

unaxis



2006 SEMI-ANNUAL REPORT

August 4, 2006

Key figures for the Unaxis Group

in CHF million

	June 30, 2006 Unaudited	June 30, 2005 Unaudited
Orders received	963	714
Orders on hand	525	518
Sales	789	702
EBITDA	167	-64
EBITDA as % of sales	21%	-9%
EBIT ¹	126	-112
EBIT as % of sales	16%	-16%
Net profit	118	-117
Net profit as % of sales	15%	-17%
Net profit as % of equity attributable to the equity holders of Unaxis Holding AG	10%	-10%
Cash flow from operating activities	90	-97
Investments in fixed and intangible assets	66	59
Total assets	2 060	2 232
Equity attributable to the equity holders of Unaxis Holding AG	1 139	1 179
Equity attributable to the equity holders of Unaxis Holding AG as % of total assets	55%	53%
Net liquidity including marketable securities ²	699	529
Net liquidity including marketable securities as % of equity attributable to the equity holders of Unaxis Holding AG	61%	45%
Net assets ³	727	543
EBIT as % of net assets (RONA)	17%	-21%
Number of employees	6 557	6 707
Personnel expenses	294	312
Research and development expense (incl. capitalized development costs) ⁴	66	76

¹ EBIT as of June 30, 2005, contains interest expense totaling CHF 5.9 million incurred in connection with post-employment benefit expenses. Excluding the interest expense, the EBIT as of June 30, 2005, would be CHF -106 million.

² Marketable securities include securities, treasury shares, as well as claims from called securities.

³ Net assets include the current and non-current operating assets (excluding cash and cash equivalents and financial investments), less operating liabilities (excluding financial debt and tax provisions).

⁴ Development costs of CHF 13 million were capitalized in the reporting period (previous year: CHF 0 million).

All amounts are rounded off.
This can result in rounding differences.

DEAR SHAREHOLDERS,

2006 is the year of departure and growth for Unaxis.

After the successful restructuring, Unaxis significantly exceeded its targets during the first half of 2006. With an operating profit of CHF 126.1 million, the Group is posting one of the best semi-annual results in the Company's history.

Development was as follows compared to the first half of 2005:

- Sales rose by 12 percent to CHF 789.2 million.
- EBIT grew from CHF -112.1 million to CHF 126.1 million.
- Orders received increased by 35 percent to CHF 963.4 million.
- Net profit improved from CHF -116.6 million to CHF 117.9 million.
- The net profit margin reached 15 percent.

This puts us solidly on the path to attain our target of 15 percent sales growth as well as a net profit margin of 15 percent for 2006 as a whole.

Since the change in management in mid-2005 with Thomas Limberger as CEO, this is now the fourth quarter in a row in which the Company increased sales and profit year-on-year. This development is substantially attributable to the following measures:

- centralized management of the Company;
- implementation of a culture of performance with clear areas of responsibility;
- process-based and measurable controlling of all business processes.

These guidelines are being integrated using a Group-wide "operating system" that steers and combines the individual activities and elements in a binding manner (see graph page 6).

The strategy adopted less than a year ago is being impressively confirmed by the results of the first half of the year:

- concentration on the core areas of the company's business – thin film coating, vacuum technology and components (precision technology);
- firm focus on customers, technologies, and markets.

The capital market is rewarding the reversal of the trend in the fundamentals with increasing share prices and improved valuations. The Unaxis share achieved a price increase of 71 percent to CHF 340 during the first half of 2006. Unaxis' share per-

formance left the Swiss Market Index (SMI) behind, which remained at the same level in this period. And this makes the Unaxis share one of the most successful securities on the SWX Swiss Exchange. We succeeded once again in increasing shareholder value, specifically from CHF 2 807 million to CHF 4 808 million.

The commentary by financial analysts is correspondingly approving:

- “Impressive pace of turnaround – we applaud management for their success at rapidly transforming Unaxis” (UBS)
- “Excellent” (Bank Sal. Oppenheim)
- “We believe the shares are fairly valued based on fundamentals” (Lombard Odier Darier Hentsch)

We are systematically continuing on this successful trajectory. With our rebranding as Oerlikon and a comprehensive reorganization we are creating optimal prerequisites for additional growth.

Oerlikon as a synonym for innovation

A symbol of the departure is the renaming of the Group as “Oerlikon”. The use of a uniform brand represents a significant element of our new corporate culture. Exactly 100 years after our founding, this is picking up the successful tradition of the Company. We will once again make Oerlikon a synonym for innovation and high technology recognized around the world. At the same time, the name is a clear declaration of belief in the Company’s industrial tradition. It is associated with the typical Swiss values such as quality, reliability, precision, and the capacity for invention. The precautions for implementing the new brand were pushed forward during the first half of the year to the extent that worldwide rebranding can launch rapidly.

Sustainable organization of the Group

The rebranding is accompanied by an extensive reorganization of the Oerlikon Group (see graphic). At the time of the change in management in 2005, the Group consisted of eight business units managed independently from one another, that had inefficient cost structures and that lacked a mutual transfer of know-how and synergies.

New structure of the Oerlikon Group

oerlikon

oerlikon
balzers coating

oerlikon
leybold vacuum

oerlikon
components

oerlikon
esec semiconductor

Segments

Systems
· Data Storage
· Wafer
· Solar

Systems
· Forevacuum
· Highvacuum

· Optics
· Space
· Solutions

Business Units

Services
· Job Coating

Services

The reorganization divides the business units by key technologies as well as the system and service business. This classification corresponds far better to market demands and increases the focus on the customer. Clear areas of responsibility and a centrally controlled administration, such as for accounting, procurement, or logistics, increase the efficiency and effectiveness of the organization. At the same time numerous synergies are being tapped, among them, in research and development, production, and marketing.

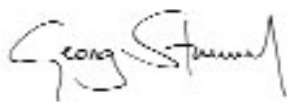
Financial reporting also follows the new structure. Effective immediately, we are using this basis to provide extensive reporting available that meets the information needs of the financial and capital markets.

Outlook

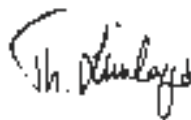
Unaxis' business outlook is excellent. The successful restructuring and reorganization has made our units excellently prepared. Our employees feel an obligation to the new culture of performance and have made the outstanding results of the first half of the year possible in the first place. We are growing faster than the market in all areas thanks to our first-class quality, a new focus on the customer, and products that lead the way in technology. The second half of the year is traditionally stronger than the first, so we are confident that we will reach the communicated targets.

Hence, the Company's potential is far from exhausted. Our research and development is focused on promising projects, so that significant product innovations and new application areas will accelerate growth and set technological standards in the medium and long-term. Targeted acquisitions will provide additional growth momentum.

Oerlikon's success story has begun.



Georg Stumpf
Chairman of the
Board of Directors



Thomas Limberger
Chief Executive Officer



Oerlikon operating system

First quarter

January

- Global Leadership Meeting (Top 100)
- Employee objectives

February

- BoD¹
- Group business review (Q4)

March

- Regional business review
- Strategy review
- Publication of the annual financial statements

Second quarter

April

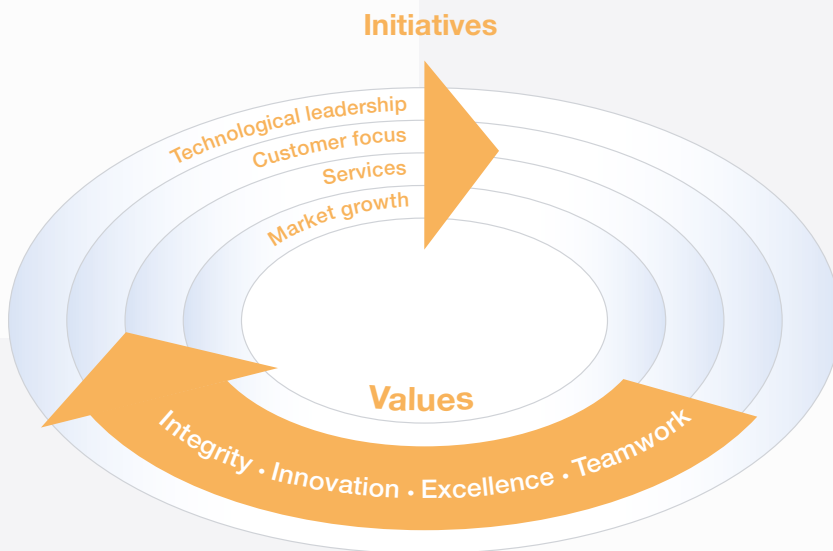
- Q1 – quarterly financial report
- Group business review (Q1)
- Budget planning – 3 years

May

- BoD¹
- Regional business review
- General Shareholders' Meeting

June

- Regional business review
- Strategy review



Fourth quarter

October

- Q3 – quarterly financial report
- Group business review (Q3)
- Launch management trainee program

November

- BoD¹
- Budget planning – 1 year
- Corporate strategy planning

December

- Group HR planning
- Employee evaluation

Third quarter

July

- Leadership Meeting (Top 30)

August

- BoD¹
- Group business review (Q2)
- Semi-annual report

September

- Regional business review

The Oerlikon operating system

Learning from each other; controlling the central processes according to a clear system; establishing commitment and reliability; systematically creating synergy between the different business units; overcoming the limits of one's own unit and region; committing the community to the achievement of a goal; that is the meaning and purpose of the Oerlikon operating system.

The aim is to continue to increase the company's and the business unit's performance. The operating system never ceases to supply the members with new ideas and stimuli – thereby achieving a level of performance and a speed that the individual business units could never achieve by themselves. In this way, the best proposals and suggestions from all the business units are put into practice quickly and consistently. The initiatives begin to have a positive effect soon after being introduced.

It is the soft factors – trust, teamwork, the delight in making changes and the aiming towards top performances – that are the driving force behind the operating system. In this way we combine corporate culture and corporate development into one single entity.

¹ Board of Directors meeting

SEGMENTS AND BUSINESS UNITS

Oerlikon Balzers Coating

Excellent business performance and expansion of global presence

Oerlikon Balzers Coating can look back on an excellent first half of 2006. Orders received climbed by 44 percent to CHF 487.0 million, EBIT increased from CHF -75.1 million in the first half of 2005 to CHF 50.1 million for the first half of 2006.

Oerlikon Balzers Coating, Systems

Highlights

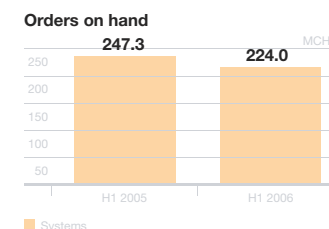
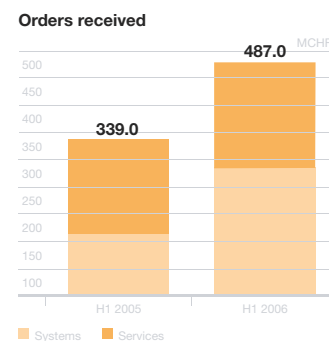
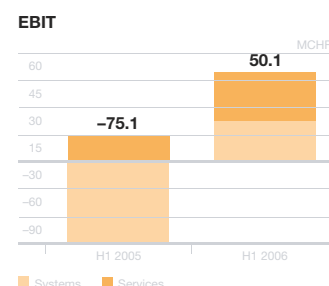
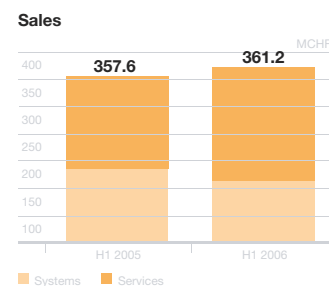
- Innovative leader in data storage with production system for Blu-Ray discs (Indigo)
- Wafer processing grows twice as fast as the market
- Breakthrough for solar with several major orders

The strong rise in orders received during the first half of 2006 of 82 percent to CHF 281.2 million shows the excellent positioning of the Systems unit. The primary driver of this development was the business unit Solar, which won orders totaling CHF 88.1 million. Solar is the sole provider worldwide of turn-key production facilities for thin film solar cells (“Kai”) with a technology advantage of at least one year. Wafer processing also posted strong growth in orders received of 35 percent, for instance for metallization systems for wafers. Sales in the Systems unit remained at the prior year’s level due to the declining market for data storage.

The restructuring measures resulted in strong growth in operating profit. EBIT rose from CHF -90.1 million in the first half of 2005 to CHF 22.8 million, thus achieving an EBIT margin of 15 percent. A prime example of this is the reintegration of the entire production at the St. Petersburg location in the USA, which was previously outsourced. This alone saved overhead costs of CHF 5 million.

The Systems unit will continue on its growth trajectory in the second half of 2006. Data Storage introduced the first production system for mass production of Blu-Ray discs worldwide during the first half of 2006 and delivered this system to customers. Cooperation agreements were signed with leading Blue-Ray manufacturers such as Philips and Ricoh. The Data Storage unit launched a new manufacturing process for hard drives under the name “Racetrack”, which permits ten times greater data density. The Wafer Processing units expects an additional growth spurt from the rollout of new mask etching systems (“Gen V”) for the production of future computer chips with structure widths of up to 22 nanometers.

Demand in the Solar business unit is increasing by leaps and bounds, which will result in additional growth in the second half of 2006. Thanks to partnering agreements and the targeted transfer of know-how, the Solar unit can significantly accelerate the market introduction of new production technologies and thus further expand its leading position. The next generation of thin film solar modules is already operational in the laboratory. The efficiency of solar modules can be increased significantly by a dual coating using amorphous and crystalline silicon. The rollout of this “tandem cell” is planned for 2007.



Oerlikon Balzers Coating, Services

Highlights

- Increase in EBIT of 82 percent to CHF 27.3 million compared to first half of 2005
- Acquisition of Gold Star Coating in the USA
- New mass applications for coating in the automotive sector

The Job Coating business achieved excellent earnings in the first half of 2006. Compared to prior-year period, the business unit grew by 12 percent to CHF 205.8 million and EBIT jumped by 82 percent to CHF 27.3 million. We are seeing strong demand in almost all regions. Job Coating grew significantly faster than the market and has now attained a market share of almost 30 percent with a significant lead on the competition.

The disproportionate growth is being fed above all by innovative technologies and methods as well as the strategy of establishing an in-house coating center at the customers' location. The RS 90 coating system introduced in the prior year sets new standards with regard to productivity and results in totally new cost-benefit ratios for many applications. This enables the Job Coating unit to tap into new areas for deploying diamond-like carbon coatings (DLC). There was a breakthrough in the automotive sector in the first half of the year: for the first time, Job Coating coated components for high-performance diesel engines and established an in-house coating center for this in Brazil.

Processes and costs were further optimized during the first half of 2006. The takeover of Gold Star Coating, the number three in the US market, played an important role in this connection. The consolidation of coating centers resulted in substantially better utilization and thus profitability. At the same time, the acquisition strengthened the unit's market position in the USA. The opening of an additional coating center near Milton Keynes in the UK further expanded our presence in car racing.

The positive course of business will continue in the second half of 2006. In addition to increases in volume at our existing locations, seven new coating centers are going into operation in Eastern Europe and Asia. This will enable Job Coating to participate in the economic upward trend in these regions. At the same time, the business unit is bringing new technologies to the market, which are advancing new fields of application based on improved thermal properties.

Oerlikon Leybold Vacuum

Strong again with good growth and high profitability

Oerlikon Leybold Vacuum posts a significant upward trend during the first half of 2006. Sales rose by 13 percent to CHF 209.7 million. EBIT grew from CHF –3.1 million in the first half of 2005 to CHF 22.1 million.

Oerlikon Leybold Vacuum, Systems

Highlights

- Expansion of the product portfolio by explosion-proof fore vacuum pumps
- Number 1 in Taiwan for vacuum solutions for display production (rear projection)
- Won orders from CERN research institute for the world’s largest particle accelerator

The segment achieved outstanding growth in all regions and fields of application. Sales rose by 18 percent to CHF 159.0 million. For example, the business unit became the market leader in Taiwan for vacuum solutions, which are required for producing the rear projection of flat screen monitors. The Systems segment was also able to gain a number of prestigious orders over the competition in the research sector, for example at the CERN research center in Geneva. We are delivering sophisticated vacuum solutions to CERN for the world’s largest particle accelerator (large hadron collider).

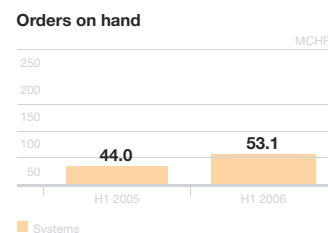
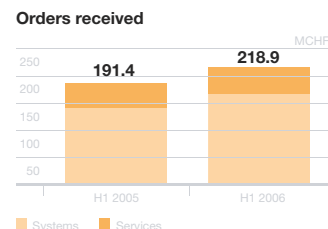
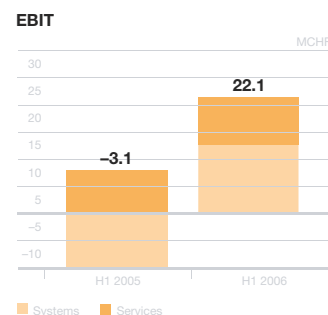
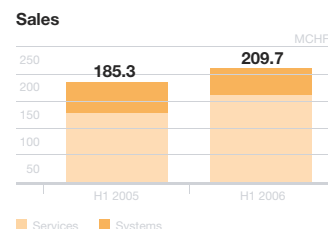
Our consistent advancement of innovative products forms the basis of these successes. Among others, Oerlikon Leybold Vacuum rounded out its product portfolio in the field of fore vacuum pumps and improved existing high vacuum products through new components. Sales of the “Screwline” oil-less screw pump were tripled through technical enhancements as well as a stronger focus on sales. Parallel to this, the segment began numerous research and development projects that will lead to new product launches in the short and medium-term. This will support Oerlikon Leybold Vacuum in continuing its positive development in the second half of the year.

Oerlikon Leybold Vacuum, Services

Highlights

- Launch of the customer care program (“service from a single source”)
- Establishment of new service capacities in Asia

The first half of the year remained slightly below expectations in the Services unit. This was caused by customer’s high investments in new systems. The business unit launched a comprehensive customer care program for tailored support of complete vacuum systems (“service from a single source”) in the first six months in order to expand the service business on a sustainable basis. The program is already showing initial successes, above all in the USA. In addition, service capacities in Asia were expanded by the establishment of new maintenance lines in China and Taiwan, as well as the opening of a service center in India.



Oerlikon Components

Excellent position in tomorrow's markets

In spite of a seasonal decline in revenue of 15 percent to CHF 84.6 million, the Oerlikon Components segment posted excellent earnings with EBIT of CHF 12.2 million and an EBIT margin of 14 percent.

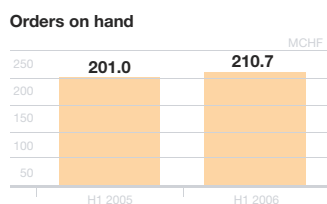
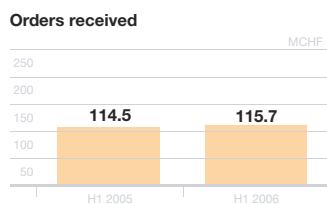
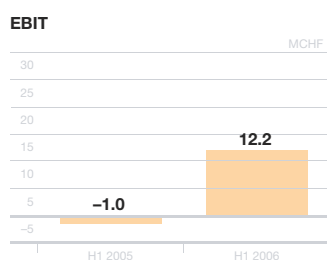
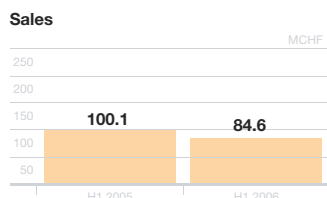
Highlights

- Equity holding in Novalux for laser-based optical systems
- Order for equipping “Galileo”, the European satellite navigation system
- Successful positioning of Solutions as an outsourcing partner

The Oerlikon Components segment improved its position in its respective submarkets considerably during the first half of 2006 even though overall demand was declining. For example, optics boosted sales of biochips by around 100 percent and now has a market share of 25 percent. The business unit Space received the order to produce key components – the Solar Array Drive Mechanism (SADM) – for “Galileo”, the European satellite navigation system. After the successful launch of the Pluto mission in January 2006, NASA, the US space agency, decided to employ our core product, “payload fairings”, on additional space missions as well.

The Solutions business unit (formerly: Mecanovis) has been working on special machine tools for Unaxis business units for many years. The strategy of positioning itself as an independent business unit was started in the first half of 2006. Orders received in this business unit jumped by 58 percent vis-à-vis the first half of 2005 and sales climbed by 69 percent. Solutions gained several major customers during the first half of the year and significantly increased sales to third party customers.

The Oerlikon Components segment also initiated numerous research and development projects. The highlight of the first half of the year was the equity holding in Novalux, a California company. The cooperation comprises the common development of new laser modules for mass production and their sale by Unaxis Optics based on the Novalux technology (NECSEL). Novalux' new laser source reduces the number of required components and thus reduces production costs for the light source for optics and the other optical components. For the second half of the year we expect a strong upturn in the projection business as well as continued growth in advanced components.



Oerlikon ESEC Semiconductor

Business development significantly above expectations, brand position further strengthened

Oerlikon ESEC Semiconductor continues its successful development uninterrupted under Unaxis leadership. Sales more than doubled, increasing by 126 percent to CHF 132.4 million (H1 2005: CHF 58.6 million). The same applies to orders received, which reached CHF 140.5 million. EBIT completed a trend reversal from CHF -40.2 million, rising to CHF 23.9 million. Oerlikon ESEC Semiconductor thus significantly exceeded expectations.

Highlights

- Rapid market penetration with new 2008hSplus die bonder system
- Successful rollout of the 3100optima wire bonder platform
- Successful relocation of wire bonder production to Singapore

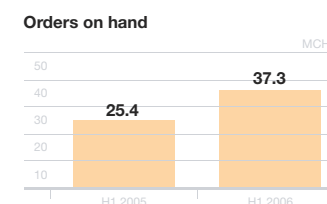
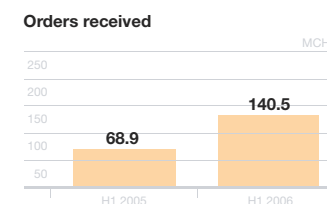
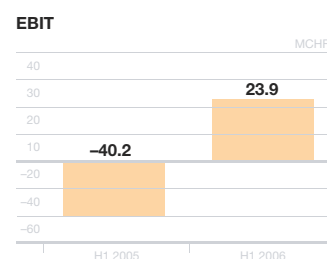
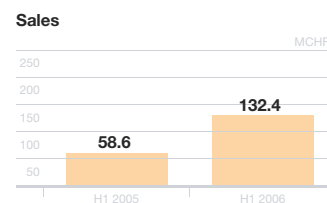
The segment posted outstanding business development in the first half of 2006 based on high demand in the semiconductor industry, an excellent ability to deliver, as well as leading products. In the wire bonder segment, our strong leading role in Europe was reinforced and our position in Asia was also improved through newly won customers. In the die attach segment, the 2008hSplus, which was launched in the second half of 2005, was extremely well received. With just a few exceptions, all customers migrated to this new platform, allowing Die Attach to gain additional market share.

Two new wire bonder systems went on the market during the first half of the year:

- 3100optima with improved productivity of up to 15 percent; thus further expanding the business unit's technical leadership;
- 3100optimaCu with the option to employ other materials. For example, replacing gold with copper helps users gain significant cost savings.

The successful relocation of wire bonder production to Singapore was an important milestone during the first half of 2006. Production will begin as planned in the third quarter. Oerlikon ESEC Semiconductor thus further expands its global presence with this step. All key competencies are available both in Europe and Asia, allowing the unit to react quickly to market and customer requirements and optimally provide the required knowledge.

For the second half of the year, we expect demand to remain stable and the outstanding course of business to continue.



FINANCIAL REPORT

This financial report is a translation from the original German version. In case of inconsistencies the German version prevails.

Remarks to the tables:
All amounts are rounded off.
This can result in rounding differences.

KEY FIGURES

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Business developments by segment

in CHF million	June 30, 2006 Unaudited	June 30, 2005 Unaudited
Oerlikon Balzers Coating		
Orders received	487	339
Orders on hand	224	247
Sales	361	358
EBITDA	74	-49
EBIT	50	-75
- as % of sales	14%	-21%
Net assets ¹	463	419
of which:		
Oerlikon Balzers Coating, Systems		
Orders received	281	155
Orders on hand	224	247
Sales	155	174
EBITDA	28	-86
EBIT	23	-90
- as % of sales	15%	-52%
Net assets ¹	166	140
of which:		
Oerlikon Balzers Coating, Services		
Orders received	206	184
Orders on hand	0	0
Sales	206	184
EBITDA	46	37
EBIT	27	15
- as % of sales	13%	8%
Net assets ¹	297	279
Oerlikon Leybold Vacuum		
Orders received	219	191
Orders on hand	53	44
Sales	210	185
EBITDA	26	1
EBIT	22	-3
- as % of sales	11%	-2%
Net assets ¹	-48	-28
of which:		
Oerlikon Leybold Vacuum, Systems		
Orders received	166	141
Orders on hand	53	44
Sales	159	136
EBITDA	16	-7
EBIT	12	-10
- as % of sales	8%	-7%
Net assets ¹	-49	-27
of which:		
Oerlikon Leybold Vacuum, Services		
Orders received	53	50
Orders on hand	0	0
Sales	51	49
EBITDA	10	8
EBIT	10	7
- as % of sales	19%	14%
Net assets ¹	1	-1

¹ Net assets comprise operating current and non-current assets (excluding cash and cash equivalents and financial investments) minus operating liabilities (excluding financial debt and tax provisions).

KEY FIGURES BY SEGMENT

Business developments by segment

in CHF million

	June 30, 2006 Unaudited	June 30, 2005 Unaudited
Oerlikon Components		
Orders received	116	115
Orders on hand	211	201
Sales	85	100
EBITDA	20	11
EBIT	12	-1
- as % of sales	14%	-1%
Net assets ¹	37	37
Oerlikon Esec Semiconductor		
Orders received	140	69
Orders on hand	37	25
Sales	132	59
EBITDA	25	-38
EBIT	24	-40
- as % of sales	18%	-69%
Net assets ¹	174	138
Others		
Sales	1	0
EBITDA	22	10
EBIT	18	8
Net assets ¹	102	-24

¹ Net assets comprise operating current and non-current assets (excluding cash and cash equivalents and financial investments) minus operating liabilities (excluding financial debt and tax provisions).

CONSOLIDATED INCOME STATEMENT
AND CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY

Consolidated income statement in CHF million	January 1 to June 30, 2006 Unaudited	January 1 to June 30, 2005 Unaudited
Sales of goods	534	475
Services rendered	255	226
Sales	789	702
Cost of sales	-467	-539
Gross profit	322	163
Marketing and selling	-86	-107
Research and development	-53	-76
Administration ¹	-93	-105
Other income and expenses	36	13
EBIT¹	126	-112
Financial income ²	6	2
Financial expenses ^{1, 2}	-11	-2
Result before taxes (EBT)	121	-111
Income taxes	-3	-5
Net profit/loss	118	-117
Attributable to:		
Equity holders of the parent	117	-118
Minority interests	1	1
Earnings per registered share in CHF	9.16	-8.43
Diluted earnings per registered share in CHF	9.15	-8.43
Dividend paid out per registered share in CHF (gross)	0.00	0.00

¹ The EBIT as of June 30, 2005, includes interest expenses of CHF 5.9 million arising from post-employment expenses. Without these interest expenses, EBIT would have been a negative CHF 106 million and the financial expenses a negative CHF 8 million as of June 30, 2005.

² Translation losses and gains are shown as a net position, in line with the presentation as of December 31, 2005. The prior-year figures have been adjusted accordingly.

Consolidated statement of changes in shareholders' equity (abridged) in CHF million	Shareholders' equity attributable to equity holders of the parent	Minority interest	Shareholders' equity January 1 to June 1, 2006 Unaudited	Shareholders' equity January 1 to June 1, 2005 Unaudited
Shareholders' equity as of January 1	1 039	7	1 046	1 221
Fair value adjustments under IAS 39	26	0	26	20
Realization under IAS 39	-24	0	-24	-14
Deferred taxes not impacting net income under IAS 39	-1	0	-1	2
Translation differences	-17	0	-17	51
Net result recognized in equity	-16	0	-16	60
Net loss/income for the period	117	1	118	-117
Total of recognized income and expenses	101	1	102	-57
Share-based compensation	0	-1	-1	-1
Dividends paid	0	0	0	2
Purchase of treasury shares	0	0	0	-15
Sale of treasury shares	-1	0	-1	35
Shareholders' equity as of June 30	1 139	7	1 146	1 185

CONSOLIDATED BALANCE SHEET

Assets	June 30, 2006	December 31, 2005	June 30, 2005
in CHF million	Unaudited	Audited	Unaudited
Cash and cash equivalents	343	324	518
Marketable securities	2	106	2
Receivables ¹	480	388	317
Inventories	273	237	363
Prepaid expenses and accrued income	29	22	32
Current assets	1 127	1 076	1 232
Loans receivable	1	0	32
Investments in associated companies	14	0	0
Other investments	28	28	75
Property, plant, and equipment	570	567	590
Intangible assets	228	214	211
Post-employment benefit assets	28	29	29
Deferred tax assets	64	68	62
Non-current assets	933	907	1 000
Total assets	2 060	1 983	2 232

Liabilities and shareholders' equity	June 30, 2006	December 31, 2005	June 30, 2005
in CHF million	Unaudited	Audited	Unaudited
Payables	118	130	113
Accrued liabilities	179	188	200
Current customer advances	76	56	84
Current financial debt	1	1	3
Current income tax provisions	22	21	20
Current post-employment benefit provisions	14	13	12
Current other provisions	110	133	236
Current liabilities	521	544	667
Non-current customer advances	40	34	36
Non-current financial debt	2	2	3
Non-current post-employment benefit provisions	250	249	249
Deferred tax provisions	36	27	20
Non-current other provisions	64	82	72
Non-current liabilities	393	393	380
Total liabilities	914	937	1 047
Share capital	283	283	283
Treasury shares	-244	-244	-15
Reserves and retained earnings	1 100	1 000	911
Shareholders' equity attributable to equity holders of the parent	1 139	1 039	1 179
Minority interests	7	7	6
Shareholders' equity	1 146	1 046	1 185
Total liabilities and shareholders' equity	2 060	1 983	2 232

¹ This includes CHF 114.3 million of repayment entitlements from securities called, which had been received by the company as cash by the time of publication.

CONSOLIDATED
CASH FLOW STATEMENT

in CHF million	January 1, to June 30, 2006 Unaudited	January 1 to June 30, 2005 Unaudited
Net income/loss for the period	118	-117
Depreciation of property, plant, and equipment	39	45
Other depreciation and amortization	2	2
Impairment losses on property, plant, and equipment	0	1
Addition (+), release (-) in other provisions	-16	54
Increase (+), decrease (-) in post-employment benefit provisions	2	3
Expense (+), income (-) in deferred taxes	11	-2
Losses (+), gains (-) from sales of non-current assets	-5	-4
Decrease (+), increase (-) in post-employment benefit assets	1	1
Other non cash income/expense	-24	2
Translation losses (+), gains (-) on intercompany positions	4	-11
Cash flow from/used by operating activities	131	-26
Decrease (+), increase (-) in receivables/accrued assets ¹	10	27
Decrease (+), increase (-) in inventories	-42	-13
Increase (+), decrease (-) in payables/accrued liabilities and use of other provisions	-43	-77
Increase (+), decrease (-) in customer advances	30	6
Non cash impact in net current assets due to hedge accounting	4	-14
Cash flow from change in net current assets	-42	-71
Cash flow from operations	90	-97
Capital expenditure in property, plant and equipment	-50	-57
Investments in associated companies	-14	0
Capital expenditure on intangible assets	-16	-1
Decrease (+), increase (-) in loans receivable	-2	0
Decrease (+), increase (-) in securities ¹	13	1
Increase (+), decrease (-) in cash from acquisitions and divestments	-10	-1
Proceeds from sales of property, plant and equipment	12	4
Proceeds from sales of consolidated subsidiaries	0	1
Cash flow from/used in investing activities	-69	-53
Dividends paid	-1	-1
Purchase (-)/sale (+) of treasury shares	0	20
Increase in (+), repayment of (-) financial debt	1	8
Cash flow from/used in financing activities	0	27
Translation adjustments on cash and cash equivalents	-2	12
Increase (+), decrease (-) in cash and cash equivalents	19	-112
Cash and cash equivalents at start of period	324	630
Cash and cash equivalents at end of period	343	518
Increase (+), decrease (-) in cash and cash equivalents	19	-112
Increase (-), decrease (+) in financial debts from purchase/sale of subsidiaries	0	8
Repayment of (+), increase in (-) financial debt	-1	-8
Translation adjustments on financial debt	0	0
Increase (+), decrease (-) in net liquidity	18	-113
Additional information:		
Interest paid	0	0
Interest received	2	2
Taxes paid	14	16

¹ Presentation adjusted for non-cash increase/decrease in balance sheet items as at balance sheet date.

SEGMENT INFORMATION

First 6 months (2005 and 2006 unaudited) in CHF million	Orders received	Orders on hand	Sales to third parties	Net assets (only third parties) ¹	Research and development	EBIT	Number of employees
Group							
2006	963	525	789	727	53	126	6 557
2005	714	518	702	543	76	-112	6 707
Oerlikon Balzers Coating							
2006	487	224	361	463	24	50	3 436
2005	339	247	358	419	38	-75	3 535
Oerlikon Balzers Coating, Systems							
2006	281	224	155	166	17	23	983
2005	155	247	174	140	30	-90	1 296
Oerlikon Balzers Coating, Services							
2006	206	0	206	297	6	27	2 453
2005	184	0	184	279	8	15	2 239
Oerlikon Leybold Vacuum							
2006	219	53	210	-48	13	22	1 386
2005	191	44	185	-28	15	-3	1 493
Oerlikon Leybold Vacuum, Systems							
2006	166	53	159	-49	13	12	1 019
2005	141	44	136	-27	15	-10	1 076
Oerlikon Leybold Vacuum, Services							
2006	53	0	51	1	0	10	367
2005	50	0	49	-1	0	7	417
Oerlikon Components							
2006	116	211	85	37	4	12	931
2005	115	201	100	37	4	-1	946
Oerlikon Esec Semiconductor							
2006	140	37	132	174	12	24	633
2005	69	25	59	138	19	-40	665
Others							
2006	1	0	1	102	0	18	171 ²
2005	0	0	0	-24	0	8	68

¹ Net assets comprise operating current and non-current assets (excluding cash and cash equivalents and financial investments) minus operating liabilities (excluding financial debt and tax provisions).

² Allocation of employees from operating units to Group headquarters.

NOTES TO THE CONSOLIDATED
SEMI-ANNUAL FINANCIAL STATEMENTS
(ABRIDGED AS PER IFRS 34)

Scope

The semi-annual report of the Oerlikon Group for the period ending June 30, 2006, covers Unaxis Holding AG, Pfäffikon, and all consolidated subsidiaries and associated companies.

Accounting principles

The unaudited consolidated semi-annual financial statements for the first half year of 2006 have been presented in abridged form in compliance with IAS 34.

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, 2005, with the exception of the changes shown below.

Estimates

Preparation of the semi-annual financial statements requires judgments, estimates and assumptions which have an effect on the accounting treatment of reported assets and debts, expenses and income. Actual trends may deviate from these estimates.

With the exceptions of the situations below, the same significant assumptions and estimates were applied for this semi-annual report as in the accounting and valuation methods used for compiling the consolidated financial statements as of December 31, 2005.

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, 2006. The application of these standards and interpretations has had no significant impact on these consolidated semi-annual financial statements. These standards and interpretations can be found in the consolidated group financial statements as of December 31, 2005.

Changes in Accounting Policies

Change in segment reporting

Group segment reporting follows the organizational structure on which the management reporting system is based. This forms the basis for assessing the financial performance of the segments and for allocating resources to the segments. As part of the program to reorient corporate structure, the Oerlikon Group made changes in the first half of 2006 which led to a bundling of core competences and a streamlining of business units. Group reporting was also adjusted in line with the new reporting structures.

The segments Coating Services, Vacuum Solutions, Data Storage Solutions, Components and Special Systems, Solar/Display Technology and Semiconductor Equipment which were shown as of December 31, 2005, have now been allocated to the following new segments:

- Oerlikon Balzers Coating: this segment includes all business units with a core competence in thin film coating, i.e., Data Storage Solutions, Wafer Processing, Solar Technology and the former Contract Coating (Coating Services).
- Oerlikon Leybold Vacuum: the core competence of this segment is the development of systems for vacuum making and process gas handling; even more emphasis will be placed on the service business in future.
- Oerlikon Components: this segment includes the business units Optics, Space and Solutions (formerly Mecanovis). The Optics unit will in future benefit more strongly from developments in the Space Technology unit, such as laser technologies.
- Oerlikon Esec Semiconductor: this segment includes Assembly & Packaging, a world-leading supplier of chip assembly machinery and system solutions for the semiconductor industry.

For reasons of comparability, figures from the prior-year period have been adjusted accordingly in the segment reporting.

NOTES TO THE CONSOLIDATED
SEMI-ANNUAL FINANCIAL STATEMENTS
(ABRIDGED AS PER IFRS 34)

Capitalization of development costs

The semi-annual report shows development costs of CHF 13.0 million under intangible assets, which for the first time meet the strict criteria for capitalization under IAS 38. This covers various development projects for technologies and product applications across the segments. The capitalization follows the introduction of a group-wide controlling system for development projects in the first half of the year. Development costs are capitalized from the point where evidence is provided that all criteria of IAS 38.57 have been met. The acquisition or production costs of the development costs capitalized include all costs which can be directly allocated to the development process. When the development process is completed, the development costs are depreciated according to the expected asset life.

Changes in the scope of consolidation

Acquisition of Gold Star

On May 1, 2006, the Oerlikon Group acquired Gold Star Coatings by means of an asset deal for a purchase price of CHF 10.4 million. As a result of this transaction, Oerlikon took over the PVD coating business of Gold Star Coatings. In the months from May 1, 2006, to June 30, 2006, this contributed CHF 0.4 million to group net profit. If Gold Star Coatings had been acquired on January 1, 2006, management estimates that its contribution to group half-year net profit would have been CHF 1.2 million and to group half-year sales CHF 6.7 million. If this had been the case, group half-year net profit would have been CHF 119 million.

Gold Star Coatings has been consolidated in the group financial statements from the time of the acquisition using provisional values, as the process of establishing the fair value of the identifiable assets and debts and contingent liabilities of Gold Star Coatings has not yet been concluded. The provisional purchase price allocation gives rise to goodwill of CHF 3.0 million. The goodwill and the extent and total value of the identifiable assets, debts and contingent liabilities may yet change. It is expected that the purchase price allocation will be concluded in the second half of the year.

Using the provisional fair values gives rise to the following effects on the assets and debts of the group as of May 1, 2006:

In million CHF	
Inventories	0.3
Property, plant and equipment	4.9
Goodwill	3.0
Intangible assets	2.2
Total purchase price	10.4

Acquisition of associated companies

On June 13, 2006, the Oerlikon Group acquired 21 percent of the shares of Novalux for a purchase price of CHF 14 million. Under the purchase agreement, the Oerlikon Group acquired options on further shares and global, non-exclusive rights to use technology applications. At the same time, an agreement was signed to jointly develop applications for the new Novalux solid state laser technology.

Novalux specializes in developing semiconductor laser technologies. The cooperation between the two companies will provide a further considerable boost to the development of innovative projection display technologies.

Provisions

Situations requiring the establishing of provisions are regularly monitored in accordance with the legal and regulatory requirements governing their accounting treatment. This resulted in new provisions of CHF 12 million, releases of CHF 28 million and usage of CHF 25 million in the period under review (based on the values as of December 31, 2005).

NOTES TO THE CONSOLIDATED
SEMI-ANNUAL FINANCIAL STATEMENTS
(ABRIDGED AS PER IFRS 34)

Development of deferred taxes on loss carry-forwards

In view of the positive business trends in the segments and the active use of the existing loss carry-forwards, continued recognition of deferred taxes on loss carry-forwards for the present reporting period is possible.

Other result CHF 36.0 million (previous year: CHF 12.9 million)

Other income CHF 41.2 million (previous year: CHF 24.2 million): other income for the reporting period includes CHF 22.6 million from the sale of securities. This income is booked as a receivable at the balance sheet date, and the funds have since been received. An additional entitlement to profit may arise, depending on final settlement. A further CHF 4.8 million arose from the sale of real estate no longer used for operating purposes and CHF 5.8 million from the release of restructuring provisions no longer required. In the previous period, other income was mainly affected by one-off effects such as the release of warranty provisions no longer required for Oerlikon Contraves and Bally (approximately CHF 15 million) and profit from the sale of Spinneri Kunz (CHF 2 million).

Other expenses CHF -5.2 million (previous year: CHF -11.4 million)

Events after the balance sheet date

No events occurred subsequent to the balance sheet date that would have a significant influence on the ability to assess these financial statements.

These consolidated semi-annual financial statements were approved by the Board of Directors on August 2, 2006.

Shareholder structure

According to a disclosure dated July 17, 2006, Victory Industriebeteiligung AG of Vienna, Austria, holds 51.08 percent of the voting rights in Unaxis Holding AG, Pfäffikon (31.28 percent through 4.4 million registered shares and 19.8 percent through derivatives). On July 14, 2006, Renova Group reported a holding of 10.38 percent in Unaxis Holding AG, Pfäffikon.

Important dates

October 24, 2006:

Key figures for the third quarter 2006

March 6, 2007:

Media and analysts' conference

May 8, 2007:

Annual general meeting

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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.