Annual Report **2020**

About Oerlikon

Oerlikon is a global innovation powerhouse for surface engineering, polymer processing and additive manufacturing. Our solutions and comprehensive services, together with our advanced materials, improve and maximize the performance, function, design and sustainability of our customers' products and manufacturing processes in key industries.

Pioneering technology for decades, we cherish to create and design the future with our customers close to where they are, enabling them to achieve more with less.

Emissions reduction in transportation, maximized longevity and performance of tools, increased energy efficiency, and intelligent materials and sustainable polymer processing are proven hallmarks of our global leadership.

Everything we invent and do is guided by our passion to support our customers' goals and foster a sustainable world.

Headquartered in Pfaeffikon, Switzerland, the Group operates its business in two Divisions – Surface Solutions and Manmade Fibers. It has a global footprint of more than 10 600 employees at 179 locations in 37 countries and generated sales of CHF 2.3 billion in 2020.

#1

in High Potential Markets

Surface Solutions offers value-adding services with high barriers to entry. Manmade Fibers is the #1 supplier of polymer processing equipment and integrated polymer plants for the chemical fiber industry.

Strong Focus on Sustainability

Reducing environmental impact is at the heart of Oerlikon's strategy, technology portfolio and operations. Oerlikon's 1st Sustainability Report presents its credentials and underlines its committment to ESG.

~55%

Group Sales in Surface Solutions

Technology and market leader with a unique portfolio and structural growth opportunities. Operational improvement programs enhancing profitability and capital efficiency.

~45%

Group Sales in Manmade Fibers

Technology and market leader with resilient business model; proven ability to navigate cycles with a high cash conversion ratio.

Strong Balance Sheet

Positive net cash position with healthy cash generation; retained capability for transformational M&A.

Disciplined Capital Allocation

CHF ~900 m returned to shareholders since 2016. Delivering value-enhancing M&A with 16 acquisitions made since 2016. Focus on accretive small to mid-sized M&A with retained capability for transformational deals.

www.oerlikon.com

2020 at a Glance

Resilient Group performance in a highly challenging market environment driven by COVID-19.

Effective cost-out actions swiftly and successfully executed; protected profitability and increased Oerlikon's resilience.

Manmade Fibers delivered strong top line and profitability. Full order books for filament processing and nonwovens equipment for next 2 years and filling into 2023.

Surface Solutions impacted by weak markets. Cost programs protected profitability in second half of 2020. Market recovery noted in automotive and tooling in second half of 2020.

Order Intake
2.2 billion
13.5% below prior year

Sales
2.3 billion
12.9% below prior year

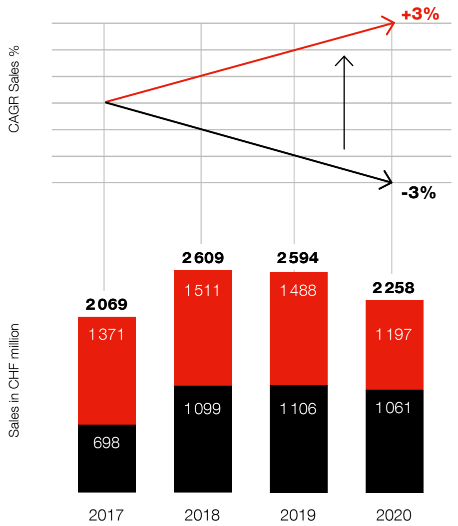
Operational EBITDA Margin
14.2%
0.9% points below prior year

Net Income
38 million
(2019: CHF -66 million)

Earnings per Share
0.11
(2019: CHF -0.21)

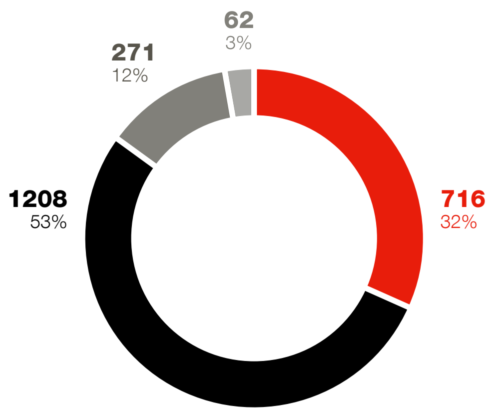
Ordinary Dividend Proposal
0.35
Same level as prior years

All financial figures in CHF.



Oerlikon Group Sales
in CHF million

CAGR Sales
Global GDP in %
Surface Solutions Sales in CHF million
Manmade Fibers Sales in CHF million



Sales 2020 by Region
in CHF million

Europe
Asia-Pacific
North America
Other regions

Chairman and CEO Letter

Dear Shareholders

When faced with a challenging year, the question for any company is whether it can also be a productive year. For 2020, the answer at Oerlikon is an emphatic yes.

Any evaluation of 2020 must begin with the COVID-19 pandemic and the uncertainty it caused entire industries, businesses around the globe and people's lives.

The pandemic heavily impacted our end markets, particularly aerospace. We acted swiftly in executing cost-out measures to mitigate the impacts of the pandemic, and to protect our profitability. Globalization and diversification were in fact key drivers of our ability to manage the pandemic. We succeeded in maintaining our supply chain even during the lockdowns, and our experience demonstrates the resiliency inherent in well-networked global value chains.

We proved the strength of our strategy and business model and delivered a resilient performance in a highly challenging market environment.

Furthermore, we are proud to have published this year our first Sustainability Report. Sustainability has always been an integral part of Oerlikon, and now, we are publicly sharing our credentials and our future commitment to environmental, social and governance topics.

Global Capacity, Cross-Regional Reliability

As aforementioned, thanks to our global production and service network, we were able to eliminate and minimize disruptions to our production and delivery timetables. With competencies in our workforce distributed globally, we succeeded in fulfilling customers' needs by providing coating, commissioning, maintenance and support services even when traveling became impossible.

We also benefited from not being overly dependent on any individual region or industry. As the recovery unfolded at varying speeds by country and industry, our results were positively impacted by the improvement in a certain region or sector. For example, we were able to maintain sales and orders for our manmade fibers systems at a high level as China's economy rapidly got back on track. The automotive industry's faster-than-expected rebound also helped to compensate, to a certain extent, pandemic-induced weakness in industries such as aerospace.

These examples illustrate how our 2020 performance and longer-term prospects for profitability and growth were strengthened by the breadth of our portfolio and global footprint, which spans across 179 sites in 37 countries.

2020 Financial Performance

Oerlikon performed well in 2020, given the market challenges that we faced. Manmade Fibers proved to be highly resilient and delivered stable results, while Surface Solutions felt the impact of COVID-19, particularly in sectors like aerospace.

Our filament equipment won record contracts from three of the world's leading manmade fibers manufacturers at the beginning of the year. The three projects have a total value of more than CHF 600 million. The filament markets remained stable for the rest of the year despite the pandemic.

Our nonwoven business was a hidden gem in 2020 with the unanticipated surge in demand for protective wear and masks. Given that a number of governments are redefining such protective items as critical medical supplies and their need to be self-sufficient, we anticipate the demand for nonwoven solutions to continue growing over the next quarters. To support this growth, Oerlikon ramped up production capacity by more than 10 times in 2020.

By contrast, our surface solutions business was impacted by the weak markets. The positive aspect here is that we saw the automotive and tooling markets start to recover in the second half of 2020. In 2020, we had to execute a comprehensive restructuring program. We did so with speed and decisiveness in order to protect our company and its profitability.

Group order intake amounted to CHF 2.2 billion, a decrease of 13.5% over 2019 (2019: CHF 2.6 billion) and Group sales declined by 12.9% to CHF 2.3 billion (2019: CHF 2.6 billion). Group operational EBITDA was lower, at

CHF 320 million, corresponding to a margin of 14.2% (2019 operational EBITDA margin: 15.1%). Unadjusted EBITDA margin was at 12.7%. Compared to 2019, results from continuing operations declined 65.5% to CHF 38 million (2019: CHF 110 million). Net result for 2020 improved to CHF 38 million (2019: CHF - 66 million). Consequently, earnings per share were CHF 0.11. With an equity ratio of 40%, the Group's financial position remained strong in 2020.

Strategy and Execution

We have built our success over the past six years on the strong foundation of Oerlikon's market and technology leadership, our sustainable innovation and our proven ability to deliver above GDP growth.

In 2020, despite facing challenging markets, we were steadfast in executing our strategy. Our focus was on protecting our profitability. Once the impact of the pandemic was apparent, we accelerated on our restructuring and cost-out actions for the surface solutions business.

We executed on optimizing support functions and our global footprint, leveraging synergies in procurement and the equipment businesses and rightsizing additive manufacturing. In a systematic and disciplined manner, we reduced discretionary spend and capital expenditure, and implemented short-time work.

We were constantly ahead of schedule in delivering these measures and succeeded in reducing our operating expenses and capital expenditure. An annual run-rate of savings of around CHF 70 million was realized. This positions us well to improve our profitability when markets recover.

In 2020, we took over the majority shareholding in our joint venture, Teknoweb, in Italy, to boost our nonwoven portfolio. Toward the end of 2020, we acquired the thermal insulation systems business from Crosslink in Germany, to add to our portfolio thermal insulation material solutions for so-called battery electric vehicles, which are fully electric vehicles with rechargeable batteries and non-gasoline engines.

Our First Sustainability Report
Sustainable innovation defines Oerlikon: it is embedded in our strategy and in everything we do.

We are now formally joining the ranks of people proactively engaging in sustainability and inspiring others to do the same. We want to state explicitly our responsibility as caretakers of our global ecosystems and champions of sustainability. We offer this commitment to you unequivocally on behalf of ourselves, our Board of Directors and each of our Oerlikon associates; we have all dedicated ourselves to this mission.

Based on the materiality analysis, we have selected 8 out of 17 of the United Nations Sustainable Development Goals (SDGs) where we can make the most difference for our stakeholders. We have set environmental, social and governance targets for 2030 in areas closely linked to our operations, policies and capabilities. We welcome you and all our stakeholders to join us on this journey as a caretaker and sustainability champion.

Digitalization
Oerlikon is fully committed to digitalization and AI initiatives. We defined our Digital Roadmap in 2018 and since then, we have instituted more than 60 digital projects across all businesses. Digitalization is increasingly integrated into Oerlikon's operations – how we work together, communicate, acquire talent and create more synergies throughout our organization and in our dealings with customers.

At our Munich-based Digital Hub, we continue to design and implement digital, innovative solutions and deliver superior digital services in the priority areas of the Industrial Internet of Things, automation, digital sales and analytics. The Digital Hub has sparked new ideas regarding innovative approaches to running successful transformations and staying ahead of the curve.

Responsible Employer
Oerlikon's people are our most valuable asset, and in 2020, one of our top priorities was to ensure the safety and well-being of each member of our team. As soon as the global threat of COVID-19 was understood, we immediately took steps to protect employees. We issued safety guidelines and put in place protective measures such as disinfecting offices and workplaces.

To provide an additional level of protection, we pioneered the usage of safety devices from a Munich-based start-up, Kinexon, called SafeTags. These wearable sensors measure the distance between employees with centimeter accuracy, and the system sounds a warning if two sensors fall below the defined minimum distance for a certain period of time. In the event of an infection, the software enables contact chains to be tracked precisely.

Following successful pilots at some of our sites in Germany and Switzerland, we have deployed over 7 500 SafeTags in Europe and in the US. As Kinexon is not commercialized in all countries, we have deployed in early January 2021 an alternative but similar technology known as SpaceBands in Russia, South America, Canada and Asia, outside of China. More than 2 000 of these bands will be available for use at our sites in these regions and countries

Further Empowerment in Operational Business
As we announced during the fourth quarter, we proceeded to empower our operational businesses and increase our customer focus with the appointment of Dr. Markus Tacke as Division CEO for Surface Solutions. We also nominated both Division CEOs, Markus Tacke and Georg Stausberg, to the Executive Committee. Both of them bring significant industry experience and have track records in successfully transforming industrial businesses to generate profitable growth.

Share Buyback and Dividends
In 2019, Oerlikon's Board of Directors elected to buy back up to 10% of the share capital recorded in the company register over a period of up to 36 months. The share buyback continued into 2020, and we intend to utilize the repurchased securities to finance potential inorganic growth and to fund our global long-term employee incentive program.

As part of our strategy to allocate capital competitively, we returned value to shareholders in 2020 in the form of dividends. For 2021, the Board will propose at the Annual General Meeting of Shareholders an ordinary dividend payout, at the same level as in the previous three years, of CHF 0.35 per share.

Confidence in our Future
With a track record that affirms the strength of our strategy and with the diverse portfolio, global footprint and market position that have supported us through even this challenging year, Oerlikon is poised for continued performance and growth. We have excellent sustainable technology, exceptional talent and the key customer relationships necessary to pursue business opportunities as global markets recover.

The structural programs implemented in 2020 are expected to support mid- and long-term improvement in operating profitability and drive the Group's EBITDA margin toward 16% to 18%. Assuming the COVID-19 pandemic does not cause further major disruptions and markets continue to improve as vaccination programs are successful, Oerlikon expects sales to be between CHF 2.35 billion to CHF 2.45 billion and an operational EBITDA margin of 15.5% to 16.0% in 2021.

We offer our personal thanks to our employees, our management team and our colleagues on the Board of Directors for the dedication and commitment they demonstrated throughout 2020.

In addition, we offer our gratitude to our partners and customers for their confidence in our solutions and technologies and to you, our shareholders, for your unwavering support and continued faith in Oerlikon.

March 2, 2021

Best regards

Prof. Dr. Michael Süss
Chairman of the Board of Directors

Dr. Roland Fischer
Chief Executive Officer

Friction and wear are major factors limiting the performance and service life of tools. Oerlikon Balzer's coatings and nitridings are among the most effective ways to significantly extend tool life and to enable tools to be able to tolerate significantly higher cutting speeds and feeds, thus reducing machining time and costs.

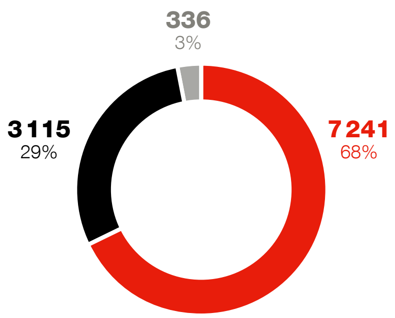
Oerlikon Group

Corporate Structure

Oerlikon is a leading global technology and engineering Group providing market-leading solutions and services for surfaces and manmade fiber production in diverse industries. The Group is structured in two Divisions: Surface Solutions and Manmade Fibers. Each Division offers technologies and solutions under well-established industry competence brands and adopts strategies specific to customers' needs and requirements in the respective market.

oerlikon

Surface Solutions Division	**Manmade Fibers Division**
oerlikon balzers	oerlikon barmag
oerlikon metco	oerlikon neumag
oerlikon am	oerlikon nonwoven



Employees (FTE) 2020 by Division[1]

- Surface Solutions Division
- Manmade Fibers Division
- Others

[1] Continuing operations.

Contents

Our Strategy

Sustainably Outgrowing Markets, Generating Above-Peer-Group Returns

Oerlikon is the number 1 supplier of polymer processing equipment and integrated polymer plants for the chemical fiber industry and continues to hold the number 1 market position for surface coating materials, equipment and services. Leadership in these fields positions the company strongly to continue delivering above-GDP growth and for further expansion in its key markets and in adjacent markets.

This strategy has been well tested and proven to deliver positive results in support of the company's roadmap for growth. In addition to launching new solutions, Oerlikon consistently identifies opportunities to expand its existing technology to new applications or use in additional industries.

The company is equally attuned to market gaps or business practice developments that create openings for expanded or enhanced service offerings. Oerlikon closely monitors emerging trends so that it can continue to anticipate tomorrow's market opportunities and respond swiftly as they arise.

In close collaboration with customers and partners, Oerlikon continues to research and develop the next generation of technologies to help customers meet existing, new and emerging challenges in their respective markets. Driven by megatrends such as population growth, higher demand for mobility and environmental sustainability, customers need to continuously improve their products and solutions to meet such demands. This is where Oerlikon plays a major role in supporting customers in their efforts to increase efficiency and productivity while saving costs and resources.

In 2020, Oerlikon invested CHF 118 million in R&D, reflecting its continued commitment to invest more than 4% of annual revenues in R&D. This supports Oerlikon's objective of maintaining its lead with sustainable innovations by feeding its strong pipelines of solutions for services, equipment and materials. Oerlikon's success in executing R&D throughout 2020 is illustrated by a number of new product launches (see page 23 for selected examples).

Oerlikon relies on competitive capital allocation to bring its strategic objectives to fruition. For instance, in 2020, Oerlikon acquired a majority share in Teknoweb Materials S.r.l., which was established in 2017 as a joint venture. The JV and majority stake have proven to be the right strategic steps for Oerlikon to strengthen its offering in the market for flushable wipes and to meet the growing demand for nonwovens used to manufacture protective wear and face masks as well as filters and disposables.

In 2020, a key success by Oerlikon was the execution of its restructuring and cost-out programs to reduce operating expenses and capital expenditure and rightsize some business areas according to market demand.

Oerlikon's strategy to sustainably outgrow markets and generate above-peer-group returns are built on the aforementioned fundamentals, strengths and action plan. The Group's track record in growing above GDP over the past few years (excluding the extraordinary pandemic-impacted year) affirms its strategy and confirms that it is heading toward achieving its EBITDA margin target of 16–18% and to realizing sustainable long-term growth in attractive end markets.

Selected Examples in 2020

Expand into adjacent markets
Entered the dental prosthesis market with BALIMED TICANA coating to meet the growing demand for implants that meet strict quality requirements. Extended into PET polycondensation plant solutions for packaging application.

Competitive capital allocation
Acquired the thermal insulation systems business from Crosslink, Germany, to expand the portfolio of solutions for Battery Electric Vehicles (BEV) for the global automotive industry. Took majority stake in Teknoweb to strengthen foothold in nonwoven disposables market.

Effective research and development
Launched BALINIT PROTEC: an eco-friendly coating for industrial gas turbines to provide erosion and corrosion protection. Introduced ecuTEC: a patented electrocharging unit used to apply an electric charge to fibers to enable filters to provide good respiratory protection.

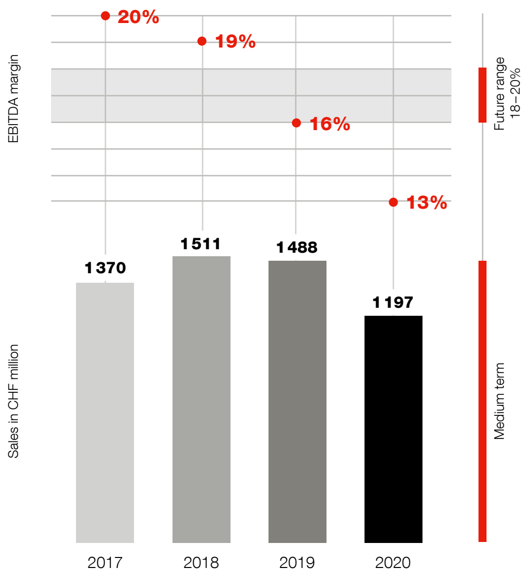
Protecting profitability
Delivered on restructuring and cost-out measures that protected profitability in a highly challenging year.

Sustainable innovation
Developed an AM-printed e-Axle Housing with a customer to bring design, functionality and reductions in both weight and mass. Developed a Vacufil recycling technology that enables the reutilization of polyester waste into high-end textile filament and fiber products for nonwoven applications.

Surface Solutions Impacted by COVID-19; Structural Growth Drivers Remain Intact

Surface Solutions is a technology and market leader in attractive key markets. Its unique portfolio of solutions and services and well-established base of trusted customers serve as high barriers of entry, enabling the Division a certain degree of pricing power. The Division has a global footprint of 155 sites in 37 countries, which allows it to serve customers in close proximity.

The Division was heavily impacted in 2020 by pandemic-weakened end markets. Excluding the extraordinary COVID-19 year, the Division has a strong track record in delivering structural growth through the cycle with a compounded annual growth rate of 16% from 2009 to 2019. Its end markets, like automotive, aerospace, tooling, power generation and general industries, will recover and drive further mid- and long-term growth opportunities for the Division. Boosting organic growth further are complementary M&As with promising technologies, market positioning, solutions and skills.



Sales in CHF million

- EBITDA margin
- Sales in CHF million

1 #1 in Coatings, Materials and Service

- High barriers to entry with pricing power
- Solution provider with high value add
- Largest global service network

2 Technology Leadership

- Coatings: thin-film and thermal spray
- Surface treatments, eg. nitriding
- Additive manufacturing

3 Intact Structural Growth Above GDP

- Track record of substantial structural growth
- 16% CAGR from 2009 to 2019, 6% since Metco
- Driven by end-market growth and innovation
- Enhanced by M&A

4 ESG

- Environmentally friendly technology
- Regulatory driven technology adoption

Sustainable Innovation Driving Growth

Surface Solutions has a comprehensive portfolio of materials, equipment and services that places it in a class of its own. The competence from its highly specialized and skilled R&D and engineering teams consisting of more than 1 100 engineers ensures a well-filled innovation pipeline of solutions that fulfill the needs of customers while contributing to sustainability. Highly productive and reliable systems, standardized or customizable materials for surface coatings and additive manufacturing, a global network of production and service coating centers that provide fast response times, timely delivery and near after-sales support are the key factors driving the Division's growth in attractive end markets.

Cross-Pollination of Business Models and Unique Technology Portfolio

Coating & AM Services

- Largest service center network globally with local focus
- Broadest product and service offering across technologies
- Increased efficiency with scaled-up sites
- Strong application engineering competences

~6% FY 16–19 CAGR

++ Long-Term Growth Potential

Equipment

- Next-generation coating platforms developed
- Significant installed base of coating machines
- Supporting next-generation advanced manufacturing
- Digital transformation

~12% FY 16–19 CAGR

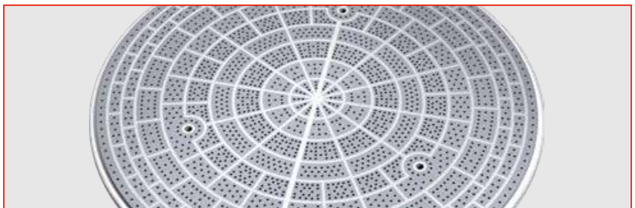
+ Long-Term Growth Potential

Coating & AM Materials

- Broad portfolio of materials
- Investment in next-generation atomizers
- Software-driven development of new materials
- Materials optimized with experience in coating services and equipment building

~11% FY 16–19 CAGR

++ Long-term Growth Potential



Components & Others

- Coated components extend the addressable market
- One-stop shop for system integrators
- Well placed for outsourcing trends from customers

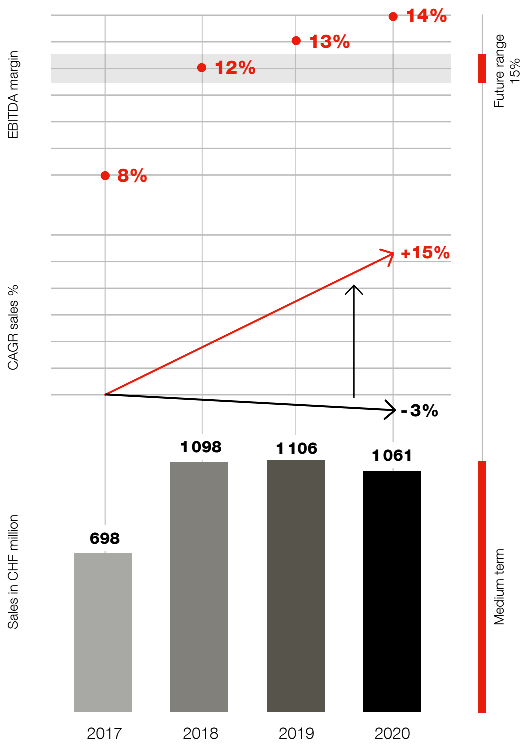
~(3)% FY 16–19 CAGR

+ Long-Term Growth Potential

Manmade Fibers Successfully Navigates Cycles

Manmade Fibers successfully managed its turnaround and continues to deliver strong, stable performance in top line and profitability. Its market leadership position in filament equipment and trusted customer relationships form a solid foundation for the Division's earnings. Moreover, it has good upside potential to grow its business as it establishes a stronger foothold in attractive fields such as nonwovens and geotextiles.

As digitalization and sustainability gain momentum in being adopted in the manmade fibers markets, the Division is well-positioned at the forefront with polymer flow control, smart factory and recycling solutions that complement existing energy and resource-saving technologies.



Sales in CHF million

- EBITDA margin
- CAGR Sales
- Global GDP in %
- Sales in CHF million

1 #1 Market Position

- Polymer processing leader in chemical fibers market
- Trusted long-term supplier
- Ability to manage cycles

2 Cash Redeployment

- Generated over CHF 1.5 billion in operating free cash flow over past 10 years
- CHF 0.6 billion in organic growth via R&D and capital expenditures
- CHF 0.9 billion to Group to fund return to shareholders (dividends) and investments in Surface Solutions' growth

3 Transformed Business

- Successful turnaround of business with stable base in filament market
- Future diversification and growth in nonwoven, aftermarket and other

4 ESG

- Helping customers achieve their environmental goals

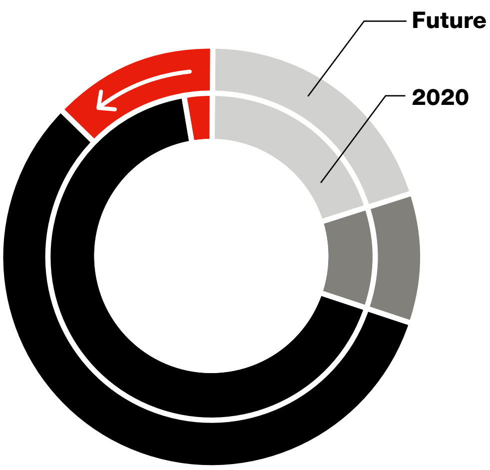
Strengthening the Manmade Fibers Portfolio

Manmade Fibers has succeeded in maintaining its performance at a high level despite the pandemic. Its core filament spinning systems business is returning to mid-cycle, and it has filled up a strong order pipeline that takes its delivery schedule into 2023.

The unexpected surge in demand in 2020 for meltblown systems used to manufacture nonwovens for face masks and protective wear production has established this business as a strong revenue source for the Division. The pandemic served as a catalyst to boost the orders, which is expected to continue due to countries' need for self-sufficiency and other promising nonwoven applications. Growth in nonwoven will be further boosted by a unique technology for substrates for flushable wipes, which will be developed by Teknoweb.

Other growth areas such as the precision polymer flow control, carpet yarns, smart factories, mechanical recycling solutions and after-sales customer services provide the diversification to further strengthen the portfolio that will help the Division smoothen out the cyclicality associated with large equipment investments.

Evolving Sales Mix



Evolving Sales Mix

- Filament
- Nonwovens
- Others (incl. carpet yarn)
- Customer Service

Transformation Catalysts

Filament Returns to Mid-Cycle

- Strong order visibility until 2022/2023 driven by the vertical integration and consolidation of Chinese customers
- The long-term expectation is that the market will normalize

Nonwovens Expansion

- Sustainable growth driven by Oerlikon technologies and JV with Teknoweb
- COVID-19 acted as a catalyst for the adoption of nonwovens
- Strong 2020 sales and a future order book of over CHF 100 million will see Manmade Fibers build business in a market of over CHF 0.5 billion growing at 7–9% CAGR

Other Growth Businesses

- High growth opportunities in precision polymer flow control
- Core BCF carpet yarns showing first signs of recovery
- Mechanical recycling solutions offer further growth

Strengthened Service Offering

- Significant improvements to the spare parts and service business enhancing our offering
- Opportunities for further differentiation through increasing automation and digitalization

Sustainability

Sustainable innovation is an inherent part of Oerlikon's strategy and built into everything the company does. Oerlikon's products and services, market position and growth potential are aspects of success – but those measures are much more meaningful within the context of the company's responsibility as a global citizen who is also contributing to the health of the planet and the safety and well-being of its inhabitants.

Oerlikon is now making a public commitment and publishing its first Sustainability Report. It is joining the ranks of corporations, people and organizations to proactively engage in sustainability and inspire others to do the same. Based on the materiality analysis, Oerlikon has selected 8 out of 17 of the United Nations Sustainable Development Goals (SDGs) where the company can make the most difference for its stakeholders. Environmental, social and governance targets for 2030 have been set by the Group in areas that align most closely with its operations, policies and capabilities.

Environment
In support of SDGs 7, 9, 12 and 13, Oerlikon is moving toward a greater share of climate-neutral operations and increased participation in the circular economy. In addition, its environment performance targets address the implementation of energy management systems, the increased use of energy derived from renewable sources, and reductions in disposed waste. As always, it is the company's goal that product innovations contribute to sustainability and intends to commit 100% of its R&D investments in new products that contribute to sustainability.

People & Society
With regard to SDGs 3 and 5, the Group has created an action plan for increasing the percentage of women in management and leadership roles as well as high potential programs. The Group's diversity initiatives also target achieving higher level of cultural diversity that is aligned with its key markets and a more balanced age diversity within the Group and in high potential programs to groom the next generation of managers and leaders of the company. It will also continue to uphold its principle of Zero Harm to People.

Responsible Business Practices
To further strengthen our commitment to the ethics, compliance, responsible sourcing and human rights targets captured in SDGs 8 and 17, we pledge to increase the percentage of employees who complete the compliance and Code of Conduct training to more than 95%.

www.sustainability.oerlikon.com

Business Report

Every new generation of Oerlikon Barmag's WINGS POY technology solution has set the benchmark in the production of manmade fibers made from PET with a manufacturing efficiency rate of almost 100% since its first market launch in 2007.

Group 2020 Performance

Oerlikon delivered a resilient performance in a highly challenging environment driven by COVID-19. The Manmade Fibers Division sustained a stable and steady performance. The Surface Solutions Division's end markets were impacted by the pandemic, particularly aerospace. In the second half of 2020, gradual recovery was noted in the automotive and tooling industries.

In 2020, Group order intake, including a 4.9% adverse currency impact, was CHF 2241 million. Compared to the previous year, order intake decreased by 13.5% from CHF 2590 million. Order backlog slightly decreased by 0.5% to CHF 581 million at year-end 2020 versus CHF 583 million at year-end 2019. Group sales were 12.9% lower in 2020 at CHF 2258 million, compared to CHF 2593 million in 2019. At constant exchange rates, sales were CHF 2371 million.

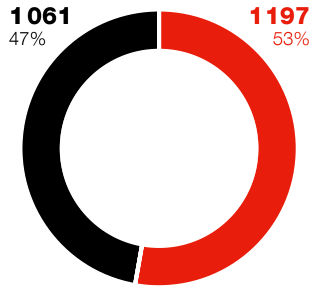
Group operational EBITDA margin was 14.2%, which was 0.9% points lower than the 15.1% in 2019, reflecting the impacts from cost actions. Operational EBITDA was CHF 320 million, versus CHF 393 million in 2019. Operational EBIT margin was 5.2% (CHF 116 million), compared to 7.4% (CHF 193 million) in the previous year.

Group unadjusted EBITDA decreased 21.3% to CHF 288 million, or 12.7% of sales, while Group unadjusted EBIT was CHF 73 million, or 3.2% of sales. In 2019, unadjusted Group EBITDA was CHF 366 million, or 14.1% of sales, and EBIT was CHF 164 million, or 6.3% of sales.

The Oerlikon Group's income from continuing operations in 2020 was CHF 38 million, compared with CHF 110 million in 2019, a decrease of 65.5%. As there were no effects from discontinued operations in 2020, net profit amounted to CHF 38 million in 2020, or earnings per share of CHF 0.11, versus CHF -66 million or earnings per share of CHF -0.21 in 2019. The tax expense for 2020 was CHF 22 million, while in 2019, it was CHF 39 million.

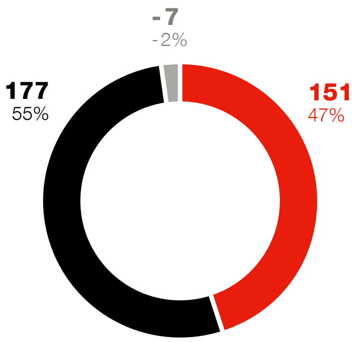
A Globally Balanced Business

A portfolio and filled pipeline of innovative technologies, a global presence and industry-leading scope of comprehensive services continue to be key components of Oerlikon's strategy. The Surface Solutions Division generated 53% of total Group sales in 2020, while the Manmade Fibers Division accounted for approximately 47% of Group sales.



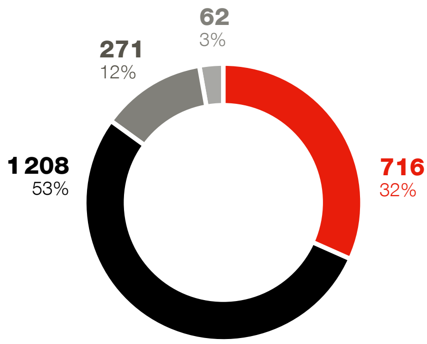
Sales 2020 by Division
in CHF million

- Surface Solutions Division
- Manmade Fibers Division



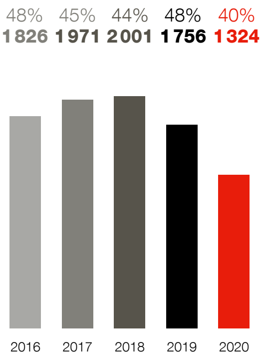
Operational EBITDA 2020 by Division
in CHF million

- Surface Solutions Division
- Manmade Fibers Division
- Others



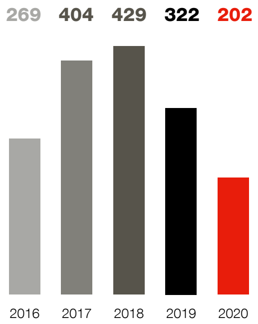
Sales 2020 by Region
in CHF million

- Europe
- Asia Pacific
- North-America
- Other regions



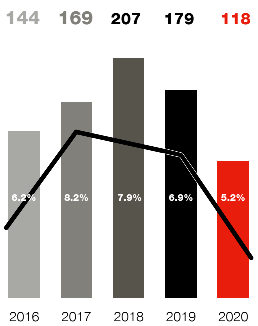
Equity[1]
in CHF million (as % of assets)

[1] Attributable to shareholders of the parent.



Operating Cash Flow[1]
in CHF million

[1] Before changes in net current assets



Capital Expenditure
in CHF million

— In % of sales

With a global footprint serving customers in close proximity, Oerlikon operates 179 sites in 37 countries, with 79 sites in Europe, 57 sites in Asia-Pacific and 43 sites in the Americas. Asia-Pacific continued to account for the largest proportion of Group sales in 2020. Sales in Asia-Pacific slightly increased to CHF 1 208 million, or 53% of Group sales, versus CHF 1 203 million, or 46% of Group sales, in 2019. Europe was the second-largest regional contributor to Group sales in 2020, with sales totaling CHF 716 million, or 32% of sales, compared with CHF 897 million, or 35% of sales, in 2019. Group sales in North America totaled CHF 271 million, or 12% of Group sales, in 2020, versus CHF 394 million, or 15% of Group sales, in 2019. Sales in other regions decreased to 3% of Group sales in 2020 with sales of CHF 62 million, compared to CHF 99 million in 2019.

Solid Balance Sheet Strength With Equity Ratio of 40%

As of December 31, 2020, Oerlikon had total assets of CHF 3 340 million, compared to CHF 3 647 million at year-end 2019. The Oerlikon Group had equity (attributable to shareholders of the parent) of CHF 1 324 million, representing an equity ratio of 40%. The decrease in total assets is attributed to lower cash and cash equivalent position and an increase in contract liabilities.

Operating Cash Flow

Cash flow from operating activities before changes in net current assets decreased 37.3% in 2020 to CHF 202 million, compared with CHF 322 million in 2019. Net working capital, defined as trade and trade note receivables plus inventories minus trade payables and current customer advances, totaled CHF - 86 million in 2020, versus CHF 70 million in 2019.

Capital expenditure (CAPEX) amounted to CHF 118 million, compared to CHF 179 million in 2019. Excluding amortization of acquired intangible assets, the CAPEX-to-depreciation ratio was 0.9 times.

Cash flow from investing activities was CHF - 108 million in 2020, compared with CHF 416 million in 2019, which was impacted by CHF 549 million from the disposal of the Drive Systems business, net of cash disposed. Cash flow from financing activities amounted to CHF - 432 million in 2020, compared with CHF - 760 million in 2019. Oerlikon reported a change in cash and cash-equivalent position at the end of 2020 of CHF - 244 million compared with CHF - 201 million at the end of 2019.

Oerlikon provides quality services to customers from 179 sites worldwide. In 2020, services accounted for 35% of Group revenues.

Commitment to R&D

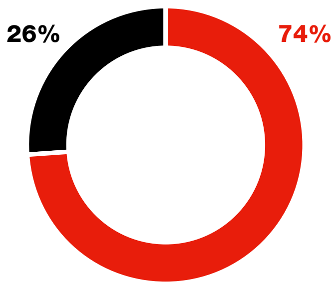
Oerlikon continued to invest more than 4% of its revenues in research and development (R&D). In 2020, R&D expenses for the year were CHF 118 million, or 5.2% of Group sales, compared with CHF 127 million, or 4.9% of Group sales, in 2019.

Acquisitions and Divestitures

In the first quarter of 2020, the Manmade Fibers Division took over the majority stake in the joint venture, Teknoweb Materials S.r.l., to extend the nonwoven production system portfolio for disposable nonwovens. This move strengthened the Division's position in the nonwoven market, which was marked by significantly higher demand in 2020 as a result of the pandemic-driven need for face masks.

Dividend Payout

Oerlikon believes that a dividend payout is an important means of returning value to shareholders. Thus, the Board of Directors will recommend an ordinary dividend payout, consistent with the previous three years, of CHF 0.35 per share at the 48th Annual General Meeting of Shareholders on April 13, 2021.



R&D Expenses by Division

- Surface Solutions Division
- Manmade Fibers Division

Surface Solutions Division

The Division accounted for 53% of Oerlikon's sales and 55% of Group operational EBITDA in 2020. The Division, comprised of the brands Oerlikon Balzers, Oerlikon Metco and Oerlikon AM, were heavily impacted by pandemic-induced weakness in markets, particularly in the aerospace sector. Recovery in automotive and tooling were noted in the second half of the year.

Orders for the Division were CHF 1 144 million, down 22.1% from the prior year's CHF 1 468 million. Division sales came in 19.6% lower to CHF 1 197 million from CHF 1 488 million in 2019. At constant exchange rates, Division sales were CHF 1 261 million.

Operational EBITDA was CHF 177 million, or 14.7% of sales, compared to CHF 253 million, or 16.9% of sales in 2019. The lower year-over-year operational EBITDA margin was attributed to the decrease in sales. The unadjusted EBITDA margin was 12.0%. The benefits of the restructuring program can be seen in the improvement in the sequential operational EBITDA margins. The structural component of the programs are expected to yield improvements to the Division's operating profitability. Operational EBIT was CHF 10 million in 2020, or 0.9% of sales (2019: CHF 86 million, or 5.8% of sales) and unadjusted EBIT was CHF -32 million or -2.7% of sales (2019: CHF 65 million, or 4.4% of sales).

Key Developments

The Surface Solutions Division saw sales decline across all regions in 2020 as business, consumption and demand in many countries and regions were impacted by lockdowns. Europe accounted for 45% of the Division's sales in 2020. China contributed 13%, while India's portion of sales was at 3%. North America saw 20% of Division sales, while sales from the rest of the world remained at 4%.

Oerlikon Balzers' RS50 coating system was qualified by Airbus for meeting its technical and industrial requirements. The RS 50 coating system is capable of performing BALINIT C coating, which is a non-hazardous and REACH-compliant alternative to hard chrome plating that is applied to aerospace components to reduce surface fatigue, withstand wear and high loads.

Nadcap, the National Aerospace and Defense Contractors Accreditation Program, is a global program within the aerospace industry that validates compliance with industry standards, best practices and customer requirements. Oerlikon Balzers obtained Supplier Merit Status for its center in Ferrières-en-Brie, France, to extend the reaccreditation audit to 18 months. Oerlikon Metco was granted the Nadcap accreditation for its Materials Testing Laboratory in Plymouth, Michigan, USA. With this accreditation, Oerlikon Metco has four out of its five North American materials production locations Nadcap-certified, underpinning the high Oerlikon standards and affirming customers' confidence.

Toward the end of 2020, the Division acquired the thermal insulation systems business from Crosslink, Germany, to add thermal insulation material solutions for Battery Electric Vehicle to the Division's portfolio.

Order

Order intake (CHF)
1.1 bn

Sales (CHF)
1.2 bn

Operational EBITDA margin
14.7%

Sites
155

Employees (FTE)
7 241

R&D expenses
87
CHF million

Manmade Fibers Division

A world market leader for solutions and systems used to manufacture manmade fibers, the Manmade Fibers Division is represented by the brands Oerlikon Barmag, Oerlikon Neumag and Oerlikon Nonwoven. The Division's solutions enable customers to produce high-quality synthetic fibers that are processed into clothing, carpets, airbags, safety belts, hygiene products, geotextiles and industrial textiles. The Division also offers consulting, engineering and lifecycle management services and is at the forefront in providing Industry 4.0-based smart plant solutions.

The Division accounts for 47% of Oerlikon Group's sales and delivered a strong performance in 2020 despite the pandemic. Year-over-year, order intake decreased slightly by 2.3% to CHF 1 097 million compared to CHF 1 122 million in 2019. Sales also decreased slightly by 4.0% to CHF 1 061 million, compared to CHF 1 106 million in 2019. At constant exchange rates, sales were CHF 1 110 million.

Order intake (CHF)
1.1 bn

Sales (CHF)
1.1 bn

Operational EBITDA margin
14.2%

Sites
10

Employees (FTE)
3 115

R&D expenses
30
CHF million

The Division delivered stable double-digit profitability. Operational EBITDA improved year-over-year to CHF 151 million, or 14.2% of sales, compared to CHF 145 million, or 13.2% of sales. Unadjusted EBITDA was CHF 150 million, or 14.1% of sales (2019: CHF 144 million, 13.0%). Operational EBIT for 2020 was CHF 120 million (2019: CHF 119 million) or 11.3% of sales (2018: 10.8%). Unadjusted EBIT was CHF 118 million (2019: CHF 117 million), or 11.2% of sales (10.6%).

Key Developments

At the beginning of the year, the filament equipment business were awarded contracts from three of the world's leading manmade fibers manufacturers. The three projects have a total value of more than CHF 600 million.

The business proved to be highly resilient for the remaining of the year even after the outbreak of COVID-19. Sales and orders for manmade fibers systems were maintained at a high leven of over CHF 1 billion, driven by the rapid recovery of China's economy.

The nonwoven business benefited from the unanticipated surge in demand for protective wear and masks. Given that a number of governments are redefining such protective items as critical medical supplies and the need to be self-sufficient, the demand for nonwoven solutions is expected to continue growing over the next quarters. To support this growth, Oerlikon ramped up production capacity for the meltblown technology and increased output by more than 10 times.

In 2020, the Division began the construction of a new stable fiber technology laboratory in Neumünster to further strengthen its focus on developing product lines for customers. The Division also invested in building an extension of its pump production hall in Remscheid, Germany, to manufacture and test hi-tech spinning, feed and metering pumps, thereby boosting its capacity to expand its foothold in this growth market.

The Division took a majority stake in the joint venture with its partner, Teknoweb, strengthening its position in the nonwoven disposable market. Thus Oerlikon benefits from Teknoweb's sole worldwide license to offer P&G's patented PHANTOM technology, which offers superior performances with cost advantage in much more eco-friendly products.

R&D and Innovation

Oerlikon invested 5.2% of total annual sales in R&D in 2020, corresponding to a sum of CHF 118 million, and filed 98 patents worldwide. Oerlikon's innovation pipeline is fueled by cutting-edge research and engineering processes to develop solutions that address customers' and markets' current and future needs, as well as to satisfy social and environmental considerations, such as energy efficiency and environmental sustainability.

In 2020, Oerlikon conducted further projects in the areas of AI, materials science and AM with institutions and academia with key universities in Aachen, Munich, Zurich, San Diego.

Leveraging the know-how and skills across the Group, cross-business R&D projects in 2020 included:

- Developing a new class of materials that show exceptional properties when it comes to temperature stability. This new class of materials will find potential applications in the tooling and aerospace industries.
- Identifying opportunities for batteries for electric vehicles and fuel cells.
- Evaluating direct energy deposition (DED) as a surface coating method to use with additive manufacturing and laser cladding.
- Researching surface finishing technologies to coat AM printed surfaces to a quality comparable to machined surfaces. Additionally, physical vapor deposition and thermal spraying are also being evaluated for use on AM-printed parts to extend their functionality.

Oerlikon introduced a large number of new technologies and solutions to the market in 2020 – ranging from new and enhanced equipment and systems to materials, coatings and services. Selected examples are listed as follows:

Materials

- Delivered a new SUMEBore coating powder for a leading German car manufacturer in China.
- Launched new materials for mud motor rotors with increased corrosion resistance for the oil & gas industry. As a hard chromium plating alternative, these materials serve as a more eco-friendly solution.
- Launched a new low-pressure compressor abradable material, Metco 1602A, offering customers much better corrosion resistance for aircraft landing in high-humidity locations.
- Collaborating with partners such as Fraunhofer LIT, Oerlikon is developing a new family of ultrafine duplex materials based on cobalt-free, high entropy alloys (HEAs) including suitable AM-processes. The main fields of applications are in the oil & gas and mining industries or in the food and beverage, biotech and pharmaceutical sectors.

Equipment and Systems

- Introduced the ecuTEC+ electro-charging unit for meltblown systems, which can be used to manufacture filter media that is able to remove micrometer-meter-sized dust particles and provide very good respiratory protection.
- Developed a new high-volume gear metering pump for the production of cellulose, especially Lyocell.
- Delivered an INUBIA B15 to a leading German OEM car manufacturer to provide the eco-friendly ePD coating of plastic parts used in cars.
- Installed a new disruptive diamond deposition equipment, INDIAMA, to coat tools which allow highly abrasive materials to be machined reliably and precisely, for R&D purposes.
- Launched ESync, an advanced synchronizer system for hybrid transmissions as a much-sought-after compact solution to create space for other components in hybrid cars. ESync has been nominated by an automotive customer in China and is being validated for series production.

Coatings and Services

- Launched BALIMED TICANA coating that satisfies strict quality requirements and offers a longer service life for the dental prosthesis market.
- Introduced BALINIT PROTEC, a REACH-compliant coating to improve the efficiency of industrial gas turbine compressors and protect them from corrosion and erosion.
- HIP post-treatment capabilities went operational. HIP:ing is used to eliminate pores and remove defects to dramatically increase the material properties of AM-printed parts. Treatment is being qualified by customers.

Digitalization

During 2020, Oerlikon continued to move forward with the digital transformation steps agreed upon in the 2018 Digital Roadmap. There are over 60 digital activities across all businesses, clustered in the areas of Operations & Supply Chain, Products & Services Innovation, Support Functions and Customer Interface/Go to Market. Digital has become more and more part of Oerlikon's DNA, as new ways of working have been implemented, new talents with new skills have joined the company, new forms of collaboration have been established, and more synergies across the organization have been created.

Some of the digital solutions will be embedded in the company's offerings to fulfill customer requirements. In addition, newly developed services will provide customers with better quality prediction and more transparency and so will enhance Oerlikon's product portfolio.

The established innovation and digital transformation organization in Munich – the Digital Hub – continued its mission to design and implement digital, innovative solutions and deliver superior digital services for Oerlikon and its customers. Its priorities are: the Industrial Internet of Things (IIoT) and Automation, Digital Sales and Analytics. The Digital Hub covers the entire spectrum of digital requirements, from developing and providing the latest technology capabilities, to exploring new ideas, creating new digital products in the group and contributing to the overall digital strategy design. It has also brought innovative approaches to running successful transformations and staying ahead of the curve.

Some of these activities have been already launched. For example:

- myMetco.oerlikon.com: a new online shop launched for Oerlikon Metco in May 2020. Here, registered customers can search, select and directly buy spare parts and the right materials for their applications.
- Oerlikon Metco Equipment Dashboard: an IIoT technology infrastructure that retrieves data from coating machines and presents it in a consolidated dashboard, allowing customers to improve operations. The dashboard has been live since February 2020 in the internal Oerlikon Metco Coating Services Center and is planned to go to market to external customers as a new digital service in 2021.

Further results have come from several digital pilots and initiatives across the Oerlikon Group in 2020, such as:

- The Manmade Fibers Division launched AIM4DTY, the first machine-learning digital solution that predicts quality issues with yarn production, helping the customers to identify the root causes of quality deviation.
- The Manmade Fibers Division also launched CSP – Common Service Platform – to support the future development of digital solutions for Manmade Fibers customers.
- Over 150 customers are using the myBalzers online platform daily, enabling them to easily track orders on a real-time basis.
- Oerlikon Balzers launched the Pick-up app, allowing the team to collect and compare pick-up data globally and provide real-time door-to-door order tracking to customers.
- To simplify, harmonize and increase the efficiency of its business processes, Oerlikon continued the implementation of a global SAP system with the SAP GO! Program, with the rollout of several pilots. By the end of 2023, the program will be implemented in more than 130 Surface Solutions locations globally.
- The Oerlikon global data center infrastructure and corresponding cloud services have been adapted in order to manage working-from-home requirements that emerged as a result of the COVID-19 pandemic.
- The Information Security team handled extra cybersecurity risks resulting from this new workplace set-up in addition to the team's regular duties.

Operational Excellence

Oerlikon recognizes that achieving operational excellence does more than optimize performance: it creates a safer, more productive workplace, contributes to bottom-line value creation and helps shape company transformation. Group-wide, Oerlikon merged its Operational Excellence program (OOE) with Hoshin Kanri principles to define a 5-year strategy designed to strengthen the organization. This proprietary program focuses on optimizing operational performance to achieve sustained world-class status in manufacturing, procurement, health and safety, environment and post-merger integration. In recent years, the program has improved efficiency across Oerlikon's supply chain, increased productivity in manufacturing processes, raised safety awareness throughout the organization, lowered accident frequency rates and reduced energy consumption and CO_2 emissions. Amid the global corona pandemic, OOE exceeded its targets (see graph).

World-Class Manufacturing

A highly efficient and economically sound manufacturing operation is key to meeting Oerlikon's goal of delivering consistently high-quality products and services to its customers. Key highlights in 2020:

- In response to COVID-19, demand for Oerlikon's nonwoven solutions meant the company had to deliver systems to customers every two weeks, and OOE provided the flexibility to achieve that target consistently.
- Online webinars and virtual training were implemented in many facilities to ensure continuation of training and best-practice sharing.

World-Class Supply Chain Management

- 2020 represented a watershed in the management of complex supply chains across industries. In particular, the disruptions caused by the sudden spread of COVID-19 tested the reliability and the resilience of even the most established supply chains.
- Oerlikon's Supply Chain Management organization responded to this challenge and succeeded in ensuring no disruptions in the supply chain, continued operations and delivery to customers.
- Establishment of a COVID-19 taskforce to define strategies for medium- and long-term emergency scenarios, with a focus on supplier risk mitigation.
- An ever-growing focus on digitalization through strengthening e-procurement plans across the business, improving performance, cost-efficiency and transparency.
- Renewed momentum for the supplier quality and risk mitigation initiatives, which effectively and adequately reviewed and evaluated Oerlikon's strategic suppliers.

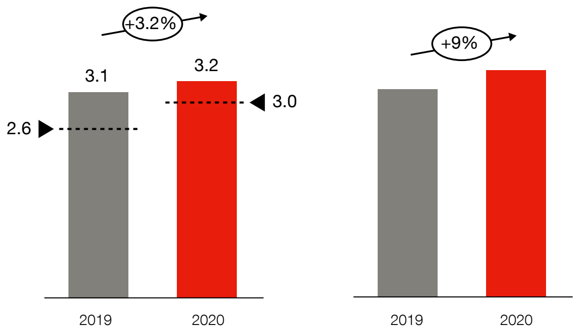
Environment

To minimize Oerlikon's CO_2 emissions and reduce operating costs, the company has continuously implemented initiatives to increase energy efficiency and reduce usage. From the use of LED lighting to the operation of pumps for heat recovery to reduce the amount of fossil fuel required to heat service water, the company consistently finds and exploits the synergies between operating efficiencies and environmental objectives.

Oerlikon's 2030 environmental targets include using energy derived exclusively from renewable resources and making 100% of the company's operations climate neutral. Toward that goal, in 2020, the company achieved a reduction in energy use of 5% from 2019 levels.

Most sites in Germany have ISO 50001-certified energy management systems, and the use of renewable energy sources are being explored, such as installing solar panels at the Vadodara site in India to generate 50% of the annual energy consumed.

For further details on the company's operational, supply chain and environment initiatives and targets, see Oerlikon's 2020 Sustainability Report.



Operational Excellence
% of net value added[1]

Procurement
% of net value added[1]

[1] Cost of goods sold/direct & indirect materials

Health & Safety

Oerlikon recognizes the critical role employees play in driving success and growth, and the company is committed to providing an attractive and safe workplace by enacting comprehensive health and safety measures. Employee safety is mandated by the Group's Executive Committee and Board of Directors and is a core Oerlikon value as captured in the "Zero Harm to People" principle. The principle covers not only employees, but also contractors, visitors and the communities in which the company operates.

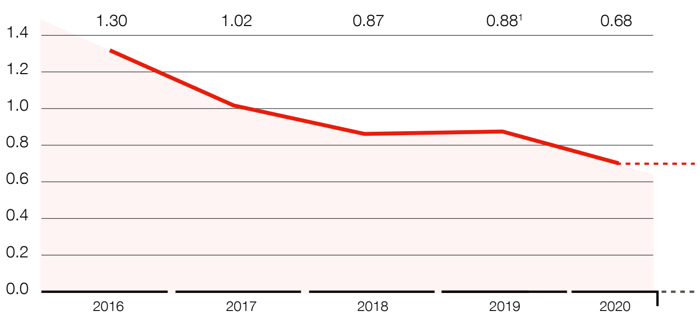
Oerlikon's Health, Safety and Environment (HSE) Committee works across all sites and businesses to establish health, safety and environment guidelines and processes for the company. It is also responsible for driving the implementation of related programs and monitoring their performance. An online tool aids in the standardization of HSE practices across the Group. It is used to track and assign tasks to sites and to follow up on their implementation via an HSE balanced scorecard.

Accident Rates

Since 2017, Oerlikon's key safety KPI has been the rate of recordable work-related injuries, internally referred to as the total accident frequency rate (TAFR), which is based on 200 000 hours worked.

Oerlikon shifted the indexing from the previously used lost time accident (LTA) frequency rate to TAFR because TAFR includes all injuries beyond those requiring only first aid. In 2020, Oerlikon reduced its TAFR by 23% to 0.68 compared to 2019. Compared to the initial baseline set in 2016, there is a 48% reduction.

TAFR (12-month rolling)



[1] Adjusted to include acquisition

The highest health and safety priority of the year was safeguarding the entire workforce in the face of COVID-19. Oerlikon moved quickly to update its infectious diseases guidelines and continually update corporate COVID-19 HSE instructions to stay on track with scientific knowledge and recommended best practices.

To protect employees who continued to work on-site during the pandemic, Oerlikon piloted and subsequently rolled out more extensively the wearable sensor-based SafeZone technology, which tracks the distance between employees with centimeter accuracy and emits a warning tone when they do not maintain safe distance. The software also tracks contact chains precisely in the event of an infection. By the end of 2020, the technology was issued to more than 90 Oerlikon sites across 19 European countries and in the US. In Russia, South America, Canada and Asia (outside of China), an alternative but similar technology, known as SpaceBands, was deployed in early 2021.

As COVID-19 took a toll on people physically, mentally and emotionally, Oerlikon launched the "We Protect What We Love" campaign to maintain employee morale during the pandemic. Teams from countries around the world shared anecdotes and photos of innovations they had implemented in the workplace, experiences with virtual training that allowed them to continue professional development despite COVID-19 and even social (yet socially distant) events. This fostered a continued sense of connection among employees Group-wide and reduced feelings of isolation.

Further information on health & safety initiatives can be found in the Oerlikon 2020 Sustainability Report.

Responsible Employer

Oerlikon is committed to offering an attractive, engaging and safe workplace that facilitates every team member's safety, well-being and personal growth. During 2020, the human resources priority was naturally implementing all necessary measures to protect employees from the pandemic.

With lockdowns implemented in varying degrees since the spring of 2020, a large number of office-based employees have been working from home. For employees who continued their work at sites, safe distancing measures and devices, as well as masks, were implemented (see Health & Safety section for more details).

In keeping with its digitalization strategy, Oerlikon had already been planning digital initiatives in areas such as recruitment and training. In the face of COVID-19-related workplace restrictions and reduced in-person activities, the company accelerated execution of those plans and successfully utilized digital and mobile technologies for its recruitment and training programs.

Oerlikon extended its engagement over online resources with pilots, tests and assessments of the value of recruitment sites such as Glassdoor and Indeed. The initial outreach brought noteworthy returns, particularly in the areas of online employer brand visibility and increased quality of applicants. In the 15-month time frame of selected pilots, candidate engagement as quantified by page visits increased by 65%. By the end of 2020, over 45% of all applications were sourced online, which enlarged the pool of future candidates.

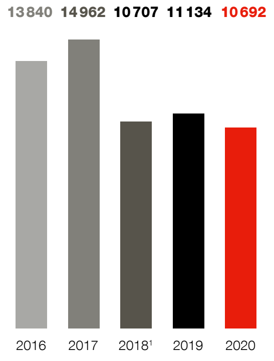
These online tools also enable Oerlikon to accelerate the applicant review and hiring process and reduce recruitment costs. The company also successfully expedited the pilot launch of video interview software to support and transform existing hiring processes. Based on the software's initial performance, the company plans to integrate it into the recruitment process permanently starting in 2021.

For learning and development, Oerlikon offered a combination of internal educational resources and learning options provided by platforms such as RedVector and Udemy. This made it possible for employees to participate in professional development on any device and regardless of their location. This, too, was a pilot program, and it will be expanded gradually during 2021 to meet targeted training needs.

The debut of Oerlikon's global high-potential program Horizons brought excellent results. More than half of the inaugural class of 37 graduates, who completed the program in December 2019, were promoted or entrusted with additional responsibilities in 2020, and all received personal career-planning support. A second class of 25 began the 18-month program in September 2020.

Diversity remains a core value at Oerlikon, whose employees in Europe, the Americas and Asia represent 86 nationalities and are well balanced in terms of age and experience. The company makes every effort to encourage and optimize the presence of women at all levels of staff, notwithstanding the extent to which engineering is a male-dominated profession. The company's welcoming environment for diverse candidates strengthens its talent pipeline, which has a direct impact on its capacity for sustainable growth.

Please see the Social Commitment chapter of Oerlikon's Sustainability Report 2020 for additional details about these programs and more specifics about the company's progress as an employer.



Employees (FTE)[2] 2020

[1] Following divestment of Drive Systems.
[2] FTE = Full-time equivalents.

Serving our customers locally

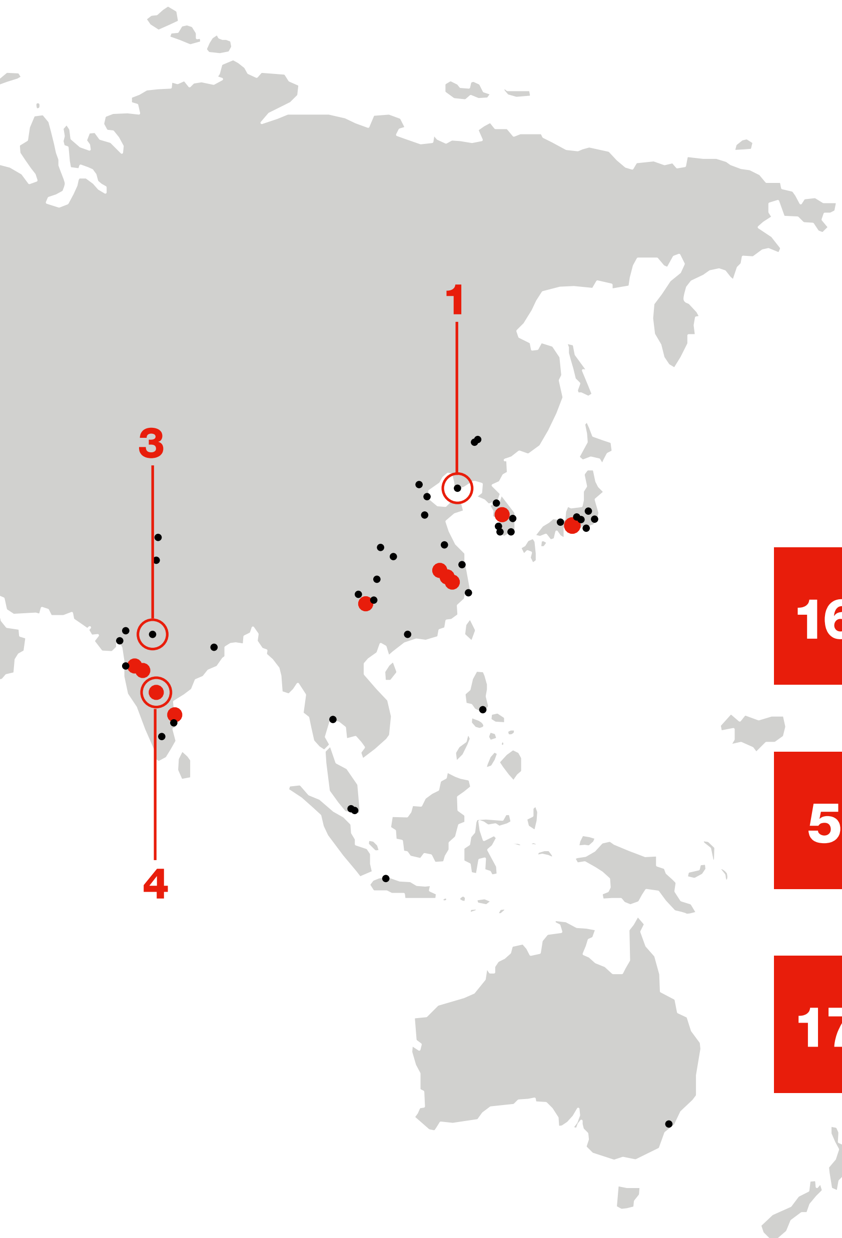
Oerlikon has a global footprint with 179 sites in 37 countries. The Group is strongly committed to research and development, which is reflected by its 55 production and R&D sites world-wide. Together with its sales and services network of 165 sites, Oerlikon operates in close proximity to its customers, improving customer interaction, response times and satisfaction.

1 Surface Solutions Division
Coating Center
Dalian, China

2 Surface Solutions Division
Coating Center
Bisingen, Germany

3 Surface Solutions Division
Coating Center
Aurangabad, India

4 Surface Solutions Division
Thermal Spray Coating Services
Bengaluru, India



165 Sales and Services Sites

155 Surface Solutions Division
10 Manmade Fibers Division

55 Production and R&D sites

48 Surface Solutions Division
7 Manmade Fibers Division

179 Sites globally

43 in the Americas
57 in Asia
79 in Europe, Middle East & Africa

Corporate Governance Report

RotaPlasma HS1, part of SUMEBore, is a high-speed rotating plasma gun manipulator that enables uniform and non-uniform coating of inner geometries through continuous rotation.

Corporate Governance

Oerlikon is committed to the principles of good corporate governance as they are defined, in particular, in the Swiss Code of Best Practice for Corporate Governance, issued by economiesuisse. Through this commitment, Oerlikon aims to sustainably reinforce the trust placed in it by the company's present and future shareholders, lenders, employees, business partners and the general public.

Responsible corporate governance requires transparency with regard to the organization of management and control mechanisms at the uppermost level of the enterprise. Therefore, SIX Exchange Regulation Ltd's Directive on Information relating to Corporate Governance (DCG) requires issuers to make certain key information pertaining to corporate governance available to investors in an appropriate form.

The framework of the DCG has been adopted; however, the Compensation, Shareholdings and Loans section has been moved to a separate chapter (Remuneration Report). All statements in this section (Corporate Governance) are valid as of the balance sheet date, except where – in the case of material changes between the balance sheet date and the time this Annual Report went to print – otherwise indicated.

Further information regarding corporate governance can be found on the company website at
www.oerlikon.com/en/investors/corporate-governance

Group Structure and Shareholders

Operational Group Structure

The Oerlikon Group is divided into the following two Divisions: Manmade Fibers and Surface Solutions. The operational responsibility lies with the Divisions, each of which is overseen by its own Division CEO. Business performance is reported according to this operational Group structure. For further information regarding the operational Group structure, see page 8 et seqq. (Group Structure), page 18 et seqq. (Group 2020 Performance) and page 69 (Financial Report: Key Figures by Division).

Listed Group Company

OC Oerlikon Corporation AG, Pfäffikon is listed on the SIX Swiss Exchange (symbol: OERL; securities number: 81682; ISIN: CH0000816824). On December 31, 2020, the company's market capitalization came to a total of CHF 3 109 million. Its registered office is in Freienbach (Canton of Schwyz, Switzerland). For further information on OC Oerlikon Corporation AG, Pfäffikon see page 128 et seqq.

Non-Listed Group Companies

As the parent company of the Group, OC Oerlikon Corporation AG, Pfäffikon owns all of the Group companies either directly or indirectly, mostly with a 100% interest. The local companies included in the scope of consolidation are shown on page 139 et seq. in their legal ownership structure, and on page 122 et seq., they are listed by country together with each company's place of registered office, share capital, percentage of shares owned and number of employees.

The disclosure notifications pursuant to Art. 120 et seqq. of the Financial Market Infrastructure Act (FMIA) that were submitted during the year under review are published on the electronic publication platform of SIX Exchange Regulation Ltd, Disclosure Office (www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html).

Cross-Shareholdings

There are no cross-shareholdings.

Significant Shareholders

	Number of Shares	Shareholdings[1] in Percent[2]
Liwet Holding AG, Zurich, Switzerland[3]	140484860[4]	41.34
Black Creek Investment Management Inc., Toronto, Canada	522094[5]	0.15
OC Oerlikon Corporation AG, Pfäffikon	13936546[6]	4.10

1 As of December 31, 2020. Source: Disclosure notifications pursuant to Art. 120 et seqq. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA) (www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html).

2 Basis: shares issued (339758576).

3 The shares of Liwet Holding AG, Zurich, are ultimately held as follows:
(a) 44.46% by Columbus Trust, a trust established under the laws of the Cayman Islands, whose ultimate beneficiary is Mr. Viktor F. Vekselberg, Moscow, Russia, and Zug, Switzerland.
(b) 19.455% by Amapola Development Inc, Panama, and Polaris Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Evgeny Olkhovik, Moscow, Russia.
(c) 19.455% by Ali International Ltd., Bahamas, and Olympia Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Andrey Lobanov, London, United Kingdom.
(d) 16.63% by Next Generation Trust, a trust established under the laws of Cyprus, whose ultimate beneficiaries are Alexey Valerievich Moskov, Irina Arkadievna Matveeva, Mikhail Sergeevich Sivoldaev, Rinat Shavkiatovich Khalikov, Igor Vladimirovich Cheremikin and Andrey Alekseevich Shtorkh.

4 Source: Disclosure notification published by SIX Exchange Regulation Ltd on May 25, 2018.

5 According to the disclosure notification by Black Creek Investment Management Inc., Toronto (published by SIX Exchange Regulation Ltd on December 12, 2020), the company holds a purchase position of 3.01% (0.15% shares and 2.86% voting rights, which were delegated by a third party and can be exercised by Black Creek Investment Management Inc. at its own discretion).

6 13936546 is the effective number of treasury shares as per December 31, 2020. Oerlikon notified SIX Exchange Regulation Ltd when the threshold of 3% was exceeded by holding 10354825 treasury shares corresponding to 3.05%. Source: Disclosure notification published by SIX Exchange Regulation Ltd on March 27, 2020.

Capital Structure

Capital

The share capital of OC Oerlikon Corporation AG, Pfäffikon amounts to CHF 339758576, composed of 339758576 registered shares, each with a par value of CHF 1.00. The company also has conditional capital amounting to CHF 40 million for convertible and warrant bonds, etc., and CHF 7.2 million for employee stock option plans.

Authorized Capital and Conditional Capital in Particular

Authorized Capital

The company has no authorized capital.

Conditional Capital for Warrant and Convertible Bonds

Pursuant to Art. 11a of the Articles of Association, the company's share capital will be increased by a maximum aggregate amount of CHF 40 million (corresponding to 11.77% of the current share capital) through the issuance of a maximum of 40 million registered shares with a par value of CHF 1.00 each by exercising the option and conversion rights granted in connection with bonds of the company or one of its Group companies. The subscription rights of shareholders are excluded in this regard. Current holders of option certificates and/or convertible bonds are entitled to acquire the new shares. When issuing warrants or convertible bonds, the Board of Directors can limit or exclude the preemptive subscription rights of shareholders (1) to finance and refinance the acquisition of enterprises, divisions thereof, or of participations, or of newly planned investments of the company, and (2) to issue warrants and convertible bonds on international capital markets. Insofar as preemptive subscription rights are excluded, (1) the bonds are to be placed publicly on market terms, (2) the exercise period for the option and conversion rights may not exceed seven years from the date the bond was issued, and (3) the exercise price for the new shares must at least correspond to the market conditions at the time the bond was issued.

Conditional Capital for Employee Stock Option Plans

Pursuant to Art. 11b of the Articles of Association, the company's share capital will be increased by a maximum aggregate amount of CHF 7.2 million (corresponding to 2.12% of the current share capital), excluding the preemptive subscription rights of current shareholders, through the issuance of a maximum of 7.2 million fully paid-in registered shares with a par value of CHF 1.00

Oerlikon Barmag's Doffing system offers higher operating safety in sensitive working areas.

each, by the exercise of option rights granted to the employees of the company or one of its Group companies under a stock option plan yet to be approved by the Board of Directors. The issuance of shares at less than the stock exchange price is permissible; further details will be determined by the Board of Directors.

Changes in Capital

The share capital has remained unchanged since 2016. Detailed information on changes in the total equity of OC Oerlikon Corporation AG, Pfäffikon can be found in the holding company's equity capital statement on page 135 of the Annual Report.

Shares and Participation Certificates

The equity securities of OC Oerlikon Corporation AG, Pfäffikon consist exclusively of 339 758 576 fully paid-in registered shares with a par value of CHF 1.00 each, all of which are equal with respect to their attendant voting rights, dividend entitlement and other rights. In principle, the registered shares of OC Oerlikon Corporation AG, Pfäffikon are not certificated but instead issued as uncertificated securities within the meaning of the Swiss Code of Obligations, and as intermediated securities as defined in the Federal Intermediated Securities Act, respectively. Shareholders may request that the company print and deliver their shares in certificate form at any time free of charge, and the company may, at any time and without the shareholders' approval, convert the uncertificated securities into share certificates, global certificates or collectively deposited securities. If registered shares are to be printed, OC Oerlikon Corporation AG, Pfäffikon may issue certificates covering multiples of registered shares. The share certificates must bear the facsimile signatures of two members of the Board of Directors.

Profit-Sharing Certificates

OC Oerlikon Corporation AG, Pfäffikon has not issued any profit-sharing certificates.

Limitations on Transferability and Nominee Registrations

There are no restrictions on the transfer of OC Oerlikon Corporation AG, Pfäffikon shares. The company recognizes only those parties entered in the share register as shareholders or usufructuaries. Fiduciary shareholders and nominees will also be entered in the share register.

Convertible Bonds and Options

As at December 31, 2020, there were neither convertible bonds nor options outstanding.

The Oerlikon Board of Directors

Prof. Dr. Michael Süss

1963, German citizen
Chairman of the Board of Directors
Chairman of the Human Resources Committee
Chairman of the Strategy Committee

Professional Background and Education
Prof. Dr. Michael Süss was elected Chairman of the Board of Directors at the 2015 Annual General Meeting of Shareholders, the same year he joined the Board. From 2015 to 2016, he was also CEO of Georgsmarienhütte Holding GmbH, a German steel company. Prior to that, he was a Member of the Managing Board of Siemens AG and CEO of Siemens Energy Sector. From 2008 to 2011, he was CEO of the Fossil Power Generation Division of the Energy Sector and a Member of the Group Executive Management of Siemens AG Power Generation Group from October 2006 to December 2007. After holding various positions at BMW, IDRA Presse S.p.A. and Porsche AG, Prof. Dr. Süss was appointed to the Managing Board of Mössner AG in 1999. Following the Georg-Fischer Group’s takeover, he was named Chairman of the Managing Board of GF Mössner GmbH. From 2001 to 2006, he was COO at MTU Aero Engines AG and significantly involved in the company's IPO. From May 2009 to July 2018, he was a Member of the Supervisory Board of Herrenknecht AG. Prof. Dr. Süss graduated with a degree in Mechanical Engineering from TU Munich, Germany, and completed his doctorate in 1994 at the Institute for Industrial Science/Ergonomics at the University of Kassel (Dr. rer. pol.), Germany. On October 29, 2015, he was awarded an honorary professorship from TU Munich.

Other Activities and Vested Interests
Prof. Dr. Michael Süss is Executive Vice President for Asset Management of Witel Ltd., Zurich and a Member of the Advisory Board of Kinexon Beteiligungsgesellschaft mbH.

Gerhard Pegam

1962, Austrian citizen
Vice Chairman of the Board of Directors
Member of the Human Resources Committee
Member of the Strategy Committee
Member of the Audit & Finance Committee

Professional Background and Education
Gerhard Pegam was elected to the Board of Directors at the 2010 Annual General Meeting of Shareholders. In 2012, he founded his own consulting firm. From June 2011 until June 2012, he was a Corporate Officer of TDK Corporation, Japan. From 2001 until 2012, he was CEO of EPCOS AG, Germany, and from 2009 until 2012, he additionally served as a Board member of TDK-EPC Corp., the parent company of EPCOS AG. From 1982 to 2001, he held several management positions with EPCOS AG, the Siemens Group and Philips. Gerhard Pegam graduated from the Technical College Klagenfurt, Austria, with a degree in Electrical Engineering.

Other Activities and Vested interests
Gerhard Pegam is a Board member of Schaffner Holding AG.

Paul Adams

1961, US citizen
Member of the Board of Directors
Member of the Strategy Committee

Professional Background and Education
Paul Adams was elected to the Board of Directors at the 2019 Annual General Meeting of Shareholders. He served as Chief Operating Officer of Precision Castparts Corp., Portland, Oregon, USA, a worldwide manufacturer of complex metal components and products for critical aerospace and power generation applications, from 2016 to 2018. He brings with him over 30 years of leadership experience in the aviation industry. From 2014 to 2016, he was President of Pratt & Whitney, Hartford, Connecticut, USA, a world leader in the design, manufacture and service of aircraft engines and auxiliary power units. From 1999 to 2014, he served in a number of senior management positions, including as Chief Operating Officer and SVP Operations and Engineering. Prior to joining Pratt & Whitney, he held various engineering, operations and program management roles for more than 15 years at Williams International, Walled Lake, Michigan, USA. He holds a Bachelor of Science degree in Aerospace Engineering from the University of Michigan, Michigan, USA, and completed the Stanford Executive Program at the Stanford Graduate School of Business, California, USA. In 2013, Paul Adams was inducted into the National Academy of Engineering, Washington, DC, USA.

Other Activities and Vested Interests
Paul Adams is a Member of the Board of Aerion Supersonic.

Irina Matveeva

1973, Russian citizen
Member of the Board of Directors (since April 7, 2020)
Member of the Audit & Finance Committee (since April 7, 2020)

Professional Background and Education
Irina Matveeva was elected to the Board of Directors at the 2020 Annual General Meeting of Shareholders. She is the Chief Financial Officer of ComplexProm JSC in Moscow, Russia. Prior to that, Ms. Matveeva was the CEO of OLCOR M LLC and served as Financial Director of the Renova Group from 2010 to 2018. From 2007 to 2010, she held the position of Vice President Economics & Finance at Comstar-UTS OJSC. Ms. Matveeva graduated from the Moscow Technical University of Communications and Informatics with a degree in Information Systems in Economics and holds an Executive MBA degree from the University of Antwerp.

Other Activities and Vested Interests
Irina Matveeva currently serves as the Chairman of the Board of Directors of Metkombank PJSC, Moscow, Russia, and is a Member of the Board of Directors of T plus PJSC, Moscow, Russia, and Aeroporty Regionov Management Company JSC, Moscow, Russia.







From top left to right:
Prof. Dr. Michael Süss
Gerhard Pegam
Paul Adams
Irina Matveeva
Geoffery Merszei
Alexey V. Moskov
Dr. Suzanne Thoma

Geoffery Merszei

1951, Canadian and Swiss citizen
Member of the Board of Directors
Chairman of the Audit & Finance Committee
Member of the Human Resources Committee

Professional Background and Education
Geoffery Merszei was elected to the Board of Directors at the 2017 Annual General Meeting of Shareholders. He is Chairman and Chief Executive of Zolenza AG, an investment and advisory firm based in Zug, Switzerland. He brings with him over 40 years of experience in corporate governance and finance. For more than 30 years, Geoffery Merszei served in a number of senior management positions at The Dow Chemical Company, the most recent being Executive Vice President (EVP) of The Dow Chemical Company, President of Dow EMEA and Chairman of Dow Europe, before retiring in 2013. From 2001 to 2005, Geoffery Merszei left Dow to be the EVP and CFO of Alcan Inc., and returned to Dow in 2005 as EVP, CFO and a Member of the Board of Directors of The Dow Chemical Company. Geoffery Merszei previously served as a Board member of the Chemical Financial Corporation and Chemical Bank and the Swiss-American Chamber of Commerce. Geoffery Merszei holds a Bachelor of Arts degree in Economics from Albion College, Michigan, USA.

Other Activities and Vested Interests
Geoffery Merszei is a Board member of Clariant International AG and of EuroChem Group Ltd.

Alexey V. Moskov

1971, Cypriot and Russian citizen
Member of the Board of Directors
Member of the Human Resources Committee

Professional Background and Education
Alexey V. Moskov was elected to the Board of Directors at the 2016 Annual General Meeting of Shareholders. From 1998 to 2004, Alexey V. Moskov was Vice Chairman and Member of the Executive Board of Tyumen Oil Company (now TNK-BP) and Member of the Board of Directors of Slavneft NGK, both in Moscow, Russia. Until 2018, he served as Chief Operating Officer of Witel Ltd, Zurich, Switzerland, and since 2018, he has been the Executive Chairman of Witel Ltd. From 2019 to 2020, Alexey V. Moskov was a Member of the Board of Directors of SCHMOLZ+BICKENBACH AG (now Swiss Steel Holding AG), Lucerne, Switzerland. Since April 2020, Alexey V. Moskov has been a Member of the Board of Directors of Sulzer AG, Winterthur, Switzerland. Alexey V. Moskov holds a Master's degree in Engineering and Development from the Moscow State University of Railway Engineering (Technical Cybernetics Department), Moscow, Russia.

Other Activities and Vested Interests
Alexey V. Moskov is a Board Member of Russian T plus PJSC, the Executive Chairman of Witel Ltd., Zurich, Switzerland, and a Board member of Sulzer AG, Winterthur, Switzerland.

Dr. Suzanne Thoma

1962, Swiss citizen
Member of the Board of Directors
Member of the Human Resources Committee

Professional Background and Education
Dr. Suzanne Thoma was elected to the Board of Directors at the 2019 Annual General Meeting of Shareholders. She is Chief Executive Officer of BKW AG, Bern, Switzerland. Prior to being appointed CEO of BKW in 2013, she was a Member of the Group Executive Committee of BKW and was responsible for the Networks Division. Before that, she was head of the Automotive Division of the WICOR Group, Rapperswil-Jona, Switzerland, and the CEO of ROLIC Technologies Ltd, Allschwil, Switzerland. Dr. Suzanne Thoma also served in various management roles and countries at Ciba Specialty Chemicals Ltd. (now BASF). She holds a Master of Science degree in Chemical Engineering and a Ph.D. in Technical Sciences, both from the ETH Zurich, Switzerland. In addition, she holds a Bachelor of Business Administration degree from the Graduate School of Business Administration (GSBA), Zurich, Switzerland.

Other Activities and Vested Interests
Dr. Suzanne Thoma is Vice President of the Avenir Suisse foundation and Board member of Valora Holding AG, Muttenz, Switzerland.

Board of Directors

The rules and regulations governing the organization and duties of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon are to be found in the Swiss Code of Obligations, the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon, and the Organizational and Governance Rules of OC Oerlikon Corporation AG, Pfäffikon.

Members of the Board of Directors

In the year under review, the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon was composed of Prof. Dr. Michael Süss (Chairman), Gerhard Pegam (Vice Chairman), Paul Adams, Irina Matveeva (since April 7, 2020), Geoffery Merszei, David Metzger (until April 7, 2020), Alexey V. Moskov and Dr. Suzanne Thoma. The six previous Board members who remained on the Board of Directors and the one new Board member were all reelected and elected, respectively, by the Annual General Meeting of Shareholders on April 7, 2020 for a term of office of one year.

In the three financial years preceding the reporting period, the members of the Board of Directors were not involved in the executive management of OC Oerlikon Corporation AG, Pfäffikon or any other Group company. They also do not have any significant business connections with companies of the Oerlikon Group.

Other Activities and Vested Interests

For more information regarding the activities of the members of the Board of Directors in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups, and official functions and political posts, see page 34 et seq.

Number of Permitted Mandates

Pursuant to Art. 32 of the Articles of Association, no member of the Board of Directors may hold more than four additional mandates in the supreme governing body of listed companies, and more than ten additional mandates in the supreme governing body of legal entities that are required to be registered in the commercial register or a comparable foreign register. Not subject to these limitations are (1) mandates in inactive companies and in companies that are controlled by OC Oerlikon Corporation AG, Pfäffikon or which control OC Oerlikon Corporation AG, Pfäffikon and (2) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the Board of Directors may hold more than ten such mandates. Mandates in different legal entities that are under joint control are deemed one mandate.

Elections and Terms of Office

Board members are elected annually by the General Meeting of Shareholders for a term of one year and are eligible for reelection; a "year" is defined as the period from one ordinary General Meeting of Shareholders to the completion of the next. In the event of elections for replacement or elections of additional members during the year, the period until the completion of the next ordinary General Meeting of Shareholders will be deemed to constitute one year. Each member of the Board of Directors must be elected individually. Only persons who have not completed their 70th year of age on the election date are eligible. The General Meeting of Shareholders may, under special circumstances, grant an exception to this rule and may elect a member of the Board of Directors for one or several terms of office provided that the total number of these additional terms of office does not exceed three.

Composition of the Board of Directors

Name (Nationality)	Domicile	Position	Age	Joined	Term Expires	
Prof. Dr. Michael Süss (DE)	DE	Chairman	57	2015	2021	Non-executive
Gerhard Pegam (AT)	DE	Vice Chairman	58	2010	2021	Non-executive
Paul Adams (US)	US	Member	59	2019	2021	Non-executive
Geoffery Merszei (CA/CH)	CH	Member	69	2017	2021	Non-executive
Irina Matveeva (RU)	RU	Member since April 7, 2020	47	2020	2021	Non-executive
David Metzger (CH/FR)	CH	Member until April 7, 2020	51	2016	2020	Non-executive
Alexey V. Moskov (CY/RU)	CH	Member	49	2016	2021	Non-executive
Dr. Suzanne Thoma (CH)	CH	Member	58	2019	2021	Non-executive

Internal Organizational Structure

The Board of Directors is the ultimate supervisory body of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. It is responsible for the overall management, oversight and control of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group, determines the Group strategy and oversees the CEO. It sets forth guidelines on the general and strategic direction of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group and periodically reviews their implementation.

The Board of Directors shall consist of at least three but not more than seven Board members, the majority of whom should be independent. In general, a Board member will be deemed to be independent if, during the three years immediately prior to taking up office, he was neither a member of the executive management of OC Oerlikon Corporation AG, Pfäffikon, the Oerlikon Group, an Oerlikon Group company or an audit firm of any of these, nor close to any of the latter, and had no significant business relations, whether directly or indirectly, with the Oerlikon Group. Should the Board of Directors exceptionally assign certain executive tasks for a limited period of time to one of its Board members, such assignment alone will, as a rule, not by itself qualify said Board member as a dependent member of the Board of Directors.

The Chairman of the Board of Directors shall ensure that the Board of Directors may and does effectively carry out its superintendence and oversight role on an informed basis. He shall endeavor, in close contact with the CEO, to provide the Board of Directors with optimal information regarding the operating activities of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. Together with the CEO, the Chairman shall perform a leadership role in the implementation of the strategic orientation of the Group as set out by the Board of Directors on a collegial basis, and shall represent OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group in relations with important shareholders, clients, further stakeholders and the general public.

The Chairman shall convene, prepare and chair Board meetings and may convene meetings of the Board of Directors' committees. He shall coordinate the work of the Board of Directors and the Board of Directors' committees, and shall ensure that Board members receive all information necessary to perform their duties in a timely manner. In cases of uncertainty, he shall delineate authorities between the Board of Directors, its committees and the CEO, unless the entire Board of Directors intends to address the matter.

The Board of Directors may create committees from among its members to assist it in the performance of its duties at any time. These committees are permanent advisory groups supporting the Board of Directors with their particular expertise. Unless expressly stated in the Organizational and Governance Rules, the Chart of Competencies, or the relevant committee's rules and regulations, they do not have any authority to decide matters in lieu of the Board of Directors. All cases in which the currently existing committees do in fact have authority to decide matters in lieu of the Board of Directors will be specified below. They may prepare, review and investigate matters of relevance within their field of expertise and submit proposals to the Board of Directors for deliberation, but must not themselves take resolutions beyond recommendations, proposals or motions to be submitted to the Board of Directors for deliberation.

There are currently three permanent committees of the Board of Directors, namely the Audit & Finance Committee (AFC), the Human Resources Committee (HRC) and the Strategy Committee (SC).

Membership in these committees in the year under review was as follows:

Composition of Committees of the Board of Directors

Name (Nationality)	Audit & Finance Committee (AFC)	Human Resources Committee (HRC)	Strategy Committee (SC)
Prof. Dr. Michael Süss (DE)		Chairman	Chairman
Gerhard Pegam (AT)	Member	Member	Member
Paul Adams (US)			Member
Irina Matveeva (RU)	Member since April 7, 2020		
Geoffery Merszei (CA/CH)	Chairman	Member	
David Metzger (CH/FR)	Member until April 7, 2020		
Alexey V. Moskov (CY/RU)		Member	
Dr. Suzanne Thoma (CH)		Member	

Audit & Finance Committee (AFC)

The AFC is a permanent committee of the Board of Directors within the meaning of Art. 716a para. 2 of the Swiss Code of Obligations. As a rule, the AFC is composed of at least three members of the Board of Directors. Members of the AFC are not eligible if they perform any executive management duties within the Oerlikon Group while in office, or have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, or have been members of the Executive Committee in the preceding three years. They must by all means have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time. The majority of AFC members, including its Chairman, must have experience in finance and accounting and be familiar with internal and external auditing. As a separate advisory group, independent from the Executive Committee and the CEO, the AFC shall advise the Board of Directors and exclusively follow the Board of Directors' instructions.

The AFC's purpose is to facilitate the Board's ability to fulfill its duties regarding OC Oerlikon Corporation AG, Pfäffikon and all its subsidiaries. Its responsibilities include assisting the Board in monitoring the adequacy of processes and the integrity of:

- OC Oerlikon Corporation AG, Pfäffikon's financial statements.
- OC Oerlikon Corporation AG, Pfäffikon's internal controls.
- OC Oerlikon Corporation AG, Pfäffikon's compliance with legal and regulatory requirements.
- OC Oerlikon Corporation AG, Pfäffikon's external auditor's performance, qualification and independence (incl. review of the audit work plan and the compensation).
- OC Oerlikon Corporation AG, Pfäffikon's internal audit department's performance.
- OC Oerlikon Corporation AG, Pfäffikon's risk management policies, capital structure and funding requirements.

The AFC may prepare, review or investigate matters of relevance within its scope of responsibilities and submit relevant proposals to the Board of Directors for deliberation, but must not itself take resolutions beyond recommendations, proposals or motions to be submitted to the Board of Directors for deliberation. The AFC has no authority to decide matters in lieu of the Board of Directors.

The organization, detailed responsibilities, functioning and reporting of the AFC are stipulated in the Rules and Regulations of the AFC published on Oerlikon's website www.oerlikon.com/en/investors/corporate-governance

Human Resources Committee (HRC)

As a rule, the HRC is composed of at least three members of the Board of Directors. Members of the HRC are not eligible if they perform any executive management duties within the Oerlikon Group while in office, or have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group, or have been members of the Executive Committee in the preceding three years. In all cases, they must have the degree of independence required by the Swiss Code of Best Practice for Corporate Governance, as amended from time to time.

The HRC supports the Board of Directors with regard to matters related to human resources, including compensation policies, performance assessment, appointments and succession planning, and other general topics related to human resources.

The HRC shall, in particular, support the Board of Directors in establishing and reviewing the Group's compensation strategy and in preparing the proposals to the General Meeting of Shareholders regarding compensation of the members of the Board of Directors and of the Executive Committee, and may submit proposals to the Board of Directors in other compensation-related issues. Furthermore, the HRC approves the annual pay plan for the Group (incl. general salary increases), the Group-wide compensation policies for nonmanagerial staff, the objectives and performance contracts of all members of the Executive Committee other than the CEO, the eligibility in equity programs and the allocation of equity instruments. Other than that, the HRC has no authority to decide matters in lieu of the Board of Directors.

The organization, detailed responsibilities, functioning and reporting of the HRC are stipulated in the Rules and Regulations of the HRC published on Oerlikon's website www.oerlikon.com/en/investors/corporate-governance.

Strategy Committee (SC)

As a rule, the SC is composed of at least three members of the Board of Directors. All but one must be independent from the Oerlikon Group and may not be performing any executive management duties within the Oerlikon Group while in office, may not have significant business relations with OC Oerlikon Corporation AG, Pfäffikon or the Oerlikon Group and may not have been a member of the Executive Committee in the preceding three years.

The SC checks that Oerlikon's strategy is properly implemented and complied with by the Executive Committee and all other management levels of the Oerlikon Group. Furthermore, it ensures that the Board of Directors becomes aware on a timely basis of changing trends, technologies, markets, habits and terms of trade that could jeopardize Oerlikon's strategy.

The SC may prepare, review or investigate matters of relevance within its responsibilities and submit relevant proposals to the Board of Directors for deliberation, but must not itself take resolutions beyond recommendations, proposals or motions to be submitted to the Board of Directors for deliberation. The SC has no authority to decide matters in lieu of the Board of Directors.

The organization, detailed responsibilities, functioning and reporting of the SC are stipulated in the Rules and Regulations of the SC published on Oerlikon's website www.oerlikon.com/en/investors/corporate-governance.

Work Methods of the Board of Directors and its Committees

The Board of Directors meets at the invitation of its Chairman at least four times a year (usually once in February/March, once in June/July, once in September/October and once in November/December) or more often if necessary. The members of the Executive Committee attend the meetings of the Board of Directors by invitation. Each Board member and the CEO may request the Chairman to convene a Board meeting by stating the reasons for such a request.

In 2020, eight physical Board meetings were held, of which four were ordinary Board meetings (average duration: eight hours) and four were Board workshops (average duration: approximately two days). The main topics of the workshops were strategy, human resources and business excellence/innovation. In addition, the Board held four telephone conferences (average duration: 40 minutes). The members of the Executive Committee were invited to all meetings, workshops and conference calls of the Board of Directors; an external advisor participated in one Board meeting.

The members of the HRC are elected by the General Meeting of Shareholders, whereas the Chairman of the HRC is appointed by the Board of Directors at the proposal of the Chairman of the Board. The members of the other committees, i.e. the AFC and the SC, as well as their respective Chairmen, are elected by the Board of Directors at the proposal of the Chairman of the Board. Their respective terms of office correspond to their terms of office as Board members. Those Board members who are not members of a committee have the right to attend committee meetings with consultative vote. As a rule, the Company's CFO, external auditor, Head of Group Accounting & Reporting and Head of Internal Audit (who is also the secretary of the AFC) should attend the meetings of the AFC; the CEO and the CHRO should attend the meetings of the HRC; and the CEO should attend the meetings of the SC. Additional persons (e.g. other members of the Executive Committee or Heads of corporate functions) may be invited, if required. At every Board meeting, each committee Chairman provides the Board of Directors with an update on the current activities of his committee and important committee issues.

The AFC and the SC convene by invitation of their respective Chairman as often as business requires, but at least four times annually (meetings of the SC can be replaced by strategy meetings of the full Board, if appropriate). The HRC meets at the invitation of its Chairman at least three times a year, or more often if necessary.

In 2020, there were six meetings of the AFC, lasting on average four hours. The members of the AFC participated in the meetings along with the CFO, representatives of the corporate functions concerned (in particular Group Accounting & Reporting, Group Controlling and Internal Audit). The external auditors (PricewaterhouseCoopers Ltd) took part in all six AFC meetings. In 2020, the HRC held three meetings, lasting on average four hours, the SC held two meetings, lasting on average four hours. The members of the HRC participated in the meetings of the HRC along with the CEO and the CHRO. The members of the SC participated in the meetings of the SC, along with the members of the Executive Committee.

Definition of Areas of Responsibility

Pursuant to Art. 716b of the Swiss Code of Obligations and Art. 22 para. 3 of the Articles of Association, the Board of Directors has, in principle, delegated the operational management of the business of OC Oerlikon Corporation AG, Pfäffikon and of the Oerlikon Group to the CEO. The scope of tasks for which the Board of Directors bears responsibility essentially encompasses those inalienable and non-delegable duties defined by law. These include:

- The ultimate direction of the business of OC Oerlikon Corporation AG, Pfäffikon and issuing of the relevant directives.
- Laying down the organization of OC Oerlikon Corporation AG, Pfäffikon.
- Formulating accounting procedures, financial controls and financial planning.

- Nominating and removing persons entrusted with the management and representation of OC Oerlikon Corporation AG, Pfäffikon and regulating the power to sign for OC Oerlikon Corporation AG, Pfäffikon.
- The ultimate supervision of those persons entrusted with management of OC Oerlikon Corporation AG, Pfäffikon with particular regard to adherence to the relevant law, to the Articles of Association and to the regulations and directives of OC Oerlikon Corporation AG, Pfäffikon.
- Issuing the Annual Report and the compensation report, preparing for the Annual General Meeting of Shareholders and carrying out its resolutions.
- Informing the court in case of indebtedness.
- Determining the strategic direction and approving the strategy for the Oerlikon Group and its Divisions.

According to the company's Organizational and Governance Rules, it is also incumbent upon the Board of Directors to decide on (1) overall budget planning and capital expenditures off budget of at least CHF 100 million; (2) acquisitions and divestments of strategic relevance or such transactions involving an enterprise value of at least CHF 25 million or a series of such transactions involving an enterprise value of at least CHF 100 million on an aggregated basis; (3) the establishment, liquidation or restructuring of strategy-relevant companies or businesses; (4) the purchase and sale of real estate with a financial value exceeding CHF 25 million; and (5) the initiation and settlement of civil law litigation with amounts in dispute of more than CHF 50 million.

The CEO is responsible for all issues relating to the operational management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group, to the extent that such decisions are not expressly reserved for the Board of Directors or delegated to individual Group companies. The Executive Committee is the supreme advisory body advising the CEO with respect to the management of the business of OC Oerlikon Corporation AG, Pfäffikon and the Oerlikon Group. The Executive Committee is chaired by the CEO. In the event of an Executive Committee member dissenting from a decision of the CEO, the member may immediately request the CEO to submit the matter to the Chairman of the Board of Directors for his recommendation. However, the CEO will take the final decision on all issues relating to the operational management.

More information regarding the areas of responsibility of the Board of Directors, the CEO and the Executive Committee can be found in the company's Organizational and Governance Rules published on Oerlikon's website www.oerlikon.com/en/investors/corporate-governance

Information and Control Instruments vis-à-vis the Executive Committee

The Board of Directors has a wide array of instruments that enable it to perform the tasks of monitoring strategic and operational progress as well as risk exposure. The instruments at its disposal include the following elements:

The Board of Directors' Right of Access to and the CEO's Duty of Information

Each member of the Board of Directors receives a copy of the monthly report, which includes i.a. an overview of the Group performance, the financials of the Group, the Divisions and the Business Units, as well as an M&A project update. The CEO reports at Board of Directors' meetings on the day-to-day operations, operating results and important business matters. Extraordinary occurrences (if any) must be immediately communicated to the Chairman of the Board of Directors and to the Chairman of the relevant committee. With the approval of the Chairman, members of the Board of Directors may also access specific business records and/or obtain information from any employee of the Oerlikon Group. The Board of Directors and its committees regularly take advice from members of the Executive Committee in order to ensure that the most comprehensive and up-to-date information on the state of the company and all relevant elements are included in its decision-making. Additionally, Heads of Business Units and corporate functions or other experts may be consulted on a case-by-case basis in order to gain detailed and comprehensive information on complex matters.

Accounting & Reporting

The Group Accounting & Reporting function is responsible for the Group's Management Information System (MIS), which links all major Group companies and production sites directly with Group Headquarters to provide the Executive Committee and the Board of Directors with institutionalized Group reporting on a monthly basis. This is consolidated to show the performance of the Group and explains the reasons for any deviations from the key performance indicators. The Board of Directors may demand access to the relevant details at any time. Furthermore, Group Accounting & Reporting ensures compliance with the International Financial Reporting Standards (IFRS).

Controlling

With regard to mid-term controlling, the key instruments are specific analyses prepared by the Divisions, as well as annually updated five-year business plans on the Group and Division level. In terms of short-term controlling, the Board of Directors receives the annual financial plan (budget) as well as periodic financial forecasts for the current fiscal year. In addition to the business updates provided by the CEO or CFO at the Board of Directors and AFC meetings, the Board of Directors and the Executive Committee receive a monthly actual/target analysis of the key financials to assist them in the assessment of the Divisions' performance and potential corrective measures. Furthermore, the Executive Committee holds regular business review meetings on the Group and Division level, examining current performance and outlook, market competitive dynamics, Division product portfolios and scenarios explored to improve Division value creation.

Risk Management

Oerlikon has a risk management system in place with which the enterprise-wide risk management is centrally managed and decentrally implemented. A key component of it is the generation and semiannual update of risk profiles for the Group as a whole, as well as for its individual Business Units. All types of risks, internal and external, such as market, credit and operational risks are considered, including compliance and reputational aspects, and actions are defined in order to mitigate the risk exposure. Internal risk reporting to the Executive Committee is performed semiannually and annually to the AFC and the Board of Directors based on consolidated risk reports. On this basis, the Board of Directors monitors the risk profile of the Group and the risk mitigation actions. For further information regarding risk management, see page 57 et seqq. (Risk Management and Compliance) and page 107 et seqq. (Note 21 to the consolidated financial statements).

Compliance

There is a Group-wide compliance function that focuses on compliance within the legal, regulatory spectrum and internal regulations, including the Group's ethical standards, by actively invoking such preventive measures as training, communication and consulting. The foundation of this program was laid and enhanced between 2009 and 2012, with a focus on key elements of a state-of-the-art compliance program, including a written Code of Conduct, legal compliance risk assessment analysis and the development of an anti-corruption training program. Since that time, and this remains a key focus, Oerlikon has enhanced and promoted behavioral aspects of leadership awareness while dealing with integrity issues. Oerlikon has done so by implementing and revising its business partner integrity screening process and by introducing and establishing an antitrust compliance training program for those identified employees. In 2015 and 2016, the compliance program emphasized the establishment of data compliance to enhance all aspects of data privacy and information security. In 2017, in particular, Compliance prepared for the implementation of the EU's General Data Protection Regulation (GDPR), which came into effect on May 25, 2018. In 2019 and 2020, the Global Data Privacy and Compliance Officer has continued to prioritize and focus on the implementation of GDPR requirements in Oerlikon's projects, processes, documentation and awareness programs. From the end of 2019, Oerlikon has started focusing on China and Russia. Moreover, the Group is aiming to improve its alignment with applicable data protection and cybersecurity laws in Asia and Latin America in 2021. For further information regarding compliance, see page 59 (Compliance and Ethics).

Internal Audit

An internal audit is an independent and objective assurance activity that assists Oerlikon in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, controls and governance processes. The Head of Internal Audit reports functionally to the AFC and administratively to the CFO. The AFC approves the budget, the resources and the internal audit plan. Internal Audit closely coordinates its plans and activities with the external auditor. Internal Audit projects are selected on the basis of a Group-wide risk assessment in coordination with Group Risk Management. The annual audit plan strikes the appropriate balance between operational, financial, compliance and follow-up reviews. The results of internal audits are communicated to the responsible management team, the Executive Committee, the AFC, the Chairman of the Board and the external auditors through formal audit reports. In 2020, Internal Audit conducted 41 internal audits.

External Audit

The external auditor examines the books and accounts of OC Oerlikon Corporation AG, Pfäffikon and those of the Oerlikon Group, coordinating its audit plan with that of Internal Audit. Upon completion of the audit, the external auditor prepares a comprehensive auditor's report to inform the AFC and the Board of Directors about the detailed findings of the audit, and prepares a summary thereof for the Annual General Meeting of Shareholders. In 2020, the external auditors participated in all six AFC meetings. Since 2016, the external audit has been carried out by PricewaterhouseCoopers Ltd. For further information regarding the external auditors, see page 45.

The continuing independence of the external auditors is ensured by written representations provided by the auditors and also by the monitoring of audit fees in relation to total fees for all services paid by Oerlikon to the audit firm.

The Oerlikon Executive Committee[1]

Leadership and Accountability

Dr. Roland Fischer

Professional Background and Education

Dr. Roland Fischer was appointed Chief Executive Officer effective March 1, 2016. Prior to Oerlikon, Dr. Fischer held senior management positions at Siemens AG, the most recent as CEO of the Power and Gas Division, from 2013 to 2015. Between 2011 and 2012, Dr. Fischer served as CEO of the Fossil Power Generation Division, and from 2008 to 2011, he was CEO of the Fossil Power Generation Business Unit – Products, Siemens, Germany. Before joining Siemens, Dr. Fischer spent 18 years at MTU Aero Engines AG in diverse management positions in Germany and Malaysia, lastly serving as Senior Vice President, Defence Programs, in Germany. Dr. Fischer graduated from the University of Stuttgart, Germany, with a degree in Aeronautical Engineering, and holds a Ph.D. (Dr. Ing.) in Aeronautical Engineering from the University of Karlsruhe, Germany.

Other Activities and Vested Interests

None.

Philipp Müller

Professional Background and Education

Philipp Müller was appointed Chief Financial Officer, effective January 1, 2020. He has more than 15 years of financial and strategic experience across multiple industries. Prior to joining the company, he led the investor relations functions at Baker Hughes in Houston, Texas, USA. Before that, he served as CFO of GE's oil & gas drilling business from 2014 to 2016. Previously, Mr. Müller held various financial leadership positions in GE's industrial businesses and spent five years on GE's corporate audit staff, where he advanced to Executive Audit Manager at GE Healthcare. Mr. Müller holds a Master's degree in Business from the University of Mannheim, Germany.

Other Activities and Vested Interests

None.

Dr. Helmut Rudigier

Professional Background and Education

Dr. Helmut Rudigier was appointed Group Chief Technology Officer effective November 1, 2017. He joined Oerlikon Balzers in 1986 as R&D Project Manager after completing his post-doctoral research on low-temperature physics at ETH Zurich. Since then, he was promoted to diverse research and management roles, including Manager R&D Balzers Thin Films, Manager Production Site Balzers, Manager R&D Division Optics, Business Development Telecommunication (fiber optics), CTO of Oerlikon Balzers and CTO of the Division Surface Solutions. Dr. Rudigier represents Oerlikon on the Committee for Research and Technology of the Liechtenstein Chamber of Commerce and Industry. He holds a Ph.D. from the Institute of Solid State Physics at ETH Zurich, Switzerland, and has completed executive management programs at the University of California, Los Angeles, USA, and at IMD, Lausanne, Switzerland.

Other Activities and Vested Interests

Dr. Rudigier is a member of the Industrial Advisory Board of the Transregional Collaborative Research Center, a DFG (German Research Foundation) funded collaboration between RWTH Aachen, Ruhr University Bochum and the University of Paderborn and a Member of the Scientific Advisory Committee of the Leibniz Institute of Surface Engineering. Dr. Rudigier also lectures at the EAST – Eastern Switzerland University of Applied Sciences, Campus Buchs, Switzerland.

Anna Ryzhova

Professional Background and Education

Anna Ryzhova was appointed Chief Human Resources Officer effective October 10, 2016. Ms. Ryzhova has over 15 years of experience in leading HR functions, 13 of which were at the Renova Group in senior HR executive roles. Most recently, Anna Ryzhova was Chief Human Resources Officer at Witel Ltd., Zurich, Switzerland. From 2010 to 2015, she served as HR and Corporate Relations Director at the Renova Group Corporate Center in Moscow Russia. Anna Ryzhova holds a Master's degree in Economics from the National Research University Higher School of Economics in Moscow and an Executive MBA from IMD, Lausanne, Switzerland.

Other Activities and Vested Interests

None.






From top left to right:
Dr. Roland Fischer
Philipp Müller
Anna Ryzhova
Dr. Helmut Rudigier
Georg Stausberg
Dr. Markus Tacke

Georg Stausberg

Professional Background and Education
Georg Stausberg has been appointed as a Member of the Executive Committee as per January 1, 2021. Georg Stausberg is CEO of the Manmade Fibers Division and has held this role since 2015. Between 2012 and 2014, he served as CTO and COO of the Division. From 2008 to 2012, Mr. Stausberg was CEO of the Business Unit Oerlikon Neumag. He graduated from the RWTH Aachen University, Germany, with a degree in Mechanical Engineering (Dipl.-Ing.).

Other Activities and Vested Interests
None

Dr. Markus Tacke

Professional Background and Education
Dr. Markus Tacke has been appointed as a Member of the Executive Committee as per January 1, 2021 and CEO of the Surface Solutions Division, effective October 1, 2020. Dr. Tacke has over 25 years of leadership experience in the renewable energy and gas turbine industries and is highly recognized for his ability to reposition and develop businesses. Before joining Oerlikon, he was CEO of Siemens Gamesa Renewable Energy S.A. from 2017 to 2020. Prior to that, Dr. Tacke held a number of leadership positions within Siemens' energy businesses, the last of which being CEO of their Wind Power and Renewables Division. Dr. Tacke holds a Mechanical Engineering Degree from the Technical University of Darmstadt, Germany, a Master's Degree in Engineering from Cornell University, New York, USA, and a PhD from the Technical University of Darmstadt, Germany.

Other Activities and Vested Interests
None.

[1] A description of the roles and authorities of the Members of the Executive Committee can be found in the company's Organizational and Governance Rules, published on www.oerlikon.com/en/investors/corporate-governance/

Executive Committee

Management Philosophy

The Oerlikon Group's strategy is to expand its leading position worldwide as a powerhouse in surface solutions and advanced materials. In line with this strategy, the Group has started its transformation process by streamlining and centralizing relevant and specific management and operational functions, particularly between Group Headquarters and the Surface Solutions Division. Group Headquarters still determines strategic guidelines, sets operational targets, and monitors these with effective management processes and controlling while the Divisions and Business Units continue to be responsible for operations and for delivering on the agreed strategy and targets within given guidelines.

Members of the Executive Committee

On December 31, 2020, the Executive Committee consisted of Dr. Roland Fischer, CEO (since March 1, 2016) and CEO Surface Solutions Division (from August 2, 2016, to September 30, 2020), Philipp Müller, CFO (since January 1, 2020), Dr. Helmut Rudigier, CTO (since November 1, 2017) and Anna Ryzhova, CHRO (since October 10, 2016). Oerlikon announced on November 3, 2020, that Dr. Markus Tacke, CEO of the Surface Solutions Division since October 1, 2020 and Georg Stausberg, CEO of the Manmade Fibers Division, had been appointed as members of Oerlikon's Executive Committee, effective January 1, 2021.

With the exception of Dr. Rudigier and Georg Stausberg, the other members of Oerlikon's Executive Committee did not previously carry out tasks for OC Oerlikon Corporation AG, Pfäffikon or any other Group company. For further information, see page 42 et seq.

Other Activities and Vested Interests

Regarding the activities of the members of the Executive Committee in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, see page 42 et seq.

Number of Permitted Mandates

Pursuant to Art. 32 of the Articles of Association, no member of the executive management may hold more than four additional mandates in the supreme governing body of listed companies, and more than ten additional mandates in the supreme governing body of legal entities that are required to be registered in the commercial register or a comparable foreign register. Not subject to these limitations are (1) mandates in inactive companies and in companies that are controlled by OC Oerlikon Corporation AG, Pfäffikon or that control OC Oerlikon Corporation AG, Pfäffikon and (2) mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations, whereby no member of the executive management may hold more than ten such mandates. Mandates in different legal entities that are under joint control are deemed one mandate. According to internal policies, Board memberships in third-party companies require for the CEO to obtain the approval of the Chairman of the Board, and for the other Executive Committee Members to obtain the approval of the CEO.

Management Contracts

There are no management contracts with third parties.

Shareholders' Participation

Voting Rights Restrictions and Representation

The right to vote and the other member rights may only be exercised by shareholders or beneficiaries who are registered in the share register. Any shareholder may appoint the independent proxy, another registered shareholder with written authorization or his legal representative to act as proxy to represent his shares at the General Meeting of Shareholders. The Chairman decides whether to recognize the power of attorney. Regarding the written or electronic issuing of the proxy and of instructions to the independent proxy, the Articles of Association do not contain any provisions that deviate from the legal

Composition of the Executive Committee

Name	Nationality	Age	Position	Joined	In Position Since
Dr. Roland Fischer	DE	58	CEO	2016	01.03.2016
Philipp Müller	DE	42	CFO	2019	01.01.2020
Anna Ryzhova	RU	41	CHRO	2016	10.10.2016
Dr. Helmut Rudigier	AT	65	CTO	1986	01.11.2017
Georg Stausberg	DE	57	CEO Manmade Fibers Division	1989	01.01.2021
Dr. Markus Tacke	DE	55	CEO Surface Solutions Division	2020	01.01.2021

provisions. Entitled to vote in the General Meeting of Shareholders are the shareholders whose names are entered into the share register as shareholders with voting rights at the cut-off date to be determined by the Board of Directors (as a rule, the cut-off date is six working days before the General Meeting of Shareholders). Otherwise, there are no restrictions on voting rights.

Statutory Quorums

The Articles of Association of OC Oerlikon Corporation AG, Pfäffikon provide for no specific quorums that go beyond the provisions of corporate law.

Convocation of the Annual General Meeting of Shareholders

Supplemental to the statutory legal provisions, the company's Articles of Association provide for the convocation of an Annual General Meeting of Shareholders by a one-off announcement in the Swiss Official Gazette of Commerce.

Inclusion of Items on the Agenda

The Articles of Association provide that shareholders with a holding of CHF 1 000 000 nominal value are entitled to request that an item be included on the agenda, provided that their requests are submitted in writing and include the actual agenda item and the actual motions; this request is to be made at the latest ten weeks prior to the date of the General Meeting of Shareholders.

Entry into the Share Register

The 48th General Meeting of Shareholders will be held on April 13, 2021. Entitled to vote in the General Meeting of Shareholders are those shareholders whose names are entered into the share register as shareholders with voting rights at the cut-off date to be determined by the Board of Directors.

Right to Inspect the Minutes of the Annual General Meeting of Shareholders

The minutes of the 47th General Meeting of Shareholders, held on April 7, 2020, can be viewed on the website at www.oerlikon.com/en/investors/annual-general-meeting-of-shareholders. Shareholders may also read the minutes at Group headquarters upon prior notice. The minutes of the 2021 Annual General Meeting of Shareholders will be published on the Oerlikon website as soon as they have been compiled.

Changes of Control and Defense Measures

Duty to Make an Offer

In accordance with the Articles of Association of OC Oerlikon Corporation AG, Pfäffikon a person who acquires shares in the company is not required to make a public purchase bid pursuant to Art. 125 para. 3 of the Financial Market Infrastructure Act (opting-out).

Clauses on Changes of Control

There are no change-of-control clauses in agreements and schemes benefiting Members of the Board of Directors and/or of the Executive Committee, as well as other members of the Oerlikon management.

Auditors

Duration of the Mandate and Term of Office of the Lead Auditor

PricewaterhouseCoopers Ltd was elected by the 43rd Annual General Meeting of Shareholders of April 5, 2016, as auditor of OC Oerlikon Corporation AG, Pfäffikon and the Group for the first time. The auditor is elected by the Annual General Meeting of Shareholders for a one-year term of office. The lead auditor responsible for the mandate, Mr. René Rausenberger, has been serving in this function since the financial year that ended on December 31, 2019. In accordance with Art. 730a para. 2 of the Swiss Code of Obligations, the lead auditor's term of office is a maximum of seven years.

Auditing Fees

In the calendar year 2020, PricewaterhouseCoopers Ltd invoiced the company CHF 2.3 million in global auditing fees.

Additional Fees

In the calendar year 2020, PricewaterhouseCoopers Ltd invoiced the company CHF 0.6 million for additional services. The additional fees were mainly invoiced for worldwide general and project-specific tax consultancy services.

Informational Instruments Pertaining to an External Audit

In accordance with Art. 728b para. 1 of the Swiss Code of Obligations, the external auditors provide the Board of Directors, on an annual basis, with a comprehensive report with conclusions on the financial reporting and the internal controlling system as well as the conduct and the result of the audit. Furthermore, the external auditors conduct interim audits during the year, in which they report their findings to the Executive Committee and the AFC.

Once the auditing work has been completed, the AFC assesses the results and findings of the external audit, discusses its assessment with the lead auditor in charge and reports the relevant findings to the Board of Directors. Furthermore, the AFC submits proposals in response to the external auditors' recommendations, objections and other discovered deficiencies, if any, to the Board of Directors for consideration and monitors the implementation of any relevant action decided upon by the Board of Directors.

The Chairman of the AFC meets regularly with the lead auditor and other representatives of the auditing firm. The latter also participate in meetings of the AFC dealing with relevant agenda items. In the reporting year, PricewaterhouseCoopers Ltd participated in all six meetings of the AFC.

On behalf of the Board of Directors, the AFC evaluates the work done by the external auditors and the lead auditor, based on the documents, reports and presentations issued by them as well as on the materiality and objectivity of their statements. For this, the AFC consults with the CFO and the Head of Internal Audit. On an annual basis, the AFC recommends to the Board of Directors the external auditors to be proposed to the General Meeting of Shareholders for election or reelection based on their performance, qualifications and independence. Once a year, the external auditors provide a formal written confirmation that they fulfill the requirements with regard to registration and independence as required by Swiss law and Swiss auditing standards. The assignment of non-audit services to the external auditors that are potentially in conflict with their role and responsibility must be approved by the Board of Directors based on the recommendation of the AFC.

The fees paid to the external auditors are reviewed on a regular basis and compared with the auditing fees paid by other comparable listed Swiss companies. Auditing fees are negotiated by the CFO, evaluated by the AFC and subject to the approval of the Board of Directors.

Material Changes Since Balance Sheet Date

Oerlikon announced on November 3, 2020, that Dr. Markus Tacke, CEO of the Surface Solutions Division since October 1, 2020 and Georg Stausberg, CEO of the Manmade Fibers Division, had been appointed as Members of Oerlikon's Executive Committee, effective January 1, 2021.

Information Policy

General

Oerlikon provides its shareholders and the capital markets with transparent, comprehensive and timely information on relevant facts and developments, in a manner that is in line with the principle of equal treatment of all stakeholders, including the public and all actual and potential market participants.

Apart from its detailed Annual Report and Half-Year Report, which are prepared in accordance with the International Financial Reporting Standards (IFRS), Oerlikon publishes its key financial figures and a related commentary for the first and third quarters of its financial year. In this way, Oerlikon increases its communication and transparency. Additionally, Oerlikon issues press releases on key company news during the year to ensure that shareholders and market participants are informed of significant changes and developments in the company. The company's website, www.oerlikon.com, offers a permanently accessible platform for all current information concerning the company.

As a company listed on the SIX Swiss Exchange, OC Oerlikon Corporation AG, Pfäffikon is obligated to disclose price-sensitive information to the public, including all market participants (ad hoc publicity obligation).

The publication medium for notices is the Swiss Official Gazette of Commerce. The Board of Directors may select additional publishing media. Communications to registered shareholders must be sent in writing to the most recent address provided by the shareholders to the company.

Press Releases

Press releases published in 2020, along with previous releases dating back to January 2004, can be accessed on Oerlikon's website at www.oerlikon.com/en/company/media/press-releases. Those interested in receiving the company's press releases regularly by e-mail can subscribe for the service at www.oerlikon.com/en/company/media/registration-for-corporate-news

Financial Calendar

For the financial calendar with Oerlikon's 2021 key financial disclosure events, please refer to page 67 under the Financial Report section of this Annual Report. The financial calendar, including further details on dates of road shows, conferences and events, can be found at www.oerlikon.com/en/investors/financial-calendar

Contact

Please refer to page 67 under the Financial Report section of this Annual Report for contact information for the Oerlikon Group, Investor Relations and Corporate Communications.

Shareholder letter

Remuneration Report

Dear Shareholders

It is my pleasure as Chairman of the Human Resources Committee (HRC) to present to you the 2020 remuneration report of OC Oerlikon Corporation AG, Pfäffikon.

The past year was heavily influenced by the global pandemic. The Annual General Meeting of Shareholders (AGM) in April 2020 was held without any attendance by Shareholders. Votes were cast electronically or via the independent proxy. Board and Committee meetings were often held on-line. Despite these challenges Oerlikon has proven again strong and resilient.

The main focus of the HRC this year was the transformation of the Group towards a more integrated and customer-focused organization. This included the appointment of the two division CEOs, Dr. Markus Tacke and Georg Stausberg, into the Executive Committee as per January 1, 2021, to leverage our talent pipeline for new roles as well as to use our restructuring efforts for fostering an even more customer-focused culture.

In the area of compensation, no adjustments were made in the remuneration for Board or Executive Committee members in 2020. In 2020, Philipp Müller officially took over the role of CFO in the Executive Committee, although he had already been actively involved over the previous three months. We have made some adjustments to the STI which will become effective in 2021 and promote a more integrated and customer-focused approach. We have also adjusted the LTI plan for 2021 in order to provide more focus on the efficient use of capital and value creation.

In addition, the HRC performed its regular activities throughout the year, such as performance goal setting and assessment of the Executive Committee, the determination of the compensation of the members of the Board of Directors and the Executive Committee, as well as the preparation of the Remuneration Report and the say-on-pay vote at the AGM.

We continue to provide a high level of transparency. In this year's Remuneration Report, we show again the compensation of the Executive Committee from three perspectives, namely the effective compensation that was paid in 2020, the forward-looking target value that was granted in 2020 and its market value at year-end. These perspectives enable shareholders to better interpret the amounts on which they are voting, that is, the target value granted, and to monitor the relationship between the company's performance and management's remuneration.

The proposals of the Board of Directors for the binding votes on remuneration will be published with the invitation to the 2021 AGM.

Sincerely

Prof. Dr. Michael Süss
Chairman of the Human Resources Committee

With this remuneration report, Oerlikon meets the requirements of Art. 13 to 16 of the Compensation Ordinance and para. 5 of the Annex to the Corporate Governance Directive (DCG) of SIX Swiss Exchange, governing the disclosure of remuneration systems and compensation paid to members of the Board of Directors and the Executive Committee. Moreover, in regard to remuneration reporting, Oerlikon voluntarily complies with economiesuisse's Swiss Code of Best Practice for Corporate Governance.

The Articles of Association include rules on the principles applicable to performance-related pay and to the allocation of equity securities (Art. 30), additional amounts for payments to Executive Committee members appointed after the vote on pay at the AGM (Art. 29) and the vote on pay at the AGM (Art. 28). Details on these rules are available on our website, at the Oerlikon Investor Relations' webpage: https://www.oerlikon.com/en/investors/corporate-governance/

Compensation for the Board of Directors and the Executive Committee is made up of various components, which are described in detail in this report. This section discloses a summary of the following aspects for 2020:

- General principles of the compensation policy
- Setting and approving compensation
- Compensation systems and compensation paid or granted to the Board of Directors in 2020
- Compensation systems and compensation paid or granted to the Executive Committee in 2020

Compensation Policy

Attractive, motivating, fair and simple compensation for all staff is the foundation of Oerlikon's performance-based corporate culture. The compensation systems provide competitive base salaries and attractive incentive schemes. They give equal consideration to individual and company performance, reward excellence and promote an entrepreneurial attitude.

To determine competitive and equitable compensation, Oerlikon uses external and internal benchmarks. The company establishes its external equity by continuously surveying the markets in which it operates, and its internal equity is established by following a Performance Management process. Performance Management is a crucial element in assessing the achievement of expectations and targets in relation to individual and business results.

Determining Compensation

The Human Resources Committee (HRC) supports the Board of Directors in all matters relating to the compensation and Performance Management systems in place at Oerlikon, in particular:

- the compensation policies for members of the Board of Directors, the Executive Committee and Group-wide managerial and non-managerial staff.
- the preparation of the proposals to the AGM regarding the aggregate compensation amounts for the Board of Directors and the Executive Committee.
- the annual pay plan for the Group (including general salary increases).
- the objectives for the CEO and assessment of his performance.
- the performance assessment of Executive Committee members by the CEO.

The compensation policies for the Board of Directors and the Executive Committee require an ongoing review of whether or not the compensation offered is:

- competitive, transparent and fair, by analyzing comparable companies and salary trends in the market.
- commensurate with the company's results and individual performance.
- consistent with Oerlikon's values and long-term strategy.

This review is conducted by the HRC on an annual basis and takes into account data from benchmark providers but no other external consultants. HRC activities are reported to the Board of Directors following each meeting; HRC minutes are shared with all Board members and form the basis for the Board of Directors to approve in:

- December, adjustments to compensation policies, if any, for the Board of Directors, the CEO and the other members of the Executive Committee.
- February, the fixed compensation of the members of the Board of Directors and the Executive Committee for the following year as well as the performance and variable compensation of members of the Executive Committee for the past year.
- February and October, Long-Term Incentive (LTI) grants, i.e. participants in equity programs and share awards allocated to them.

Based on the Compensation Ordinance, the aggregate amounts for compensation of the Board of Directors and the Executive Committee are subject to approval by the AGM. Within these confines, the internal approval and decision processes are as follows:

Approval Process

Decision on	Prepared by	Set by	Approved by
Compensation of members of the Board of Directors, incl. Chairman	Chairman	Human Resources Committee	Board of Directors
Compensation of the CEO, incl. fixed and variable compensation	Chairman	Human Resources Committee	Board of Directors
Compensation of the other members of the Executive Committee, incl. fixed and variable compensation	CEO	Human Resources Committee	Board of Directors
Maximum aggregate amount of – total compensation of the Board of Directors – fixed compensation of the Executive Committee – variable compensation of the Executive Committee	Chairman	Human Resources Committee	Board of Directors

The Chairman of the Board of Directors is present at the meeting when decisions are approved by the Board of Directors, including his own remuneration. In his role as Chairman of the HRC, he is also involved in the determination of Board remuneration, but abstains on decisions regarding his own remuneration. Members of the Board of Directors, other than those of the HRC, do not participate in determining the remuneration of Directors.

The CEO is involved in determining the remuneration of members of the Executive Committee and is present when the Board of Directors approves it, except when concerning his own remuneration.

Board of Directors

Compensation System

The compensation system applicable to the members of the Board of Directors consists of a fixed cash component and a fixed value of restricted stock units (RSU). The cash component depends on the responsibility, complexity and requirements of the tasks assumed. Each task is remunerated differently and the compensation components are cumulated, depending on the number of tasks assumed by each member, as per the table Cash Compensation. The level of compensation for each of the components is set by the HRC, taking into account the expenditure of work required from Board and Committee members, and approved by the Board of Directors. The members of the Board of Directors are remunerated for their service from the date of their election and for the duration of their term of office.

Cash Compensation

in CHF 000	Compensation	Expense Allowance
Member of the Board of Directors	75	35
Chairman of the Board of Directors	275	
Vice Chair of the Board of Directors	125	
Chairman of a Committee	50	
Member of a Committee	30	

The compensation is reviewed by the HRC on an annual basis and, if necessary, adjusted by the Board of Directors based on a proposal by the HRC, prior to submitting the aggregate amount to a vote at the AGM.

No adjustment was made to the cash compensation of the Board of Directors in 2020.

The value of the RSU is fixed (CHF 125 000 per Board member and CHF 280 000 for the Chairman of the Board). The number of RSU is determined by the share price at grant date. RSU are blocked from the grant date on the day of the AGM until the following AGM, at which time they are converted into Oerlikon shares. For Directors resigning their mandate prior to the end of the term, the number of RSU converted into Oerlikon shares may be reduced at the sole discretion of the Board of Directors. The RSU program is financed with treasury shares.

No changes to the equity compensation for members of the Board of Directors have been made since 2008.

Compensation 2020

No member of the Board of Directors served in an executive role in 2020. The Board of Directors consists of seven non-executive members, whose total remuneration in 2020 was CHF 2.4 million and remained unchanged compared to 2019. Since all components are fixed, no ratio between fixed and variable compensation is presented.

Compensation of Non-executive Members of the Board of Directors (Audited)

in CHF 000	Board of Directors	Strategy Committee	Audit & Finance Committee	Human Resources Committee	Cash	RSU [1]	Other [2]	Total Compensation 2020	Market Value per Dec 31, 2020 [3]	Total Compensation 2019 [4]
Prof. Dr. Michael Süss	C	C		C	375	280	35	**690**	724	690
Gerhard Pegam	V	M	M	M	215	125	35	**375**	390	375
Alexey Moskov	M			M	105	125	35	**265**	280	265
Geoffery Merszei	M		C	M	155	125	35	**315**	330	308
Paul Adams	M	M			105	125	35	**265**	280	236
Suzanne Thoma	M			M	105	125	35	**265**	280	236
David Metzger	M [5]		M [5]		28	-	-	**28**	28	265
Irina Matveeva	M [6]		M [6]		77	125	35	**237**	252	-
Total					1 165	1 030	245	**2 440**	2 564	2 404
Mandatory Employer Contributions [7]								**129**	136	127

C(hairperson), V(ice Chairperson), M(ember)

[1] The fair value at grant date of RSU was CHF 8.15

[2] Other compensation consists of an expense allowance.

[3] The value per year-end is based on a share price of CHF 9.15.

[4] The total amount in 2019 includes an additional member who served until the AGM 2019.

[5] Until April 7, 2020.

[6] As of April 7, 2020.

[7] The Compensation Ordinance requires the disclosure of employer contributions to social security.

Members of the Board of Directors did not receive any fees or other remuneration for additional services to OC Oerlikon or its subsidiaries in the 2020 business year. Neither OC Oerlikon nor its subsidiaries granted any guarantees, loans, advances or credit facilities to members of the Board of Directors or related parties in 2020 or 2019.

No compensation was paid to any former members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon or a Group company or related parties in 2020 or 2019.

The AGM on April 9, 2019 approved a maximum aggregate amount of compensation of the Board of Directors for the term of April 9, 2019 until April 7, 2020 of CHF 2.6 million. The following table shows the reconciliation between the effective Board compensation and the amount approved for this period.

April 9, 2019– April 7, 2020

in CHF 000	Cash Compensation	RSU	Other	Total	Approved Amount 2019–2020
	1 165	1 030	245	2 440	2 600
Full Year 2019				2 404	
Full Year 2020				2 440	
Total 2019/2020				4 844	
Mandate 2018/19 – Jan 2019 – Apr 2019				274	
Mandate 2019/20 – Apr 2019 – Apr 2020				2 440	
Mandate 2019/20 – Apr 2020 – Dec 2020				2 131	
Total 2019/2020				4 844	

Management

Compensation System

The compensation system for the Executive Committee consists of fixed and variable components. The fixed component entails a base salary commensurate with the role and local market level and, depending on local practice, includes allowances and fringe benefits. The variable component entails a performance-related annual cash bonus (Short-Term Incentive, STI) and a three-year performance-related equity program (Long-Term Incentive, LTI). The mix between these components is defined by the profile, strategic impact and pay level of the role, as described hereinafter.

In 2020, the proportion of variable compensation of members of the Executive Committee continued to be between 50% and 100% of the base salary for the target STI and between 34% and 121% of the base salary for the target LTI.

Members of the Executive Committee were not present when decisions on their respective compensation were made.

Base Salary

The base salary is determined primarily by the executive's tasks, responsibilities, skills and managerial experience, as well as market conditions, and is paid in cash. It was benchmarked with data from Mercer, which uses a position evaluation methodology to size each role and applies it to compensation data from 105 companies in Switzerland of which 67% are publicly listed and 92% are headquartered in Switzerland. Comparisons are made across a broad spectrum of branches except Financial Services and Life Sciences. Mercer also provides other compensation services to the Oerlikon Group and its subsidiaries. Since all members of the Executive Committee are employed in Switzerland no other data or providers were considered in 2020.

Short-Term Incentive (STI) Program

The STI program is a simple and clear annual cash bonus aimed at motivating managers and specialists to focus their efforts on specific financial and individual objectives. It is intended to help them align their efforts, promote initiative and contribute to the performance of individuals and the company.

The STI program for the Executive Committee consists of financial and individual objectives. Financial objectives include sales growth, EBITDA, operating free cash flow and return on net assets (RONA) and account for 80% of the target bonus, while individual objectives for 20%.

Financial objectives are set for each organizational level (Group, Division, Business Unit, etc.) and are aimed at increasing the growth, profitability and cash efficiency of the respective business. Measurements are made in equal parts on their own and the next level, whereas sales growth is weighed at 30%, EBITDA at 25% and operating free cash flow at 25%. The weighted result is multiplied with a modifier of 0.9, 1.0 or 1.1 depending on whether the RONA of the Oerlikon Group is within a competitive range.

STI Program

	Financial Objectives	Individual Objectives
Weight	80% of target amount	20% of target amount
Conditions	Sales Growth: 30% EBITDA: 25% Operating free cash flow: 25%	Targets set and weighed individually.
Multiplier	RONA: 0.9–1.1	Safety: 0.9–1.1
Potential	0–200%	
Purpose	Increase business growth, profitability and cash efficiency.	Focus on medium- and long-tern objectives such as business and people development.

Individual objectives focus on medium- and longer-term business objectives such as inorganic growth or people development. The weighted result is multiplied with a modifier of 0.9, 1.0 or 1.1 depending on whether the safety targets of the respective business is within a competitive range.

The Board of Directors approves the financial objectives of members of the Executive Committee for the following year at their year-end meeting. Individual objectives are approved at the meeting in February.

Financial targets are based on the annual budget and the payout on the actual financial results. A financial result at target corresponds to a payout of 100% of the target bonus, at the lower threshold 50%, and below the lower threshold 0%. Individual objectives are generally capped at 100% of the target bonus. In certain cases, a specific milestone or individual objective can be rewarded with more than 100%. A cap of 200% applies to STI payout.

The HRC monitors the STI performance at each of its meetings during the year and endorses the required accruals, which form the basis of the disclosure below at the December meeting.

Finally, the HRC determines the overall STI payout, both for levels exceeding 100% and for levels between 50 – 90%, based on factual business circumstances and reasonable business judgment in order to achieve a fair result originating from true performance, and makes a recommendation to the Board of Directors for a final decision in February. At this meeting, the HRC also recommends to the Board of Directors the aggregate amount for variable pay components that are submitted to a vote to the AGM for approval.

In 2020, the average payout for the STI 2020 for the Executive Committee is 82%. The average payout of the STI 2019 reached 89%.

Long-Term Incentive (LTI) Program

Oerlikon is a global technology group with a strategy to expand its worldwide leading position as a powerhouse in surface solutions and advanced materials. To successfully implement this strategy, it is vital for the Oerlikon Group to attract, motivate and retain key executives.

The LTI program consists of four components:

TSR is measured with a starting value of the volume-weighted average share price (VWAP) over 60 trading days, i.e. 30 before and 30 after the start and 30 before and 30 after the end of the year. The absolute TSR result is derived from the cumulated TSR for each of the three years. The relative TSR result is derived from the average percentile among a comparator group for each of the three years. The peer group is reviewed every year by the HRC and includes the companies of the STOXX Europe 600 Industrial Goods & Services Index.

At the start of the program, the Board of Directors sets target and cap for absolute TSR (aTSR). A result at or above the cap corresponds to a payout factor of 150%, a result at target corresponds to 100% and a result of 0 corresponds to 0%.

For relative TSR (rTSR), a result at or above the 90th percentile corresponds to a payout factor of 150%, at the 50th percentile the payout is 100%, at the 20th percentile the payout factor is 50% and below it is 0%.

The grant of RSU is not tied to any performance but to service conditions.

The number of PSA and RSU granted, multiplied by the weighted payout factors of absolute and relative TSR results corresponds to the final payout. For each unit granted, the equivalent of dividends paid per share to shareholders during the vesting period is added to the final payout.

LTI Program

	Performance Share Awards (PSA)	PSA	Restricted Stock Units (RSU)	Dividend equivalents
Weight	40% of target amount	20% of target amount	40% of target amount	
Conditions	Absolute Total Shareholder Return (aTSR)	Relative Total Shareholder Return (rTSR)	Service	Service
Potential	0–150%	0–150%	100%	n/a
Purpose	Increase the value created for shareholders	Increase the performance of the Oerlikon share against a group of peer companies	Increase attraction and retention of executives	Participate in dividend payments

Total Shareholder Return (TSR) is a standard metric used for measuring stock performance. It is defined as the net change in share price plus any dividend distributions over a period of time. In this case, the performance period is three years.

Target, Performance and Payout per Dec 31, 2020 for the current programs are:

	Target	aTSR per Dec 31, 2020	**Payout**	rTSR per Dec 31, 2020	**Payout**	Dividend Equivalent Payout	RSU Payout	**Total Payout per Dec 31, 2020**
LTI 2018–2021	6.0%	-14.7%	**0.0%**	30.0%	**66.0%**	36.6%		**49.8%**
LTI 2019–2022	65.0%	-18.3%	**0.0%**	17.0%	**0.0%**	37.5%	100%	**77.5%**
LTI 2020–2023	25.0%	-19.3%	**0.0%**	28.0%	**62.9%**	12.5%	100%	**65.1%**

E.g. LTI 2020–23: 0.0% * 40% + 62.9% * 20% +12.5% + 100% * 40% = 65.1%

Participants can elect at the beginning of the plan whether the effective number of units are fully converted into shares or whether 70% are received in shares and 30% are sold upon vesting to receive the corresponding value in cash. For shares received from PSA, a two-year blocking period applies, which is waived if the employment ends earlier.

In cases of termination by mutual agreement, expiration of employment contract (retirement, death, disability) or due to dismissal for reasons other than for cause or performance, grants vest at the next regular vesting date. If the termination occurs in the same year as the grant, the grant is reduced to a pro-rated number of units.

The Board of Directors is authorized to amend, supplement, suspend or terminate the plan at its discretion and at any point in time, including corporate events affecting the underlying shares.

In 2020, members of the Executive Committee received a portion of their compensation in the form of awards of OC Oerlikon Corporation AG, Pfäffikon stock. Grants were made to all members of the Executive Committee under the LTI program 2020. The LTI program is financed with treasury shares.

Benefits

The primary purpose of pension and insurance plans is to establish a level of security for employees and their dependents with respect to age, disability and death. The level and scope of pension and insurance benefits provided are country-specific, influenced by local market practices and regulations.

OC Oerlikon may provide other benefits in a specific country, such as a company car or a car allowance, or in case of an international hire also temporary housing, relocation or tax planning services.

Shareholding requirement

Members of the Executive Committee are required to build a significant personal shareholding in the business to further align the interests of the management and shareholders. The minimum threshold is a percentage of the annual base salary.

Role	% of Base Salary
CEO	200%
Other members of the Executive Committee	100%

Current members of the Executive Committee are required to reach their minimum investment limit within a period of five years. The shareholding of the individuals is reviewed regularly. New members of the Executive Committee have five years during which to reach their minimum investment limit. Members of the Executive Committee are encouraged to retain and use their LTI shares, when vested, to meet this requirement of the remuneration policy.

Employment Agreements

The employment contracts of Executive Committee members are of unlimited duration and end automatically when the member reaches retirement age. The contracts provide for a notice period of 12 months. The contracts of Executive Committee members contain a non-competition clause for the duration of 12 months following termination of employment, which is compensated with an annual base salary.

Compensation 2020

Effective Compensation

The following section discloses the pay components effectively received in 2020, including salary and bonus payments, contributions to pension plans, fringe benefits, as well as the actual value of equity plans at vesting date. This perspective reflects the income received by members of the Executive Committee, which in 2020 amounted to CHF 6.1 million. The highest compensation effectively received by an individual member of the Executive Committee in 2020 was CHF 3.0 million.

The effective remuneration decreased compared to the previous year mainly due to a reduced number of EC members, the performance of the LTI 2017 and STI 2020. The LTI 2017 vested in 2020 with a performance of 98.5% resulting from a cumulated increase of absolute TSR over three years of 17.9%, an average relative TSR of 46% and a dividend equivalent of 14.5% as reported in the 2019 remuneration report.

Effective Compensation of Members of the Executive Committee

in CHF 000	Fixed Compensation: Base salary	Fixed Compensation: Pension	Other [1]	Variable Compensation: Bonus [2]	Variable Compensation: Equity Plans (Effective Value at Vesting Date) [3]	Total Effective Compensation 2020	Total Compensation 2019 [4]
Total compensation to members of the Executive Committee	2 464	692	126	1 536	1 292	6 110	12 523
Thereof highest paid to one individual: Dr. Roland Fischer (CEO)	1 000	234	18	822	894	2 968	5 311

[1] Other compensation includes fringe benefits such as car allowance or relocation.
[2] The bonus is determined on Group and individual level and depends on business and individual performance.
[3] Equity plans include the LTI plan 2017 based on PSA which vested with a performance of 98.5% and RSU compensating for forgone compensation at the previous employer.
[4] In 2019, the remuneration of the new CFO, Philipp Müller, was included, although not yet formally a member of the Executive Committee.

Granted Compensation

The following section discloses the granted pay components in 2020, including salary and bonus payments, contributions to pension plans, fringe benefits as well as the target value of equity programs at grant date. This perspective reflects the compensation potential provided to members of the Executive Committee, which in 2020 amounted to CHF 6.7 million. The highest compensation granted to an individual member of the Executive Committee in 2020 was CHF 3.3 million.

The target compensation of members of the Executive Committee was not adjusted in 2020. Differences to the previous year stem mainly from a reduced number of EC members, lower bonus payout and a lower LTI valuation.

Granted Compensation of members of the Executive Committee (Audited)

in CHF 000	Fixed Compensation: Base salary	Fixed Compensation: Pension	Other [1]	Variable Compensation: Bonus [2]	Variable Compensation: LTI 2020–2023 (Target Value at Grant Date) [3]	Total Granted Compensation 2020	Total Granted Compensation (Market Value per Dec. 31, 2020) [4]	Total Granted Compensation 2019 [5]
Total compensation to members of the Executive Committee	2 464	692	126	1 536	1 851	6 670	7 119	9 819
Thereof highest paid to one individual: Dr. Roland Fischer (CEO)	1 000	234	18	822	1 207	3 283	3 575	3 566
Estimated Mandatory Employer Contributions [6]						354	377	520

[1] Other compensation includes fringe benefits such as car allowance or relocation.
[2] The bonus is determined on Group and individual level and depends on business and individual performance.
[3] The LTI 2020 consists of 60% PSA and 40% RSU. The fair value at grant date for the PSA portion was CHF 4.88 and CHF 7.23 for the RSU portion. The performance of the LTI plan per December 31, 2020 is 65.1% for the PSA portion. The RSU portion is not subject to service but not to performance conditions. The effective performance of the plan will be determined per December 31, 2022 and the effective value at the time of vesting on April 30, 2023 and disclosed as effective compensation in the remuneration report the following year.
[4] The market value per year-end is based on a share price on Dec 31, 2020 of CHF 9.15 and a performance of the PSA portion of the LTI of 65.1%.
[5] In 2019, the remuneration of the new CFO, Philipp Müller, was included, although not yet formally a member of the Executive Committee.
[6] The Compensation Ordinance requires the disclosure of estimated employer contributions to social security.

Granted Compensation of former members of the Executive Committee (audited)

	Fixed Compensation				
in CHF 000	Base salary [1]	Pension	Other [2]	Total Granted Compensation 2020	Total Granted Compensation 2019
Total compensation to former members of the Executive Committee	1 000	0	26	1 026	0

[1] Fixed compensation includes a contractually agreed non-competition agreement for the duration of one year.
[2] Other compensation includes a customary farewell gift, incl. social security contributions.

The Annual General Meeting of Shareholders on April 9, 2019 approved a maximum aggregate amount of the fixed compensation of the Executive Committee from July 1, 2019 until June 30, 2020 of CHF 4.0 million. The table below shows the reconciliation between the effective Executive Committee compensation and the amount approved for this period.

Philipp Müller joined the company in October 2019 to ensure a smooth handover from the CFO, Jürg Fedier, who retired as per end of 2019. Although not yet formally a member of the Executive Committee in 2019, the associated remuneration may be considered part of his future role in the Executive Committee and for this reason was reported in the remuneration report 2019 as an integral part of the aggregate Executive Committee compensation. The additional compensation is covered under Article 29 of the Article of Association for a supplementary amount for changes on the Executive Committee. Article 29 allows for an additional amount of 40% of approved fixed and variable compensation, being CHF 3.6 million (40% of CHF 4.0 million fixed compensation approved at the AGM 2019 and CHF 5.1 million variable compensation approved at the AGM 2020). Of this additional amount, CHF 427 thousand was used for fixed compensation elements of Philipp Müller during 2019.

July 1, 2019 – June 30, 2020

in CHF 000	Cash Compensation	RSU	Other	Total	Approved Amount 2019–2020
	2 838	711	350	4 427	4 000
Full year 2019				4 750	
Full year 2020				3 282	
Total 2019/2020				8 032	
Period Jan 2019 – Jun 2019				2 001	
Period Jul 2019 – Jun 2020				4 427	
Period Jul 2020 – Dec 2020				1 605	
Total 2019/2020				8 032	

Current or former members of the Executive Committee did not receive any fees or other remuneration for additional services to OC Oerlikon or its subsidiaries in the 2020 business year. Neither OC Oerlikon nor its subsidiaries granted any guarantees, loans, advances or credit facilities to members of the Executive Committee or related parties in 2020 or 2019.

During 2020, no compensation was paid to related parties, either by OC Oerlikon Corporation AG, Pfäffikon or by any other company of the Oerlikon Group.

Report of the statutory auditor

to the General Meeting of OC Oerlikon Corporation AG

Pfäffikon

We have audited the remuneration report of OC Oerlikon Corporation AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the section "Compensation of Non-executive Members of the Board of Directors" labelled 'audited' on page 50 and section "Granted Compensation of members of the Executive Committee" labelled 'audited' on page 55 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of OC Oerlikon Corporation AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

René Rausenberger	Oliver Illa
Audit expert Auditor in charge	Audit expert

Zürich, 26 February 2021

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Risk Management and Compliance

Oerlikon's Risk Management System

Oerlikon takes a company-wide, holistic approach to the identification, assessment and management of business risks. All organizational units and their business processes and projects are evaluated across the entire spectrum of market, credit and operational risks. The Risk Management System is a management tool that serves to integrate risk management within the company's executive ranks and organizational structure.

Objectives and Principles

The Board of Directors has defined five primary objectives for the Risk Management System. First, it must help secure the company's continued existence and profitability by creating a transparent risk profile and continuously improving and monitoring it. Second, it must contribute to improving planning and supporting the better achievement of targets. Third, it must secure revenue and reduce potential risk-related expenses, which safeguards and enhances the company's value. Fourth, it must align total risk exposure with the company's risk-bearing capacity and ensure that the risk-return ratio of business activities is transparent. Finally, risk management must also help protect the company's reputation.

Organization

Roles and responsibilities within the Risk Management System are defined as follows:

- In accordance with Swiss stock corporation law, the Board of Directors has overall responsibility for supervising and monitoring risk management. Supported by the Audit & Finance Committee, it monitors the Group's risk profile on the basis of internal reporting. In addition, it reviews the Risk Management System's performance and effectiveness. The Board of Directors also uses internal auditing to fulfill and document its supervisory and monitoring duties.
- Pursuant to Oerlikon's Organizational and Governance Rules, the Chief Executive Officer (CEO), with the support of the Executive Committee, bears overall responsibility for structuring and implementing risk management (delegated management responsibility for risk management). He approves the risk management directive and is responsible for revising it, and also monitors the Group's risk profile and the implementation of risk mitigation actions.
- In accordance with the principle of risk ownership, the Divisions and Group departments (assessment units) bear responsibility for risks and damage/losses in their respective areas. Each is responsible for the implementation of the risk management process. Each assessment unit has a risk management coordinator who coordinates the unit's activities with Group Risk Management. The assessment units conduct risk assessments, establish risk mitigation actions and report the results to Group Risk Management. They continuously monitor their risk profiles and report damage/losses to Group Risk Management.
- As process owner, Group Risk Management is tasked with the operation and further development of the Risk Management System. The Head of Group Risk Management assumes technical responsibility for risk management. Group Risk Management provides, among other things, methods and tools, supports the assessment units in conducting risk assessments and developing mitigation actions, and oversees the implementation of risk mitigation actions. Other responsibilities include calculating the total risk exposure and the risk-adjusted key performance indicators (KPIs), monitoring risk-bearing capacity, internal reporting, conducting internal audits and providing training with respect to the Risk Management System. Group Risk Management also coordinates the risk-related activities of other units as and when necessary.
- Central units and decentralized departments carry out certain risk-related activities. For example: Group Treasury (liquidity, foreign exchange and interest rate risks), Group Tax (tax risks), Group Legal Services (legal risks, compliance risks, including trade control), IT Security (IT risks), Security (security risks), and Insurance Management (insurable risks).

Process and Reporting

The assessment units conduct risk assessments semiannually and prepare their risk profiles and mitigation action plans. The risk management process is coordinated with the budgeting/planning process and the forecasting process. From a methodological perspective, risk assessments are conducted according to a standard procedure comprising the following steps: preparation of the risk assessment, identification of risks, risk evaluation and planning of risk mitigation actions. The process is supported Group-wide by a risk management software program. Internal risk reporting is done semiannually to the Executive Committee, and annually to the Audit & Finance Committee and the Board of Directors based on consolidated risk reports.

Culture

Oerlikon's risk culture is shaped and developed according to the Code of Conduct, training, best-practice sharing, continuous implementation of the risk management process and the Executive Committee and senior management, who act as role models. The risk management directive also contains statements illustrating the desired risk culture.

Current Situation

Oerlikon operates in markets characterized by various uncertainties. The Divisions have different risk profiles contingent upon strategy, the business model and operational implementation. From the perspective of the Group holding company, the following risks might impact Oerlikon's businesses and its performance:

Market Risks

- Economic slowdown and business cycles: As a result, order intake, sales and profitability could decrease. Such effects could be overlain and worsened by additional COVID-19 waves and additional lockdowns.
- Competition: Competition and overcapacity in various markets could exert pressure on prices or trigger a decline in orders. As a result, order intake, sales and profitability could decrease.
- Digitalization: Industry 4.0 could change the marketplace, and failing to adapt and to seize opportunities could further increase pressure from competition.
- E-mobility: The automotive industry is in a fundamental change from combustion engines towards electrical and digital mobility. Suppliers in the entire value chain will also be affected, and sales and profitability could decrease.
- Foreign currency effects (transaction and translation risk): Unfavorable currency developments, mainly with respect to the euro and US dollar, could trigger higher procurement costs and lower sales figures. In addition, profitability could decline as a result of local currencies being translated into the Group's reporting currency (the Swiss franc).
- Country risks: For example, geopolitical events, regulations, new or higher taxes and fees, currency appreciation or depreciation, higher interest rates, reduced growth, or loss of proprietary information (intellectual property), could cause sales to decline and costs to rise. As a result, profitability could decrease.

Credit Risks

Credit risks arise when customers cannot meet their obligations as agreed. At present, there are no significant credit risks for the Group.

Operational Risks

- Additional costs/warranties: Insufficient product quality or machines and equipment that fail to perform as promised could lead to additional manufacturing costs and/or contractual warranty obligations. This could reduce profitability.
- Technology risks: If technologies do not prove successful in the market, order intake and sales targets may not be reached. Impairment charges may have to be reported.
- Legal: Oerlikon is exposed to numerous legal risks as a result of its international operations. These include, in particular, risks in the areas of competition and antitrust law, patent law, tax law, environmental protection law, trade control law and data protection law. Oerlikon has a valuable portfolio of industrial property rights, such as patents and trademarks. These property rights can become the target of attacks and infringements.
- Loss of key people/shortage of qualified skilled staff and managers: If key people leave the company and qualified skilled staff and managers are not available, sales and profitability targets may not be reached.
- IT security: Cyber attacks could result in business interruption, loss of data, and ultimately in loss of profit, additional costs and reputational damage.

Compliance and Ethics

There is a Group-wide compliance function that focuses on compliance within the legal, regulatory spectrum and internal regulations, including the Group's ethical standards, by actively invoking such preventive measures as training, communication and advising.

The foundation of this program was laid and enhanced between 2009 and 2012, with a focus on key elements of an anti-bribery and anti-corruption framework compliance program, including a written Code of Conduct, compliance risk assessments and the development of both electronic and face-to-face compliance and ethics training programs for the majority of employees. Since that time, and this remains a key focus, Oerlikon has enhanced and promoted ethical behavioral aspects of leadership awareness while dealing with integrity issues. Oerlikon has done so by implementing and revising its business partner integrity screening process and by introducing and establishing as part of its governance framework (the three-pillar compliance framework which includes prevention, detection and monitoring) antitrust compliance training within the program.

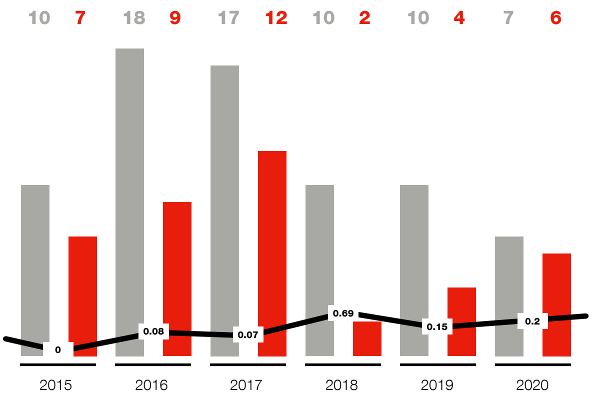
In 2015 and 2016, the compliance program emphasized the establishment of data compliance to enhance data privacy and information security management. In 2017, Compliance prepared for the implementation of the EU's General Data Protection Regulation (GDPR), which came into effect on May 25, 2018.

In 2019 and 2020, the Global Data Privacy and Compliance Officer continued to prioritize and focus on the implementation of GDPR requirements into Oerlikon's projects, processes, documentation and awareness programs.

As of end of 2019, Oerlikon has started focusing on China and Russia. Moreover, the Group took steps and planned to improve its alignment with applicable data protection and cybersecurity laws in the rest of Asia and Latin America in 2020 and 2021.

The Compliance program has a three-pillar framework:

- **Prevention**: through policies, directives, training, the Code of Conduct, risk assessment, maturity assessment, compliance councils, internal controls and metrics, examples and Q&A in all employee meetings.
- **Early detection**: the "whistleblowing" hotline, continuous compliance reviews, controls and internal audits, allegation management process.
- **Response**: disciplinary action on compliance breaches, process adaptation, resolution plans, remediation of internal control systems, fine-tune policies.



Compliance cases 2015–2020

- Total number of cases
- Number of substantiated cases
- Financial Impact (in CHF million)

Financial Report

Metal alloys are developed with specific properties, such as to harden or protect metal parts against corrosion. The ability to create alloys with new or improved properties is one of Oerlikon's core competencies. Using Oerlikon's patented Rapid Alloy Development approach, it is possible to significantly shorten the time to develop new alloys compared to the conventional trial-and-error principle.

Information for Shareholders

2020 Capital Market Development

Global stock markets experienced a turbulent year as the strong momentum from 2019 was abruptly ended in late February 2020 by the onset of the first global pandemic since the Spanish flu in 1918. The impact of the COVID-19 pandemic had a varied impact across global stock market sectors. Generally there was a significant inflow into technology, semiconductor and "stay-at-home" stocks and away from industrials, travel and consumer stocks. Technology stocks represented 27.6% (23.2% in 2019) of the S&P 500 index at the end of 2020.

Even before the pandemic there was a substantial rotation away from automotive markets starting the year with downwards momentum. As the COVID-19 pandemic took hold global stock markets collapsed during March and April with industrial, automotive and aerospace indices falling to 50 – 60% of the level where they started the year. The collapse was so sudden that trading was suspended four times on US stock exchanges during March.

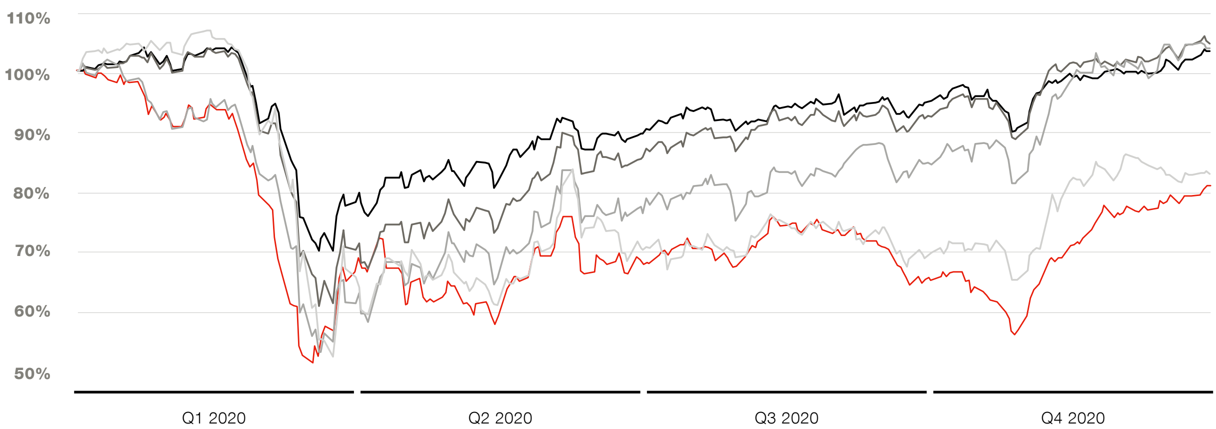
The pace of recovery was varied with the recovery of industrial, automotive and aerospace sectors delayed until the second half of 2020. Market sentiment became markedly more positive following vaccine news at the end of October resulting in record highs for stock markets across a number of broader market indices.

For the year, the S&P 500 increased by 16%. In Europe, the Stoxx Europe 600 ended 2020 down only 4%, while the SMI Mid (SMIM) increased by 3% in 2020 to 2860 points (2019: 2769 points). In key end-market sectors the Stoxx Europe 600 Auto & Parts sub-sector finished the year 4% up having been down 48% in March and the MSCI World Aerospace and Defence index finished down 17% recovering from a low point of -48% at the height of the COVID-19 pandemic.

Additionally 2020 was a massive year for ESG with substantial flows of capital into sustainable funds.

Oerlikon Share Performance in 2020

Oerlikon shares started 2020 with negative momentum from declining markets in automotive and general industry. As the global lock-downs took hold the negative headwinds from China, industrial markets and aerospace overcorrected and sank the share price to a low of CHF 5.75 down 49% YTD in March.



Development of the Oerlikon Share Price
Indexed; 100% = closing price as of December 31, 2019

- OERLIKON
- SMIM
- STOXX Europe 600 IndGd & Ser EUR
- STOXX Europe 600 Auto & Parts EUR
- MSCI World/Aero & Defens

The Manmade Fibers Division demonstrated resilience over the year and was a stabilizing force for the Group with improved performance quarter-on-quarter. The Surface Solutions Division was heavily impacted by key markets and then accelerated structural cost measures with additional tight controls over discretionary spending. Recovery in Chinese, automotive, tooling and general industrial markets and the first proof points from the cost programs in the third quarter became the catalysts for the share price recovery during the final quarter of 2020.

Oerlikon share price closed out 2020 at CHF 9.15 (2019 closing price: CHF 11.36), the highest point since the beginning of the pandemic. Average daily trading volume on the 252 trading days in 2020 remained increased to 1.3 million shares driven by general market volatility between late February and early May (2019: 1 1 million shares).

Analyst Recommendations

Eleven financial analysts covered Oerlikon in 2020 and published performance estimates and recommendations based on their analyses. Oerlikon provides analysts and investors with market consensus figures in order to facilitate an independent and transparent assessment of performance. This consensus is based purely on analyst estimates and in no way reflects the opinion of Oerlikon.

In a market environment of extreme turbulence resulting from the COVID-19 pandemic and despite delivering on strategy and reporting solid operating results, several analysts had reduced their price targets during the first half of the year with a target price low of CHF 8.67. However, the demonstrated resilience of the Manmade Fibers and the strong cost action taken on Surface Solutions led to the average target price rising to CHF 9.12, up 5% from the low point of the year (with a range from CHF 7.00 to CHF 10.60 at year-end). As of December 31, 2020, six out of eleven analysts recommended the purchase of Oerlikon shares (buy/add/outperform). There were three neutral (hold/neutral/sectorperform) and two negative (sell/underperform) recommendations.

Oerlikon is seeking to expand the number of financial institutions covering the company, particularly outside of Switzerland, in order to broaden the opinions available in the financial markets and the basis for the consensus figures. In August 2020, Society Generale terminated coverage due to a reorganization of their Capital Goods team.

Shareholder Earnings

In 2020, Oerlikon paid a dividend to its shareholders amounting to CHF 1.00 per share for the financial year 2019. This comprised an ordinary dividend payout consistent with the previous year of CHF 0.35 and an extraordinary dividend of CHF 0.65 to share some proceeds from the sale of the drive business. Based on the underlying operational performance and considering the strong financial position, the Board of Directors of Oerlikon will propose a dividend of CHF 0.35 per share for the financial year 2020 at the Annual General Meeting of Shareholders scheduled for April 13, 2021. This ordinary dividend payout of CHF 0.35 per share is consistent with the three previous years. The ordinary dividend proposal will be equivalent to a payout ratio of 118% based on underlying earnings per share (EPS) of CHF 0.30 (reported EPS: CHF 0.11). Based on the year-end closing price of CHF 9.15 and the overall dividend proposal of CHF 0.35, Oerlikon shares yielded a return of 3.8% in 2020.

The dividend policy remained unchanged and the proposed dividend payout can be based on up to 50% of the Group's underlying net result and beyond after considering the Group's financial position and affordability from the balance sheet.

Listing on the Stock Exchange

The registered shares of OC Oerlikon Corporation AG, Pfäffikon have been listed on SIX Swiss Exchange since 1973 and are traded in the main segment.

Securities symbol	OERL
Securities number	81 682
Security type	Registered share
International Securities Identification Number (ISIN)	CH0000816824
Settlement currency	CHF
Stock exchange	SIX Swiss Exchange
Bloomberg ticker symbol	OERL S
Reuters ticker symbol	OERL.S

Weighting of the Oerlikon Share in Indices

As of December 31, in %	2020	2019
SMIM	0.89873	1.15321
SMI Expanded	0.12865	0.16093
SPI	0.11967	0.14978
SPI Extra	0.58955	0.75198
SPI ex SLI	0.86793	1.10193
Swiss All Share	0.11806	0.14877
UBS 100 Index	0.12177	0.15255

Key Share-Related Figures[1]

		2020	2019	2018	2017	2016
Year-end	in CHF	9.15	11.36	11.04	16.45	10.00
Year high	in CHF	11.36	13.90	18.27	16.95	10.10
Year low	in CHF	5.75	8.63	10.59	10.05	7.76
Year average	in CHF	8.20	11.41	14.56	13.18	9.26
Average daily trading volume (SIX)	in thousands	1293	1 174	1 177	831	1 107
Average daily trading volume (SIX)	in CHF thousands	10 290	12 404	16 689	10 996	10 217
Shares outstanding at year-end	number	339 758 576	339 758 576	339 758 576	339 758 576	339 758 576
Market capitalization at year-end	in CHF million	3 109	3 860	3 751	5 589	3 398
Underlying earnings per share (undiluted)[2]	in CHF	0.30	0.46[3]	0.59	0.50	0.31
Earnings per share (undiluted)	in CHF	0.11	-0.21	0.71	0.44	1.14
Earnings per share (diluted)	in CHF	0.11	-0.21	0.71	0.44	1.14
Price-earnings ratio		103.27	-	15.55	37.39	8.77
Payout ratio (Underlying EPS and ordinary dividend)		118%	75%	59%	70%	97%
Dividend per share	in CHF	0.35[4]	1.00[5]	1.00[6]	0.35[7]	0.30[8]
Dividend yield		3.8%	8.8%	9.1%	2%	3%
Equity per share[9]	in CHF	4.02	5.19	5.90	5.80	5.38
Cash flow from operating activities per share	in CHF	0.94	0.45	1.48	1.41	0.86

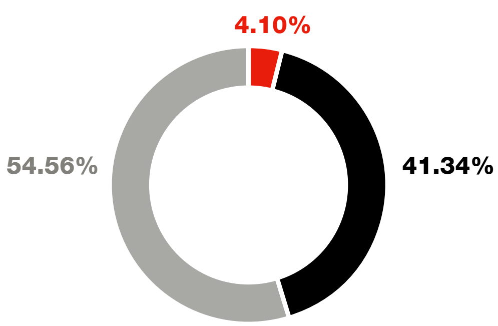
[1] Average number of shares with voting and dividend rights (undiluted).
[2] Net income as reported adjusted for amortized intangibles (net of tax) relating to acquisitions, discontinued operations and one-off restructuring charges.
[3] For comparability reasons, the prior year figure has been adjusted accordingly for discontinued activities and restructuring charges.
[4] Dividend proposal for the financial year 2020, to be paid in 2021, comprising of an ordinary dividend of CHF 0.35.
[5] For the financial year 2019, paid in 2020, comprising an ordinary dividend of CHF 0.35 and an extraordinary dividend of CHF 0.65.
[6] For the financial year 2018, paid in 2019, comprising an ordinary dividend of CHF 0.35 and an extraordinary dividend of CHF 0.65.
[7] For the financial year 2017, paid in 2018.
[8] For the financial year 2016, paid in 2017.
[9] Attributable to shareholders of the parent.

Shareholder Structure

Under the terms of the Financial Market Infrastructure Act (FMIA), shareholders whose holdings reach or exceed/fall short of a certain percentage of the share capital are required to disclose their holdings. The holdings of Liwet Holding AG, which remained Oerlikon's principal shareholder, amounted to 41.34% of outstanding shares at the end of the year (2019: 41.34%). On December 12, 2020, Black Creek Investment Management Inc. disclosed that their voting rights exceeded the threshold of 3% of outstanding shares. At the end of December 2020, Oerlikon held 13 936 546 treasury shares (4.10% of the share capital), which are intended to be used, among other things, as incentive instruments as part of the company's long-term compensation policy (2020: 3 518 205). The free float totalled 54.56% (2019: 57.01%) as of December 31, 2020. The number of registered shareholders slightly increased from around 14 900 in 2019 to about 15 500 in 2020.

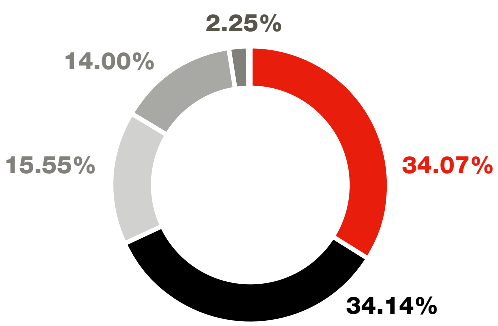
Oerlikon announced on November 5, 2019, that its Board of Directors had decided to initiate a share buyback program. Over a period of up to 36 months, shares amounting to a maximum of 10% of the share capital recorded in the commercial register are expected to be repurchased in the open market over the ordinary trading line on SIX Swiss Exchange. The share buyback program is executed in cooperation with the Zürcher Kantonalbank and started on November 7, 2019. From the beginning of the program to the end of current financial year Oerlikon has repurchased 13 675 053 shares with an average acquisition price of CHF 8.64 per share and representing 4.02% of the share capital. Oerlikon intends to utilize the repurchased securities to finance potential inorganic growth and to fund its global long-term employee incentive program.

Oerlikon regularly commissions an analysis of its shareholder base in order to track the composition of registered shareholders as well as that of nonregistered investors. The latest study from January 2021 shows that the share capital held by private investors slightly increased to 11% (January 2020: 9%), the vast majority of whom are based in Switzerland. The other 89% is owned by professional investors, which include financial investors such as Liwet Holding AG and institutional investors (investment funds), insurance companies and pension funds. The percentage of shares from institutional investors was slightly reduced at 35%.



Shareholder Structure

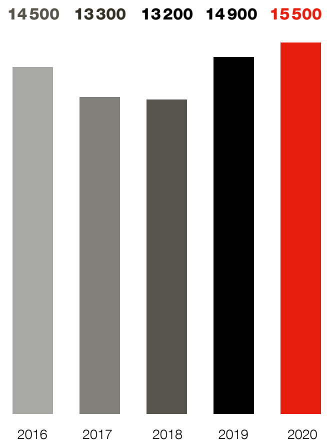
- OC Oerlikon
- Liwet Holding AG
- Other



Regional Distribution of Institutional Investors

- Switzerland
- North America
- Continental Europe
- United Kingdom and Ireland
- Rest of World

The regional distribution of the institutional holdings was also balanced at the beginning of 2021. The majority of institutional holdings remains in Switzerland, making up 34% of all institutional shareholders. A year ago, this percentage was 34%. The percentage of institutional investors from North America increased to 34% (January 2019: 33%). Institutional shareholders from the UK and Ireland declined to 14% while the shareholders from Continental Europe increased to 16%. The portion of institutional investors from the rest of the world was 2%.



Number of Registered Shareholders
at year-end

Shareholder Structure

Shareholder	**Dec. 2020 No. of shares**	**in % [3]**	**Dec. 2019 No. of shares**	**in % [3]**	Dec. 2018 No. of shares	in % [3]
Liwet Holding AG, Zurich, Switzerland [1]	140484860 [2]	41.34	140484860 [2]	41.34	140484860 [2]	41.34
OC Oerlikon Corporation AG, Pfäffikon, Switzerland	13936546 [4]	4.10	5597805	1.65	942398	0.28
Other	185337170	54.56	193675911	57.01	198331318	58.38

[1] The shares of Liwet Holding AG, Zurich, are ultimately held as follows:
(a) 44.46% by Columbus Trust, a trust established under the laws of the Cayman Islands, whose ultimate beneficiary is Mr. Viktor F. Vekselberg, Moscow, Russia and Zug, Switzerland.
(b) 19.455% by Amapola Development Inc, Panama, and Polaris Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Evgeny Olkhovik, Moscow, Russia.
(c) 19.455% by Ali International Ltd., Bahamas, and Olympia Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Andrey Lobanov, London, United Kingdom.
(d) 16.63% by Next Generation Trust, a trust established under the laws of Cyprus, whose ultimate beneficiaries are Alexey Valerievich Moskov, Irina Arkadievna Matveeva, Mikhail Sergeevich Sivoldaev, Rinat Shavkiatovich Khalikov, Igor Vladimirovich Cheremikin and Andrey Alekseevich Shtorkh.

[2] Source: disclosure notification published by SIX Exchange Regulation on May 25, 2018.

[3] Basis: shares issued (339758576).

[4] 13936546 is the effective number of treasury shares as per December 31, 2020. Oerlikon notified SIX Exchange Regulation when the threshold of 3% was exceeded by holding 10354825 treasury shares corresponding to 3.05%. Source: disclosure notification published by SIX Exchange Regulation on March 27, 2020.

External Financing

Syndicated Credit Facility Agreement

On December 7, 2016, Oerlikon signed an agreement for an unsecured syndicated revolving credit facility amounting to CHF 600 million. The facility comprises a revolving credit facility and an ancillary credit facility with a five-year term and two optional one-year extensions. The first option was successfully concluded in November 2017 and the second extension option was not used, defining the final maturity date as 2022. During 2020, at the height of the first wave of the COVID-19 pandemic, Oerlikon was able to fully draw the facility to ensure access to liquidity. Over the remainder of 2020 Oerlikon repaid the facility and no liquidity was drawn from the cash facility at the end of year balance sheet date.

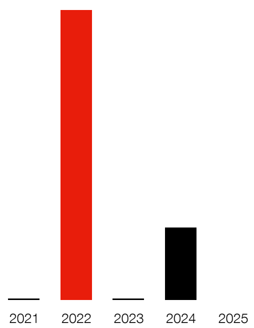
Cash and cash equivalents amounted to CHF 414 million at the balance sheet date. The Group had total net cash of CHF 59 million as of December 31, 2020.

Other Debt Instruments

At the 2020 balance sheet date, the Group had non-current loans and borrowings amounting to CHF 157 million, attributable primarily to the outstanding domestic bond. The creditworthiness of the domestic bond was BBB– as assessed by UBS, BBB as assessed by Zürcher Kantonalbank, and low BBB as assessed by Credit Suisse (all investment grade). All assessments remain unchanged with a stable outlook. Since 2017, fedafin AG is also covering Oerlikon's bond. The Group also had total non-current lease liabilities of CHF 175 million as at December 31, 2020.

Financing Instruments
as of December 31, 2020

- Credit facility CHF 600 million
  [1] No liquidity was drawn as of the balance sheet date.
- Swiss bond CHF 150 million



Maturity of Financing Instruments
as of December 31, 2020

- Credit facility CHF 600 million
- Swiss bond CHF 150 million

Outstanding Bond as of December 31, 2020

ISIN	Coupon	Maturity	Volume	Issue price	Price as of Dec. 31, 2020[1]	Price as of Dec. 31, 2019[1]
CH0244692536	2.625%	June 17, 2024 Redemption at par	CHF 150 million	100%	105.75%	111.75%

[1]The market value of the bond is based on quotes provided by Refinitiv

Financial Calendar and Contacts

Financial calendar

March 2, 2021
Q4 / FY 2020 results and publication of Annual Report 2020

April 13, 2021
2021 Annual General Meeting of Shareholders, Pfäffikon SZ

May 4, 2021
Q1 2021 results

August 3, 2021
Q2 / HY 2021 results and publication of Interim Report 2021

November 3, 2021
Q3 / 9M 2021 results

Dates of roadshows, conferences and other events can be found in the financial calendar on our website at www.oerlikon.com/en/investors

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Key Figures Oerlikon Group

Key Figures Oerlikon Group

in CHF million	January 1 to December 31, 2020	January 1 to December 31, 2019
Order intake[1]	2 241	2 590
Order backlog	581	583
Sales[1]	2 258	2 593
EBITDA[1]	288	366
- as % of sales[1]	12.7 %	14.1 %
Operational EBITDA[1, 2]	320	393
- as % of sales[1, 2]	14.2 %	15.1 %
EBIT[1]	73	164
- as % of sales[1]	3.2 %	6.3 %
Operational EBIT[1, 3]	116	193
- as % of sales[1, 3]	5.2 %	7.4 %
Result from continuing operations	38	110
Result from discontinuing operations, net of income taxes	–	–176
Net result	38	–66
– as % of equity attributable to shareholders of the parent	3 %	–4 %
Cash flow from operating activities[4]	310	152
Capital expenditure for property, plant and equipment and intangible assets[1]	118	179
Total assets	3 340	3 647
Equity attributable to shareholders of the parent	1 324	1 756
– as % of total assets	40 %	48 %
Net cash[5]	59	333
Net operating assets[6]	1 637	1 826
Number of employees (full-time equivalents)	10 692	11 134
Personnel expense[1]	780	822
Research and development expenditure[1, 7]	101	122

[1] Continuing operations.

[2] Operational EBITDA is defined as EBITDA, adjusted by expenses directly related to restructuring activities, effects from discontinued activities not qualifying as discontinued operations as well as impairments on associates.

[3] Operational EBIT is defined as EBIT, adjusted by expenses and impairments directly related to restructuring activities, effects from discontinued activities not qualifying as discontinued operations as well as impairments on associates, goodwill and intangible assets acquired in a business combination.

[4] Cash flow from operating activities before changes in net current assets amounts to CHF 202 million (previous year: CHF 322 million).

[5] Net cash includes cash and cash equivalents, deposits and marketable securities less current and non-current debt.

[6] Net operating assets are defined as operating assets (total assets without cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets) less operating liabilities (total liabilities without financial and lease liabilities, current income taxes payable, non-current post-employment benefit liabilities and deferred tax liabilities).

[7] Research and development expenditure includes expenses recognized as intangible assets in the amount of CHF 25 million (previous year: CHF 31 million).

Key share-related figures[1]

in CHF	January 1 to December 31, 2020	January 1 to December 31, 2019
Share price		
Year high	11.36	13.90
Year low	5.75	8.63
Year-end	9.15	11.36
Shares outstanding at year-end	339 758 576	339 758 576
Market capitalization at year-end in CHF million	3 109	3 860
EBIT per share[2]	0.22	0.49
Operational EBIT per share[2]	0.35	0.57
Earnings per share	0.11	–0.21
Cash flow from operating activities per share	0.94	0.45
Equity per share[3]	4.02	5.19
Dividend per share	0.35[4]	1.00[5]

[1] Average number of shares with voting and dividend rights (undiluted).

[2] Continuing operations.

[3] Attributable to shareholders of the parent.

[4] Dividend proposal for 2020, to be paid in 2021.

[5] For financial year 2019, paid in 2020.

Key Figures by Division

in CHF million	January 1 to December 31, 2020	January 1 to December 31, 2019
Oerlikon Group[1]		
Order intake	2 241	2 590
Order backlog	581	583
Sales	2 258	2 593
EBITDA	288	366
– as % of sales	12.7 %	14.1 %
Operational EBITDA	320	393
– as % of sales	14.2 %	15.1 %
EBIT	73	164
– as % of sales	3.2 %	6.3 %
Operational EBIT	116	193
– as % of sales	5.2 %	7.4 %
Net operating assets[2]	1 637	1 826
Number of employees (full-time equivalents)	10 692	11 134
Surface Solutions Division		
Order intake	1 144	1 468
Order backlog	124	181
Sales	1 202	1 494
– thereof sales to third parties	1 197	1 488
EBITDA	144	234
– as % of sales	12.0 %	15.6 %
Operational EBITDA	177	253
– as % of sales	14.7 %	16.9 %
EBIT	–32	65
– as % of sales	–2.7 %	4.4 %
Operational EBIT	10	86
– as % of sales	0.9 %	5.8 %
Net operating assets[2]	1 582	1 771
Number of employees (full-time equivalents)	7 241	7 840
Manmade Fibers Division		
Order intake	1 097	1 122
Order backlog	457	403
Sales	1 061	1 106
– thereof sales to third parties	1 061	1 106
EBITDA	150	144
– as % of sales	14.1 %	13.0 %
Operational EBITDA	151	145
– as % of sales	14.2 %	13.2 %
EBIT	118	117
– as % of sales	11.2 %	10.6 %
Operational EBIT	120	119
– as % of sales	11.3 %	10.8 %
Net operating assets[2]	11	30
Number of employees (full-time equivalents)	3 115	2 986

[1] Continuing operations.

[2] Net operating assets are defined as operating assets (total assets without cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets) less operating liabilities (total liabilities without financial and lease liabilities, current income taxes payable, non-current post-employment benefit liabilities and deferred tax liabilities).

Consolidated Income Statement

in CHF million	Notes	**January 1 to December 31, 2020**	January 1 to December 31, 2019
Sales of goods		1 463	1 608
Services rendered		795	985
Total sales	3	**2 258**	**2 593**
Cost of sales		–1 700	–1 867
Gross profit		**558**	**727**
Marketing and selling		–164	–182
Research and development		–118	–127
Administration		–229	–276
Other income	4	54	45
Other expense	4	–27	–21
Result before interest and taxes (EBIT)		**73**	**164**
Financial income	6	7	9
Financial expense	6	–21	–25
Result before taxes (EBT)		**60**	**149**
Income taxes	7	–22	–39
Result from continuing operations		**38**	**110**
Result from discontinued operations, net of income taxes	2	–	–176
Net result		**38**	**–66**
Attributable to:			
Shareholders of the parent		35	–70
Non-controlling interests		3	3
Earnings per share in CHF	8	**0.11**	–0.21
Diluted earnings per share in CHF	8	**0.11**	–0.21
Earnings per registered share continuing operations in CHF		**0.11**	0.32
Diluted earnings per registered share continuing operations in CHF		**0.11**	0.32
Earnings per registered share discontinued operations in CHF	2	**–**	–0.52
Diluted earnings per registered share discontinued operations in CHF	2	**–**	–0.52
EBITDA		**288**	**366**
Operational EBIT		**116**	**193**
Operational EBITDA		**320**	**393**

Consolidated Statement of Comprehensive Income

in CHF million	Notes	**January 1 to December 31, 2020**	January 1 to December 31, 2019
Net result		38	–66
Other comprehensive income			
Items that will never be reclassified to the income statement			
Remeasurement of defined benefit plans[1]	16	–2	–31
Income taxes on items that will never be reclassified to the income statement		3	10
		1	–21
Items that are or may be reclassified subsequently to the income statement			
Gains and losses from hedging		–	3
Conversion differences[2]		–79	250
Income taxes on items that are or may be reclassified subsequently to the income statement		–	–11
		–79	241
Other comprehensive income for the period, net of taxes		**–78**	**221**
Total comprehensive income for the period		**–41**	**154**
Attributable to:			
Shareholders of the parent		–43	152
Non-controlling interests		3	3

[1] 2019: Includes CHF 3 million relating to discontinued operations.

[2] 2019: Includes mainly reclassification of translation differences on the sale of the Drive Systems Division; refer to Note 2.

Consolidated Balance Sheet

Assets

in CHF million	Notes	December 31, 2020	December 31, 2019
Cash and cash equivalents	9	414	658
Current financial investments and derivatives	10	19	41
Trade and trade notes receivable	11	303	309
Current contract assets	3	38	12
Other receivables	11	93	96
Current income tax receivables		31	16
Inventories	12	310	338
Prepaid expenses and accrued income		25	20
Current assets		**1 233**	**1 490**
Loans and other non-current financial receivables	11	13	15
Non-current financial investments	10	30	29
Property, plant and equipment	13	567	634
Right-of-use assets	14	204	211
Goodwill and intangible assets	15	1 135	1 117
Post-employment benefit assets	16	20	10
Deferred tax assets	7	139	142
Non-current contract assets	3	–	1
Non-current assets		**2 108**	**2 158**
Total assets		**3 340**	**3 647**

Liabilities and equity

in CHF million	Notes	December 31, 2020	December 31, 2019
Trade payables	17	284	264
Current contract liabilities	3	415	313
Current lease liabilities	17	31	30
Current financial liabilities and derivatives	17	12	6
Other current payables	17	72	60
Accrued liabilities	18	186	189
Current income taxes payable		47	66
Current post-employment benefit liabilities	16	15	14
Other current provisions	19	60	54
Current liabilities		**1 122**	**997**
Non-current lease liabilities	20	175	178
Non-current loans and borrowings	20	157	154
Other non-current liabilities		12	16
Non-current post-employment benefit liabilities	16	346	347
Deferred tax liabilities	7	125	128
Other non-current provisions	19	50	58
Non-current liabilities		**866**	**881**
Total liabilities		**1 988**	**1 878**
Share capital		340	340
Treasury shares		–123	–63
Retained earnings and reserves		1 107	1 479
Equity attributable to shareholders of the parent		**1 324**	**1 756**
Non-controlling interests		28	13
Total equity		**1 352**	**1 769**
Total liabilities and equity		**3 340**	**3 647**

Consolidated Cash Flow Statement[1]

in CHF million	Notes	**January 1 to December 31, 2020**	January 1 to December 31, 2019
Net result		38	–66
Income taxes		22	40
Interest expense (net)		11	14
Depreciation of property, plant and equipment	13	96	97
Depreciation of right-of-use assets	14	36	36
Amortization of intangible assets	15	71	69
Addition to other provisions (net)	19	22	30
Impairment losses on property, plant and equipment	13	5	2
Impairment losses on intangible assets	15	6	–
Decrease in post-employment benefit liabilities		–12	–15
Gain from sale of non-current assets		–1	–
Gain on equity interests in newly consolidated companies	2	–18	–
Loss on sale of discontinued operations, net of income tax	2	–	166
Income taxes paid		–63	–55
Share-based payments		5	11
Other non-cash items		–16	–6
Cash flow from operating activities before changes in net current assets		202	322
Increase in receivables, contract assets, prepaid expenses and accrued income		–27	–3
Decrease/increase in inventories		21	–2
Increase/decrease in payables, accrued liabilities and use of other provisions		17	–33
Increase/decrease in contract liabilities		98	–132
Non-cash impact on net current assets due to hedge accounting		–1	1
Cash flow from changes in net current assets		108	–170
Cash flow from operating activities		**310**	**152**
Purchase of property, plant and equipment	13	–64	–140
Proceeds from sale of property, plant and equipment		6	5
Purchase of intangible assets	15	–53	–44
Disposal of Group companies, net of cash disposed	2	–	549
Acquisition of subsidiaries, net of cash acquired[2]	2	–18	–48
Investments in associates		–2	–1
Proceeds from/investments in marketable securities		16	–4
Purchase of financial investments		–	–10
Proceeds from repayment of financial investments		2	101
Interest received		5	7
Cash flow from investing activities		**–108**	**416**
Dividends paid		–331	–343
Purchase of treasury shares		–65	–64
Repayment of financial debt		–455	–302
Principal elements of lease payments		–32	–34
Proceeds from financial debt		464	–
Interest paid		–14	–17
Cash flow from financing activities		**–432**	**–760**
Conversion adjustments to cash and cash equivalents		–13	–10
Decrease in cash and cash equivalents		**–244**	**–201**
Cash and cash equivalents at the beginning of the period[3]	9	658	858
Cash and cash equivalents at the end of the period	9	414	658
Decrease in cash and cash equivalents		**–244**	**–201**

[1] The cash flow statement is presented including cash effects from discontinued operations as well as assets and liabilities held for sale. Refer to Note 2 for cash flow from discontinued operations.

[2] Includes cash consideration for acquisitions net of cash acquired of CHF 15 million (prior year: CHF 28 million) and settlement of contingent consideration and deferred payments relating to acquisitions made in previous periods in the amount of CHF 3 million (prior year: CHF 20 million).

[3] 2019: includes CHF 94 million, which are included in "Assets classified as held for sale" in the balance sheet as of January 1, 2019.

Consolidated Statement of Changes in Equity

in CHF million	Share capital[1]	Additional paid-in capital[2]	Treasury shares[3]	Conversion differences	Retained earnings	Hedge accounting	Income taxes	**Total equity attributable to shareholders[4]**	Non-controlling interests	**Total shareholders' equity**
Balance at January 1, 2019	**340**	**895**	**–13**	**–436**	**1 111**	**–2**	**99**	**1 995**	**21**	**2 015**
Net result	–	–	–	–	–70	–	–	–70	3	–66
Gains and losses from hedging	–	–	–	–	–	3	–	2	–	2
Remeasurement of defined benefit plans	–	–	–	–	–31	–	10	–21	–	–21
Conversion differences	–	–	–	250	–	–	–10	240	–	239
Other comprehensive income for the period	**–**	**–**	**–**	**250**	**–31**	**2**	**–1**	**221**	**–**	**221**
Total comprehensive income for the period	**–**	**–**	**–**	**250**	**–100**	**2**	**–1**	**152**	**3**	**154**
Dividend distributions	–	–338	–	–	–	–	–	–338	–3	–341
Share-based payments	–	–	13	–	–2	–	–	11	–	11
Purchase of treasury shares[5]	–	–	–64	–	–	–	–	–64	–	–64
Contributions and distributions	**–**	**–338**	**–50**	**–**	**–2**	**–**	**–**	**–391**	**–3**	**–393**
Disposal of subsidiaries with non-controlling interests	–	–	–	–	–	–	–	–	–7	–7
Changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–7**	**–7**
Total transactions with owners of the company	**–**	**–338**	**–50**	**–**	**–2**	**–**	**–**	**–391**	**–10**	**–401**
Balance at December 31, 2019	**340**	**558**	**–63**	**–185**	**1 008**	**–**	**98**	**1 756**	**13**	**1 769**
Net result	–	–	–	–	35	–	–	35	3	38
Remeasurement of defined benefit plans	–	–	–	–	–2	–	3	1	–	1
Conversion differences	–	–	–	–79	–	–	–	–79	–	–79
Other comprehensive income for the period	**–**	**–**	**–**	**–79**	**–2**	**–**	**3**	**–78**	**–**	**–78**
Total comprehensive income for the period	**–**	**–**	**–**	**–79**	**32**	**–**	**3**	**–43**	**3**	**–41**
Dividend distributions	–	–	–	–	–328	–	–	–328	–3	–331
Share-based payments	–	–	5	–	1	–	–	5	–	5
Purchase of treasury shares[5]	–	–	–65	–	–	–	–	–65	–	–65
Contributions and distributions	**–**	**–**	**–60**	**–**	**–328**	**–**	**–**	**–388**	**–3**	**–391**
Acquisition of subsidiaries with non-controlling interests	–	–	–	–	–	–	–	–	15	15
Changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15**	**15**
Total transactions with owners of the company	**–**	**–**	**–60**	**–**	**–328**	**–**	**–**	**–388**	**12**	**–376**
Balance at December 31, 2020	**340**	**558**	**–123**	**–264**	**713**	**–**	**101**	**1 324**	**28**	**1 352**

[1] The share capital of OC Oerlikon Corporation AG, Pfäffikon, consists of 339 758 576 fully paid registered shares (previous year: 339 758 576) of nominal value CHF 1 each. On December 31, 2020, conditional capital amounted to CHF 47 200 000 (previous year: CHF 47 200 000).

[2] As of December 31, 2020, additional paid-in capital includes CHF 330 million (previous year: CHF 330 million) of legal reserves in OC Oerlikon Corporation AG, Pfäffikon.

[3] As of December 31, 2020, the Group held 13 936 546 own shares (previous year: 5 597 805).

[4] As of December 31, 2020, the position includes fair value adjustments in the amount of less than CHF 1 million.

[5] OC Oerlikon Corporation Inc., Pfäffikon, informed on November 5, 2019 that the Board of Directors has approved to buy back own shares for up to a maximum of 10% of the share capital. The effective size of the buyback program depends, among other things, on the number of treasury shares held and the market situation. The repurchased registered shares shall be used as a reserve for future M&A transactions and employee benefit plans. The program started in November 2019 and will run up to 36 months. In 2020, 8 845 053 shares were repurchased as part of the share buyback program for a consideration of CHF 65 million. Together with last year's purchases (4 830 000 shares for CHF 54 million), a total of 13 675 053 shares has been bought for CHF 118 million.

Significant Accounting Principles

Company operations

OC Oerlikon Corporation AG, Pfäffikon is a Swiss public company located in Churerstrasse 120, Pfäffikon, canton of Schwyz, Switzerland. It is the ultimate parent company of the Oerlikon Group, a leading high-tech industrial Group which provides innovative industrial solutions and cutting-edge technologies for surface solutions and manmade fibers manufacturing.

Apart from its activities in Switzerland, the Oerlikon Group operates primarily in EU member states, North America and Asia, and has a workforce of 10692 employees (full-time equivalents).

Basis of preparation

The consolidated financial statements of OC Oerlikon Corporation AG, Pfäffikon have been prepared in accordance with International Financial Reporting Standards (IFRS) and Swiss company law. These accounting standards have been applied consistently in all periods presented in this report except for the changes explained in section "Adoption of new and revised accounting standards". The consolidated financial statements are presented in Swiss francs (CHF). The consolidated financial statements were approved by the Board of Directors on February 26, 2021, and will be submitted to the Annual General Meeting of Shareholders on April 13, 2021 for approval. All standards issued by the International Accounting Standards Board (IASB) and all interpretations of the IFRS Interpretations Committee (IFRIC) effective at the date of the consolidated financial statements have been taken into account. All line item amounts in the consolidated financial statements are presented in millions of Swiss francs, and all such amounts (including totals and subtotals) have been rounded according to common commercial practice. Thus an addition of the figures presented can result in rounding differences. Values of assets and liabilities have been determined in accordance with the historical cost convention, with the exception of derivative financial instruments, contingent considerations and financial assets that are held at fair value. These consolidated financial statements are published in English and German. If there is any divergence in the wording, the English original text is authoritative.

Judgments, estimates and assumptions

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the values of reported revenues, expenses, assets, liabilities and contingent liabilities at the reporting date. These estimates and assumptions are constantly being revised. Depending on the issues involved, revision of such assumptions can have an effect on the current period, as well as potentially on future periods. These estimates, judgments and assumptions are based on historical experience and other factors that are believed to be reasonable and justified as expectations of future events.

However, actual results can differ from these estimates. Moreover, consistent application of the chosen accounting principles can require management to make decisions that may have a material impact on the amounts reported in the annual financial statements. Above all, assessment of business transactions that involve complex structures or legal forms call for decisions on management's part. The most important accounting estimates are to be found in:

Business combinations: Where the Group acquires control of another business, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business shall be recognized, separately from goodwill.
This process involves management making an assessment of the fair value of these items. Management judgment is particularly involved in the recognition and measurement of the following items:

- Intellectual property. This may include technologies, patents, licenses, trademarks and similar rights for currently marketed products.
- Customer relationships.
- Contingencies such as legal, tax and environmental matters.
- The recoverability of any accumulated tax losses previously incurred by the acquired company.

In all cases, management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items (refer to Note 2 for details).

Impairment of value: At December 31, 2020, the Group had CHF 567 million in property, plant and equipment, CHF 562 million in goodwill and CHF 573 million in intangible assets other than goodwill. A detailed test for impairment of the carrying amount is carried out for goodwill and other intangible assets with indefinite useful life annually or, as for all other assets, if there is any indication of a loss of value. Goodwill is allocated to the cash-generating units (CGUs) that are expected to benefit from the synergies of the business combination that gave rise to the goodwill. The recoverable amount of the CGUs (or Group of CGUs) is determined based on the value in use or fair value less costs of disposal. In the same way, future cash flows from the use of tangible fixed assets can be estimated and the carrying value tested using the same rules. These tests use estimates of future cash flows to be expected from the use of the assets concerned, or from their potential sale. Actual cash flows may vary significantly from these estimates following changes of plan for the use of assets such as land and buildings, technological obsolescence or market changes (refer to Note 13 for impairment of property, plant and equipment and Note 15 for impairment of goodwill and intangible assets).

Provisions and contingent liabilities: At December 31, 2020, the Group had CHF 110 million in provisions and CHF 1 million in contingent liabilities. In the ordinary course of their business, companies of the Group may become involved in litigious conflicts or disagreements with third parties. Provisions are made to cover the Group's exposure in such matters, based on a realistic estimate of the economic outflow that may result. However, the ultimate resolution of such disputes can give rise to claims against the Group, which may not be fully covered by provisions or insurance. Specific warranty provisions are set up for known warranty claims as required, and also for situations where it is known from recent experience that the company is exposed to claims, usually for technical reasons. Besides this, a general provision is made for other possible claims, based on experience and linked to sales volumes. In cases where the company has entered into contractual obligations whose cost exceeds the economic benefit to be expected, corresponding provisions are made. These are based on management's estimates (refer to Note 19 for provisions and Note 25 for contingent liabilities).

Pensions: At December 31, 2020, the carrying amount of the Group's post-employment liabilities (net) was CHF 341 million. The estimates and assumptions used to determine the underlying defined benefit obligations of CHF 883 million are based on future projections and actuarial calculations that have been determined together with the actuaries (refer to Note 16 for details).

Taxes on income: At December 31, 2020, the Group had current income tax receivables of CHF 31 million, current income taxes payable of CHF 47 million, deferred tax assets of CHF 139 million and deferred tax liabilities of CHF 125 million. Estimates are used initially to determine amounts receivable and payable with respect of current and deferred taxes on income. These estimates are based on interpretation of existing tax law and regulations. Many internal and external factors can influence the final determination of amounts receivable or payable, such as changes in tax law, changes in tax rates, the level of future profits and fiscal audits carried out by the tax authorities (refer to Note 7 for details).

Discontinued operations

Following the agreement to sell the Drive Systems Division in 2018, the income statement amounts of this division are shown as discontinued operations.

Adoption of new and revised accounting standards

With respect to the new and revised accounting standards applicable as of January 1, 2020, the following two amendments have relevance to the Oerlikon Group:

Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7):
The amendments provide targeted relief for financial instruments qualifying for hedge accounting and address issues affecting financial reporting in the period leading up to IBOR reform.

COVID-19-Related Rent Concessions (Amendments to IFRS 16):
The amendments allow lessees to recognize rent concessions as income and not as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. This amendment has been early adopted. The income recognized in this respect was less than CHF 1 million in 2020.

There were no other new or amended standards and interpretations effective for the financial year beginning on January 1, 2020, that had an impact on the Group's consolidated financial statements.

Newly published accounting standards not early adopted

Certain new accounting standards and interpretations have been published by the IASB that are not mandatory for the December 31, 2020 reporting period yet and that have not been early adopted by the Oerlikon Group. None of them was expected to have a material impact on the Group's financial statements.

Principles of consolidation

Subsidiaries

December 31 is the uniform closing date for all subsidiaries included in the consolidated financial statements. Subsidiaries are all entities over which OC Oerlikon Corporation AG, Pfäffikon has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements of the Oerlikon Group from the date on which control commences until the date on which control ceases.

Non-controlling interests are recorded separately under equity in the consolidated financial statements. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions.

All consolidated subsidiaries held are shown in the listing at the end of the notes.

Disposal of subsidiaries

When the Group ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in the income statement. Amounts previously recognized in other comprehensive income that may be reclassified to the income statement are reclassified to the income statement. Any retained interest in the former subsidiary is remeasured to its fair value at the date when control is lost.

Business combinations and goodwill

The Oerlikon Group accounts for business combinations using the acquisition method when control is transferred to the Group (see above under "Subsidiaries"). At the date of their initial consolidation, the identifiable assets acquired and liabilities assumed of subsidiaries are measured at fair value. Goodwill is measured at the acquisition date as the fair value of the consideration transferred plus the amount of non-controlling interests in the acquiree less the net recognized assets. Transaction costs are expensed as incurred, except if related to the issue of debt or equity. Goodwill denominated in foreign currencies is translated into Swiss francs at the rates prevailing at the balance sheet date.

Translation of foreign currencies

The accounts of foreign entities are prepared in the relevant functional currency and translated into Swiss francs in accordance with IAS 21. An entity's functional currency is the currency of the primary economic environment in which the entity operates. In the consolidation, assets and liabilities of foreign subsidiaries are translated into Swiss francs at the exchange rate prevailing on the balance sheet date, while income, expenses and cash flows are translated using average rates for the year. Differences resulting from the respective translation into Swiss francs are recognized in other comprehensive income. Exchange gains and losses, as recorded in the individual company accounts of subsidiaries, are included in the income statement. Excluded from this rule are specific long-term intercompany monetary items that form part of the net investment in a foreign subsidiary whose exchange translation differences are recognized in other comprehensive income.

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

Elimination of intercompany transactions and profits
Intercompany assets, liabilities, income, expenses and cash flows are eliminated in the consolidated financial statements. The same applies to profits on intercompany sales not yet realized through sales to third parties, as well as profits on transfers of fixed assets and investments in subsidiaries.

Segment information
The Group consists of the following reportable Segments:
- The Surface Solutions Division is a world-leading supplier of advanced materials and surface technologies for components and tools used in a wide range of industrial applications where superior materials and surface performance are required.
- The Manmade Fibers Division is a world market leader for solutions and systems used to manufacture manmade fibers that enable customers to produce high-quality synthetic fibers.

The Segment reporting of the Oerlikon Group is in accordance with the "management approach" and based on the internal structure and reporting. The Chief Executive Officer (CEO) performs the function of the Chief Operating Decision Maker (CODM), assesses performance and makes resource allocation decisions. Following the reorganization of the Surface Solution Division (appointment of a division CEO as of October 1, 2020), the CODM receives information only on Division level and no longer on Business Unit level. Before this reorganization, the CODM received information on Business Unit level for the Surface Solutions Division. In accordance with the aggregation criteria of IFRS 8, these Business Units had been aggregated to one reportable Division.

The internal reporting to the CODM is based on uniform Group accounting principles, which correspond to those used in the consolidated financial statements. Intersegment pricing is determined on an arm's length basis.

Assets

Financial assets: Financial assets such as Cash and cash equivalents (Note 9), Current and non-current financial investments and derivatives (Note 10), Trade and trade notes receivable (Note 11), and Loans and other non-current financial receivables (Note 11) are initially measured at fair value. Subsequent measurement depends on their classification according to IFRS 9 based on the entity's business model either at amortized cost, fair value through profit and loss or fair value through OCI. Debt and equity securities include debt instruments frequently traded. Other debt investments (i.e. trade and trade notes receivables, deposits) are for held and collect purposes. For more information, please refer to Note 21.

Contract assets: Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). Contract assets include incremental costs to fulfill a contract.

Inventories: Inventories consisting of raw materials, purchased components and trade merchandise are carried at the lower of cost or net realizable value using FIFO or weighted average cost valuation methods. Self-made components, work in progress and finished goods are carried at production cost. This includes all related material and labor costs, as well as a reasonable allocation of indirect production costs. Recognizable reductions in value resulting from excess inventory, reduced replacement cost or sales price and similar are taken into account through appropriate write-downs of inventory items.

Right-of-use assets and lease liabilities: The Oerlikon Group recognizes a right-of-use asset and a lease liability at the lease commencement date. At inception or on reassessment of a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. Vehicles and other items of plant, equipment and furniture typically have a lease term between 3 and 5 years. Production and administrative buildings have an expected lease term of 5 to 20 years (including extension options where the Group is reasonably certain that they will be exercised). However, the Oerlikon Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets (e.g. IT or office equipment). The Oerlikon Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Oerlikon Group's incremental borrowing rate. Generally, the Oerlikon Group uses country- and duration-specific incremental borrowing rates as the discount rate.

The Oerlikon Group applies judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Property, plant and equipment: Tangible fixed assets are recorded at historical purchase or production costs, less necessary depreciation. Components of PP&E that have a differing useful life are recorded separately and depreciated accordingly (component approach). Depreciation is calculated on a straight-line basis according to the expected useful life of the asset as follows:

	Years
Plant, equipment and furniture:	
– IT hardware	3–7
– Company cars	4–7
– Trucks and electric vehicles	5–10
– Technical installations and machines	5–15
– Other operating and business equipment	3–15
Production and administration buildings:	
– Central building installations	10–25
– Leasehold improvements	2–20
– Plant and administrative buildings – used operationally	20–60

Developed land and facilities under construction are not depreciated.

Estimated useful lives and residual values are examined annually.

Major spare parts and servicing equipment qualify as property, plant and equipment when an entity expects to use them during more than one period.

Intangible assets and goodwill: Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the Group. Intangible assets are amortized on a straight-line basis over their expected useful lives as follows:

	Years
Development costs:	5
Other intangible assets:	
– Acquired customer relations	5–23
– Licenses, patents and technologies	5–10
– Software	2–3
– ERP platform	7

In the case of intangible assets with indefinite useful lives, an impairment test of the asset value is conducted annually at the balance sheet date, or earlier at the occurrence of a triggering event. Goodwill and brands are not amortized, but instead tested annually for possible value impairment.

Development costs are recognized as intangible assets if they meet the criteria for such recognition set forth in IAS 38. The cost capitalized comprises all costs directly attributable to the development process. After the development phase is complete, the asset is amortized over its estimated useful life.

Liabilities

Financial liabilities: Financial liabilities, such as Trade payables (Note 17), Current financial liabilities and derivatives (Note 17), Other current payables (Note 17), Non-current loans and borrowing (Note 20), and Other non-current liabilities (Note 21), are initially measured at fair value less directly attributable costs. Subsequent measurement depends on their classification according to IFRS 9 either at amortized cost or fair value through profit and loss. For more information, please refer to Note 21.

Contract liabilities: Contract liabilities are an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from customers.

Current and non-current provisions: Provisions are set up for obligations arising from past events if the future outflow of resources is more likely than not and can be estimated reliably. Other provisions represent uncertainties, for which a best estimate is made in arriving at the amount reserved. Non-current provisions are discounted at a pretax rate that reflects the current market assessments of the time value of money.

Restructuring provisions: Provisions are established in cases where a detailed restructuring plan exists and the Group has informed those concerned, or the restructuring process has started.

Onerous contracts: Provisions are established when unavoidable estimated costs to fulfill a contract exceed the related contract revenues. The difference is provided against income in the current period. When accounts are prepared, the related risks are reassessed systematically by all Business Units and all costs are adjusted as required. This reassessment is generally based on the "most likely outcome", which uses assumptions regarding technical feasibility and timely realization of the projects and includes a quantification of the risks. The actual future obligation can vary from these estimates.

Warranty provisions: Provisions are established for known customer claims and also for potential warranty exposure.

Product liability: Provisions are established for known claims; potential exposure is not provided for.

Acquirees' contingent liabilities: In a business combination, a contingent liability of the acquiree is recognized in acquisition accounting if it is a present obligation that arises from past events and its fair value can be measured reliably. The probability of payment being required is not relevant in determining whether a contingent liability that is a present obligation should be recognized in a business combination, but this probability will impact its fair value. A contingent liability recognized is initially measured at its fair value. Subsequently, it is measured at the higher of its acquisition-date fair value and the amount that would be recognized in accordance with the requirements for the provisions above. A contingent liability initially recognized in a business combination is not derecognized until it is settled, cancelled or it expires.

Post-employment benefits provisions: The Oerlikon Group operates various post-employment benefit schemes, including both defined benefit and defined contribution plans.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity. The Group will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability (asset) recognized in the balance sheet in respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, taking into account any asset ceiling. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Remeasurements of the net defined benefit liability (asset) are charged or credited to other comprehensive income in the period in which they arise.

Current and past service costs are recognized immediately in the income statement (operating result).

Net interest on the net defined benefit liability comprises interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling. The net interest is calculated using the same discount rate that is used in calculating the defined benefit obligation, applied to the net defined liability at the start of the period, taking into account any changes from contribution or benefit payments. Net interest on the net defined benefit liability is recognized in the income statement (financial result).

The contributions to defined contribution plans are recognized in the income statement (operating result) when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Treasury shares: Treasury shares are shown as a reduction of shareholders' equity. Gains or losses arising from the sale of treasury shares are also shown in the consolidated statement of changes in equity, in retained earnings.

Income statement

Sales of goods and services: Revenue is recognized to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when performance obligations have been satisfied, i.e. when control of goods or services has been transferred to the customer, and if it is probable that the economic benefits will flow to the company. In accordance with the recognition criteria of IFRS 15, control may be transferred either at a point in time or over time.

Revenue is measured based on the consideration the Oerlikon Group received or expects to receive in exchange for its goods and services. If a contract contains more than one performance obligation, the overall consideration is allocated to the different components affected based on the standalone observable selling price of each performance obligation. The consideration received in exchange for its goods or services may be fixed or variable. Variable consideration is only recognized when it is highly probable that a significant reversal of cumulative recognized revenue will not occur. The respective estimate is updated regularly. Sales commissions, which the company would not have incurred if the contract were not obtained, are recognized as contract costs (assets). Unless the amortization period is less than one year (expensed as occurred), contract costs are amortized over the duration of the contract and subject to impairment. Sales payment terms are in line with the industry's standards, and deferred payment terms are agreed only in rare circumstances.

Remaining performance obligation: Remaining performance obligation is the aggregate amount of consideration to which an entity expects to be entitled in the future in exchange for transferring promised goods or services to a customer (promised in a contract), which are unsatisfied, or partially unsatisfied, as of the end of the reporting period. As a practical expedient, no disclosure is given for performance obligations related to contracts with an original expected duration of one year or less.
Although conceptually very similar, the calculation of remaining performance obligations does not necessarily align with the disclosed order backlog. A remaining performance obligation only qualifies as order backlog when specific cash down payments or additional preconditions in terms of customer financing are fulfilled.

Other income and expenses: Other income consists of income from real estate, investments, licenses, patents, income from reversal of provisions for acquired contingent liabilities (net of adjustment on related indemnification assets), income from a risk and revenue share agreement and non-operating assets. Other expenses consist of non-operating expenses, taxes not based on income, expenses related to a risk and revenue share agreement, and integration and acquisition costs.

Financial expenses: Interest expense is recognized in the income statement by using the effective interest rate method. Borrowing costs that can be directly allocated to the construction, buildup or purchase of a qualified asset are capitalized through the costs of the assets.

Current income taxes: Current income taxes are accrued on the basis of income reported locally for the financial year by the individual Group companies in keeping with the current year taxation principle.

Deferred taxes: Wherever local company tax values differ from Group values (temporary differences), deferred taxes are determined and recorded by applying tax rates enacted or substantially enacted at the balance sheet date to the differences (balance sheet liability method). Taxes on dividends from subsidiaries are only accrued when distributions are contemplated. The value of deferred tax assets deriving from tax losses carried forward is subject to annual review. Tax losses are only recognized as assets if they are expected to be realized, offset against taxable profits of Group companies individually or in tax groups. In countries or companies where realization of the losses cannot be foreseen, no asset is recognized. Management believes that its estimates are appropriate and that uncertainties in the valuation of tax assets and liabilities have been appropriately addressed. Deferred tax is not recognized for: a) temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination, and that affects neither accounting profit nor taxable profit or loss; b) temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and c) taxable temporary differences arising on the initial recognition of goodwill.

Earnings per share: Earnings per share (EPS) is based on the portion of consolidated net profit attributable to shareholders of OC Oerlikon Corporation AG, Pfäffikon divided by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share additionally take into account all potential equity securities that could have come into existence as the result of an exercise of option rights.

Assets and liabilities classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is reclassified into "discontinued operations" if it has been disposed of or is classified as held for sale and if it represents a major line of business or geographical area of operations and is part of a single coordinated plan to be disposed. Non-current assets and disposal groups held for sale are carried at the lower of their carrying amount or fair value less cost to sell, and any value impairments are recognized in the income statement. Depreciation of non-current assets ceases when the respective qualification as assets held for sale is met.

All disclosures in the notes to the consolidated financial statements refer to continuing operations, except where otherwise indicated.

Risks

Financial risk management/financial instruments: The Group is exposed to various financial risks, such as market risks (including foreign exchange risk, interest rate risk and pricing risk), credit risk and liquidity risk. The Group's financial risk management aims to limit any adverse effects that the markets may have on the Group's financial health at an acceptable hedging cost. Risk limitation does not mean complete exclusion of financial risks, rather it means following a policy of economically sensible management of the Group's finances within an agreed framework of documented authority. The Group uses derivative financial instruments to hedge certain risks. Only preapproved instruments are used, and as a fundamental rule, no speculative transactions are conducted in the areas of foreign exchange or interest rates. No hedges are entered into without a corresponding base transaction. Management monitors and steers such risks continuously with the support of Group Treasury, which identifies and evaluates all financial risks by working with the Group's operating companies and hedging the risks as appropriate. The Group has documented guidelines for financial risk management covering the use of derivative and non-derivative financial instruments and policies for use of surplus funds.

Foreign exchange risks: Risks related to fluctuations in foreign currencies are in certain instances hedged at Group level (refer to Note 21, "Financial instruments").

Interest rate risks: Risks related to fluctuations in interest rates are monitored by Group Treasury and in certain instances hedged at Group level (refer to Note 21, "Financial instruments").

Credit risks: Risks of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations are monitored locally by the individual Group companies (refer to Note 21, "Financial instruments").

Liquidity risks: The Oerlikon Group supervises and manages the Group's liquidity centrally to ensure that outstanding financial liabilities can at all times be met within their maturity period and at an acceptable financing cost (refer to Note 21, "Financial instruments").

Contingent liabilities

Contingent liabilities represent potential obligations whose impact depends on the occurrence of one or more future events that cannot be influenced. Contingent liabilities are also existing obligations that are not expected to result in a future outflow of benefits, or where the outflow of benefits cannot reliably be quantified.

Participation plans/share-based payments

Members of the Executive Committee and senior management may receive a portion of their compensation as a long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon shares under various plans. The fair value is determined on the day such share-based remuneration is granted and charged to the income statement on a straight-line basis over the vesting period within the operating results, with a corresponding increase in equity (equity settled plans).

Significant events

The COVID-19 pandemic significantly impacted the Oerlikon Group during 2020, leading to lower revenue and earnings. In this context, the Oerlikon Group assessed in detail the impact of the adverse economic effects from COVID-19 on its assets and liabilities (e.g. with regard to the recoverability of assets). The analysis showed that no additional adjustments due to COVID-19 (e.g. impairments or value adjustments) were necessary.

Based on the ongoing business restructuring initiatives, the Oerlikon Group recognized expenses from restructuring activities in the amount of CHF 22 million. In the same context, an intangible asset classified as other non-current asset with a book value of CHF 9 million needed to be fully impaired, as it could not be used anymore. The impairment charge is recognized in other expenses.

Alternative performance measures

The Oerlikon Group uses the following alternative performance measures:

Operational EBITDA: Operational EBITDA is defined as EBITDA, adjusted by expenses directly related to restructuring activities, effects from discontinued activities not qualifying as discontinued operations as well as impairments on associates.

Operational EBIT: Operational EBIT is defined as EBIT, adjusted by expenses and impairments directly related to restructuring activities, effects from discontinued activities not qualifying as discontinued operations as well as impairments on associates, goodwill and intangible assets acquired in a business combination.

Reconciliation of Operational Figures

2020

in CHF million		Operational figures	Restructuring [1]	Discontinued activities [2]	Impairments [3]	Unadjusted figures
Surface Solutions Division	**Sales**	**1 202**	–	–	–	**1 202**
	EBITDA	**177**	–22	–10	–	**144**
	EBIT	**10**	–22	–12	–9	**–32**
Manmade Fibers Division	**Sales**	**1 061**	–	–	–	**1 061**
	EBITDA	**151**	–1	–	–	**150**
	EBIT	**120**	–1	–	–	**118**
Total Divisions	**Sales**	**2 263**	–	–	–	**2 263**
	EBITDA	**327**	–23	–10	–	**294**
	EBIT	**130**	–23	–12	–9	**86**
Group / Eliminations	**Sales**	**–5**	–	–	–	**–5**
	EBITDA	**–7**	1	–	–	**–6**
	EBIT	**–14**	1	–	–	**–13**
Total from continuing operations	**Sales**	**2 258**	–	–	–	**2 258**
	EBITDA	**320**	–22	–10	–	**288**
	EBIT	**116**	–22	–12	–9	**73**

2019

in CHF million		Operational figures	Restructuring [1]	Discontinued activities [2]	Impairments [3]	Unadjusted figures
Surface Solutions Division	**Sales**	**1 494**	–	–	–	**1 494**
	EBITDA	**253**	–13	–6	–	**234**
	EBIT	**86**	–13	–7	–	**65**
Manmade Fibers Division	**Sales**	**1 106**	–	–	–	**1 106**
	EBITDA	**145**	–1	–1	–	**144**
	EBIT	**119**	–1	–1	–	**117**
Total Divisions	**Sales**	**2 600**	–	–	–	**2 600**
	EBITDA	**399**	–14	–7	–	**378**
	EBIT	**205**	–14	–8	–	**183**
Group / Eliminations	**Sales**	**–7**	–	–	–	**–7**
	EBITDA	**–6**	–6	–	–	**–12**
	EBIT	**–12**	–6	–	–	**–18**
Total from continuing operations	**Sales**	**2 593**	–	–	–	**2 593**
	EBITDA	**393**	–21	–7	–	**366**
	EBIT	**193**	–21	–8	–	**164**

[1] Expenses related to restructuring mainly include personnel costs.

[2] Effects from discontinued activities not qualifying as discontinued operations; includes mainly the business of AM Medical (prior year: figures have been restated).

[3] Impairments related to restructuring.

Notes to the Consolidated Financial Statements

Group structure

Note 1

Subsidiaries
A list of Oerlikon's subsidiaries can be found on pages 122 and 123.

During the financial year 2020, the following significant changes in the Group structure occurred:

Acquisitions
On January 31, 2020, Oerlikon took over the majority stake in Teknoweb Materials S.r.l., which was established in 2017 as a joint venture (Oerlikon's share: 49.9 %). In the transaction, an additional 17 % share was acquired, increasing Oerlikon's total share to 66.9 % and with gaining of control resulting in the full consolidation of the company.

Further information can be found in Note 2 "Acquisitions and Divestments".

Foundation and liquidation of subsidiaries
As of January 17, 2020, Oerlikon Chemical Fiber Machinery (Wuxi) Co., Ltd. was founded.

As of December 31, 2020, Oerlikon AM Medical Inc. was liquidated.

Mergers

Company	Merged into	Date
Sucotec AG	Oerlikon Surface Solutions AG, Pfäffikon	June 3, 2020
AMT Solutions Holding AG	Oerlikon Surface Solutions AG, Pfäffikon	June 18, 2020
Oerlikon (Liechtenstein) Holding AG	OC Oerlikon Balzers AG	August 19, 2020
InnoDisc AG	OC Oerlikon Management AG, Pfäffikon	August 30, 2020
AMT AG	Oerlikon Metco AG, Wohlen	October 21, 2020
AM Munich Research Institute GmbH	Oerlikon AM GmbH	November 20, 2020
D-Coat GmbH	Oerlikon Balzers Coating Germany GmbH	November 30, 2020
Unaxis GmbH	OC Oerlikon Management AG, Pfäffikon	December 4, 2020

Non-controlling interests
The following Group companies have non-controlling interests as of December 31:

		Non-controlling interests in %	
Company	**Country**	**2020**	2019
Oerlikon Barmag Huitong (Yangzhou) Engineering Co. Ltd.	China	40.00	40.00
Zigong Golden China Speciality Carbides Co., Ltd.	China	40.00	40.00
Teknoweb Materials S.r.l.	Italy	33.10	–
Oerlikon Balzers Coating Luxembourg S.à r.l.	Luxembourg	40.00	40.00
Oerlikon Balzers Coating Korea Co. Ltd.	South Korea	10.10	10.10

The share that non-controlling interests have in the Oerlikon Group's activities and cash flows are not material.

Interests in joint arrangements and associates
The Oerlikon Group does not hold any significant interests in joint arrangements and associates.

Significant prior-year changes in Group structure

Acquisitions
On March 29, 2019, the Oerlikon Group acquired all outstanding equity interests of TeroLab Surface GmbH. The company was subsequently renamed to Oerlikon Metco Coating Services GmbH.

On July 31, 2019, the Oerlikon Group acquired all outstanding equity interests of AMT Solutions Holding AG and (indirectly) AMT AG.

On December 23, 2019, the Oerlikon Group acquired all outstanding equity interests of D-Coat GmbH.

Further information can be found in Note 2 "Acquisitions and Divestments".

Foundation and liquidation of subsidiaries
As of September 20, 2019, Oerlikon Balzers Coating Vietnam Co., Ltd. was founded.

As of August 2, 2019, SAC Oerlikon Automotive Components B.V. in liquidation was deleted from the commercial register.

Mergers
On August 1, 2019, Scoperta Inc. was merged into Oerlikon Metco (US) Inc.

On September 27, 2019, Oerlikon Textile do Brasil Máquinas Ltda. was merged into Oerlikon Balzers Revestimentos Metálicos Ltda.

On October 23, 2019, OT Textile Verwaltungs GmbH was merged into OC Oerlikon Textile Holding AG, Pfäffikon.

Divestments
On July 29, 2018, the Oerlikon Group signed an agreement to divest its Drive Systems Segment to Dana Incorporated. The transaction closed on February 28, 2019. The following companies were sold as part of this transaction: GrazianoFairfield AG, GK Drive Systems (Suzhou) Co. Ltd., GK Drive Systems Baoding Co. Ltd., Graziano Fairfield E-Drive Systems (Changshu) Co., Ltd., Oerlikon Drive Systems (Suzhou) Co. Ltd., Transmission Trading Limited, Graziano Trasmissioni UK Ltd., Vocis Limited, Fairfield Atlas Ltd., Graziano Trasmissioni India Pvt. Ltd., Oerlikon Graziano S.p.A., Fairfield Manufacturing Company Inc., TH Licensing Inc.

Acquisitions and Divestments

Note 2

Acquisitions in 2020

On January 31, 2020, Oerlikon took over the majority stake in **Teknoweb Materials S.r.l.**, which was established in 2017 as a joint venture (Oerlikon's share: 49.9%) to extend the nonwoven production system portfolio in the Manmade Fibers Division to include the attractive market for disposable nonwovens. In the transaction, an additional 17% share was acquired, increasing Oerlikon's total share to 66.9% and with the gaining of control resulting in the full consolidation of the company.

On December 15, 2020, Oerlikon acquired the **Thermal Insulation Systems Business** from Crosslink GmbH located in Cadolzburg, Germany for a purchase consideration of CHF 3 million. The business specializes in the development of Thermal Insulation Material solutions for Battery Electric Vehicles for the global automotive industry. This acquisition is in line with Oerlikon's strategy to focus and expand its technologies and competencies. The acquired assets consist mainly of intangible assets of CHF 3 million (of which goodwill CHF 2 million). The business combination was recognized on a provisional basis in the consolidated financial statements as of and for the period ended December 31, 2020. The impact of the acquisition on the group's net assets, financial position and result are not material and therefore the below details relate only to the abovementioned acquisition of Teknoweb.

The purchase consideration for the additional 17 % share in Teknoweb amounts to CHF 14 million, all of which was paid as cash in the reporting period.

The previously held equity interest and the non-controlling interest in Teknoweb were measured at fair value at the acquisition date. The fair value was determined with a discounted cash flow analysis with adjustments for control premium and marketability. Significant inputs in the discounted cash flow analysis include a discount rate of 17 % based on the weighted average cost of capital (WACC) and a growth rate of the terminal value of 1 %.

The remeasuring of the equity interest held in the acquiree immediately before the acquisition to its fair value resulted in a gain of CHF 18 million, which was recognized under other income in the consolidated income statement for the period ended December 31, 2020.

The goodwill of CHF 27 million arising from the acquisition is mainly attributable to a strengthening of the market position, the expertise of the workforce and the expected synergies from combining the operations of the acquired businesses with the Oerlikon Group. None of the goodwill is expected to be deductible for income tax purposes.

The following table summarizes the fair values of consideration paid, previously held equity interests and non-controlling interests, as well as assets acquired and liabilities assumed at the date of the acquisition:

in CHF million	2020
Consideration for acquisition of additional 17 % share (paid in cash)	14
Previously held equity interest (revalued)	22
Non-controlling interest	15
Total	**51**

Recognized amounts of identifiable assets acquired and liabilities assumed

in CHF million	2020
Cash and cash equivalents	1
Trade and other receivables, prepaid expenses and accrued income	2
Current contract assets	5
Inventories	3
Non-current financial investments	2
Property, plant and equipment	3
Right-of-use assets	3
Intangible assets	33
Trade payables	–7
Current contract liabilities	–7
Current and non-current lease liabilities	–3
Current financial liabilities	–1
Deferred tax liabilities	–10
Total identifiable net assets	**24**
Goodwill	27
Total	**51**

Acquisition-related costs of below CHF 1 million have been recognized under other expenses in the consolidated income statement for the period ended December 31, 2020.

Since its acquisition, the acquired business has contributed CHF 24 million to total sales and CHF -1 million to the net result of the Oerlikon Group. Had the transaction taken place at January 1, 2020, the Group's total sales and net result for the period ended December 31, 2020 would have amounted to approximately CHF 2 258 million and CHF 37 million, respectively. These amounts have been determined based on the assumption that the fair-value adjustments at the acquisition date would have been the same at January 1, 2020.

Acquisitions and Divestments

Note 2 (cont.)

Acquisitions in 2019
On March 29, 2019, Oerlikon acquired **TeroLab Surface GmbH**, a German provider of thermal spray coating services based in Langenfeld. The acquisition will expand the Surface Solutions Division's portfolio of thermal spray coating services for industries like agriculture, steel and automotive as well as to machine OEMs.

On July 31, 2019, Oerlikon acquired **AMT AG**, a thermal spray coating equipment manufacturer based in Kleindöttingen, Switzerland. The acquisition extends the product and service offerings for thermal applications and turnkey solutions of the Surface Solutions Division.

On December 23, 2019, Oerlikon acquired **D-Coat GmbH**, a provider of diamond coating technology based in Erkelenz, Germany. The acquisition expands Oerlikon Balzers' portfolio of surface treatment technologies, especially for cutting tools applied in the aerospace and automotive industries.

The total purchase consideration for the acquisitions mentioned above amounts to CHF 32 million and includes CHF 30 million paid in cash in 2019 and contingent consideration of CHF 2 million. The contingent consideration relates to earnout arrangements that are based on financial metrics (EBITDA targets) as well as non-financial metrics (operational targets). The potential undiscounted amount payable under the agreements amounts to between CHF 0 million and CHF 3 million. The fair value of the contingent consideration was estimated by calculating the present value of the expected future cash flows. The calculations are based on the current estimates of the fulfillment of the conditions on which the payment of the earnouts depends.

The goodwill of CHF 14 million arising from the acquisitions is mainly attributable to a strengthening of the market position, the expertise of the workforce and the expected synergies from combining the operations of the acquired businesses with the Oerlikon Group. None of the goodwill is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for the acquisitions and the fair value of assets acquired and liabilities assumed at the acquisition date.

Purchase consideration

in CHF million	2019
Cash	30
Contingent consideration	2
Total consideration	**32**

Recognized amounts of identifiable assets acquired and liabilities assumed

in CHF million	2019
Cash and cash equivalents	1
Trade receivables	4
Other receivables, prepaid expenses and accrued income	1
Inventories	8
Property, plant and equipment	6
Right-of-use assets	2
Intangible assets	13
Trade payables	–2
Current contract liabilities	–6
Other current payables and accrued liabilities	–3
Non-current lease liabilities	–1
Non-current post-employment benefit liabilities	–1
Deferred tax liabilities	–3
Total identifiable net assets	**18**
Goodwill	14
Total	**32**

Acquisition-related costs of below CHF 1 million have been recognized under other expenses in the consolidated income statement for the period ended December 31, 2019.

From the date of acquisition until December 31, 2019, the acquired businesses have contributed CHF 16 million to total sales and CHF -2 million to the net result of the Oerlikon Group. Had the transactions taken place at January 1, 2019, the Group's total sales and net result for the period ended December 31, 2019 would have amounted to approximately CHF 2 609 million and CHF -66 million, respectively. These amounts have been determined based on the assumption that the fair-value adjustments at the acquisition date would have been the same at January 1, 2019.

Acquisitions and Divestments

Note 2 (cont.)

Divestment of the Drive Systems Division 2019

On July 29, 2018, the Oerlikon Group signed an agreement to divest its Drive Systems Division to Dana Incorporated. The transaction closed on February 28, 2019. The total consideration amounts to CHF 625 million (including CHF 133 million for the settlement of pre-existing intragroup financing), all of which was received as cash and cash equivalents in 2019.

The Oerlikon Group incurred a loss on disposal from this transaction in the amount of CHF -184 million in 2019, which is included in the result from discontinued operations, net of income taxes. This amount includes a loss from the reclassification of cumulative exchange differences and other items of other comprehensive income that were previously recognized in the equity of CHF -284 million. The loss is fully attributable to the shareholders of the parent.

In connection with this divestment, Oerlikon has assumed certain customary obligations such as representations and warranties as well as certain indemnities. The indemnities cover in particular tax and environment-related topics. The limitations applicable to these indemnities vary, but are customary for a transaction of this nature.

Result from discontinued operations

in CHF million	**January 1 to December 31, 2020** **Drive Systems Division**	January 1 to December 31, 2019 Drive Systems Division
Total sales	**–**	**141**
Total expenses	–	–125
Result before taxes (EBT) from operating activities	**–**	**16**
Income taxes	–	–8
Result from operating activities	**–**	**8**
Gain on sale of discontinued operations before reclassification of translation differences and other items of other comprehensive income	–	93
Reclassification of translation differences and other items of other comprehensive income[1]	–	–284
Income tax on sale of discontinued operations	–	7
Loss on sale of discontinued operations, net of income taxes	**–**	**–184**
Result from discontinued operations, net of income taxes	**–**	**–176**
Attributable to:		
Shareholders of the parent	–	–176
Non-controlling interests	–	–
Earnings per registered share discontinued operations in CHF	–	–0.52
Diluted earnings per registered share discontinued operations in CHF	–	–0.52

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

Cash flow from discontinued operations

in CHF million	**January 1 to December 31, 2020** **Drive Systems Division**	January 1 to December 31, 2019 **Drive Systems Division**
Cash flow from operating activities	–1	–26
Cash flow from investing activities[1]	–	–5
Cash flow from financing activities	–	–1
Net cash flow from discontinued operations	**–1**	**–32**

[1] Excludes proceeds from sale of discontinued operations, net of cash disposed of.

Revenue

Note 3

Disaggregation of revenue from contracts with customers by Division and market:

	Surface Solutions Division		Manmade Fibers Division		Total	
in CHF million	**January 1 to December 31, 2020**	January 1 to December 31, 2019	**January 1 to December 31, 2020**	January 1 to December 31, 2019	**January 1 to December 31, 2020**	January 1 to December 31, 2019
Automotive	320	372	–	–	320	372
Aviation	167	245	–	–	167	245
General Industry	294	381	–	–	294	381
Plant Engineering	–	–	182	138	182	138
Power Generation	68	65	–	–	68	65
Special Filaments	–	–	142	120	142	120
Textile Applications	–	–	737	848	737	848
Tooling	349	425	–	–	349	425
Total revenue from contracts with customers	**1 197**	**1 488**	**1 061**	**1 106**	**2 258**	**2 593**

Significant changes in contract assets and contract liabilities balances during the period:

in CHF million	**2020**	2019
Opening balance - Contract assets	**13**	**32**
Opening balance - Contract liabilities	**–313**	**–450**
Net opening balance	**–300**	**–418**
Increase due to revenue recognized over time during the year (including revenue catch-up)[1]	697	733
Decrease due to transfer of AR (sales invoiced, but no advance payments received) or due to advance payments received (not yet invoiced)	–773	–615
Net closing balance	**–376**	**–300**
Thereof presented as contract assets[2]	**38**	**13**
Thereof presented as contract liabilities	**–415**	**–313**

[1] Of which CHF 313 million were already included in contract liabilities at the beginning of the period (previous year: CHF 450 million).

[2] Thereof CHF 0 million recognized from the costs to fulfill a contract (previous year: CHF 1 million).

Transaction price allocated to the remaining performance obligations:

Revenue related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date is expected to be recognized in the future as follows:

in CHF million	**2020**	2019
< 1 year	870	908
1-2 years	918	634
2-3 years	202	360
beyond 3 years	–	–
Total	**1 990**	**1 902**

Other income and expense

Note 4

in CHF million	2020	2019
Licensing, patent and know-how income	2	3
Other income[1]	53	42
Other income	**54**	**45**
Taxes not based on income	–8	–9
Other expense	–19	–12
Other expense	**–27**	**–21**
Other income and expense, net	**27**	**24**

[1] 2020 includes effects of the remeasuring of the equity interest in Teknoweb Materials S.r.l. of CHF 18 million (refer to Note 2 "Acquisitions and Divestments"). The previous year includes releases of provisions for acquiree's contingent liabilities in the amount of CHF 12 million.

Expenses included in EBIT

Note 5

in CHF million	2020	2019
Personnel expense		
Salaries and wages	615	650
Social security and other employee benefits[1]	165	172
Total	**780**	**822**
Depreciation and amortization		
– Property, plant and equipment	96	97
of which in:		
Cost of sales	82	82
Marketing and selling	1	1
Research and development	5	6
Administration	8	9
– Right-of-use assets	36	35
of which in:		
Cost of sales	24	22
Marketing and selling	2	3
Research and development	1	1
Administration	9	10
– Intangible assets	71	69
of which in:		
Cost of sales	2	2
Marketing and selling	20	19
Research and development	42	38
Administration	6	10
Total	**203**	**201**

[1] Included in the expense for social security and other employee benefits is CHF 30 million (previous year: CHF 28 million) attributable to specific post-employment benefit plans of the individual companies. The remainder includes the legally required benefit contributions of Group companies, as well as other social security expenses.

Financial income and expense

Note 6

in CHF million	**2020**	2019
Interest income	5	7
Other financial income	1	2
Net gain on hedging transactions recognized in the income statement	1	–
Financial income	**7**	**9**
Interest on financial debt	–7	–8
Interest on liabilities for benefit plans, net	–2	–6
Interest expense for lease liabilities (IFRS16)	–7	–7
Other financial expense	–2	–3
Foreign currency loss, net	–3	–
Financial expense	**–21**	**–25**
Financial expense, net	**–14**	**–15**

Income taxes

Note 7

in CHF million	2020 Continuing operations	2020 Discontinued operations	2020 Total	2019 Continuing operations	2019 Discontinued operations	2019 Total
Current income tax expense (-)/income (+)	–29	–	**–29**	–65	5	**–61**
Deferred tax income (+)/expense (-)	6	–	**6**	26	–6	**20**
Total	**–22**	**–**	**–22**	**–39**	**–1**	**–40**

Analysis of tax expense

in CHF million	**2020**	2019
Result before taxes from continuing operations	60	149
Result before taxes from discontinued operations	–	–175
Total	**60**	**–26**
Tax expense from continuing operations	–22	–39
Tax expense from discontinued operations	–	–1
Total	**–22**	**–40**
Expected tax expense (-)[1]	–16	–39
Difference between actual and expected tax expense	**–6**	**–1**

The difference between the tax expense is calculated using the weighted average tax rate of the continuing operations of Oerlikon Group (expected tax expense) of 27 % (previous year expected tax rate: 27 %) and the effective tax expense arising from the factors mentioned below.

Non-taxable income and non-deductible expenses	–18	5
Unrecognized deferred taxes on current-year losses	–5	–6
Non-refundable withholding taxes	–14	–8
Utilization of unrecognized tax loss carry-forwards from previous periods	–	–
Income tax expense for prior years[2]	27	1
Recognition of previously not recognized tax losses	5	8
Other effects	–1	–
Difference between actual and expected tax expense	**–6**	**–1**

[1] The expected tax expense is calculated from the various profits and losses of the individual Group companies using local tax rates. From these, a composite tax rate is developed, averaged over the whole Group.

[2] The tax income for prior periods is mainly related to the tax loss carryback in the US which is available from the CARES Act.

Deferred taxes

Note 7 (cont.)

Composition of deferred taxes

	2020		2019	
	Deferred tax balances		Deferred tax balances	
in CHF million	Assets	Liabilities	Assets	Liabilities
Trade receivables	2	10	2	–
Other receivables and accruals	–	18	–	23
Inventories	58	–	46	–
Post-employment benefit assets	–	3	–	1
Financial assets	–	9	–	5
Property, plant and equipment (incl. right-of-use assets)	24	67	29	60
Intangible assets	12	122	15	132
Assets	**97**	**229**	**93**	**222**
Trade payables	10	2	1	2
Other current and non-current liabilities	18	40	12	21
Financial liabilities	46	–	47	–
Provisions and post-employment benefit liabilities	86	2	87	3
Liabilities	**160**	**44**	**147**	**26**
Deferred tax asset from recognized tax loss carry-forwards[1]	30	–	20	–
Offsetting	–147	–147	–118	–118
Total	**139**	**125**	**142**	**128**

[1] As per end of 2020, tax loss carry-forwards of CHF 116 million for federal taxes and CHF 75 million for state/local taxes were recognized (previous year: CHF 71 million for federal taxes and CHF 50 million for state/local taxes).

Movement in deferred tax balances during the year

in CHF million	2020	2019
Balance at January 1	**14**	**–23**
Recognized in profit or loss	6	26
Recognized in other comprehensive income	3	10
Acquired in acquisitions (see Note 2)	–9	–3
Other	–	2
Initial application of IFRS 16	–	2
Balance at December 31	**14**	**14**

Unrecognized deferred tax liabilities:

At December 31, 2020, there are temporary differences of CHF 246 million (previous year: CHF 274 million) with regard to investments in subsidiaries for which no deferred tax liabilities with a potential tax effect of CHF 25 million (previous year: CHF 30 million) were recognized since the Group controls the timing of the reversal of the related taxable temporary differences and management is convinced that they will not reverse in the foreseeable future.

Deferred taxes on temporary differences amounting to CHF 320 million with a potential tax effect of CHF 15 million (previous year: CHF 15 million) are not recognized.

Deferred taxes

Note 7 (cont.)

Utilization of tax loss carry-forwards is limited as follows:

	2020		2019		2020		2019	
	Tax losses not recognized as deferred tax assets		Tax losses not recognized as deferred tax assets		**Total tax loss carry-forwards**		Total tax loss carry-forwards	
in CHF million	**federal tax**	**state/local tax**	federal tax	state/local tax	**federal tax**	**state/local tax**	federal tax	state/local tax
1 year	–	7	–	3	–	7	–	3
2 years	–	12	–	8	–	12	–	8
3 years	11	18	2	14	11	18	2	14
4 years	–	4	27	19	1	4	27	19
5 years	7	6	–	5	9	6	1	5
Over 5 years	39	120	41	145	51	128	49	147
thereof with no expiry	84	20	116	36	186	87	178	84
Total	**141**	**188**	**187**	**230**	**258**	**263**	**258**	**280**

Compared to the previous year, tax loss carry-forwards not recognized decreased on federal level (decrease of CHF 46 million). On state level the tax loss carry-forwards not recognized decreased by CHF 42 million.

The deferred tax on not recognized tax loss carry-forwards would amount to CHF 38 million in 2020 (previous year: CHF 47 million).

Earnings per share

Note 8

Earnings per share of CHF 0.11 (previous year: CHF -0.21) have been calculated on the basis of a net result of CHF 35 million (previous year: CHF -70 million), attributable to shareholders of the parent, and the average weighted number of outstanding shares (issued shares less treasury shares). In 2020, the average weighted number of shares entitled to vote and receive dividends amounted to 329 079 576 (previous year: 338 494 600). Diluted earnings per share amounted to CHF 0.11 (previous year: CHF -0.21). The average weighted number of shares used in the calculation of diluted earnings per share amounted to 329 079 576 (previous year: 338 494 600).

Number of outstanding shares	**2020**	2019
Total shares issued at year-end	339 758 576	339 758 576
Weighted average number of shares outstanding for the year	329 079 576	338 494 600
Effect of potential exercise of option rights	–	–
Weighted average number of shares diluted for the year	329 079 576	338 494 600

Cash and cash equivalents

Note 9

in CHF million	**2020**	2019
Cash, postal and bank current accounts	222	358
Time deposits	42	152
Money market funds[1]	150	148
Total	**414**	**658**

[1] Investment grade rated money market funds available on a daily basis.

CHF 221 million (previous year: CHF 256 million) of total cash and cash equivalents are held in countries in which local exchange control regulations with regards to capital export exist. If the Group complies with legal and tax regulations, such liquid funds are at its disposition within a reasonable period of time.

Cash and cash equivalents are held in the following currencies:

Currency

in CHF million	**2020**	2019
CHF	98	223
EUR	43	88
USD	40	25
CNY	189	281
Other	44	41
Total	**414**	**658**

Financial investments

Note 10

in CHF million	**2020**	2019
Deposits	4	7
Debt and equity securities	11	30
Foreign exchange contracts	4	3
Current financial investments and derivatives	**19**	**41**
Investments in associates and joint arrangements	10	10
Other investments[1]	20	19
Non-current financial investments	**30**	**29**
Total	**49**	**70**

[1] Non-current other investments mainly include a 14.54 % investment in Kinexon Beteiligungsgesellschaft mbH (an unquoted equity instrument) that is carried at fair value through other comprehensive income.

Loans and receivables

Note 11

in CHF million	2020	2019
Current		
Trade receivables	278	288
Trade notes receivable	24	21
Current contract assets	38	12
Other receivables[1]	93	96
Non-current		
Loans and other non-current financial receivables	13	15
Non-current contract assets	–	1
Total	**447**	**432**

[1] Other receivables mainly include receivables from Swiss and foreign tax authorities (VAT).

Inventories

Note 12

	2020			2019		
in CHF million	Gross value	Value adjustment	**Net value**	Gross value	Value adjustment	**Net value**
Raw material and components	119	–10	**110**	124	–10	**114**
Work in progress	116	–5	**111**	125	–4	**121**
Finished goods and trade merchandise	115	–26	**89**	127	–23	**103**
Total	350	–40	**310**	376	–37	**338**

Amounts charged to the income statement for write-downs of inventories in the reporting year were CHF 5 million (previous year: CHF 4 million). In 2020, inventories of CHF 980 million (previous year: CHF 1 101 million) were recognized as an expense during the period and included in cost of sales.

Property, plant and equipment

Note 13

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	2020 Total
Cost					
Balance at January 1, 2020	1 310	326	36	59	1 730
Conversion differences	–60	–8	–1	–2	–71
Changes in the scope of consolidated companies	1	2	–	–	3
Additions	23	1	–	40	64
Disposals	–6	–1	–	–	–7
Transfers/other movements	37	8	–	–49	–4
Balance at December 31, 2020	1 305	328	35	48	1 715
Accumulated depreciation and impairment losses					
Balance at January 1, 2020	–891	–205	–	–	–1 096
Conversion differences	40	5	–	–	45
Depreciation	–86	–10	–	–	–96
Impairment losses	–5	–	–	–	–5
Disposals	2	–	–	–	2
Transfers/other movements	2	1	–	–	2
Balance at December 31, 2020	–938	–210	–	–	–1 149
Net Group values at January 1, 2020	419	121	36	59	634
Net Group values at December 31, 2020	**367**	**118**	**35**	**48**	**567**

Open purchase commitments for property, plant and equipment at the end of 2020 amounted to CHF 9 million (previous year: CHF 8 million).

in CHF million	Plant, equipment and furniture	Production and administration buildings	Developed land	Facilities under construction	2019 Total
Cost					
Balance at January 1, 2019	1 224	331	36	62	1 654
Conversion differences	–42	–8	–1	–1	–51
Changes in the scope of consolidated companies	2	2	1	–	6
Additions	58	1	–	75	135
Disposals	–6	–2	–1	–	–9
Transfers/other movements	72	1	–	–77	–4
Balance at December 31, 2019	1 310	326	36	59	1 730
Accumulated depreciation and impairment losses					
Balance at January 1, 2019	–840	–198	–	–	–1 038
Conversion differences	29	5	–	–	34
Depreciation	–86	–11	–	–	–97
Impairment losses	–	–1	–	–	–2
Disposals	4	–	–	–	4
Transfers/other movements	2	1	–	–	3
Balance at December 31, 2019	–891	–205	–	–	–1 096
Net Group values at January 1, 2019	385	133	36	62	616
Net Group values at December 31, 2019	**419**	**121**	**36**	**59**	**634**

Right-of-use assets

Note 14

Leases as lessee

in CHF million	Plant, equipment and furniture	Production and administration buildings	**2020 Total**
Balance at January 1, 2020	**22**	**189**	**211**
Depreciation	–8	–29	–36
Additions	6	32	38
Disposals	–	–1	–1
Changes in the scope of consolidated companies	–	3	3
Conversion differences	–1	–9	–10
Balance at December 31, 2020	**19**	**185**	**204**

No material contracts have been signed and are not yet included in the balance sheet (previous year: 16 CHF million).

in CHF million	Plant, equipment and furniture	Production and administration buildings	**2019 Total**
Balance at January 1, 2019	**15**	**208**	**223**
Depreciation	–7	–28	–35
Additions	14	15	29
Disposals	–	–3	–3
Changes in the scope of consolidated companies	–	2	2
Conversion differences	–	–5	–5
Balance at December 31, 2019	**22**	**189**	**211**

Amounts included in the consolidated income statement

Leases

in CHF million	**2020**	2019
Depreciation on right-of-use assets	–36	–35
Expenses relating to short-term leases	–1	–1
Expenses relating to low-value leases, excluding short-term leases of low-value assets	–2	–1
Expenses for variable lease payments not included in lease liabilities	–1	–
Interest on lease liabilities (included in financial expenses)	–7	–7

Amounts included in the statement of cash flows 2020

in CHF million	**2020**	2019
Total cash outflow for leases	–43	–45

Leases as lessor

The Group leases out selected buildings and machines. All leases are classified as operating leases from a lessor perspective.

During 2020, the Group recognized rental income of 4 CHF million (previous year: 5 CHF million).

The following table sets out a maturity analysis of lease payments showing the undiscounted lease payments to be received after the reporting date.

in CHF million	**2020**	2019
Due in 1st year	3	4
Due in 2nd year	2	3
Due in 3rd year	1	2
Due in or beyond 4th year	4	5
Total	**10**	**14**

Goodwill and intangible assets

Note 15

in CHF million	Goodwill	Brands	Development costs	Other intangible assets[1]	2020 Total
Cost					
Balance at January 1, 2020	732	146	191	635	1 704
Conversion differences	–11	–1	–2	–16	–29
Changes in the scope of consolidated companies	29	–	–	34	62
Additions	–	–	25	28	53
Disposals	–	–	–	–43	–43
Balance at December 31, 2020	751	145	215	637	1 748
Accumulated amortization and impairment losses					
Balance at January 1, 2020	–189	–	–89	–309	–588
Conversion differences	1	–	–	7	8
Amortization	–	–	–20	–50	–71
Impairment losses	–	–	–1	–5	–6
Disposals	–	–	–	43	43
Balance at December 31, 2020	–189	–	–110	–314	–613
Net Group values at January 1, 2020	543	146	102	326	1 117
Net Group values at December 31, 2020	**562**	**145**	**105**	**323**	**1 135**

[1] The net book values contain mainly acquired customer relations (CHF 209 million), licenses, patents and technologies (CHF 63 million), and software (CHF 48 million).

The capitalized development costs pertain to the Divisions as follows:

Capitalized development costs for the period

in CHF million	2020	2019
Surface Solutions Division	18	22
Manmade Fibers Division	8	9
Total	**25**	**31**

Goodwill and intangible assets

Note 15 (cont.)

Goodwill and brands are attributed to the Divisions and Business Units as follows:

Goodwill and brands

in CHF million	Goodwill 2020	Goodwill 2019	Brands 2020	Brands 2019
Surface Solutions Division	**421**	**428**	**21**	**21**
- Balzers Industrial Solutions		286		2
- Metco Aero & Energy		125		19
- Additive Manufacturing		17		–
Manmade Fibers Division	**142**	**114**	**124**	**125**
Total	**562**	**543**	**145**	**146**

Goodwill and other intangible assets with indefinite useful life are allocated to those cash-generating units (CGUs) that are expected to benefit from the relevant business combination. Both the Surface Solutions Division and the Manmade Fibers Division correspond to one group of CGUs and represent the lowest level at which goodwill is monitored by management. In 2019, the Chief Operating Decision Maker (CODM) received information for the businesses Balzers Industrial Solutions, Metco Aero & Energy and Additive Manufacturing on Business Unit level. The goodwill and other intangible assets with indefinite useful life were tested for impairment on Business Unit level before changing the reporting to the CODM.

Goodwill and intangible assets with indefinite useful life are tested annually for possible impairment using discounted cash flow analysis. Asset values used in the impairment testing are based on value in use (prior year: fair value less costs of disposal for the Business Unit Additive Manufacturing) and on the latest forecasts approved by management. The fair value measurement was categorized as Level 3 based on the inputs in the valuation technique used. The forecast period used for future cash flows covers the years 2021 to 2025. The discount rates used are based on the weighted average cost of capital (WACC) derived from peer groups adjusted to specific risks of the businesses concerned and the countries in which they operate. The capital costs were determined using the capital asset pricing model (CAPM).

The annual goodwill impairment test carried out at Division level for Surface Solutions and Manmade Fibers supported the carrying amounts and therefore no need for impairment was identified. Detailed results of the impairment testing are presented below for goodwill and brands allocated to the Surface Solutions and the Manmade Fibers Divisions.

The following growth and pre-tax discount rates were used:

Growth and discount rates per Division and Business Unit

	Growth rates[1] 2020	Growth rates[1] 2019	Discount rates 2020	Discount rates 2019
Surface Solutions Division	**2.0%**		**10.5%**	
- Balzers Industrial Solutions		2.0%		9.3%
- Metco Aero & Energy		2.0%		9.8%
- Additive Manufacturing		3.0%		9.9%
Manmade Fibers Division	**2.0%**	**2.0%**	**12.7%**	**11.6%**

[1] For periods following the five-year plan period after 2025 (previous year: for periods following the five-year plan period (for Balzers Industrial Solutions, Metco Aero & Energy and Manmade Fibers Division after 2024, for Additive Manufacturing after 2029)).

For 2020, a reasonably possible change in a key assumption would not give rise to an impairment of goodwill for the time being. In 2019, any adverse movement in either the growth rate or the discount rate would have led to potential impairments of the goodwill for the Additive Manufacturing Business Unit.

Goodwill and intangible assets

Note 15 (cont.)

Previous year

in CHF million	Goodwill	Brands	Development costs	Other intangible assets[1]	**2019 Total**
Cost					
Balance at January 1, 2019	738	150	163	627	1 677
Conversion differences	–20	–4	–2	–14	–40
Changes in the scope of consolidated companies	14	–	–	13	27
Additions	–	–	31	12	44
Disposals	–	–	–	–5	–5
Transfers/other movements	–	–	–	1	1
Balance at December 31, 2019	732	146	191	635	1 704
Accumulated amortization and impairment losses					
Balance at January 1, 2019	–196	–	–74	–268	–537
Conversion differences	7	–	1	6	14
Amortization	–	–	–17	–52	–69
Disposals	–	–	–	5	5
Balance at December 31, 2019	–189	–	–89	–309	–588
Net book values at January 1, 2019	542	150	89	359	1 139
Net book values at December 31, 2019	**543**	**146**	**102**	**326**	**1 117**

[1] The Net book values contain mainly acquired customer relations (CHF 220 million), licenses, patents and technologies (CHF 70 million), and software (CHF 25 million).

Post-employment benefits

Note 16

in CHF million	2020 Total	2020 due within 1 year	2020 due beyond 1 year	2019 Total	2019 due within 1 year	2019 due beyond 1 year
Net defined benefit liability[1]	**328**	14	314	**338**	13	325
Other employee benefit liabilities	**14**	1	13	**13**	1	12
Total on the balance sheet	**341**	**15**	**326**	**352**	**14**	**337**
Post-employment benefit assets	**20**	–	20	**10**	–	10
Post-employment benefit liabilities	**361**	15	346	**361**	14	347

[1] In 2020, net defined benefit liability related to funded plans was CHF 140 million and CHF 188 million related to unfunded plans (previous year: CHF 143 million related to funded and CHF 195 million related to unfunded plans).

Post-employment benefit expense

in CHF million	2020 Total	2020 Defined benefit	2020 Defined contribution	2019 Total	2019 Defined benefit	2019 Defined contribution
Pension cost (operating)[1]	**30**	21	8	**29**	20	9
Pension cost (financial)	**2**	2	–	**5**	5	–
Total post-employment benefit plan cost in the income statement	**32**	24	8	**34**	25	9

[1] In 2019 pension costs (operating) of CHF 1 million were included in the result of discontinued operations.

Post-employment benefits

Note 16 (cont.)

Defined benefit plans

The Group's material defined benefit pension plans are located in Germany, the USA and Switzerland and account for 97 % of the Group's net defined benefit liability (previous year: 97 %). Usually, the plans are established as trusts independent of the Group and are funded by payments from Group companies and by employees. The cash funding of these plans is designed to ensure that present and future contributions should be sufficient to meet future liabilities. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. Most of the major plans in Germany are unfunded and, as the result, the Group pays pensions to retired employees directly from its own financial resources.

Pension plans in Germany

12 unfunded and 6 funded defined benefit plans existed in 2020 (previous year: 12 and 6 respectively). These pension arrangements are governed by the German Occupational Pensions Act (BetrAVG). The employer is required by German law to increase pension payments every three years according to price inflation as measured by the Consumer Price Index ("Verbraucherpreisindex – VPI") or according to comparable pay grades. In case of unfunded pension plans, the Group pays pensions to retired employees directly from its own financial resources. Funded pension plans are administered through a Contractual Trust Agreement (CTA). In a CTA arrangement, the assets are outsourced to an independent entity (e.g. a trust), which has the sole purpose of financing, paying out and ensuring benefits. The transferred assets are completely segregated from the employer's assets to protect these assets against the risk of the employer's insolvency. The employer is free to determine the scope and the kinds of assets that are to be transferred to the Trust and used for funding the pension liabilities. No minimum funding requirements or regular funding obligations apply to CTAs. Based on a special trust agreement between the employer and the Trust, the Trust acquires legal titles in the transferred assets, while the economic ownership rests with the employer. By creating the CTA, the employer creates additional insolvency protection for the beneficiaries.

Pension plans in the USA

1 funded defined benefit plan existed in 2020 (previous year: 1 funded). The Oerlikon USA Holding, Inc. Pension Plan is non-contributory for the employees. The plan uses a final-average-pay-based formula with benefits based on members' years of service and final average pay earned while in the employ of a participating company. This plan has been closed to new members since 2006 and benefit accruals under the plan ceased in January 2010. Participants receive their benefits in the form of monthly annuities, which are actuarially reduced for early retirement and/or election of a form of payment providing for continued payments after the participant's death to a surviving beneficiary. Some participants have the option of receiving their benefits in a single lump-sum payment in lieu of an annuity. The plan does not provide for automatic pension increases. The companies' contributions to the defined benefit plan are made based on US pension funding regulations in the form of cash. Employees joining Oerlikon USA Holding after specified dates participate in a defined contribution pension plan.

Pension plans in Switzerland

7 funded defined benefit plans existed in 2020 (previous year: 8 plans). These plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. The pension plan assets are held within a separate foundation and cannot revert to the employer. The Board of Trustees, the most senior governing body of the collective foundation, is responsible for investment strategy and policy. This Board is composed of equal numbers of employees and employer representatives. The plans provide old-age, disability and death-in-service (survivors') benefits to plan participants, their spouses and children, as defined in pension plan rules compliant with the BVG, which specifies the minimum benefits to be provided. Pension funds are financed according to a level premium system, which means that every insured person directly finances his/her own retirement benefits and saves up for his/her retirement. The insured and the employer usually pay equal contributions to the pension fund in case of retirement benefits. The employer must contribute an amount that equals at least the contributions of all employees together. Disability and survivors' benefits are funded via risk contributions; the corresponding benefits are defined based on the current salary.

The following risks arise from the 7 funded defined benefit plans (5 autonomous and 2 partly-autonomous).

The autonomous pension institutions bear the risks from the savings process, the asset management and the demographic risks (longevity, death, disability). The respective pension institution may change the funding system (contributions and future benefits) at any time. In case of a deficit according to BVG and if there are no other measures, the pension institution may require contributions for financial recovery by the employer.

The partly-autonomous pension institutions insure the demographic risks with a life insurance company, but bear the risks from the savings process and asset management. The respective pension institution may change the funding system (contributions and future benefits) at any time. In case of a deficit according to BVG and if there are no other measures, the pension institution may require contributions for financial recovery from the employer. With respect to the insured demographic risks, there are further risks, namely that the insurance coverage is only of a temporary nature (cancellation by the life insurance company) and that the inherent risks of the plan result in variable insurance premiums over time.

Post-employment benefits

Note 16 (cont.)

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

	Defined benefit obligation		Fair value of plan assets		Adjustment to asset ceiling		Net defined benefit liability	
in CHF million	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Balance at January 1	**895**	**1 018**	**–564**	**–659**	**8**	**22**	**338**	**381**
Included in the income statement								
Current service cost (employer)	21	20	–	–	–	–	21	20
Interest expense on defined benefit obligation	4	12	–	–	–	–	4	12
Interest income on plan assets	–	–	–2	–7	–	–	–2	–7
Administration cost (excl. cost for managing plan assets)[1]	–	–	–	–	–	–	–	–
Total in the income statement	**26**	**32**	**–2**	**–7**	**–**	**–**	**24**	**25**
Included in other comprehensive income								
Remeasurement gain (-)/loss (+) arising from:	16	89	–14	–44	–	–15	2	31
– Actuarial gain (-)/loss (+) arising from:								
– demographic assumptions	8	–	–	–	–	–	8	–
– financial assumptions	7	88	–	–	–	–	7	88
– experience adjustments	1	–	–	–	–	–	1	–
– Return on plan assets excluding interest income	–	–	–14	–44	–	–	–14	–44
– Change in effect of asset ceiling excluding interest expense/income	–	–	–	–	–	–15	–	–15
Effect of movements in exchange rates	–6	–14	4	2	–	–	–2	–12
Total in other comprehensive income	**10**	**75**	**–10**	**–41**	**–**	**–15**	**–**	**19**
Other effects								
Employer contributions[2]	–	–	–20	–18	–	–	–20	–18
Employee contributions	8	7	–8	–7	–	–	–	–
Benefits paid/deposited	–55	–43	41	28	–	–	–14	–15
Effect of business combination and disposal	–	–195	–	142	–	–	–	–54
Total in other effects	**–47**	**–231**	**13**	**144**	**–**	**–**	**–34**	**–87**
Balance at December 31	**883**	**895**	**–563**	**–564**	**8**	**8**	**328**	**338**

of which:

in CHF million								
– Germany	374	374	–57	–59	–	–	317	314
– USA	49	53	–37	–40	–	–	11	13
– Switzerland	444	451	–463	–459	8	8	–11	–

[1] Administration costs are less than CHF 1 million (previous year: less than CHF 1 million).

[2] Employer contributions to defined benefit plans for 2021 are expected to be approximately CHF 21 million.

Post-employment benefits

Note 16 (cont.)

The plan assets consist of the following:

in CHF million	2020 Total	2020 Quoted	2020 Unquoted	2020 %	2019 Total	2019 Quoted	2019 Unquoted	2019 %
Equity instruments	**131**	**131**	**–**	**23 %**	**130**	**130**	**–**	**23 %**
Debt instruments, of which in:	**180**	**180**	**–**	**32 %**	**177**	**177**	**–**	**31 %**
– Government bonds	46	46	–		53	53	–	
– Corporate bonds - investment grade	134	134	–		123	123	–	
Real estate, of which in:	**124**	**67**	**57**	**22 %**	**124**	**56**	**68**	**22 %**
– Properties[1]	57	–	57		68	–	68	
– Real estate funds	67	67	–		56	56	–	
Cash and cash equivalents	**26**	**26**	**–**	**5 %**	**28**	**28**	**–**	**5 %**
Investment funds	**78**	**46**	**33**	**14 %**	**81**	**49**	**31**	**14 %**
Other	**23**	**20**	**3**	**4 %**	**24**	**21**	**2**	**4 %**
Total plan assets	**563**	**471**	**92**	**100 %**	**564**	**462**	**101**	**100 %**

[1] Real estate in Germany with a fair value of CHF 8 million (previous year: CHF 8 million) is rented by a Group company with an annual rent of CHF 1 million (previous year: CHF 1 million).

Plan assets

In the Group's financial statements, the difference between the actual return on plan assets and interest income is recorded as remeasurement directly to other comprehensive income. During 2020, the actual return on plan assets was a gain of CHF 16 million (previous year: gain of CHF 51 million). The recognition of a net defined benefit asset is limited to the present value of any economic benefits available out of refunds from the plans or reductions in future contributions to the plans.

Post-employment benefits

Note 16 (cont.)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date for significant defined benefit plans in Germany, the USA and Switzerland (expressed as weighted averages):

Assumptions used in actuarial calculations			2020			2019
in percent	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate	0.5	2.4	0.1	0.6	3.1	0.1
Future salary increases	0.1	–	1.0	0.1	–	1.2
Future pension increases	1.6	–	–	1.6	–	–

The discount rate is determined by reference to market yields at the end of the reporting period on AA- and AAA-rated corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the obligations.

Longevities

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date are provided below:

Longevities			2020			2019
in years	Germany	USA	Switzerland	Germany	USA	Switzerland
Retiring at the end of the reporting period:						
– Males	21.7	20.4	23.1	21.6	20.6	23.0
– Females	25.3	22.4	25.8	25.2	22.6	25.8
Retiring 20 years after the end of the reporting period:						
– Males	24.6	21.9	24.9	24.5	22.2	24.8
– Females	27.6	23.8	27.6	27.5	24.2	27.4

			2020			2019
Weighted average duration of the defined benefit obligation	Germany	USA	Switzerland	Germany	USA	Switzerland
Number of years	11.3	10.5	14.9	10.9	10.6	15.1

The Group's major pension plans give members lump-sum or annuity benefit payment options. The Group values its pension liabilities on the assumption that the choices made by members who will retire in the future will be consistent with choices made by members who have retired recently.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

						Defined benefit obligation in 2020
			Increase			Decrease
Sensitivity analysis	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate (0.5 % movement)	–20	–2	–31	23	3	36
Future salary (0.5 % movement)	–	–	4	–	–	–4
Future pension (0.5 % movement)	16	–	25	–12	–	–23
Future mortality (1 year movement)	–24	–2	–15	20	2	15

						Defined benefit obligation in 2019
			Increase			Decrease
Sensitivity analysis	Germany	USA	Switzerland	Germany	USA	Switzerland
Discount rate (0.5 % movement)	–19	–3	–32	21	3	37
Future salary (0.5 % movement)	–	–	4	–	–	–4
Future pension (0.5 % movement)	17	–	26	–12	–	–24
Future mortality (1 year movement)	–24	–2	–19	19	2	15

Current financial liabilities

Note 17

in CHF million	2020	2019
Lease liabilities	31	30
Current loans and borrowings	8	1
Foreign exchange contracts	4	5
Total current financial liabilities and derivatives	**43**	**36**
Trade payables	284	264
Other payables	72	60
Total current financial liabilities	**399**	**360**

Accrued liabilities

Note 18

in CHF million	2020	2019
Accrued personnel expenses	81	81
Accrued material expenses	44	51
Other accrued liabilities[1]	62	57
Total accrued liabilities	**186**	**189**

[1] Contains mainly accrued expenses for services.

Provisions

Note 19

in CHF million	Product warranties	Acquiree's contingent liabilities[1]	Restructuring[2]	Other provisions[3]	2020 Total
Balance at January 1, 2020	26	27	21	38	**113**
Conversion differences	–	–2	–	–	**–3**
Additions[4]	10	1	24	7	**42**
Amounts used	–6	–	–11	–4	**–21**
Amounts reversed	–9	–3	–5	–2	**–20**
Balance at December 31, 2020	**20**	**23**	**28**	**39**	**110**
of which:					
Due within 1 year	20	–	27	14	**60**
Due beyond 1 year	1	23	1	25	**50**

[1] Acquiree's contingent liabilities pertain to the Surface Solutions Division. Contingent liabilities have been recognized primarily due to several environmental liabilities and potential tax risks. Any potential cash outflow is estimated to occur during the next 10 years. The selling shareholder (Sulzer AG) has contractually agreed to indemnify Oerlikon for an amount up to CHF 20 million related to certain environmental liabilities. The related indemnification asset amounts to CHF 10 million (prior year: CHF 10 million).

[2] The restructuring provision pertains mainly to the Surface Solutions Division (CHF 25 million) and Manmade Fibers Division (CHF 2 million) and relates mostly to personnel expenses. The additions in the period are related to a productivity program primarily aimed at reducing structural costs in the Surface Solutions Division.

[3] Consists mainly of provisions for pending litigation, technical risks, onerous contracts as well as environmental and tax risks.

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

Loans and borrowings

Note 20

in CHF million	2020	2019
Bonds	150	150
Lease liabilities	175	178
Other loans and borrowings	7	4
Total non-current loans, borrowings and lease liabilities	**332**	**332**

The terms and conditions of outstanding loans are as follows:

2020					
in CHF million	**Currency**	**Nominal interest rate**	**Year of maturity**	**Nominal value**	**Carrying amount**
Syndicated loan/Revolving Credit Facility	CHF	Libor + 0.60 %	2022	–	–
Bond	CHF	2.625 %	2024	150	150
Lease liabilities	var.	var.	var.	206	206
Various current and non-current liabilities	var.	var.	var.	15	15
Total loans, borrowings and lease liabilities					**371**
– Current loans, borrowings and lease liabilities					39
– Non-current loans, borrowings and lease liabilities					332

2019					
in CHF million	Currency	Nominal interest rate	Year of maturity	Nominal value	Carrying amount
Syndicated loan/Revolving Credit Facility	CHF	Libor + 0.60 %	2022	–	–
Bond	CHF	2.625 %	2024	150	150
Lease liabilities	var.	var.	var.	208	208
Various current and non-current liabilities	EUR	var.	var.	5	5
Total loans, borrowings and lease liabilities					**363**
– Current loans, borrowings and lease liabilities					31
– Non-current loans, borrowings and lease liabilities					332

Syndicated loan facility

In 2016, Oerlikon signed an agreement for an unsecured syndicated credit facility comprising of a revolving credit facility and an ancillary credit facility, amounting to CHF 600 million. The initial maturity was in 2021, and in 2017, Oerlikon successfully extended the facility by one year to 2022. As of December 31, 2020, the drawn revolving credit facility balance was zero, and out of CHF 235 million allocated to the ancillary credit facility, the amount of CHF 45 million was used for issuing guarantees.

As per December 31, 2020, the interest rate of the loan under the syndicated credit facility is defined as Libor plus a margin of 0.60 % per year, subject to a margin grid based on the ratio of Net Debt to EBITDA (within a range of 0.60 % and 2.10 %).

As of December 31, 2020, the syndicated credit facility contains the following financial covenants, which are tested quarterly:

- Total Equity
- Net Debt/EBITDA

In 2020, the Group was in compliance with all covenants.

Bonds

On June 17, 2014, the Oerlikon Group issued a 10-year CHF 150 million straight bond with a nominal interest of 2.625 % (effective interest: 2.625 %).

Financial instruments

Note 21

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2020, including their levels in the fair value hierarchy, are as follows:

	Carrying amount				Fair value			
in CHF million	Fair value – through other comprehensive income	Fair value – through profit & loss	Amortized costs[1]	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets								
Foreign exchange contracts	1	3	–	**4**	–	4	–	**4**
Debt and equity securities	–	11	–	**11**	11	–	–	**11**
Other investments	20	–	–	**20**	–	–	20	**20**
Cash and cash equivalents	–	–	414	**414**	–	–	–	**–**
Deposits	–	–	4	**4**	–	–	–	**–**
Trade and trade notes receivable	–	–	303	**303**				
Current contract assets	–	–	38	**38**				
Loans and other non-current financial receivables	–	–	1	**1**				
Total	**21**	**14**	**760**	**795**				
Financial liabilities								
Foreign exchange contracts	–	4	–	**4**	–	4	–	**4**
Other liabilities	–	11	3	**14**	–	–	11	**11**
Bonds	–	–	150	**150**	159	–	–	**159**
Lease liabilities	–	–	206	**206**				
Trade payables	–	–	284	**284**				
Accrued liabilities	–	–	105	**105**				
Other loans and borrowings	–	–	14	**14**				
Total	**–**	**15**	**763**	**778**				

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

Financial instruments

Note 21 (cont.)

The carrying amounts and fair values of financial assets and liabilities as of December 31, 2019, including their levels in the fair value hierarchy, are as follows:

	Carrying amount				Fair value			
in CHF million	Fair value – through other comprehensive income	Fair value – through profit & loss	Amortized costs[1]	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets								
Foreign exchange contracts	1	2	–	**3**	–	3	–	**3**
Debt and equity securities	–	30	–	**30**	30	–	–	**30**
Other investments	19	–	–	**19**	–	–	19	**19**
Cash and cash equivalents	–	–	658	**658**	–	–	–	**–**
Deposits	–	–	7	**7**	–	–	–	**–**
Trade and trade notes receivable	–	–	309	**309**				
Current contract assets	–	–	12	**12**				
Loans and other non-current financial receivables	–	–	3	**3**				
Total	**20**	**32**	**989**	**1 042**				
Financial liabilities								
Foreign exchange contracts	1	4	–	**5**	–	5	–	**5**
Other liabilities	–	19	2	**22**	–	–	19	**19**
Bonds	–	–	150	**150**	167	–	–	**167**
Lease liabilities	–	–	208	**208**				
Trade payables	–	–	264	**264**				
Accrued liabilities	–	–	108	**108**				
Other loans and borrowings	–	–	4	**4**				
Total	**1**	**23**	**737**	**762**				

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

Measurement of fair values
The different levels of fair values have been defined as follows:

– **Level 1:** unadjusted quoted prices for identical assets or liabilities in active markets.

– **Level 2:** inputs (other than quoted prices mentioned in Level 1) for identical or similar assets or liabilities that are observable either directly or indirectly in active markets.

– **Level 3:** valuation inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Type of financial instruments	**Valuation technique**
Foreign exchange contracts	The fair values of foreign exchange hedging contracts are derived from quoted foreign exchange rates received from brokers.

Financial instruments

Note 21 (cont.)

Level 3 fair values
The following table shows the valuation technique used in measuring Level 3 fair values:

Type of financial instruments	Valuation technique
Other investments	Other investments mainly include a 14.54 % investment in Kinexon Beteiligungsgesellschaft mbH (an unquoted equity instrument) that is carried at fair value through other comprehensive income. Such investments are valued initially at fair value through the established purchase price between a willing buyer and seller and subsequently adjusted based on fair value less costs of disposal derived from a discounted cash flow analysis. The forecast period used for future cash flows covers the years 2021 to 2030. For the periods following the plan period a growth rate of 3 % was assumed. The discount rate of 27 % is based on the weighted average cost of capital (WACC).The capital costs were determined using the capital asset pricing model (CAPM).
Other non-current liabilities	The valuation of the contingent considerations is based on the current estimate of the fulfillment of the conditions on which the payment of the earnout depends. The fair value is based on various unobservable inputs. A change in these inputs may result in a significantly higher or lower fair value.

Transfers between levels of fair values
There were no transfers between levels during the year.

Financial risk management
The Group has exposure to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk

Credit risk
Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's customer receivables, investment securities and cash placed with banks.

The credit or default risk associated with operating receivables is monitored locally by the individual Group companies. These companies follow a credit policy defined by each operating unit, under which each new customer is analyzed individually for creditworthiness before payment and delivery terms and conditions are offered. Credit ratings are reviewed regularly, and limits are set and monitored on an ongoing basis.

Trade receivables are valued at the original invoiced amount less any necessary value adjustments for default risks. These risks are insured with third parties only in exceptional cases. Value adjustments are set at varying levels corresponding to risks recognized in the different Business Units.

As a fundamental principle, the Group places funds only with investment grade rated domestic and foreign banking institutions, and Group Treasury periodically assesses the relevant ratings and credit default spreads of these banking institutions.

The Oerlikon Group's maximum credit risk from financial instruments is reflected in the book values of the individual financial assets as per year-end. There are no commitments or obligations which might lead to an exposure exceeding these book values. The maximum credit risk is therefore:

in CHF million	**2020**	2019
Cash and cash equivalents	414	658
Deposits	4	7
Debt and equity securities	11	30
Derivatives used for hedging	4	3
Trade and trade notes receivable	303	309
Current contract assets	38	12
Loans and other non-current financial receivables	1	3
Total	**775**	**1 023**

At December 31, trade and trade notes receivables are distributed geographically (by location of the Group company) as follows:

in CHF million	**2020**	2019
Asia	118	105
Europe	138	143
North America	41	55
Other	5	6
Total	**303**	**309**

No concentrations of risk to the Group are expected from the outstanding receivables.

Financial instruments

Note 21 (cont.)

At December 31, the aging of trade and trade notes receivable was as follows:

in CHF million	2020 Gross amount	2020 Value adjustment	2019 Gross amount	2019 Value adjustment
Current (not due)	**232**	**–1**	**220**	**–1**
Total past due	**86**	**–13**	**98**	**–9**
0–30 days	36	–	48	–1
31–60 days	11	–	14	–
61–90 days	9	–1	11	–
91–120 days	8	–1	5	–1
Over 120 days	22	–11	20	–7
Total	**317**	**–15**	**318**	**–10**

The allowance for doubtful debts is based on the Expected Credit Loss (ECL) method, which consists in applying a current and forward-looking model to identify factors that may affect the ability of customers to settle their obligations as agreed. The Group applies IFRS 9 simplified approach and calculates expected credit losses using a provision matrix where trade receivables are grouped based on different customer attributes. If substantial expected payment delays occur, receivables are assessed individually for further impairment.

Reconciliation of changes in allowance accounts for credit losses:

in CHF million	2020	2019
Balance at January 1	–10	–8
Additional impairment losses charged to income	–8	–4
Reversal of impairment losses	2	2
Write-off	1	1
Balance at December 31	**–15**	**–10**

Liquidity risk

Liquidity risk is the risk that the Oerlikon Group may be unable to discharge its financial liabilities in a timely manner or at acceptable cost. Oerlikon supervises and manages the Group's liquidity centrally in order to ensure that outstanding financial liabilities can at all times be met within their maturity period and at acceptable financing cost. Group Treasury prepares and provides the relevant decision support and arranges for the availability of the relevant funds once approval is given.

Oerlikon's liquidity is monitored using short-, medium- and long-term rolling forecasts, about which senior management is kept informed. On the basis of these plans, Oerlikon mobilizes the necessary liquid funds and takes any further steps necessary in a timely manner.

The remaining contractual maturities of financial liabilities as of December 31 are as follows:

in CHF million (2020)	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
Trade payables	284	284	284	–	–	–
Loans and borrowings[1]	165	181	14	166	1	–
Lease liabilities	206	275	35	100	140	–
Accrued liabilities	105	105	105	–	–	–
Other liabilities	14	14	4	7	2	–
Non-derivative financial liabilities	**774**	**859**	**443**	**273**	**143**	**–**
Foreign exchange contracts used for hedging	–1	795	789	5	–	–
– thereof: for hedging fx-outflows (notional value)	–	680	677	2	–	–
– thereof: for hedging fx-inflows (notional value)	–	115	112	3	–	–
Derivative financial instruments[2]	**–1**	**795**	**789**	**5**	**–**	**–**
Total	**773**	**1 654**	**1 232**	**278**	**143**	**–**

[1] Loans and borrowings mainly include one Swiss franc bond of CHF 150 million, maturing in June 2024. There are no capitalized transaction costs included. The contractual cash flows include mainly future interest payments of the Swiss franc bond until maturity and commitment fees of the syndicated credit facility.

[2] Contractual cash flows from derivatives cover cash flows from related underlying transactions almost completely.

Financial instruments

Note 21 (cont.)

in CHF million	Carrying amount	Contractual cash flow	within 1 year	1 to 5 years	more than 5 years	of which secured
						2019
Trade payables	264	264	264	–	–	–
Loans and borrowings[1]	154	175	6	169	–	–
Lease liabilities	208	269	36	105	128	–
Accrued liabilities	108	108	108	–	–	–
Other liabilities	22	22	8	11	2	–
Non-derivative financial liabilities	**757**	**838**	**422**	**285**	**130**	**–**
Foreign exchange contracts used for hedging	–	762	752	10	–	–
– thereof: for hedging fx-outflows (notional value)	–	505	495	10	–	–
– thereof: for hedging fx-inflows (notional value)	–	257	257	–	–	–
Derivative financial instruments[2]	**–**	**762**	**752**	**10**	**–**	**–**
Total	**757**	**1 600**	**1 174**	**295**	**130**	**–**

[1] Loans and borrowings mainly include one Swiss franc bond of CHF 150 million, maturing in June 2024. There are no capitalized transaction costs included. The contractual cash flows include mainly future interest payments of the Swiss franc bond until maturity and commitment fees of the syndicated credit facility.

[2] Contractual cash flows from derivatives cover cash flows from related underlying transactions almost completely.

Changes in liabilities arising from financial activities[1]

in CHF million	**2020**	2019
Liabilities from financial activities as of January 1	**363**	**496**
Cash flows from financing activities		
Proceeds/repayment of financial debt (net)	10	–302
Payment of principal elements of lease payments	–32	–34
Total cash flows from financing activities	**–22**	**–335**
Non-cash changes		
Increase of lease liabilities due to the first-time application of IFRS 16	–	179
Increase of lease liabilities (net)	40	29
Conversion differences	–9	–6
Total non-cash changes	**30**	**202**
Liabilities from financial activities as of December 31	**371**	**363**

[1] Liabilities from financial activities consist of loans and borrowings and lease liabilities.

Financial instruments

Note 21 (cont.)

Market risk
Market risk is the risk that the fair value or the future cash flows of a financial instrument may change as a result of fluctuations in market prices. The Oerlikon Group is exposed in particular to fluctuations in foreign exchange and interest rates. The Group also has a minor risk from exposure to fluctuations in raw material prices.

Foreign exchange risk

Foreign exchange transaction risk
Due to its most significant markets, the Group is primarily exposed to exchange risks with respect to the USD and EUR. If costs and revenues of Group companies are incurred or earned in differing or in non-functional currencies, the underlying business transactions are hedged on a centrally coordinated basis by means of commonly used financial instruments. Group companies make regular plans for receipt or payment of cash in foreign currencies and advise these to Group Treasury, which hedges the related exchange risks using external contracts with investment grade rated banks.

The Group's hedging strategy for exchange risks distinguishes between the routine business of supplying components or spare parts and the Group's project activities. For the routine business, cash flows in foreign currencies are hedged for a whole year in advance, based on the annual budget. The hedging quota, i.e. the percentage of the base volume to be hedged, is set forth in the related guidelines. Periodically, a check is performed as to whether the latest forecast of business volumes calls for an increase or a reduction in the hedging volume. For projects, the exchange risks are hedged when the contract is entered into. For special transactions that do not fall into either category – routine or project – the hedging strategy can be determined for individual cases.

Foreign exchange translation risk
Translation exposure arises from consolidation of foreign currency denominated financial statements of the Group's subsidiaries. The Group's consolidated financial statements are reported in Swiss francs. The translation risk arising from foreign subsidiary balance sheets, which affects the consolidated Group equity, is not hedged.

Long-term foreign exchange economic risk
The Group policy is not to hedge long-term foreign exchange risk.

The following rates were used to convert the most important foreign currencies in the financial statements:

	Average rates		Change	**Year-end rates**		Change
	2020	2019	20/19	**2020**	2019	20/19
1 USD	0.938	0.994	–5.6 %	0.881	0.968	–9.1 %
1 EUR	1.070	1.112	–3.8 %	1.083	1.086	–0.2 %
100 CNY	13.598	14.379	–5.4 %	13.460	13.909	–3.2 %
100 HKD	12.091	12.682	–4.7 %	11.361	12.435	–8.6 %
100 JPY	0.879	0.912	–3.6 %	0.854	0.891	–4.2 %
1 SGD	0.680	0.728	–6.6 %	0.666	0.719	–7.4 %

Sensitivity analysis
For the sensitivity analysis, the two most important currencies were selected in which the Group holds significant amounts of receivables and payables. Based on a two-year volatility of 6.36 % (USD/CHF) and 3.69 % (EUR/CHF), a corresponding appreciation of the foreign currencies on December 31, 2020 would have changed the equity and the income statement by the amounts listed below.

	2020		2019	
Effect in CHF million	**Equity**	**Income statement**	Equity	Income statement
USD	2	2	1	2
EUR	1	–	1	1

A depreciation of the two foreign currencies by 6.36 % (USD/CHF) and 3.69 % (EUR/CHF) against the Swiss franc would have had the same but opposite effect on the equity and the income statement, assuming all other variables remain constant. In the previous period, the sensitivity analysis was calculated based on volatilities of 5.58 % (USD/CHF) and 4.32 % (EUR/CHF).

Financial instruments

Note 21 (cont.)

The Group's exposure to foreign exchange risk was as follows, based on nominal amounts as of December 31:

in million	2020 EUR	2020 USD	2020 CHF	2019 EUR	2019 USD	2019 CHF
Trade receivables	15	37	1	8	32	1
Trade payables	6	9	1	8	3	1
Net financial position	1	26	–1	16	21	–1
Gross exposure consolidated balance sheet	**22**	**72**	**1**	**32**	**56**	**1**
Gross foreign exchange risk in business operations	**–41**	**–19**	**–27**	**–30**	**1**	**–28**
Open net foreign exchange forward contracts	**16**	**–21**	**20**	**11**	**–29**	**21**
Net exposure	**–3**	**32**	**–6**	**13**	**28**	**–6**

Interest rate risk

Oerlikon is mainly exposed to interest rate risk in relation to its liquid funds, which are placed at variable rates or held as short-term investments.

Group Treasury prepares and provides the relevant decision support for senior management (Board of Directors, senior financial management) and arranges for hedging against interest rate fluctuations, once approval is given. Such hedging is carried out using derivative financial instruments, such as interest rate swaps and interest rate caps.

As of December 31, the interest rate profile of the Group's interest-bearing financial instruments was:

in CHF million	2020 Net carrying amount	2019 Net carrying amount
Fixed rate interest		
Financial assets	3	3
Financial liabilities	–370	–362
Total	**–368**	**–359**
Variable rate interest		
Financial assets	427	694
Financial liabilities	–1	–1
Total	**426**	**693**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect in CHF million	Income statement 100 bp increase	Income statement 100 bp decrease
2020		
Cash flow sensitivity	3	–3
2019		
Cash flow sensitivity	5	–5

The assumption in the underlying sensitivity analysis is that an increase as well as a decrease by 100 bp has a full impact on interest income and expense. Due to the overall low interest rate environment, a decrease by 100 bp would lead to a negative average interest rate. The tax impact has been included in all figures regarding interest sensitivity.

A change of 100 basis points in interest rates would have the same impact in Group equity, as there are no direct impacts in Other comprehensive income.

Financial instruments

Note 21 (cont.)

Derivative assets and liabilities

in CHF million	2020 Contract volume	2020 Fair value positive	2020 Fair value negative	2019 Contract volume	2019 Fair value positive	2019 Fair value negative
Foreign exchange contracts	**795**	**4**	**4**	**762**	**3**	**5**

Based on the Group's business activities, the following main currency pairs are hedged: EUR/USD, EUR/CHF, EUR/CNY, USD/CHF, and CNY/CHF. Positive and negative changes in fair values of foreign exchange contracts are offset by the corresponding gain or loss on the hedged transactions. The maximum risk from counterparty non-performance is equal to the positive market value of outstanding derivatives as per year-end. In view of the reputation of the counterparties, this risk is deemed to be minimal. In principle, the maturities of currency hedges correspond to the maturity of the hedged transactions. If the maturity of the base transaction shifts, the maturity of the hedge contract will be shifted correspondingly (roll-over/swaps). Thus, the cash flows deriving from the hedge contracts are synchronized with the impact of the base transaction in the income statement. The hedging transactions are first recorded in other comprehensive income, then released to the income statement when the base transaction is recorded. For this reason, there is no need for a separate presentation of the maturities of hedge contracts and their underlying transactions.

Maturity structure of open foreign exchange contracts at December 31:

in CHF million	Carrying amount	Expected cash flows	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
Foreign exchange contracts							
2020	–1	**795**	708	81	5	–	–
2019	–1	**762**	672	80	10	–	–

Netting of financial assets and liabilities
No significant netting of financial assets and liabilities occurred in 2020 and 2019.

Capital Management

Note 22

Oerlikon Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital using the ratios shown below:

in CHF million	2020	2019
Total assets	3 340	3 647
Equity attributable to shareholders of the parent	1 324	1 756
Equity ratio in %	**40 %**	**48 %**

With an equity ratio of 40 % (previous year: 48 %), the Oerlikon Group is at the upper end of the target range of its financial strategy. The currently outstanding bond has an investment grade rating.

Return on Capital Employed (ROCE) in %	**3.1 %**	**7.0 %**

Return on Capital Employed (ROCE) is defined as NOPAT (Net-Operating Profit After Tax) on the basis of 12 months rolling over the Capital Employed per year-end whereas NOPAT is composed of EBIT deducted by current and deferred income taxes and Capital Employed is composed of third party net operating assets, current income tax receivables and current income taxes payable and deferred tax assets and liabilities.

OC Oerlikon participation plans

Note 23

On December 31, 2020, the following equity-settled plans were open, pursuant to which the holder is entitled to shares of OC Oerlikon Corporation AG, Pfäffikon:

Restricted Stock Units (RSU)

Members of the Board of Directors of OC Oerlikon Corporation AG, Pfäffikon, receive a portion of their compensation by means of Restricted Stock Units (RSU), which are allocated on the day of the Annual General Meeting of Shareholders and vest upon the next Annual General Meeting of Shareholders, at which time they are converted into Oerlikon shares. For Directors resigning their mandate prior to the end of the term, the number of RSU converted into shares is determined at the sole discretion of the Board of Directors. The fair value at grant date for the 2020 plan is CHF 7.15 and is based on the stock price at grant date of CHF 8.15 and an expected dividend of CHF 1.00. The grants allocated in 2020 will vest on April 14, 2021.

Under the Long-Term Incentive Plan (LTI), members of the Executive Committee and senior management may receive a portion of their compensation as long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon, shares that are based on a vesting period of three years. Upon vesting, the RSU are converted into shares. For each RSU granted, the equivalent of dividends paid per share to shareholders during the vesting period is added to the final payout. The fair value for the 2020 plan is based on the stock price at grant date of CHF 7.23. The grants allocated in 2020 will vest on May 1, 2023.

A small number of additional RSU grants was made in 2020 under a discretionary plan to selected members of senior management.

Year of allocation	Outstanding on 1.1.	Granted in 2020	Forfeited in 2020	Exercised in 2020	Outstanding on 31.12.	Fair Value at grant date in CHF[1]	Expense 2020 in CHF million	Vesting Period
2016	8 763	–	–	–	8 763	n.a.	0.0	06.04.16 - 30.04.17
2019	313 981	251	5 279	146 972	161 981	n.a.	1.3	10.04.19 - 30.04.22
2020	–	433 161	24 533	1 537	407 091	7.21	1.1	08.04.20 - 30.04.23
Total	**322 744**	**433 412**	**29 812**	**148 509**	**577 835**		**2.5**	

[1] The fair values relate to the units granted in 2020.

Performance Share Awards (PSA)

Under the Long-Term Incentive Plan (LTI), members of the Executive Committee and senior management may receive a portion of their compensation as long-term bonus in the form of awards for OC Oerlikon Corporation AG, Pfäffikon, shares that are based on performance conditions and a vesting period of three years. Their achievement determines the effective number of total Performance Share Awards (PSA). Upon vesting, the effective number of PSA is converted into shares.

Performance conditions for the 2020 plan are based on the absolute and relative Total Shareholder Return (TSR) of Oerlikon over a three-year period. TSR is measured with a starting value of the volume-weighted average share price (VWAP) over 60 trading days, i.e. 30 before and 30 after the start and 30 before and 30 after the end of the year. The absolute TSR result is derived from the cumulated TSR for each of the three years. The relative TSR result is derived from the average percentile among a comparator group for each of the three years. The peer group is reviewed every year by the HRC and includes the companies of the Euro Stoxx 600 Industrial, Goods and Services index. At the start of the program, the Board of Directors sets target and cap for absolute TSR (aTSR). A result at or above the cap corresponds to a payout factor of 150 %, a result at target corresponds to 100 % and a result of 0 corresponds to 0 %. For relative TSR (rTSR), a result at or above the 90th percentile corresponds to a payout factor of 150 %, at the 50th percentile the payout is 100 %, at the 20th percentile the payout factor is 50 % and below it is 0 %. The number of PSA granted, multiplied by the weighted payout factors of absolute and relative TSR results, corresponds to the final payout. For each PSA granted, the equivalent of dividends paid per share to shareholders during the vesting period is added to the final payout. The shares received are subject to a two-year blocking period.

For the 2020 plan, the fair value at grant date is CHF 4.88 and it was calculated using a Monte Carlo Simulation. Main assumptions include a valuation date stock price of CHF 7.23 and an average expected volatility of the peer group of 35.75 %. Dividend equivalents to which award holders are entitled are reflected in the fair value at grant date.

Year of allocation	Outstanding on 1.1.	Granted in 2020	Forfeited in 2020	Exercised in 2020	Outstanding on 31.12.	Fair Value at grant date in CHF[1]	Expense 2020 in CHF million[2]	Vesting Period
2017	432 775	–	2 197	430 578	–	n.a.	0.5	01.05.17 - 30.04.20
2018	359 080	–	6 396	96 389	256 295	n.a.	1.8	01.05.18 - 30.04.21
2019	276 722	376	7 917	65 819	203 362	12.62	1.1	01.05.19 - 30.04.22
2020	–	450 072	36 797	2 305	410 970	4.88	0.5	01.05.20 - 30.04.23
Total	**1 068 577**	**450 448**	**53 307**	**595 091**	**870 627**		**3.8**	

[1] The fair values relate to the awards granted in 2020.

[2] The total expense of CHF 3.8 million (previous year: CHF 8.4 million) includes no expense related to discontinued operations (previous year: CHF 1.5 million).

Related party transactions

Note 24

Related parties include joint arrangements, associates, members of the Board of Directors, the Executive Committee, employee benefit plans or important shareholders, as well as companies under their control. Transactions with related parties are generally conducted at arm's length.

Primary shareholder
The share capital of CHF 339 758 576 consists of 339 758 576 registered shares, each with a par value of CHF 1.00. On December 31, 2020, conditional capital amounted to CHF 47 200 000.

The shareholders registered as holding more than 5 % of the shares as at December 31, 2020 were:

	Share ownership[1]	
Shareholder	**Number of shares**	**in %[2]**
Liwet Holding AG, Zurich, Switzerland[3]	140 484 860[4]	41.34 %

[1] Source: Disclosure notifications pursuant to Art. 120 et seqq. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), published by SIX Exchange Regulation.

[2] Basis: Shares issued (339 758 576).

[3] The shares of Liwet Holding AG are ultimately held as follows:
A) 44.46% by Columbus Trust, a trust established under the laws of Cayman Islands, whose ultimate beneficiary is Mr. Viktor F. Vekselberg, Moscow, Russian Federation and Zug, Switzerland.
B) 19.455% by Amapola Development Inc., Panama and Polaris Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Evgeny Olkhovik, Moscow, Russia.
C) 19.455% by Ali International Ltd., Bahamas and Olympia Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Andrey Lobanov, London, United Kingdom.
D) 16.63% by Next Generation Trust, a trust established under the laws of Cyprus, whose ultimate beneficiaries are Moskov Alexey Valerievich, Matveeva Irina Arkadievna, Sivoldaev Mikhail Sergeevich, Khalikov Rinat Shavkiatovich, Cheremikin Igor Vladimirovich and Shtorkh Andrey Alekseevich.

[4] Source: Disclosure notification by Liwet Holding AG published by SIX Exchange Regulation on May 25, 2018.

Share ownership, options and related instruments
The disclosure below follows Art. 663c Para. 3 of the Swiss Code of Obligations, which requires disclosure of share ownership, options and related instruments individually for each member of the Board of Directors and Executive Committee, including shares, options and related instruments held by persons closely related to, and by companies controlled by members of the Board of Directors and Executive Committee.

Members of the Board of Directors	**Number of shares**	**Number of Restricted Stock Units (RSU)**
Prof. Dr. Michael Süss	1 229 926	34 356
Gerhard Pegam	22 038	15 338
Paul Adams	6 908	15 338
Irina Matveeva (since April 7, 2020)	–	15 338
Geoffery Merszei	27 882	15 338
Alexey V. Moskov	40 939	15 338
Dr. Suzanne Thoma	8 770	15 338
Total	**1 336 463**	**126 384**

Members of the Executive Committee	**Number of shares**	**Number of Performance Share Awards (PSA)**	**Number of Restricted Stock Units (RSU)**
Dr. Roland Fischer	215 176	285 147	128 101
Philipp Müller	–	37 708	51 533
Anna Ryzhova	17 227	54 100	25 320
Dr. Helmut Rudigier	25 225	19 135	8 541
Total	**257 628**	**396 090**	**213 495**

Note 24 (cont.)

Related party transactions

Overview on the compensation of the Board of Directors and the Executive Committee

	Executive Committee		Board of Directors	
in CHF thousand	**2020**	2019	**2020**	2019
Short-term employee benefits	4 070	5 667	1 410	1 374
Post-employment benefits	692	727	–	–
Share-based payments	1 851	2 898	1 030	1 030
Total	**6 614**	**9 292**	**2 440**	**2 404**

Disclosures required by the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies on Board and Executive compensation are shown in the Remuneration Report.

Group companies
An overview of the significant Group subsidiary companies can be found on pages 122 and 123. Transactions between the parent company and its subsidiaries as well as between the Group subsidiaries themselves have been eliminated in the consolidated annual financial statements.

Related party transactions
In 2020, OC Oerlikon sold goods and services to joint arrangements and associates in the amount of CHF 7 million (previous year: CHF 14 million). From these transactions, accounts receivables in the amount of CHF 2 million (previous year: CHF 3 million) were outstanding as of December 31, 2020. The Group purchased goods and services from joint arrangements and associates in the amount of CHF 23 million (previous year: CHF 23 million). From these transactions, accounts payables in the amount of CHF 1 million (previous year: CHF 3 million) were outstanding as of December 31, 2020.

The Group received services from key management personnel in the amount of CHF 0.1 million in 2020 (previous year: CHF 0.1 million).

Participation plans: see Note 23.

During the year under review, there were no other related party transactions.

Contingent liabilities

Note 25

Contingent liabilities as of December 31, 2020 amount to CHF 1 million, mostly for excise duties and debt guarantees (previous year: CHF 1 million).

Pledged assets

Note 26

As of December 31, 2020, CHF 9 million assets were pledged as a security (previous year: CHF 5 million).

Subsequent events

Note 27

No events occurred between the balance sheet date and the date on which this report was approved by the Board of Directors that could have a significant impact on the consolidated financial statements 2020.

Segment Information

in CHF million	Surface Solutions Division 2020	Surface Solutions Division 2019	Manmade Fibers Division 2020	Manmade Fibers Division 2019	Total Divisions 2020	Total Divisions 2019
Order intake	**1 144**	**1 468**	**1 097**	**1 122**	**2 241**	**2 590**
Order backlog	**124**	**181**	**457**	**403**	**581**	**583**
Sales						
Sales to third parties	1 197	1 488	1 061	1 106	2 258	2 593
Sales to other divisions	5	7	–	–	5	7
Eliminations	–5	–7	–	–	–5	–7
	1 197	**1 488**	**1 061**	**1 106**	**2 258**	**2 593**
Sales to third parties by market region						
Asia/Pacific	374	430	834	772	1 208	1 203
Europe	537	671	179	226	716	897
North America	239	322	33	72	271	394
Other regions	47	64	16	36	62	99
	1 197	**1 488**	**1 061**	**1 106**	**2 258**	**2 593**
Sales to third parties by location						
Asia/Pacific	**349**	**388**	**356**	**338**	**704**	**726**
thereof China	122	122	346	330	468	452
Europe	**579**	**728**	**687**	**746**	**1 266**	**1 474**
thereof Switzerland	119	141	–	–	119	141
Germany	288	340	665	746	954	1 086
North America	**239**	**328**	**18**	**21**	**257**	**350**
thereof USA	217	294	18	21	236	316
Other regions	**31**	**43**	**–**	**–**	**31**	**43**
	1 197	**1 488**	**1 061**	**1 106**	**2 258**	**2 593**
Timing of revenue recognition						
At a point in time	1 197	1 488	364	373	1 561	1 860
Transferred over time	–	–	697	733	697	733
	1 197	**1 488**	**1 061**	**1 106**	**2 258**	**2 593**
Capital expenditure for property, plant and equipment, and intangible assets[1]						
Asia/Pacific	9	33	1	3	10	36
Europe	38	68	30	29	68	96
North America	12	32	–	1	12	32
Other regions	3	3	–	–	3	3
	62	**136**	**31**	**32**	**93**	**167**
Operational EBITDA[2]	**177**	**253**	**151**	**145**	**327**	**399**
Operational EBIT[2]	**10**	**86**	**120**	**119**	**130**	**205**
Other material items						
Research and development expense	–87	–97	–30	–30	–117	–126
Depreciation and amortization	–166	–168	–31	–26	–197	–195
Impairment of property, plant and equipment	–5	–	–	–	–5	–
Impairment of intangible assets	–6	–	–	–	–6	–
Restructuring expense/income	–22	–13	–1	–1	–23	–14
Net operating assets	**31.12.20**	31.12.19	**31.12.20**	31.12.19	**31.12.20**	31.12.19
Operating assets[3]	1 854	2 062	774	641	2 628	2 703
Operating liabilities[4]	–271	–291	–763	–611	–1 034	–903
	1 582	**1 771**	**11**	**30**	**1 593**	**1 800**
Number of employees (full-time equivalents)	**31.12.20**	31.12.19	**31.12.20**	31.12.19	**31.12.20**	31.12.19
Asia/Pacific	1 792	1 854	1 134	1 106	2 926	2 960
Europe	3 893	4 220	1 927	1 819	5 820	6 040
North America	1 219	1 411	54	61	1 273	1 472
Other regions	337	356	–	–	337	356
	7 241	**7 840**	**3 115**	**2 986**	**10 355**	**10 827**

	Group/ Eliminations		Total from continuing operations	
	2020	2019	**2020**	2019
	–	**–**	**2 241**	**2 590**
	–	**–**	**581**	**583**
	–	–	2 258	2 593
	–5	–7	–	–
	5	7	–	–
	–	**–**	**2 258**	**2 593**
	–	–	1 208	1 203
	–	–	716	897
	–	–	271	394
	–	–	62	99
	–	**–**	**2 258**	**2 593**
	–	**–**	**704**	**726**
	–	–	468	452
	–	**–**	**1 266**	**1 474**
	–	–	119	141
	–	–	954	1 086
	–	**–**	**257**	**350**
	–	–	236	316
	–	**–**	**31**	**43**
	–	**–**	**2 258**	**2 593**
	–	–	1 561	1 860
	–	–	697	733
	–	**–**	**2 258**	**2 593**
	–	–	10	36
	25	11	93	107
	–	–	12	32
	–	–	3	3
	25	**11**	**118**	**179**
	–7	**–6**	**320**	**393**
	–14	**–12**	**116**	**193**
	–1	–1	–118	–127
	–7	–6	–203	–201
	–	–	–5	–
	–	–	–6	–
	1	–4	–22	–19
	31.12.20	31.12.19	**31.12.20**	31.12.19
	104	84	2 732	2 787
	–60	–59	–1 095	–962
	44	**26**	**1 637**	**1 826**
	31.12.20	31.12.19	**31.12.20**	31.12.19
	–	–	2 926	2 960
	331	302	6 151	6 342
	–	–	1 273	1 472
	5	6	342	361
	336	**308**	**10 692**	**11 134**

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

[2] The measure of profit or loss used by the CODM has changed from EBIT and EBITDA to operational EBIT and operational EBITDA. The prior year figures have been adjusted accordingly.

[3] Operating assets include total assets without cash and cash equivalents, current financial investments, current income tax receivables and deferred tax assets.

[4] Operating liabilities include total liabilities without financial and lease liabilities, current income taxes payable, non-current post-employment benefit liabilities and deferred tax liabilities.

Reconciliation to the consolidated balance sheet

in CHF million	December 31, 2020	December 31, 2019
Operating assets	2 732	2 787
Cash and cash equivalents	414	658
Current financial investments	16	38
Current income tax receivables	31	16
Deferred tax assets	139	142
Other non-operating assets	9	7
Total assets	**3 340**	**3 647**
Operating liabilities	1 095	962
Lease liabilities	206	208
Current financial liabilities	8	1
Non-current loans and borrowings	157	154
Current income tax payable	47	66
Non-current post-employment benefit liabilities[1]	334	335
Deferred tax liabilities	125	128
Other non-operating liabilities	16	25
Total liabilities	**1 988**	**1 878**

[1] Excluding other employee benefit liabilities (refer to Note 16 "Post-employment benefits").

Geographical information on non-current assets

in CHF million		**2020**	2019
Asia/Pacific		**214**	**251**
thereof	China	88	104
Europe		**1 475**	**1 435**
thereof	Switzerland	904	867
	Germany	360	359
North America		**245**	**301**
thereof	USA	236	291
Other regions		**16**	**19**
Total		**1 949**	**2 006**

Non-current assets as shown in the table above do not include deferred tax assets and post-employment benefit assets.

Information about major customers

In 2020 and 2019, no customer represented 10 % or more of the company's third-party sales.

Companies by Country

Country	Name, registered office of consolidated companies by country	Currency	Share capital[1]	Group owns %	Number of employees
Australia	Oerlikon Metco Australia Pty Ltd., Bella Vista, NSW/AU	AUD	500 000	100.00	4
Austria	Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT	EUR	350 000	100.00	133
Austria	OT Textile Verwaltungs GmbH, Kapfenberg/AT	EUR	35 000	100.00	–
Belgium	Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE	EUR	620 000	100.00	42
Brazil	Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR	BRL	31 343 163	99.99	127
Brazil	Oerlikon Friction Systems do Brasil Ltda., Diadema, SP/BR	BRL	4 418 300	100.00	21
Canada	Oerlikon Metco (Canada) Inc., Fort Saskatchewan, AB/CA	CAD	100	100.00	75
China	Oerlikon (China) Technology Co. Ltd., Suzhou/CN	USD	30 000 000	100.00	412
China	Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN	USD	6 150 000	100.00	425
China	Oerlikon Barmag Huitong (Yangzhou) Engineering Co. Ltd., Yangzhou/CN	CNY	100 000 000	60.00	75
China	Oerlikon China Equity Ltd., Hong Kong/CN	HKD	253 910 000	100.00	–
China	Oerlikon Chemical Fiber Machinery (Wuxi) Co., Ltd.	EUR	11 000 000	100.00	–
China	Oerlikon Metco Surface Technology (Shanghai) Co. Ltd., Shanghai/CN	CHF	9 500 000	100.00	270
China	Oerlikon Textile China Investments Ltd., Hong Kong/CN	HKD	266 052 500	100.00	–
China	Oerlikon Textile Far East Ltd., Hong Kong/CN	HKD	100 000	100.00	–
China	Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN	USD	7 000 000	100.00	190
China	Oerlikon Textile Systems Far East Ltd., Hong Kong/CN	HKD	250 000	100.00	–
China	Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN	USD	1 112 200	100.00	275
China	Zigong Golden China Specialty Carbides Co., Ltd., Zigong/CN	CNY	10 000 000	60.00	33
Finland	Oerlikon Balzers Coating Finland Oy, Helsinki/FI	EUR	2 500	100.00	33
France	Oerlikon Balzers France SAS, Ferrières-en-Brie/FR	EUR	4 900 000	100.00	190
Germany	AC Automation GmbH & Co. KG, Bernkastel-Kues/DE	EUR	200 000	100.00	72
Germany	AC-Verwaltungs GmbH, Bernkastel-Kues/DE	EUR	25 000	100.00	–
Germany	Dr. Schippers Unterstützungskasse GmbH, Remscheid/DE	EUR	26 000	100.00	–
Germany	Oerlikon AM Europe GmbH, Barleben/DE	EUR	51 000	100.00	106
Germany	Oerlikon AM GmbH, Feldkirchen/DE	EUR	25 000	100.00	55
Germany	Oerlikon Balzers Coating Germany GmbH, Bingen/DE	EUR	511 300	100.00	829
Germany	Oerlikon Business Services GmbH, Remscheid/DE	EUR	25 000	100.00	20
Germany	Oerlikon Deutschland Holding GmbH, Remscheid/DE	EUR	30 680 000	100.00	–
Germany	Oerlikon Friction Systems (Germany) GmbH, Bremen/DE	EUR	1 000 000	100.00	99
Germany	Oerlikon Metaplas GmbH, Salzgitter/DE	EUR	1 000 000	100.00	161
Germany	Oerlikon Metco Coatings GmbH, Salzgitter/DE	EUR	1 000 000	100.00	73
Germany	Oerlikon Metco Coating Services GmbH, Langenfeld/DE	EUR	1 533 900	100.00	68
Germany	Oerlikon Metco Europe GmbH, Kelsterbach/DE	EUR	1 000 000	100.00	121
Germany	Oerlikon Metco WOKA GmbH, Barchfeld/DE	EUR	1 000 000	100.00	147
Germany	Oerlikon Surface Solutions Holding GmbH, Kelsterbach/DE	EUR	17 345 100	100.00	–
Germany	Oerlikon Textile GmbH & Co. KG, Remscheid/DE	EUR	41 000 000	100.00	1 835
Germany	Oerlikon Vermögens-Verwaltungs GmbH, Remscheid/DE	EUR	25 000	100.00	–
Germany	W. Reiners Verwaltungs-GmbH, Remscheid/DE	EUR	38 346 900	100.00	–
Great Britain	Oerlikon Balzers Coating UK Ltd., Milton Keynes/GB	GBP	2 000 000	100.00	56
Great Britain	Oerlikon Metco (UK) Ltd., Cwmbran/GB	GBP	500 000	100.00	20
Great Britain	Oerlikon Metco Coatings Ltd., Dukinfield/GB	GBP	57 100	100.00	43
Great Britain	Oerlikon Neomet Ltd., Stockport/GB	GBP	292 700	100.00	22
Hungary	Oerlikon Eldim (HU) Kft., Debrecen/HU	HUF	161 000 000	100.00	146
India	Oerlikon Balzers Coating India Ltd., Pune/IN	INR	70 000 000	100.00	307
India	Oerlikon Friction Systems (India) Ltd., Chennai/IN	INR	7 100 000	100 00	108
India	Oerlikon Textile India Pvt. Ltd., Mumbai/IN	INR	57 360 000	100.00	182
Italy	Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT	EUR	129 100	100.00	90
Italy	Oerlikon Friction Systems (Italia) S.r.l., Caivano/IT	EUR	250 000	100.00	42
Italy	Teknoweb Materials S.r.l., Palazzo Pignano/IT	EUR	20 000	66.90	20
Japan	Oerlikon Metco (Japan) Ltd., Tokyo/JP	JPY	180 000 000	100.00	42
Japan	Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP	JPY	100 000 000	100.00	206
Liechtenstein	OC Oerlikon Balzers AG, Balzers/LI	CHF	1 000 000	100.00	74
Liechtenstein	Oerlikon Balzers Coating AG, Balzers/LI	CHF	1 000 000	100.00	216
Luxembourg	Oerlikon Balzers Coating Luxembourg S.à.r.l., Differdange-Niederkorn/LU	EUR	1 000 000	60.00	24
Malaysia	Oerlikon Balzers Coating Malaysia Sdn. Bhd., Kuala Lumpur/MY	MYR	6 000 000	100.00	35
Mexico	Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX	MXN	71 458 000	100.00	151
Netherlands	Oerlikon Eldim (NL) B.V., Lomm/NL	EUR	396 400	100 00	210
Philippines	Oerlikon Balzers Coating Philippines Inc., Muntinlupa/PH	PHP	15 000 000	99.99	14
Poland	Oerlikon Balzers Coating Poland Sp. z o.o., Polkowice Dolne/PL	PLN	5 000 000	100.00	111
Poland	Oerlikon Business Services Europe Sp. z.o.o., Warsaw/PL	PLN	5 000	100.00	80
Russia	Oerlikon Metco Rus LLC, Lyubertsy/RU	RUB	18 600 000	100.00	22
Russia	Oerlikon Rus LLC, Moscow/RU	RUB	1 700 000	100.00	5

Country	Name, registered office of consolidated companies by country	Currency	Share capital[1]	Group owns %	Number of employees
Russia	OOO Oerlikon Balzers Rus, Elektrostal/RU	RUB	1 000 000	100.00	11
Singapore	Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG	SGD	6 000 000	100.00	–
Singapore	Oerlikon Metco (Singapore) Pte. Ltd., Singapore/SG	SGD	600 000	100.00	24
Slovakia	Oerlikon Balzers Coating Slovakia s.r.o., Bratislava/SK	EUR	20 060 000	100 00	214
South Korea	Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR	KRW	6 300 000 000	89.90	195
Spain	Oerlikon Balzers Coating Spain S.A.U., Antzuola/ES	EUR	150 300	100.00	83
Sweden	Oerlikon Balzers Coating Sweden AB, Stockholm/SE	SEK	11 600 000	100.00	59
Switzerland	OC Oerlikon Corporation AG, Pfäffikon, Freienbach/CH	CHF	339 758 600	100.00	–
Switzerland	OC Oerlikon Management AG, Pfäffikon, Freienbach/CH	CHF	2 000 000	100.00	85
Switzerland	OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach/CH	CHF	112 019 600	100.00	–
Switzerland	Oerlikon Balzers Coating SA, Brügg, Brügg/CH	CHF	100 000	100.00	27
Switzerland	Oerlikon IT Solutions AG, Pfäffikon, Freienbach/CH	CHF	500 000	100.00	52
Switzerland	Oerlikon Metco AG, Wohlen, Wohlen/CH	CHF	5 000 000	100.00	232
Switzerland	Oerlikon Surface Solutions AG, Pfäffikon, Freienbach SZ/CH	CHF	10 000 000	100.00	264
Taiwan	Oerlikon Balzers Coating Taiwan Co. Ltd., Taipeh/TW	TWD	500 000	100.00	4
Thailand	Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH	THB	80 000 000	99.99	55
Turkey	Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR	TRY	2 500 000	99.99	71
USA	Oerlikon AM US Inc., Wilmington, DE/US	USD	2 000	100.00	43
USA	Oerlikon Balzers Coating USA Inc., Wilmington, DE/US	USD	20 000	100.00	468
USA	Oerlikon Friction Systems (US) Inc., Dayton OH/US	USD	1 000	100 00	163
USA	Oerlikon Management USA Inc., Pittsburgh, PA/US	USD	500 000	100.00	–
USA	Oerlikon Metco (US) Inc., Westbury NY/US	USD	1 000	100.00	470
USA	Oerlikon Textile Inc., Charlotte, NC/US	USD	3 000 000	100.00	54
USA	Oerlikon USA Holding Inc., Wilmington, DE/US	USD	40 234 000	100.00	–
Vietnam	Oerlikon Balzers Coating Vietnam Co., Ltd., Bac Ninh/VN	USD	1 000 000	100.00	3

[1] Share capital partly rounded to full hundred. Some articles of association and trade registers still contain old European currencies that are converted to EUR.

Report of the statutory auditor

to the General Meeting of OC Oerlikon Corporation AG

Pfäffikon

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of OC Oerlikon Corporation AG and its subsidiaries (the Group), which comprise the consolidated income statement, consolidated statement of comprehensive income for the year ended 31 December 2020, the consolidated balance sheet as at 31 December 2020, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 70 to 123) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

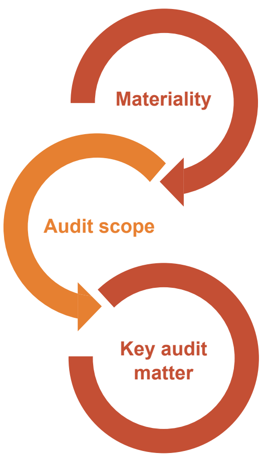
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 9'025'000

We concluded full scope and specific accounts audit work at 20 reporting units in 7 countries. Our audit scope addressed over 72% of Group's sales.

As key audit matters the following areas of focus have been identified:

- Impairment assessment of goodwill

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 9'025'000
How we determined it	0.4% of sales
Rationale for the materiality benchmark applied	We chose sales as the benchmark because, in our view, this benchmark takes into account the volatility of the business environment and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 450'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the component auditors. As Group auditor, we performed the audit of the consolidation, disclosures and presentation of the consolidated financial statements and of the impairment testing of goodwill and intangible assets with indefinite useful life. Where full scope audits or specific accounts audit work was performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. Our involvement comprised communicating the risks identified at Group level, specifying the materiality thresholds to be applied, participating in local closing meetings (virtual), conducting telephone calls with the component auditors during the interim audit and the year-end audit and reviewing the reporting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of goodwill

Key audit matter	How our audit addressed the key audit matter
The impairment assessment of goodwill is considered a key audit matter due to the size of the assets (goodwill: CHF 562 million) and the significant estimates required of management. The main estimate relates to the future cash flows of the underlying businesses as well as the discount rates applied to perform the necessary impairment tests. Please refer to pages 97 and 99 (Goodwill and intangible assets). Goodwill is tested annually for potential impairment whereby the carrying value is compared with the recoverable amount (which is estimated as the higher of the fair value less costs of disposal and the value in use).	We obtained the impairment analyses undertaken by management and performed the following procedures: • We assessed the determination of the carrying values of the assets of individual cash-generating units and the allocation of goodwill to those units. We ensured that the value in use calculations are based on the latest business plans. • We assessed the reasonableness of the business plan by comparing the implicit growth rates with market data. • We compared the revenue and the EBIT of the year under review with the budget (adjusted for COVID-19 impacts) in order to identify, in retrospect, any forecasts that were too optimistic and to assess the accuracy of the estimates that were made. • We compared model inputs, such as weighted average cost of capital, long-term growth rate and other assumptions, with observable market data. • We assessed the discount rate, by assessing the risk-adjusted cost of capital used to derive the discount rate for the Group. • We performed thorough sensitivity analyses on the key assumptions to ascertain the extent of changes in those assumptions that would be required for the goodwill to be impaired. Overall, on the basis of our work performed on the impairment testing model, the supporting evidence as well as our own sensitivity analyses, we concluded that the results of the impairment tests performed by management were reasonable.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of OC Oerlikon Corporation AG, Pfäffikon and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Oliver Illa
Audit expert

Zürich, 26 February 2021

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OC Oerlikon Corporation AG, Pfäffikon

Income Statement of OC Oerlikon Corporation AG, Pfäffikon

in CHF	Notes	**2020**	2019
Income from investments	2.1	12 871 327	282 510 667
Financial income	2.2	27 805 825	25 987 932
Other income	2.3	32 566 778	67 998 119
Total income		**73 243 930**	**376 496 718**
Financial expenses	2.4	–8 559 200	–11 098 219
Personnel expenses		–2 332 853	–2 439 043
Other expenses	2.5	–51 486 788	–61 975 849
Result before taxes and value adjustments on investments		**10 865 089**	**300 983 607**
Valuation adjustments on investments	2.6	–19 460 776	–188 000 000
Result before taxes		**–8 595 687**	**112 983 607**
Direct taxes		552 811	–2 020 140
Result for the year		**–8 042 876**	**110 963 467**

Balance Sheet at December 31 of OC Oerlikon Corporation AG, Pfäffikon

Assets

in CHF	Notes	2020	2019
Cash and cash equivalents	3.1	100 913 530	284 489 180
Current financial receivables			
- from third parties		33 291	464 479
- from companies in which the entity holds an investment	3.2	514 100 078	494 952 648
Prepaid expenses and accrued income		1 787 723	700 032
Current assets		**616 834 622**	**780 606 340**
Non-current financial receivables			
- from third parties		184 158	214 695
- from companies in which the entity holds an investment	3.3	417 773 344	513 447 784
Other non-current financial assets	3.4	18 532 800	18 532 800
Investments	3.5	1 875 858 448	1 798 018 693
Non-current assets		**2 312 348 751**	**2 330 213 972**
Total assets		**2 929 183 373**	**3 110 820 312**

Liabilities and equity

in CHF	Notes	2020	2019
Current interest-bearing payables			
- due to companies in which the entity holds an investment	3.6	921 202 558	683 678 201
Current payables			
- due to third parties		488 533	372 304
- due to companies in which the entity holds an investment		363 470	203 749
- due to shareholders		24 295	13 436
Accrued liabilities and deferred income		9 708 814	6 363 166
Current liabilities		**931 787 670**	**690 630 857**
Non-current interest-bearing payables			
- due to third parties	3.7	150 000 000	150 000 000
- due to companies in which the entity holds an investment	3.8	361 063 284	381 911 897
Provisions	3.9	31 644 020	36 573 699
Non-current liabilities		**542 707 304**	**568 485 596**
Total liabilities		**1 474 494 974**	**1 259 116 453**
Share capital	3.10	339 758 576	339 758 576
Legal capital reserves			
– Reserves from capital contributions	3.11	259 102 841	259 102 841
Legal retained earnings			
– General legal retained earnings		70 593 765	70 593 765
Voluntary retained earnings			
– Free reserves and statutory reserves		293 910 850	293 910 850
– Available earnings			
- Profit brought forward		621 995 724	840 291 580
- Result for the year		–8 042 876	110 963 467
Treasury shares	3.12	–122 630 481	–62 917 220
Total equity		**1 454 688 399**	**1 851 703 859**
Total liabilities and equity		**2 929 183 373**	**3 110 820 312**

Notes to the Financial Statements of OC Oerlikon Corporation AG, Pfäffikon

Principles (1)

General aspects (1.1)

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Financial receivables (1.2)

Financial receivables include loans from third parties and from companies in which the entity holds an investment. Loans granted in foreign currencies are translated at the rate at the balance sheet date, whereby unrealized losses are recorded but unrealized profits are not recognized.

Treasury shares (1.3)

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized directly in equity in the position profit brought forward.

Interest-bearing payables (1.4)

Interest-bearing payables are recognized in the balance sheet at nominal value.

Foregoing a cash flow statement and additional disclosures in the notes (1.5)

As OC Oerlikon Corporation AG, Pfäffikon has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has decided to forego presenting additional information on interest-bearing payables and audit fees in the notes, as well as a cash flow statement, in accordance with the law.

Information on income statement items (2)

Income from investments (2.1)

The income from investments consists of dividend income from companies in which the entity holds an investment.

Financial income (2.2)

Financial income mainly includes interest income from loans from companies in which the entity holds an investment as well as net exchange gains (if any).

Other income (2.3)

Other income consists mainly of trademark fees and includes in 2019 the gain on the sale of a group company.

Financial expenses (2.4)

Financial expenses include interest expenses due to companies in which the entity holds an investment and due to third parties as well as net exchange losses (if any).

Other expenses (2.5)

Other expenses consist mainly of management service fees charged by OC Oerlikon Management AG, Pfäffikon.

Valuation adjustments on loans and investments (2.6)

In 2020 OC Oerlikon Corporation AG needed to book a value adjustment of CHF 19 million on an investment. In 2019 the company received an extraordinary high dividend which reduced the equity of the entity in which it holds an investment substantially. As a consequence, the company has recognized a value adjustment on the respective investment in the amount of CHF 188 million.

Information on balance sheet items (3)

Cash and cash equivalents (3.1)

This item consists mainly of current balances denominated in CHF, EUR and USD and is held with European banks.

Current financial receivables from companies in which the entity holds an investment (3.2)

The current financial receivables from companies in which the entity holds an investment consist mainly of cash pool deposits in CHF and EUR.

Non-current financial receivables from companies in which the entity holds an investment (3.3)

The non-current financial receivables from companies in which the entity holds an investment consist mainly of non-current deposits denominated in EUR (2019: EUR and USD).

Other non-current financial assets (3.4)

The other non-current financial assets consist of a 14.54% investment in an unquoted equity investment.

Investments (3.5)

Investments held by OC Oerlikon Corporation AG, Pfäffikon are recorded at historical costs less any valuation adjustments. Compared to prior year the amount of investments has increased due to a capital contribution of CHF 97 million. and decreased due to a value adjustment of CHF -19 million. The list of investments can be found in the section "Investments".

Current interest-bearing payables due to companies in which the entity holds an investment (3.6)

The current interest-bearing payables due to companies in which the entity holds an investment contain mainly cash pool debts in CHF, EUR and USD.

Interest-bearing payables due to third parties (3.7)

The interest-bearing payables due to third parties contain the following bond:

Conditions on outstanding bond:

	CHF thousand
	2014–2024
Nominal value at December 31, 2020	150 000
Nominal value at December 31, 2019	150 000
Interest	2.625%
Duration in years	10
Maturity	**June 17, 2024**

Additional information about the bond can be found in Note 20 of the Group's consolidated financial statements.

Notes to the Financial Statements of OC Oerlikon Corporation AG, Pfäffikon

Non-current interest-bearing payables due to companies in which the entity holds an investment (3.8)

The non-current interest-bearing payables due to companies in which the entity holds an investment contain long-term loans mainly in CHF and CNY (2019: CHF and HKD).

Provisions (3.9)

Provisions cover mainly risks related to investments and other risks.

Share capital (3.10)

The share capital of CHF 339 758 576 (previous year: CHF 339 758 576) consists of 339 758 576 registered shares (previous year: 339 758 576), each with a par value of CHF 1.00. On December 31, 2020, conditional capital amounted to CHF 47 200 000 (previous year: 47 200 000).

Reserves from capital contributions (3.11)

As of December 31, 2020, OC Oerlikon Corporation AG, Pfäffikon, shows reserves from capital contributions of CHF 259 102 841. Thereof CHF 258 555 674 are not yet available for distribution due to the current practice of the Swiss Federal Tax Authorities.

Treasury shares (3.12)

Treasury shares are shown directly in equity.

in CHF	Amount	Number of treasury shares	Lowest rate	Highest rate	Average rate of treasury shares
Balance at January 1, 2020	62 917 220	5 597 805	–	–	–
Acquisitions	64 600 990	8 845 111	5.522	11.367	7.304
Allocation to Board members	–615 232	–65 622	–	–	9.375
Allocation to management	–4 272 497	–440 748	–	–	9.694
Balance at December 31, 2020	122630481	13 936 546	–	–	–

in CHF	Amount	Number of treasury shares	Lowest rate	Highest rate	Average rate of treasury shares
Balance at January 1, 2019	12 692 491	942 398	–	–	–
Acquisitions	63 520 004	5 660 584	8.750	13.668	11.221
Allocation to board members	–643 206	–48 629	–	–	13.227
Allocation to management	–12 652 069	–956 548	–	–	13.227
Balance at December 31, 2019	62 917 220	5 597 805	–	–	–

On November 5, 2019 the Board of Directors has approved to buy back own shares for up to a maximum of 10% of the share capital. The effective size of the buyback program depends, among other things, on the number of treasury shares held and the market situation. The repurchased registered shares shall be used as a reserve for future M&A transactions and employee benefit plans. The program started in November 2019 and will run for up to 36 months. As of December 31, 2020, 13 675 053 shares were repurchased as part of the share buyback program for a consideration of CHF 118 million.

Other information (4)

Joint and several liabilities in favor of Group companies (4.1)

VAT group

OC Oerlikon Corporation AG, Pfäffikon belongs to a VAT group and therefore all participants are jointly liable to the Swiss Federal Tax Administration for the value-added tax debts of the whole Group.

Cash pooling group

OC Oerlikon Corporation AG, Pfäffikon is liable for liabilities of the cash pool participants.

Full-time equivalents (4.2)

OC Oerlikon Corporation AG, Pfäffikon does not have any employees.

Contingent liabilities (4.3)

The contingent liabilities relate primarily to corporate guarantees and bank guarantees in favor of companies in which the entity holds an investment and amount to CHF 325 million (previous year: CHF 315 million).

Notes to the Financial Statements of OC Oerlikon Corporation AG, Pfäffikon

Significant shareholders (4.4)

Significant shareholders registered as holding more than 5% of the shares as at December 31, were:

Share ownership[1]

	2020		2019	
Shareholder	**Number of shares**	in %[2]	Number of shares	in %
Liwet Holding Ltd., Zurich, Switzerland[3]	140 484 860[4]	41.34%	140 484 860[4]	41.34%

[1] Source: Disclosure notifications pursuant to Art. 120 et seqq. of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), published by SIX Exchange Regulation.

[2] Basis: Shares issued (339 758 576).

[3] The shares of Liwet Holding Ltd. are ultimately held as follows:
A) 44.46% by Columbus Trust, a trust established under the laws of Cayman Islands, whose ultimate beneficiary is Mr. Viktor F. Vekselberg, Moscow, Russian Federation and Zug, Switzerland.
B) 19.455% by Amapola Development Inc, Panama, and Polaris Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Evgeny Olkhovik, Moscow, Russia.
C) 19.455% by Ali International Ltd., Bahamas, and Olympia Trust, a trust established under the laws of Cyprus, whose ultimate beneficiary is Mr. Andrey Lobanov, London, United Kingdom.
D) 16.63% by Next Generation Trust, a trust established under the laws of Cyprus, whose ultimate beneficiaries are Moskov Alexey Valerievich, Matveeva Irina Arkadievna, Sivoldaev Mikhail Sergeevich, Khalikov Rinat Shavkiatovich, Cheremikin Igor Vladimirovich and Shtorkh Andrey Alekseevich.

[4] Source: Disclosure notification by Liwet Holding Ltd. published by SIX Exchange Regulation on May 25, 2018.

Equity owned by Executive Committee and the Board of Directors, including any related parties (4.5)

Members of the Board of Directors:

	2020	2019
	Number of shares	Number of shares
Prof. Dr. Michael Süss	1 229 926	1 213 247
Gerhard Pegam	22 038	15 130
Paul Adams	6 908	–
Irina Matveeva (since April 7, 2020)	–	–
Geoffery Merszei	27 882	19 065
David Metzger	n/a	32 169
Alexey V. Moskov	40 939	32 169
Dr. Suzanne Thoma	8 770	–
Total	**1 336 463**	**1 311 780**

Members of the Executive Committee:

	2020	2019
	Number of shares	**Number of shares**
Dr. Roland Fischer	215 176	149 675
Jürg Fedier	n/a	618 676
Philipp Müller	–	–
Dr. Helmut Rudigier	25 225	20 408
Anna Ryzhova	17 227	5 841
Total	**257 628**	**794 600**

Shares or options on shares for members of the Board of Directors, Executive Committee and Senior Management (4.6)

Shares or options on shares are used for share-based compensation of members of the Board of Directors compensated by OC Oerlikon Corporation AG, Pfäffikon as well as of the Executive Committee and Senior Management employed by other companies of the Group. The number of Restricted Stock Units (RSU) and Performance Share Awards (PSA) is calculated based on fair value at grant date. The allocation was as follows:

	2020		2019	
in CHF thousand	**Number of RSU and PSA**	**Amount**	Number of RSU and PSA	Amount
Allocated to authorized members	883 860	5 328	607 780	7 712

For year 2020 a total of 883 860 Restricted Stock Units (RSU) and Performance Share Awards (PSA) are allocated and the total granted value for share-based-programms amounts to CHF 5.3 million. Thereof, 126 384 allocated Restricted Stock Units (RSU) and a granted value of CHF 1.0 million relates to the Board of Directors. Another 318 124 allocated Restricted Stock Units (RSU) and Performance Share Awards (PSA) and a granted value of CHF 1.9 million is attributed for the Executive Committee.

For year 2019 a total of 607 780 Restricted Stock Units (RSU) and Performance Share Awards (PSA) are allocated and the total granted value for share-based-programms amounts to CHF 7.7 million. Thereof, 76 697 allocated Restricted Stock Units (RSU) and a granted value of CHF 1.0 million relates to the Board of Directors. Another 277 605 allocated Restricted Stock Units (RSU) and Performance Share Awards (PSA) and a granted value of CHF 3.4 million is attributed for the Executive Committee.

Significant events after the balance sheet date (4.7)

There are no other significant events after the balance sheet date which could impact the book value of the assets or liabilities or which should be disclosed here.

Investments

			Share Capital		Capital and share of votes in %	
Company	Place of business	Currency	**2020**	2019	**2020**	2019
InnoDisc AG	Freienbach/CH	CHF	–	100 000	–	100.00
OC Oerlikon Management AG, Pfäffikon	Freienbach/CH	CHF	2 000 000	2 000 000	100.00	100.00
OC Oerlikon Textile Holding AG, Pfäffikon	Freienbach/CH	CHF	112 019 600	112 019 600	100.00	100.00
Oerlikon Balzers Coating (Thailand) Co. Ltd.	Chonburi/TH	THB	80 000 000	80 000 000	99.99	99.99
Oerlikon Balzers Coating India Ltd.	Pune/IN	INR	70 000 000	70 000 000	78.40	78.40
Oerlikon Balzers Coating Korea Co. Ltd.	Pyongtaek/KR	KRW	6 300 000 000	6 300 000 000	89.10	89.10
Oerlikon Balzers Coating Luxembourg S.à.r.l.	Differdange-Niedercorn/LU	EUR	1 000 000	1 000 000	60.00	60.00
Oerlikon Balzers Coating Sweden AB	Stockholm/SE	SEK	11 600 000	11 600 000	100.00	100.00
Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi	Bursa/TR	TRY	2 500 000	2 500 000	99.99	99.99
Oerlikon Business Services Europe Sp. z.o.o.	Warsaw/PL	PLN	5 000	5 000	100.00	100.00
Oerlikon Deutschland Holding GmbH	Remscheid/DE	EUR	30 680 000	30 680 000	10.00	10.00
Oerlikon IT Solutions AG, Pfäffikon	Freienbach/CH	CHF	500 000	500 000	100.00	100.00
Oerlikon Surface Solutions AG, Pfäffikon	Freienbach/CH	CHF	10 000 000	10 000 000	100.00	100.00
Oerlikon USA Holding Inc.	Wilmington DE/USA	USD	40 234 000	40 234 000	100.00	100.00
Oerlikon Vermögens-Verwaltungs GmbH	Remscheid/DE	EUR	25 000	25 000	100.00	100.00
OOO Oerlikon Balzers Rus	Elektrostal/RU	RUB	1 000 000	1 000 000	100.00	100.00
PT Oerlikon Balzers Artoda Indonesia	Bekasi/ID	IDR	18 000 000 000	18 000 000 000	42.00	42.00
Unaxis GmbH	Freienbach/CH	CHF	–	20 000	–	90.00

Refer to "Companies by Country" on pages 122 and 123 for a complete list of companies that are held directly and indirectly by OC Oerlikon Corporation AG.

Changes in Equity of OC Oerlikon Corporation AG, Pfäffikon

in CHF million	Share capital	Reserves from capital contributions	General legal retained earnings	Free reserves and statutory reserves	Available earnings	Treasury shares	Total equity
Balance at December 31, 2017	**339.8**	**716.2**	**70.6**	**293.9**	**641.0**	**–3.7**	**2 057.8**
Changes in treasury shares	0.0	0.0	0.0	0.0	0.9	–9.0	–8.1
Dividend payment	0.0	–118.8	0.0	0.0	0.0	0.0	–118.8
Result for the year	0.0	0.0	0.0	0.0	198.3	0.0	198.3
Balance at December 31, 2018	**339.8**	**597.4**	**70.6**	**293.9**	**840.2**	**–12.7**	**2 129.2**
Changes in treasury shares	0.0	0.0	0.0	0.0	0.1	–50.2	–50.2
Dividend payment	0.0	–338.3	0.0	0.0	0.0	0.0	–338.3
Result for the year	0.0	0.0	0.0	0.0	111.0	0.0	111.0
Balance at December 31, 2019	**339.8**	**259.1**	**70.6**	**293.9**	**951.3**	**–62.9**	**1 851.7**
Changes in treasury shares	0.0	0.0	0.0	0.0	–1.2	–59.7	–60.9
Dividend payment	0.0	0.0	0.0	0.0	–328.1	0.0	–328.1
Result for the year	0.0	0.0	0.0	0.0	–8.0	0.0	–8.0
Balance at December 31, 2020	**339.8**	**259.1**	**70.6**	**293.9**	**614.0**	**–122.6**	**1 454.7**

Proposal of the Board of Directors

The available earnings amount to:

in CHF	**2020**
Retained earnings brought forward	623 157 682
Loss on treasury shares	–1 161 958
Result for the year	–8 042 876
Available earnings	**613 952 848**

The Board of Directors proposes to the Annual General Meeting of Shareholders that the available earnings are allocated as follows:

Distribution of a dividend of CHF 0.35 (before withholding tax) on dividend-bearing shares with a nominal value of CHF 1.00 each	118 915 502
Balance to be carried forward	**495 037 346**

The company will not pay a dividend on treasury shares held by OC Oerlikon Corporation AG, Pfäffikon.

Pfäffikon SZ, February 26, 2021

On behalf of the Board of Directors
Chairman

Prof. Dr. Michael Süss

Report of the statutory auditor

to the General Meeting of OC Oerlikon Corporation AG

Pfäffikon

Report on the audit of the financial statements

Opinion

We have audited the financial statements of OC Oerlikon Corporation AG, Pfäffikon which comprise the income statement for the year ended 31 December 2020, the balance sheet as at 31 December 2020 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 129 to 135) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

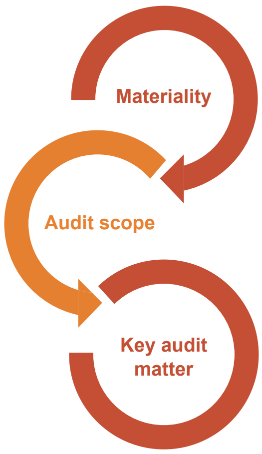
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 14'500'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

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error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 14'500'000
How we determined it	1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because OC Oerlikon Corporation AG, Pfäffikon is a holding company that mainly holds investments in subsidiaries. The profit of the holding company fluctuates from year to year depending on whether investees pay dividends. Furthermore, net assets is considered a key element for the user of the financial statements and it is a generally accepted benchmark for determining materiality.

We agreed with the Audit Committee that we would report to them misstatements above CHF 450'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in Group companies

Key audit matter	How our audit addressed the key audit matter
The valuation of investments in Group companies is considered a key audit matter due to the size of the investment balance (CHF 1'876 million), the significant estimates involved in the valuation process and the estimation of the future profitability of the individual directly and indirectly held investments.	We tested material movements in the investment balance by agreeing the underlying transactions to relevant supporting documentation, such as share purchase agreements, share certificates and bank statements. To identify indicators of impairment of individual investments, we compared the investment value with the shareholders' equity and financial performance of the respective subsidiaries. We reperformed the valuation assessment carried out by management. Our assessment included the evaluation of the investments' underlying net assets as well as, in some cases, the evaluation of their capitalised earnings value and the appropriateness of the discount rates applied. Overall, on the basis of the procedures performed, we concluded that management's assessments are based upon reasonable and consistently applied assumptions that support management's valuation conclusions.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

René Rausenberger	Oliver Illa
Audit expert Auditor in charge	Audit expert

Zürich, 26 February 2021

Legal structure

Legal structure of consolidated companies as per December 31, 2020

OC Oerlikon Corporation AG, Pfäffikon, Freienbach/CH

- OC Oerlikon Management AG, Pfäffikon, Freienbach/CH
  - Oerlikon Rus LLC, Moscow/RU
- OC Oerlikon Textile Holding AG, Pfäffikon, Freienbach/CH
  - Oerlikon China Equity Ltd., Hong Kong/CN
  - Oerlikon Textile China Investments Ltd., Hong Kong/CN
    - Oerlikon (China) Technology Co. Ltd., Suzhou/CN
      - Oerlikon Metco Surface Technology (Shanghai) Co. Ltd., Shanghai/CN
    - Oerlikon Chemical Fiber Machinery (Wuxi) Co., Ltd., Wuxi/CN
    - Oerlikon Textile Machinery (Wuxi) Co. Ltd., Wuxi/CN
  - Oerlikon Barmag Huitong (Yangzhou) Engineering Co., Ltd, Yangzhou/CN
  - Oerlikon Textile Systems Far East Ltd., Hong Kong/CN
  - OT Textile Verwaltungs GmbH, Kapfenberg/AT
  - Teknoweb Materials S.r.l., Palazzo Pignano/IT
  - W. Reiners Verwaltungs-GmbH, Remscheid/DE
    - Dr. Schippers Unterstützungskasse GmbH, Remscheid/DE
    - Oerlikon Textile GmbH & Co. KG, Remscheid/DE
      - AC Automation GmbH & Co. KG, Bernkastel-Kues/DE
      - AC-Verwaltungs GmbH, Bernkastel-Kues/DE
      - Oerlikon Deutschland Holding GmbH, Remscheid/DE
        - Oerlikon Balzers Coating Benelux N.V., St.-Truiden/BE
        - Oerlikon Business Services GmbH, Remscheid/DE
        - Oerlikon Surface Solutions Holding GmbH, Kelsterbach/DE
          - Oerlikon AM Europe GmbH, Barleben/DE
          - Oerlikon AM GmbH, Feldkirchen/DE
          - Oerlikon Balzers Coating Germany GmbH, Bingen/DE
          - Oerlikon Friction Systems (Germany) GmbH, Bremen/DE
          - Oerlikon Metaplas GmbH, Salzgitter/DE
          - Oerlikon Metco Coatings GmbH, Salzgitter/DE
          - Oerlikon Metco Coating Services GmbH, Langenfeld/DE
          - Oerlikon Metco Europe GmbH, Kelsterbach/DE
          - Oerlikon Metco WOKA GmbH, Barchfeld/DE
      - Oerlikon Textile Far East Ltd., Hong Kong/CN
        - Oerlikon Textile Technology (Beijing) Co. Ltd., Beijing/CN
      - Oerlikon Textile India Pvt. Ltd., Mumbai/IN
- Oerlikon Balzers Coating India Pvt. Ltd., Pune/IN
  - Oerlikon Friction Systems (India) Ltd., Chennai/IN
- Oerlikon Balzers Coating (Thailand) Co. Ltd., Chonburi/TH
- Oerlikon Balzers Coating Korea Co. Ltd., Pyongtaek/KR
- Oerlikon Balzers Coating Luxembourg S.à r.l., Differdange-Niedercorn/LU
- Oerlikon Balzers Coating Sweden AB, Stockholm/SE
  - Oerlikon Balzers Coating Finland Oy, Helsinki/FI
- Oerlikon Balzers Kaplama Sanayi ve Ticaret Limited Sirketi, Bursa/TR
- Oerlikon Business Services Europe Sp. z.o.o., Warsaw/PL
- Oerlikon IT Solutions AG, Pfäffikon, Freienbach/CH
- Oerlikon Surface Solutions AG, Pfäffikon, Freienbach/CH
  - OC Oerlikon Balzers AG, Balzers/LI
  - Oerlikon Balzers Coating AG, Balzers/LI
  - Oerlikon Balzers Coating (Suzhou) Co. Ltd., Suzhou/CN
  - Oerlikon Balzers Coating Austria GmbH, Kapfenberg/AT
  - Oerlikon Balzers Coating Italy S.p.A., Brugherio/IT
  - Oerlikon Balzers Coating SA, Brügg, Brügg/CH
  - Oerlikon Balzers Coating Singapore Pte. Ltd., Singapore/SG
  - Oerlikon Balzers Coating Spain S.A.U, Antzuola/ES
  - Oerlikon Balzers Coating Poland Sp.z o.o., Polkowice Dolne/PL
  - Oerlikon Balzers Coating Mexico S.A. de C.V., Querétaro/MX
  - Oerlikon Balzers Coating Malaysia Sdn. Bhd., Kuala Lumpur/MY
  - Oerlikon Balzers Coating Philippines, Inc., Muntinlupa/PH
  - Oerlikon Balzers Coating Slovakia s.r.o., Bratislava/SK
  - Oerlikon Balzers Coating Taiwan Co. Ltd., Taipeh/TW
  - Oerlikon Balzers Coating UK Ltd., Milton Keynes/GB
    - Oerlikon Metco Coatings Ltd., Dukinfield/GB

Legal structure of consolidated companies as per December 31, 2020

· Oerlikon Balzers Coating Vietnam Co., Ltd., Bac Ninh/VN
· Oerlikon Balzers France SAS, Ferrières-en-Brie/FR
· Oerlikon Balzers Revestimentos Metálicos Ltda., Jundiaí, SP/BR
· · Oerlikon Friction Systems do Brasil Ltda., Diadema, SP/BR
· Oerlikon Eldim (NL) B.V., Lomm/NL
· · Oerlikon Eldim (HU) Kft., Debrecen/HU
· Oerlikon Friction Systems (Italia) S.r.l., Caivano/IT
· Oerlikon Metco (Canada) Inc., Fort Saskatchewan, AB/CA
· Oerlikon Metco (Japan) Ltd., Tokyo/JP
· Oerlikon Metco (UK) Ltd., Cwmbran/GB
· Oerlikon Metco (Singapore) Pte. Ltd., Singapore/SG
· · Zigong Golden China Speciality Carbides Co. Ltd., Zigong/CN
· Oerlikon Metco AG, Wohlen, Wohlen/CH
· Oerlikon Metco Australia Pty Ltd., Bella Vista, NSW/AU
· Oerlikon Metco Rus LLC, Lyubertsy/RU
· Oerlikon Neomet Ltd., Stockport/GB
· Oerlikon Nihon Balzers Coating Co. Ltd., Hiratsuka/JP
– Oerlikon USA Holding Inc., Wilmington, DE/US
· Oerlikon AM US Inc., Wilmington, DE/US
· Oerlikon Balzers Coating USA Inc., Wilmington, DE/US
· Oerlikon Metco (US) Inc., Westbury NY/US
· Oerlikon Friction Systems (US) Inc., Dayton OH/US
· Oerlikon Management USA Inc., Pittsburgh, PA/US
· Oerlikon Textile Inc., Charlotte, NC/US
– Oerlikon Vermögens-Verwaltungs GmbH, Remscheid/DE
– OOO Oerlikon Balzers Rus, Elektrostal/RU

Glossary

General

AGM	Annual General Meeting of Shareholders
CAGR	Compound Annual Growth Rate is an annual growth rate over a period of years, where each year's growth is included in the following year to generate further growth.
CAPEX	Capital expenditure are funds used by a company to acquire, upgrade and maintain physical assets such as property, industrial buildings or equipment.
COVID-19	Coronavirus disease 2019, caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
EBIT(DA)	Earnings before interest and tax (depreciation and amortization)
ESG	Environmental, Social, and Corporate Governance, factors to measure the sustainability and societal impact of a company.
FTE	Full time equivalent; indicates the workload of an employed person. An FTE of 1.0 is equivalent to a full-time worker.
IIoT	The Industrial Internet of Things connects and synchronizes systems and devices with computers' industrial applications, enabling intelligent industrial operations using advanced data analytics.
KPI	Key performance indicator is a measurable value that demonstrates how effectively a company is achieving key business objectives.
LTA	Lost time accident; accident causing an absence of personnel for one or more days or shifts.
MSCI World/Aero & Defens	The MSCI World Aerospace and Defense Index is composed of large and mid-cap stocks across 23 Developed Markets countries.
OEM	Original Equipment Manufacturer
OOE	Oerlikon Operational Excellence
ROCE	Return on capital employed is a ratio used as a measurement between earnings and the amount invested into a project or company.
SMI	Swiss Market Index: Switzerland's blue-chip stock market index. It is made up of 20 of the largest and most liquid Swiss Performance Index (SPI) large- and mid-cap stocks.
SMIM	Swiss Market Index Mid: consists of 30 biggest mid-cap Swiss companies which are not already covered in the SMI.
STOXX Europe 600 Auto & Parts EUR	STOXX Europe 600 Automobiles & Parts; a version of the STOXX Europe 600, a stock index of European stocks designed by STOXX Ltd with a fix number of 600 components
STOXX Europe 600 IndGd & Ser EUR	STOXX Europe 600 Industrial Goods & Services; a version of the STOXX Europe 600, a stock index of European stocks designed by STOXX Ltd with a fix number of 600 components
TAFR	Total Accident Frequency Rate

Surface Solutions Division

AM	Additive manufacturing is a manufacturing process to create three-dimensional (3-D) solid objects by laying down a series of layers in succession ("3D printing"). Different metals, plastics and composites are available as materials.
BALIMED TICANA	BALIMED TICANA is a rosé PVD coating that combines aesthetic and functional properties. It has been specially developed for abutments and dental instruments.
BALINIT C	BALINIT C is a WC/C-based coating, and thus a mixture of metal and diamond-like carbon. The result is the ideal way to reduce surface fatigue and tribo-oxidation.
BALINIT PROTEC	BALINIT PROTEC is a REACH-compliant coating especially developed to protect industrial gas turbine compressors from corrosion and erosion, and can substantially improve the efficiency of compressors
BEV	A type of electric vehicle that only uses energy stored in rechargeable batteries, with no other source of propulsion such as internal combustion engines, etc.
DED	Directed Energy Deposition is a 3D laser cladding or direct metal deposition process that can be used to apply a large amount of material in a short time to produce new or repair and enhance existing components.
ePD	Embedded PVD for Design parts is an environmentally friendly coating technology for metallization of plastic.
eSync/S3	eSync is based on Oerlikon's Segmented Synchronizer System. This system enables customers to reduce the axial package by up to 11 mm in a synchronizer system, freeing up space for a reduction of transmission or for additional components.
HIP	Hot Isostatic Pressing is an optional heat treatment method for reducing remaining porosity and improving mechanical properties including fatigue resistance.
INDIAMA	INDIAMA is a new disruptive diamond deposition equipment to coat tools that allow highly abrasive materials to be machined reliably and precisely.
INUBIA	Oerlikon Balzers fully-integrated and automated solution for high-volume plastic metallisation providing ePD coatings in accordance with automotive specifications.
Nadcap	National aerospace and defense contractors accreditation program; global cooperative accreditation program for aerospace engineering, defense and related industries.
Nitriding	Nitriding is a thermochemical process for hardening steels in which nitrogen is used to create a wear-resistant surface layer.

RotaPlasma HS1	The unique high-speed rotating plasma gun manipulator enhances the capabilities of a plasma gun by providing continuous rotation of the spray gun during spray operations. It is used to coat inner geometries of components where rotation of the component would be difficult or not possible, such as geometrically assymetrical components or those too large and heavy to rotate. RotaPlasma HS1 forms an integral part of the Oerlikon Metco SUMEBore coating solution and has been further developed to handle large-scale coating of cylinder bores in auto engines.
REACH	The EU Regulation for Registration, Evaluation, Authorization and Restriction of chemicals (REACH, EU Regulation 1907/2006/EG) aims to manage the risks that chemicals can pose to human health and the environment throughout the EU. REACH places a duty on companies which produce or import chemicals (as defined in the legislation) into the EU and to take appropriate measures to manage any identified risks.
RS50	The RS 50 is a coating system for precision components subject to high loads, such as in the aerospace and automotive industries. It handles all carbon-based coatings such as DLC (BALINIT DLC), WC/C (BALINIT C), sputtering (BALINIT CNI) making it an excellent alternative to hard chrome plating, which is harmful to the environment and health.
SUMEBore	Oerlikon's thermal spray coating technology to protect cylinder bores and liner surfaces from wear and corrosion.
Surface One	The world's first thermal spray coating machine that can combine multiple thermal spray processes in a single system using a standardized design, improved usability and operator guidance, compact construction, mobility for relocation and exceptional safety features. The standardized design shortens the time for quotation, system construction and commissioning at the customer's facility.

Manmade Fibers Division

AIM4DTY	The software solution AIM4DTY is being 'trained' using trend charts and their respective errors. The result is a digital customer service that determines the probable causes of quality impairments during the yarn production.
BCF	Bulked Continuous Filament is yarn used primarily for carpet production, usually polypropylene or polyester.
Common Service Platform (CSP)	The operating system of the Oerlikon Manmade Fibers Division; a decentralized and production related data center in a box.
ecuTec+	Oerlikon Nonwoven's patented solution provides electrostatic charging for a variety of nonwoven applications.
Manmade fibers	Chemical and synthetic fibers
Meltblown	Meltblown is a process in which non-woven fabrics are produced directly from granules. A special spinning process combined with high-speed hot air is used to produce fine-fiber fabrics with different structures.
Nonwoven	A nonwoven fabric is a structure made of fibers of limited length, continuous fibers (filaments) or chopped yarns of any kind that have been bonded together.
P&G / Phantom technology	The Phantom technology proprietary multilayer process developed by Proctor & Gamble (P&G) combines the best of both airlaid and spunmelt technologies and delivers a significant level of freedom in the formulation of wet and dry wipes.
PET	Polyethylene terephthalate (PET) is a thermoplastic from the polyester family produced by polycondensation.
Polymer	A polymer is a chemical substance consisting of macromolecules. Synthetic or semi-synthetic polymers are the main components for the production of plastics.
Polymer Flow Control	Polymer Flow Control components regulate and control the melt flow within the polymer processing.
Smart Factory	Automated and digitalized Industry 4.0 solutions for the production of manmade fibers.
VacuFil	A vacuum filter that removes volatile contamination in spinning post-production.

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

Disclaimer and cautionary statements

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