innovation has a name

oerlikon

profitability further increased

Interim Report **2012**

Key figures Oerlikon

First half-year 2012 (H1 2012)

(in CHF million)

	H1 2012	H1 2011	Change (abs.)	Change (%)
Order intake	**1952**	**2159**	**–207**	**–10**
Order backlog	**1319**	**1605**	**–286**	**–18**
Sales	**1951**	**1900**	**+51**	**+3**
EBITDA	**343**	**276**	**+67**	**+24**
EBIT	**267**	**199**	**+68**	**+34**
Net income	**114**	**83**	**+31**	**+37**
Operating cash flow	**205**	**250**	**–45**	**–18**

(before changes in net current assets)

Second quarter 2012 (Q2 2012)

(in CHF million)

	Q2 2012	Q2 2011	Change (abs.)	Change (%)
Order intake	**956**	**1033**	**–77**	**–7**
Order backlog	**1319**	**1605**	**–286**	**–18**
Sales	**990**	**994**	**–4**	**–**
EBIT	**115**	**93**	**+22**	**+24**

Key figures Oerlikon Group

in CHF million	**January 1 to June 30, 2012 unaudited**	January 1 to June 30, 2011 unaudited
Order intake [1]	1952	2159
Order backlog [1]	1319	1605
Sales [1]	1951	1900
EBITDA [1]	343	276
– as % of sales	18 %	15 %
EBIT [1]	267	199
– as % of sales	14 %	10 %
Net income	114	83
– as % of sales	6 %	4 %
– as % of equity attributable to shareholders of the parent	7 %	5 %
Cash flow from operating activities before changes in net current assets [2]	205	250
Capital expenditure for fixed and intangible assets [1]	70	56
Total assets (June 30, 2012/December 31, 2011)	4460	4573
Equity attributable to shareholders of the parent (June 30, 2012/December 31, 2011)	1590	1586
– as % of total assets	36 %	35 %
Net debt (June 30, 2012/December 31, 2011) [3]	61	86
Net Operating Assets (June 30, 2012/December 31, 2011) [1,4]	2217	2108
Number of employees (June 30, 2012/December 31, 2011) [1]	16838	16567
Personnel expense [1]	466	467
Research and development expenditure [1,5]	74	77

[1] Continuing operations.

[2] Cash flow from operating activities (after changes in net current assets) amounts to CHF 120 million (previous year: CHF 137 million).

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

[4] Net Operating Assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, financial assets, current and deferred tax receivables) less operating liabilities (excluding financial liabilities, current and deferred tax payables).

[5] Research and development expenditure includes expense recognized as intangible assets in the amount of CHF 6 million (previous year: CHF 13 million).

Oerlikon reports strong operating performance

Dear Shareholders,

In the first half of 2012 Oerlikon continued its journey by delivering a number of important Operational Excellence and portfolio optimization improvements – achievements which will enhance profitability not just in 2012, but in the years to come.

On March 2, 2012 we agreed the terms of a divestment of our Solar Segment to Tokyo Electron, a move which places Oerlikon Solar with a more natural owner and leaves Oerlikon to focus on scalable core competencies. Oerlikon also divested its minority stake in Pilatus Aircraft, sold the niche Textile business Melco and rationalized the Drive Systems manufacturing footprint in Italy through the sale of the Porretta site and announced relocation of the Garessio plant.

Another important milestone reached in H1 2012 was the refinancing of the Oerlikon Group, which included a new credit facility of CHF 800 million and the issue of a CHF 300 million Swiss bond. This new unsecured financial package lowers costs by CHF 40 million per year and allows Oerlikon much more flexibility to optimize and balance the portfolio in the future.

In the operating businesses, Oerlikon continued to focus on Operational Excellence to drive underlying performance improvement. Even in this year's challenging business environment, H1 2012 Group profitability increased by 15 % to an EBIT margin of 11.7 % (excluding the one-time benefit from the Arbon property sale) compared to 10.5 % in H1 2011. Sales grew slightly in the first half to CHF 1951 million and as forecast, order intake softened by 10 % to CHF 1952 million. Strong cash flows once again strengthened our balance sheet, raising the equity ratio from 35 % to 36 % and resulting in an improved debt position. For the first time in six years, Oerlikon is nearly free of net debt, which stands at just CHF 61 million.

This strong performance – versus our peers in particular – is not good fortune. It is the result of our balanced geographic presence and ongoing systematic execution of our agenda to continuously increase the efficiency of our business and bring it closer to world-class standards.

Oerlikon is, of course, not immune to the global macroeconomic picture and the difficult market situation, but we remain optimistic about our future. We continue to focus on meeting customer needs more efficiently every day, continue to balance the portfolio and continue to invest for the future – at the same time retaining a prudent balance sheet. We see potential for improvements through step-change innovation, regional expansion, Operational Excellence and further steps to shape the portfolio. These continued actions will place the company on firm ground to manage the uncertain environment going forward.

Based on the strong H1 2012 results, we have increased our guidance for the whole year and are now forecasting stable sales on a like-for-like basis and an EBIT margin of up to 11.5 % (excluding the one-time benefit of the Arbon sale) while guidance for order intake remains unchanged.

Sincere thanks to our dedicated employees for their hard work, our customers and our shareholders for their continued trust in Oerlikon.

Tim Summers
Chairman of the
Board of Directors

Dr. Michael Buscher
Chief Executive Officer

Interim financial report 2012

Key figures Oerlikon Group

Key figures Oerlikon Group

in CHF million	**January 1 to June 30, 2012 unaudited**	January 1 to June 30, 2011 unaudited
Order intake [1]	1 952	2 159
Order backlog [1]	1 319	1 605
Sales [1]	1 951	1 900
EBITDA [1]	343	276
– as % of sales	18 %	15 %
EBIT [1]	267	199
– as % of sales	14 %	10 %
Net income	114	83
– as % of sales	6 %	4 %
– as % of equity attributable to shareholders of the parent	7 %	5 %
Cash flow from operating activities before changes in net current assets [2]	205	250
Capital expenditure for fixed and intangible assets [1]	70	56
Total assets (June 30, 2012/December 31, 2011)	4 460	4 573
Equity attributable to shareholders of the parent (June 30, 2012/December 31, 2011)	1 590	1 586
– as % of total assets	36 %	35 %
Net debt (June 30, 2012/December 31, 2011) [3]	61	86
Net Operating Assets (June 30, 2012/December 31, 2011) [1,4]	2 217	2 108
Number of employees (June 30, 2012/December 31, 2011) [1]	16 838	16 567
Personnel expense [1]	466	467
Research and development expenditure [1,5]	74	77

[1] Continuing operations.

[2] Cash flow from operating activities (after changes in net current assets) amounts to CHF 120 million (previous year: CHF 137 million).

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

[4] Net Operating Assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, financial assets, current and deferred tax receivables) less operating liabilities (excluding financial liabilities, current and deferred tax payables).

[5] Research and development expenditure includes expense recognized as intangible assets in the amount of CHF 6 million (previous year: CHF 13 million).

Consolidated income statement

in CHF million	**January 1 to June 30, 2012 unaudited**	January 1 to June 30, 2011 unaudited, restated
Sales of goods	1 548	1 488
Services rendered	403	412
Total sales	**1 951**	**1 900**
Cost of sales	–1 432	–1 415
Gross profit	**519**	**485**
Marketing and selling	–109	–113
Research and development	–77	–74
Administration	–118	–111
Restructuring costs	–2	–1
Other income	63	24
Other expense	–9	–11
Result before interest and taxes (EBIT)	**267**	**199**
Financial income	35	5
Financial expense	–44	–59
Result before taxes (EBT)	**258**	**145**
Income taxes	–75	–47
Result from continuing operations	**183**	**98**
Result from discontinued operations	–69	–15
Net income	**114**	**83**
Attributable to:		
Shareholders of the parent	112	80
Non-controlling interest	2	3
Earnings per share in CHF	0.35	0.25
Fully diluted earnings per share in CHF	0.34	0.25
Earnings per share continuing operations in CHF	0.56	0.29
Fully diluted earnings per share continuing operations in CHF	0.55	0.29
Earnings per share discontinued operations in CHF	–0.21	–0.04
Fully diluted earnings per share discontinued operations in CHF	–0.21	–0.04

Consolidated statement of comprehensive income

in CHF million	**January 1 to June 30, 2012 unaudited**	January 1 to June 30, 2011 unaudited
Net income	114	83
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	6	–1
Defined benefit plan actuarial losses (–)/gains (+)	–66	32
Income taxes on other comprehensive income	19	–8
Conversion differences	2	–113
Other comprehensive income for the period, net of income taxes	**–39**	**–90**
Total comprehensive income for the period	**75**	**–7**
Attributable to:		
Shareholders of the parent	72	–6
Non-controlling interest	3	–1

Consolidated balance sheet

Assets

in CHF million	June 30, 2012 unaudited	December 31, 2011
Cash and cash equivalents	620	742
Current financial investments and derivatives	9	8
Trade receivables	680	635
Other receivables	160	234
Current tax receivables	19	18
Inventories	609	582
Prepaid expenses and accrued income	33	20
Assets classified as held for sale	158	–
Current assets	**2 288**	**2 239**
Loans and other non-current financial receivables	8	8
Non-current financial investments	6	39
Property, plant and equipment	817	915
Intangible assets	1 234	1 261
Deferred tax assets	107	111
Non-current assets	**2 172**	**2 334**
Total assets	**4 460**	**4 573**

Liabilities and equity

in CHF million	June 30, 2012 unaudited	December 31, 2011
Trade payables	410	457
Current part of non-current loans and borrowings	166	–
Other current financial liabilities and derivatives	8	24
Other current liabilities	69	62
Accrued liabilities	211	271
Current customer advances	488	471
Current income taxes payable	69	61
Current post-employment benefit provisions	24	28
Other current provisions	76	111
Liabilities classified as held for sale	141	–
Current liabilities	**1 662**	**1 485**
Non-current loans and borrowings	521	832
Non-current post-employment benefit provisions	570	525
Deferred tax liabilities	74	73
Other non-current provisions	19	48
Non-current liabilities	**1 184**	**1 478**
Total liabilities	**2 846**	**2 963**
Share capital	323	323
Treasury shares	–3	–3
Reserves and retained earnings	1 270	1 266
Equity attributable to shareholders of the parent	**1 590**	**1 586**
Non-controlling interest	24	24
Total equity	**1 614**	**1 610**
Total liabilities and equity	**4 460**	**4 573**

Consolidated cash flow statement

in CHF million	January 1 to June 30, 2012 unaudited	January 1 to June 30, 2011 unaudited
Net income	114	83
Income taxes	79	47
Interest expense (net)	41	46
Depreciation of property, plant and equipment	65	70
Amortization of intangible assets	15	20
Addition to other provisions (net)	5	12
Decrease in post-employment benefit provisions	–7	–5
Gain on sale of non-current assets	–68	–
Income taxes paid	–43	–32
Other non-cash expense	4	9
Cash flow from operating activities before changes in net current assets	205	250
Increase in receivables/prepaid expenses and accrued income	–20	–60
Increase in inventories	–44	–152
Decrease in payables/accrued liabilities and use of other provisions	–85	–2
Increase in customer advances	64	103
Non-cash impact on net current assets due to hedge accounting	–	–2
Cash flow from changes in net current assets	–85	–113
Cash flow from operating activities	**120**	**137**
Capital expenditure for property, plant and equipment	–64	–47
Capital expenditure for intangible assets	–10	–13
Purchase of financial investments	–2	–
Proceeds from sale of financial investments	54	–
Decrease in loans receivable	–	1
Increase in marketable securities	–	–14
Proceeds from sale of property, plant and equipment	39	2
Interest received	8	6
Cash flow from investing activities	**25**	**–65**
Dividends paid	–66	–2
Purchase of treasury shares	–2	–2
Increase of financial debt	–	7
Repayment of financial debt	–164	–83
Acquisition of non-controlling interest	–8	–
Interest paid	–26	–49
Cash flow from financing activities	**–266**	**–129**
Translation adjustments to cash and cash equivalents	3	–21
Decrease in cash and cash equivalents	**–118**	**–78**
Cash and cash equivalents at the beginning of the period [1]	742	756
Cash and cash equivalents at the end of the period [1]	624	678
Decrease in cash and cash equivalents	**–118**	**–78**

[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, June 30, 2011 and June 30, 2012.

Consolidated statement of changes in equity

in CHF million	Share capital[1]	Additional paid-in capital	Treasury shares	Conversion differences	Retained earnings	Hedge accounting	Income taxes	**Total equity attributable to shareholders**	Non-controlling interest	**Total share-holders' equity**
Balance at January 1, 2011	**323**	**1 475**	**–2**	**–441**	**53**	**–1**	**23**	**1 430**	**24**	**1 454**
Net income	–	–	–	–	80	–	–	80	3	83
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–1	–	–1	–	–1
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**
Balance at January 1, 2012	**323**	**1 475**	**–3**	**–467**	**228**	**–7**	**37**	**1 586**	**24**	**1 610**
Net income	–	–	–	–	112	–	–	112	2	114
Other comprehensive income										
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	6	–	6	–	6
Defined benefit plan actuarial losses	–	–	–	–	–66	–	–	–66	–	–66
Income taxes on other comprehensive income	–	–	–	–	–	–	19	19	–	19
Conversion differences	–	–	–	1	–	–	–	1	1	2
Total other comprehensive income for the period	**–**	**–**	**–**	**1**	**–66**	**6**	**19**	**–40**	**1**	**–39**
						–				
Capital increase	–	1	–	–	–	–	–	1	–	1
Dividend distributions	–	–65	–	–	–	–	–	–65	–1	–66
Share-based payments	–	–	–	–	1	–	–	1	–	1
Purchase of treasury shares	–	–	–2	–	–	–	–	–2	–	–2
Disposal of treasury shares	–	–	2	–	1	–	–	3	–	3
Acquisition of non-controlling interest	–	–	–	–	–6	–	–	–6	–2	–8
						–				
Balance at June 30, 2012	**323**	**1 411**	**–3**	**–466**	**270**	**–1**	**56**	**1 590**	**24**	**1 614**

[1] As at June 30, 2012, the share capital of OC Oerlikon Corporation AG, Pfäffikon consists of 323 279 836 fully paid-in registered shares (December 31, 2011: 323 124 010 registered shares) with a par value of CHF 1.

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 17 452 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 2012 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, 2011.

The consolidated interim financial statements were approved by the Board of Directors on July 31, 2012. 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, 2011.

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, 2011, 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, 2012:

- IFRS 7 amended – Disclosures: Transfers of Financial Assets
- IAS 12 amended – Deferred Tax: Recovery of Underlying Assets

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 7 amended – Offsetting Financial Assets and Liabilities	***	1 January 2013	Reporting year 2013
IFRS 10 – Consolidated Financial Statements	*	1 January 2013	Reporting year 2013
IFRS 11 – Joint Arrangements	*	1 January 2013	Reporting year 2013
IFRS 12 – Disclosure of Interests in Other Entities	**	1 January 2013	Reporting year 2013
IFRS 13 – Fair Value Measurement	***	1 January 2013	Reporting year 2013
Improvements to IFRSs (May 2012)	***	1 January 2013	Reporting year 2013
IAS 1 amended – Presentation of Items of Other Comprehensive Income	**	1 July 2012	Reporting year 2013
IAS 19 amended – Employee Benefits	*	1 January 2013	Reporting year 2013
IAS 27 rev. – Separate Financial Statements	*	1 January 2013	Reporting year 2013
IAS 28 rev. – Investments in Associates and Joint Ventures	*	1 January 2013	Reporting year 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	*	1 January 2013	Reporting year 2013
IAS 32 amended – Offsetting Financial Assets and Financial Liabilities	***	1 January 2014	Reporting year 2014
IFRS 9 – Financial Instruments and related amendments to IFRS 7 regarding transition	***	1 January 2015	Reporting year 2015

* 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.
- 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.
- Solar Segment supplies equipment for mass production of solar panels.

Segment information

in million CHF	Oerlikon Textile 2012	Oerlikon Textile 2011	Oerlikon Drive Systems 2012	Oerlikon Drive Systems 2011	Oerlikon Vacuum 2012	Oerlikon Vacuum 2011	Oerlikon Coating 2012	Oerlikon Coating 2011
Order intake	**1 000**	**1 195**	**444**	**452**	**195**	**219**	**253**	**243**
Order backlog	**1 012**	**1 339**	**202**	**154**	**79**	**87**	**–**	**–**
Sales								
Sales to third parties	1 015	978	449	416	191	209	253	243
Sales to other segments	–	–	–	–	2	4	1	1
Eliminations	–	–	–	–	–2	–4	–1	–1
	1 015	**978**	**449**	**416**	**191**	**209**	**253**	**243**
Sales by market region to third parties								
Asia/Pacific	733	670	45	49	67	74	73	72
Europe	149	156	192	192	86	99	128	127
North America	41	61	195	156	36	34	35	33
Other regions	92	91	17	19	2	2	17	11
	1 015	**978**	**449**	**416**	**191**	**209**	**253**	**243**
Sales by location to third parties								
Asia/Pacific	255	192	48	48	55	59	74	61
Europe	722	736	235	248	100	115	130	139
North America	34	41	166	120	36	35	32	26
Other regions	4	9	–	–	–	–	17	17
	1 015	**978**	**449**	**416**	**191**	**209**	**253**	**243**
Capital expenditure for fixed and intangible assets								
Asia/Pacific	8	2	11	6	2	2	9	10
Europe	10	10	8	7	6	4	4	4
North America	–	–	8	6	–	–	2	2
Other regions	–	–	–	–	–	–	–	–
	18	**12**	**27**	**19**	**8**	**6**	**15**	**16**
EBITDA	**166**	**97**	**62**	**42**	**31**	**40**	**74**	**70**
EBIT	**144**	**76**	**39**	**18**	**24**	**33**	**53**	**49**
Financial expense/income								
EBT								
Other material items								
Research and development expense	–38	–37	–7	–7	–10	–9	–16	–14
Depreciation and amortization	–22	–22	–23	–24	–7	–7	–21	–21
Restructuring costs	–1	–1	–	–	–	–	–	–
Assets	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011
Operating assets	1 525	1 458	1 213	1 184	271	258	395	387
Non-operating assets (not attributable to segments)								
Total assets								
Number of employees	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011
Asia/Pacific	2 603	2 686	2 015	1 901	349	336	951	923
Europe	3 422	3 325	2 313	2 333	1 066	1 060	1 601	1 557
North America	148	150	1 290	1 237	80	76	296	279
Other regions	61	69	–	–	–	–	236	227
	6 234	**6 230**	**5 618**	**5 471**	**1 495**	**1 472**	**3 084**	**2 986**

Oerlikon Advanced Technologies		Total Segments		Group/Eliminations		Total from continuing operations		Oerlikon Solar		Total incl. discontinued operations	
2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
60	**50**	**1 952**	**2 159**	**–**	**–**	**1 952**	**2 159**	**25**	**185**	**1 977**	**2 344**
26	**25**	**1 319**	**1 605**	**–**	**–**	**1 319**	**1 605**	**117**	**307**	**1 436**	**1 912**
43	54	1 951	1 900	–	–	1 951	1 900	15	133	1 966	2 033
–	–	3	5	–3	–5	–	–	10	19		
–	–	–3	–5	3	5	–	–	–10	–19		
43	**54**	**1 951**	**1 900**	**–**	**–**	**1 951**	**1 900**	**15**	**133**		
26	23	944	888	–	–	944	888	19	83	963	971
9	25	564	599	–	–	564	599	11	15	575	614
7	6	314	290	–	–	314	290	–	–	314	290
1	–	129	123	–	–	129	123	–15	35	114	158
43	**54**	**1 951**	**1 900**	**–**	**–**	**1 951**	**1 900**	**15**	**133**	**1 966**	**2 033**
–	–	432	360	–	–	432	360	1	2	433	362
36	48	1 223	1 286	–	–	1 223	1 286	14	131	1 237	1 417
7	6	275	228	–	–	275	228	–	–	275	228
–	–	21	26	–	–	21	26	–	–	21	26
43	**54**	**1 951**	**1 900**	**–**	**–**	**1 951**	**1 900**	**15**	**133**	**1 966**	**2 033**
–	–	30	20	–	–	30	20	–	–	30	20
1	2	29	27	1	1	30	28	4	4	34	32
–	–	10	8	–	–	10	8	–	–	10	8
–	–	–	–	–	–	–	–	–	–	–	–
1	**2**	**69**	**55**	**1**	**1**	**70**	**56**	**4**	**4**	**74**	**60**
–1	**7**	**332**	**256**	**11**	**20**	**343**	**276**	**–60**	**–**	**283**	**276**
–3	**6**	**257**	**182**	**10**	**17**	**267**	**199**	**–64**	**–12**	**203**	**187**
						–9	**–54**				
						258	**145**				
–6	–6	–77	–73	–	–1	–77	–74	–30	–34	–107	–108
–2	–2	–75	–76	–1	–2	–76	–78	–4	–12	–80	–90
–2	–	–3	–1	–	–	–3	–1	–	–	–3	–1
30.06.2012	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011
112	111	3 516	3 398	15	43	3 531	3 441	155	242	3 686	3 683
						929	1 132				
						4 460	**4 573**				
30.06.2012	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011	**30.06.2012**	31.12.2011
–	–	5 918	5 846	–	–	5 918	5 846	75	73	5 993	5 919
174	180	8 576	8 455	210	203	8 786	8 658	538	585	9 324	9 243
18	20	1 832	1 762	–	1	1 832	1 763	1	2	1 833	1 765
–	–	297	296	5	4	302	300	–	–	302	300
192	**200**	**16 623**	**16 359**	**215**	**208**	**16 838**	**16 567**	**614**	**660**	**17 452**	**17 227**

Notes to the consolidated interim financial statements

Changes in scope of consolidation

During the first half-year 2012, the following significant changes in scope of consolidation have occured:

– On January 25, 2012, the Group purchased the non-controlling interest in Oerlikon Fibrevision Ltd, increasing the ownership to 100 %.
– On March 2, 2012, Oerlikon Group agreed to sell the segment Oerlikon Solar. The transaction has not been closed as per June 30, 2012.
– On June 29, 2012, Textile's Melco business was sold.

The significant effects of adjustments to consolidated companies during the first half-year 2012 in the consolidated income statement for the first half-year 2011 are as follows:

in CHF million	January 1 to June 30, 2011 unaudited	Oerlikon Solar unaudited	**January 1 to June 30, 2011 unaudited restated**
Sales of goods	1616	–128	1488
Services rendered	417	–5	412
Total sales	**2 033**	**–133**	**1900**
Cost of sales	–1511	96	–1415
Gross profit	**522**	**–37**	**485**
Marketing and selling	–117	4	–113
Research and development	–108	34	–74
Administration	–118	7	–111
Restructuring costs	–1	–	–1
Other income	20	4	24
Other expense	–11	–	–11
Result before interest and taxes (EBIT)	**187**	**12**	**199**
Financial income	4	1	5
Financial expense	–61	2	–59
Result before taxes (EBT)	**130**	**15**	**145**
Income taxes	–47	–	–47
Result from continuing operations	**83**	**15**	**98**
Result from discontinued operations	–	–15	**–15**
Net income	**83**	**–**	**83**

Provisions

in CHF million	Product warranties	Onerous contracts [1]	Restructuring [2]	Other provisions [3]	**Total**
Balance at January 1, 2012	78	11	39	31	**159**
Conversion differences	–	–	–1	–1	**–2**
Change in the scope of consolidated companies	–	–	–	–	**–**
Additions	10	1	2	1	**14**
Amounts used	–9	–	–24	–2	**–35**
Amounts reversed	–6	–	–	–12	**–18**
Transfers	–22	–3	–	2	**–23**
Balance at June 30, 2012	**51**	**9**	**16**	**19**	**95**
Due within 1 year	50	2	7	17	**76**
Due beyond 1 year [4]	1	7	9	2	**19**

[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 interim 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	3
Drive Systems	7
Vacuum	5
Advanced Technologies	1
Total	**16**

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

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

Details of discontinued operations

In accordance with IFRS 5 the result from discontinued operations (Oerlikon Solar) is presented separately in the income statement. The assets and liabilities classified as 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. No losses on revaluation have been incurred.

At June 30, 2012, the disposal group comprised assets of CHF 158 million less liabilities of CHF 141 million. Assets classified as held for sale include cash and cash equivalents (CHF 4 million), trade and other receivables (CHF 30 million), inventories (CHF 16 million), property, plant and equipment (CHF 81 million), intangible assets (CHF 16 million), and other assets (CHF 11 million). Liabilities classified as held for sale are composed of trade payables (CHF 12 million), other current financial liabilities and derivatives (CHF 11 million), accrued liabilities (CHF 34 million), current customer advances (CHF 45 million), other current provisions (CHF 23 million), post employment benefit provisions (CHF 11 million), and other liabilities (CHF 5 million). As per December 31, 2011, no assets and liabilities were classified as held for sale.

For the period from January 1, 2012 to June 30, 2012 the cumulative income recognised in other comprehensive income relating to the disposal group classified as held for sale amounts to CHF 1 million.

in CHF million	**January 1 to June 30, 2012 unaudited**	January 1 to June 30, 2011 unaudited
Sales	**15**	**133**
Total expense	–81	–148
Income before taxes (EBT) from discontinued operations	**–66**	**–15**
Income taxes from discontinued operations	–3	–
Result from discontinued operations	**–69**	**–15**
Attributable to:		
Shareholders of the parent	–69	–15
Non-controlling interest	–	–
Cash flow from operating activities in CHF million	**11**	–2
Cash flow from investing activities in CHF million	**–6**	–4
Cash flow from financing activities in CHF million	**–5**	–7

Other income

Other income in the first half-year 2012 includes the gain on the sale of Oerlikon Group's property in Arbon, Switzerland, amounting to CHF 39 million.

Financial income

Financial income in the first half-year 2012 includes the gain on the sale of a financial investment.

Income Taxes

The income tax rate decreased from 32 % for the first half-year 2011 to 29 % in the first half-year 2012. The income tax rate was positively influenced by the fact that the losses of the Segment Solar are no longer shown as part of the continuing operations. The increase of income tax expenses is mainly driven by increased taxable income of most subsidiaries.

Financial Liabilities

In June 2012 the Oerlikon Group entered into a new unsecured Syndicated Credit Facility amounting to CHF 800 million. The new facility will include (i) a CHF 700 million credit facility (Facility A) consisting of a revolving facility of CHF 450 million and an ancillary facility of CHF 250 million with a tenor of three years and two additional one-year extension options, and (ii) a twelve months CHF 100 million optional term loan (Facility B). Facility A can be used to refinance part of Oerlikon's existing facilities and for general corporate purposes. Facility B was set up to serve as a short-term buffer. The new Syndicated Credit Facility carries an initial margin of 250 basis points per year. After six months the margin is subject to a Net Debt/EBITDA margin grid with a range from 200 to 300 basis points per year. The effective date of the new Syndicated Facility Agreement is July 13, 2012.

The new Syndicated Credit Facility contains the following financial covenants, which are tested quarterly:
– Total Equity
– Total Borrowings / EBITDA
– EBITDA / Net Interest Expense

On June 13, 2012 the Oerlikon Group successfully issued a 4 year CHF 300 million straight bond with a coupon of 4.25 %. The issuance of the domestic bond was conditional for the effectiveness and utilization of the new Syndicated Credit Facility. The settlement date of the bond was on July 13, 2012. In the light of the successful issuance of the domestic bond exceeding expectations, the twelve months CHF 100 million optional term loan (Facility B) has been cancelled.

To achieve the new financing structure the existing loan facilities have been fully repaid in July 2012 using (i) bond proceeds of some CHF 300 million, (ii) drawings under new Syndicated Credit Facility of CHF 230 million and (iii) cash.

With the replacement of the old Syndicated Credit Facility, one-time charges (financial expense) amounting to CHF 45 million have been incurred in July 2012.

Pledged assets

The following assets shown on the balance sheet were pledged as security:

in CHF million	**June 30, 2012 unaudited**	December 31, 2011
Cash and cash equivalents	1	129
Receivables	1	171
Inventories	1	83
Other current assets	–	8
Property, plant and equipment	21	306
Other non-current assets	–	248
Total	**24**	**945**

In 2011, a significant part of the pledged assets was provided as security for the syndicated loan facility dated March 31, 2010. Having met the security release condition specified in the Facility Agreement, these securities have been released as of June 30, 2012. The security release condition specified that the ratio of Net Debt to EBITDA for each of the six most recent quarters is less than 2.25 to 1.

Events subsequent to the balance sheet date

Apart from the new financing structure which took effect on July 13, 2012 (see note "Financial Liabilities"), no events occured between the balance sheet date and the date on which this report was approved by the Board of Directors which could have a significant impact on the consolidated interim financial statements as of June 30, 2012.