And in the off-highway heavy-duty market sector, Drive Systems launched a new series of electric-drive Torque-Hub® products.
- Oerlikon Vacuum launched a magnetically-levitated turbomolecular vacuum pump, MAGiNTEGRA, a highly robust product with low operating costs.
- Oerlikon Solar continued to improve ThinFab™ key components, increasing module efficiency and reducing module production costs to under EUR 0.5 Watt (peak). With these enhancements, Oerlikon Solar is well positioned to provide not only complete production lines but also high-end equipment in the global solar sector to a variety of technologies.
- Oerlikon Coating successfully expanded its innovative product and services portfolio by integrating technology from Hartec, acquired last December. This unique technology enables coatings on three-dimensional plastic parts.

The Group's financial position continues to improve

The strong operational performance resulted in a significant cash flow increase. Cash flow from operating activities prior to changes in net working capital improved to CHF 250 million, up from CHF 130 million a year ago.

Along the strong sales growth, the Group continued to keep net working capital at a low level. Net working capital amounted to CHF 389 million, compared with CHF 302 million at the end of 2010. The company's capital investments reached CHF 60 million or about 13 % more than in the first half of 2010. Both demonstrate that Oerlikon is financing its expansion in a disciplined and reliable manner.

Normalized net financing costs were CHF –57 million (previous year: CHF –1 million). The Group is evaluating options to further reduce its financing costs.

Taxes reached CHF 47 million (previous year: CHF 18 million). As a result, the Group's net profit during the first half of 2011 totaled CHF 83 million (previous year: CHF –50 million).

As of June 30, 2011, equity (attributable to shareholders) totaled CHF 1.4 billion (December 31, 2010: CHF 1.4 billion). The equity ratio rose from 32 % of total assets at the end of 2010 to 33 % in the first half of 2011. Net debt was reduced to CHF 262 million at the end of the first half of 2011 from CHF 274 million at the end of 2010. This represents a gearing (net debt/equity) of 18 % and a leveraging with a net debt/EBITDA ratio below 1.

Changes in management

During the first half of 2011, the composition of the company's Board of Directors changed. The Annual General Meeting of May 10, 2011, elected Tim Summers as a member of the Board of Directors and reelected the remaining members Kurt J. Hausheer, Dr. Urs A. Meyer, Gerhard Pegam, Carl Stadelhofer, Wolfgang Tölsner and Hans Ziegler. Following the Annual General Meeting, the Board of Directors elected Tim Summers to the position of Chairman in its first meeting held with the new composition.

Following the operational achievements and successful completion of the restructuring program at Corporate level, the position of Chief Restructuring Officer, specified by the recapitalization agreement, is being phased out as planned. Therefore, Raafat Morcos, who has held this position since June 2010, will leave Oerlikon in the fourth quarter. We thank Raafat Morcos for his dedication and important contribution to the successful restructuring of Oerlikon.

Outlook 2011

With a 29 % growth in sales and a 9 % EBIT margin in the first half of the year, the Oerlikon Group performed well and progressed to a new level of profitability. Looking forward, Oerlikon anticipates an overall stabilization and partial slowdown in the second half of 2011 in its main markets. Sales are expected to reflect an already strong order book.

With Oerlikon's robust balance sheet, geographic balance, innovative product portfolio, and initiatives to further improve Operational Excellence, we are better positioned than before to navigate a volatile business environment. This is even more important in light of much recent uncertainty and volatility in the global economic outlook.

Oerlikon confirms its earlier guidance for the full year 2011 (based on current foreign exchange rates), while seeing upside potential in profitability. Therefore, for full year 2011 compared with 2010, we expect:

- Sales to grow by up to 10 %;
- Order intake to decline by around 10 %;
- EBIT margin of between 8 and 9 %.

We are on track to deliver on our financial and operational targets and to reach the highest operational margins in the history of the Oerlikon Group.

Tim Summers
Chairman of the Board of Directors

Dr. Michael Buscher
Chief Executive Officer

Oerlikon Textile

Facts & Figures

1. Oerlikon Textile significantly increased sales in both its chemical fiber and natural fiber technology areas and achieved a record EBIT margin of 8 %.

2. China remains the Segment's driver of growth in the chemical fiber market. Asia in total represented 69 % of sales in the first half of 2011.

3. For the second half of 2011, the Segment expects growth in sales to continue due to the high order backlog and profitability to remain stable despite a market slowdown in order intake.

in CHF million	H1 2011	H1 2010	△ (%)
Order intake	1 195	1 210	–1
Order backlog	1 339	954	40
Sales (to third parties)	978	687	42
EBIT	76	–9	n/a

Business development

During the first half of the year, Oerlikon Textile continued to grow and achieved a new level of profitability with an EBIT margin of 8 %. All Business Units showed significant sales growth and made positive contributions to the Segment's profitability. Sales rose 42 % in the first half of 2011 from CHF 687 million to CHF 978 million. With EBIT of CHF 76 million in the first half of 2011, the Segment is now profiting from the far-reaching restructuring measures implemented in recent years (EBIT in previous year's period: CHF –9 million). Totaling CHF 1 195 million, order intake was comparable to the year before (previous year: CHF 1 210 million). The anticipated softening of demand in natural fibers became noticeable towards the end of the reporting period, although to a lesser extent than expected. As of June 30, 2011, order backlog totaled CHF 1 339 million (previous year: CHF 954 million).

All of Oerlikon Textile's Business Units reported an upward trend in the first half of 2011. Oerlikon Barmag profited from the sustained high demand for innovative man-made fiber solutions. Demand was driven by increased replacement investments, the growing substitution of natural-fiber capacities and rising investments in high-tech solutions, particularly in China. With the machine technology WINGS (winder integrated godet system) for POY (pre-oriented yarn) and FDY (fully drawn yarn), Oerlikon Barmag offers customers ways of improving automation, yarn quality and efficiency. As a result, this Business Unit has orders that already extend into 2014.

Oerlikon Neumag also benefited from breakthroughs, particularly the new BCF (bulked continuous filament) carpet-yarn machines (S+) that are in high demand from leading carpet manufacturers in the United States. Oerlikon Saurer recorded increased business in tire cord areas as well as for embroidery machines (Epoca 6). Oerlikon Schlafhorst was able to set new production records in the technology divisions of ring spinning, rotor spinning and winding systems. Oerlikon Textile Components in total profited from growth in the filament and staple-fiber markets, particularly in China.

Oerlikon Textile's main growth drivers were the markets in China and India. The Segment also reported growth in Europe and the United States, while the markets in the Middle East only showed minimal growth.

In China, the most important textile market, Oerlikon Textile is the technology leader and largest machine manufacturer. In the first half of 2011, the Chinese market accounted for 41 % of the Segment's entire sales. Overall, Asia accounted for 69 %, Europe for 16 % and North America for 6 % of Segment sales versus a respective 65%, 15 % and 9 % in the previous period.

To sustain the dynamic growth and the high utilization of capacities, the Segment is continually optimizing its supply chains, material flows and production plans to accelerate delivery times and inventories.

Key topics

Innovation: To secure its position as the technology leader, Oerlikon Textile is sustainably investing in research and development (R&D). In the first half of 2011, the Segment's R&D expenditures totaled CHF 37 million (previous year: CHF 42 million). In September, the Segment will present and launch for the first time numerous innovative solutions at the world's most important textile machinery fair ITMA in Barcelona.

Product portfolio optimization: In order to optimize its product portfolio, the selling of the Carding Business of the Business Unit Oerlikon Neumag was initiated. Neumag will focus for the future on its primary business activities like BCF, synthetic Staple Fiber and selected Nonwoven Equipment. Final closing and the transaction to the Chinese Hi-Tech Group is expected in the course of the third quarter of 2011.

Operational Excellence: Following the comprehensive restructuring from 2008 to 2010, Oerlikon Textile is enjoying current market growth from a position of reduced costs. Further improvements are being made in operations, production and delivery processes to underpin 2011 profits. This includes the use of variable capacities in production and the relocation of several products to our sites in China.

Outlook: man-made fibers stable, natural fibers slow down, stable margins overall

The outlook of the individual Business Units of the Oerlikon Textile Segment varies due to the different areas of application and regions. The man-made fiber units, Oerlikon Barmag and Oerlikon Neumag, expect the level of order intake to remain at a high level thanks to ongoing automation, particularly in China, and investments in more efficient, higher performance machines. In the area of natural fibers, Oerlikon Schlafhorst anticipates a drop in order intake amongst others due to the volatility of the cotton prices. In the other units (Oerlikon Saurer und Oerlikon Textile Components), a slight decline in order intake is expected.

Overall, Textile expects continued sales growth and a reduction in order backlog in its business operations. Profitability should stabilize at its current level as a result of improved cost structures and further operational optimization.

Oerlikon Drive Systems

Facts & Figures

1. Oerlikon Drive Systems returned to profitability during the first half of 2011, generating an EBIT margin of more than 4 %.

2. The strong market recovery in the first half of 2011, particularly in the agriculture and energy sector, triggered a 15 % increase in order intake and increased sales by 13 %.

3. In the second half of the year, the Segment is expecting order intake to be generally stable. With sales remaining at nearly the same level, the Segment is focused on further gains in profitability.

in CHF million	H1 2011	H1 2010	△ (%)
Order intake	452	393	15
Order backlog	154	124	24
Sales (to third parties)	416	367	13
EBIT	18	–15	n/a

Business development

In the first half of 2011, Oerlikon Drive Systems increased order intake by 15 % to CHF 452 million (previous year: CHF 393 million). Order backlog rose 24 %, totaling CHF 154 million on the reporting date (previous year: CHF 124 million). During the first six months, sales increased 13 % to CHF 416 million, compared with CHF 367 million during the first half of 2010. Delivering an EBIT of CHF 18 million in the first half of 2011, up from a year-earlier CHF –15 million, the Segment returned to profitability and recorded a 4 % EBIT margin. This reflects the Segment's systematic execution of its strategy to accelerate profitable growth, although much remains to be done to achieve margin expansion.

High demand from customers worldwide in the heavy agricultural equipment and energy extraction sectors fueled growth. Construction machinery and material-handling equipment also generated growth and innovative transaxle systems for high-performance cars continue to be in high demand.

Regionally, India and China are proving to be remarkably dynamic. This momentum is being driven both by increasing business in the domestic markets and by the growing demand from European and US customers producing in the emerging markets of India and China. In India, high domestic demand from the most important manufacturers of agricultural and commercial vehicles in particular resulted in high capacity utilization levels. To further serve China's domestic market, the Segment is moving forward with the expansion of production sites in Suzhou. In the first half of 2011, the Segment increased its sales in the Asian market to a total share of 12 %. The markets in Europe and North America also performed well. The agricultural market in Europe grew again. And, in the United States, business increased in the area of aerial work platforms where older fleet equipment was replaced with new. With its new line of electric powered Torque-Hub® planetary drives, Oerlikon Drive Systems can offer the innovative technology needed for the newly generation of machinery.

Overall, the high utilization level of production capacities poses a challenge to the entire supply chain. The use of integrated supply-chain management is increasingly paying off, particularly in the procurement and delivery of raw materials.

In regard to new products, three of our customers presented new vehicles featuring completely redesigned Oerlikon transmissions at the March International Motor Show in Geneva: Aston Martin, Lamborghini – and McLaren, which uses our leading dual clutch transmission (DCT) technology. The Segment has also started supplying prototypes for transmission systems in e-drive high-performance sports cars being developed by two major OEMs. And in the off-highway heavy-duty market sector, Drive Systems launched a new series of electric-drive Torque-Hub® products.

Key topics

Integration: The reorganization of the Oerlikon Drive Systems' Segment under the leadership of one Segment CEO has been implemented. The development of joint initiatives to secure and expand the leading market position in transaxle and drive-systems technology has strengthened the Segment's comprehensive positioning. The global strategy for the planning and allocation of investments and capacities is having a positive impact on operational and financial growth.

The expansion of production sites in the emerging Asian markets and the optimization of production sites in established markets require restructuring measures. The adjustments that had already been scheduled were executed according to plan.

Operational Excellence: In addition to the optimization of the international network of production sites, the Segment's improved operational performance was another focal point of activities. Improvements in the efficiency of procurement and production processes are having a positive impact on profitability. Along with improvements in efficiency, the adjustment and streamlining of the product portfolio resulted in improved margins. Optimization for continued profitable growth is ongoing.

Outlook: Stable with increased margins

Oerlikon Drive Systems anticipates a normalization of its markets in the second half of 2011, particularly in Europe (agriculture) and North America (construction). Due to the order backlog and the continued high utilization level of production capacities, sales in the second half of the year are expected to be similar to those in the first half. With the introduction of optimization measures, Oerlikon Drive Systems is expecting profitability to continue to rise in the future.

Oerlikon Drive Systems will continue to invest in the systematic expansion of production capacities in the emerging markets of India and China. Oerlikon Drive Systems is investing in additional facilities in India and in China in a new production site in China, which is set to go online at the beginning of next year. The Segment expects to continue to profit from the Oerlikon Group's strong presence and infrastructure in China. Furthermore, approved restructuring measures will continue to be implemented in established markets.

Oerlikon Vacuum

Facts & Figures

1. EBIT more than doubled, to leading to a record margin of 16 %.

2. Sales up 8 %, order intake down 2 %, indicating the anticipated normalization of market demand.

3. For the second half of 2011, Oerlikon Vacuum expects the kind of stable sales and profitability levels seen in the first half of the year.

in CHF million	H1 2011	H1 2010	Δ (%)
Order intake	219	224	–2
Order backlog	87	95	–8
Sales (to third parties)	209	193	8
EBIT	33	13	154

Business development

Business development proved successful for Oerlikon Vacuum in the first six months of 2011. The Segment succeeded in tapping additional market potential in various applications and regions. In the first half of 2011, sales climbed by 8 % to CHF 209 million from CHF 193 million. The Segment demonstrated its focus on profitability by achieving its best ever EBIT margin of 16 %, aided by cost management and efficiency measures. EBIT totaled CHF 33 million, 154 % above the previous year's total of CHF 13 million. Compared with the previous year's period, which benefited from high demand following the global economic crisis, order intake declined by 2 % to CHF 219 million in the first half of 2011, while order backlog totaled CHF 87 million (previous year's level: CHF 95 million).

Such market segments as the process industry, the surface-coating sector and the solar industry were the drivers of the Segment's positive performance in the first half of 2011. The process industry, which generated about 52 % of Segment sales in the first half of 2011, increased sales by 6 % compared with the previous year. With an increase in sales of 4 %, the business with customers in the analysis and R&D industry reported a positive development. Sales in the semiconductor industry already showed a decline. Growth momentum was realized in the area of surface coating, with an increase in sales of 38 % compared with the previous period, and in the even more dynamic sales in the solar market, which climbed by 83 % compared to the first six months of 2010.

Among Oerlikon Vacuum's wide range of services, the solutions business generated the strongest sales growth in the first six months of 2011 with an increase of 83 % compared with the same period last year. In this area, the Segment offers its extensive expertise in vacuum technology in the form of advisory and engineering services as part of its solutions for specific and complex customer requirements. The components business continued to grow slightly compared with 2010, whereas the services business reported a stable development.

On a geographic basis, Europe saw the strongest growth for Oerlikon Vacuum in the first half-year with sales up 14 % year-on-year. North America reported a sales growth of 3 %, followed by Asia, up 2 % in the first six months of 2011 compared with the previous year's period. The systematic expansion of the service and solutions businesses at the Chinese production site in Tianjin is expected to contribute to further growth.

Key topics

Cost and process management: To sustain the current level of profitability over the long term, Oerlikon Vacuum will continue to methodically control its costs and processes. This includes both further reductions in fixed costs and active supply-chain management. To achieve this, business processes will continue to be optimized to improve, for example, the availability of products and On Time Delivery. The Segment's increasing standardization of components in what is the industry's most extensive product portfolio will also lower production costs and increase production flexibility.

Innovation: Oerlikon Vacuum continued its innovation management in the first half of 2011 and launched new products. With the magnetically levitated turbomolecular vacuum pump TURBO MAGiNTEGRA, the Segment responded to customer needs and closed an important gap in its product portfolio. In addition to providing robust, reliable and wear-free operations, this innovative pump system is virtually maintenance free. For customers, this provides a significant reduction in cost of ownership.

Outlook: Stable

Oerlikon Vacuum expects market demand to continue to normalize in the second half of 2011. In the semiconductor industry and the R&D sector, the Segment anticipates a decline in customer orders. The Segment views coating technologies such as thin-film and LED/OLED applications and the process industry in general as positive areas.

For the second half of the year, Oerlikon Vacuum sees additional opportunities in the Asian markets and expects the solutions business to strengthen. Breakthroughs within the product portfolio are expected to provide opportunities to continuously gain market share.

In addition to investments in the product portfolio, the Segment will continue to invest in building its capacities in Asia and expanding its production site in China in particular. For the second half of 2011, Oerlikon expects the level of profitability and sales to stabilize at the first half-year level.

Oerlikon Solar

Facts & Figures

1. The Segment nearly doubled sales, increased order intake drastically and sustained a healthy order backlog.

2. Through continued high investment in research and development, Oerlikon Solar further lowered production costs for thin film silicon solar modules – current costs are lower than EUR 0.5 Watt (peak).

3. Business volumes for 2011 are expected to be significantly higher than the previous year and the Segment continues to aim to reach break even for the year.

in CHF million	H1 2011	H1 2010	△ (%)
Order intake	185	11	1582
Order backlog	307	216	42
Sales (to third parties)	133	74	80
EBIT	–12	–60	n/a

Business development

Following the successful market launch of the ThinFab™ production line at the end of last year, Oerlikon Solar announced the first order for a complete 120 MW-production line in Asia. The market responded favorably to the critically important technology milestone achieved by Oerlikon's thin film silicon solar technology with its low module production costs and energy payback time. This led to the Segment successfully reaching its key commercial milestone with the ThinFab™ order. Order intake in the first half of 2011 climbed to CHF 185 million compared with CHF 11 million in the previous year.

Oerlikon Solar's thin film silicon solar module technology is a proven and field-tested technology. The date, the Segment already has more than 870 MW in orders and approximately 450 MW of installed capacity. Around 4 million solar modules have already been produced with Oerlikon technology, representing a total of modules in production of around 500 MW. As of June 30, 2011, order backlog totaled CHF 307 million, up from CHF 216 million the previous year. In the first half of 2011, the Segment's sales increased by 80 % to CHF 133 million from CHF 74 million. EBIT totaled CHF –12 million, up from CHF –60 million in the previous year.

Despite the recovery resulting from this performance for Oerlikon's thin film technology, market development in the first half of 2011 remained restrained. The key reason for this is the current overcapacity in crystalline solar cells and applications, which is putting pressure on prices.

In the course of the first half of 2011, the high quality and reliability levels offered to customers by Oerlikon Solar was recognized by the independent German technical service provider TÜV Rheinland. Oerlikon Solar's thin film silicon solar modules in the range of up to 147 Watt (peak) designed for the ThinFab™ production have passed all tests required by the IEC 61646 and IEC 61730 standards of TÜV Rheinland. The TÜV Rheinland certification for Oerlikon Solar's thin film silicon solar modules from the ThinFab™ generation is an important differentiator in the market.

Key topics

Innovation: Through continued R&D expenditures, totaling CHF 34 million during the first half of 2011 (previous year: CHF 40 million), Oerlikon Solar is working to further increase module efficiency and lower module production costs. This is expected to reduce the high initial investments for ThinFab™ over the long run. Today, module production costs are already lower than the EUR 0.5 Watt (peak) announced at market launch, making the costs the lowest in the solar industry.

Market opportunities: After winning the first order for its ThinFab™ production line, Oerlikon Solar is intensely pursuing the goal of further increasing penetration of this leading technology and winning new contracts and also increasing equipment sales. To achieve this, great efforts are being made to expand the customer base around providers that drive the market. In order to accelerate the market adoption of the thin film technology, Oerlikon Solar – together with its existing customers – has started initiatives aimed at improving the visibility, reputation and "bankability" of the field-proven technology.

Cost reduction: Given the market dynamics of decreasing equipment prices, cost management continues to be of paramount importance to our customers. The Oerlikon Solar Segment is pursuing multiple cost-reduction programs including supply chain optimization, manufacturing efficiencies and shortening delivery times.

Outlook: Aim to reach break even

The market for thin film solar energy is showing the first positive signs of an upswing. Because of its advantages and future potential, Oerlikon technology has attracted strong interest, particularly in China and India. In the second half of the year, Oerlikon will present further improvements to its thin film silicon solar technology, and thereby further bolstering its leading position in terms of costs, environmental consciousness and practical benefits.

According to the original 2011 guidance, Oerlikon Solar continues to aim to reach break even, whereby business volumes for 2011 are expected to be significantly higher than the previous year. This is based on further progress on market adoption of the thin film technology and completion of strategic discussions with existing and potential customers.

Oerlikon Coating

Facts & Figures

1. Record EBIT margin of 20 % in the first half of 2011. Sales climbed by 21 % to CHF 243 million.

2. Successfully diversified into new application areas separate from the tooling industry. The share of sales contributed by coating of precision components rose to more than one-fifth of sales.

3. During the second half of 2011, Oerlikon Coating is expecting slight growth to generate record profits.

in CHF million	H1 2011	H1 2010	△ (%)
Order intake	243	201	21
Order backlog	n/a	n/a	n/a
Sales (to third parties)	243	201	21
EBIT	49	25	96

Business development

Oerlikon Coating delivered strong results in the first half of 2011. Sales climbed by 21 % to CHF 243 million, fueled by the continuing recovery of the automotive industry, particularly in Europe; successful expansion in Asia; and the systematic enlargement of addressed application areas. Currency effects lowered sales by CHF 28 million. As a result of the Segment's global presence that includes 87 coating centers in 32 countries around the world, costs and sales are generated in the same currency area. This leads to a large amount of "natural balancing", which prevents currency effects from impacting margins. The active capacity and cost management of the global network produced a sustainable increase in profitability. During the period under review, EBIT totaled CHF 49 million, compared with CHF 25 million in the previous year's period. In doing so, the Segment produced an all-time record EBIT margin of 20 % during the first six months of 2011.

The focal point of Oerlikon Balzers' business activities is coating services that dramatically improve the performance of tools and precision components, facilitate new functions and designs, and outperform competitors' technologies in terms of environmental compatibility. Coating services represented about 90 % of total Segment sales during the first half of 2011. A total of nearly 10 % was attributed to equipment sales. The growth drivers in the area of coating services are industrial countries, particularly in Europe, which delivered an increase of 31 %, based on stable currencies. This growth was fueled by the ongoing recovery and technological advances in the automotive industry. North-America delivered growth of 21 %, and Asia expanded by 28 %.

The systematic expansion of the coating business for precision components to such areas as the automotive and watch industries as well as to medical technology produced positive results. This area now represents more than 20 % of the Segment's sales. The integration of the Hartec Group, which was acquired in December 2010 and adds PVD coatings of three-dimensional plastic parts to the product portfolio, is on schedule. As a result of this acquisition, the Segment has gained a number of new opportunities, particularly in the automotive industry, because large numbers of metallic-like plastic parts are being produced for the first time in an environmentally conscious manner, and a valid industry partner has been found in Oerlikon Coating.

Oerlikon Coating is continuing to expand its global network of coating centers: In the first half of the year, the Segment added another new coating center in China and expanded its presence in this region to 8 centers. In May, the third coating center went online in Poland. Further coating centers will start production in the second half of 2011. In addition, coating centers in Asia as well as in Europe were constantly expanded to meet rising demand for high-quality coating services.

Key topics

Growth: Oerlikon Coating benefited from the automotive industry's push to further improve engine efficiency and reduce harmful emissions. In many cases, this can only be achieved by using a modified design that includes a variety of heavily-loaded, coated components like fuel-injection pumps and piston pins. The Segment's close working relationship with leading carmakers and its global presence create a first-class position to further profit from this trend. Thanks to the decorative and functional three-dimensional coatings of the former Hartec Group, additional growth opportunities are arising in the area of interior and exterior vehicle equipment in the automotive industry, particularly through the replacement of chrome-plating.

Innovation: Productivity is the focal point of metal processing. Oerlikon Balzers offers innovative coating solutions built on the basis of aluminum chromium nitride (AlCrN) that have been setting industry standards for many years. The recently introduced coatings BALINIT® ALCRONA PRO and BALINIT® ALNOVA go a long way in meeting customers' needs for increased efficiency, productivity and environmentally conscious processes and are paying off for the Segment. During the second half of the year, Oerlikon Coating will introduce a new generation of machines that are more compact, precise, adaptable and faster than the predecessors and will provide new application fields for PVD coating services to customers.

Outlook: Slight growth, stable margins at high level

For the second half of 2011, the Segment expects slight sales growth compared with the first half of 2011, based on stable currencies and in conjunction with seasonal effects. Profitability is expected to stay at a comparably high level.

Compared to 2010, Oerlikon Coating is forecasting double-digit growth in sales and an increase in profitability for 2011. Overall, the Oerlikon Coating Segment is well on its way to delivering record profits for the complete 2011 year on a comparable level to the first half-year result. Both are based on the assumption that exchange rates will remain stable

Oerlikon Advanced Technologies

Facts & Figures

1. Oerlikon Advanced Technologies significantly increased its profitability and generated an EBIT margin of 11 %. During the first half of the year, sales climbed by 6 % to CHF 54 million.

2. The Segment profited from the ongoing demand in the semiconductor industry, particularly in the area of advanced packaging, while the market for optical storage media was restrained.

3. During the second half of 2011, innovative solutions in advanced-packaging applications will improve the competitive position.

in CHF million	H1 2011	H1 2010	△ (%)
Order intake	50	62	–19
Order backlog	25	41	–39
Sales (to third parties)	54	51	6
EBIT	6	3	100

Business development

In the first half of 2011, Oerlikon Advanced Technologies benefited from the continuing momentum in the semiconductor market. The main drivers were innovative solutions for advanced packaging for the production of mobile applications as well as ultra-thin wafer backside metallization for the production of advanced semiconductors. By contrast, the demand for production equipment for Blu-ray discs declined, with events in Japan having a further dampening effect. Accordingly, order intake dropped by 19 % to CHF 50 million (previous year: CHF 62 million). Order backlog totaled CHF 25 million (previous year: CHF 41 million). During the first six months of 2011, sales rose 6 % to CHF 54 million (previous year: CHF 51 million) due to a high order backlog. EBIT grew at an above-average rate, climbing 100 % to CHF 6 million (previous year: CHF 3 million). In addition to higher sales, operational improvements lifted the Segment's profitability.

The core technology of Oerlikon Advanced Technologies is physical vapor deposition (PVD). Oerlikon Advanced Technologies serves as a partner for leading semiconductor and nanotechnology companies by helping them deliver on their growth strategies. With the CLUSTERLINE system, Oerlikon Advanced Technologies not only offers market-leading solutions in the areas of advanced packaging and for the production of micro-electromechanic systems (MEMS) and advanced semiconductors, but also for the production of light-emitting diodes (LEDs). At the beginning of the year, customers' investment plans included catch-up activities. As expected, their investment efforts normalized during the period under review. The SOLARIS production system is already being used by leading manufacturers to mass-produce crystalline solar cells. Oerlikon Advanced Technologies has also seen further market interest in the SOLARIS system that is used to produce the latest generation of displays, including thermoelectric generators and various applications in the area of Solid State Lighting (OLED, LED, etc.).

Asia as a growth region continued to represent a significant proportion of sales in the Advanced Technologies Segment. A total of 43 % were generated in Asia compared with 53 % in the previous year's period. Europe accounted for 46 %, up from 10 % a year ago on the back of increased business in the solid state lighting and the semiconductor industry.

Key topics

Semiconductors: Innovative solutions for applications in advanced packaging, thin-wafer processing for backside metal and micro-electromechanical systems (MEMS) as well as read/write heads for hard drives form the core of the Segment's business activities. The Segment's superior technology enables customers to reduce their cost of ownership. The manufacturing of light-emitting diodes (LEDs) represents another growth driver for the Segment.

Solar: Applications in the areas of clean environmental technologies and renewable energies remain the strategic focal point of this area. The technology and growth driver is the SOLARIS production system. In addition to work in the production of crystalline solar cells, developments in other application areas are being systematically pursued.

Outlook: Measured, stable margins

In the second half of 2011, innovative advanced packaging for the semiconductor industry and improved production equipment for crystalline solar cells will be announced. These innovative solutions will further reinforce the Segment's competitiveness and tap future market potential.

For the reporting year 2011, the Segment expects sales to be slightly below the previous year's level, but profitability should remain stable.

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Key figures Oerlikon Group

in CHF million	**January 1 to June 30, 2011 unaudited**	January 1 to June 30, 2010 unaudited
Order intake	2 344	2 101
Order backlog	1 912	1 430
Sales	2 033	1 573
EBITDA	276	71
- as % of sales	14%	5%
EBIT [1]	187	–31
- as % of sales	9%	–2%
Net profit / loss	83	–50
- as % of sales	4%	–3%
- as % of equity attributable to shareholders of the parent	6%	–3%
Cash flow from operating activities before changes in net current assets [2]	250	130
Capital expenditure for fixed and intangible assets	60	53
Total assets (June 30, 2011 / December 31, 2010)	4 375	4 475
Equity attributable to shareholders of the parent (June 30, 2011 / December 31, 2010)	1 424	1 430
- as % of total assets	33%	32%
Net debt (June 30, 2011 / December 31, 2010) [3]	262	274
Net Operating Assets (June 30, 2011 / December 31, 2010) [4]	2 162	2 196
Number of employees (June 30, 2011 / December 31, 2010)	17 223	16 657
Personnel expenses	503	516
Research and development expenditures [5]	111	122

[1] EBIT before restructuring costs amounts to CHF 188 million in the first half of 2011 (previous year: CHF – 14 million).

[2] Cash flow from operating activities (after changes in net current assets) amounts to CHF 137 million (previous year: CHF 86 million).

[3] Net debt is current and non-current debt less cash and cash equivalents and marketable securities.

[4] Net operating assets include current and non-current operating assets (excluding cash and cash equivalents, financial assets, current tax receivables and assets classified as held for sale) less operating liabilities (excluding financial liabilities, tax provisions and liabilities classified as held for sale).

[5] Research and development expenditures include an amount of CHF 13 million (previous year: CHF 12 million) recognized as intangible assets.

Consolidated income statement

in CHF million	**January 1 to June 30, 2011 unaudited**	January 1 to June 30, 2010 unaudited
Sales of goods	1 616	1 192
Services rendered	417	381
Total sales	**2 033**	**1 573**
Cost of sales	–1 511	–1 248
Gross profit	**522**	**325**
Marketing and selling	–117	–116
Research and development	–108	–118
Administration	–118	–120
Restructuring costs	–1	–17
Other income	20	21
Other expenses	–11	–6
Result before interest and taxes (EBIT)	**187**	**–31**
Financial income	4	127
Financial expenses	–61	–128
Result before taxes (EBT)	**130**	**–32**
Income taxes	–47	–18
Net profit / loss	**83**	**–50**
Attributable to:		
Shareholders of the parent	80	–51
Non-controlling interest	3	1
Earnings per registered share in CHF	**0.25**	–0.56
Fully diluted earnings per registered share in CHF	**0.25**	–0.56

Consolidated statement of comprehensive income

in CHF million	**January 1 to June 30, 2011 unaudited**	January 1 to June 30, 2010 unaudited
Net profit / loss	83	–50
Other comprehensive income		
Fair value adjustments on hedged items	–1	–7
Realization of hedged items transferred to the income statement	–	–3
Defined benefit plan actuarial gains/losses	32	–71
Income taxes on other comprehensive income	–8	29
Conversion differences	–113	–51
Other comprehensive income for the period, net of taxes	**–90**	**–103**
Total comprehensive income for the period	**–7**	**–153**
Attributable to:		
Shareholders of the parent	–6	–155
Non-controlling interest	–1	2

Consolidated balance sheet

Assets

in CHF million	**June 30, 2011 unaudited**	December 31, 2010
Cash and cash equivalents	676	751
Current financial investments and derivatives	31	38
Trade receivables	626	588
Other receivables	142	164
Current tax receivables	19	19
Inventories	582	468
Prepaid expenses and accrued income	32	21
Assets classified as held for sale	29	37
Current assets	**2 137**	**2 086**
Loans and other non-current financial receivables	7	8
Non-current financial investments	33	33
Property, plant and equipment	874	942
Intangible assets	1 230	1 293
Deferred tax assets	94	113
Non-current assets	**2 238**	**2 389**
Total assets	**4 375**	**4 475**

Liabilities and equity

in CHF million	**June 30, 2011 unaudited**	December 31, 2010
Trade payables	411	419
Current loans and borrowings	28	53
Other current liabilities	93	76
Accrued liabilities	232	245
Current customer advances	408	335
Current income taxes payable	49	48
Current post-employment benefit provisions	28	28
Other current provisions	101	125
Liabilities classified as held for sale	41	31
Current liabilities	**1 391**	**1 360**
Non-current loans and borrowings	955	1 025
Non-current post-employment benefit provisions	443	499
Deferred tax liabilities	84	77
Other non-current provisions	57	60
Non-current liabilities	**1 539**	**1 661**
Total liabilities	**2 930**	**3 021**
Share capital	323	323
Treasury shares	–2	–2
Reserves and retained earnings	1 103	1 109
Equity attributable to shareholders of the parent	**1 424**	**1 430**
Non-controlling interest	21	24
Total equity	**1 445**	**1 454**
Total liabilities and equity	**4 375**	**4 475**

Consolidated cash flow statement

in CHF million	**January 1 to June 30, 2011 unaudited**	January 1 to June 30, 2010 unaudited
Net profit / loss	83	–50
Income taxes	47	18
Interest expense (net)	46	125
Depreciation of property, plant and equipment	70	83
Amortization of intangible assets	20	19
Impairment losses on property, plant and equipment	–	–
Impairment losses on intangible assets	–	–
Addition to other provisions	12	50
Decrease in post-employment benefit provisions	–5	–4
Gain on sale of Group companies	–3	–
Income taxes paid	–32	–25
Other non-cash expenses (+) / income (–)	12	–86
Cash flow from operating activities before changes in net current assets	250	130
Increase in receivables / prepaid expenses and accrued income	–60	–102
Increase in inventories	–152	–53
Decrease in payables / accrued liabilities and use of other provisions	–2	–27
Increase in customer advances	103	120
Non-cash impact on net current assets due to hedge accounting	–2	18
Cash flow from changes in net current assets	–113	–44
Cash flow from operating activities	**137**	**86**
Capital expenditure for property, plant and equipment	–47	–40
Capital expenditure for intangible assets	–13	–13
Decrease in loans receivable	1	–
Increase in marketable securities	–14	–
Proceeds from sale of property, plant and equipment	2	2
Interest received	6	4
Cash flow from investing activities	**–65**	**–47**
Dividends paid	–2	–2
Purchase of treasury shares	–2	–1
Proceeds from capital increase (net of transaction costs)	–	833
Increase of financial debt	7	28
Repayment of financial debt	–83	–660
Acquisition of non-controlling interest	–	–8
Interest paid	–49	–77
Cash flow from financing activities	**–129**	**113**
Conversion adjustments to cash and cash equivalents	–21	–3
Decrease (–) / increase (+) in cash and cash equivalents	**–78**	**149**
Cash and cash equivalents at the beginning of the period [1]	756	357
Cash and cash equivalents at the end of the period [1]	678	506
Decrease (–) / increase (+) in cash and cash equivalents	**–78**	**149**

[1] Includes cash and cash equivalents which are included in «Assets classified as held for sale» in the balance sheet as of January 1, 2011 and June 30, 2011.

Consolidated statement of changes in equity

in CHF million	Share capital [1]	Additional paid-in capital [2]	Treasury shares	Conversion differences	Retained earnings	Hedge accounting	Income taxes	**Total equity attributable to shareholders of the parent**	Non-controlling interest	**Total equity**
Balance at January 1, 2010	**283**	**622**	**–292**	**–234**	**110**	**2**	**2**	**493**	**27**	**520**
Net loss	–	–	–	–	–51	–	–	–51	1	–50
Other comprehensive income										
Fair value adjustments on hedged items	–	–	–	–	–	–7	–	–7	–	–7
Realization of hedged items transferred to the income statement	–	–	–	–	–	–3	–	–3	–	–3
Defined benefit plan actuarial losses	–	–	–	–	–71	–	–	–71	–	–71
Income taxes on other comprehensive income	–	–	–	–	–	–	29	29	–	29
Conversion differences	–	–	–	–52	–	–	–	–52	1	–51
Total other comprehensive income for the period	**–**	**–**	**–**	**–52**	**–71**	**–10**	**29**	**–104**	**1**	**–103**
Reduction of nominal share value	–269	269	–	–	–	–	–	–	–	–
Capital increase	309	815	–	–	–	–	–	1 124	–	1 124
Dividend distributions	–	–	–	–	–	–	–	–	–2	–2
Acquisition of non-controlling interest	–	–5	–	–	–	–	–	–5	–3	–8
Share-based payments	–	–	–	–	1	–	–	1	–	1
Purchase of treasury shares	–	–	–1	–	–	–	–	–1	–	–1
Disposal of treasury shares	–	–226	293	–	–	–	–	67	–	67
Balance at June 30, 2010	**323**	**1 475**	**–**	**–286**	**–11**	**–8**	**31**	**1 524**	**24**	**1 548**
Balance at January 1, 2011	**323**	**1 475**	**–2**	**–441**	**53**	**–1**	**23**	**1 430**	**24**	**1 454**
Net profit	–	–	–	–	80	–	–	80	3	83
Other comprehensive income										
Fair value adjustments on hedged items	–	–	–	–	–	–1	–	–1	–	–1
Realization of hedged items transferred to the income statement	–	–	–	–	–	–	–	–	–	–
Defined benefit plan actuarial gains	–	–	–	–	32	–	–	32	–	32
Income taxes on other comprehensive income	–	–	–	–	–	–	–8	–8	–	–8
Conversion differences	–	–	–	–109	–	–	–	–109	–4	–113
Total other comprehensive income for the period	**–**	**–**	**–**	**–109**	**32**	**–1**	**–8**	**–86**	**–4**	**–90**
Dividend distributions	–	–	–	–	–	–	–	–	–2	–2
Share-based payments	–	–	–	–	3	–	–	3	–	3
Purchase of treasury shares	–	–	–2	–	–	–	–	–2	–	–2
Disposal of treasury shares	–	–	2	–	–3	–	–	–1	–	–1
Balance at June 30, 2011	**323**	**1 475**	**–2**	**–550**	**165**	**–2**	**15**	**1 424**	**21**	**1 445**

[1] The share capital of OC Oerlikon Corporation AG, Pfäffikon consists of 323,124,010 registered shares of nominal value CHF 1.

[2] As at June 30, 2011, additional paid-in capital includes CHF 197 million of legal reserves in OC Oerlikon Corporation AG, Pfäffikon.

Summary of significant accounting principles

Company operations

OC Oerlikon Corporation AG, Pfäffikon 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, transmission technology, yarn processing solutions (textile machinery), components and services for selected information technology market segments and industrial applications.

Apart from its activities in Switzerland, the Oerlikon Group operates in the EU region, North America and Asia, and employs 17 223 individuals.

Basis of preparation

The consolidated interim financial statements of OC Oerlikon Corporation AG, Pfäffikon have been prepared in accordance with International Financial Reporting Standards (IFRS) and Swiss company law. These accounting standards have been applied consistently in all periods presented in this report. The reporting period is six months. 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 unaudited consolidated interim financial statements for the first half-year of 2011 are presented in a condensed form and are in accordance with IAS 34 Interim Financial Reporting. The consolidated interim financial statements do not include all the details contained in the consolidated annual financial statements and should therefore be read in conjunction with the annual consolidated financial statements as of December 31, 2010.

The consolidated interim financial statements were approved by the Board of Directors on August 16, 2011. All line item amounts in the consolidated interim financial statements are presented in millions of Swiss francs (CHF million) 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.

Judgments, estimates and assumptions

Preparation of the consolidated interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the values of reported revenues, expenses, assets, liabilities and contingent liabilities at the reporting date. These estimates and assumptions are constantly being revised. Depending on the issues involved, revision of such assumptions can have an effect on the current period as well as potentially on future periods. These estimates, judgments and assumptions are based on historical experience and other factors that are believed to be reasonable and justified as expectations of future events. However, actual results can differ from these estimates. The same significant assumptions and estimates were made by management for these consolidated interim financial statements as for the annual consolidated financial statements as of December 31, 2010.

Significant accounting policies

The accounting policies in this interim financial report match those applied in the audited annual consolidated financial statements as of December 31, 2010, with exception of the changes shown below.

The International Accounting Standards Board (IASB) has published a number of new and revised standards and interpretations, which have been applied by Oerlikon Group since January 1, 2010:

- IAS 32 amended – Financial Instruments: Presentation – Classification of Rights Issues
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRSs (May 2010)
- IAS 24 rev. – Related Party Disclosures
- IFRIC 14 amended: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement

The new and revised accounting standards had no material effect on the consolidated interim financial statements.

Future developments in IFRS standards and interpretations not yet adopted

The International Accounting Standards Board (IASB) has published a number of new and revised standards and interpretations, which come into force later and have not been implemented ahead of their effective dates in the attached accounts. Their effects on Oerlikon Group's financial statements have not yet been fully analyzed, but a first review has been conducted and the expected effects of each standard and interpretation are presented at the end of the table below:

Standard/interpretation	Impact level	Effective date	Planned application by Oerlikon
IFRS 9 – Financial Instruments: Measurement and Classifications	***	January 1, 2013	Reporting year 2013
IFRS 10 – Consolidated Financial Statements	*	January 1, 2013	Reporting year 2013
IFRS 11 – Joint Arrangements	*	January 1, 2013	Reporting year 2013
IFRS 12 – Disclosure of Interests in Other Entities	**	January 1, 2013	Reporting year 2013
IFRS 13 – Fair Value Measurement	***	January 1, 2013	Reporting year 2013
IFRS 7 amended – Disclosures: Transfers of Financial Assets	*	July 1, 2011	Reporting year 2012
IAS 12 amended – Deferred Tax: Recovery of Underlying Assets	***	January 1, 2012	Reporting year 2012
IAS 1 amended – Presentation of Items of Other Comprehensive Income	**	July 1, 2012	Reporting year 2013
IAS 19 amended – Employee Benefits	***	January 1, 2013	Reporting year 2013
IAS 27 revised – Separate Financial Statements	*	January 1, 2013	Reporting year 2013
IAS 28 revised – Investments in Associates and Joint Ventures	*	January 1, 2013	Reporting year 2013

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

** The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentation.

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

Segment reporting

The segment reporting of the Oerlikon Group is in accordance with the "Management Approach" and based on the internal structure and reporting. The Executive Committee is an advisory body to the Chief Executive Officer (CEO). The CEO performs the function of the Chief Operating Decision Maker (CODM) and assesses performance and makes resource allocation decisions. The internal reporting to the Executive Committee and the Board of Directors is based on uniform Group accounting principles which correspond to those used in the consolidated financial statements.

According to the internal Segment reporting the Group consists of the following reportable Segments:

- Textile Segment develops and manufactures textile machinery.
- Drive Systems Segment manufactures gears and other components for power transmission, mainly in motor vehicles.
- Vacuum Segment develops application- and customer-specific systems for the creation of vacuums and extraction of processing gases.
- Solar segment supplies equipment for mass production of solar panels.
- Coating segment supplies metal coatings that improve the performance of tools and precision components, offering coating services at 87 centers worldwide.
- Advanced Technologies Segment develops applications and technologies, from which the highest precision and accuracy is required and mainly specializes in nanotechnology.

Operating segments

in million CHF	Oerlikon Textile 2011	Oerlikon Textile 2010	Oerlikon Drive Systems 2011	Oerlikon Drive Systems 2010	Oerlikon Vacuum 2011	Oerlikon Vacuum 2010	Oerlikon Solar 2011	Oerlikon Solar 2010
Order intake	**1 195**	**1 210**	**452**	**393**	**219**	**224**	**185**	**11**
Order backlog	**1 339**	**954**	**154**	**124**	**87**	**95**	**307**	**216**
Sales								
Sales to third parties	978	687	416	367	209	193	133	74
Sales to other Segments	–	–	–	–	4	2	19	11
	978	**687**	**416**	**367**	**213**	**195**	**152**	**85**
Net sales by market region to third parties								
Asia / Pacific	670	444	49	40	74	74	83	13
Europe	156	103	192	190	99	82	15	27
North America	61	62	156	128	34	35	–	–
Other regions	91	78	19	9	2	2	35	34
	978	**687**	**416**	**367**	**209**	**193**	**133**	**74**
Net sales by location to third parties								
Asia / Pacific	192	155	48	40	59	58	2	1
Europe	736	475	248	232	115	101	131	73
North America	41	46	120	95	35	34	–	–
Other regions	9	11	–	–	–	–	–	–
	978	**687**	**416**	**367**	**209**	**193**	**133**	**74**
Capital expenditure for fixed and intangible assets								
Asia / Pacific	2	7	6	7	2	1	–	–
Europe	10	10	7	7	4	3	4	6
North America	–	–	6	2	–	–	–	–
Other regions	–	–	–	–	–	–	–	–
	12	**17**	**19**	**16**	**6**	**4**	**4**	**6**
EBITDA	**97**	**20**	**42**	**13**	**40**	**19**	**–**	**–48**
EBIT	**76**	**–9**	**18**	**–15**	**33**	**13**	**–12**	**–60**
Other material items								
Research and development expenses	–37	–39	–7	–7	–9	–12	–34	–39
Depreciation and amortization	–22	–29	–24	–28	–7	–6	–12	–12
Impairment / reversal of impairment on property, plant and equipment	–	–	–	–	–	–	–	–
Impairment of goodwill	–	–	–	–	–	–	–	–
Restructuring costs	–1	–5	–	–12	–	–	–	–
Operating assets	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010
Asia / Pacific	234	234	91	89	56	54	2	2
Europe	1 130	1 114	681	648	190	185	193	237
North America	21	22	365	390	18	15	–	–
Other regions	11	17	–	–	–	–	–	–
	1 396	**1 387**	**1 137**	**1 127**	**264**	**254**	**195**	**239**
Operating liabilities	–681	–646	–259	–232	–96	–103	–201	–198
Net Operating Assets [1]	**715**	**741**	**878**	**895**	**168**	**151**	**–6**	**41**
Number of employees	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010
Asia / Pacific	2 704	2 616	1 861	1 686	328	315	69	62
Europe	3 535	3 469	2 357	2 421	1 046	1 061	590	582
North America	148	153	1 176	1 034	75	77	–	4
Other regions	63	56	–	–	–	–	–	–
	6 450	**6 294**	**5 394**	**5 141**	**1 449**	**1 453**	**659**	**648**

[1] Net operating assets include current and non-current operating assets (excluding cash and cash equivalents, financial assets, current tax receivables and assets classified as held for sale) less operating liabilities (excluding financial liabilities, tax provisions and liabilities classified as held for sale).

	Oerlikon Coating		Oerlikon Advanced Technologies		Total Segments		Corporate / Eliminations		Total Oerlikon Group	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	243	**201**	**50**	**62**	**2 344**	**2 101**	**–**	**–**	**2 344**	**2 101**
	–	**–**	**25**	**41**	**1 912**	**1 430**	**–**	**–**	**1 912**	**1 430**
	243	201	54	51	2 033	1 573	–	–	2 033	1 573
	1	1	–	–	24	14	–24	–14	–	–
	244	**202**	**54**	**51**	**2 057**	**1 587**	**–24**	**–14**	**2 033**	**1 573**
	72	54	23	27	971	652	–	–	971	652
	127	105	25	5	614	512	–	–	614	512
	33	26	6	19	290	270	–	–	290	270
	11	16	–	–	158	139	–	–	158	139
	243	**201**	**54**	**51**	**2 033**	**1 573**	**–**	**–**	**2 033**	**1 573**
	61	53	–	–	362	307	–	–	362	307
	139	107	48	32	1 417	1 020	–	–	1 417	1 020
	26	25	6	19	228	219	–	–	228	219
	17	16	–	–	26	27	–	–	26	27
	243	**201**	**54**	**51**	**2 033**	**1 573**	**–**	**–**	**2 033**	**1 573**
	10	2	–	–	20	17	–	–	20	17
	4	3	2	1	31	30	1	–	32	30
	2	1	–	–	8	3	–	–	8	3
	–	3	–	–	–	3	–	–	–	3
	16	**9**	**2**	**1**	**59**	**53**	**1**	**–**	**60**	**53**
	70	**47**	**7**	**4**	**256**	**55**	**20**	**16**	**276**	**71**
	49	**25**	**6**	**3**	**170**	**–43**	**17**	**12**	**187**	**–31**
	–14	–12	–6	–6	–107	–115	–1	–3	–108	–118
	–21	–22	–2	–1	–88	–98	–2	–4	–90	–102
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–1	–17	–	–	–1	–17
	30.06.2011	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010
	116	118	–	–	499	497	–	–	499	497
	193	195	107	90	2 494	2 469	54	47	2 548	2 516
	30	33	5	9	439	469	–	1	439	470
	30	33	–	–	41	50	–	–	41	50
	369	**379**	**112**	**99**	**3 473**	**3 485**	**54**	**48**	**3 527**	**3 533**
	–72	–72	–28	–29	–1 337	–1 280	–28	–57	–1 365	–1 337
	297	**307**	**84**	**70**	**2 136**	**2 205**	**26**	**–9**	**2 162**	**2 196**
	30.06.2011	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010	**30.06.2011**	31.12.2010
	882	824	–	–	5 844	5 503	–	–	5 844	5 503
	1 483	1 399	178	173	9 189	9 105	208	206	9 397	9 311
	269	262	22	23	1 690	1 553	–	4	1 690	1 557
	229	226	–	–	292	282	–	4	292	286
	2 863	**2 711**	**200**	**196**	**17 015**	**16 443**	**208**	**214**	**17 223**	**16 657**

Notes to the consolidated interim financial statements

Change in scope of consolidation

As of January 3, 2011, Oerlikon Group sold its investment in Schlafhorst Engineering (India) Ltd. The company's assets and liabilities were classified as assets and liabilities held for sale as of December 31, 2010.

The Group made no significant company foundations or acquisitions in the first half-year of 2011.

Assets and liabilities classified as held for sale

With the sale of Schlafhorst Engineering (India) Ltd. on January 3, 2011, part of the disposal group presented as held for sale in the consolidated financial statements as of December 31, 2010 has been sold in 2011. Efforts to sell the remaining part of the disposal group are ongoing and a sale is expected in the third quarter of 2011.

Financial liabilities

In June 2011, the Oerlikon Group reached an agreement with its lenders to amend the Syndicated Credit Facility Agreement so that Oerlikon can conduct the following transactions:

– Transfer up to CHF 250 million of its Senior Term Loan (Facility B) to its Revolving/Ancillary Credit Facility (Facility A):

  – By reducing its Facility B by the respective amount, thereby reducing the Group's debt, and

  – By increasing Facility A by the respective amount, thereby increasing Oerlikon Group's bank guarantee facilities

– as well as an Option to use cash to secure bank guarantees for customers, if required

Due to the increased demand for advanced payment guarantees, CHF 71 million (out of the total available amount of CHF 250 million) of the Senior Term Loan (Facility B) was reduced in June 2011 in order to increase the Revolving/Ancillary Credit Facility (Facility A) by the same amount under the amended agreement.

As of June 30, 2011, the Syndicated Credit Facility appears as follows:

in CHF million	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
Syndicated loan /Term Loan (Facility B)[1]	CHF	Libor + 2 %	2014	326	302
Syndicated loan /Term Loan (Facility B)	EUR	Libor + 2 %	2014	99	99
Syndicated loan /Term Loan (Facility B)	USD	Libor + 2 %	2014	54	54
Syndicated loan /Term Loan (Facility C)[2]	CHF	Libor + 11 %	2014	494	494

[1] Face value differs from the carrying amount in respect of the senior term loan (Facility B) because CHF 24 million of directly attributable transaction costs related to the financing of the credit facility were deducted from the senior term loan for simplification purposes and are being expensed over the term of the loan.

[2] The junior term loan (Facility C) includes a cash interest of Libor + 4 % and a compounded interest of 7 %. The 7 % interest is added to Facility C quarterly hence increasing the interest amount constantly.

As of June 30, 2011, the Revolving/Ancillary Credit Facility (Facility A) balance was CHF 506 million, consisting of a revolving credit facility balance of CHF 68 million (totally unused) and an ancillary credit facility of CHF 438 million (thereof CHF 261 million used).

Provisions

in CHF million	Product warranties	Onerous contracts [1]	Restructuring [2]	Other provisions [3]	**Total**
Balance at January 1, 2011	70	17	60	38	185
Conversion differences	–2	–	–1	–1	–4
Change in the scope of consolidated companies	–	–	–	–	–
Additions	13	–	–	1	14
Amounts used	–8	–1	–14	–7	–30
Amounts reversed	–5	–1	–	–1	–7
Balance at June 30, 2011	**68**	**15**	**45**	**30**	**158**
Due within 1 year	67	7	13	14	101
Due beyond 1 year [4]	1	8	32	16	57

[1] 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 the project risks was conducted and appropriate adjustments made to the cost estimates for the projects underway in the individual business units. The basis for such was the so-called "most likely outcome". This requires estimates to be made with regard to the technical and time-related realization of those projects, and also includes a quantification of the relevant risks.

[2] The restructuring provisions pertain to the segments as follows:

in CHF million	Restructuring
Textile	6
Drive Systems	29
Coating	8
Vacuum	2
Total	**45**

The restructuring provisions in the Drive Systems Segment relate to the reorganization of the Segment.

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

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

Financial income and expenses

For the period from January 1, 2010 to June 30, 2010, financial income included a debt waiver by the lenders of CHF 125 million and financial expenses included a write-off of financing costs in connection with the refinancing in June 2010 in the amount of CHF 29 million. In addition, financial expenses in the first half of 2011 were lower than in the prior year's period due to a decrease in interest expenses as a result of lower interest rate margins and lower loans and borrowings.

Income taxes

The increase in income taxes is due to the fact that based on the higher taxable income of the reporting units, both current income taxes and deferred taxes have increased. The increase in deferred tax expense is mainly due to the release of deferred tax assets in connection with the utilization of recognized tax loss carry forwards.

Purchase commitments

Open purchase commitments for property, plant and equipment amounted to CHF 5 million at the end of June 2011 (CHF 5 million at the end of December 2010).

Contingent liabilities

Contingent liabilities as of June 30, 2011 amount to CHF 15 million (CHF 13 million as of December 31, 2010) and mainly consist of debt guarantees to banks.

Events subsequent to the balance sheet date

No events occurred between the balance sheet date and the date of this report which could have a significant impact on the consolidated interim financial statements as of June 30, 2011.

Agenda, Contact

Important dates
October 20, 2011
Key figures for the third quarter of 2011

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