Third-Quarter 2020 Results

Strong Execution and Positive Market Outlook in Manmade Fibers; Surface Solutions End Markets Recovering at Varying Speeds; Cost Actions Delivering Results

- **Strong Group performance: >200 basis points improvement in operational EBITDA margin while sales declined 6% year-over-year; showing strength of portfolio and effective cost actions.**
- **Manmade Fibers on track to achieve over CHF 1 billion of orders and sales in 2020; margin performance ahead of target.**
- **Surface Solutions orders and sales improved sequentially with further positive trends in September. Automotive recovering faster than expected. Cost measures yielding results: operational EBITDA margin of 14.8%.**
- **Cost programs ahead of plan and delivering results: >650 of targeted 800+ headcount reduced as of end September 2020; annualized run-rate savings of CHF ~70 million expected.**
- **Further empowering operating businesses and increasing customer focus by appointing Division CEOs as members of the Executive Committee, effective January 1, 2021.**

Key figures for the Oerlikon Group as of September 30, 2020 (in CHF million)

	Q3 2020	Q3 2019	Δ	9M 2020	9M 2019	Δ
Order intake	518	627	-17.3%	1 599	1 979	-19.2%
Order backlog	570	600	-5.1%	570	600	-5.1%
Sales	593	633	-6.4%	1 632	1 958	-16.6%
Operational EBITDA[1]	92	85	8.1%	209	306	-31.6%
Operational EBITDA margin[1]	15.6%	13.5%	–	12.8%	15.6%	–
Operational EBIT[1]	42	38	10.9%	57	159	-64.3%
Operational EBIT margin[1]	7.0%	5.9%	–	3.5%	8.1%	–

[1] For the reconciliation of operational and unadjusted figures, please see table I and II on page 2 of this media release.

Pfäffikon, Schwyz, Switzerland – November 3, 2020 – “Our Q3 results show the strength of our businesses and the impact of our decisive cost actions,” said Dr. Roland Fischer, CEO Oerlikon Group. “Our manmade fibers business is stable and on track for its targeted deliveries for 2020. In Surface Solutions, we are ahead of our schedule on executing structural cost-out measures and the benefits can already be clearly seen in our third quarter results.”

“In line with our plans to further empower our operational businesses and increase our customer focus, we have appointed Dr. Markus Tacke as Division CEO for Surface Solutions and have nominated both Division CEOs, Markus Tacke and Georg Stausberg, as members of the Executive Committee,” added Dr. Fischer. “We are excited that Markus has joined the team. He has over 25 years of experience in the energy sector and a track record of successfully transforming industrial businesses to generate profitable growth. Georg has been leading Manmade Fibers since 2015. He is responsible for successfully turning around the business and will continue driving its future growth. As recovery in our surface solutions markets continues to be highly uncertain, our focus remains on steering Oerlikon toward becoming a more cost- and capital-efficient company, delivering sustainable mid-term profitability.”

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Group Performance in Q3 2020
Group order intake declined by 17.3% year-over-year to CHF 518 million and Group sales decreased by 6.4% to CHF 593 million, partly due to adverse currency movements. At constant exchange rates, Group sales were CHF 619 million. In the challenging environment, Group sequential sales improved by 16.4% (Q2 2020: CHF 510 million) in the third quarter, driven by sales growth in Manmade Fibers and the recovery in automotive for Surface Solutions.

Operational Q3 EBITDA was CHF 92 million, or 15.6% of sales, representing a year-over-year improvement of 210 basis points. Compared to Q2 2020 (CHF 57 million), operational EBITDA in the third-quarter of 2020 improved by 63.6%. Q3 operational EBIT was CHF 42 million, or 7.0% of sales (Q3 2019: CHF 38 million; 5.9%). The margin improvements are attributed to the benefits from the restructuring and cost actions consequently executed by the Group.

Group Q3 EBITDA was CHF 88 million, or 14.8% of sales (Q3 2019: CHF 84 million, 13.3%), and EBIT was CHF 36 million, or 6.0% (Q3 2019: CHF 36 million, 5.7%). The reconciliation of the operational and unadjusted figures can be seen in the tables below.

Table I: Reconciliation of Q3 2020 and 9M 2020 operational EBITDA and EBITDA[1]

In CHF million	Q3 2020	Q3 2019	9M 2020	9M 2019
EBITDA	**88**	**84**	**180**	**299**
Expenses related to restructuring	-3	–	-25	-3
Expenses related to discontinued activities	-2	-2	-6	-6
Operational EBITDA	**92**	**85**	**209**	**306**

Table II: Reconciliation of Q3 2020 and 9M 2020 operational EBIT and EBIT[1]

In CHF million	Q3 2020	Q3 2019	9M 2020	9M 2019
EBIT	**36**	**36**	**20**	**151**
Expenses related to restructuring	-3	–	-25	-3
Expenses related to discontinued activities	-2	-2	-6	-6
Impairment charges	-1	–	-6	–
Operational EBIT	**42**	**38**	**57**	**159**

[1]All amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus, adding together the figures presented can result in rounding differences.

Successfully Delivering on Restructuring and Productivity Programs
Oerlikon has consistently implemented the structural and productivity programs and is ahead in executing the plan. The structural and cost out programs are focused on streamlining headquarters and support functions globally, restructuring Surface Solutions and rightsizing the additive manufacturing business. As of the end of the third quarter, more than 650 of the targeted 800 headcount has been reduced, of which around 40 are based in Switzerland and Liechtenstein.

In the first nine months of 2020, operating expenses in the surface solutions business were reduced by more than CHF 165 million and capital expenditure was reduced by CHF 26 million, compared to the preceding year.

Committed to Mid-Term EBITDA Margin Target
The development in end markets remains highly uncertain, exacerbated by the pandemic and geopolitical factors. Oerlikon will continue to execute its programs consistently to strengthen its core and competitive position. The Group expects the structural programs to deliver an annual run-rate of savings of around CHF 70 million, which will drive operating profitability toward the Group's committed mid-term EBITDA margin target of 16% to 18% when markets recover.

Further Empowering Operational Businesses: Division CEOs Become Members of the EC
Effective January 1, 2021, the Group's Executive Committee (EC) will be strengthened by the appointment of two new members: Georg Stausberg and Dr. Markus Tacke, who are both Division CEOs.

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. Mr. Stausberg graduated from the RWTH Aachen University, Germany, with a degree in Mechanical Engineering (Dipl.-Ing.).

Dr. Markus Tacke has been appointed 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, USA, and a PhD from the Technical University of Darmstadt, Germany.

Division Overview

Surface Solutions Division
Key figures for the Surface Solutions Division as of September 30, 2020 (in CHF million)

	Q3 2020	Q3 2019	Δ	9M 2020	9M 2019	Δ
Order intake	258	350	-26.4%	829	1 109	-25.3%
Order backlog	138	182	-23.7%	138	182	-23.7%
Sales (to third parties)	280	369	-24.0%	867	1 119	-22.5%
Operational EBITDA	42	57	-26.7%	101	186	-45.6%
Operational EBITDA margin	14.8%	15.4%	–	11.6%	16.5%	–

The adverse trends in end markets, particularly in aviation and oil & gas, continued to impact orders, sales and profitability in the surface solutions business. Year-over-year, order intake decreased by 26.4% and sales declined by 24.0%. The Division saw an 8.5% increase in sequential order intake (Q2 2020: CHF 238 million) and an increase of 7% in sequential sales (Q2 2020: CHF 262 million) compared to the second quarter, attributed to the initial recovery in the automotive and tooling markets in China, India and Europe.

The Q3 operational EBITDA margin of 14.8% was only 60 basis points lower year-over-year at a significantly lower sales level as compared to Q3 2019. Compared to the previous quarter, operational EBITDA margin significantly improved by 780 basis points (Q2 2020: 7.0%). The positive margin development underscores the benefits from the restructuring and cost actions that led to improved profitability. Q3 operational EBIT was CHF 0 million, or 0.1% of sales. The Division's unadjusted Q3 EBITDA was CHF 37 million, or 13.1% of sales (Q3 2019: CHF 56 million; 15.0%). EBIT was CHF - 6 million, or -2.0% of sales (Q3 2019: CHF 15 million; 4.1%).

Manmade Fibers Division

Key figures for the Manmade Fibers Division as of September 30, 2020 (in CHF million)

	Q3 2020	Q3 2019	Δ	9M 2020	9M 2019	Δ
Order intake	261	276	-5.7%	770	870	-11.4%
Order backlog	431	419	3.0%	431	419	3.0%
Sales (to third parties)	313	265	18.1%	765	839	-8.8%
Operational EBITDA	48	28	69.0%	104	120	-13.0%
Operational EBITDA margin	15.4%	10.7%	–	13.6%	14.3%	–

The Manmade Fibers Division delivered another quarter of strong and stable results. Sales increased by 18.1% year-over-year. Order intake was sustained at a high level of more than CHF 250 million. These strong orders and sales figures are driven by the notable recovery in the filament equipment business in China and the continued pick-up in demand for meltblown nonwoven solutions used in face mask production. The Division is on track to fulfil its planned 2020 deliveries.

The Q3 operational EBITDA margin improved by 470 basis point year-over-year to 15.4% as a result of higher sales. Operational EBIT was CHF 40 million or 12.9% of sales. The Division's unadjusted Q3 EBITDA was CHF 48 million, or 15.4% of sales (Q3 2019: CHF 28 million, 10.7%), and EBIT was CHF 41 million or 13.0% of sales (Q3 2019: CHF 22 million, 8.4%).

Additional Information

Oerlikon will present its results in English in a conference call, beginning at 14:00 CET today. To join the call, please dial one of the numbers below a few minutes before the start of the call:

Country	Local toll call numbers:
Switzerland	+41 58 310 50 00
UK	+44 207 107 06 13
USA	+1 631 570 56 13

The accompanying presentation can be viewed during the conference call by clicking here.

The media release, including a full set of tables, can be found at www.oerlikon.com/pressreleases and www.oerlikon.com/ir.

About Oerlikon

Oerlikon (SIX: OERL) engineers materials, equipment and surfaces and provides expert services to enable customers to have high-performance products and systems with extended lifespans. Drawing on its key technological competencies and strong financial foundation, the Group is sustaining mid-term growth by addressing attractive growth markets, securing structural growth and expanding through targeted mergers and acquisitions. A leading global technology and engineering Group, Oerlikon operates its business in two Divisions – Surface Solutions and Manmade Fibers – and has a global footprint of around 11 000 employees at 182 locations in 37 countries. In 2019, Oerlikon generated CHF 2.6 billion in sales and invested more than CHF 120 million in R&D.