

Second-Quarter and Half-Year 2023 Results

First half with 10% organic sales growth in Surface Solutions despite challenging environment; filament market with limited activity for Polymer Processing Solutions

- Surface Solutions Q2 sales +12% (+8% adjusted for FX and Riri); margins impacted by mix, higher input costs and adverse FX movements; pricing and cost actions to support margins in the second half of the year.
- Polymer Processing Solutions Q2 sales -19% (-12% FX adjusted), driven by customers postponing filament orders; previously announced cost measures on track, impacts to phase in during second half of 2023.
- Integration of Riri as part of Oerlikon's luxury business progressing as planned.
- 2023 Group guidance updated, including M&A and FX impacts; Group expects sales of CHF 2.75 – 2.8 bn and EBITDA margin of ~15.5%.

Key figures for the Oerlikon Group as of June 30, 2023 (in CHF million)

	Q2 2023	Q2 2022	Δ	H1 2023	H1 2022	Δ
Order intake	657	773	-15.0%	1 338	1 563	-14.4%
Sales	702	734	-4.4%	1 437	1 432	0.4%
Operational EBITDA ¹	111	128 ²	-13.8%	227	249 ²	-9.0%
Operational EBITDA margin ¹	15.8%	17.5% ²	-172 bps	15.8%	17.4% ²	-162 bps
Operational EBIT ¹	55	73 ²	-24.5%	118	139 ²	-15.1%
Operational EBIT margin ¹	7.8%	9.9% ²	-208 bps	8.2%	9.7% ²	-149 bps
Net result	–	–	–	75	88	-15.6%

¹ For the reconciliation of operational and unadjusted figures, please see table I and II on page 2 of this release. ² Operational EBITDA and Operational EBIT are restated for effects from discontinued activities from the inline ePD business.

Pfäffikon, Schwyz, Switzerland – August 3, 2023 – “Our quarterly results reflect, on the one hand, strong growth in our Surface Solutions Division despite slowing industrial production and persistent negative FX impacts. On the other hand, we see an extremely difficult market backdrop in our filament business,” said Michael Suess, Executive Chairman, Oerlikon.

“Taking into account the economic slowdown in China, the strong Swiss franc and persistent inflation, we updated our full-year financial guidance. Our pricing and announced cost measures will gain traction in the second half of 2023 and support margins. While macro conditions remain uncertain in the short-term, we will continue to execute on our mid-term growth strategy in both divisions,” added Michael Suess.

Second Quarter Results Reflect Market Challenges

Group orders decreased by 15.0% to CHF 657 million and Group sales decreased slightly by 4.4% to CHF 702 million, driven by postponements in Polymer Processing Solutions' filament orders. At constant exchange rates, Group sales increased by 3.6%, including 5.9% from Riri.

The operational EBITDA for the second quarter declined by 13.8% year-over-year to CHF 111 million, corresponding to a margin of 15.8%. The decline was driven by the Polymer Processing Solutions Division. Operational EBIT for Q2 2023 was CHF 55 million, or 7.8% of sales. Q2 2023 EBITDA was CHF 110 million or 15.6% of sales, and EBIT was CHF 54 million, or 7.7% of sales.

Oerlikon Group 2023 Half-Year Overview

In the first half of 2023, the Group's order intake decreased by 14.4% year-over-year to CHF 1 338 million, and sales were stable at CHF 1 437 million. Operational EBITDA for the half year amounted to CHF 227 million, corresponding to a margin of 15.8%. Operational EBIT was CHF 118 million, or 8.2% of sales. EBITDA was CHF 224 million, or 15.6% of sales, and EBIT was CHF 113 million, or 7.9% of sales. The reconciliation of the operational and unadjusted figures can be found in the tables below.

Table I: Reconciliation of Q2 2023 and H1 2023 Operational EBITDA and EBITDA¹

In CHF million	Q2 2023	Q2 2022	H1 2023	H1 2022
Operational EBITDA	111	128	227	249
Expenses related to restructuring	0	0	0	-1
Expenses related to discontinued activities ²	-1	-2	-1	-6
Expenses related to acquisition and integration costs	0	-2	-1	-5
EBITDA	110	125	224	237

Table II: Reconciliation of Q2 2023 and H1 2023 Operational EBIT and EBIT¹

In CHF million	Q2 2023	Q2 2022	H1 2023	H1 2022
Operational EBIT	55	73	118	139
Expenses related to restructuring	0	0	0	-1
Impairment charges	0	0	0	0
Expenses related to discontinued activities ²	-1	-2	-3	-7
Expenses related to acquisition and integration costs	0	-2	-1	-5
EBIT	54	68	113	125

¹ 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. ² Includes costs from discontinued operations (Russia and inline ePD). Q2 2022 and H1 2022 restated due to the termination of the inline ePD business.

The net result for the first half of the year decreased by 15.6% to CHF 75 million, as a result of lower EBITDA. As of June 30, 2023, Oerlikon had CHF 1 265 million of net debt, representing a net debt to operational EBITDA ratio of 2.66 times. Cash flow from operating activities for the first half of the year was CHF -79 million, compared to CHF 22 million in 2022, mainly due to a transitory impact from net working capital related to reduced customer advances.

Update on 2023 Outlook

For 2023, Oerlikon continues to expect a mid-single-digit percentage organic sales decrease at constant currencies, driven by postponement of customer investment decisions in Polymer Processing Solutions. Taking into account the actual currency exchange rates and the consolidation of Riri as of March 1, total Group sales of CHF 2.75 – 2.8 billion are expected in 2023. The operational EBITDA margin is expected to be around 15.5% (previously 16.0%-16.5%), considering mix impacts, FX developments and higher input costs. Oerlikon's ongoing pricing and cost actions will gain traction in the second half of the year and support margins.

Division Overview

Surface Solutions Division

Key figures for the Surface Solutions Division as of June 30, 2023 (in CHF million)

	Q2 2023	Q2 2022	Δ	H1 2023	H1 2022	Δ
Order intake	395	348	13.3%	777	724	7.3%
Sales (to third parties)	392	352	11.6%	761	680	12.0%
Operational EBITDA	63	63	0.8%	122	124	-1.3%
Operational EBITDA margin ¹	16.1%	17.8%	-169 bps	16.0%	18.1%	-212 bps

¹ Based on unrounded figures and total sales, including intercompany sales.

The Surface Solutions Division increased Q2 order intake by 13.3%. Adjusted for FX, orders increased by 21.9%, including 12.7% from acquisition (Riri). The division's sales improved by 11.6%. Adjusted for FX, sales increased by 20.1%, with Riri contributing 12.3%. FX-adjusted organic growth (+8% for Q2 2023; +10% for 1H 2023) was supported by higher demand in aviation, general industries, luxury and energy.

Second-quarter operational EBITDA was stable at CHF 63 million, corresponding to a margin of 16.1%. The margin was impacted by product/service mix, adverse FX movements and higher input costs (mainly personnel and energy). Q2 operational EBIT was CHF 24 million, or 6.2% of sales (Q2 2022: CHF 25 million; 7.1%). Q2 EBITDA was CHF 62 million or 15.8% of sales and EBIT was CHF 23 million, or 5.7% of sales.

Polymer Processing Solutions Division

Key figures for the Polymer Processing Solutions Division as of June 30, 2023 (in CHF million)

	Q2 2023	Q2 2022	Δ	H1 2023	H1 2022	Δ
Order intake	263	425	-38.1%	561	839	-33.1%
Sales (to third parties)	310	383	-19.0%	676	752	-10.1%
Operational EBITDA	44	65	-32.6%	99	124	-19.7%
Operational EBITDA margin ¹	14.2%	17.1%	-288 bps	14.7%	16.4%	-175 bps

¹ Based on unrounded figures and total sales, including intercompany sales.

The Polymer Processing Solutions Division saw decreases in Q2 orders (-33.0% FX adjusted) and sales (-11.6% FX adjusted), attributed to the postponement of orders in the filament end market, particularly in China. FX adjusted sales in non-filament markets were fairly stable. Lower demand for carpet yarns and nonwovens, due to some customers delaying orders and preserving cash, was counteracted by solid demand in industrial yarn, staple fibers and flow control solutions.

Second-quarter operational EBITDA decreased by 32.6% to CHF 44 million, or 14.2% of sales, due to sales mix, operating leverage and higher input costs. Q2 operational EBIT was CHF 31 million, or 10.1% of sales (Q2 2022: CHF 51 million, 13.3%). Q2 EBITDA was CHF 44 million, or 14.2% of sales, and EBIT was CHF 31 million or 10.0% of sales.

Additional Information

Oerlikon will present its results during a conference call today beginning at 10:30 CEST. Please click on this [link](#) to participate in the webcast.

To ask questions in the Q&A session, please dial in.

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The interim (half-year) report 2023 in English can be downloaded at <http://www.oerlikon.com/interimreport-2023>, and the media release can be found at www.oerlikon.com/ir and www.oerlikon.com/pressreleases.

About Oerlikon

Oerlikon (SIX: OERL) is a global innovation powerhouse for surface engineering, polymer processing and additive manufacturing. The Group's solutions and comprehensive services, together with its advanced materials, empower customers by improving and maximizing the performance, function, design and sustainability of customers' products and manufacturing processes in key industries. Pioneering technology for decades, everything Oerlikon invents and does is guided by its passion for supporting customers' goals and fostering a sustainable world. Headquartered in Pfäffikon, Switzerland, the Group operates its business in two Divisions – Surface Solutions and Polymer Processing Solutions. It has a global footprint of more than 13 000 employees at 205 locations in 37 countries and generated sales of CHF 2.9 billion in 2022.

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