oerlikon

# Interim Report **HY2021**

# Chairman and CEO Letter

Dear Shareholders

We are pleased to deliver a very strong performance in the first half of 2021. Our success confirms that we have the right strategy and the ability to consistently execute on the plan. The actions and measures that we took over the past two years were key – not only in managing the challenges of the pandemic, but also in making Oerlikon a stronger company as we emerge from the pandemic.

In the first half of the year, we increased Group order intake by almost 20% and sales by 15% versus the prior year. Most notably, the Group's operational EBITDA improved significantly by 73%, underlining our ability to execute on our cost actions and to sustain a positive operating leverage as sales pick up.

We succeeded to capture business in Surface Solutions as many of its end markets gradually recover. We increased order intake by 18% and sales by 6% compared to the same period in 2020. Demand has picked up from the low 2020 levels in automotive, tooling and general industries across the globe. Aerospace continues to be impacted, although we expect to see a stabilizing trend in the second half of the year.

Our Polymer Processing Solutions continued to sustain a high level of sales and orders. Order intake for the first half of 2021 increased by 21% and sales were up 26% compared to the same period in 2020. We saw high demand for filament and plant engineering solutions in China, including staple fibers and continuous polycondensation plants. The carpet yarn market in the U.S. noted initial signs of recovery in the second quarter.

As part of our strategy, we are also pleased to have successfully completed two important acquisitions in the first half of the year: INglass and Coeurdor – to diversify and extend our products and services in growth markets.

INglass puts our polymer processing business on an entirely new growth trajectory. INglass is a leader in polymer flow control solutions with proven success in many markets. In particular, its HRSflow hot runner systems is a market-leading technology applied in automotive, consumer goods and household appliances, as well as in the packaging, waste management, construction and transportation sectors.

We have combined the expertise from both HRSflow and our high precision flow control components under a new business unit and brand – Oerlikon HRSflow. The know-how and expertise in polymer processing and melt distribution engineering combined with our global market presence make a winning formula that will advance our goal to become a leading supplier for polymer processing in an attractive and growing component solutions market. In the coming years, we expect to see additional revenue opportunities from this and other organic diversification businesses, such as polymer recycling technologies.

In our surface solutions business, we acquired Coeurdor to expand our offering and foothold in the fast-growing luxury goods market. Coeurdor is a well-established brand and full service provider for the design, manufacturing and coating of metallic components to world-leading luxury brands. You can find Coeurdor's accessories as parts of leather bags, belts, watches and other luxury goods.

For high end deco consumer and white goods, we were already providing surface coatings for metal and plastic components, diamond-like coatings, as well as additive manufacturing powders and 3D printing services.

Moving forward, we will be leveraging Coeurdor's creativity, agility and fast turnaround as well as our global footprint and leading surface technologies to gain market opportunities and increase our market presence in luxury and high-end deco areas. We now have the ability to coat all kinds of metals, alloys and polymers, and also offer customers next generation Luxury 4.0 solutions such as 3D printing, big data analysis, flexible manufacturing and mass customization.

In May 2021, we successfully placed three series of senior unsecured bonds: CHF 125 million due in November 2022, CHF 250 million due in November 2025, and CHF 200 million due in November 2028. The offering attracted broad investor demand. These bonds increased our financial flexibility for growth opportunities.

In view of the strong business momentum, continued effectiveness of cost actions and the recent acquisitions, we have decided to increase our 2021 guidance. Assuming markets continue to recover and there are no new major disruptions from the pandemic, we expect sales for the full year to be around CHF 2.65 billion (previously: CHF 2.35 – 2.45 billion) and the operational EBITDA margin to be around 16.5% (previously: 15.5% – 16.0%).

In Polymer Processing Solutions, sales are expected to increase to around CHF 1.35 billion (previously: CHF 1.10 – 1.15 billion) and the operational EBITDA margin to be between 14.5% – 15.0% (previously: ~14.0%). In Surface Solutions, sales are expected to be around CHF 1.3 billion (previously: CHF 1.25 – 1.30 billion) and the operational EBITDA margin to be between 18.0% – 18.5% (previously: 16.5% – 17.5%).

In the first half of 2021, we came in above targets. This was possible thanks to the efforts of all our employees. Together, we met the pandemic challenges head on. There were numerous hurdles along the way, such as supply chain and delivery issues during lockdowns. We were able to overcome these challenges and continued to provide customers with the same high quality products and level of services that they have come to expect from Oerlikon. To all our employees, we would like to sincerely express our thanks and recognition for their hard work and dedication.

To our colleagues on the Board and management team at Oerlikon, we want to thank you for your strategic leadership and support. To our customers, we welcome your continued confidence in our technologies and services. And, to you, our shareholders, we thank you for entrusting us to lead Oerlikon out of the pandemic and to make Oerlikon the company with the best and most innovative surface and polymer processing solutions and technologies for our sustainable future together.

Best regards

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

**Dr. Roland Fischer**
Chief Executive Officer

# Half-Year 2021 at a Glance

## Strong Half-Year Performance

Oerlikon delivered strong half-year results with order intake increasing by 19%, sales by 15% and operational EBITDA by 73% versus the prior year. The significant improvement in EBITDA and EBITDA margin is driven by the continued benefits from cost actions.

## Surface Solutions

Succeeded in capturing business as demand picks up: order intake +18% and sales +6%. Operational EBITDA improved by 93% and the margin by 820 basis points, driven by positive operating leverage, cost control and business mix.

## Polymer Processing Solutions

Recorded another successful half-year with order intake +21% and sales +26%, driven by demand for filament and plant engineering solutions in China, including staple fibers and continuous polycondensation plants. Operational EBITDA increased by 46% and the margin by 190 basis points, due to positive operating leverage and the INglass acquisition.

## 2021 Guidance Raised

2021 guidance increased, factoring in strong operating momentum in both divisions, sustained cost-out benefits and acquisitions. 2021 sales expected to be around CHF 2.65 billion and operational EBITDA margin to be around 16.5%.

**Order Intake (CHF)**

**1 289 million**

**Sales (CHF)**

**1 196 million**

**Operational EBITDA Margin**

**16.9%**

**EBITDA Margin**

**16.7%**

**Net Income (CHF)**

**72 million**

## Key Figures

| | Order Intake | Sales | Operational EBITDA Margin | EBITDA Margin | Net Income |
|---|---|---|---|---|---|
| Group | CHF 1 289 million +19.3% | CHF 1 196 million +15.1% | 16.9% | 16.7% | CHF 72 million |
| Surface Solutions Division | CHF 672 million +17.7% | CHF 624 million +6.3% | 18.3% | 18.4% | |
| Polymer Processing Solutions Division | CHF 618 million +21.1% | CHF 572 million +26.4% | 14.3% | 14.3% | |

# Financial Report

# Interim Financial Report 2021

## Key Figures Oerlikon Group

| in CHF million | **January 1 to June 30, 2021 unaudited** | January 1 to June 30, 2020 unaudited |
|---|---|---|
| Order intake | 1289 | 1081 |
| Order backlog | 705 | 647 |
| Sales | 1196 | 1039 |
| EBITDA | 200 | 92 |
| – as % of sales | 16.7% | 8.9% |
| Operational EBITDA[1, 2] | 202 | 117 |
| – as % of sales[1, 2] | 16.9% | 11.3% |
| EBIT | 95 | –16 |
| – as % of sales | 7.9% | –1.5% |
| Operational EBIT[1, 3] | 99 | 15 |
| – as % of sales[1, 3] | 8.3% | 1.5% |
| Net result | 72 | –32 |
| – as % of equity attributable to shareholders of the parent | 5% | –2% |
| Cash flow from operating activities[4] | 36 | –5 |
| Capital expenditure for property, plant and equipment and intangible assets | 45 | 48 |
| Total assets (June 30, 2021/December 31, 2020) | 4286 | 3340 |
| Equity attributable to shareholders of the parent (June 30, 2021/December 31, 2020) | 1387 | 1324 |
| – as % of total assets | 32% | 40% |
| Net debt/net cash (June 30, 2021/December 31, 2020)[5] | –486 | 59 |
| Net operating assets (June 30, 2021/December 31, 2020)[6] | 2341 | 1637 |
| Number of employees (full-time equivalents) (June 30, 2021/December 31, 2020) | 11927 | 10692 |
| Research and development expenditure[7] | 59 | 62 |

[1] Since this year, Operational EBITDA and Operational EBIT are additionally adjusted by acquisition and integration costs. For comparability reasons, last year figures have been adjusted accordingly. In addition, prior year figures have been adjusted retrospectively for activities which recently have been discontinued (but do not qualify as discontinued 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, impairments on associates as well as acquisition and integration costs.

[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, impairments on associates, goodwill and intangible assets acquired in a business combination as well as acquisition and integration costs.

[4] Cash flow from operating activities before changes in net current assets amounts to CHF 185 million (previous period: CHF 59 million).

[5] Net debt/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 8 million (previous period: CHF 12 million).

# Consolidated Income Statement

| in CHF million | January 1 to June 30, 2021, unaudited | January 1 to June 30, 2020, unaudited |
|---|---|---|
| Sales of goods | 748 | 655 |
| Services rendered | 447 | 384 |
| **Total sales** | **1 196** | **1 039** |
| Cost of sales | –847 | –807 |
| **Gross profit** | **349** | **232** |
| Marketing and selling | –80 | –89 |
| Research and development | –63 | –61 |
| Administration | –108 | –113 |
| Other income | 11 | 27 |
| Other expense | –13 | –13 |
| **Result before interest and taxes (EBIT)** | **95** | **–16** |
| Financial income | 9 | 6 |
| Financial expense | –8 | –14 |
| **Result before taxes (EBT)** | **96** | **–24** |
| Income taxes | –24 | –9 |
| **Net result** | **72** | **–32** |
| Attributable to: | | |
| Shareholders of the parent | 69 | –33 |
| Non-controlling interests | 2 | 1 |
| Earnings per share in CHF | **0.21** | –0.10 |
| Diluted earnings per share in CHF | **0.21** | –0.10 |
| **EBITDA** | **200** | **92** |
| **Operational EBIT[1]** | **99** | **15** |
| **Operational EBITDA[1]** | **202** | **117** |

[1] Since this year, Operational EBITDA and Operational EBIT are additionally adjusted by acquisition and integration costs. For comparability reasons, last year figures have been adjusted accordingly. In addition, prior year figures have been adjusted retrospectively for activities which recently have been discontinued (but do not qualify as discontinued operations).

## Consolidated Statement of Comprehensive Income

| in CHF million | **January 1 to June 30, 2021, unaudited** | January 1 to June 30, 2020, unaudited |
|---|---|---|
| Net result | 72 | –32 |
| **Other comprehensive income** | | |
| **Items that will never be reclassified to the income statement** | | |
| Remeasurement of defined benefit plans | 45 | 7 |
| Income taxes on items that will never be reclassified to the income statement | –9 | –1 |
| | **36** | **6** |
| **Items that are or may be reclassified subsequently to the income statement** | | |
| Gains and losses from hedging | –1 | –1 |
| Conversion differences | 42 | –48 |
| Income taxes on items that are or may be reclassified subsequently to the income statement | – | – |
| | **41** | **–49** |
| **Other comprehensive income for the period, net of taxes** | **77** | **–43** |
| **Total comprehensive income for the period** | **149** | **–75** |
| Attributable to: | | |
| Shareholders of the parent | 146 | –75 |
| Non-controlling interests | 3 | – |

# Consolidated Balance Sheet

## Assets

| in CHF million | June 30, 2021, unaudited | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents | 502 | 414 |
| Current financial investments and derivatives | 25 | 19 |
| Trade and trade notes receivable | 445 | 303 |
| Current contract assets | 62 | 38 |
| Other receivables | 119 | 93 |
| Current income tax receivables | 36 | 31 |
| Inventories | 390 | 310 |
| Prepaid expenses and accrued income | 37 | 25 |
| **Current assets** | **1 617** | **1 233** |
| Loans and other non-current financial receivables | 37 | 13 |
| Non-current financial investments | 30 | 30 |
| Property, plant and equipment | 596 | 567 |
| Right-of-use assets | 214 | 204 |
| Goodwill and intangible assets | 1 608 | 1 135 |
| Post-employment benefit assets | 36 | 20 |
| Deferred tax assets | 147 | 139 |
| **Non-current assets** | **2 668** | **2 108** |
| **Total assets** | **4 286** | **3 340** |

## Liabilities and equity

| in CHF million | June 30, 2021, unaudited | December 31, 2020 |
|---|---|---|
| Trade payables | 287 | 284 |
| Current contract liabilities | 493 | 415 |
| Current lease liabilities | 31 | 31 |
| Current financial liabilities and derivatives | 52 | 12 |
| Other current payables | 126 | 72 |
| Accrued liabilities | 191 | 186 |
| Current income taxes payable | 54 | 47 |
| Current post-employment benefit liabilities | 20 | 15 |
| Other current provisions | 51 | 60 |
| **Current liabilities** | **1 306** | **1 122** |
| Non-current lease liabilities | 187 | 175 |
| Non-current loans and borrowings | 739 | 157 |
| Other non-current liabilities | 52 | 12 |
| Non-current post-employment benefit liabilities | 316 | 346 |
| Deferred tax liabilities | 178 | 125 |
| Other non-current provisions | 76 | 50 |
| **Non-current liabilities** | **1 547** | **866** |
| **Total liabilities** | **2 853** | **1 988** |
| Share capital | 340 | 340 |
| Treasury shares | –93 | –123 |
| Retained earnings and reserves | 1 140 | 1 107 |
| **Equity attributable to shareholders of the parent** | **1 387** | **1 324** |
| Non-controlling interests | 46 | 28 |
| **Total equity** | **1 433** | **1 352** |
| **Total liabilities and equity** | **4 286** | **3 340** |

# Consolidated Cash Flow Statement

| in CHF million | **January 1 to June 30, 2021, unaudited** | January 1 to June 30, 2020, unaudited |
|---|---|---|
| Net result | 72 | –32 |
| Income taxes | 24 | 9 |
| Interest expense (net) | 4 | 5 |
| Depreciation of property, plant and equipment | 47 | 49 |
| Depreciation of right-of-use assets | 18 | 18 |
| Amortization of intangible assets | 38 | 35 |
| Addition to other provisions (net) | 1 | 30 |
| Impairment losses on property, plant and equipment | – | 1 |
| Impairment losses on right-of-use assets | 1 | – |
| Impairment losses on intangible assets | 1 | 5 |
| Decrease in post-employment benefit liabilities | –3 | –5 |
| Gain on equity interests in newly consolidated companies | – | –11 |
| Income taxes paid | –31 | –38 |
| Share-based payments | 2 | 2 |
| Other non-cash items | 11 | –9 |
| Cash flow from operating activities before changes in net current assets | 185 | 59 |
| Increase in receivables, contract assets, prepaid expenses and accrued income | –103 | –32 |
| Increase in inventories | –45 | –26 |
| Decrease in payables, accrued liabilities and use of other provisions | –60 | –52 |
| Increase in contract liabilities | 65 | 48 |
| Non-cash impact on net current assets due to hedge accounting | –5 | –2 |
| Cash flow from changes in net current assets | –149 | –64 |
| **Cash flow from operating activities** | **36** | **–5** |
| Purchase of property, plant and equipment | –25 | –24 |
| Proceeds from sale of property, plant and equipment | 1 | 1 |
| Purchase of intangible assets | –20 | –24 |
| Acquisition of subsidiaries, net of cash acquired | –275 | –15 |
| Investments in associates | – | –1 |
| Proceeds from marketable securities | – | 2 |
| Loans made to other parties | –1 | – |
| Proceeds from repayment of financial investments | – | 2 |
| Purchase of financial investments | –1 | – |
| Interest received | 3 | 3 |
| **Cash flow from investing activities** | **–320** | **–57** |
| Dividends paid | –115 | –330 |
| Purchase of treasury shares | –5 | –46 |
| Repayment of financial debt | –71 | –43 |
| Proceeds from financial debt | 573 | 458 |
| Principal elements of lease payments | –17 | –16 |
| Interest paid | –8 | –9 |
| **Cash flow from financing activities** | **357** | **14** |
| Conversion adjustments to cash and cash equivalents | 14 | –10 |
| **Increase/decrease in cash and cash equivalents** | **88** | **–57** |
| Cash and cash equivalents at the beginning of the period | 414 | 658 |
| Cash and cash equivalents at the end of the period | 502 | 600 |
| **Increase/decrease in cash and cash equivalents** | **88** | **–57** |

# Consolidated Statement of Changes in Equity

| in CHF million | Share capital[1] | Additional paid-in capital | Treasury shares | Conversion differences | Retained earnings | Hedge accounting | Income taxes | **Total equity attributable to shareholders** | Non-controlling interests | **Total share-holders' equity** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2020** | **340** | **558** | **–63** | **–185** | **1 008** | **–** | **98** | **1 756** | **13** | **1 769** |
| Net result | – | – | – | – | –33 | – | – | –33 | 1 | –32 |
| Gains and losses from hedging | – | – | – | – | – | –1 | – | –1 | – | –1 |
| Remeasurement of defined benefit plans | – | – | – | – | 7 | – | –1 | 6 | – | 6 |
| Conversion differences | – | – | – | –48 | – | – | – | –48 | – | –48 |
| **Other comprehensive income (OCI) for the period** | **–** | **–** | **–** | **–48** | **7** | **–1** | **–1** | **–43** | **–** | **–43** |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **–48** | **–26** | **–1** | **–1** | **–75** | **–** | **–75** |
| Dividend distributions | – | – | – | – | –328 | – | – | –328 | –2 | –330 |
| Share-based payments | – | – | 5 | – | –2 | – | – | 2 | – | 2 |
| Purchase of treasury shares[2] | – | – | –46 | – | – | – | – | –46 | – | –46 |
| **Contributions and distributions** | **–** | **–** | **–42** | **–** | **–330** | **–** | **–** | **–372** | **–2** | **–374** |
| Acquisition of subsidiaries with non-controlling interests | – | – | – | – | – | – | – | – | 10 | 10 |
| **Changes in ownership interests** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **10** | **10** |
| **Total transactions with owners of the company** | **–** | **–** | **–42** | **–** | **–330** | **–** | **–** | **–372** | **7** | **–365** |
| **Balance at June 30, 2020** | **340** | **558** | **–105** | **–233** | **651** | **–1** | **97** | **1 307** | **21** | **1 328** |
| **Balance at January 1, 2021** | **340** | **558** | **–123** | **–264** | **713** | **–** | **101** | **1 324** | **28** | **1 352** |
| Net result | – | – | – | – | 69 | – | – | 69 | 2 | 72 |
| Gains and losses from hedging | – | – | – | – | – | –1 | – | –1 | – | –1 |
| Remeasurement of defined benefit plans | – | – | – | – | 45 | – | –9 | 36 | – | 36 |
| Conversion differences | – | – | – | 41 | – | – | – | 41 | 1 | 42 |
| **Other comprehensive income for the period** | **–** | **–** | **–** | **41** | **45** | **–1** | **–9** | **76** | **1** | **77** |
| **Total comprehensive income for the period** | **–** | **–** | **–** | **41** | **114** | **–1** | **–9** | **146** | **3** | **149** |
| Dividend distributions | – | – | – | – | –114 | – | – | –114 | –1 | –115 |
| Share-based payments | – | – | 2 | – | – | – | – | 2 | – | 2 |
| Purchase of treasury shares[2] | – | – | –5 | – | – | – | – | –5 | – | –5 |
| Transfer of treasury shares[3] | – | – | 33 | – | 7 | – | – | 40 | – | 40 |
| **Contributions and distributions** | **–** | **–** | **30** | **–** | **–108** | **–** | **–** | **–78** | **–1** | **–78** |
| Acquisition of subsidiaries with non-controlling interests | – | – | – | – | –5 | – | – | –5 | 15 | 11 |
| **Changes in ownership interests** | **–** | **–** | **–** | **–** | **–5** | **–** | **–** | **–5** | **15** | **11** |
| **Total transactions with owners of the company** | **–** | **–** | **30** | **–** | **–113** | **–** | **–** | **–83** | **15** | **–68** |
| **Balance at June 30, 2021** | **340** | **558** | **–93** | **–223** | **714** | **–1** | **92** | **1 387** | **46** | **1 433** |

[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 a nominal value of CHF 1 each.

[2] 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 the first half of 2021 493 803 shares were repurchased as part of the share buyback program for a consideration of CHF 5 million. Together with prior years' purchases (13 675 053 shares for CHF 118 million), a total of 14 168 856 shares have been bought for CHF 123 million. (In the first half of 2020, 6 129 008 shares were repurchased as part of the share buyback program for a consideration of CHF 46 million. Together with purchases in 2019 (4 830 000 shares for CHF 54 million), a total of 10 959 008 shares have been bought for CHF 100 million.)

[3] The transfer of treasury shares was part of the consideration for the acquisition of INglass S.p.A (see note Acquisitions).

## 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 polymer processing solutions.

**Basis of preparation**
The unaudited consolidated interim financial statements of OC Oerlikon Corporation AG, Pfäffikon for the first half of 2021 are presented in a condensed form and have been prepared in accordance with IAS 34 Interim Financial Reporting and Swiss company law. These accounting standards have been applied consistently in all periods presented in this report. The reporting period is six months. The consolidated income statement shows operating costs grouped by function. Assets and liabilities in the consolidated balance sheet are classified as current or non-current. The consolidated interim financial statements do not include all the details contained in the consolidated annual financial statements and should therefore be read in conjunction with the annual consolidated financial statements as of December 31, 2020. The consolidated interim financial statements were approved by the Board of Directors on August 2, 2021.

All amounts in the consolidated interim financial statements are presented in millions of Swiss francs (CHF million) and all amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus, an addition of the figures presented can result in rounding differences.

The accounting policies in the consolidated interim financial statements match those applied in the audited annual consolidated financial statements as of December 31, 2020, with the exception of the changes shown under “New and revised accounting standards”.

**New and revised accounting standards**
With respect to the new and revised accounting standards applicable as of January 1, 2021, the following two amendments have relevance to the Oerlikon Group:

Interest Rate Benchmark Reform – Phase 2
(Amendment to IFRS 9, IAS 39, IFRS 7 and IFRS 16):
The amendments provide practical expedients for modifications of financial instruments and lease contracts resulting from the IBOR reform and, in the same context, targeted relief for financial instruments qualifying for hedge accounting.

COVID-19-Related Rent Concessions
(Amendments to IFRS 16):
The amendments allow lessees to recognize rent concessions as an income and not as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. This amendment has already been early adopted as per January 1, 2020.

There are no other new or amended standards or interpretations effective for the financial year beginning on January 1, 2021 that had a significant 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 reporting period beginning on January 1, 2021 yet and that have not been early adopted by the Oerlikon Group. None of them is expected to have a material impact on the Group’s financial statements.

## 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 Polymer Processing Solutions Division (formerly named 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 is 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 new 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.

## 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, impairments on associates as well as acquisition and integration costs.

- **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, impairments on associates, goodwill and intangible assets acquired in a business combination as well as acquisition and integration costs.

Since this year, Operational EBITDA and Operational EBIT are additionally adjusted by acquisition and integration costs. For comparability reasons, last year figures have been adjusted accordingly.

# Segment Information

| in CHF million | Surface Solutions Division 2021 | Surface Solutions Division 2020 | Polymer Processing Solutions Division 2021 | Polymer Processing Solutions Division 2020 | Total Divisions 2021 | Total Divisions 2020 |
|---|---|---|---|---|---|---|
| **Order intake** | **672** | **571** | **618** | **510** | **1 289** | **1 081** |
| **Order backlog** | **168** | **161** | **537** | **486** | **705** | **647** |
| **Sales** | | | | | | |
| Sales to third parties | 624 | 587 | 572 | 452 | 1 196 | 1 039 |
| Sales to other divisions | 3 | 3 | – | – | 3 | 3 |
| Eliminations | –3 | –3 | – | – | –3 | –3 |
| | **624** | **587** | **572** | **452** | **1 196** | **1 039** |
| **Sales to third parties by market region** | | | | | | |
| Asia/Pacific | 201 | 169 | 460 | 356 | 661 | 525 |
| Europe | 289 | 267 | 80 | 67 | 369 | 333 |
| North America | 108 | 130 | 26 | 19 | 133 | 149 |
| Other regions | 26 | 21 | 6 | 11 | 33 | 32 |
| | **624** | **587** | **572** | **452** | **1 196** | **1 039** |
| **Sales to third parties by location** | | | | | | |
| Asia / Pacific | 188 | 159 | 209 | 136 | 397 | 295 |
| thereof China | 67 | 49 | 202 | 131 | 268 | 180 |
| Europe | 302 | 290 | 354 | 308 | 656 | 598 |
| thereof Switzerland / Liechtenstein | 47 | 58 | – | – | 47 | 58 |
| Germany | 158 | 142 | 326 | 298 | 484 | 441 |
| North America | 117 | 125 | 9 | 9 | 126 | 133 |
| thereof USA | 107 | 113 | 9 | 9 | 116 | 122 |
| Other regions | 18 | 13 | – | – | 18 | 13 |
| | **624** | **587** | **572** | **452** | **1 196** | **1 039** |
| **Timing of revenue recognition** | | | | | | |
| At a point in time | 624 | 587 | 200 | 149 | 824 | 736 |
| Transferred over time | – | – | 372 | 303 | 372 | 303 |
| | **624** | **587** | **572** | **452** | **1 196** | **1 039** |
| **Capital expenditure for property, plant and equipment and intangible assets [1]** | | | | | | |
| Asia / Pacific | 3 | 3 | – | – | 4 | 3 |
| Europe | 19 | 17 | 10 | 11 | 28 | 29 |
| North America | 2 | 5 | – | – | 2 | 5 |
| Other regions | 1 | 1 | – | – | 1 | 1 |
| | **25** | **26** | **10** | **11** | **35** | **37** |
| **Operational EBITDA [2]** | **115** | **59** | **82** | **56** | **196** | **115** |
| **Operational EBIT [2]** | **35** | **–25** | **62** | **41** | **97** | **17** |
| **Other material items** | | | | | | |
| Research and development expense | –44 | –45 | –19 | –14 | –63 | –60 |
| Depreciation and amortization | –79 | –84 | –20 | –15 | –99 | –99 |
| Impairment of property, plant and equipment and right-of-use assets | –1 | –1 | – | – | –1 | –1 |
| Impairment of intangible assets | –1 | –5 | – | – | –1 | –5 |
| Restructuring income/expense | 1 | –21 | – | – | 1 | –21 |
| **Net operating assets** | **30.06.21** | 31.12.20 | **30.06.21** | 31.12.20 | **30.06.21** | 31.12.20 |
| Operating assets [3] | 2 007 | 1 854 | 1 427 | 774 | 3 434 | 2 628 |
| Operating liabilities [4] | –277 | –271 | –891 | –763 | –1 168 | –1 034 |
| | **1 730** | **1 582** | **536** | **11** | **2 266** | **1 593** |
| **Number of employees (full-time equivalents)** | **30.06.21** | 31.12.20 | **30.06.21** | 31.12.20 | **30.06.21** | 31.12.20 |
| Asia / Pacific | 1 805 | 1 792 | 1 699 | 1 134 | 3 504 | 2 926 |
| Europe | 4 012 | 3 893 | 2 343 | 1 927 | 6 355 | 5 820 |
| North America | 1 215 | 1 219 | 140 | 54 | 1 355 | 1 273 |
| Other regions | 353 | 337 | 26 | – | 379 | 337 |
| | **7 386** | **7 241** | **4 208** | **3 115** | **11 593** | **10 355** |

| | Group / Eliminations | | Total from continuing operations | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **–** | **–** | **1 289** | **1 081** |
| | **–** | **–** | **705** | **647** |
| | – | – | 1 196 | 1 039 |
| | −3 | −3 | – | – |
| | 3 | 3 | – | – |
| | **–** | **–** | **1 196** | **1 039** |
| | – | – | 661 | 525 |
| | – | – | 369 | 333 |
| | – | – | 133 | 149 |
| | – | – | 33 | 32 |
| | **–** | **–** | **1 196** | **1 039** |
| | – | – | 397 | 295 |
| | – | – | 268 | 180 |
| | – | – | 656 | 598 |
| | – | – | 47 | 58 |
| | – | – | 484 | 441 |
| | – | – | 126 | 133 |
| | – | – | 116 | 122 |
| | – | – | 18 | 13 |
| | **–** | **–** | **1 196** | **1 039** |
| | – | – | 824 | 736 |
| | – | – | 372 | 303 |
| | **–** | **–** | **1 196** | **1 039** |
| | – | – | 4 | 3 |
| | 10 | 11 | 39 | 40 |
| | – | – | 2 | 5 |
| | – | – | 1 | 1 |
| | **10** | **11** | **45** | **48** |
| | **6** | **2** | **202** | **117** |
| | **2** | **−2** | **99** | **15** |
| | −1 | −1 | −63 | −61 |
| | −4 | −3 | −103 | −102 |
| | – | – | −1 | −1 |
| | – | – | −1 | −5 |
| | – | – | 1 | −21 |
| | **30.06.21** | 31.12.20 | **30.06.21** | 31.12.20 |
| | 124 | 104 | 3 557 | 2 732 |
| | −49 | −60 | −1 217 | −1 095 |
| | **74** | **44** | **2 341** | **1 637** |
| | **30.06.21** | 31.12.20 | **30.06.21** | 31.12.20 |
| | – | – | 3 504 | 2 926 |
| | 334 | 331 | 6 689 | 6 151 |
| | – | – | 1 355 | 1 273 |
| | – | 5 | 379 | 342 |
| | **334** | **336** | **11 927** | **10 692** |

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

[2] Since this year, Operational EBITDA and Operational EBIT are additionally adjusted by acquisition and integration costs. For comparability reasons, last year figures have been adjusted accordingly. In addition, prior year figures have been adjusted retrospectively for activities which recently have been discontinued (but do not qualify as discontinued operations).

[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 of Operational Figures

## 2021

| in CHF million | | Operational figures | Restructuring[1] | Discontinued activities[2] | Impairments[3] | Acquisition and Integration costs[4] | Unadjusted figures |
|---|---|---|---|---|---|---|---|
| **Surface Solutions Division** | **Sales** | **624** | – | – | – | – | **624** |
| | **EBITDA** | **115** | 1 | – | – | – | **115** |
| | **EBIT** | **35** | 1 | – | −2 | – | **34** |
| **Polymer Processing Solutions Division** | **Sales** | **572** | – | – | – | – | **572** |
| | **EBITDA** | **82** | – | – | – | – | **82** |
| | **EBIT** | **62** | – | – | – | – | **62** |
| **Total Divisions** | **Sales** | **1 196** | – | – | – | – | **1 196** |
| | **EBITDA** | **196** | 1 | – | – | – | **197** |
| | **EBIT** | **97** | 1 | – | −2 | – | **96** |
| **Group / Eliminations** | **Sales** | **0** | – | – | – | – | **0** |
| | **EBITDA** | **6** | – | – | – | −3 | **3** |
| | **EBIT** | **2** | – | – | – | −3 | **−1** |
| **Total from continuing operations** | **Sales** | **1 196** | – | – | – | – | **1 196** |
| | **EBITDA** | **202** | 1 | – | – | −3 | **200** |
| | **EBIT** | **99** | 1 | – | −2 | −3 | **95** |

## 2020

| in CHF million | | Operational figures | Restructuring[1] | Discontinued activities[2] | Impairments[3] | Acquisition and Integration costs[4] | Unadjusted figures |
|---|---|---|---|---|---|---|---|
| **Surface Solutions Division** | **Sales** | **587** | – | – | – | – | **587** |
| | **EBITDA** | **59** | −21 | −3 | – | – | **35** |
| | **EBIT** | **−25** | −21 | −4 | −5 | – | **−55** |
| **Polymer Processing Solutions Division** | **Sales** | **452** | – | – | – | – | **452** |
| | **EBITDA** | **56** | – | – | – | – | **56** |
| | **EBIT** | **41** | – | – | – | – | **41** |
| **Total Divisions** | **Sales** | **1 039** | – | – | – | – | **1 039** |
| | **EBITDA** | **115** | −21 | −3 | – | – | **91** |
| | **EBIT** | **17** | −21 | −4 | −5 | – | **−14** |
| **Group / Eliminations** | **Sales** | **0** | – | – | – | – | **0** |
| | **EBITDA** | **2** | – | – | – | – | **2** |
| | **EBIT** | **−2** | – | – | – | – | **−2** |
| **Total from continuing operations** | **Sales** | **1 039** | – | – | – | – | **1 039** |
| | **EBITDA** | **117** | −21 | −3 | – | – | **92** |
| | **EBIT** | **15** | −21 | −4 | −5 | – | **−16** |

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

[2] Prior year figures have been adjusted retrospectively for the activities of AM Medical which recently have been discontinued (but do not qualify as discontinued operations).

[3] Impairments related to restructuring.

[4] Since this year, Operational EBITDA and Operational EBIT are additionally adjusted by acquisition and integration costs. For comparability reasons last year figures have been adjusted accordingly.

# Acquisitions

**Acquisitions in the first half of 2021**

On May 28, 2021, Oerlikon acquired a 85% share in **SAS Coeurdor**, a leading full-service provider for the design, manufacturing and coating of metallic components to world-leading luxury brands. Coeurdor's accessories form parts of leather bags, belts, watches and other luxury goods. Coeurdor is headquartered in France and has production facilities in Italy and Portugal, employing a skilled workforce of more than 220 employees. With this acquisition, the Surface Solutions Division is expanding its offering and foothold in the luxury goods market.

The total purchase consideration for the acquisition of Coeurdor amounts to CHF 103 million and includes CHF 79 million paid in cash in the reporting period and contingent consideration of CHF 9 million. The non-controlling interest of CHF 15 million was determined based on the full goodwill method. The contingent consideration relates to earnout arrangements which are based on financial metrics (EBITDA targets). The potential undiscounted amount payable under the agreements amounts to between CHF 0 million and CHF 11 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. As part of the transaction, call/put options have been agreed for the acquisition of the 15% non-controlling interest, for which a liability of CHF 5 million has been recognized.

Contingent liabilities of CHF 2 million have been recognized primarily due to potential environmental and occupational risks.

The goodwill of CHF 56 million arising from the acquisition is mainly attributable to the strengthening of Oerlikon's market position in the luxury and high-end deco market and 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.

Acquisition-related costs, amounting to CHF 1 million, have been recognized under Other expense in the Consolidated Income Statement for the six-month period ended June 30, 2021.

On April 22, 2021, Oerlikon signed an agreement to acquire **INglass S.p.A.**, a global leader in high-precision polymer flow control equipment. These systems are used to enable effective and energy-saving plastic injection molding. Headquartered in Italy, INglass has more than 1 000 employees and production plants in Italy, China and the US. After receiving all the required merger control approvals, Oerlikon and INglass S.p.A. successfully closed the acquisition on June 9, 2021. The acquisition accelerates Oerlikon's strategy in diversifying its manmade fibers business to expand into the high-growth polymer processing solutions market. The Manmade Fibers Division was renamed to the Polymer Processing Solutions.

The total purchase consideration for the acquisition of INglass S.p.A. amounts to CHF 347 million and includes CHF 239 million paid in cash in the reporting period, the transfer of treasury shares of OC Oerlikon Corporation AG, Pfäffikon, with a fair value of CHF 40 million at closing date, CHF 13 million payable within the next 12 months and contingent consideration of CHF 55 million. The contingent consideration relates to earnout arrangements which are based on financial metrics (EBITDA targets). The potential undiscounted amount payable under the agreements amounts to between CHF 0 million and CHF 66 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.

Contingent liabilities of CHF 12 million have been recognized primarily due to potential tax and environmental risks. Any potential cash outflow is estimated to occur during the next 5 years. The selling shareholders have contractually agreed to indemnify Oerlikon for these risks.

The goodwill of CHF 205 million arising from the acquisition is mainly attributable to the value of expected synergies and economies of scale expected from combining the operations of INglass S.p.A. and Oerlikon. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition-related costs, amounting to CHF 2 million, have been recognized under Other expense in the Consolidated Income Statement for the six-month period ended June 30, 2021.

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

| in CHF million | Coeurdor May 28, 2021 | INglass June 9, 2021 | **Total** |
|---|---|---|---|
| Cash | 79 | 239 | 318 |
| Transfer of treasury shares | – | 40 | 40 |
| Deferred payment | – | 13 | 13 |
| Contingent consideration | 9 | 55 | 64 |
| Non-controlling interest | 15 | – | 15 |
| **Total** | **103** | **347** | **450** |

### Recognized amounts of identifiable assets acquired and liabilities assumed

| in CHF million | Coeurdor May 28, 2021 | INglass June 9, 2021 | **Total** |
|---|---|---|---|
| Cash and cash equivalents | 12 | 33 | 45 |
| Trade and other receivables, prepaid expenses and accrued income | 7 | 83 | 90 |
| Current income tax receivables | – | 5 | 5 |
| Inventories | 8 | 18 | 26 |
| Loans and other non-current financial receivables | 8 | 15 | 23 |
| Property, plant and equipment | 6 | 32 | 37 |
| Right-of-use assets | 1 | 14 | 15 |
| Intangible assets | 35 | 180 | 214 |
| Deferred tax assets | – | 17 | 17 |
| Trade payables | –2 | –21 | –23 |
| Current financial liabilities and lease liabilities [1] | – | –107 | –107 |
| Other current payables and accrued liabilities | –3 | –22 | –25 |
| Current income tax payable | – | –7 | –7 |
| Other current provisions | –2 | –2 | –3 |
| Non-current loans and borrowings and lease liabilities | –11 | –18 | –29 |
| Non-current post-employment benefit liabilities | – | – | –1 |
| Deferred tax liabilities | –8 | –51 | –59 |
| Other non-current provisions | –4 | –25 | –29 |
| **Total identifiable net assets** | **47** | **142** | **189** |
| Goodwill | 56 | 205 | 261 |
| **Total net assets** | **103** | **347** | **450** |

[1] Financial liabilities of CHF 55 million have been repaid immediately after the acquisition of INglass.

The above amounts represent the preliminary allocation of the purchase prices. Due to the timing of the acquisitions, certain information required to complete the final purchase price allocations remains outstanding.

Since their acquisition, Coeurdor and INglass contributed CHF 16 million in total sales and CHF 3 million in net income to the Oerlikon Group. Had the transactions taken place at January 1, 2021, the Group's total sales and net income for the six-month period ended June 30, 2021 would have amounted to approximately CHF 1 276 million and CHF 74 million, respectively. These amounts have been determined based on the assumption that the fair-value adjustments at the acquisition date, determined provisionally, would have been the same at January 1, 2021.

### Cash flows from acquisitions of subsidiaries

| in CHF million | **June 30, 2021** |
|---|---|
| Cash consideration paid | –318 |
| Cash acquired | 45 |
| Payments for acquisitions in prior years | –2 |
| **Total cash flows from acquisitions, net of cash acquired** | **–275** |

## Revenue

Disaggregation of revenue from contracts with customers by Division and market[1]:

| in CHF million | Surface Solutions Division | | Polymer Processing Solutions Division | | Total | |
|---|---|---|---|---|---|---|
| | **January 1 to June 30, 2021** | January 1 to June 30, 2020 | **January 1 to June 30, 2021** | January 1 to June 30, 2020 | **January 1 to June 30, 2021** | January 1 to June 30, 2020 |
| Automotive | 184 | 139 | – | – | 184 | 139 |
| Aviation | 65 | 97 | – | – | 65 | 97 |
| Filament | – | – | 396 | 318 | 396 | 318 |
| Flow Control | – | – | 28 | 22 | 28 | 22 |
| General Industry | 154 | 147 | – | – | 154 | 147 |
| Industrial and Interiors | – | – | 53 | 68 | 53 | 68 |
| Nonwoven and Plant Engineering | – | – | 94 | 45 | 94 | 45 |
| Power Generation | 33 | 34 | – | – | 33 | 34 |
| Tooling | 188 | 170 | – | – | 188 | 170 |
| **Total revenue from contracts with customers** | **624** | **587** | **572** | **452** | **1 196** | **1 039** |

[1] The definitions of the different markets in the Polymer Processing Solutions Division have been adjusted to align with the new organization structure. For comparability reasons, prior year figures have been adjusted accordingly.

## Financial Instruments

The carrying amounts and fair values of financial assets and liabilities as of June 30, 2021, including their levels in the fair-value hierarchy, are as follows:

| in CHF million | Carrying amount: Fair value – through other comprehensive income | Carrying amount: Fair value – through profit & loss | Carrying amount: Amortized cost[1] | Carrying amount: Total | Fair value: Level 1 | Fair value: Level 2 | Fair value: Level 3 | Fair value: Total |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | |
| Foreign exchange contracts | 4 | 3 | – | **7** | – | 7 | – | **7** |
| Debt and equity securities | – | 12 | – | **12** | 12 | – | – | **12** |
| Other investments | 20 | – | – | **20** | – | – | 20 | **20** |
| Cash and cash equivalents | – | – | 502 | **502** | | | | |
| Deposits | – | – | 6 | **6** | | | | |
| Trade and trade notes receivable | – | – | 445 | **445** | | | | |
| Current contract assets | – | – | 62 | **62** | | | | |
| Loans and other non-current financial receivables | – | – | 1 | **1** | | | | |
| **Total** | **23** | **15** | **1 017** | **1 056** | | | | |
| **Financial liabilities** | | | | | | | | |
| Foreign exchange contracts | 3 | 1 | – | **4** | – | 4 | – | **4** |
| Other liabilities | 5 | 87 | 3 | **94** | – | – | 92 | **92** |
| Bonds[2] | – | – | 723 | **723** | 735 | – | – | **735** |
| Lease liabilities | – | – | 218 | **218** | | | | |
| Trade payables | – | – | 287 | **287** | | | | |
| Accrued liabilities | – | – | 114 | **114** | | | | |
| Other loans and borrowings | – | – | 64 | **64** | | | | |
| **Total** | **7** | **88** | **1 409** | **1 505** | | | | |

[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.

[2] In 2021 the Group successfuly placed three series of senior unsecured bonds: CHF 125 million due in November 2022, CHF 250 million due in November 2025, and CHF 200 million due in November 2028. The coupons have been set at 0% per annum for the bonds due 2022, 0.375% per annum for the bonds due 2025 and 0.80% per annum for the bonds due 2028. The coupons for the series 2025 and 2028 are payable annually on November 27, with a first short coupon for the period from May 27 until November 27, 2021.

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:

| in CHF million | Carrying amount: Fair value – through other comprehensive income | Carrying amount: Fair value – through profit & loss | Carrying amount: Amortized Cost[1] | Carrying amount: Total | Fair value: Level 1 | Fair value: Level 2 | Fair value: Level 3 | Fair value: 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.

## Provisions

| in CHF million | Product warranties | Acquiree's contingent liabilities[1] | Restructuring[2] | Other provisions[3] | **Total** |
|---|---|---|---|---|---|
| Balance at January 1, 2021 | 20 | 23 | 28 | 39 | **110** |
| Conversion differences | 1 | 1 | – | – | **2** |
| Change in the scope of consolidated companies | 2 | 15 | – | 16 | **32** |
| Additions[4] | 2 | – | – | 3 | **6** |
| Amounts used | −2 | – | −12 | −6 | **−19** |
| Amounts reversed | −2 | – | −2 | −1 | **−5** |
| **Balance at June 30, 2021** | **22** | **39** | **15** | **51** | **126** |
| of which: | | | | | |
| Due within 1 year | 21 | – | 14 | 16 | **51** |
| Due beyond 1 year | 1 | 39 | 1 | 35 | **76** |

[1] Acquiree's contingent liabilities pertain to the Surface Solutions Division (CHF 26 million) and to the Polymer Processing Solutions Division (CHF 12 million). Contingent liabilities in Surface Solutions have been recognized primarily due to several environmental liabilities and potential tax risks. Any potential cash outflow is estimated to occur during the next 10-15 years. The selling shareholder (Sulzer AG) has contractually agreed to indemnify Oerlikon for an amount up to CHF 20 million related to certain of these environmental liabilities. The related indemnification asset amounts to CHF 10 million. In Polymer Processing Solutions the contingent liabilities have been recognized primarily due to potential tax and environmental risks. Any potential cash outflow is estimated to occur during the next 5 years. The selling shareholders have contractually agreed to indemnify Oerlikon for these risks.

[2] The restructuring provision pertains mainly to the Surface Solutions Division (CHF 13 million) and relates to a productivity program, primarily aimed at reducing structural costs in the division. The provision mostly relates to personnel expenses.

[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.

## Subsequent Events

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 as of June 30, 2021.

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

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