oerlikon

Interim Report **2015**

Letter to Shareholders from the Chairman of the Board of Directors and the Chief Executive Officer

Dear Shareholders,

We are pleased to report that the Oerlikon Group delivered solid profitability in the first half of 2015 despite an increasingly demanding market environment. We also increased our service revenues, strengthened our footprint, built up our business in adjacent markets and kept up our innovation momentum. We have progressed with our strategic initiatives in line with our strategy that is fully endorsed by the newly composed Board of Directors.

For the first half-year of 2015, we increased our orders by 8.7 % to CHF 1 524 million while sales went up by 4.8 % to CHF 1 563 million. At constant exchange rates, the Group's sales increased by 10.3 %, amounting to CHF 1 646 million. The EBITDA margin for the first half-year was at 16.9 %. For the second quarter of 2015, the EBITDA margin was also at 16.9 %, marking our 14th consecutive quarter with operating profitability above 15 %. Our solid profitability also reflects the positive impacts from our operational excellence initiatives and prudent cost management. Net income for the first half of 2015 amounted to CHF 87 million. Operating cash flow before changes in net current assets was at CHF 225 million.

To reinforce our financial foundation, we extended our syndicated credit facility to June 2017 at more favorable interest rates that reflect both the current interest rate environment and the improved corporate risk profile of Oerlikon.

The Surface Solutions Segment, the largest Segment of the Group, recorded strong top-line results and profitability, attributed to last year's acquisition of Metco and to underlying organic growth. The Segment saw good demand from the automotive and power generation sectors. However, a softening in the tooling market and in the materials for aviation and oil & gas businesses were noted. Initial inroads were made in the automotive industry with our ePD™ technology, used for metalizing plastic components, and in the rapidly-evolving additive manufacturing market, where we bring in-depth expertise in metal-based powders and materials. The Segment's strong operating profitability also reflects the cost efficiencies achieved in combining Oerlikon Balzers' and Oerlikon Metco's thin-film businesses and operations, and the resultant closing of two Oerlikon Metco sites.

One year after the acquisition of Metco and having successfully merged the core functions and key operations of Oerlikon Balzers and Oerlikon Metco, business at Surface Solutions Segment is moving toward normal operations. The recent opening of the first new service center offering both Oerlikon Balzers and Oerlikon Metco technologies in Guelph, Canada, marked a strategic milestone for the Segment.

As anticipated, the Manmade Fibers Segment posted lower orders, sales and profitability for the first half of 2015 as the Segment continued to face market normalization. However, the Segment stabilized its orders, sales and profitability in the second quarter around the same levels seen in the first quarter. The Segment is further strengthening its business resilience by increasing its service business, expanding its business in the adjacent polycondensation market with the announced joint venture with Huitong in China and growing its business outside of China.

Due to ongoing weakness in the mining and oil & gas sectors, as well as a slowdown in the agriculture market, the Drive Systems Segment reported lower orders, sales and operating profitability compared to the first half of 2014. Though, some positive developments were seen in the construction and automotive markets. Thanks to operational excellence initiatives, the Segment maintained its second quarter EBITDA margin at the same level as seen in the first quarter of 2015.

The Vacuum Segment reported flat order intake in the first half of 2015 but with good growth at constant exchange rates. Reported sales, excluding currency effects, were slightly higher year-on-year. Despite stepping up investments in operational excellence initiatives, the Segment maintained its operating profitability for the first half of 2015 compared to the same period in the prior year. Positive trends were observed in North America, while China showed signs of softening and Europe was characterized by uncertainties. The Segment saw favorable developments in the food and packaging market, but recovery in the process industry was noticeably slow.

In the first half of 2015, we successfully closed the divestment of the Advanced Technologies Segment. We also strengthened our global reach and support for customers through our own new sales and services sites or distributor sites in the Americas (Canada, USA, Argentina, Chile, Colombia and Peru), Asia (China and India) and Europe (Germany). As we improved our proximity and service offering to customers, we increased our service revenues to 31.4 % of total Group sales. For the first six months, we maintained our R&D investment at around 4 % of our revenues as we continued to introduce new and improved technologies.

Looking ahead, we expect the global economic picture to continue to be mixed. The US is forecasted to grow in 2015 while Asia adjusts further to slower growth rates and Europe needs to resolve its sovereign debt issues. Certain positive trends in the aerospace sector are predicted to continue while markets such as agriculture, mining, and oil & gas are expected to remain weak in the foreseeable future. Considering the Group's positive performance in the first half of 2015 and our current assessment of the market environment, our guidance for the full year remains unchanged. We thank you for the trust you place in us and in Oerlikon.

Dr. Michael Süss
Chairman of the
Board of Directors

Dr. Brice Koch
Chief Executive Officer

Highlights

Solid profitability recorded with EBITDA margin at 16.9 %. **14th consecutive quarter** with margin exceeding 15 %. Order intake increased by 8.7 % and sales went up by 4.8 %.

The Surface Solutions Segment, the largest Segment of Oerlikon, delivered strong top-line results and profitability. After successfully integrating the core functions and key operations of its two brands, Oerlikon Balzers and Oerlikon Metco, business at the Segment is moving toward normal operations.

Despite the ongoing market normalization, **the Manmade Fibers Segment** stabilized orders and sales while maintaining good profitability.

Increased Group's service business to 31.4 % of total Group sales.

Focused portfolio further on core businesses with successfully closing the divestment of the Advanced Technologies Segment.

The Drive Systems Segment managed well the lower market demand in the weak agriculture, mining and oil & gas sectors, and sustained good profitability as benefits from operational excellence initiatives gain traction.

The Vacuum Segment increased orders and sales at constant exchange rates and slightly improved profitability in a mixed market environment.

Strengthened footprint in the Americas, India, China and Germany.

Interim financial report 2015

Key figures Oerlikon Group

in CHF million	**January 1 to June 30, 2015, unaudited**	January 1 to June 30, 2014, unaudited
Order intake[1]	1 524	1 402
Order backlog[1]	614	772
Sales[1]	1 563	1 492
EBITDA[1]	263	255
– as % of sales	16.9 %	17.1 %
EBIT[1]	172	185
– as % of sales	11.0 %	12.4 %
Result from continuing operations[1]	108	129
Result from discontinuing operations, net of income taxes[1,2]	–21	–7
Net income	87	122
– as % of equity attributable to shareholders of the parent	4 %	6 %
Cash flow from operating activities[3]	110	85
Capital expenditure for property, plant and equipment and intangible assets[1]	71	54
Total assets (June 30, 2015/December 31, 2014)	4 430	4 966
Equity attributable to shareholders of the parent (June 30, 2015/December 31, 2014)	1 990	2 188
– as % of total assets	45 %	44 %
Net cash (June 30, 2015/December 31, 2014)[4]	19	114
Net Operating Assets (June 30, 2015/December 31, 2014)[5]	2 561	2 685
Number of employees (full-time equivalents) (June 30, 2015/December 31, 2014)	15 629	15 656
Research and development expenditure[1, 6]	62	54

[1] 2015 continuing operations, 2014 restated.

[2] Includes reclassification of translation differences amounting to CHF –21 million (previous year: CHF 0 million).

[3] Cash flow from operating activities before changes in net current assets amounts to CHF 225 million (previous year: CHF 222 million).

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

[5] Net operating assets include current and non-current operating assets (including goodwill and brands and excluding cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets) less operating liabilities (excluding current loans and borrowings, non-current financial liabilities, current income tax payables and deferred tax liabilities).

[6] Research and development expenditure includes expense recognized as intangible assets in the amount of CHF 9 million (previous year, restated: CHF 7 million).

Consolidated income statement

in CHF million	**January 1 to June 30, 2015, unaudited**	January 1 to June 30, 2014, restated[1,2], unaudited
Sales of goods	1 072	1 100
Services rendered	491	392
Total sales	**1 563**	**1 492**
Cost of sales	–1 093	–1 045
Gross profit	**470**	**447**
Marketing and selling	–108	–88
Research and development	–65	–55
Administration	–123	–109
Other income	15	11
Other expense	–17	–21
Result before interest and taxes (EBIT)	**172**	**185**
Financial income	14	11
Financial expense	–35	–23
Result before taxes (EBT)	**151**	**173**
Income taxes	–43	–44
Result from continuing operations	**108**	**129**
Result from discontinued operations, net of income taxes	–21	–7
Net income	**87**	**122**
Attributable to:		
Shareholders of the parent	86	121
Non-controlling interests	1	1
Earnings per share in CHF	**0.25**	0.36
Diluted earnings per share in CHF	**0.25**	0.36
Earnings per registered share continuing operations in CHF	**0.31**	0.38
Diluted earnings per registered share continuing operations in CHF	**0.31**	0.38
Earnings per registered share discontinued operations in CHF	**–0.06**	–0.02
Diluted earnings per registered share discontinued operations in CHF	**–0.06**	–0.02

[1] After the divestment of the Advanced Technologies Segment, the respective figures are presented as discontinued operations and certain 2014 figures have been restated. Refer to page 13 and Note "Acquisition and divestment" on pages 16 and 17.

[2] Metco consolidated for one month.

Consolidated statement of comprehensive income

in CHF million	**January 1 to June 30, 2015, unaudited**	January 1 to June 30, 2014, restated, unaudited
Net income	87	122
Other comprehensive income		
Items that will not be reclassified to the income statement		
Remeasurements of defined benefit plans	–5	–1
Income taxes on items that will not be reclassified to the income statement	–2	1
	–7	**–**
Items that are or may be reclassified subsequently to the income statement		
Changes in fair value of cash flow hedges	–4	–7
Conversion differences	–175	1
Income taxes on items that are or may be reclassified subsequently to the income statement	1	2
	–178	**–4**
Other comprehensive income for the period, net of taxes	**–185**	**–4**
Total comprehensive income for the period	**–98**	**118**
Attributable to:		
Shareholders of the parent	–98	117
Non-controlling interests	–	1

Consolidated balance sheet

Assets

in CHF million	June 30, 2015, unaudited	December 31, 2014
Cash and cash equivalents	729	825
Current financial investments and derivatives	59	59
Trade receivables	462	473
Other receivables	85	94
Current income tax receivables	30	37
Inventories	464	511
Prepaid expenses and accrued income	32	23
Assets classified as held for sale	–	78
Current assets	**1 861**	**2 100**
Loans and other non-current financial receivables	29	25
Non-current financial investments	6	6
Property, plant and equipment	814	918
Goodwill and intangible assets	1 552	1 727
Post-employment benefit assets	1	–
Deferred tax assets	167	190
Non-current assets	**2 569**	**2 866**
Total assets	**4 430**	**4 966**

Liabilities and equity

in CHF million	June 30, 2015, unaudited	December 31, 2014
Trade payables	257	296
Other current financial liabilities and derivatives	12	18
Other current payables	63	72
Accrued liabilities	198	227
Current customer advances	195	294
Current income taxes payables	45	53
Current post-employment benefit liabilities	21	25
Other current provisions	61	69
Liabilities classified as held for sale	–	24
Current liabilities	**852**	**1 078**
Non-current loans and borrowings	758	760
Non-current post-employment benefit liabilities	586	661
Deferred tax liabilities	155	185
Other non-current provisions	77	81
Non-current liabilities	**1 576**	**1 687**
Total liabilities	**2 428**	**2 765**
Share capital	340	340
Treasury shares	–5	–15
Retained earnings and reserves	1 655	1 863
Equity attributable to shareholders of the parent	**1 990**	**2 188**
Non-controlling interests	12	13
Total equity	**2 002**	**2 201**
Total liabilities and equity	**4 430**	**4 966**

Consolidated cash flow statement[1]

in CHF million	**January 1 to June 30, 2015, unaudited**	January 1 to June 30, 2014, unaudited
Net income	87	122
Income taxes	44	43
Interest expense (net)	17	14
Depreciation of property, plant and equipment	66	59
Amortization of intangible assets	25	12
Addition to other provisions (net)	16	23
Decrease in post-employment benefit liabilities	–1	–5
Loss on sale of discontinued operations, net of tax	20	–
Income taxes paid	–53	–50
Other non-cash items	4	4
Cash flow from operating activities before changes in net current assets	225	222
Decrease/increase in receivables, prepaid expenses and accrued income	15	–18
Increase in inventories	–6	–39
Decrease/increase in payables, accrued liabilities and use of other provisions	–44	3
Decrease in customer advances	–70	–78
Non-cash impact on net current assets due to hedge accounting	–10	–5
Cash flow from changes in net current assets	–115	–137
Cash flow from operating activities	**110**	**85**
Purchase of property, plant and equipment	–55	–46
Purchase of intangible assets	–16	–9
Acquisition of subsidiaries, net of cash acquired	–	–914
Proceeds from/payments relating to sale of discontinued operations[2]	45	–12
Purchase of financial investments	–55	–
Proceeds from sale of financial investments	10	–
Proceeds from sale of property, plant and equipment	1	4
Interest received	3	4
Dividends received	–	2
Cash flow from investing activities	**–67**	**–971**
Dividends paid	–103	–91
Purchase of treasury shares	–	–5
Proceeds from capital increase	–	30
Proceeds from issue of financial debt (net of transaction costs)	–	489
Repayment of financial debt	–1	–
Interest paid	–18	–12
Cash flow from financing activities	**–122**	**411**
Conversion adjustments to cash and cash equivalents	–18	–2
Decrease in cash and cash equivalents	**–97**	**–477**
Cash and cash equivalents at the beginning of the period[3]	826	1 280
Cash and cash equivalents at the end of the period	729	803
Decrease in cash and cash equivalents	**–97**	**–477**

[1] The cash flow statement is presented without any effects from discontinued operations as well as assets and liabilities held for sale. Refer to Note “Acquistion and divestments” on pages 16 and 17 for cash flow from discontinued operations.

[2] 2015: net of cash disposed of and related transaction costs.

[3] 2015: included CHF 1 million that were included in “Assets classified as held for sale” in the balance sheet as of December 31, 2014.

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 share-holders**	Non-controlling interests	**Total share-holders' equity**
Balance at January 1, 2014	**335**	**1 384**	**–10**	**–410**	**709**	**7**	**57**	**2 072**	**12**	**2 084**
Net income	–	–	–	–	121	–	–	121	1	122
Changes in fair value of cash flow hedges	–	–	–	–	–	–7	2	–5	–	–5
Remeasurements of defined benefit plans	–	–	–	–	–1	–	1	–	–	–
Conversion differences	–	–	–	1	–	–	–	1	–	1
Other comprehensive income for the period	**–**	**–**	**–**	**1**	**–1**	**–7**	**3**	**–4**	**–**	**–4**
Total comprehensive income for the period	**–**	**–**	**–**	**1**	**120**	**–7**	**3**	**117**	**1**	**118**
Capital increase	5	25	–	–	–	–	–	30	–	30
Dividend distributions	–	–90	–	–	–	–	–	–90	–1	–91
Share-based payments	–	–	–	–	–1	–	–	–1	–	–1
Purchase of treasury shares	–	–	–5	–	–	–	–	–5	–	–5
Transfer of treasury shares	–	–	9	–	–3	–	–	6	–	6
Contributions and distributions	**5**	**–65**	**4**	**–**	**–4**	**–**	**–**	**–60**	**–1**	**–61**
Acquisition of subsidiaries with non-controlling interests	–	–	–	–	–	–	–	–	1	1
Changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Total transactions with owners of the company	**5**	**–65**	**4**	**–**	**–4**	**–**	**–**	**–60**	**–**	**–60**
Balance at June 30, 2014	**340**	**1 319**	**–6**	**–409**	**825**	**–**	**60**	**2 129**	**13**	**2 142**
Balance at January 1, 2015	**340**	**1 319**	**–15**	**–341**	**795**	**–4**	**94**	**2 188**	**13**	**2 201**
Net income	–	–	–	–	86	–	–	86	1	87
Changes in fair value of cash flow hedges	–	–	–	–	–	–4	1	–3	–	–3
Remeasurements of defined benefit plans	–	–	–	–	–5	–	–2	–7	–	–7
Conversion differences	–	–	–	–174	–	–	–	–174	–1	–175
Other comprehensive income for the period	**–**	**–**	**–**	**–174**	**–5**	**–4**	**–1**	**–184**	**–1**	**–185**
Total comprehensive income for the period	**–**	**–**	**–**	**–174**	**81**	**–4**	**–1**	**–98**	**–**	**–98**
Dividend distributions	–	–102	–	–	–	–	–	–102	–1	–103
Share-based payments	–	–	10	–	–8	–	–	2	–	2
Contributions and distributions	**–**	**–102**	**10**	**–**	**–8**	**–**	**–**	**–100**	**–1**	**–101**
Total transactions with owners of the company	**–**	**–102**	**10**	**–**	**–8**	**–**	**–**	**–100**	**–1**	**–101**
Balance at June 30, 2015	**340**	**1 217**	**–5**	**–515**	**868**	**–8**	**93**	**1 990**	**12**	**2 002**

[1] The share capital of OC Oerlikon Corporation AG, Pfäffikon, consists of 339 758 576 fully-paid registered shares (December 31, 2014: 339 758 576) of nominal value CHF 1 each.

Accounting principles

Company operations
OC Oerlikon Corporation AG, Pfäffikon, is a Swiss public company located in Churerstrasse 120, Pfäffikon, canton of Schwyz, Switzerland. It is the ultimate parent company of the Oerlikon Group, a leading high-tech industrial group specializing in machine and plant engineering, and a provider of innovative industrial solutions and cutting-edge technologies for surface solutions, manmade fibers manufacturing, drive systems and vacuum.

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 2015 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, 2014. The consolidated interim financial statements were approved by the Board of Directors on July 31, 2015. All amounts in the consolidated interim financial statements are presented in millions of Swiss francs (CHF million) and all 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, 2014.

Seasonality
The Oerlikon Group operates in industries where sales are not subject to significant seasonal or cyclical variations during the financial year.

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, 2014, with exception of the changes shown below under “Adoption of new and revised accounting standards”.

Adoption of new and revised accounting standards
The International Accounting Standards Board (IASB) has published a number of new and revised standards and interpretations which have been applied by the Oerlikon Group since January 1, 2015:

- IAS 19 Amendments – Employee Contributions
- Annual Improvements to IFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs 2011–2013 Cycle

The new and revised accounting standards and interpretations have no material impact on the Group’s results or financial position.

Newly published accounting standards not early 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. Their effects on the 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 in the table below:

Standard/interpretation	Impact level	Effective date	Planned application by Oerlikon
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	*	1.1.2016	Reporting year 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	*	1.1.2016	Reporting year 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	*	1.1.2016	Reporting year 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	*	1.1.2016	Reporting year 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	*	1.1.2016	Reporting year 2016
Annual Improvements to IFRSs 2012–2014 Cycle	*	1.1.2016	Reporting year 2016
IFRS 14 – Regulatory Deferral Accounts	*	1.1.2016	Reporting year 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	*	1.1.2016	Reporting year 2016
Disclosure Initiative (Amendments to IAS 1)	**	1.1.2016	Reporting year 2016
IFRS 15 – Revenue Recognition	***	1.1.2018	Reporting year 2018
IFRS 9 – Financial Instruments	***	1.1.2018	Reporting year 2018

* 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 cannot yet be determined with sufficient reliability.

Segment information

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), 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. Intersegment pricing is determined on an arm's length basis.

According to the internal segment reporting the Group consists of the following reportable segments:

- Surface Solutions Segment supplies PVD coatings that increase the performance of tools and precision components and offers specialized components and innovative surface engineering products and services.
- Manmade Fibers 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 the extraction of processing gases.

Adjustment of previously reported figures

Certain comparative figures for 2014 have been restated, reclassified or supplemented to conform to the current year. The following changes to the manner of presentation have been made:

Discontinued operations: Following the divestment of the Advanced Technologies Segment on February 2, 2015, the respective prior-year figures are shown as discontinued operations and therefore, certain 2014 figures have been restated in accordance with IFRS 5. The effects of the adjustments to the 2014 consolidated income statement are as follows:

Consolidated income statement

in CHF million	January 1 to June 30, 2014, as reported	Advanced Technologies	**January 1 to June 30, 2014, restated**
Sales of goods	1 128	–28	1 100
Services rendered	399	–7	392
Total sales	**1 527**	**–35**	**1 492**
Cost of sales	–1 070	25	–1 045
Gross profit	**457**	**–10**	**447**
Marketing and selling	–92	4	–88
Research and development	–65	10	–55
Administration	–112	3	–109
Other income	11	–	11
Other expense	–21	–	–21
Result before interests and taxes (EBIT)	**178**	**7**	**185**
Financial income	11	–	11
Financial expense	–23	–	–23
Result before taxes (EBT)	**166**	**7**	**173**
Income taxes	–43	–1	–44
Result from continuing operations	**123**	**6**	**129**
Result from discontinued operations	–1	–6	–7
Net income	**122**	**–**	**122**

Segment information

in CHF million	Surface Solutions Segment 2015	Surface Solutions Segment 2014[4]	Manmade Fibers Segment 2015	Manmade Fibers Segment 2014	Drive Systems Segment 2015	Drive Systems Segment 2014	Vacuum Segment 2015	Vacuum Segment 2014	Total Segments 2015	Total Segments 2014
Order intake	**616**	**327**	**401**	**468**	**315**	**414**	**192**	**193**	**1 524**	**1 402**
Order backlog	**81**	**86**	**315**	**416**	**144**	**191**	**74**	**79**	**614**	**772**
Sales										
Sales to third parties	609	328	417	570	354	402	183	192	1 563	1 492
Sales to other Segments	2	–	–	–	–	–	2	2	4	2
Eliminations	–2	–	–	–	–	–	–2	–2	–4	–2
	609	**328**	**417**	**570**	**354**	**402**	**183**	**192**	**1 563**	**1 492**
Sales by market region to third parties										
Asia/Pacific	159	97	317	411	42	39	62	67	580	614
Europe	299	163	47	35	184	217	80	82	610	497
North America	118	49	37	84	112	126	35	39	302	298
Other regions	33	19	16	40	16	20	6	4	71	83
	609	**328**	**417**	**570**	**354**	**402**	**183**	**192**	**1 563**	**1 492**
Sales by location to third parties										
Asia/Pacific	139	86	160	145	53	56	51	58	403	345
thereof China	43	22	157	143	14	13	28	30	242	208
Europe	322	175	246	416	147	211	93	92	808	894
thereof Switzerland	48	34	–	–	–	–	–	–	48	34
Germany	178	78	246	416	–	–	93	92	517	586
Italy	19	9	–	–	143	209	–	–	162	218
North America	128	50	11	9	154	135	39	42	332	236
Other regions	20	17	–	–	–	–	–	–	20	17
	609	**328**	**417**	**570**	**354**	**402**	**183**	**192**	**1 563**	**1 492**
Capital expenditure for property, plant and equipment and intangible assets[5]										
Asia/Pacific	7	2	–	1	6	6	1	2	14	11
Europe	18	16	9	5	6	8	5	6	38	35
North America	14	3	–	–	3	4	–	–	17	7
Other regions	–	1	–	–	–	–	–	–	–	1
	39	**22**	**9**	**6**	**15**	**18**	**6**	**8**	**69**	**54**
EBITDA	**130**	**62**	**73**	**123**	**35**	**42**	**19**	**19**	**257**	**246**
EBIT	**76**	**33**	**65**	**113**	**15**	**20**	**12**	**12**	**168**	**178**
Other material items										
Research and development expense	–36	–20	–11	–14	–6	–8	–12	–13	–65	–55
Depreciation and amortization	–54	–29	–8	–9	–20	–22	–7	–7	–89	–67
Restructuring costs	–	–	–1	–1	–	–	–	–2	–1	–3
Net operating assets	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12
Operating assets[2]	1 555	1 684	556	615	1 031	1 149	253	274	3 395	3 722
Operating liabilities[3]	–237	–263	–372	–487	–158	–204	–70	–75	–837	–1 029
	1 318	**1 421**	**184**	**128**	**873**	**945**	**183**	**199**	**2 558**	**2 693**
Number of employees (full-time equivalents)	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12
Asia/Pacific	1 558	1 539	923	933	2 297	2 232	411	399	5 189	5 103
Europe	3 244	3 214	1 551	1 576	1 926	1 949	1 134	1 120	7 855	7 859
North America	1 047	1 019	47	43	881	1 013	92	90	2 067	2 165
Other regions	285	291	–	–	–	–	9	8	294	299
	6 134	**6 063**	**2 521**	**2 552**	**5 104**	**5 194**	**1 646**	**1 617**	**15 405**	**15 426**

[1] Discontinued operations include the Advanced Technologies Segment and the Natural Fibers and Textile Components Business Units.

[2] Operating assets include current and non-current operating assets (including goodwill and brands), whereas cash and cash equivalents, current financial investments, current income tax receivables as well as deferred tax assets are not included.

[3] Operating liabilities include current and non-current operating liabilities, whereas current loans and borrowings, non-current financial liabilities, current income tax payables and deferred tax liabilities are not included.

[4] Includes Metco for one month.

[5] Does not include non-current assets acquired through business combinations.

Group / Eliminations 2015	Group / Eliminations 2014	Total from continuing operations 2015	Total from continuing operations 2014	Discontinued operations[1] 2015	Discontinued operations[1] 2014	Total incl. discontinued operations 2015	Total incl. discontinued operations 2014
–	**–**	**1 524**	**1 402**	**20**	**40**	**1 544**	**1 442**
–	**–**	**614**	**772**	**14**	**27**	**628**	**799**
–	–	1 563	1 492	1	35	1 564	1 527
–4	–2	–	–	–	–	–	–
4	2	–	–	–	–	–	–
–	**–**	**1 563**	**1 492**	**1**	**35**	**1 564**	**1 527**
–	–	580	614	–	16	580	630
–	–	610	497	1	10	611	507
–	–	302	298	–	9	302	307
–	–	71	83	–	–	71	83
–	**–**	**1 563**	**1 492**	**1**	**35**	**1 564**	**1 527**
–	–	403	345	–	–	403	345
–	–	242	208	–	–	242	208
–	–	808	894	1	27	809	921
–	–	48	34	–	16	48	50
–	–	517	586	1	11	518	597
–	–	162	218	–	–	162	218
–	–	332	236	–	8	332	244
–	–	20	17	–	–	20	17
–	**–**	**1 563**	**1 492**	**1**	**35**	**1 564**	**1 527**
–	–	14	11	–	–	14	11
2	–	40	35	–	1	40	36
–	–	17	7	–	–	17	7
–	–	–	1	–	–	–	1
2	**–**	**71**	**54**	**–**	**1**	**71**	**55**
6	**9**	**263**	**255**	**–21**	**–10**	**242**	**245**
4	**7**	**172**	**185**	**–21**	**–12**	**151**	**173**
–	–	–65	–55	–1	–10	–66	–65
–2	–2	–91	–69	–	–2	–91	–71
–	–	–1	–3	–	–	–1	–3
30.06	31.12	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12
44	40	3 439	3 762	–	74	3 439	3 836
–41	–48	–878	–1 077	–	–19	–878	–1 096
3	**–8**	**2 561**	**2 685**	**–**	**55**	**2 561**	**2 740**
30.06	31.12	**30.06**	31.12	**30.06**	31.12	**30.06**	31.12
–	–	5 189	5 103	–	–	5 189	5 103
220	227	8 075	8 086	–	185	8 075	8 271
–	–	2 067	2 165	–	19	2 067	2 184
4	3	298	302	–	–	298	302
224	**230**	**15 629**	**15 656**	**–**	**204**	**15 629**	**15 860**

Acquisitions and divestments

Divestment of the Advanced Technologies Segment

On December 22, 2014, the Oerlikon Group signed an agreement with Evatec AG to divest the Advanced Technologies Segment. Consequently, the Advanced Technologies Segment was presented as a disposal group held for sale and as discontinued operations as per December 31, 2014, comprising assets of CHF 76 million less liabilities of CHF 24 million. The transaction closed on February 2, 2015, resulting in the derecognition of assets of CHF 82 million and liabilities of CHF 23 million.

The total consideration amounts to CHF 61 million (including CHF 3 million for the settlement of pre-existing intragroup financing). CHF 56 million of the total consideration have been received as cash and cash equivalents, CHF 5 million are included in an escrow account.

The Oerlikon Group incurred a loss on disposal from this transaction in the amount of CHF 20 million in the first half of 2015, which is included in the result from discontinued operations, net of income taxes. This amount includes a loss on the reclassification of cumulative exchange differences up to the closing date previously recognized in other comprehensive income in the equity of CHF 21 million. The loss is fully attributable to the shareholders of the parent.

In connection with this divestment, Oerlikon has assumed certain customary obligations such as warranty obligations and indemnifications. The indemnification obligations cover, in particular, employment-, intellectual property- and business related topics. The duration and overall liability caps for these indemnifications vary, but are customary for transactions of this nature.

Divestment of the Natural Fibers and Textile Components Business Units

On December 3, 2012, the Oerlikon Group signed an agreement with the Jinsheng Group of China to divest the Natural Fibers and Textile Components Business Units from its Textile Segment. The sale was closed on July 3, 2013. The final determination of the purchase price was subject to a customary financial adjustment mechanism. This process was closed in the second quarter of 2014, the respective income statement effect for OC Oerlikon was a loss of CHF 1 million net of tax. In the second half year of 2014, the reassessment of the tax liabilities related to the sale resulted in an income of CHF 2 million. In connection with the divestment, Oerlikon has assumed certain customary obligations such as warranty obligations and indemnifications. The indemnification obligations cover, in particular, employment-, intellectual property- and environment-related topics. The duration and overall liability caps for these indemnifications vary, but are customary for transactions of this nature. Most (but not all) of the warranty obligations and indemnifications have lapsed with effect as of June 30, 2015.

Result from discontinued operations

	January 1 to June 30, 2015, unaudited			January 1 to June 30, 2014, restated, unaudited		
in CHF million	Natural Fibers and Textile Components	Advanced Technologies Segment	**Total**	Natural Fibers and Textile Components	Advanced Technologies Segment	**Total**
Sales	**–**	**1**	**1**	**–**	**35**	**35**
Total expenses	–	–2	**–2**	–	–42	**–42**
Result before taxes (EBT) from operating activities	**–**	**–1**	**–1**	**–**	**–7**	**–7**
Income taxes	–	–	**–**	–	1	**1**
Result from operating activities	**–**	**–1**	**–1**	**–**	**–6**	**–6**
Gain (+)/loss (-) on sale of discontinued operations before reclassification of translation differences	–	2	**2**	–4	–	**–4**
Reclassification of translation differences[1]	–	–21	**–21**	–	–	**–**
Income tax on sale of discontinued operations	–	–1	**–1**	3	–	**3**
Net result from discontinued operations	**–**	**–21**	**–21**	**–1**	**–6**	**–7**
Attributable to:						
Shareholders of the parent	–	–21	**–21**	–1	–6	**–7**
Earnings per share in CHF	–	–0.06	**–0.06**	–0.00	–0.02	**–0.02**
Diluted earnings per share in CHF	–	–0.06	**–0.06**	–0.00	–0.02	**–0.02**

[1] In the year that a foreign entity is divested, the cumulative translation differences recorded in other comprehensive income (equity) are reclassified to the income statement as part of the gain or loss upon disposal.

Cash flow from discontinued operations

in CHF million	January 1 to June 30, 2015, unaudited: Natural Fibers and Textile Components	Advanced Technologies Segment	**Total**	January 1 to June 30, 2014, restated, unaudited: Natural Fibers and Textile Components	Advanced Technologies Segment	**Total**
Cash flow from operating activities	–	–	**–**	–	–4	**–4**
Cash flow from investing activities	–	–	**–**	–	–	**–**
Cash flow from financing activities	–	–	**–**	–	–	**–**
Net cash flows from discontinued operations	**–**	**–**	**–**	**–**	**–4**	**–4**

Effect of the disposal of the Advanced Technologies Segment on the balance sheet

in CHF million	February 2, 2015
Cash and cash equivalents	–11
Trade receivables	–19
Other receivables	–2
Inventories	–34
Property, plant and equipment	–3
Goodwill and intangible assets	–11
Deferred tax assets	–2
Trade payables	9
Other current liabilities	3
Accrued liabilities	6
Other current provisions	4
Non-current post-employment benefit provisions	1
Net assets	**–59**
Consideration received (cash and cash equivalents)	53
Settlement of pre-existing intragroup financing	3
Cash and cash equivalents disposed of	–11
Net cash inflow	**45**

Loans and borrowings

Syndicated loan facility
The unsecured syndicated credit facility includes a CHF 700 million credit facility consisting of a revolving cash facility of CHF 450 million and an ancillary facility of CHF 250 million with an initial maturity in 2015 and two additional one-year extension options. During the year 2014 and 2015, the maturity was prolonged at first to 2016 and afterwards to 2017. As of June 30, 2015, the revolving credit facility balance was zero. The ancillary credit facility had an unused amount of CHF 188 million and CHF 62 million was used for guarantees.

Besides the prolongation of the syndicated credit facility in June 2015, the terms have been renegotiated. The margin was thereby reduced substantially. As of June 30, 2015, the interest rate of the loan under the syndicated credit facility is Libor plus a margin of 0.65 % per year, subject to a margin grid based on the ratio of Net Debt to EBITDA (within a range of 0.65 % and 1.5 %).

As of June 30, 2015, the syndicated credit facility contains the following financial covenants, which are tested quarterly:

– Total Equity

– Total Borrowings/EBITDA

– EBITDA/Net Interest Expense

Financial instruments

The carrying amounts and fair values of financial assets and liabilities as of June 30, 2015, including their levels in the fair value hierarchy, are as follows:

in CHF million	Carrying amount: Fair value – held for trading	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Foreign exchange contracts	–	6	–	–	**6**	–	6	–	**6**
Debt and equity securities	3	–	–	–	**3**	3	–	–	**3**
Total	**3**	**6**	**–**	**–**	**9**	**3**	**6**	**–**	**9**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	729	–	**729**				
Deposits	–	–	51	–	**51**				
Trade and other financial receivables	–	–	464	–	**464**				
Loans and other non-current financial receivables	–	–	29	–	**29**				
Total	**–**	**–**	**1 273**	**–**	**1 273**				
Financial liabilities measured at fair value									
Foreign exchange contracts	–	7	–	–	**7**	–	7	–	**7**
Total	**–**	**7**	**–**	**–**	**7**	**–**	**7**	**–**	**7**
Financial liabilities not measured at fair value[1]									
Bonds	–	–	–	748	**748**	786	–	–	**786**
Finance lease liabilities	–	–	–	6	**6**				
Trade payables	–	–	–	257	**257**				
Accrued financial liabilities	–	–	–	106	**106**				
Other loans and borrowings	–	–	–	9	**9**				
Total	**–**	**–**	**–**	**1 126**	**1 126**				

[1] With the exception of the bonds, the Group has not disclosed the fair values for financial assets and liabilities not measured at fair value because their carrying amounts are a reasonable approximation of fair values.

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2014, including their levels in the fair value hierarchy, are as follows:

in CHF million	Carrying amount: Fair value – held for trading	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Foreign exchange contracts	–	4	–	–	**4**	–	4	–	**4**
Debt and equity securities	3	–	–	–	**3**	3	–	–	**3**
Total	**3**	**4**	**–**	**–**	**7**	**3**	**4**	**–**	**7**
Financial assets not measured at fair value[1]									
Cash and cash equivalents	–	–	825	–	**825**				
Deposits	–	–	52	–	**52**				
Trade and other financial receivables	–	–	491	–	**491**				
Loans and other non-current financial receivables	–	–	25	–	**25**				
Total	**–**	**–**	**1 393**	**–**	**1 393**				
Financial liabilities measured at fair value									
Foreign exchange contracts	–	11	–	–	**11**	–	11	–	**11**
Total	**–**	**11**	**–**	**–**	**11**	**–**	**11**	**–**	**11**
Financial liabilities not measured at fair value[1]									
Bonds	–	–	–	748	**748**	786	–	–	**786**
Finance lease liabilities	–	–	–	7	**7**				
Trade payables	–	–	–	296	**296**				
Accrued financial liabilities	–	–	–	108	**108**				
Other loans and borrowings	–	–	–	11	**11**				
Total	**–**	**–**	**–**	**1 170**	**1 170**				

[1] With the exception of the bonds, the Group has not disclosed the fair values for financial assets and liabilities not measured at fair value because their carrying amounts are a reasonable approximation of fair values.

Financial instruments

Measurement of fair values
The different levels of fair values have been defined as follows:
– **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
– **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
– **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 1 fair values
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume providing information on an ongoing basis. Instruments included in level 1 comprise investments in various debt and equity instruments via investment funds.

Level 2 fair values
The following table shows the valuation used in measuring level 2 fair values:

Type of financial instrument	Valuation technique
Foreign exchange contracts	The fair values of foreign exchange hedging contracts are based on broker quotes. Similar contracts traded in an active market and the quotes reflect the actual transactions in similar instruments.
Other financial assets and liabilities	Discounted cash flow.

Level 3 fair values
No financial instruments were included in level 3 fair values.

Transfers between Level 1 and 2
There were no transfers between level 1 and 2 during the year.

Provisions

in CHF million	Product warranties	Acquiree's contingent liabilities[1]	Restructuring[2]	Other provisions[3]	**Total**
Balance at January 1, 2015	53	70	4	23	**150**
Conversion differences	–4	–5	–1	–2	**–12**
Additions[4]	14	1	1	4	**20**
Amounts used	–11	–	–2	–3	**–16**
Amounts reversed	–3	–	–	–1	**–4**
Balance at June 30, 2015	**49**	**66**	**2**	**21**	**138**
of which:					
Due within 1 year	47	–	2	12	**61**
Due beyond 1 year	2	66	–	9	**77**

[1] Acquiree's contingent liabilities pertain to the Surface Solutions Segment. Contingent liabilities have been recognized primarily due to environmental liabilities as well as certain litigation and potential tax risks. Any potential cash outflow is estimated to occur during approximately the next 20 years.

[2] The restructuring provisions pertain to the Manmade Fibers and Surface Solutions Segments.

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

[4] Including unwinding of discount for non-current provisions.

Subsequent events

In July 2015, Oerlikon Barmag Huitong (Yangzhou) Engineering Co., Ltd was founded; Oerlikon holds 60 % of the equity. No other events occurred 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, 2015.

This interim report is also available in German.
The English language version of Oerlikon's Interim Report is the binding version.