oerlikon

Semi-Annual Report 2009

August 25, 2009

CHANGE

Contents

Group structure

oerlikon

Oerlikon Textile
- oerlikon barmag
- oerlikon neumag
- oerlikon saurer
- oerlikon schlafhorst
- oerlikon textile components

Oerlikon Coating
- oerlikon balzers

Oerlikon Solar
- oerlikon solar

Oerlikon Vacuum
- oerlikon leybold vacuum

Oerlikon Drive Systems
- oerlikon graziano
- oerlikon fairfield

Oerlikon Advanced Technologies
- oerlikon systems
- oerlikon[1] space
- oerlikon[1] esec
- oerlikon[1] optics

[1] Discontinued operations.

Key figures 1st Half-Year 2009[2]

(in CHF)

		Prior-year period	Change
1.4 billion	**sales**	**2.4**	**–40%**
1.6 billion	**orders received**	**2.6**	**–39%**
–131 million	**operating result[3]**	**116**	
–164 million	**EBIT**	**–147**	
–28 million	**operating cash flow[4]**	**197**	

Key figures Oerlikon Group

in CHF million	**January 1 to June 30, 2009 unaudited**	January 1 to June 30, 2008 unaudited, restated[1]
Orders received[2]	1 585	2 604
Orders on hand[2]	1 145	1 802
Sales[2]	1 428	2 382
EBITDA[2]	–41	223
– as % of sales	–3%	9%
EBIT[2, 3]	–164	–147
– as % of sales	–11%	–6%
Net result	–99	–313
– as % of sales	–7%	–13%
– as % of equity attributable to shareholders of the parent	–10%	–29%
Cash flow from operating activities[4]	–28	197
Capital expenditure for fixed and intangible assets[2]	80	140
Total assets (June 30, 2009 / December 31, 2008)	5 048	5 476
Equity attributable to shareholders of the parent (June 30, 2009 / December 31, 2008)	1 036	1 093
– as % of total assets	21%	20%
Net liquidity (June 30, 2009 / December 31, 2008)[5]	–1 742	–1 586
Net assets (June 30, 2009 / December 31, 2008)[2, 6]	2 977	2 919
EBIT as % of net assets (RONA)[2, 6]	–6%	–5%
Number of employees[2]	16 492	18 592
Personnel expenses[2]	538	656
Research and development expenses[2, 7]	100	129

[1] The reclassifications compared to the prior year report concerns assets and liabilities held for sale and discontinued operations.

[2] Continued operations, 2008 restated.

[3] For the first half-year 2009, the operative result (EBIT before restructuring and impairments of non-current assets) stood at CHF –131 million (prior-year period: CHF 116 million). For 2009, continued operations of Oerlikon Group report an EBIT before restructuring of minus CHF 138 million. The Group EBIT before restructuring including discontinued operations amounted to minus CHF 146 million.

[4] Before changes in net current assets.

[5] Net liquidity includes marketable securities, treasury shares at market value as of June 30 as well as short-term and long-term debt.

[6] Net assets include current and non-current operating assets (excluding cash, 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).

[7] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 11 million (previous year: CHF 19 million).

Hans Ziegler Chief Executive Officer

Vladimir Kuznetsov Chairman of the Board of Directors

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

Priority on de-leveraging, strengthening balance sheet and restructuring.

Dear Shareholder,

Oerlikon Group's operating performance in the first half of 2009 has continued to disappoint. Business results were heavily impacted by deepening global recession, which led to a sharp decrease in both order intake and sales. Restructuring measures could not fully offset the effects on such top line deterioration. Profitability of Oerlikon businesses across the board has declined.

The Group's key figures for the continued businesses at a glance:

- Orders received declined by 39 percent to CHF 1.6 billion.
- Orders on hand amounted to CHF 1.1 billion.
- Sales were down 40 percent to CHF 1.4 billion.
- EBIT was CHF –164 million (prior-year period: CHF –147 million).
- EBIT before restructuring costs and impairments (operative result) was CHF –131 million (prior-year period: CHF 116 million).
- The net result was CHF –99 million (prior-year period: CHF –313 million).
- Operating cash flow totalled CHF –28 million (prior-year period: CHF 197 million).

Currency effects impacted sales negatively by CHF 56 million and increased EBIT by CHF 12 million.

Mainly driven by strong sales of Oerlikon Solar into Europe, the regional breakdown of sales shifted. In Asia sales were down 56 percent to CHF 378 million, in Europe –34 percent to CHF 684 million and in the Americas –24 percent to CHF 340 million. The share of sales in Asia declined from 36 percent to 26 percent in the first half-year 2009 (Europe: plus 5 percent to 48 percent; the Americas plus 5 percent to 24 percent). However, this is not a reversal of the trend towards Asia in the mid to long term. Asia will continue to play a key role for the future growth of Oerlikon, both as a market and production location.

Net result developed from CHF –313 million for the prior-year period to CHF –99 million for the first-half of 2009. In 2008, net result was strongly impacted by goodwill write-offs of CHF 343 million. The aggregated net result of the sale of the Oerlikon Space business unit and the other discontinued operations (Oerlikon Esec and Optics) improved the Group's net result for the first half-year of 2009 by CHF 112 million.

In the first six months of 2009, equity totalled CHF 1 061 million (prior-year period: CHF 1 118 million). The equity ratio increased slightly to 21 percent of total assets. Net liquidity was CHF 1 742 million (prior-year period: CHF 1 586 million).

Despite the necessary streamlining of Research and Development (R&D) activities, Oerlikon continued to invest strongly in innovations. R&D spendings amounted to CHF 100 million in the first six month of 2009 (–22 percent).

Segment overview

The challenging economic environment impacted the Group's segments to varying degrees.

For Oerlikon Textile, the prolonged decline in orders, which started at the end of 2007, stabilized at a historically low level in the first half of the year. This resulted in sales of CHF 430 million (–55 percent) and orders received of CHF 476 million (–47 percent) in the textile segment. The extensive restructuring program, which aims to reduce the break-even point by CHF 500 million by 2010, cushioned the impact of the sharp decline in volume. In the first half of 2009, EBIT of Oerlikon Textile amounted to CHF –118 million compared to CHF –214 million for the prior-year period. In the first half-year 2008 EBIT of Oerlikon Textile was impacted by goodwill write-offs of CHF 200 million.

Oerlikon Coating achieved a break-even result before restructuring in the first half of 2009. Sales were down 41 percent to CHF 158 million, EBIT was CHF –6 million. Contingency measures initiated already in Q4 2008 started to show increasing impact throughout the first six months, leading to positive operating results towards the end of the reporting period.

Oerlikon Solar regained momentum with an 120 MW order for a micromorph thin film end-to-end production line from Nano Solar Technology (NST), a newly-formed Russian high-tech firm which is a joint venture between Renova Group and the Russian Corporation of Nanotechnologies (Rusnano). This is the largest order in the thin film industry in 2009 so far. Together with an follow-up order from the Greece-based customer HelioSphera in the second quarter of 2009, Oerlikon Solar posted a 34 percent increase in sales to CHF 286 million. Orders received increased by 10 percent to CHF 497 million. A follow-up order from Taiwanese CMC SunWell was eliminated from the orders on hand, which stood at CHF 466 million. Ongoing significant expenditures in R&D and customer service impacted earnings, so the operating result only came to CHF 12 million, with an EBIT of CHF 0. Solar is on track to extend its leading market position in 2009.

Oerlikon Vacuum saw its orders received dropped by 43 percent to CHF 145 million, and sales declined 38 percent to CHF 149 million. Thanks to effective contingency measures undertaken since the end of 2008 and currency effects, the overall result for the first six months of 2009 showed a positive EBIT of CHF 2 million.

Oerlikon Drive Systems recorded a 56 percent decline in orders received to CHF 277 million. Sales dropped 40 percent to CHF 377 million and EBIT was CHF –20 million (prior-year period: CHF 39 million). The segment answered this situation with rigorous restructuring.

The Advanced Technologies segment was significantly realigned and restructured during the first half-year 2009. The business units Oerlikon Space, Esec and Optics were divested together with parts of Oerlikon Systems (wafer-etch operations in St. Petersburg, U.S.). The residual parts of Oerlikon Systems continued to suffer from a weak semiconductor market. As a result, orders received of Advanced Technologies declined by 64 percent to CHF 32 million, sales amounted to CHF 28 million (–59 percent), while EBIT stood at CHF –12 million (prior-year period: CHF –68 million including CHF 50 million impairment on goodwill).

Accelerating restructuring

The defined restructuring programs, capacity adjustments and other measures aimed at reducing costs were accelerated and partially expanded throughout the company. Working together with the operating units, the HQ restructuring team has identified a total of over 700 individual measures. These involve consolidating sites, discontinuing product lines, renegotiating contracts with suppliers, temporary factory closures, extended vacation, reducing headcount, reduced working hours, and hiring freezes. In the first half of 2009, key restructuring measures executed were:

- Oerlikon Textile: consolidation of three German production sites, layoffs of approximately 700 employees worldwide and introduction of reduced working hours for approximately 2 000 employees.
- Oerlikon Drive Systems: reduced working hours for 1 300 employees, layoffs of 330 employees and initiation of the planned factory closure in the Czech Republic.
- Oerlikon Coating: closure or temporary shut-down of seven coating centers and capacity adjustments through a workforce reduction of around 260 employees.

In the first six months of 2009, the company reduced its overall workforce by nearly 1 500.

On account of market trends, the Board of Directors and Management approved the implementation of further restructuring initiatives for the second half of the year and beyond. The measures deployed in 2009 and beyond are intended to reduce recurring costs by up to CHF 400 million. This implies a planned headcount reduction in the second half of 2009 and beyond by more than 2 500 jobs. Restructuring costs for 2009 are set to total approximately CHF 130 million, CHF 26 million of which have already been incurred in the first half of 2009. Additionally, restructuring costs of over CHF 30 million are planned for 2010.

Milestones in Group financing

The Oerlikon Group achieved important milestones in the area of company financing in the first half of the year. The measures employed to minimize net working capital and optimize cash flow had a positive impact. The net working capital was reduced by CHF 147 million compared to the end of 2008. Capital expenditure was reduced significantly to CHF 80 million in the first half of the year (–43 percent). The ratio of capital expenditure to depreciation is thus 0.7 for the first half of 2009 (prior-year period: 1.2).

The company reached an agreement with the bank consortium on the amendment of its CHF 2.5 billion syndicated facility at the beginning of June. All 23 banks in the consortium approved the amendment. The structure of the covenants and costs were adapted to take into account of Oerlikon's business outlook and the changed market conditions. Interest is now within a range of 175 to 450 basis points above LIBOR. The existing debt covenant (net debt/EBITDA ratio) was aligned to the Group's current business plans. Covenants were also agreed for capital spending, equity ratio and interest coverage. In addition, the amended facility allows for standard structural enhancements, such as pledging shares in key subsidiaries. No individual assets were deposited as collateral. The amendmend of the syndicated loan was the first central step towards permanently strengthening the Group's financial base. Further measures designed to strengthen equity are currently being investigated.

Ongoing divestments

In the first half of 2009, Oerlikon continued to divest parts of its portfolio. The following transactions took place in the first six months of the year:

- In January the Group divested the US-based wafer-etch business of Oerlikon Systems.
- In April Oerlikon sold its Esec business unit to the Dutch firm, BE Semiconductor Industries NV.
- In June, Oerlikon Space was sold to Swiss security and aerospace group, RUAG.
- As announced on August 12, subsequent to the first half-year closing date, Oerlikon Optics' operations in Shanghai were divested to Nova Capital Management and FF&P Private Equity. This step finalized successfully the divestment of Oerlikon Optics as a whole.

Change in Management

As a subsequent event to the half-year accounts, the Board of Directors decided on 24 August to appoint Hans Ziegler as new CEO and delegate of the Board with immediate effect. Dr. Uwe Krüger, CEO since 2007, left the company. Hans Ziegler has served on the board since 2008 and is familiar with the company. He and the management team will guarantee the continuity of operations and accelerating restructuring programs in this highly challenging economic environment.

With this change in management the company secures tighter coordination of strategic portfolio decisions with operational measures of the segments and ensures the alignment of the company's strategy with the interests of all stakeholders. The Board has declared that de-leveraging, strengthening the balance sheet and rigorous implementing of the approved restructuring programs are the top priorities of Oerlikon Group. To return to a stable financial position and profitability in 2010, the Group consider all portfolio options that will assure that Oerlikon business units and their employees can continue successfully both within or outside the group.

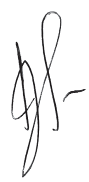
Outlook: Returning to profitability in 2010

Forward visibility in the relevant markets continues to be poor. Specific sales and profit predictions thus do not appear meaningful. For the time being, the company will make indicative trend statements. Oerlikon will revert to specific forecasts once the markets have regained a sufficient level of reliability.

Again in the second quarter, the textile business recorded higher orders received than sales, thereby continuing the positive trend from the first quarter. Selected textile markets, namely chemical fiber, are showing signs of a sustainable upward trend. Taking this into account, sales are expected to improve in the second half of 2009. Oerlikon Drive Systems expects sales to stabilize in the second half of the year. This is also true for Oerlikon Coating, Vacuum and Systems where there are slight signs of recovery but not yet a sustained upturn. Oerlikon Solar expects volumes to be flat or slightly down compared to 2008.

On the whole, the Oerlikon Group anticipates slightly higher volume in the second half of 2009, and the operating result is expected to see first signs of increase. A sustained recovery, however, is not expected until 2010 at the earliest with the key impetus for this to come from Asia. The increasingly positive signs from China in particular are encouraging.

The Oerlikon Group's declared goal is to return to operational profitability by 2010.



Vladimir Kuznetsov
Chairman of the Board of Directors

Hans Ziegler
Chief Executive Officer

Oerlikon Textile

The sharp decline in the entire textile industry since the end of 2007 has stabilized at a historical low during the first half-year 2009. At this low level, first signs of recovery were noticeable, especially in the chemical fiber market. As a result, Oerlikon Textile achieved CHF 476 million (–47 percent) in orders received and sales in the amount of CHF 430 million (–55 percent). With the most rigorous restructuring program, Oerlikon Textile limited the impact on earnings and prepared itself for the forthcoming upswing. EBIT reached CHF –118 million (previous year: CHF –214 million).

Key figures Oerlikon Textile

in CHF million	H1 2009	H1 2008	Δ (%)
Orders received	476	904	–47
Orders on hand	501	727	–31
Sales	430	966	–55
EBIT	–118	–214	

Business development

To a large extent, the textile machinery market stabilized at a historical low during the first half of 2009. Order volume exceeded sales during the first and second quarter, which is a first sign of a potential recovery.

Market trends differed greatly within the various segments, however. While demand for staple fiber yarn systems continued to decline, the chemical fiber market showed increasing demand, especially in China. Larger orders started to come in towards the end of the first half of the year which, subject to timely customer approval, can for the most part still be realized during 2009. Texturing operations at the plant in Suzhou, China, are already producing at full capacity. In light of Asia's good reception of the new Oerlikon Barmag eFK-type texturing machine, this should continue to be the case until mid-2010. The modular design of this technology is the key to continued successful market cultivation. This positive development has been aided by the economic stimulus package sanctioned by the Chinese government. The increase in market prices for chemical fiber yarns in India at the beginning of the year also had a positive impact. The innovative product range of Oerlikon Barmag was instrumental in the division's above-average success as compared to the competition.

Due to overcapacities in Europe and the U.S., the nonwovens market remained unwilling to invest in commodity applications in the hygiene sector during the first half-year 2009. Current demand is limited to technical application systems and niche products, thus putting Oerlikon Neumag in a good position with its airlaid, meltblown and carding technology products. In general, customers' financing difficulties have reduced the market potential from large-scale installations to a component and machine business.

Oerlikon Saurer's twisting and embroidery machines provide further evidence of market stabilization. The order situation in the US, India and Egypt showed a slight upturn in products such as carpet cablers, upgrades and shuttle embroidery machines to name a few. This gradual upward trend is also bolstered by the business performance of Oerlikon Textile Components. Market development in this sector has been quite positive since the beginning of the year, albeit at the below-average market level of past years. However, this is a sign of improvement in spinning mill production.

Oerlikon Textile, with its five business units, has continued the implementation of the most rigorous cost-cutting and restructuring program in the company's history with the aim of reducing fixed costs by 20 percent (compared to 2007) and the breakeven point by around CHF 500 million by 2010. Production sites were consolidated from 35 to 25 since 2007. In the first half-year of 2009 Oerlikon Textile parted with nearly 700 employees worldwide and, by the end of June, reduced working hours had been introduced for more than 20 percent of the workforce. Net working capital was significantly reduced.

Key topics

Restructuring: Oerlikon Textile is vigorously implementing its restructuring plans that have already been announced in 2008. In all business units, the implementation is going according to plan. The measures will raise future earnings potential. Additional measures and capacity adjustments are currently in negotiation with workers' representatives.

Innovation: Even with focussed R&D-expenditures Oerlikon Textile continues to introduce innovative product developments and launches. For example, the Barmag new EvoQuench quenching system reduces air consumption by up to 80 percent, thus offering significant savings on energy costs.

Market access: Oerlikon Textile Components created new distribution channels. A franchise was opened in Turkey with one more outlet planned for the second half and two more by 2010.

Outlook

For the first time since the end of 2007, the global textile market shows signs of partial recovery. Within the constrains of weak market conditions, Oerlikon Barmag is well positioned, with a positive outlook. The order books for spinning and texturing are full until mid 2010. Oerlikon Saurer expects a continued slight increase in demand in the twisting and embroidery sector by the fourth quarter. Oerlikon Textile Components also anticipates an improvement in the second half-year.

In the area of nonwovens, Oerlikon Neumag does not expect a substantial improvement of the order situation during the second half. The same is true for Oerlikon Schlafhorst.

Overall Oerlikon Textile expects a slight volume increase in the second half of 2009 and a turnaround in 2010. An optimized global production footprint in conjunction with a lean and cost effective organisation marks a favorable starting point for the next upswing.

Oerlikon Coating

Oerlikon Coating achieved a break-even result before restructuring and non-recurring costs in the first half-year of 2009 – despite an unprecedented drop in sales due to an extraordinarily weak demand from both the tooling and the automotive markets. Early and rigorous cost management was key for the break-even result. Oerlikon Coating's sales declined by 41 percent compared to the first six months of 2008 to CHF 158 million. The operating result of CHF –6 million includes restructuring and non-recurring costs of CHF 6 million. Implemented contingency measures will further improve the cost base in the second half of 2009.

Key figures Oerlikon Coating

in CHF million	H1 2009	H1 2008*	Δ (%)
Orders received	158	269	–41
Orders on hand	–	–	–
Sales	158	269	–41
EBIT	–6	52	

* Restated.

Business development

The business development of Oerlikon Coating is primarily driven by the tooling industry with the cutting tool manufacturers as the largest customer base; and secondly by the automotive and general engineering industry using coated tools and coated precision components, which are increasingly playing an important role. Recent announcements indicate that the production volume of cars, as well as the production volume of cutting tools dropped in many cases by as much as 50 percent in the first half of 2009. This substantially lower production volume was driven by weak demand and was aggravated by inventory adjustments in the value chain of the corresponding markets.

In this market environment, sales of Oerlikon Coating were –41 percent (CHF 158 million) in the first six months of 2009 compared to the same period of the previous year. While sales in Q1 were at –32 percent, Q2 sales were at –49 percent. Year-to-date, all geographical areas were similarly affected in terms of declining sales compared to the previous year. However, sales in Asia have been recovering steadily since the beginning of 2009. While the coating service business in Asia for Q1 was at –42 percent compared to the respective period of the previous year, sales in Q2 were at –29 percent. This is substantially different compared to the sales development in Europe with –37 percent in Q1 and a further drop to –46 percent in Q2, and in the Americas with –34 percent in Q1 and –44 percent in Q2, respectively. EBIT of CHF –6 million includes restructuring and non-recurring costs of CHF 6 million. EBITDA for the same period was at CHF 21 million, which corresponds to 13 percent of sales.

Oerlikon Coating started in Q4 2008 to adjust the cost base in preparation for deteriorating markets. These contingency measures started to show increasing impact throughout the first six months. Despite lower sales in Q2 compared to Q1, costs were reduced disproportionately leading to break-even before restructuring and non-recurring costs at the end of the reporting period. All in all, the cost base before depreciation could be lowered in the first half-year 2009 by 28 percent including restructuring and non-recurring costs compared to the same period of the previous year.

In the coating-service business material input plays a minor role. Therefore, personnel cost, as by far the largest item, had to be adjusted. Phasing out of temporary staff, short-time work, temporary leave, voluntary salary cut and finally also headcount reductions contributed to lower the cost base. Compared to the end of 2008 headcount was reduced by about 260 positions or 9 percent by end of June. Another 5 percent reduction will be implemented during the second half of 2009.

Simultaneously, the optimization of the global production footprint was accelerated. Compared to the first half-year of 2008, seven sites are no longer operational both in the Americas and Europe. Four sites were shut-down permanently, three temporarily. The accelerated production site consolidation as well as all other measures to adjust the cost base will not impact the strong strategic position of Oerlikon Coating.

Key topics

Regional expansion: The main driver to consolidate sites in Western Europe and the Americas is the shift of the automotive industry to new regions, especially to Eastern Europe and Asia. For example, in number of cars produced, China surpassed the U.S. for the first time. In line with this market development, three new coating centers were officially inaugurated in China in the first quarter of 2009, after having started production at the end of last year and in the beginning of 2009, respectively. In total, Oerlikon Coating now operates seven coating centers in China. The announced new coating center in Russia is under construction and will be ready for production later this year. At the end of June, the network of coating centers totalled 86.

Business Excellence: Benchmarking and best practice throughout the entire network of coating centers turned out to be a key driver for profitability improvement over the last three years. To continue this success story, a strategic project was launched to further standardize business processes.

Given the current market situation, the major focus is on net working capital management where substantial progress was made in 2009. Because of strict management of accounts receivable, significant bad debts resulting from insolvencies of customers could be avoided.

Outlook

The visibility in the coating business is remaining low. Oerlikon Coating's direct sales to the automotive industry show signs of recovery. Conversely, sales to tool manufacturers do not yet indicate a trend change. Special attention must be given to the development in the general engineering market where low order intake is starting to affect production volumes significantly. The outlook for the geographical regions is mixed. The development in Europe is unclear, partly because of the expiration of the scrapping bonus in Germany. In the Americas, the outlook is brightening, especially towards the end of the year. In Asia, our business has already started recovering since the beginning of this year.

Despite the low visibility, the overall sales development over the last months indicates stabilization or even some recovery for the second half of the year. Full potential of the contingency measures launched will be seen in the second half of the year. Therefore, the operating cost base and profitability is expected to improve further.

Oerlikon Solar

In the first half of 2009, Oerlikon Solar strengthened its leadership position in the thin film silicon photovoltaic (PV) segment and regained momentum due to new orders. Sales increased by 34 percent compared to the first half-year 2008 to CHF 286 million. However, as a result of customer financing facility delays, closing of new orders have been postponed. Nevertheless, the fundamentals underpinning long-term growth prospects remain unchanged and the company expects a return to strong market growth by 2010.

Key figures Oerlikon Solar

in CHF million	H1 2009	H1 2008	Δ (%)
Orders received	497	451	10
Orders on hand	466	697	–33
Sales	286	214	34
EBIT	0	28	

Business development

In the first half of 2009, the credit crisis in the capital markets curtailed the growth of the global PV market. Oerlikon Solar was not immune to this development. As a result, the closing of several new orders have been postponed. As expected, in the capital-constrained environment, earlier strong expansion with growth rates above 50 percent could not be sustained.

Despite this challenging economic environment, Oerlikon Solar secured two orders and regained momentum. Order intake rose by 10 percent to CHF 497 million. Sales boosted by 34 percent to CHF 286 million compared to the first six months of 2008. Nanosolar – a Russian-based joint venture between the governmental research agency Rusnano and Renova Group – as well as an expansion order from Greece-based HelioSphera drove this growth. A follow-up order from Taiwanese CMC SunWell was canceled from the books. Order backlog amounted to CHF 466 million. The operating result items stood at CHF 12 million; EBIT was at break-even.

Oerlikon Solar has responded to these challenging market conditions quickly and decisively. During the past months, the company streamlined operations and undertook several cost-cutting initiatives such as restructuring certain business areas, managing SG&A cost, short-time work and extended holiday periods. Additional optimizations were achieved by trimming and simplifying the organizational structure, with a headcount reduction of nearly 150 while protecting the core infrastructure including R&D. However, Oerlikon Solar will continue to focus on its ambitious R&D roadmap, which is the ultimate key to the company's success in achieving its mission to make solar power economically viable and to reach grid parity in the near future.

Oerlikon Solar – in close cooperation with customers – continued to strengthen its leading position by successfully ramping up end-to-end production lines.

In June, Auria Solar announced to be the first manufacturer to reach mass production stage with Oerlikon Solar's manufacturing technology for high efficiency Micromorph® thin film silicon solar PV modules. As a result of Oerlikon Solar's advanced process integration technology and on-site customer support, the entire 60 MW Taiwanese facility was brought to mass production in less than eight months after moving in the equipment. Additionally, Auria Solar attained IEC certification from TÜV Rhineland in record time.

Key topics

Certificates: Master certificates by the German provider of technical services TÜV Rhineland enable Oerlikon Solar's customers to accelerate their own IEC certification process, reducing time-to-market for certified high-performance modules from six months to less than six weeks.

Record Module: Oerlikon Solar has achieved a new record efficiency level for commercial thin film silicon PV modules. Recent test results from Oerlikon Solar's pilot production line in Switzerland show that full-size Micromorph® modules (1.4 m^2) have 151 Watts initial power, or 11 percent initial power conversion efficiency.

2009 CELL AWARD: Oerlikon Solar has been named winner of the 2009 CELL AWARD, presented at the Intersolar 2009 Conference in Munich. The jury selected Oerlikon Solar's KAI 1200 PECVD system as "the best technical product for thin film manufacturing".

VLSI Ranking: Oerlikon Solar was listed the "global number-one solar turn key line supplier" by VLSI, a highly regarded market research company. Oerlikon Solar maintained a comfortable lead in 2008 among solar turn key manufacturing line providers in a ranking released by VLSI Research.

Cooperation with Tokyo Electron: Oerlikon Solar and Tokyo Electron agreed upon a strategic cooperation to unlock the market potential of parts of Asia as well as Oceania and Japan.

Outlook

In 2009 the global economic crisis will cause the overall PV market and the thin film sector demand to remain flat or slightly down compared to 2008. As a result Oerlikon Solar's orders received are expected to be steady, or slightly decreasing.

Since the fundamentals underpinning long term growth prospects have not changed, the company expects a return to double-digit market growth by 2010. Worldwide, countries create or extend programs for renewable and solar energy in order to limit the impact of climate change.

R&D activities of Oerlikon Solar continue at full speed to secure the company's competitiveness. Oerlikon Solar is on track to offer grid parity solutions (module cost of ownership of USD 0.70/Wp) by end of 2010.

Oerlikon Vacuum

Oerlikon Vacuum was substantially affected by the global economic crisis. Order intake was down 43 percent to CHF 145 million, sales decreased by 38 percent to CHF 149 million. Because of effective contingency measures undertaken since Q4 2008, the EBIT for the first six months still showed a positive bottom line with CHF 2 million. Oerlikon Vacuum is streamlining its processes and organization to increase profitability sustainably from 2009 onwards. It is the dedicated goal of Oerlikon Vacuum to emerge from the economic crisis strengthened and re-focused in every aspect.

Key figures Oerlikon Vacuum

in CHF million	H1 2009	H1 2008	Δ (%)
Orders received	145	256	–43
Orders on hand	65	91	–29
Sales	149	239	–38
EBIT	2	26	–92

Business development

The past six months were characterized by a drastic market slowdown. Order intake fell sharply in the first half, but the latest figures indicate that it is stabilizing, however, at a lower level. The sales volume of the first six months for 2009 stood at CHF 149 million, which represents a decline of 38 percent compared to 1HY 2008.

In Asia, the figures declined by 30 percent, the North America posted a 24 percent fall compared to 2008 and Europe registered 45 percent lower sales than in 2008. The trend on the European markets is also reflected by the official German Engineering Federation (VDMA) figures, which show a decline of 46 percent against 1HY 2008 for the whole industry. Consequent implementation of contingeny plans and cost-cutting measures such as reducing inventories and net assets have resulted in an EBIT of CHF 2 million.

The market segments process industry noted a decline of 36 percent against 1HY 2008. Whereas sales in the coating segment, including solar, were down by 56 percent, the high technology and research-oriented branches, such as analytics and research & development, showed a decline of 20 percent against 1HY 2008.

In the first half of 2009, sales of components declined by 40 percent, solutions by 48 percent, and services by 27 percent. The sharp decline in the solutions sector is in line with the postponement of major projects worldwide, and the sector will certainly resume its growth as soon as the overall investment strategies regain momentum.

However, some markets are almost unaffected by the economic downturn. The power transmission market is a global growth market, even during times of recession. For vacuum technology, this segment comprises producers of transformers, bushings, capacitors, basically all the equipment for transferring electricity from the power plant to the user, including the original equipment manufacturers of machines producing this equipment. Boosted by state subsidies, the research and development market remains stable and in focus for Oerlikon Vacuum, providing industrial and academic laboratories with the most suitable products and services.

New products, such as the oil sealed rotary vane pump TRIVAC NT 25, complemented the “Cool Generation” line. The new Roots pumps RUVAC WH were introduced to the market in the first half of 2009. The RUVAC WH pump line has been developed for special processes where high operating pressure, cycle time and system availability are key factors. This is specifically targeted to applications in the solar industry, metallurgy, furnaces, industrial coating, research and development, and space simulation.

The new products reflect Oerlikon Vacuum’s ability to design with attention to detail and with ease of operation and energy consumption in mind. Offering the best know-how in customized vacuum system solutions and the widest range of after sales services, Oerlikon Vacuum maintains a leading position amongst vacuum suppliers worldwide.

Key topics

Restructuring: Due to continued uncertainty surrounding market developments and highly competitive environments, all measures to streamline business processes and organizations are being scrutinized, evaluated and implemented accordingly. Major achievements concern cost-saving measures, product innovation and supply-chain optimization, such as workforce adjustments, introduction of short time labor, cutting overtime, and the release of temporary employees. These cost-reduction measures exceed savings of CHF 40 million for 2009 and will be continued in 2010.

Innovation: Despite the difficult financial environment, Oerlikon Vacuum continues to invest significantly in research and development. During the past few years, several new product lines were introduced into the market: the SCREWLINE pumps, the SOGEVAC B series, turbomolecular pumps TURBOVAC SL, the new energy efficient generation of rotary vane pumps TRIVAC NT and this year the new big Roots pumps RUVAC WH.

Launching this new series of pumps sets new industrial standards in terms of energy consumption, footprint, ease of installation, user interface and performance. These new pumps will open up new fields of application and have already gained more than 400 new customers, not only for components, but also for customized pump systems.

Outlook

Though the markets remain highly uncertain, Oerlikon Vacuum expects to see a slight market recovery in the second half of this year. Asian markets are expected to develop better than European markets and there may be another upswing before 2010 for applications within the energy sectors.

The market segments process industries and analytics will stabilize on a low level for the rest of the year, as will coating applications, with the possible exception of solar.

For research and development, state subsidies might help improve sales opportunities. Starting from this lower level, Oerlikon Leybold Vacuum sees further improvement of order intake and sales volumes within the next few months.

Moreover, business performance will improve as the impact of the implemented contingency measures is felt.

Oerlikon Drive Systems

Oerlikon Drive Systems continued the downward trend of the first quarter. The segment reported a drop in orders received of –56 percent to CHF 277 million and a sales decline of 40 percent to CHF 377 million. With the implementation of severe cost saving and restructuring measures as well as new product initiatives, Oerlikon Drive Systems is responding to the challenging market environment. The EBIT was CHF –20 million (previous year: CHF 39 million).

Key figures Oerlikon Drive Systems

in CHF million	H1 2009	H1 2008	Δ (%)
Orders received	277	636	–56
Orders on hand	92	218	–58
Sales	377	626	–40
EBIT	–20	39	

Business development

All business sectors of Oerlikon Graziano have been seriously impacted by the current world financial crisis and economic downturn. Furthermore, overstocking of products and material along the fulfilment value chain and at customer sites, in particular, has caused a contraction more severe than the end market. Sales to customers in construction equipment, material handling and commercial vehicles decreased by approximately 60 percent, while sales to the premium sport car segment declined by 40 percent. Agricultural equipment showed some resilience especially in the high horsepower segment and in North America, mitigating some of the sales reduction.

In order to align the workforce to the market demand, Oerlikon Graziano has applied for the Italian redundancy fund for short/medium terms to manage the work force on a weekly basis, limiting costs to about 25 percent of the base salary. In addition the company has reorganized its shift patterns eliminating the night shift, optimized interplant transportation and in-sourced external manufacturing. A monthly average of 1 175 employees are integrated into short work and more than 300 temporary contract workers have not been reconfirmed in the first six months. Aggressive optimization of working capital, focus on inventory reduction, renegotiation of payment terms with the supply chain, elimination of non-strategic capital investments and strict limitation of fixed costs and expenses have allowed the company to effectively control cash flow.

Oerlikon Fairfield has experienced a significant reduction in sales bookings. Production demand in all market sectors is currently affected by the global economic crisis. Product and process improvement initiatives as well as strong restructuring endeavours have been implemented. Approximately 350 employees were laid off to adjust capacities to the reduced market demand.

Oerlikon Fairfield is focused heavily on business development opportunities in the energy (wind, oil & gas, mining), agriculture, and zero emissions/hybrid drive market areas. Although down, these market areas appear to represent the best potential for business growth in the next 12 to 24 months. The company received a purchase order for over USD 10 million from a leader in the offshore energy market for recent engineering and proposal activities. Fairfield has also made important strides in capturing business in the mining market with a new customer designing a new tram drive assembly and providing gearing components for cutter head drives.

In addition, Oerlikon Fairfield has several new product development programs in place aimed at increasing market share and entering new market areas. One such area includes development of a fully integrated track drive assembly for the earthmoving industry. The company is currently in preproduction mode and is testing prototypes in cooperation with two major market leaders in this industry. Oerlikon Fairfield is underway with the initial development of a large compact drive product for larger track/crawler driven vehicles which will provide additional revenue at mature production levels.

Key topics

Restructuring: Oerlikon Graziano and Fairfield have launched a number of strategic restructuring programs to reposition the company in terms of production footprint, product offering and customer relationships to face the new scenario, defend profitability and be ready for the next cycle. Rationalization of the production footprint in Europe has already been announced, with closure of the operation in the Czech Republic and significant restructuring of the Italian operations. Manufacturing of a number of products will be re-located to India and China.

Innovation: Oerlikon Fairfield is developing new proposals for zero emissions drive systems including one for a leading commercial mowing machine OEM. This product is targeted at the entire medium to large commercial mower market. New developments in gearing components and drive lines for off-highway applications as well as in transmission systems for premium cars and zero-emission vehicles (ZEV) will contribute to Oerlikon Graziano sales recovery in 2010. Most recently, Oerlikon Graziano has delivered its first electric transmission prototype to a well known player in the electric drive train market.

Outlook

Oerlikon Drive Systems has reached the bottom of its recession cycle, and a further decline in sales is not expected. With an ongoing implementation of strong cost-saving and restructuring measures the segment should avoid a further decline in earnings. Oerlikon Drive Systems expects a slight market recovery in the course of 2010. Sales will benefit from completion of the de-stocking process and the realignment of production to market demand. The ongoing need for infrastructure development in Asia continues to provide opportunities in several market areas of Oerlikon Fairfield. China continues to show improving market conditions as their stimulus programs appear to be taking hold, much more so than in North America. The company is well positioned in India and China to take advantage of these growing regions. The ability to localize final assembly will be a major determinant and contributor for success and growth in these geographic market areas, especially in China.

Oerlikon Advanced Technologies

The Advanced Technologies segment experienced a fundamental shift during the first half-year 2009. The business units Oerlikon Space, Esec and Optics were divested. Additionally, parts of the remaining business unit Oerlikon Systems – the U.S.-based wafer etch operations – were sold. The divested businesses were accounted for as discontinued operations.

During the first half of 2009 the residual parts of Oerlikon Systems were badly hit by the weak semiconductor market. Positive signs were the growing demand for Blu-ray discs and the introduction of the new SOLARIS production system for nanotech applications. First-half sales fell 59 percent to CHF 28 million, while EBIT stood at CHF –12 million (previous year: CHF –68 million). Taking into account the missing revenues of the sold wafer etch business, sales were down 35 percent to CHF 28 million, while EBIT amounted to CHF –7 million.

Key figures Oerlikon Advanced Technologies

in CHF million	H1 2009	H1 2008*	Δ (%)
Orders received	32	88	–64
Orders on hand	21	69	–70
Sales	28	68	–59
EBIT	–12	–68	

* Restated.

Business development

After the sales of Oerlikon Space, Esec and Optics, the Oerlikon Advanced Technologies segment now encompasses the operations of the Oerlikon Systems business unit. Here, the wafer etch operation, based in St. Petersburg, Florida (U.S.), was divested as part of a management buy-out in January.

With this move, Oerlikon Systems is continuing its strategic realignment to applications in advanced nanotechnology and clean technologies, focusing on its core competence, physical vapor deposition (PVD) technology. This business unit will continue to serve selected customers in the semiconductor and optical disc sectors.

In the first six months of 2009, the market for semiconductor equipment continued its downturn. The remaining Blu-ray business (metallizers) developed favorably. Overall, Oerlikon Systems sales were down 59 percent to CHF 28 million. Taking into account the sale of the wafer etch business, the reduction was 35 percent. Orders received totaled CHF 32 million (–56 percent), while orders on hand totaled CHF 21 million (–70 percent). EBIT amounted to CHF –12 million (previous year: CHF –68 million). In 2008 EBIT was impacted by a goodwill impairment charge of CHF 50 million.

Over the reporting period, Oerlikon Systems countered the ongoing weak market environment by initiating a range of measures, such as short time work, layoffs and outsourcing the sales & service organization in Asia to specialized partners. The break-even point was lowered by more than 50 percent without compromising core business capabilities. While the existing business was weakening, progress was made on the realignment to clean/nano technology. The newly developed SOLARIS production system was launched on the market and is generating rapidly increasing interest in various applications. First customers are now running production and process tests in the solar cell industry.

Key topics

Advanced Nanotechnology: Within the Oerlikon Group, Oerlikon Systems acts as an “innovation incubator” for future cost-savings and innovative nanotech applications, especially for clean technologies such as energy conversion, storage and efficiency improvement.

With the new Solaris production system, early cooperative efforts for the development of future efficient thermo-electric devices have already been agreed. The first Solaris production tools have been delivered to one of the leading crystalline solar cell manufacturers for qualification. The PV industry is showing great interest in this revolutionary tool and further customer samplings are being requested.

Semiconductor: For the TSV (Through Silicon Via) application a new source/deposition technology was developed which was successfully demonstrated to multiple customers located in Europe, the U.S. and Asia. The TSV technology will be the main market driver for the coming years in the area of Advanced Packaging.

Metallizer: To meet growing demand in the Blu-ray market, the optical disc group within Oerlikon Systems is intensifying its activities to support all customers in the coming upturn. Tailored packages are being developed to help existing DVD manufacturers conquer the highly promising Blu-ray market.

Outlook

After more than a year of declining activity in the semiconductor equipment market, initial positive signs began to emerge from Asia starting mid-2009. Increasing consumer demand in China and India for telecommunication products such as cell phones and HDTVs led to a short-term increase in production utilization for Taiwanese manufacturers. The Blu-ray market growth looks to remain positive. Overall, this increasing market activity will lead to additional orders in the next quarter and thus better results for Oerlikon Advanced Technologies in the second half of 2009. New products out of the nanotech innovation hub are expected to contribute noticeably to the business in 2010.

Financial report

Key figures Group

Key figures Oerlikon Group

in CHF million	**January 1 to June 30, 2009 unaudited**	January 1 to June 30, 2008 unaudited, restated [1]
Orders received [2]	1 585	2 604
Orders on hand [2]	1 145	1 802
Sales [2]	1 428	2 382
EBITDA [2]	–41	223
– as % of sales	–3%	9%
EBIT [2, 3]	–164	–147
– as % of sales	–11%	–6%
Net result	–99	–313
– as % of sales	–7%	–13%
– as % of equity attributable to shareholders of the parent	–10%	–29%
Cash flow from operating activities [4]	–28	197
Capital expenditure for fixed and intangible assets [2]	80	140
Total assets (June 30, 2009 / December 31, 2008)	5 048	5 476
Equity attributable to shareholders of the parent (June 30, 2009 / December 31, 2008)	1 036	1 093
– as % of total assets	21%	20%
Net liquidity (June 30, 2009 / December 31, 2008) [5]	–1 742	–1 586
Net assets (June 30, 2009 / December 31, 2008) [2, 6]	2 977	2 919
EBIT as % of net assets (RONA) [2, 6]	–6%	–5%
Number of employees [2]	16 492	18 592
Personnel expenses [2]	538	656
Research and development expenses [2, 7]	100	129

[1] The reclassifications compared to the prior year report concerns assets and liabilities held for sale and discontinued operations.

[2] Continued operations, 2008 restated.

[3] For the first half-year 2009, the operative result (EBIT before restructuring and impairments of non-current assets) stood at CHF –131 million (prior-year period: CHF 116 million). For 2009, continued operations of Oerlikon Group report an EBIT before restructuring of minus CHF 138 million. The Group EBIT before restructuring including discontinued operations amounted to minus CHF 146 million.

[4] Before changes in net current assets.

[5] Net liquidity includes marketable securities, treasury shares at market value as of June 30 as well as short-term and long-term debt.

[6] Net assets include current and non-current operating assets (excluding cash, 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).

[7] Research and development expenses include expenses recognized as intangible assets in the amount of CHF 11 million (previous year: CHF 19 million).

Consolidated income statement

in CHF million	January 1 to June 30, 2009 unaudited	January 1 to June 30, 2008 unaudited, restated [1]
Sales of goods	1 233	2 038
Services rendered	195	344
Total sales	**1 428**	**2 382**
Cost of sales	–1 208	–1 837
Gross profit	**220**	**545**
Marketing and selling	–118	–159
Research and development	–100	–118
Administration	–125	–166
Impairment of goodwill	0	–250
Restructuring costs	–26	–13
Other income	17	30
Other expenses	–32	–16
Result before interest and taxes (EBIT)	**–164**	**–147**
Financial income	2	6
Financial expenses	–51	–53
Result before taxes (EBT)	**–213**	**–194**
Income taxes	2	–28
Result from continued operations	**–211**	**–222**
Result from discontinued operations	112	–91
Net result	**–99**	**–313**
Attributable to:		
Shareholders of the parent	–99	–315
Minority interests	0	2
Earnings per registered share in CHF	**–7.76**	–24.57
Diluted earnings per registered share in CHF	**–7.76**	–24.56
Earnings per registered share continued operations in CHF	**–16.50**	–17.50
Diluted earnings per registered share continued operations in CHF	**–16.50**	–17.49
Earnings per registered share discontinued operations in CHF	**8.74**	–7.07
Diluted earnings per registered share discontinued operations in CHF	**8.74**	–7.07

[1] The reclassifications compared to the prior year report concern assets and liabilities held for sale and discontinued operations.

Consolidated statement of comprehensive income

in CHF million	January 1 to June 30, 2009 unaudited	January 1 to June 30, 2008 unaudited, restated
Net result	–99	–313
Other comprehensive income:		
Fair value adjustments IAS 39	3	9
Realization under IAS 39 transferred to profit or loss	–12	–3
Defined benefit plan actuarial (losses) / gains IAS 19	–1	19
Economic benefit available as a contribution reduction IAS 19 – IFRIC 14	0	–4
Income taxes on income and expenses recognized directly in equity	0	–7
Conversion differences	52	–104
Net (loss) / gain recognized directly in equity	42	–90
Total comprehensive income for the period	**–57**	**–403**
Attributable to:		
Shareholders of the parent	–58	–403
Minority interests	1	0

Consolidated balance sheet

Assets

in CHF million	June 30, 2009 unaudited	December 31, 2008
Cash and cash equivalents	396	393
Current financial investments and derivatives	13	43
Trade receivables	379	534
Other receivables	373	340
Current tax receivables	17	16
Inventories	675	901
Prepaid expenses and accrued income	45	34
Assets classified as held for sale	22	60
Current assets	**1 920**	**2 321**
Loans and other long-term financial receivables	13	15
Non-current financial investments	33	33
Property, plant and equipment	1 236	1 278
Intangible assets	1 701	1 696
Deferred tax assets	145	133
Non-current assets	**3 128**	**3 155**
Total assets	**5 048**	**5 476**

Liabilities and equity

in CHF million	June 30, 2009 unaudited	December 31, 2008
Trade payables	260	455
Loans and borrowings	606	56
Other liabilities	85	91
Accrued liabilities	251	373
Current customer advances	75	143
Current income taxes payable	108	130
Current post-employment benefit provisions	15	15
Other current provisions	163	152
Liabilities classified as held for sale	15	67
Current liabilities	**1 578**	**1 482**
Loans and borrowings	1 616	2 039
Non-current customer advances	0	40
Non-current post-employment benefit provisions	533	525
Deferred tax liabilities	198	198
Other non-current provisions	62	74
Non-current liabilities	**2 409**	**2 876**
Total liabilities	**3 987**	**4 358**
Share capital	283	283
Treasury shares	–293	–294
Reserves and retained earnings	1 046	1 104
Equity attributable to shareholders of the parent	**1 036**	**1 093**
Minority interests	25	25
Total equity	**1 061**	**1 118**
Total liabilities and equity	**5 048**	**5 476**

Consolidated cash flow statement

in CHF million	January 1 to June 30, 2009 unaudited	January 1 to June 30, 2008 unaudited
Net result	–99	–315
Tax expenses (+) / tax income (–)	–2	29
Interest expense (+) / interest income (–) from financial liabilities and assets	24	31
Depreciation of property, plant and equipment	98	99
Amortization of intangible assets	18	21
Impairment losses on property, plant and equipment	3	0
Impairment losses on intangible assets	4	343
Addition to (+) / release of (–) other provisions	45	29
Increase (+) / decrease (–) in post-employment benefit provisions	8	–12
Losses (+) / gains (–) from sale of non-current assets	0	1
Gain on sale of discontinued operations, net of income tax	–126	0
Income taxes paid	–2	–27
Other non-cash expenses (+) / income (–)	1	–2
Cash flow from operating activities before changes in net current assets	–28	197
Decrease (+) / increase (–) in receivables / accrued assets	89	5
Decrease (+) / increase (–) in inventories	209	–183
Increase (+) / decrease (–) in payables / accrued liabilities and use of other provisions	–319	–38
Increase (+) / decrease (–) in customer advances	–49	–32
Non-cash impact on net current assets due to hedge accounting	–20	6
Cash flow from changes in net current assets	–90	–242
Cash flow from operating activities	**–118**	**–45**
Capital expenditure for property, plant and equipment	–65	–115
Capital expenditure for intangible assets	–14	–26
Disposal of discontinued operations (net of cash disposed of) / assets held for sale	72	0
Purchase of financial Investments	0	19
Decrease in loans receivable	2	0
Decrease in marketable securities	0	4
Acquisition of group companies	0	–2
Proceeds from sale of property, plant and equipment	3	11
Interest received	1	4
Cash flow from investing activities	**–1**	**–105**
Dividends paid	–1	–1
Purchase of treasury shares	0	–111
Increase of financial debt	147	166
Interest paid	–29	–32
Cash flow from financing activities	**117**	**22**
Conversion adjustments to cash and cash equivalents	5	–10
Increase (+) / decrease (–) in cash and cash equivalents	**3**	**–138**
Cash and cash equivalents at the beginning of the year	393	484
Cash and cash equivalents at the end of the year	396	346
Increase (+) / decrease (–) in cash and cash equivalents	**3**	**–138**

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	Deferred taxes	**Total equity attributable to shareholders**	Minority interests	**Total shareholders' equity**
Balance at January 1, 2008	**283**	**622**	**–184**	**–61**	**1 220**	**3**	**–25**	**1 858**	**28**	**1 886**
Total comprehensive income for the period				–102	–300	6	–7	–403		–403
Dividend distributions								0	–1	–1
Purchase of treasury shares			–112					–112		–112
Sale of treasury shares					1			1		1
Balance at June 30, 2008	**283**	**622**	**–295**	**–163**	**920**	**9**	**–31**	**1 346**	**27**	**1 373**
Balance at January 1, 2009	**283**	**622**	**–294**	**–249**	**727**	**12**	**–8**	**1 093**	**25**	**1 118**
Total comprehensive income for the period				51	–100	–9	0	–58	1	–57
Dividend distributions								0	–1	–1
Purchase of treasury shares								0		0
Sale of treasury shares			1					1		1
Balance at June 30, 2009	**283**	**622**	**–293**	**–198**	**627**	**3**	**–8**	**1 036**	**25**	**1 061**

[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.

Summary of significant accounting principles

Company operations
OC Oerlikon Corporation AG, Pfäffikon is a Swiss public company located in Pfäffikon SZ, Churerstrasse 120. 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. In the course of streamlining the portfolio, the business units ESEC and Oerlikon Space were sold in 2009.

Apart from its activities in Switzerland, the Oerlikon group operates in the EU region, North America and Asia, and employs 16 492 individuals (excluding discontinued operations).

Basis of preparation
The consolidated 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 semi-annual financial statements for the first half-year 2009 are presented in abridged form and are in compliance with IAS 34. The consolidated semi-annual financial statements do not include all the details contained in the consolidated annual financial statements and should therefore be read in combination with the annual report as of December 31, 2008.

The consolidated semi-annual financial statements were approved by the Board of Directors on August 24, 2009. All line item amounts in the consolidated semi-annual 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.

Judgements, estimates and assumptions
Preparation of the semi-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. The same significant assumptions and estimates were made by management for this semi-annual report as for the annual report 2008, except for the reassessment of net realisable value of single items of property, plant and equipment, intangible assets and measurement of provisions.

Significant accounting policies
The accounting policies in this semi-annual report match those applied in the audited consolidated Group financial statements as of December 31, 2008, with exception of the changes shown below.

The International Accounting Standards Board (IASB) has published the following new or revised standards, which have been applied by Oerlikon Group since January 1, 2009:

- IFRS 2 amended – Share-based Payment: Vesting conditions and cancellations
- IFRS 8 – Operating Segments
- IAS 1 rev. – Presentation of Financial Statements
- IAS 23 rev. – Borrowing Costs
- IAS 32 rev. – Financial Instruments: Presentation of puttable instruments and obligations arising on liquidation
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- Improvements to IFRS (amendments as part of IASB's annual improvement project)

With the exception of IAS 1 and IFRS 8 the adoption of the new and revised accounting Standards had no effect on the consolidated semi-annual financial statements. The adoption of IAS 23 borrowing costs for current investment projects had no significant effect on the Group.

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 applied in the preparation of this semi-annual report. 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 3 rev. – Business Combinations	*	1 July 2009	Reporting year 2010
IAS 27 rev. – Consolidated and Separate Financial statements	*	1 July 2009	Reporting year 2010
IAS 39 rev. – Financial Instruments: Recognition and Measurement – Eligible Hedge items	*	1 July 2009	Reporting year 2010
IFRIC 17 – Distributions of Non-cash Assets to Owners	*	1 July 2009	Reporting year 2010
IFRIC 18 – Transfer of Assets from Customers	*	1 July 2009	Reporting year 2010
Improvements to IFRS (amendments as part of IASB's annual improvement project)	* *	1 July 2009 1 January 2010	Reporting year 2010

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

Segment reporting
Adoption of IFRS 8 "Segment Reporting" did not call for any changes in the definition of the operating Segments. 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.

The Group consists of the following business segments:

- Textile segment develops and manufactures textile machinery.
- Coating segment supplies metal coatings that improve the performance of tools and precision components, offering coating services at over 80 centers worldwide.
- Solar segment supplies equipment for mass production of solar panels.
- Vacuum segment develops application- and customer-specific systems for the creation of vacuums and extraction of processing gases.
- Drive Systems segment manufactures gears and other components for power transmission, mainly in motor vehicles.
- Advanced Technologies segment develops applications and technologies, from which the highest precision and accuracy is required. Oerlikon Systems mainly specializes in nanotechnology.

Segment reporting

in million CHF	Oerlikon Textile 2009	Oerlikon Textile 2008	Oerlikon Coating [1] 2009	Oerlikon Coating [1] 2008	Oerlikon Solar 2009	Oerlikon Solar 2008	Oerlikon Vacuum 2009	Oerlikon Vacuum 2008	Oerlikon Drive Systems 2009	Oerlikon Drive Systems 2008
Orders received	476	904	158	269	497	451	145	256	277	636
Orders on hand	501	727	0	0	466[4]	697	65	91	92	218
Sales										
Sales to third parties	430	966	158	269	286	214	149	239	377	626
Sales to group companies	0	0	1	1	4	15	3	10	0	0
	430	**966**	**159**	**270**	**290**	**229**	**152**	**249**	**377**	**626**
Net sales by market region to third parties										
Japan and Asia / Pacific	213	568	35	58	47	101	44	63	21	38
Europe	90	228	92	159	230	113	76	138	190	374
North America	102	125	20	32	9	0	28	37	166	213
Other regions	25	45	11	20	0	0	1	1	0	1
	430	**966**	**158**	**269**	**286**	**214**	**149**	**239**	**377**	**626**
Net sales by location to third parties										
Japan and Asia / Pacific	84	149	30	38	1	3	39	50	23	32
Europe	294	759	93	172	277	211	84	155	226	429
North America	46	51	20	31	8	0	26	34	128	165
Other regions	6	7	15	28	0	0	0	0	0	0
	430	**966**	**158**	**269**	**286**	**214**	**149**	**239**	**377**	**626**
Capital expenditure for fixed and intangible assets										
Japan and Asia / Pacific	5	6	1	9	0	0	0	2	1	5
Europe	15	18	7	10	18	19	6	12	10	26
North America	0	0	1	4	0	0	0	0	5	9
Other regions	0	0	2	3	0	0	0	0	0	0
	20	**24**	**11**	**26**	**18**	**19**	**6**	**14**	**16**	**40**
EBITDA	**–86**	**19**	**21**	**78**	**13**	**36**	**9**	**32**	**11**	**70**
EBIT	**–118**	**–214**	**–6**	**52**	**0**	**28**	**2**	**26**	**–20**	**39**
Other material items										
Research and development expenses	–40	–54	–8	–13	–30	–20	–11	–14	–6	–7
Depreciation and amortization	–32	–33	–27	–26	–10	–7	–7	–6	–31	–32
Impairment / Reversal of impairment on property, plant and equipment	0	0	0	0	–3	0	0	0	0	0
Impairment of goodwill	0	–200	0	0	0	0	0	0	0	0
Restructuring costs	–5	–9	–5	0	–9	–1	0	0	–4	0
Assets (only third-party)										
Japan and Asia / Pacific	215	231	97	93	10	2	46	46	82	81
Europe	1 480	1 745	207	276	509	342	215	251	971	1 115
North America	23	41	45	51	1	0	20	22	280	296
Other regions	10	8	59	80	0	0	0	0	0	0
	1 728	2 025	408	500	520	344	281	319	1 333	1 492
Liabilities (only third-party)	–555	–784	–68	–107	–167	–213	–220	–286	–247	–371
Net assets (only third-party) [3]	**1 173**	**1 241**	**340**	**393**	**353**	**131**	**61**	**33**	**1 086**	**1 121**
Assets including intercompany relationships	1 730	2 029	413	502	521	346	290	328	1 334	1 492
Liabilities including intercompany relationships	–558	–791	–69	–111	–187	–221	–221	–287	–251	–378
Net assets including intercompany relationships [3]	**1 172**	**1 238**	**344**	**391**	**334**	**125**	**69**	**41**	**1 083**	**1 114**
Number of employees										
Japan and Asia / Pacific	2 300	2 754	561	575	113	66	272	266	1 012	1 200
Europe	3 794	4 482	1 537	1 602	756	619	1 166	1 195	2 868	2 806
North America	179	279	187	315	7	7	77	89	814	1 233
Other regions	57	37	344	402	0	0	8	10	0	0
	6 330	**7 552**	**2 629**	**2 894**	**876**	**692**	**1 523**	**1 560**	**4 694**	**5 239**

[1] In the semi-annual report 2008 the Business Unit Oerlikon Systems was reported under the segment Oerlikon Coating.

[2] After Oerlikon Space sale earlier this year, Oerlikon Advanced Technologies segment contains Oerlikon Systems Business Unit only.

[3] Net assets include all current and non-current operating assets (excluding cash and financial assets), less operating liabilities (excluding financial liabilities and tax provisions). Net assets do not include current and non-current non-operating assets and financial assets and liabilities including cash and cash equivalents (CHF 396 million), short- and long-term financial debt (CHF 2 222 million), current (CHF 17 million) and deferred (CHF 141 million) tax receivables, current (CHF 108 million) and deferred (CHF 198 million) tax payables.

[4] Cancelled orders amounting to CHF 182 million are netted with orders on hand.

[5] Employees of the holding company include 84 trainees which were attributed to the operating segments in the prior year.

[6] Due to missing information all amounts were allocated to other regions.

	Oerlikon Advanced Technologies[2]		Total segments		Corporate / Eliminations		Total from continued operations		Discontinued operations	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	32	88	1 585	2 604	0	0	1 585	2 604	109	198
	21[4]	69	1 145	1 802	0	0	1 145[4]	1 802	221	244
	28	68	1 428	2 382	0	0	1 428	2 382	77	168
	2	6	10	32	–10	–32	0	0		
	30	**74**	**1 438**	**2 414**	**–10**	**–32**	**1 428**	**2 382**	**77**	**168**
	18	31	378	859	0	0	378	859	22	88
	6	17	684	1 029	0	0	684	1 029	44	57
	4	18	329	425	0	0	329	425	11	22
	0	2	37	69	0	0	37	69	0	1
	28	**68**	**1 428**	**2 382**	**0**	**0**	**1 428**	**2 382**	**77**	**168**
	13	20	190	292	0	0	190	292	0	0
	3	2	977	1 728	0	0	977	1 728	0	0
	12	46	240	327	0	0	240	327	0	0
	0	0	21	35	0	0	21	35	77[6]	168[6]
	28	**68**	**1 428**	**2 382**	**0**	**0**	**1 428**	**2 382**	**77**	**168**
	0	0	7	22	0	0	7	22	0	0
	9	13	65	98	0	3	65	101	0	0
	0	1	6	14	0	0	6	14	0	0
	0	0	2	3	0	0	2	3	0	1[6]
	9	**14**	**80**	**137**	**0**	**3**	**80**	**140**	**0**	**1**
	–8	**–10**	**–40**	**225**	**–1**	**–2**	**–41**	**223**	–9	8
	–12	**–68**	**–154**	**–137**	**–10**	**–10**	**–164**	**–147**	–9	–90
	–5	–10	–100	–118	0	0	–100	–118	–8	–11
	–4	–8	–111	–112	–5	–8	–116	–120	0	–4
	0	0	–3	0	–4	0	–7	0	0	–1
	0	–50	0	–250	0	0	0	–250	0	–93
	–3	–3	–26	–13	0	0	–26	–13	–1	0
	14	39	464	492	0	0	464	492	0	0
	48	281	3 430	4 010	36	63	3 466	4 073	0	0
	41	84	410	494	1	2	411	496	0	0
	0	0	69	88	0	0	69	88	22[6]	57[6]
	103	404	4 373	5 084	37	65	4 410	5 149	22	57
	–31	–202	–1 288	–1 963	–145	–108	–1 433	–2 071	–15	–22
	72	**202**	**3 085**	**3 121**	**–108**	**–43**	**2 977**	**3 078**	**7**	**35**
	96	405	4 384	5 102	26	47	4 410	5 149	21	59
	–26	–205	–1 312	–1 993	–121	–78	–1 433	–2 071	–12	–23
	70	**200**	**3 072**	**3 109**	**–95**	**–31**	**2 977**	**3 078**	**9**	**36**
	15	81	4 273	4 942	0	0	4 273	4 942	0	0
	187	228	10 308	10 932	205	135	10 513	11 067	0	0
	24	202	1 288	2 125	3	3	1 291	2 128	0	0
	0	0	409	449	6	6	415	455	210[6]	1 366[6]
	226	**511**	**16 278**	**18 448**	**214[5]**	**144**	**16 492**	**18 592**	**210**	**1 366**

Notes to the consolidated financial statements

Change in scope of consolidation

In the first half year 2009, Oerlikon Group sold the business units Wafer Etch and ESEC as well as Oerlikon Space. Wafer Etch was sold as at January 26, 2009, ESEC as at April 1, 2009, and Oerlikon Space as at June 30, 2009. The Group made no significant company foundations or acquisitions.

The effects of adjustments to the scope of consolidated companies in the profit and loss for the first half of 2008 are as follows:

in CHF million	January 1 to June 30, 2008	ESEC and Oerlikon Space	January 1 to June 30, 2008 restated
Sales of goods	2 152	–114	2 038
Services rendered	355	–11	344
Total sales	**2 507**	**–125**	**2 382**
Cost of sales	–1 928	91	–1 837
Gross profit	**579**	**–34**	**545**
Marketing and selling	–177	18	–159
Research and development	–126	8	–118
Administration	–172	6	–166
Impairment of goodwill	–343	93	–250
Restructuring costs	–13	0	–13
Other income	30	0	30
Other expenses	–16	0	–16
EBIT	**–238**	**91**	**–147**
Financial income	6	0	6
Financial expenses	–53	0	–53
Result before taxes (EBT)	**–286**	**91**	**–194**
Income taxes	–29	1	–28
Result from continued operations	**–315**	**92**	**–222**
Result from discontinued operations	2	–92	–91
Net result	**–313**	**0**	**–313**

Financial Liabilities

Oerlikon is financed primarily by a syndicated loan of CHF 2 500 million, provided at present by 23 first-class financial institutions. This loan was taken up by OC Oerlikon Corporation AG, Pfäffikon. The syndicated loan is divided into a 3-year term loan of CHF 600 million and a 5-year revolving facility of CHF 1 900 million.

In view of the challenging economic climate, Oerlikon entered into talks with the banking consortium early in 2009 with a view to realigning the terms of the loan to afford sufficient flexibility for implementation of the Group's strategy. On June 4, 2009, all 23 banks in the consortium agreed to the new terms. The size and content of the credit facility remain unchanged after the realignment. The structure of the covenants and the finance costs were adapted to Oerlikon's business plans and to the changed market conditions. After the realignment, the adjusted interest rates lie in a range from 175 to 450 basis points above LIBOR. The existing loan covenant (based on the relationship of net debt to EBITDA) was adapted to match current business plans. In addition, covenants relating to interest cover, equity ratio and capital expenditure were agreed, to be checked quarterly and annually in the case of the latter. The realigned facility is secured by collateral pledges of shares held in significant subsidiaries and by guarantees given by such subsidiaries in favor of OC Oerlikon Corporation AG, Pfäffikon. No individual assets were identified as collateral. All covenants were fully covered as at June 30, 2009.

Included in Financial Liabilities is an amount of CHF 2 178 million pertaining to the syndicated loan, from which directly attributable transaction costs have been deducted.

In addition, a deferred fee of 2.5 percent of the amount of the revolving facility in use at the contract date is payable as and when the net debt covenant exceeds 5. This fee is due on maturity of the revolving credit facility.

Syndicated Loan:

Term Loan:

Currency	Nominal Amount (in ,000)	Current Interest Period	Interest rate for current period (in %)	Maturity of loan
CHF	600 000	26.02.09 – 26.08.09	2.2088	31.03.2010

Revolving Facility:

Currency	Nominal Amount (in ,000)	Current Interest Period	Interest rate for current period (in %)	Maturity of loan
CHF	600 000	26.02.09 – 26.08.09	2.2359	07.06.2012
CHF	400 000	30.04.09 – 30.10.09	3.5121	07.06.2012
CHF	220 000	26.06.09 – 27.07.09	2.9450	07.06.2012
CHF	140 000	29.06.09 – 29.09.09	3.7727	07.06.2012
CHF	50 000	11.06.09 – 13.07.09	2.9500	07.06.2012
CHF	25 000	26.06.09 – 03.07.09	2.8883	07.06.2012
CHF	10 000	15.06.09 – 15.07.09	2.9483	07.06.2012
EUR	60 000	18.06.09 – 20.07.09	3.7070	07.06.2012
EUR	10 000	26.06.09 – 03.07.09	3.5860	07.06.2012
USD	70 000	29.06.09 – 29.07.09	3.0575	07.06.2012

As a hedge against the interest rate risk inherent in the variable interest rates of the syndicated loan, two interest caps were taken out 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-LIBOR over 4 percent by paying out the difference. The nominal amount is reduced over the period of the loan in accordance with the planned repayment. The nominal amount at June 30, 2009 was CHF 900 million.

Share repurchase program

On August 8, 2007, the Board of Directors of OC Oerlikon Corporation AG approved a share buyback program of maximum 2.59 percent of the share capital.

A total of 289 954 shares (2.05 percent) of OC Oerlikon Corporation AG, Pfäffikon were repurchased at market prices under this program. The last repurchase was made in February 2008. OC Oerlikon Corporation AG, Pfäffikon currently holds 1 325 922 treasury shares, 0which amounts to 9.38 percent of the share capital. The share repurchase program started on August 9, 2007, and was completed as planned on May 12, 2009 (the date of the ordinary general meeting).

Details of discontinued operations

In accordance with IFRS 5 the result from discontinued operations (ESEC, Oerlikon Space and Oerlikon Optics) is presented separately in the income statement. The assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less cost to sell and presented separately in the balance sheet.

in CHF million	**January 1 to June 30, 2009**	January 1 to June 30, 2008
Sales	**77**	**168**
Total expenses	–87	–258
Result before taxes (EBT) from discontinued operations	**–10**	**–90**
Income taxes	–4	–1
Net result after taxes from discontinued operations	**–14**	**–91**
Gain / loss on sale of discontinued operation	126	0
Net result from discontinued operations	**112**	**–91**
Attributable to:		
Shareholders of the parent	112	–91
Minority interests	0	0
Cash flow from operating activities in CHF million	**–11**	**–17**
Cash flow from investing activities in CHF million	**–2**	**–11**
Cash flow from financing activities in CHF million	**9**	**26**

The assets of CHF 22 million (prior year CHF 60 million) and related liablilties of CHF 15 million (prior year CHF 67 million) classified as held for sale concern the Optics business in Shanghai, China, which was sold as at August 12, 2009, as well as a non operating real estate.

Purchase Commitments

Open purchase commitments for property, plant and equipment at June 30, 2009 amounted to CHF 7 million (prior year CHF 8 million).

Contingent liabilities

in CHF million	**June 30, 2009**	December 31, 2008
Debt guarantees	7	9
Discounted bills of exchange	1	2
Total	**8**	**11**

The contingent liabilities under debt guarantees are mainly guarantees of debt to banks.

Events subsequent to the balance sheet date

On August 12, 2009 the Oerlikon Group sold the Optics business in Shanghai, China, to EIS Optics Ltd, United Kingdom. No other events have taken place since the balance sheet date which would require an adjustment of the carrying values of the Group's assets and liabilities as disclosed here.

Agenda, Contact

Important dates

October 22, 2009
Key figures for the third quarter of 2009

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