HALF-YEAR RESULTS FISCAL YEAR 2020

NOVEMBER 4, 2020, WINTERTHUR

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Content

1.
Key highlights

Marcel Pawlicek

Sales and EBIT significantly higher compared to prior year levels; temporary margin fluctuations at divisional level

In CHF mn	BC Group 1HY FY 2020	1HY FY 2019	Systems Division 1HY FY 2020	1HY FY 2019	Services Division 1HY FY 2020	1HY FY 2019
Order intake	303.0	329.5	170.2	213.1	132.8	116.5
Sales	295.2	276.2	193.9	172.6	101.3	103.6
EBIT	26.0	16.7	17.1	-4.9	10.5	23.3
EBIT margin	8.8%	6.0%	8.8%	-2.8%	10.3%	22.5%

HIGHLIGHTS

- Further improvement of Group financial performance with very strong SYST EBIT on the back of high utilization and phasing of shipment of high margin projects
- SERV success with LTSA (Long-Term Service Agreement) for LNGM
- Signed MOU for remaining 40% acquisition of Shenyang Yuanda

LOWLIGHTS

- Coronavirus impact:
  - Lower SYST order intake (shifts and delays) → generating lower load in 2HY
  - Lower SERV EBIT mainly due to:
    - Underperformance of Arkos (noticeable decline in US service business due to coronavirus)
    - Resources in Field Service and Engineering/Revamp/Repair underutilized due to travel restrictions

Global coronavirus pandemic accelerates strategic approach

Crisis team

implemented under leadership of CEO since February, daily updates on global situation to ensure appropriate and timely response

Rapid action

to protect health and wellbeing of employees, work from home, physical distancing and hygiene measures introduced, travel and visitor bans implemen-ted, shift work scheduled to avoid large groups

Business continuity

thanks to employee mobilization and supply chain management, most BC locations fully operational, weekly monitoring of supply chain by Strategic Procurement, communication with customers through digital channels

Focus remains on mid-term targets while proactively navigating the challenging operating environment

- Impact of Coronavirus on operational activities reduced thanks to:
  - Diversified and favorable global manufacturing and service footprint
  - Ability to gradually resume operations in China from mid February onwards
  - Maintaining global supply chain
  - Acceleration of digital processes

- Balance sheet remains solid
  - Liquidity secured, including credit lines/bond financing
  - Stable balance sheet, equity ratio at 34%
  - No increase in bad debt provisions related to Coronavirus

2.
Market Dynamics

Marcel Pawlicek

Positive market development in the gas business driven by environmental regulations → despite short-term impacts from the coronavirus

Gas Gathering and Processing	• US political support for domestic gas production • Changing energy mix leads to a globally increasing demand for natural gas • Growth of middle-class in emerging countries driving the need for natural gas-based products
Gas Transport and Storage	• Changing global energy mix towards gas • Importance of natural gas as a clean and less expensive source of energy • More strict environmental regulations lead to clean energy solutions in marine applications • Feedstock for the Petrochemical industry changing to low-cost LPG/LEG (e.g. in the US)
Refinery	• Growing demand for clean fuels due to environmental regulations (Euro V & VI) • Flexibility to process different crude oil qualities and upgrading the bottom of the barrel (heavy crude) • Strategic importance of refining capacity for independent supply • Integration of large size refineries and petrochemical plants into single complexes → better economics
Industrial Gas and H_2 Mobility & Energy	• World population growth leads to increasing demand for industrial gases (e.g. medical, food & beverage, fertilizers (CO_2), inert gas) • Hydrogen to be used as fuel (busses, cars, trains, fuel cell power plants) • Environmental pressure to reduce CO_2 leads to commercial applications for CO_2
Petro-chemical/ Chemical Industry	• Annual ~2% demand growth for petrochemical- and chemical products for industrial- and consumer products based on increased world population and middle class growth • Shift of production to countries with lower feed stock price (e.g. US) • Increasing investments in CIS countries and Russia • Older technologies/less efficient plants will be replaced by state-of-the-art facilities which are more profitable

3. Operational review

Marcel Pawlicek

Systems Division: Stronger Sales and EBIT, lower order intake in 1HY FY 2020

in CHF mn	1HY FY 2020	1 HY FY 2019	Change
Order intake	170.2	213.1	-20.1%
Sales	193.9	172.6	+12.3%
Gross profit	36.6	16.4	+122.5%
In % of sales	18.9%	9.5%	
EBIT	**17.1**	**-4.9**	
In % of sales	8.8%	-2.8%	
Headcount (FTEs)	1’552	1’536	+1.0%

- Order intake below very high prior year level mainly caused by Coronavirus
  - Many customers reduced CAPEX especially in Refinery
  - Further successes with SYCC export products
  - First successes with H_2 mobility & energy
- Very strong Sales performance in 1HY FY 2020, benefitting from record order intake in prior years
- Gross margin significantly above prior year
  - Shipment of high margin projects in 1HY FY 2020
  - Overall very high workload
  - LNGM issues solved in FY 2019

Expected development over 2HY FY 2020

- Sales around the same level as 1HY FY 2020
- Gross profit below 1HY FY 2020 level
  - Significant drop in capacity utilization
  - Uneven allocation of project margins throughout FY 2020

Services Division: Higher Order Intake, lower Sales and EBIT in 1HY FY 2020 → Underperformance of Arkos and Coronavirus impact

in CHF mn	1HY FY 2020	1 HY FY 2019	Change
Order intake	132.8	116.5	+14.0%
Sales	101.3	103.6	-2.2%
Gross profit	37.1	48.4	-23.2%
In % of sales	36.7%	46.7%	
EBIT	**10.5**	**23.3**	**-55.1%**
In % of sales	10.3%	22.5%	
Headcount (FTEs)	1’076	884	+21.7%

- Order intake at CHF 132.8 mn, 14.0% above prior year (resp. CHF 115.5 mn, -0.9% y-o-y net of acquisition)
  - 10-year agreement (low double-digit mn amount) signed in the Marine business
- Sales at CHF 101.3 mn, -2.2% below prior year (resp. CHF 84.0 mn, -18.9% below y-o-y net of acquisition)
  - Significantly lower load in Field Service at Arkos/USA but also in other regions and Engineering/Revamp/ Repair due to the Coronavirus
- Significant lower gross profit and EBIT:
  - Temporary set back at Arkos
  - Lower load due to coronavirus

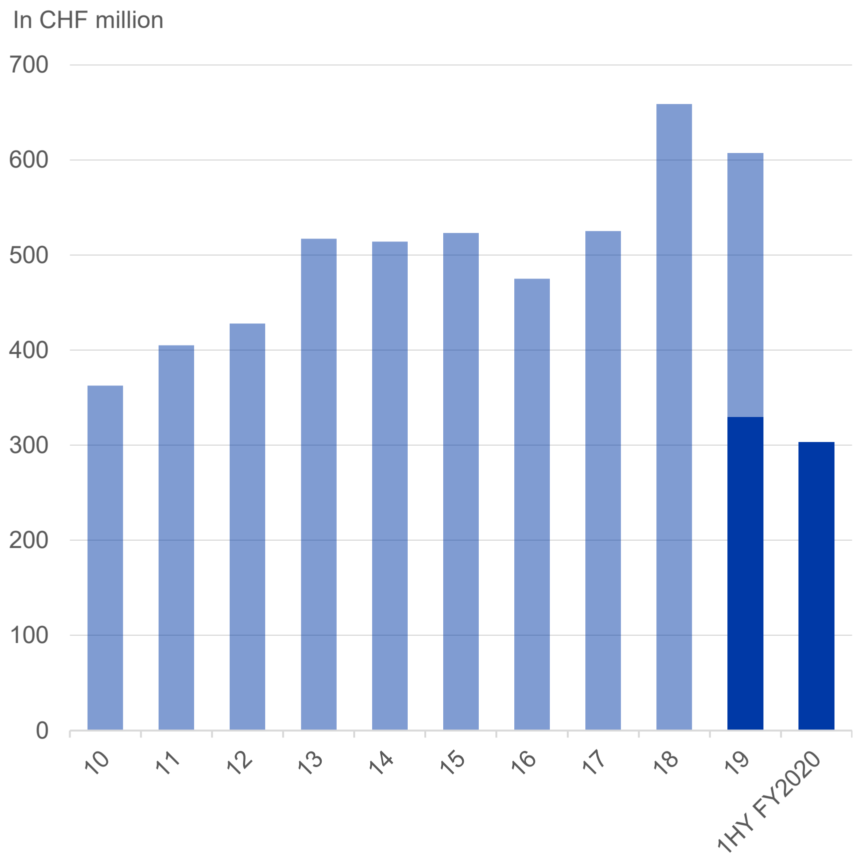
Expected development over 2HY FY 2020

- Higher sales compared to 1HY FY 2020
  - Higher load in Field Service and Engineering/Revamp/Repair → moved/localized resources, adapted to the situation
  - Ramp up remote support through digitalization
- Expected contribution from government support programs in the USA

4.
Financial review

Rolf Brändli

Order Intake: Decline in 1HY FY 2020 due to Coronavirus outbreak

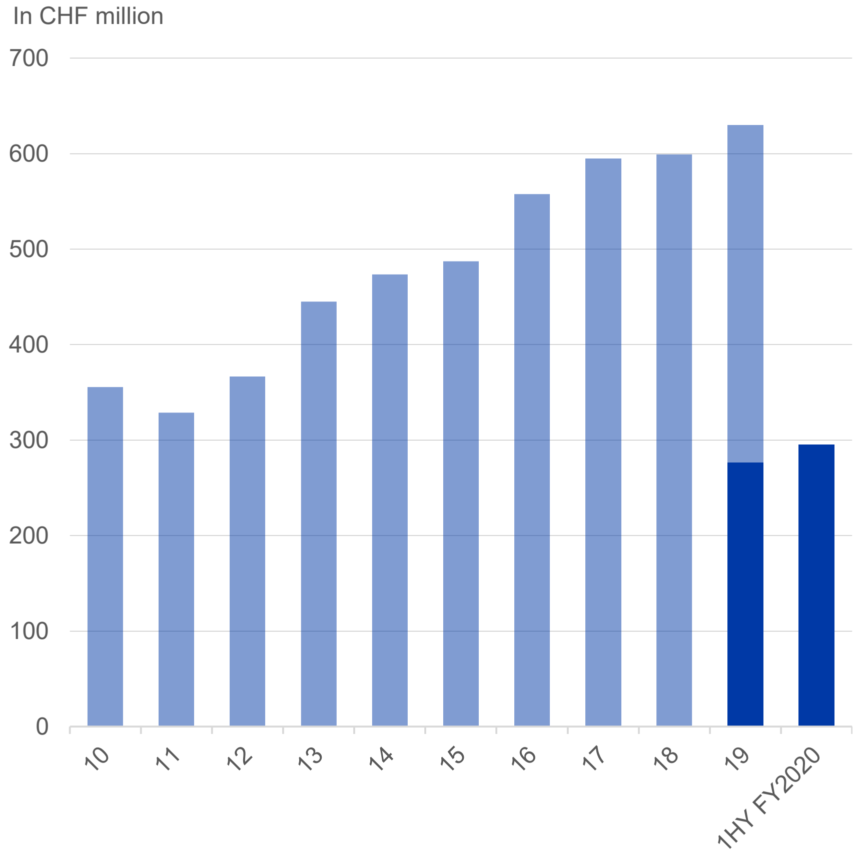


- Order intake at CHF 303.0 mn, 8.0% below prior-year level

- Systems Division: -20.1% to CHF 170.2 mn
  - Many customers reduced CAPEX especially in Refinery
  - Orders mainly from Petrochemical and Gas Transport & Storage

- Services Division: +14.0% to CHF 132.8 mn
  - -0.9% net of acquisitions
  - SERV order intake mix stable across all products
  - Several major orders for Engineering/Revamp/Repair
  - 10-year agreement (low double-digit mn amount) signed in the Marine business

Sales: Significantly above prior-year period, strong contribution from the Systems Division



- Sales up overall by 6.9% to CHF 295.2 mn
- Systems Division: +12.3% to CHF 193.9 mn
  - Benefitting from high order backlog
- Services Division: -2.2% to CHF 101.3 mn
  - -18.9% net of acquisitions
  - Underperformance of Arkos
  - Lower contribution of Field Service and Engineering/Revamp/Repair due to Coronavirus impact

Key Figures: Half year result significantly higher than a year ago, decline in Order Intake due to Coronavirus outbreak

in CHF mn	**1HY FY 2020**	**1 HY FY 2019**	**Change**
Order intake	303.0	329.5	-8.0%
Sales	295.2	276.2	+6.9%
Gross profit	73.7	64.8	+13.7%
In % of sales	25.0%	23.5%	
SG&A	-44.0	-45.1	-2.4%
R&D	-6.9	-4.2	+64.3%
Other operating income	3.2	1.1	+190.9%
EBIT	26.0	16.7	+55.7%
In % of sales	8.8%	6.0%	
EBT	24.9	14.1	+76.6%
Income tax expenses	-6.0	-2.4	
Net income incl. minorities	19.0	11.8	+61.0%
Thereof minorities	3.0	4.4	
EPS	4.73	2.17	+118.0%

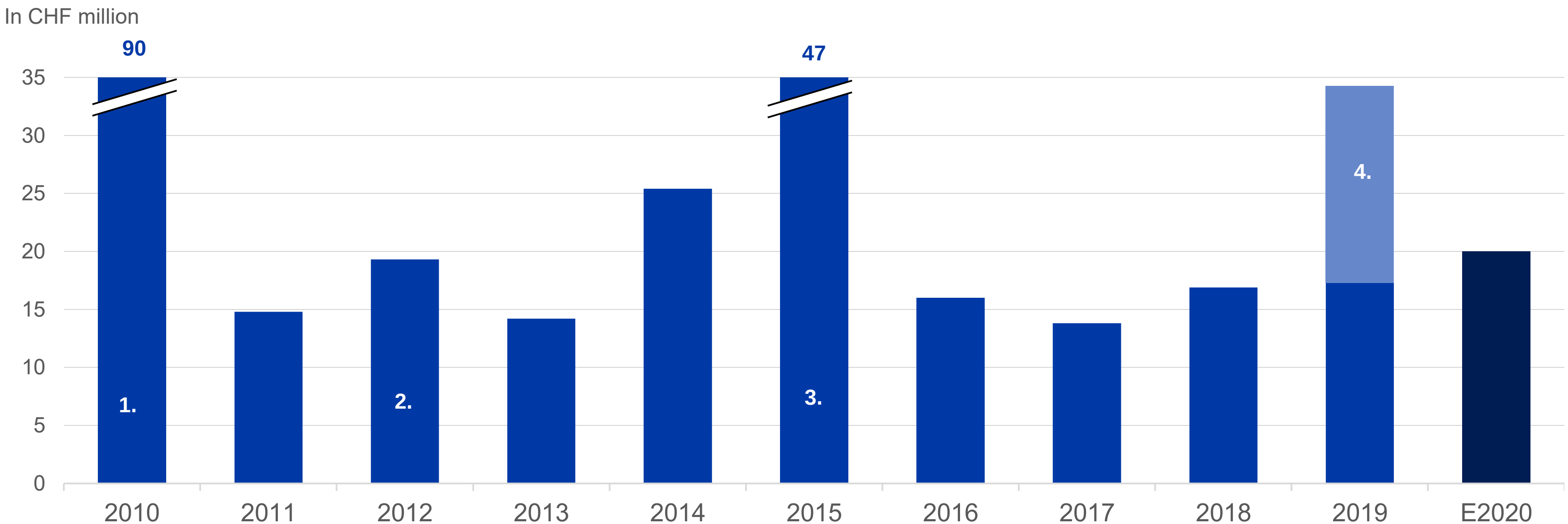
- Order Intake 8.0% below very high prior year level
- Sales 6.9% ahead of prior year mainly driven by strong order backlog in SYST; lower SERV Sales due to Coronavirus
- Gross margin up 1.5 percentage points
  - High margin projects in SYST, LNGM issues solved in FY 2019
  - Lower gross margin in SERV due to low performance of Arkos and impact of Coronavirus
- SG&A at 14.9% of sales (1HY FY 2019: 16.3%)
  - Lower SG&A despite inclusion of Arkos, mainly due to significantly lower travelling expenses (travel restrictions)
- R&D up CHF 2.7 mn
  - Improvement of marine solutions and enhancing compressor solutions for H_2 applications
- Other operating income up CHF 2.1 mn
  - Mainly due to FX gains
- Temporarily higher tax rate of 23.8% (1HY FY 2019: 16.8%)

Balance Sheet Positions: Reduction in accounts receivable

in CHF mn	1HY FY 2020	1HY FY 2019
Property, Plant & Equipment	201.8	185.7
Inventories	247.1	258.5
- Thereof WIP	145.7	162.2
- Thereof Adv. Payments to Suppliers	29.4	32.1
Trade Receivables	201.8	212.9
Trade Payables	81.1	79.7
Adv. Payments from Customers	140.2	142.9
Shareholders Equity in % of Total Balance Sheet	34%	40%
Net financial position	-68.0	-70.1

- Increase of Property, Plant & Equipment by 8.7%
  - Arkos fully consolidated
  - Increase in Property, Plant & Equipment due to assets under construction → Relocation project in Shenyang
- Reduction in accounts receivable by CHF 11.1 mn compared to 1HY FY 2019 respectively CHF 54.3 mn compared to FY 2019
- Solid equity ratio of 34%, below prior year period (40%) after goodwill offset from the Arkos and JSW acquisitions against equity
- Balance between advance payments from customers and work in progress plus advance payments to suppliers at CHF -34.9 mn (prior year CHF -51.4 mn)
- Slightly improved net financial position
  - Increase in cash and debt due to refinancing through a bond to (re-)finance the recent acquisitions
  - Liquidity secured: placement of bond and adequate credit lines

Capital Investments (additions to Fixed Assets)



1) Including purchase of real estate in the amount of CHF 77.0 mn
2) Including CHF 5.8 mn investments in real estate (construction of a new building of Prognost in Germany and several modifications to the factory in Winterthur)
3) Including assembly sites USA, South Korea and building expansion in Winterthur as well as early replacement of machining tools in Winterthur and globalization of IT infrastructure
4) Assets under construction for the relocation project SYCC

Cash Flow and Net Financial Position: slightly higher net financial position and (re-)financing with bond

in CHF mn	1HY FY 2020	1 HY FY 2019
Cash Initial Balance	**90.3**	**83.0**
Cash Flow from Operating Activities	76.9	19.0
Cash Flow from Investing Activities	-31.3	-15.8
Cash Flow from Financing Activities	4.6	-9.5
Currency Translation Differencies	-0.2	-2.1
Cash Position	**140.3**	**74.5**
Borrowings	-208.3	-144.6
Net Financial Position	**-68.0**	**-70.1**

- Slightly improved net financial position (net debt) of CHF -68.0 mn
  - Cash flow from operating activities increased by CHF 57.9 mn, mainly due to positive effects from changes in inventories and accounts receivables
  - Higher cash outflow from investing activities: acquisition of the compressor business of JSW
  - Dividend payment of CHF 6.00/share for FY 2019 (reported under financing activities)
  - Increased borrowings, including bond to (re-)finance acquisitions and temporary financing of SYCC relocation project

5.
Outlook

Marcel Pawlicek

Key Priorities for 2HY FY 2020

Maximize combined potential of SYCC, Arkos, JSW and proactively navigate the coronavirus crisis

- Systems Division
  - Further optimize cost level
  - Push new applications such as hydrogen in mobility and energy
  - Further push SYCC export products
  - Mitigate the negative impact from the low load in 2HY FY2020

- Services Division
  - Improve financial performance of Arkos supported by a further increase of the downstream business and the expected contribution from government support programs in the USA
  - Continue to move, localize and adjust resources adapted to the corona situation
  - Finish integration of JSW business in Japan as well as globally
  - Further establish tailor-made service and maintenance concepts

Financial guidance

	Guidance FY 2020
Sales	> CHF 650 mn
EBIT Margin	Stable
Dividend Policy	Payout ratio between 50 – 70% of net profit

Even though many countries are currently dealing with a second wave of coronavirus, we have experienced a recovery in economic activities in certain regions in recent months. On the other hand, currencies have been fluctuating significantly recently. From today's perspective, we are still expecting to achieve sales of more than CHF 650 mn for fiscal 2020, as well as profit margins around the prior-year level.

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