Semi-Annual Report 2007

August 28, 2007

Key Figures 1st Half-Year 2007

(in CHF)

			Prior year comparison	Pro forma prior year comparison[6]
2.7	**billion**	**sales**	**+ 247%**	**+24%**
3.0	**billion**	**orders**	**+ 212%**	**+16%**
231	**million**	**EBIT**	**+ 83%**	**+22%**
367	**million**	**cash flow**	**+ 203%**	**+46%**

Key Figures Oerlikon Group

in CHF millions	**January 1 to June 30, 2007 unaudited**	January 1 to June 30, 2006 unaudited restated[1]
Orders received	3 004	963
Orders on hand	1 851	525
Sales	2 735	789
EBITDA	343	167
– as % of sales	13	21
EBIT	231	126
– as % of sales	8	16
Net profit	136	118
– as % of sales	5	15
– as % of equity attributable to shareholders of the parent	8	11
Cash flow from operating activities[2]	367	121
Capital expenditure for fixed and intangible assets	160	66
Total assets	6 187	2 056
Equity attributable to shareholders of the parent	1 623	1 101
– as % of total assets	26	54
Net liquidity[3]	–877	933
Net assets[4]	3 250	671
EBIT as % of net assets (RONA)	7	19
Number of employees	19 411	6 557
Personnel expenses	731	294
Research and development expenses[5]	136	66

Key Figures Oerlikon Group (pro forma)[6]

in CHF millions	**January 1 to June 30, 2007 unaudited**	January 1 to June 30, 2006 unaudited pro forma[6]
Orders received	3 004	2 593
Orders on hand	1 851	1 390
Sales	2 735	2 213
EBITDA	343	291
– as % of sales	13	13
EBIT	231	190
– as % of sales	8	9
Cash flow from operating activities[2]	367	252
Capital expenditure for fixed and intangible assets	160	140
Number of employees	19 411	18 570
Personnel expenses	731	667
Research and development expenses[5]	136	133

[1] Restatement of pension liabilities (see p. 30)

[2] Before changes in net current assets

[3] Net liquidity includes marketable securities and treasury shares at market value as of June 30

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

[5] Research and development includes CHF 26 million recognized as intangible assets (prior year: CHF 13 million)

[6] Pro forma presentation assuming an initial consolidation of the Saurer Group as per 01.01.2006

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

The Oerlikon Group continues on its expansion course and accelerated its growth significantly.

Dear Shareholder,
The Oerlikon Group enjoyed a very positive first half-year in 2007, with operating growth at a record level and income in line with expectations. In addition, important steps were taken to further sustain the Group's successful performance. In detail:

- Sales rose by 247 percent to CHF 2.7 billion (pro forma +24 percent);
- EBIT grew by 83 percent to CHF 231 million (pro forma +22 percent);
- Orders received topped the CHF 3 billion mark up 212 percent (pro forma +16 percent);
- Cash flow increased by 203 percent and reached CHF 367 million (pro forma +46 percent);
- Capital expenditure for fixed and intangible assets increased by 142 percent to CHF 160 million (pro forma +15 percent);
- The strategy of the Oerlikon Group as a leading supplier of high-tech solutions is being implemented consistently and is resulting in a clear differentiation from the competition;
- Strict operational controlling and risk management processes were launched along with a systematic restructuring of the business fields and the performance of regular portfolio reviews;
- With a new and expanded Board of Directors and a new Executive Board team, management has been adapted to address the Group's more complex operations;
- The agreement signed with Citigroup for a CHF 2.5 billion syndicated credit facility has put the Oerlikon Group's finances on a solid footing, expanding our maneuvering room;
- The integration of the Saurer business units within the Oerlikon Group is proceeding according to plan and good progress is being made.

The Oerlikon Group thus made further successful progress in its expansion course during the first half of 2007, once more accelerating sales growth. Above-average growth in orders on hand to CHF 1.9 billion was also further testimony to the company's continued positive development. This is mainly the result of our focus upon improving operational performance, working more closely with customers and streamlining decision-making.

The expectations in the Saurer acquisition have been exceeded.

Consistant course of growth

A look at the individual segments shows that almost all segments contributed to this success. The Oerlikon Coating segment posted strong growth, with sales increasing by 32.3 percent to CHF 478 million, mainly due to additional major contracts won by the Oerlikon Solar business unit. Oerlikon Balzers also posted above-average performance and opened new coating plants in China and Poland. The segment's EBIT rose by 52.7 percent to CHF 77 million.

Oerlikon Textile with record result

Oerlikon Textile also enjoyed excellent business performance. Due to heavy demand, primarily in the staple fiber market, the segment recorded an increase of more than 37.4 percent in sales to CHF 1.3 billion, winning additional market share and posting its best ever half-year result. At the same time, as a result of various efficiency enhancement measures, coupled with improved utilization of fixed costs and a streamlined management structure, EBIT for the first half of 2007 more than tripled to CHF 102 million.

Oerlikon Drive Systems capitalized on the favorable industrial economy, achieving a 15.6 percent increase in sales to CHF 556 million and EBIT 22.6 percent higher at CHF 42 million. The same applied to Oerlikon Vacuum, where sales for the first half of 2007 climbed by 6.3 percent to CHF 223 million. Here, too, extensive improvements had a positive impact on the profit margin, with EBIT rising by 19.5 percent to CHF 26 million.

There is a need for strategic action in the Oerlikon Components segment, which accounts for around 7 percent of the Group's sales. Here sales fell by 16.1 percent in the first six months of 2007 to CHF 182 million and the EBIT was CHF 2 million. While the Oerlikon Space and Oerlikon Solutions business units posted good results, Oerlikon Esec and Oerlikon Optics were unable to offset weak demand in their respective markets despite their leading-edge products. Due to the emerging demand in the semiconductor market, coupled with a product offensive, Oerlikon Esec is expected to show a marked improvement in results for the second half-year.

Overall, the semi-annual results exceeded expectations, even those made in connection with the takeover of Saurer AG. At the same time, Asia – and in particular China – is rapidly developing to become a core market. Even now China represents a dominant region, accounting for 31 percent of Oerlikon Textile sales, while Oerlikon Coating, Oerlikon Vacuum and Oerlikon Drive Systems are also enjoying above-average growth in this region. The Chinese market now accounts for 17 percent of total Group sales, and with the expansion of production capacities as well as the relocation to China of further manufacturing facilities such as those of Oerlikon Vacuum, China is also playing an increasingly important role as a production location.

The Oerlikon Group's successful performance in the first half of 2007 is based on the company's outstanding ability to integrate and innovate – ingrained attributes that are akin to our corporate DNA.

Successful integration of Saurer

The Saurer business units have been successfully integrated, as witnessed by the many standardized processes and systems as well as intensive collaboration between the business units. For instance, Oerlikon Coating's new coating plant in China is being built on the grounds of the Oerlikon Textile factory in Suzhou; and Oerlikon Graziano won a major long-term contract due to its ability to design and implement a global service concept in conjunction with other Oerlikon sites. Oerlikon Balzers has taken over the coating of drive components from Oerlikon Graziano; both business units work closely together in the development of new applications. Numerous joint research and development efforts also attest to the progress made in promoting collaboration between corporate units: for instance, Oerlikon Textile's innovative control software has been adapted for use by other business units, and know-how acquired in the field of magnetically levitated drive systems has been transferred to turbomolecular pumps.

In the first half of 2007, the Oerlikon Group's strong innovative capability was showcased in particular by the Oerlikon Solar business unit, with the world's first factory for thin film silicon solar modules, with an annual production capacity of 40-megawatt peak, beginning operation at ersol Thin Film of Erfurt, Germany. All the contractually agreed specifications were met in terms of delivery schedules, module efficiency and production volume. The commissioning of this plant attests to the industrial maturity of Oerlikon's thin film silicon technology and the business unit's leading innovative edge. This exemplary project was largely responsible for winning additional customers and orders in this field, including contracts from CMC Magnetics, a Taiwanese high-tech company.

Expansion of the solar business

Expansion of the solar business is high on the Oerlikon Group's agenda. Production capacity at the Truebbach site will be increased to at least double the present level by 2008. Consecutive contracts govern delivery of the next technology generation, the dual-coated "Micromorph Tandem" module. With efficiency rates of above 10 percent in the near future, Micromorph Tandem ranks alongside conventional crystalline solar cells in terms of energy conversion. This technology provides a platform for additional efficiency enhancements in production methods and economies of scale by building larger factories for the production of solar modules, which will allow solar energy to compete effectively against conventional energy sources, achieving grid parity in the medium term. We are confident that Oerlikon Solar's sales target of CHF 300 million-plus for 2007 will be reached. We are also aiming to grow by at least 50 percent per year and to consolidate our market lead over the next few years.

But Oerlikon Solar is not the only business unit to expand its market position through innovative products. The Group has also scored successes in other areas: Oerlikon Coating won numerous orders for the new P3e™ coating technology; Oerlikon Textile commissioned the first nonwoven integration plant for fleece; Oerlikon Vacuum delivered an integrated vacuum system for a glass coating plant featuring more than 100 turbomolecular pumps; Oerlikon Fairfield won its first orders for wind power; and Oerlikon Esec will launch the new Wire Bonder product generation.

To inject even more dynamism into business operations and further improve results, the Executive Board adopted a series of reorganizing measures during the first half of 2007:

- Strategic holding management with clearly allocated roles: Under the leadership of the strategic holding management, the business units have been given full responsibility for sales and results with the aim of sharpening their market focus, enhancing flexibility and accelerating time to market.
- Simplified structures: The matrix organization with its regional responsibilities and parallel business unit competencies has been dissolved in favor of business units.
- Cost-cutting: Administrative and marketing costs have been pared down to the appropriate level, primarily at Group headquarters. Other potential areas for cost savings, such as synergies in sourcing, have been identified and implemented.
- Quality: To sustain the Oerlikon Group's high-quality standards and enhance them further, we are systematically streamlining, stabilizing and accelerating our business processes using the Six Sigma method.
- Research & development: Oerlikon will continue its decentralized approach to R&D, but systematically exploit potential synergies by stepping up coordination from Group headquarters and intensifying collaboration with reputable universities and other scientific institutions throughout the world.

Wherever organizational adjustments have proved unpromising or insufficient, strategic realignments have been adopted e.g. the Oerlikon Optics business unit. Within one and a half years, unprofitable product lines will either be discontinued or moved to Shanghai. At the same time, product development on promising new applications such as in the area of picobeamers will be stepped up. Confidence in the Oerlikon Group's capabilities is reflected in the syndicated credit agreement for more than CHF 2.5 billion signed in July with Citigroup, a leading international bank, and other reputable financial institutions. The credit facility agreed on in June 2007 supersedes the interim financing taken out for the takeover of Saurer AG, and provides the Group with greater room to maneuver, such as to make targeted acquisitions.

To tackle the increased requirements and management tasks, the Board of Directors and Executive Board were expanded and several new appointments were made. At the Annual General Meeting of Shareholders on May 8, 2007, Thomas Limberger decided not to stand for re-election to the Board of Directors, and Christian Schmidt stood down. In their place, Mr. Vladimir Kuznetsov and Dr Hanno Bästlein were appointed to the Board of Directors. Björn Bajan joined the Executive Board in February 2007 in the function of General Counsel. In March, the Board of Directors appointed Dr Uwe Krüger as Chief Operating Officer (COO), following which he was appointed as new CEO in early May. As the newly formed management bodies clearly demonstrate, the Board of Directors and the Group Executive Board are now able to draw on an expanded pool of skills and industry expertise in the bid to tackle the growing challenges facing a globally active high-tech enterprise.

Outlook

We expect the positive first-half-year trend to continue in the second half of 2007 and to see noticeable improvements in the Oerlikon Components business field. Key growth drivers, such as Oerlikon Textile and Oerlikon Solar, should continue to grow at above-average rates. Targeted measures to enhance efficiency and cut costs will result in sustainable improvements in earnings across the Group. Our strategy of further expanding Oerlikon's technological solutions capability through proprietary developments and targeted acquisitions will be consistently pursued in the second half-year. Overall, we are convinced that the full-year targets of more than CHF 5 billion in sales and an EBIT above CHF 500 million will be achieved.

Georg Stumpf
Chairman of the Board of Directors

Dr. Uwe Krüger
Chief Executive Officer

Segments and business units

Oerlikon Coating

The Oerlikon Coating segment posted excellent results for the first half-year of 2007, increasing sales by 32.3%, from CHF 361 million to CHF 478 million. With a growth rate of 52.7%, EBIT reached CHF 77 million, corresponding to an EBIT margin of 16%. The main driver for this positive development was the Oerlikon Solar business unit, which won further major contracts in the second quarter. The Oerlikon Balzers business unit also achieved an above-average increase in sales and EBIT. There is a strategic need for action in the data storage activities of the Oerlikon Systems business unit.

Oerlikon Solar continues to penetrate the market.

Status report

Overall, the Oerlikon Coating segment was able to convert its leading technological position into strong growth and high earnings. This applies especially to the Oerlikon Solar business unit. The world's first factory for the production of solar modules using thin film silicon was put into operation to the complete satisfaction of the customer, ersol Thin Film of Erfurt. Oerlikon Solar fully met the parameters agreed upon, delivering proof of the industrial maturity of its turnkey integrated solutions. The acquisition of the laser specialists Exitech and Silas, including their proprietary technological developments such as the TCO (Transparent Conductive Oxide) process step, is paying off. The ability to control the entire manufacturing process and to offer turnkey solutions significantly differentiates Oerlikon from its competitors and provides an opportunity to optimize the entire process.

Oerlikon Balzers continued on its growth course in the first half-year and captured additional market share, especially in China. To meet demand, the existing Chinese headquarters of Oerlikon Balzers was expanded and relocated to the Oerlikon Textile factory in Suzhou and a fourth coating center is currently being built. Growth is being driven by the generally favorable economic situation as well as innovative coating solutions, which are being met with high demand, especially for the coating technology P3e™. A leading tool manufacturer in Southern Germany ordered a turnkey INNOVA P3e™-solution. Along with strong growth, Oerlikon Balzers was also in a position to improve its margins significantly thanks to an adjusted, customer-driven price structure and an increase in productivity at the coating centers.

Oerlikon systems was also able to win contracts with leading products. With currently more than 10 INDIGO-systems, Oerlikon Systems is one of the world's largest manufacturers and market leaders of Blu-ray-discs. The introduction of the CLUSTERLINE 200 II for the production of hard-drive reading heads (PVD Coating) enjoyed very good market acceptance. RACETRACK, the coating system for hard drives, and the new Photomask-Etcher GEN-V also received orders. However, on the whole, the business unit Oerlikon Systems did not meet expectations due to weak demand, especially in the area of data storage.

Highlights

- Oerlikon Solar received further major contracts, CMC Magnetics from Taiwan, being the first Asian customer.
- With BALINIT ALDURA, Oerlikon Balzers developed a new coating solution for extremely hard steel and in so doing, further expanded its technological leadership role.
- The construction of a coating center for piston pins in Brazil is proceeding well, with appropriate technology transfer.
- Sony concluded a cooperation contract with Oerlikon Systems, for joint development of the next generation of Blu-ray-discs with a storage capacity of 50 GB.
- A leading hard drive manufacturer chose the CLUSTERLINE 200 II for the production of hard drive reading heads (PVD coating).

Outlook

The perspectives for the business segment Oerlikon Coating are positive despite the moderate developments of Oerlikon Systems' markets. Oerlikon Solar will continue its annual growth of over 50 percent and with high earnings, will reach its disclosed annual target of CHF 300 million in sales. With many technological advances, Oerlikon Solar will be able to maintain its competitive advantage, for example by the integration of special metrology techniques for quality control and assurance. With selective optimizing of both the production technique as well as module efficiency, Oerlikon Solar is aiming toward reducing the production cost of solar energy within the next few years, to the point of being competitive with other existing energy sources (grid parity). To meet the high demand and guarantee delivery, capacity in the Truebbach plant is currently being doubled. Oerlikon Balzers will continue to grow due to a friendly market environment and its top-rate solutions. Further coating centers will become operational in the second half-year. Many projects have been initiated with customers from the automobile industry to coat high-volume parts and to integrate the coating into the construction process.

Key Figures of Oerlikon Coating

in CHF millions	H1 2007	H1 2006	Change
Orders received	571	487	17.3%
Orders on hand	571	224	155.1%
Sales	478	361	32.3%
EBIT	77	50	52.7%

Oerlikon Vacuum
The Oerlikon Vacuum business segment recorded a 6.3% rise in sales to CHF 223 million. EBIT increased at an even stronger rate of 19.5% to CHF 26 million, corresponding to an EBIT margin of 12%. In terms of regions, China showed above-average growth.
In the field of applications, Oerlikon Vacuum was able to position itself successfully as a system provider in the promising solar market.

China is developing into an important sales market and manufacturing location.

Status report

The positive business performance of Oerlikon Vacuum in the first half of 2007 was due to further regional expansion (especially in Asia), strengthening of the company's market position in the process industry and for R&D applications, the successful launch of vacuum systems in the promising solar market, and stronger integration with other Oerlikon Group business areas. Improvements in internal processes produced additional positive effects, which had a direct impact on the margins achieved.

Most notably, China developed at a rapid pace to become a key market for Oerlikon Vacuum – not only in terms of sales but also as regards manufacturing. Intensive marketing and distribution activities (Vacuum Show China) convinced regionally and globally active businesses of the capabilities of Oerlikon Vacuum. The share of sales accounted for by China is more than 10 percent and rising. At the same time, the transfer of production of oil-sealed rough vacuum pumps belonging to the series TRIVAC, SOGEVAC and ROOTS to China is progressing according to plan.

In terms of applications, the company's successful positioning in the solar market deserves special mention. A substantial number of orders was received from third parties and some aggregates from competitors were even replaced. Oerlikon Vacuum is well positioned overall to provide customers with everything they need at the various stages of the manufacturing process for crystalline solar cells and thin film silicon modules, from the necessary components right up to complete vacuum solutions.

Highlights

- Glass-coating: Oerlikon Vacuum was able to prevail over a strong Japanese competitor as a solution provider in the area of glass-coating. The contract includes both turbomolecular pumps and rough vacuum pumps.
- Integration: Vacuum pumps are used in many of Oerlikon Group business units, especially by Oerlikon Coating. With a systematic in-house qualification, the preconditions have now been met to use the pumps throughout the Oerlikon Group.
- Scientific applications: Oerlikon Vacuum has won several contracts from renowned research institutes (for example: Rutherford Appleton Laboratory in Great Britain and a renowned research institute in France) to provide the necessary vacuum technique for their physical experiments.
- Contract for cryopumps: For simulation of conditions in space, the highest possible vacuum conditions are required. For this application, Oerlikon Vacuum will deliver two large cryopump systems (COOLVAC).

Outlook

Oerlikon Vacuum takes an optimistic view of its business development in the remaining half of 2007. The market is promising throughout the world. In Asia and above all in China, the present over-proportional growth will continue. Improvements in internal processes will continue to be made, so that good earnings can further be expected.

Key Figures of Oerlikon Vacuum

in CHF millions	H1 2007	H1 2006	Change
Orders received	229	219	4.6%
Orders on hand	66	53	24.9%
Sales	223	210	6.3%
EBIT	26	22	19.5%

Oerlikon Textile
With sales growth of 37.4% compared to the previous year, amounting to CHF 1 295 million, the segment Oerlikon Textile achieved the best half-year result ever in the first half of 2007. The same applies to the EBIT, which more than tripled from CHF 33 million to CHF 102 million (+209.4%) with an EBIT margin of 8%.

Successful positioning as a total solution provider for textile machines and systems.

Status report

The Oerlikon Textile segment recorded a strong rise, not only in sales and EBIT but also in order intake (up 23.2 percent) and orders on hand (up 11.9 percent), compared with the same period in the previous year.

Together with the effect of state funding programs especially in China, India, Vietnam and Turkey, the high level of orders on hand drove growth up at Oerlikon Textile (particularly in the second quarter), specifically in the area of staple yarns. This attests to the segment's ability to handle such peak contract workloads in a timely manner, thanks to a flexible and efficient manufacturing structure.

In the highly competitive textile machine market with aggressive Asian players, Oerlikon Textile once more differentiated itself, reinforcing and in some areas expanding its position through innovative products.

Oerlikon Textile achieved an important differentiating factor through targeted development of textile machines and plants that reduce energy consumption by up to 40 percent and are marketed under the "e-save" label. In another success, Oerlikon Textile responded to the market demand for technically simpler, reasonably-priced machines with products such as the FOCUS twisting machine for processing cotton yarn, supplying this fast-growing segment mainly from its Chinese plants.

In spite of initial delivery difficulties – caused by bottlenecks in the delivery of steel components – Oerlikon Barmag was able to stabilize its market share of 40 percent. In the booming market for staple fiber spinning, Oerlikon Schlafhorst expanded its market share for high-end machines to over 60 percent, while Oerlikon Neumag was able to maintain its 70-percent share of the market for carpet manufacturing equipment. Oerlikon Textile Components increased its market penetration, especially in terms of nonwoven and ring spinning, achieving a market share of approximately 50 percent. In the twisting sector, shares of market niches varied between 10 percent and 80 percent. Despite the generally highly positive performance of this segment, further restructuring measures were carried out in many sections in order to strengthen the focus on core competencies and address even more effectively the requirements of a volatile market.

Oerlikon Barmag decided to transfer the assembly of texturing machines from Remscheid to Suzhou. The competencies in building airlaid equipment will be transferred from Denmark to the engineering plant at Neumünster, to better exploit synergies.

Highlights

- Combination plant for nonwoven fabrics: The strategy of selective acquisitions and integration of differing technologies to become a leading solutions provider in the nonwoven field is working well. Oerlikon Neumag has just successfully started operations of the first combination plant for the production of nonwoven fabrics at Ascania Nonwoven Fabrics, Germany. The Ascania project includes three differing nonwoven production methods integrated for the first time into one plant, with a production width of four meters. The advantages of the combined methods are optimal product attributes as well as reduced production costs.
- In the production plant of Oerlikon Textile in Suzhou, capacities for the manufacturing of texturing machines and rotor spinning machines were doubled, due to an increasing demand for mid-range products.
- Turnkey plant: Oerlikon Schlafhorst is close to completion of a turnkey ring spinning plant near Dubai and is acting as the general contractor for the entire project. The plant will begin operations at the end of the second half-year.
- Sanyang's first major contract for Zinser 360 ring spinning machines (162,000 spindles) was realized at the end of July.

Outlook

For the second half of 2007, Oerlikon Textile expects to see continuing strong growth, particularly in the area of staple yarns. The market is expected to stabilize at a high level in the medium to long term. To further improve margins, the product portfolio has been further streamlined through consistent focusing on the textile core business, and all significant products have been subjected to cost-cutting projects. A large number of product improvements are also planned for the second half-year, and will be presented at the world's largest textile trade fair the ITMA in Munich. The innovations, many of which are ground-breaking, will further establish the leading role of Oerlikon Textile and create a springboard for additional growth.

Key Figures of Oerlikon Textile

in CHF millions	H1 2007	H1 2006*	Change
Orders received	1 415	1 149	23.2%
Orders on hand	968	865	11.9%
Sales	1 295	943	37.4%
EBIT	102	33	209.4%

* Pro forma 2006 (restated)

Oerlikon Drive Systems
The Oerlikon Drive Systems segment achieved a very good result in the first half of 2007. Sales rose by 15.6%, from CHF 480 million to CHF 556 million, while EBIT improved by 22.6% from CHF 34 million to CHF 42 million. The segment enjoyed strong, brisk demand in all markets and regions. Both the Oerlikon Graziano and the Oerlikon Fairfield business units received their first orders for “clean technologies”.

Significant growth in existing markets and successful positioning in new markets.

Status report

All markets relevant to the Oerlikon Drive Systems segment are growing faster than predicted. Despite further rises in the raw material cost of steel and aluminum and increased transport costs through continuing high fuel prices, the EBIT grew by 22.6 percent to CHF 42 million. The biggest customers in the agricultural and construction machine segments, above all from Europe and Asia, have expanded their orders for the second half-year. The high-performance car market, too, is running as hoped. Business in the area of zero emission vehicles has developed particularly well.

Highlights

- Cooperation with Oerlikon Balzers: The business unit cooperation with Oerlikon Balzers, which began in recent months, is showing first results. The alternative uses for ultramodern PVD coating have been evaluated in a joint project, the outcome being an extensive cooperation on coatings for machining, drilling and milling tools for the manufacture of transmission and drive components. The cooperation provides that Oerlikon Balzers act as will sole supplier of all tools coating. This cooperation will bring significant savings through to longer tool life, better performance and services. A further collaboration project with four years of research and development in surface functionality, tests PVD coated gears and transmission components to determine the additional value of coating gears. The value is expected to come from wear protection and higher performance (torque, speed), use of lower grade steel, and elimination of molybdenum coating in some shifting components.
- Zero emission vehicles: This is a new market for Oerlikon Graziano which has developed a new gearbox generation for zero-emission vehicles. Oerlikon Graziano has signed a long term agreement with Th!nk Technology, Norway, which is the only existing player in this sector. The zero-emission vehicle developed by Th!nk Technology has a range of 170 km and a top speed of 100 km/h. Oerlikon Graziano will supply 2 000 gearboxes after market introduction in Norway by the end of 2007 and there is high potential for volumes to increase up to 20 000 units worldwide by 2011, thanks to governmental incentives in Scandinavia, Switzerland, California and in some European capitals, such as London and Rome.
- Winergy wind power: Oerlikon Fairfield has succeeded in opening up a completely new business activity with its industry leading expertise in the high-load power transmission field. Through the shift of focus toward clean technologies, Fairfield's large diameter precision gear manufacturing technology has been adapted for the operation of wind energy systems.

  A new customer and leader in the wind energy industry, Winergy AG has signed a multimillion dollar purchase contract with Oerlikon Fairfield to provide ring gears, pinion shafts and large bull gears used in wind turbine drive assemblies. The initial phase of the contract calls for Oerlikon Fairfield to provide these gear components to Winergy's Elgin, Illinois, facility in the USA, where the gearing will be assembled into large wind turbine gear drive units that will be provided to wind and energy installations throughout the world.

  This latest program moves Oerlikon Fairfield into participation in an important "clean" energy market area, and allows the company to exploit further one of their main core competencies of producing high-precision, large diameter gears and shafts, including both gear cutting as well as the complete heat treatment hardening process. As part of their strategic business plan, the company has several other proposal programs underway involving the energy market and further diversification of their business.

Outlook

Oerlikon Drive Systems is very optimistic about the further course of the 2007 business year. Most of the market segments in which Oerlikon Drive Systems is active are strong. In particular, the sector while the Construction Equipment and Automotive high-performance are growing above expectation; Agricultural and other Off-/Highway segments are growing too. The order situation is promising and expansion of the business can be expected to continue in the 3rd and 4th quarters.

Graziano Czech and Graziano India operations deserve special mention:

- Under the terms of an agreement between Oerlikon Fairfield and Sauer-Danfoss, Graziano Czech will take over the Planetary drives business from Sauer-Danfoss next year. In addition, two other projects for components for All Wheel Drive applications are scheduled.
- Graziano India is producing a special CVT transmission for agricultural compact tractors as well as other products for construction equipment and utility vehicles.

Key Figures of Oerlikon Drive Systems

in CHF millions	H1 2007	H1 2006*	Change
Orders received	556	480	15.6%
Orders on hand	–	–	–
Sales	556	480	15.6%
EBIT	42	34	22.6%

* Pro forma 2006 (restated)

Oerlikon Components
The Oerlikon Components segment – the Oerlikon Group's smallest segment with around 7% of the Group's sales – did not manage to reach its targets for the first half of 2007 due to weak demand for semiconductor equipment and optical components. Sales declined by 16.1% to CHF 182 million and the EBIT decreased to CHF 2 million. Comprehensive restructuring of Oerlikon Optics, a product offensive at Oerlikon Esec and emerging markets for semiconductors will bring the segment back on track for success in the second half of the year.

Back on the road to success with a product offensive and restructuring.

Status report

The semiconductor market experienced a stronger economic downturn than expected at the beginning of 2007. The business unit suffered a sharp drop in sales in the first quarter compared with the first quarter of 2006 despite leading-edge products and a good reputation (Oerlikon Esec received four prestigious awards from customers and industry institutions in the first six months of 2007 alone). Demand in the chip industry began to pick up during the second quarter, resulting in an increase in incoming orders and sales for Oerlikon Esec. Several large orders were won, including one from a leading manufacturer of power semiconductors, with whom a framework agreement was signed governing the delivery of several dozen Die Bonders, a significant portion of which has already been delivered. Due to its flexible production structure and a high level of manufacturing efficiency and productivity, Oerlikon Esec managed to cushion itself from market cycles.

The market for optical components proved largely unsatisfactory for Oerlikon Optics in the first six months of 2007. High inventory levels among biochip customers, coupled with a declining demand for rear projection TVs (RPTV), drove down sales of optical components. Demand for prototypes of the innovative laser module, used in pico-beamers and head-up displays, outstripped production capacity. However, these positive factors were unable to compensate for the weakness in dominating market segments. The integration of the acquired laser specialists Silas and Exitech developed positively. Both are working at full capacity thanks to the high demand from the photovoltaic market. A comprehensive restructuring program is being launched to ensure a sustainable future for Oerlikon Optics.

The situation in the European space market improved for Oerlikon Space and demand remains healthy in the non-space market. In the first half-year, Oerlikon Space was able to offset sales fluctuations in the highly seasonal project business and achieved significant growth. The carrier rocket Ariane 5 confirmed its position as global market leader, with another successful launch of two telecom satellites in May 2007, thanks in no small measure to the payload fairing of Oerlikon Space. Within the context of the ESA's future "ExoMars" mission, Oerlikon Space received an order to develop and manufacture a test model chassis for the Mars Rover.

The ongoing favorable economy coupled with a high volume of incoming orders in the solar business have boosted business for Oerlikon Solutions, a specialist in mechanical engineering focused on vacuum chambers. Customer relations have developed very positively and resulted in a number of follow-up orders. Additional new customers have also been acquired, allowing Oerlikon Solutions to significantly expand its market position outside the Oerlikon Group.

Highlights

- Product offensive Oerlikon Esec: The new product generation in the Wire Bonder segment was made accessible to a wide public already at the last SEMICON West trade show 2007 and will be launched this year. Also the new Die Bonder generation was presented to a selected group of customers. The excellent feedback supported bringing forward the launch to 2007. This product offensive will lead to further expansion of market share in the Wire Bonder segment and will secure market leadership in the Die Bonder field.
- Cooperation: Oerlikon Esec and Oerlikon Optics are forming a strategic collaboration in which Oerlikon Esec will make use of its existing infrastructure and competencies in the field of supply chain management, assembly and engineering to support the industrialization of the laser business.
- Night-vision systems: Oerlikon Optics developed and successfully launched special optical components and systems for the automobile industry, which display the surrounding area with the help of head-up displays in difficult visibility.
- Cooperation: The German Space company TESAT and Oerlikon Space have signed a long-term cooperation contract for the joint development and manufacture of laser communication terminals for the future European GMES (Global Monitoring for Environment and Security) program. GMES is a joint initiative of the EU and the ESA for global environmental and security control and should be put into use in the next few years. The laser terminals developed by TESAT and Oerlikon Space for the GMES satellites are capable of transmitting 3–5 GB/s over a distance of 40 000 km.
- Oerlikon Solutions: With a new measuring room for vacuum chambers of any size or shape, Oerlikon solutions is now in a position to expand its production capacity and volume.

Outlook

A significant upswing is expected for the semiconductor market and the related equipment industry for the second half-year. Thanks to its exellent market position Oerlikon Esec will be able to benefit from this. The launch of the new Wire Bonder 3200 in the second half-year and the announcement of the completely newly developed Die Bonder product generation, which aroused keen interest during initial customer presentations, will further strengthen Oerlikon Esec's position also next year.

A far-reaching restructuring program has been launched for Oerlikon Optics. Unprofitable product lines that have come to the end of their life cycle will be discontinued, and the manufacture of components with weak margins will be transferred to Asia. This will allow Oerlikon Optics to concentrate on the expansion and further development of innovative products with a high future potential, such as laser-scribing systems, laser modules for pico-beamers, heads-up displays, and security applications for the automobile industry. Oerlikon Space will continue its positive business performance in the second half-year due to a strong order book. The same is true for Oerlikon Solutions. In conclusion, Oerlikon Components plans to offset the decline in sales and generate profitable growth by year-end.

Key Figures of Oerlikon Components

in CHF millions	H1 2007	H1 2006	Change
Orders received	232	256	–9.5%
Orders on hand	245	248	–1.2%
Sales	182	217	–16.1%
EBIT	2	36	–95.3%

Financial report

Key Figures Oerlikon Group

in CHF millions	**January 1 to June 30, 2007 unaudited**	January 1 to June 30, 2006 unaudited restated[1]
Orders received	3 004	963
Orders on hand	1 851	525
Sales	2 735	789
EBITDA	343	167
– as % of sales	13	21
EBIT	231	126
– as % of sales	8	16
Net profit	136	118
– as % of sales	5	15
– as % of equity attributable to shareholders of the parent	8	11
Cash flow from operating activities[2]	367	121
Capital expenditure for fixed and intangible assets	160	66
Total assets	6 187	2 056
Equity attributable to shareholders of the parent	1 623	1 101
– as % of total assets	26	54
Net liquidity[3]	–877	933
Net assets[4]	3 250	671
EBIT as % of net assets (RONA)	7	19
Number of employees	19 411	6 557
Personnel expenses	731	294
Research and development expenses[5]	136	66

[1] Restatement of pension liabilities (see p. 30)

[2] Before changes in net current assets

[3] Net liquidity includes marketable securities and treasury shares at market value as of June 30

[4] Net assets include fixed and current operating assets (excluding cash and financial assets), less operating liabilities (excluding financial liabilities and tax provisions)

[5] Research and development includes CHF 26 million recognized as intangible assets (prior year: CHF 13 million)

Consolidated Income Statement

in CHF millions	**January 1 to June 30, 2007 unaudited**	January 1 to June 30, 2006 unaudited
Sales of goods	2 452	534
Services rendered	282	255
Total sales	**2 735**	**789**
Cost of sales	–2 045	–467
Gross profit	**690**	**322**
Marketing and selling	–178	–86
Research and development	–110	–53
Administration	–188	–93
Other income	20	41
Other expenses	–4	–5
EBIT	**231**	**126**
Result from associated companies	–2	0
Net financial expenses	–86	–5
Profit before taxes (EBT)	**142**	**121**
Income taxes	–6	–3
Net profit	**136**	**118**
Attributable to:		
Shareholders of the parent	133	117
Minority interests	3	1
Earnings per registered share in CHF	10.13	9.16
Fully diluted earnings per registered share in CHF	10.12	9.15

Consolidated Balance Sheet

Assets

in CHF millions	June 30, 2007 unaudited	December 31, 2006 unaudited restated[1]
Cash and cash equivalents	344	486
Marketable securities	9	95
Receivables	939	879
Current tax receivables	26	38
Inventories	1 121	969
Prepaid expenses and accrued income	45	33
Current assets	**2 484**	**2 500**
Loans receivable	18	20
Investments in associated companies	9	12
Other investments	43	34
Property, plant and equipment	1 378	1 376
Intangible assets	2 112	2 067
Post-employment benefit assets	23	22
Deferred tax assets	119	88
Non-current assets	**3 703**	**3 619**
Total assets	**6 187**	**6 119**

Equity and liabilities

in CHF millions	June 30, 2007 unaudited	December 31, 2006 unaudited restated[1]
Payables	648	854
Accrued liabilities	397	386
Current customer advances	234	222
Current financial debt	40	1 548
Current income tax provisions	194	174
Current post-employment benefit provisions	16	15
Current other provisions	205	245
Current liabilities	**1 735**	**3 443**
Non-current customer advances	44	46
Non-current financial debt	1 873	257
Deferred tax provisions	97	103
Non-current post-employment benefit provisions	666	639
Other non-current provisions	122	129
Non-current liabilities	**2 802**	**1 174**
Total liabilities	**4 537**	**4 617**
Share capital	283	283
Treasury shares	–183	–183
Reserves and retained earnings	1 523	1 378
Equity attributable to shareholders of the parent	**1 623**	**1 478**
Minority interests	27	24
Total equity	**1 650**	**1 502**
Total equity and liabilities	**6 187**	**6 119**

[1] For restatement 2006 see page 29

in CHF millions	January 1 to June 30, 2007 unaudited	January 1 to June 30, 2006, unaudited, restated[1]
Net profit	136	118
Tax expense	6	3
Losses from investment in associated companies	2	0
Interest expense (+) / interest income (–) for financial liabilities and loans granted	41	–2
Depreciation of property, plant and equipment	101	39
Amortization of intangible assets	11	2
Impairment losses on intangible assets	1	0
Addition to (+) / release of (–) other provisions	25	–16
Increase in post-employment benefit provisions	9	2
Gains from sale of non-current assets	–1	–5
Other non-cash expense (+) / income (–)	25	–24
Conversion losses on intercompany positions	10	4
Cash flow from operating activities (before changes in net current assets and taxes)	367	121
Decrease (+) / increase (–) in receivables / accrued assets	–19	10
Increase in inventories	–183	–42
Decrease (–) in payables / accrued liabilities and utilization of other provisions	–23	–21
Increase in customer advances	47	30
Taxes paid	–21	–14
Non-cash impact on net current assets due to hedge accounting	–2	4
Cash flow from changes in net current assets	–201	–34
Cash flow from operating activities	**166**	**88**
Capital expenditure for property, plant and equipment	–97	–50
Investment in non-consolidated subsidiaries	–9	0
Investment in associated companies	0	–14
Capital expenditure for intangible assets	–63	–16
Increase in loans receivable	–1	–2
Decrease in loans receivable	3	0
Increase in marketable securities	–1	0
Decrease in marketable securities	88	13
Purchase of subsidiaries	–296	–10
Proceeds from sales of property, plant and equipment	6	12
Interest received	5	2
Cash flow from / used by investing activities	**–366**	**–67**
Dividends paid	–1	–1
Increase in financial debt	1 878	1
Repayment of financial debt	–1 781	0
Interest paid	–45	0
Cash flow from / used by financing activities	**50**	**0**
Conversion adjustments to cash and cash equivalents	8	–2
Increase (+) / decrease (–) in cash and cash equivalents	**–142**	**19**
Cash and cash equivalents at the beginning of the period	486	324
Cash and cash equivalents at the end of the period	344	343
Increase (+) / decrease (–) in cash and cash equivalents	**–142**	**19**

[1] For restatement 2006 see page 27

Statement of Recognized Income and Expenses

in CHF millions	**January 1 to June 30, 2007 unaudited**	January 1 to June 30, 2006 unaudited restated
Fair value adjustments IAS 39	1	26
Realization under IAS 39	–3	–24
Deferred taxes booked to equity under IAS 39	0	–1
Conversion differences	14	–17
Net result recognized directly in equity	12	–16
Group net profit	136	118
Total recognized income and expenses in equity	**148**	**102**
– of which attributable to shareholders of the parent	145	101
– of which attributable to minority interests	3	1

Consolidated Statement of Changes in Shareholders' Equity

in CHF millions	Share capital[1]	Additional paid-in capital[2]	Treasury shares	Conversion differences	Retained earnings	Hedge accounting	Fair value adjustments	Deferred taxes restated IAS 19 & 39	**Total equity attributable to shareholders of the parent**	Minority interests	**Total share-holders' equity, unaudited**
Balance on January 1, 2006 (before restatement)	**283**	**622**	**–244**	**–38**	**413**	**–3**	**1**	**6**	**1 039**	**7**	**1 046**
Restatement of pension liabilities (IAS 19)					–54			15	–39		–38
Balance on January 1, 2006 (after restatement)	**283**	**622**	**–244**	**–38**	**359**	**–3**	**1**	**21**	**1 001**	**7**	**1 008**
Total recognized income and expenses				–17	117	4	–1	–2	101	1	102
Dividend distributions									0	–1	–1
Sale of treasury shares					–1				–1		–1
Balance on June 30, 2006	**283**	**622**	**–244**	**–55**	**476**	**0**	**0**	**18**	**1 101**	**7**	**1 108**
Balance on January 1, 2007, as per annual report (before restatement)	**283**	**622**	**–183**	**–58**	**801**	**2**	**0**	**14**	**1 482**	**24**	**1 506**
Adjustment of net asset values in connection with acquisition of Saurer				–4					–4		–4
Balance on January 1, 2007 (after restatement)	**283**	**622**	**–183**	**–62**	**801**	**2**	**0**	**14**	**1 478**	**24**	**1 502**
Total recognized income and expenses				14	133	–3		1	145	3	148
Dividend distributions									0	–1	–1
Balance on June 30, 2007	**283**	**622**	**–183**	**–48**	**934**	**–2**	**0**	**15**	**1 623**	**27**	**1 650**

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

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

Business Development by Segment

in CHF millions	**January 1 to June 30, 2007 unaudited**	January 1 to June 30, 2006 unaudited, restated[2]
Oerlikon Group		
Orders received	3 004	963
Orders on hand	1 851	525
Sales (external)	2 735	789
EBITDA	343	167
EBIT	231	126
– as % of sales	8	16
Net assets	3 250	671
Number of employees	19 411	6 557
Oerlikon Coating		
Orders received	571	487
Orders on hand	571	224
Sales (external)	478	361
EBITDA	105	74
EBIT	77	50
– as % of sales	16	14
Net assets	646	456
Number of employees	3 519	3 436
Oerlikon Vacuum		
Orders received	229	219
Orders on hand	66	53
Sales (external)	223	210
EBITDA	31	26
EBIT	26	22
– as % of sales	12	11
Net assets	–54	–70
Number of employees	1 386	1 386
Oerlikon Textile[1]		
Orders received	1 415	
Orders on hand	968	
Sales (external)	1 295	
EBITDA	135	
EBIT	102	
– as % of sales	8	
Net assets	836	
Number of employees	7 735	
Oerlikon Drive Systems[1]		
Orders received	556	
Orders on hand	0	
Sales (external)	556	
EBITDA	75	
EBIT	42	
– as % of sales	8	
Net assets	665	
Number of employees	4 842	
Oerlikon Components		
Orders received	232	256
Orders on hand	245	248
Sales (external)	182	217
EBITDA	11	45
EBIT	2	36
– as % of sales	1	17
Net assets	245	207
Number of employees	1 653	1 564
Other		
Sales (external)	1	1
EBITDA	–13	22
EBIT	–18	18
Net assets	911	78
Number of employees	276	171

[1] Because the Saurer Group was consolidated for the first time as of November 1, 2006, no comparative figures are shown

[2] Restatement of pension liabilities (see p. 30)

Net assets include fixed and current operating assets (excluding cash and financial assets), less operating liabilities (excluding financial liabilities and tax provisions)

Accounting Principles

Basis of Preparation of the Consolidated Semi-Annual Financial Statements

The Semi-Annual Report of the Oerlikon Group for the period ended June 30, 2007, covers OC Oerlikon Corporation AG, Pfäffikon and all consolidated subsidiaries and associated companies.

The unaudited consolidated semi-annual financial statements for the first half-year 2007 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, 2006.

These consolidated semi-annual financial statements were approved by the Board of Directors on August 27, 2007.

Estimates

Preparation of the semi-annual financial statements requires management to make judgments, estimates and assumptions which have an impact on the accounting treatment of reported assets and liabilities, expenses and income. Actual results can differ from these estimates.

The same significant assumptions and estimates were applied by management for this semi-annual report as in the accounting and valuation methods used for compiling the consolidated financial statements as of December 31, 2006.

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, 2006, with the exception of the changes shown below.

New and Revised Standards and Interpretations

The International Accounting Standards Board (IASB) has published several new and revised standards and interpretations which have been in force since January 1, 2007. The application of these standards and interpretations has had no significant impact on these consolidated semi-annual financial statements.

IFRS 7 Financial Instruments: Disclosures, complements the principles for recognizing, measuring and presenting financial assets and liabilities set forth in IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement.

IAS 1 Presentation of Financial Statements: Statement of Changes in Equity.

IFRIC 9 Reassessment of Embedded Derivatives addresses the question of whether assessment of embedded derivatives separately from the host contract in accordance with IAS 39 should be made only when an entity first becomes a party to the contract, or whether the assessment should be reconsidered throughout the life of the contract.

IFRIC 10 Interim Reporting and Impairment (November 1, 2006) addresses the interaction between the requirements of IAS 34 and the recognition of impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39, and the effect of that interaction on interim and annual financial statements.

New standards not yet introduced

- IFRS 8 Operating Segments (effective date January 1, 2009)
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions (effective date March 1, 2007)
- IFRIC 12 Service Concession Arrangements (effective date January 1, 2008)
- IFRIC 13 Customer Loyalty Programs (effective date July 1, 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective date January 1, 2008)
- IAS 23 Borrowing Costs (effective date January 1, 2009)

Adoption of these standards is not expected to have a significant effect on the financial statements of the Oerlikon Group.

Changes in Accounting Policies

Saurer – Revenue and variable selling costs

Before Saurer's acquisition by the Oerlikon Group, certain variable selling costs were disclosed as deductions from revenue. The Oerlikon Group's group-wide balancing and valuation principles result in an increase in sales in the pro forma figures of 2006 amounting to CHF 52 million. This adjustment has no effect on the result for 2006.

Presentation of the Cash Flow Statement

The presentation of the cash flow statement has been changed in the reporting period. In earlier versions of the published cash flow statement, interest and taxes paid were disclosed as supplementary information at the foot of the statement. Consequently, they were included in the cash flow from operating activities. The interest received and paid was relatively minor and the accuracy of the cash flow statement was not materially impaired.

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

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

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

in CHF millions	January 1 to June 30, 2006 as per semi-annual information	Adjustment	January 1 to June 30, 2006 restated
Tax expense	11	–8	3
Interest expense (+) / interest income (–) for financial liabilities and loans granted	0	–2	–2
Other	120		120
Cash flow from operating activities (before changes in net current assets)	131	–10	121
Decrease (–) in payables / accrued liabilities and utilization of other provisions	–43	22	–21
Taxes paid	0	–14	–14
Other	1		1
Cash flow from changes in net current assets	–42	8	–34
Cash flow from operating activities	**90**	**–2**	**88**
Interest received	0	2	2
Other	–69		–69
Cash flow from / used by investing activities	**–69**	**2**	**–67**
Conversion adjustments to cash and cash equivalents	–2		–2
Increase (+) / decrease (–) in cash and cash equivalents	**19**	**0**	**19**

Notes to the Consolidated Semi-Annual Financial Statements

Changes in the scope of consolidation

Successive Acquisition of Saurer Shares

In the first half-year 2007, payments of CHF 283 million were made in connection with the acquisition of Saurer. Of these, CHF 277 million were recognized as a liability as of December 31, 2006, in connection with the public tender offer. Further payments of CHF 6 million were made in 2007 in connection with incidental costs of the acquisition. A further CHF 8 million was capitalized, but has not yet been paid. An amount of CHF 26 million, which had been capitalized in the Oerlikon Group financial statements as of December 31, 2006, as part of the purchase price, was attributed to the transaction costs in the first half-year 2007, and consequently charged to income.

At the time of acquisition, the Saurer Group was included in the Oerlikon Group financial statements at provisional values, because the valuation of its identifiable assets, liabilities and contingent liabilities was not complete. Recent findings have led to a change in the goodwill value as follows:

in CHF millions	Acquired book values	Adjustments to fair values	Fair values
Assets	2 446	438	2 884
Liabilities	1 990	194	2 184
Minority interests	17		17
Identifiable assets and liabilities	**439**	**245**	**684**
Goodwill			1 217
Acquisition cost			1 901
Cash and cash equivalents acquired			127
Net cash outflow			**1 774**

The acquisition cost of the merger is comprised as follows:

in CHF millions	
Purchase price	1 844
Transaction costs	57
Total acquisition cost	**1 901**

The goodwill, and also the scope and valuation of the identifiable assets, liabilities and contingent liabilities, may change further up to the completion of the purchase price allocation process on October 31, 2007.

The following adjustments to the published financial statements of the Oerlikon Group as of December 31, 2006, arise from the aforementioned changes in valuation of identifiable assets, liabilities and contingent liabilities and are shown as a restatement in accordance with IFRS:

Balance Sheet

in CHF millions	December 31, 2006 Annual Report	Adjustments to the identified fair values	December 31, 2006 unaudited restated
Receivables	867	12	879
Inventories	970	–1	969
Property, plant and equipment	1 336	40	1 376
Goodwill	1 719	–281	1 438
Other intangible assets	230	399	629
Deferred tax assets	171	–83	88
Other assets	741		741
Total assets	**6 034**	**86**	**6 119**
Other current provisions	202	43	245
Non-current financial debt	256	1	257
Non-current post-employment benefit provisions	629	11	639
Provisions for deferred taxes	96	7	103
Other non-current provisions	102	28	129
Other liabilities	3 243		3 243
Total liabilities	**4 528**	**90**	**4 617**
Total equity	**1 506**	**–4**	**1 502**
Total equity and liabilities	**6 034**	**86**	**6 119**

These adjustments had no effect on the income statement for the year 2006.

Acquisition of SiLas GmbH

Effective April 1, 2007, the Oerlikon Group acquired the operations of SiLas GmbH (D) for CHF 13 million. SiLas specializes in laser-scribing of thin film silicon solar modules. Laser technology plays a central role in the production of thin film solar modules and nano structures. SiLas GmbH has been integrated in the Oerlikon Components segment.

The acquisition is reported as follows:

in CHF millions	Acquired book values	Adjustments to fair values	Fair values
Cash and cash equivalents	1		1
Receivables for goods and services and other receivables	2		2
Inventories	6		6
Intangible assets	3	–3	0
Deferred tax assets	0	1	1
Total assets	**12**	**–2**	**10**
Payables	2		2
Customer advances	11		11
Total liabilities	**13**	**0**	**13**
Identifiable assets and liabilities	–1	–2	–3
Goodwill			16

The cash flow from the acquisition is made up as follows:

in CHF millions	
Acquisition cost (including transaction costs)	13
Cash acquired	1
Net cash flow decrease	**12**

In the three months from April 1 to June 30, 2007, SiLas GmbH reported a profit of CHF 1 million on sales of CHF 5 million. The company sells its products as semi-finished goods exclusively to other Oerlikon companies; the related intercompany profits have been eliminated in the consolidation. Over the first six months of 2007, SiLas reported sales of CHF 7 million and a profit of CHF 1 million.

SiLas GmbH has been included in the Oerlikon Group financial statements at provisional values, because the valuation of its identifiable assets, liabilities and contingent liabilities is not yet complete. The provisional purchase price allocation shows a goodwill value of CHF 16 million. However, this figure may change, as may also the values of the identifiable assets and liabilities shown above.

Acquisition of Peass Industrial Engineers Ltd., India

On February 16, 2007, the Oerlikon Group acquired a 51 percent share of Peass Industrial Engineers Ltd., Navsari, South Gujarat, India, for a price of CHF 9 million. The company produces and sells winding machines and complements the product range of Oerlikon Schlafhorst. Integration of the company into the segment Oerlikon Textile is in progress. Provisionally, the acquisition is included in investments at cost.

Net Financial Expense

in CHF millions	**January 1 to June 30, 2007 unaudited**	January 1 to June 30, 2006 unaudited
Interest income	5	2
Other financial income	2	3
Foreign currency gains, net	0	1
Financial income	**7**	**6**
Interest on financial debt	–45	0
Interest on provisions for post-employment benefits	–11	–6
Transaction costs of previous financing	–26	0
Other financial expenses	–3	–5
Foreign currency losses, net	–8	0
Financial expense	**–93**	**–11**
Total	**–86**	**–5**

Post-Employment Benefit Plans

All actuarial gains and losses (including the related deferred income taxes) are recognized immediately in equity, following the relevant accounting principle adopted at December 31, 2006.

Oerlikon reports in detail on its post-employment benefit plans annually in December. Actuarial gains and losses are also calculated at that time.

Provisions

Provisions, and circumstances which might call for provisions, are the subject of regular scrutiny as required by the related law and regulation. In the reporting period, provisions were set up in the amount of CHF 42 million, CHF 17 million were released and CHF 78 million were utilized (based on December, 2006).

Refinancing Costs

The financing for the acquisition of Saurer reported in the 2006 financial statements was replaced by a new syndicated loan in June 2007. After the initial syndication phase, several banks are now members of the syndicated loan. The syndication was concluded on August 17, 2007.

The loan is composed of one three-year fixed loan (term loan) in the amount of CHF 600 million and a five-year revolving credit limit in the amount of CHF 1.9 billion and will be used to refinance existing debts as well as for general operating purposes. The initial margins of the loans are 40 and 45 basis points above LIBOR respectively and will be calculated in the future on the basis of a leverage pricing grid. No assets have been pledged as security for this syndicated loan.

Directly attributable transaction costs of CHF 20 million have been deducted from the syndicated loan as disclosed in non-current financial debt. Transaction costs of CHF 26 million attributable to the previous financing arrangements have been charged to income in the reporting period.

The loan includes one financial covenant, relating to the Group's leverage ratio. The financial covenant requirement was met as of June 30, 2007.

Syndicated loan:

– Term Loan:

Currency	Nominal amount (in 1 000)	Current interest period	Interest rate for current interest period (in %)	Term of credit limit
CHF	600 000	29.06.2007–24.08.2007	3.038	07.06.2010

– Revolving facility:

Currency	Nominal amount (in 1 000)	Current interest period	Interest rate for current interest period (in %)	Term of credit limit
CHF	500 000	29.06.2007–24.08.2007	3.088	07.06.2012
CHF	470 000	29.06.2007–30.07.2007	3.071	07.06.2012
USD	42 500	29.06.2007–30.07.2007	5.770	07.06.2012

Related Party Transactions

Severance payments of CHF 2.8 million were made in the reporting period. In addition, 40 000 options were withdrawn and replaced by 3 000 shares valued at the closing price of CHF 720 on March 28, 2007, for a total value of CHF 2.2 million. The cost of these transactions was charged to income in the reporting period.

Events subsequent to the Balance Sheet Date

The Board of Directors of OC Oerlikon Corporation AG, Pfäffikon approved a share buyback program on August 8, 2007 for a maximum of 2.59% of the share capital. The share buyback will apply to a maximum of 366 858 registered shares (2.59% of the company's share capital); combined with the company's existing shareholding of its own shares, this amounts to a maximum of 10% of the issued share capital and voting shares. The share buyback program commenced on August 9, 2007 and will end on the date of the annual general meeting in 2009 at the latest. The company reserves the right to end the program at any time. No special trading line will be opened for the buyback program. Shares will be bought at the market price.

Shareholder Structure

On the basis of disclosure statements available to Oerlikon up to June 30, 2007, the following significant shareholdings have been reported:

Investor	Number of Registered shares	in %
Victory Industriebeteiligung AG	4.4 m	31.3
Renova Industries Ltd.	2.0 m	13.8
Merrill Lynch Group	1.4 m	9.8
Zürcher Kantonalbank	0.9 m	6.3
Deutsche Bank Group	0.8 m	5.4

On the same date, OC Oerlikon Corporation AG, Pfäffikon held 1 047 332 registered shares (7.4%) itself.

Dates, contact

Important dates
October 23, 2007:
Key figures for the third quarter 2007

Contact

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The semi-annual report is based on information currently available to management. The forward-looking statements contained herein could be impacted by risks and influences that are not foreseeable at present, so that actual results may vary materially from those anticipated, expected or projected.

The semi-annual report is published in German (original language) and in English.