

BURCKHARDT COMPRESSION HOLDING AG RESULTS FIRST-HALF OF FY17

Winterthur, November 7, 2017

Content

- **About Burckhardt Compression**
- **Corporate Overview**
- **Review Systems Division**
- **Review Services Division**
- **Financials**
- **Outlook, Guidance & Growth Areas**
- **Shareholders**

ABOUT BURCKHARDT COMPRESSION

About Burckhardt Compression

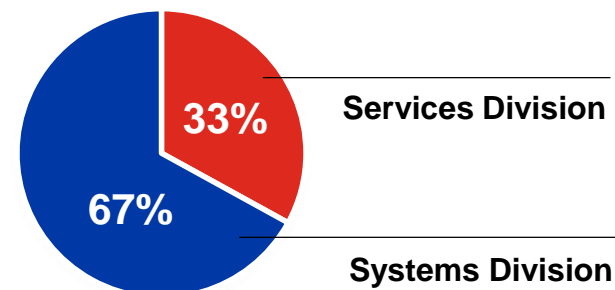
- **Burckhardt Compression is**
 - the worldwide market leader in the field of reciprocating compressor systems
 - the only manufacturer and service provider that covers a full range of reciprocating compressor technologies and services
- **Main USP: lowest life cycle costs**



About Burckhardt Compression

- **Founded** 1844
- **Division of Sulzer corp.** 1969 – 2002
- **Management buyout** 2002
- **Shareholders** Publicly listed company at SIX (BCHN) since IPO in 2006
 - Approx. 5'400 Shareholders
 - Market cap. CHF 1'029 mn (Sept. 29, 2017)
- **FTEs 1HY FY17** 2'192¹⁾ (1HY FY16: 2'071)
- **Sales 1HY FY17** CHF 287 mn (1HY FY16: CHF 270 mn)

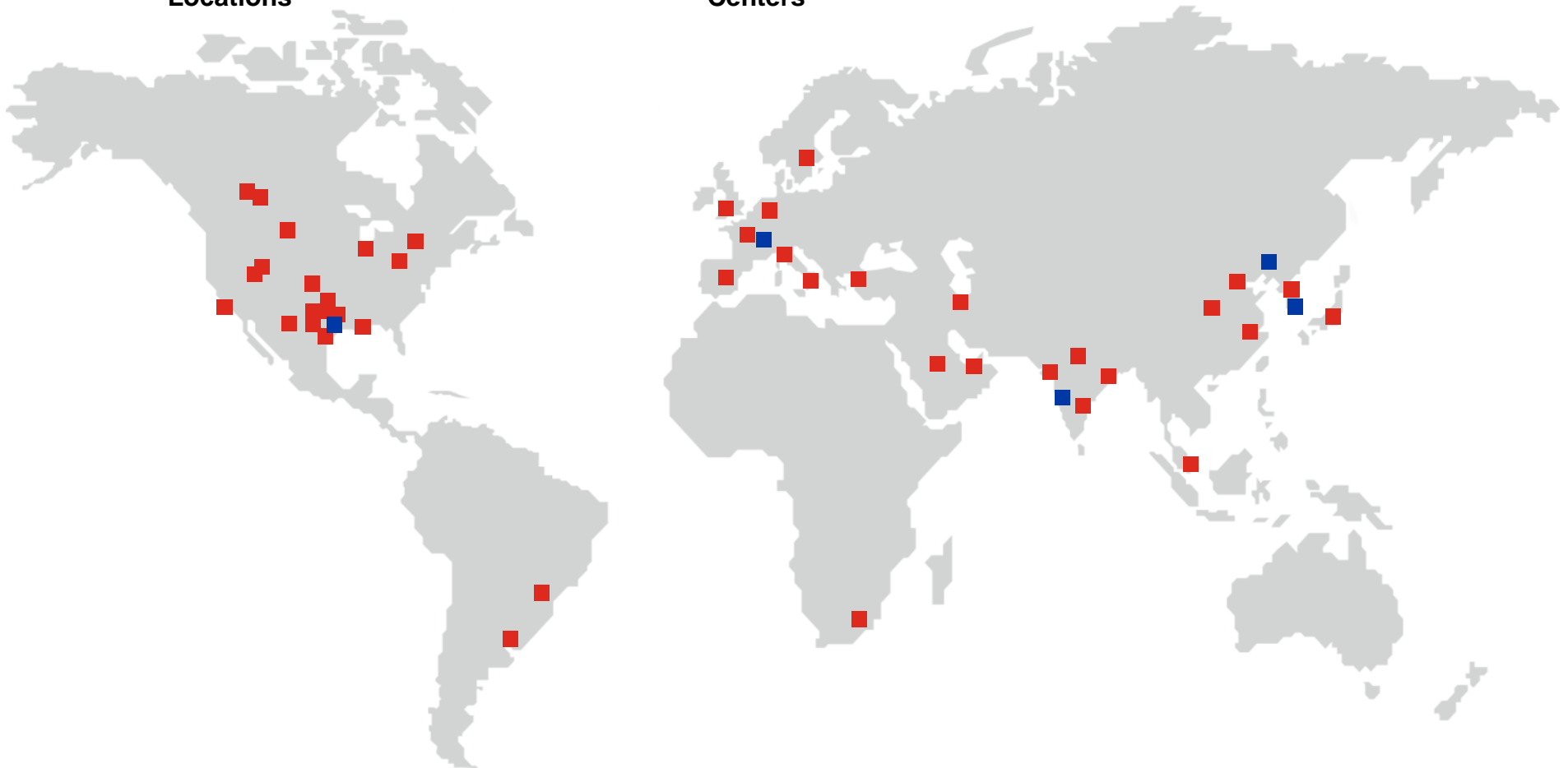
¹⁾ Incl. 43 FTEs after the acquisition of CSM Compressor Supplies & Machine Work Ltd. in Canada



About Burckhardt Compression

■ Burckhardt Compression
Manufacturing/Assembly
Locations

■ Burckhardt Compression
Subsidiaries and Service
Centers



Market Segments

**Upstream
Oil & Gas**



**Gas Transport
and Storage**



Refinery



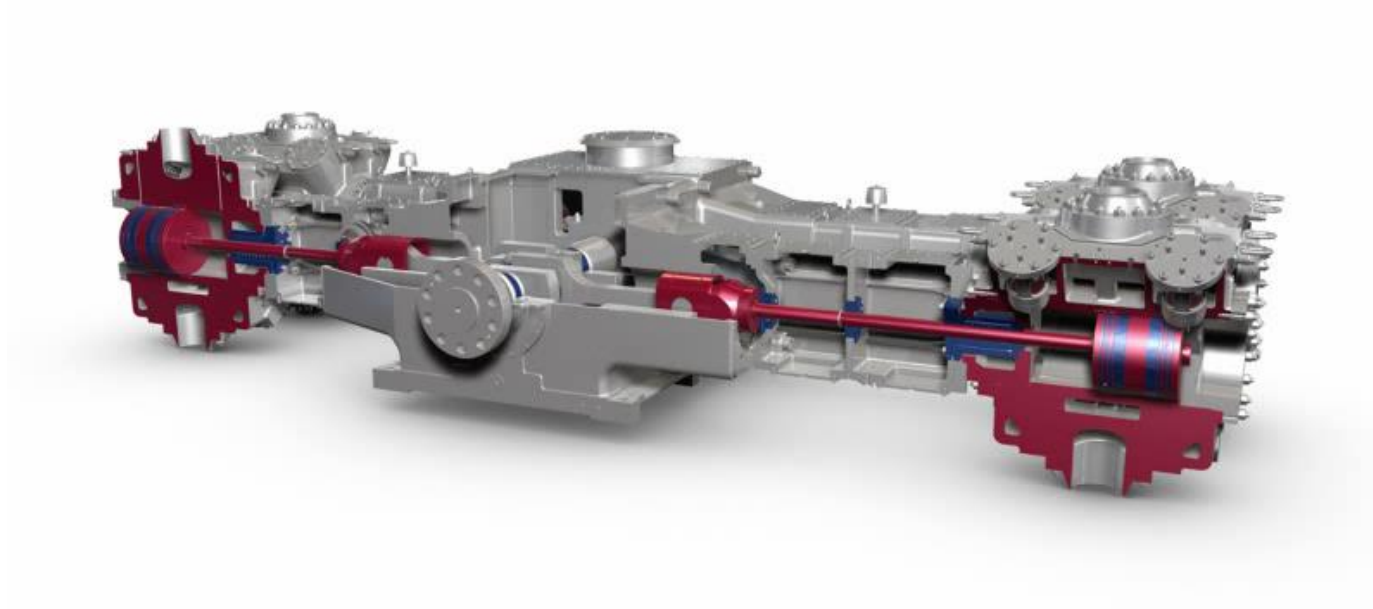
**Petro-
chemical/
Chemical
Industry**



Industrial Gas



Reciprocating Compressor (Crosshead Design)



CORPORATE OVERVIEW

Financial Summary

All Financials FY16 / FY17 in accordance with Swiss GAAP FER

	Systems Division		Services Division		Others ¹⁾		Total	
in CHF mn	1HY FY17	1HY FY16	1HY FY17	1HY FY16	1HY FY17	1HY FY16	1HY FY17	1HY FY16
Sales	192.8	186.2	94.2	83.4			287.0	269.6
Cost of goods sold	-181.4	-168.8	-50.7	-39.2			-232.1	-208.0
Gross profit	11.4	17.4	43.5	44.2			54.9	61.6
Gross profit as % sales	5.9%	9.4%	46.2%	53.0%			19.1%	22.9%
Operating income	-7.4	-3.7	22.3	21.9	-2.2	-2.2	12.8	16.0
Operating income as % sales	-3.8%	-2.0%	23.7%	26.3%			4.5%	5.9%

¹⁾ Includes corporate center and real estate company

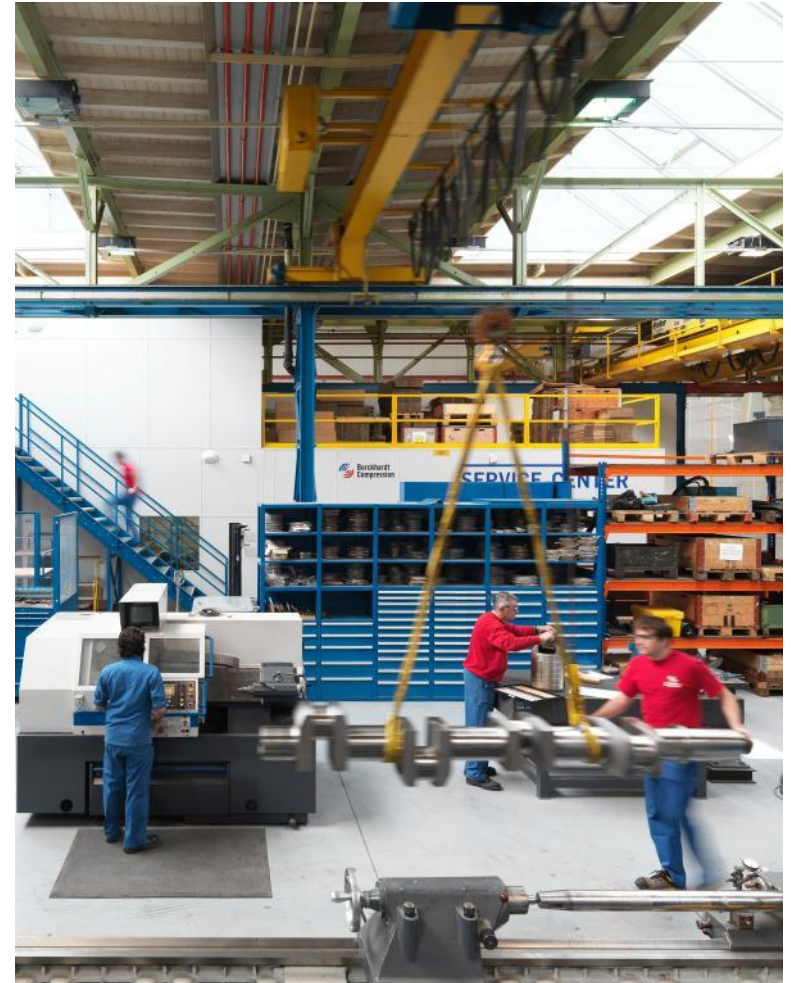
Highlights

- Received one order for a Hyper Compressor project in China
- Received first joint order for SYCC & BC compressors for a large Refinery project in China
- Received some LPGM orders with delivery in 2018 – 2020
- Further success in cost optimization efforts
- Acquisition of service provider CSM in Edmonton, Canada
- Collaboration agreement signed with Kompressorteknik ML AB, Sweden



Set Backs

- Overall financial performance as expected but at low level
- Slightly lower order intake in the Systems Division due to stronger focus on margin
- Systems business is still a buyers market
- Further reduced profitability in the Systems Division due to:
 - Different product mix
 - Unusually intense market competition
 - Underutilized production capacity
 - High one-off cost in LNGM



REVIEW SYSTEMS DIVISION

Systems Division

Financials

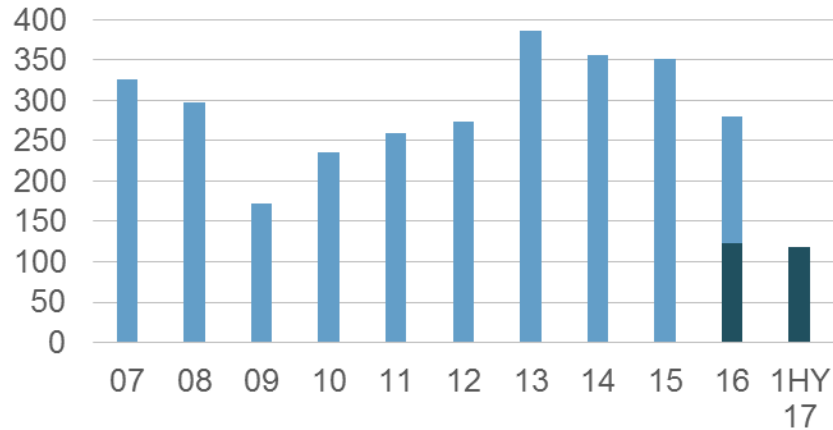
in CHF mn	1HY FY17	1HY FY16	Change 1HY FY16 / FY17
Order intake	117.7	123.6	-4.8%
Sales	192.8	186.2	+3.5%
Gross profit	11.4	17.4	-34.5%
In % of sales	5.9%	9.4%	
EBIT	-7.4	-3.7	
In % of sales	-3.8%	-2.0%	
Headcount (FTEs)	1'430	NA	

Systems Division

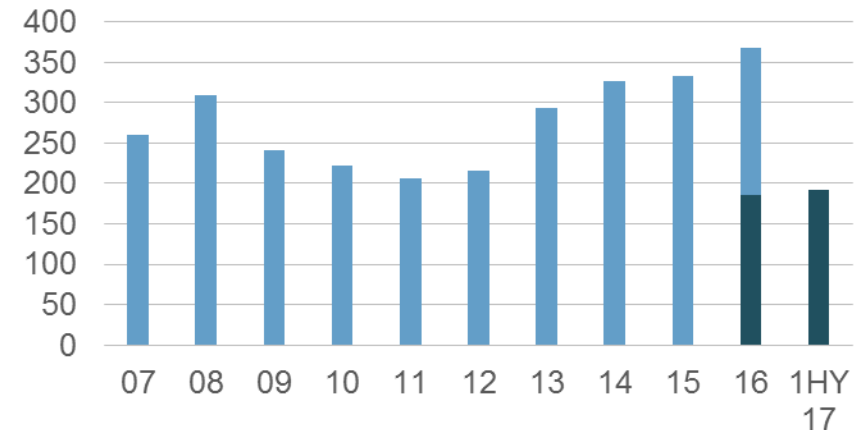
Key Figures

in CHF mn

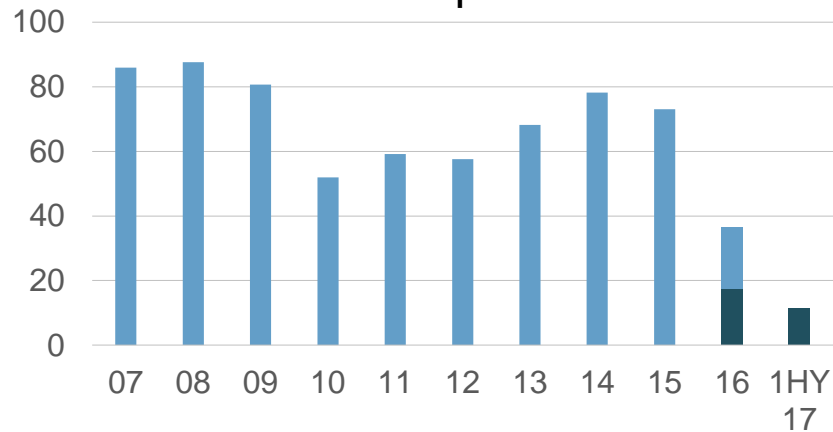
Order intake



Sales



Gross profit



EBIT



Systems Division

Global Footprint and Capacity Load

■ Burckhardt
Compression
Manufacturing /
Assembly Locations

Switzerland: Low work load; some short-time work since March 2017; Global support functions for all production sites and globalization projects (procurement, engineering, R&D)

USA: Capacity reduced to minimum level → slow recovery of systems business expected

India: Sufficient work load from local market → increasing volume for intercompany products; Global Support Center for engineering, contracting and IT

China SYCC: Good load from local market. Spare capacity in foundry → increasing workload as intercompany parts- and components supply increases

South Korea: Good workload from order backlog in LNGM

Systems Division

Profitability Improvement Program

1/2

- **Defend short-term results**

- More aggressive upselling adjusted to the competitive market environment
- Adapt resource level to the business volume
- Focus on project execution and stop non-urgent spending
- Minimum margins increased for tenders, especially in the Refinery business

- **Improve mid-term competitiveness**

- Global Procurement / Supply Chain
- Leverage our global network: India, China, Korea
- Standardize products and processes

- **Capture growth opportunities**

- Decentralize sales force
- Develop solutions for new applications
- Further standardize compressors for the highly competitive Refinery business

Systems Division


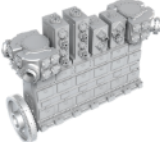

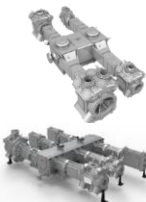

Profitability Improvement Program

2/2

- **Highlights in 1HY FY17:**
 - **Global support center in Pune, India, inaugurated**
 - 40 FTEs to support engineering, contracting and IT worldwide
 - **First frame for a BC process gas compressor cast at Shenyang Yuanda Compressor's foundry**
 - **Substantial savings on process gas compressor identified in value engineering workshops**
 - **Increased order intake gross margins, especially in Refinery business**

Systems Division

Products and Market Strategy

		← Keep #1 market position →			← Increase market share →	
Market	Products				 BC SYCC	
		Laby® Compressors	Laby®-GI Compressors	Hyper Compressor	Process Gas Compressors API 618	Standard High Pressure Compressors
Upstream oil & gas		●	●		●	●
Gas transport and storage		●	●		●	●
Refinery					●	
Petrochemical/ Chemical industry		●		●	●	
Industrial gases		●			●	●

Systems Division

Upstream Oil & Gas

Market drivers

- Future crude oil and natural gas price development
 - Keep flexibility with offshore applications
 - Shale gas activities
 - Aging oil fields with declining production
 - Drilling of oil and gas is getting more demanding
-

Highlights 1HY FY17

- SYCC received one order in China
-

Expected market development

- Further development of the onshore business since production costs have been significantly reduced
 - Once production costs will be further reduced:
 - Development of not easy reachable oil and gas fields
 - Growing enhanced oil recovery
-

Systems Division

Gas Transport and Storage

Market drivers

- Long-term increasing demand for gas as a substitute for oil and coal
 - Importance of natural gas as a clean and inexpensive source of energy
 - Gas is found in areas where it is not used
 - Move from stationary onshore to flexible offshore activities (FSRU)
-

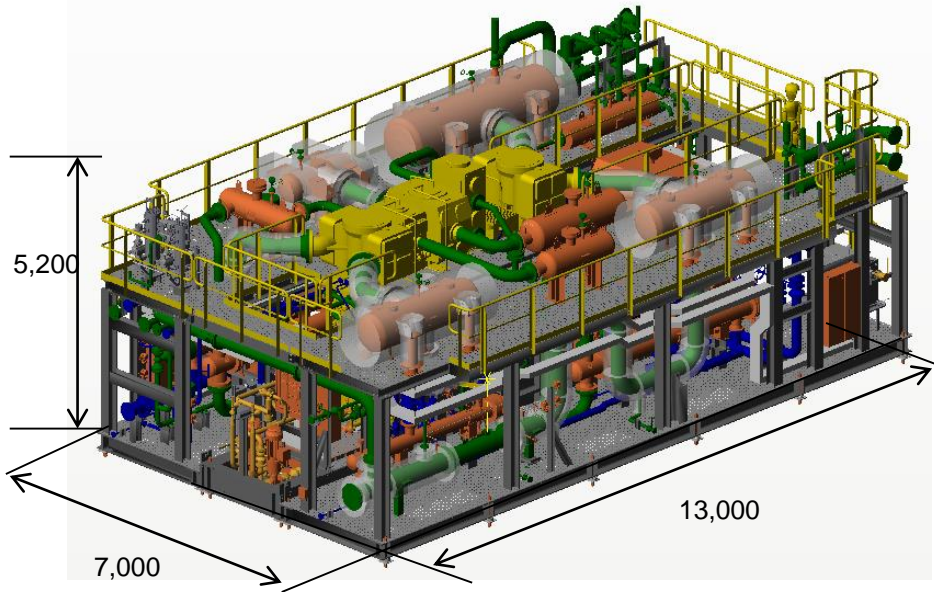
Highlights 1HY FY17

- Some orders received for LPGM
 - Further orders for LNGM fuel gas
 - Order received for an LNG receiving terminal in China
-

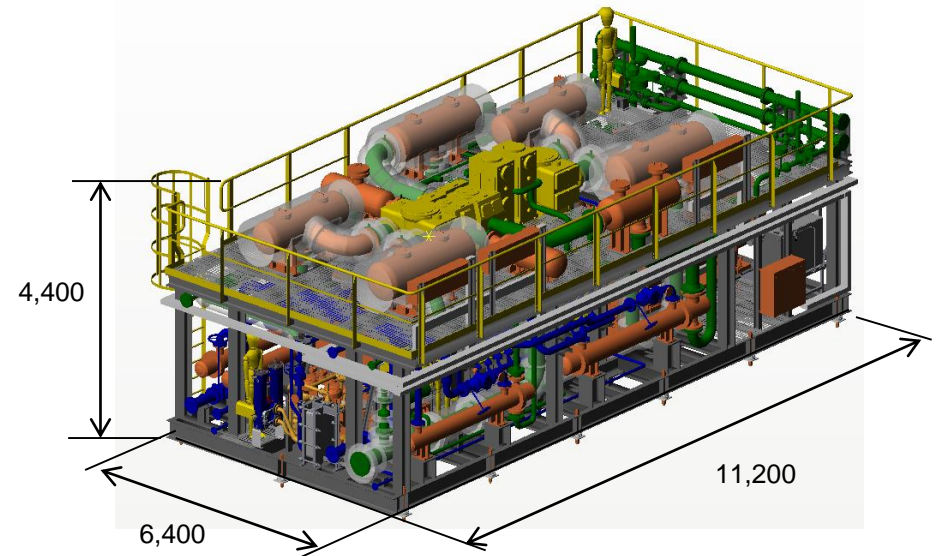
Expected market development

- Reduced demand for LNGM in 2017 → recovery not before second half of 2018
 - LPGM business continues on a low level
 - Positive development for LNG receiving terminals
-

Laby[®]-GI – Fuel Gas Supply System (FGSS)



Compressor	5LP250-5B_1
Total weight	160 tons
Dimensions	13.0x7.0x5.2m



Compressor	6LP190-5C_1
Total weight	112 tons
Dimensions	11.2x6.4x4.4 m

LNG Tanker «Creole Spirit»



Systems Division

Refinery

Market drivers

- Growing demand for clean fuels due to environmental regulations
 - Flexibility to process different crude oil qualities
 - Modernization of old infrastructure
 - Strategic importance of refining capacity for independent supply
 - Oil producing countries capturing a greater share of value creation across the process chain
-

Highlights 1HY FY17

- Orders from China and India
 - First joint project SYCC & BC in China
-

Expected market development

- Continuation of current high market level worldwide
 - Growing demand for refined products in emerging countries
 - Investments to process different crude oil qualities
-

Systems Division

Petrochemical / Chemical Industry

Market drivers

- GDP growth for polyolefin products in emerging countries
 - Shift of production to countries with low feed stock price (oil and/or natural gas)
 - Shift from commodity to specialty products
-

Highlights 1HY FY17

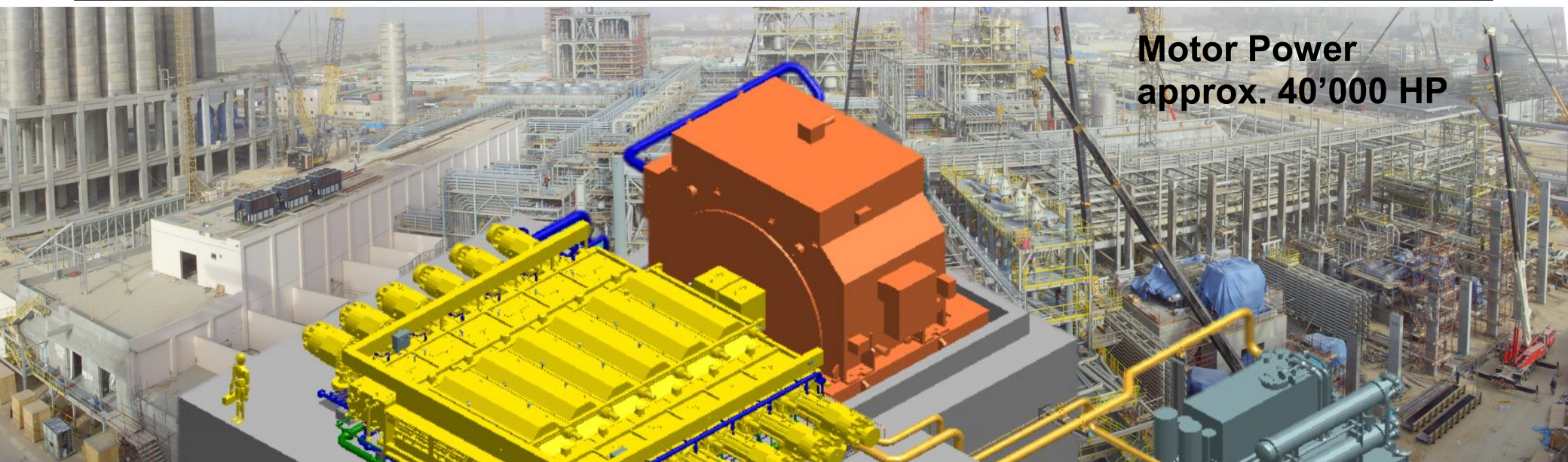
- Several orders for polypropylene, polyethylene and EPDM plants: China (including SYCC), Nigeria, Russia and USA
 - Received one order for a Hyper Compressor project in China
-

Expected market development

- Further LDPE projects (high pressure) under discussion (especially in China)
 - Continuous growing polyolefin demand in emerging countries
-

Secondary Compressor Type **K12**

Worlds Largest Piston-Compressor



**Motor Power
approx. 40'000 HP**

- **Worlds largest LDPE line**
- **PE production 400'000 tons per year**
- **Possibility, to produce 30 different products**
- **High pressure design for tubular reactor >3'000 bar**

Systems Division

Industrial Gases

Market drivers

- Growing population and industrialization in emerging countries
- Sustainable demand for industrial gases in food, paper, chemical, agriculture, mining, construction and health care industry
- De-carbonization initiatives replacing hydrocarbons by hydrogen

Highlights 1HY FY17

- Various orders received from China (SYCC) and India

Expected market development

- Increasing market activities in all areas in line with GDP growth
- Further potential for O₂, H₂, CO, CO₂ and high pressure O₂ and Air
- Further potential for hydrogen in mobility applications

REVIEW SERVICES DIVISION

Services Division

Financials

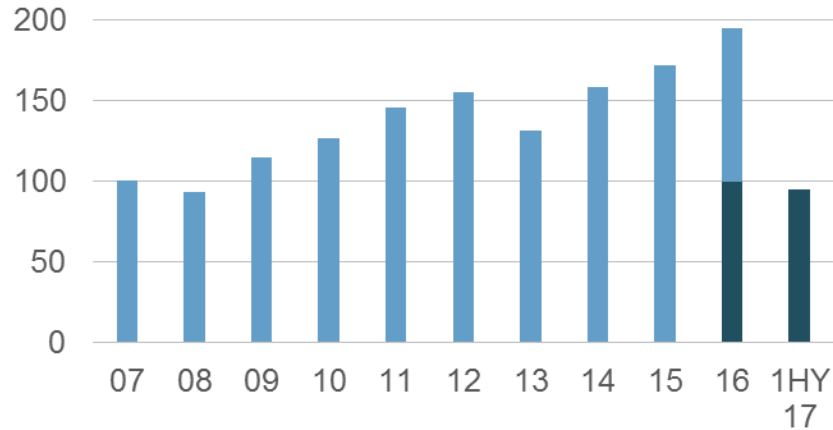
in CHF mn	1HY FY17	1HY FY16	Change 1HY FY16 / FY17
Order intake	94.9	99.2	-4.3%
Sales	94.2	83.4	+13.0%
Gross profit	43.5	44.2	-1.6%
In % of sales	46.2%	53.0%	
EBIT	22.3	21.9	+1.8%
In % of sales	23.7%	26.3%	
Headcount (FTEs)	750	NA	

Services Division

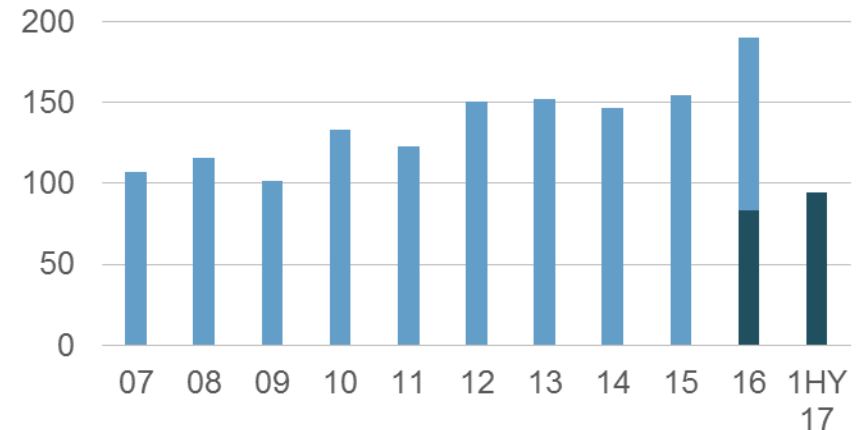
Key Figures

in CHF mn

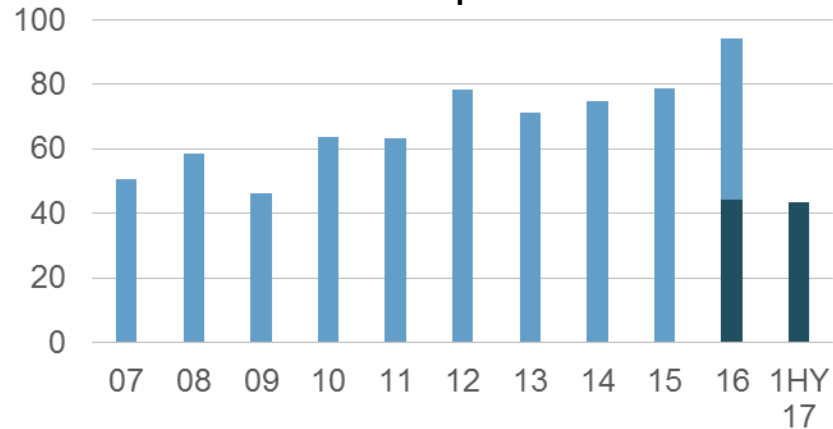
Order intake



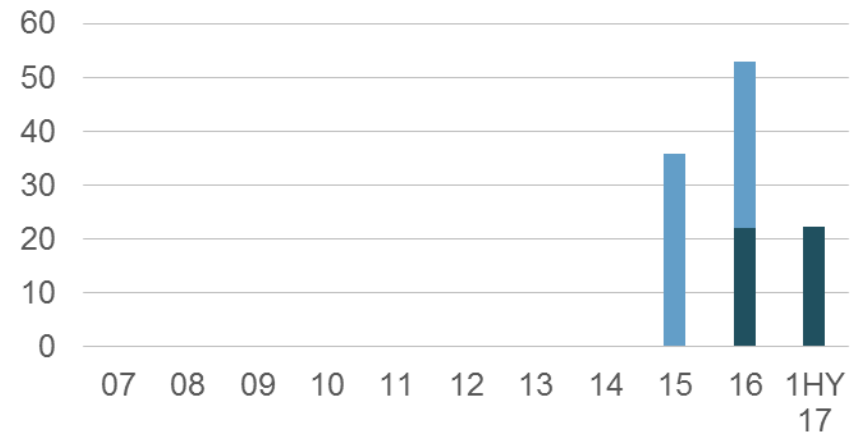
Sales



Gross profit



EBIT



Services Division

Business Overview

Market drivers

- High worldwide population of reciprocating compressors (~75'000 units)
 - Increasing BC & SYCC compressor population
 - Tendency to increasing mean time between overhaul (MTBO) and reduction of operating costs
 - Age of some production plants → safety aspects
-

Highlights 1HY FY17

- High activities in field service and engineering
 - Further service contracts for Laby[®]-GIs
 - Acquisition of CSM in Canada and cooperation with Kompressortechnik ML AB
 - Opening of service center in Argentina
-

Expected market development

- Growing demand for high quality services and components to increase MTBO
 - Safety issues in aging plants call for new investments
-

FINANCIALS

Order Intake

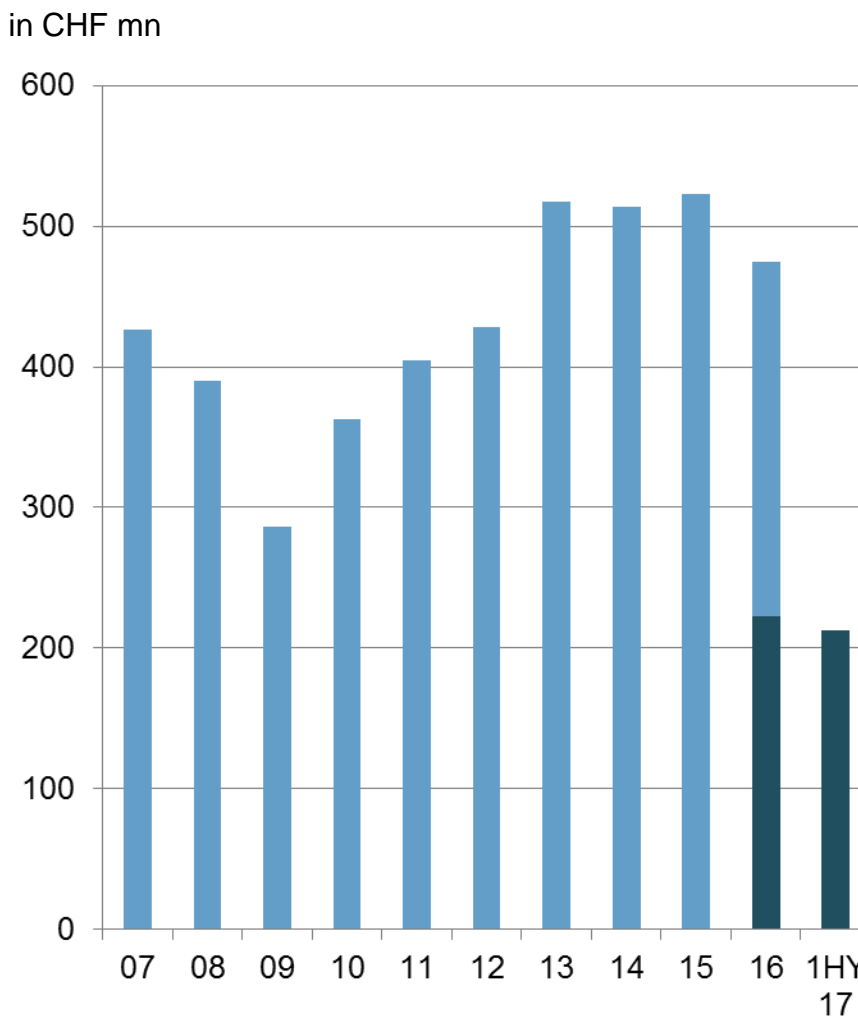
- **Decrease of order intake by 4.5% to CHF 212.6 mn**

- **Systems Division**

- -4.8% to CHF 117.7 mn
- Orders from Petrochemical, Refinery and Gas Transport and Storage

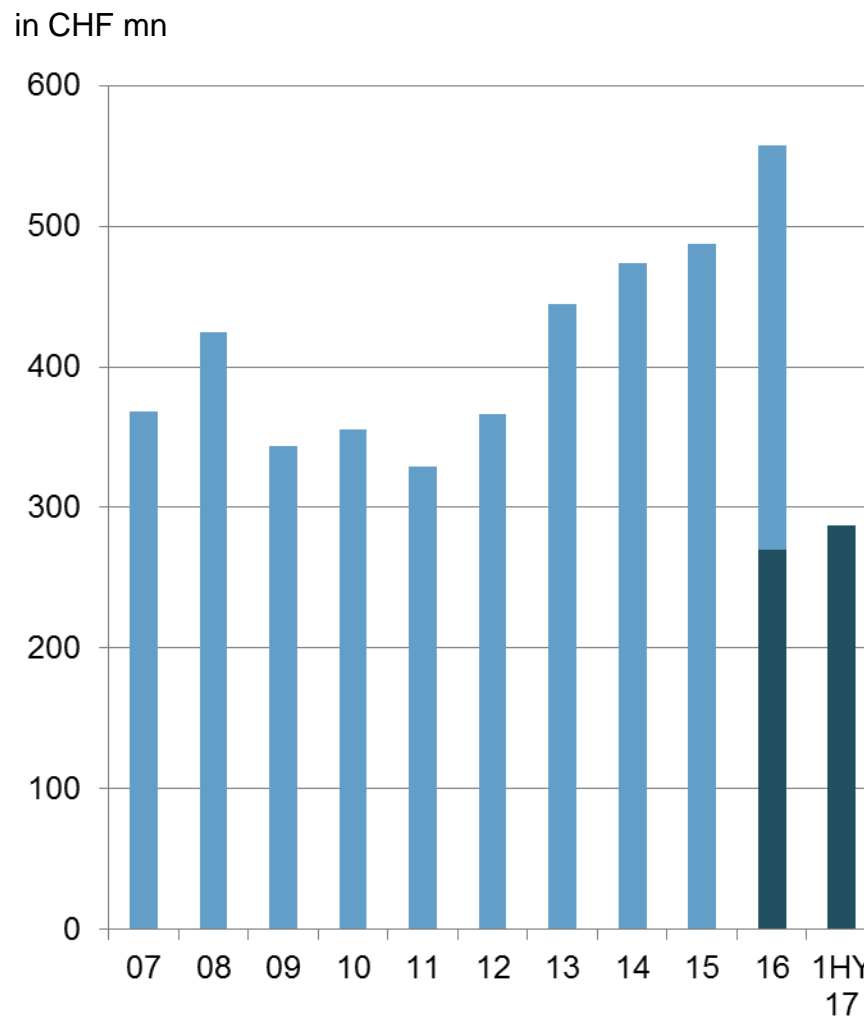
- **Services Division**

- -4.3% to CHF 94.9 mn
- Spare parts orders below the very high prior year period
- 15% from OBC business
- Mostly small orders



Sales

- **Total sales increase by 6.5% to CHF 287.0 mn**
- **Systems Division**
 - **+3.5% to CHF 192.8 mn**
 - **Including the delivery of some projects moved from FY FY16 into FY 2017**
- **Services Division**
 - **+13.0% to CHF 94.2 mn**
 - **Growth in all areas**
 - **High volume in engineering, revamp and repair**



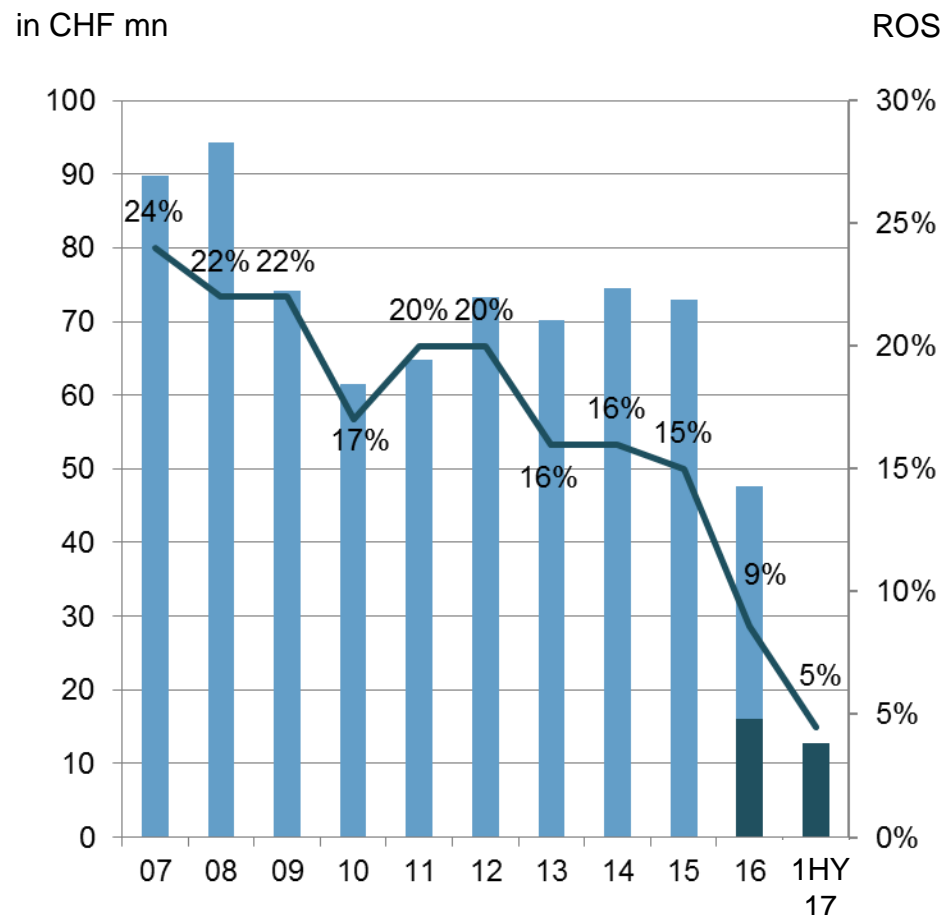
Sales and Gross Margin by Division

In CHF mn		FY15		FY16		1HY FY16		1 HY FY17	
Systems Division	GSP GP	332.4 73.0	22.0%	367.2 36.5	9.9%	186.2 17.4	9.4%	192.8 11.4	5.9%
Services Division	GSP GP	154.8 78.7	50.8%	190.5 94.0	49.4%	83.4 44.2	53.0%	94.2 43.5	46.2%
Total	GSP GP	487.2 151.7	31.1%	557.7 130.5	23.4%	269.6 61.6	22.9%	287.0 54.9	19.1%

- **Lower gross margin in Services Division due to less content of spare parts compared to past FY and a low margin turnkey project**
- **Gross margin in Systems Division 3.5 percentage points below prior year period**
 - Different product mix (almost no LPGM projects invoiced in 1HY FY17)
 - Unusually intense market competition
 - Underutilized production capacity
 - High one-off cost in LNGM

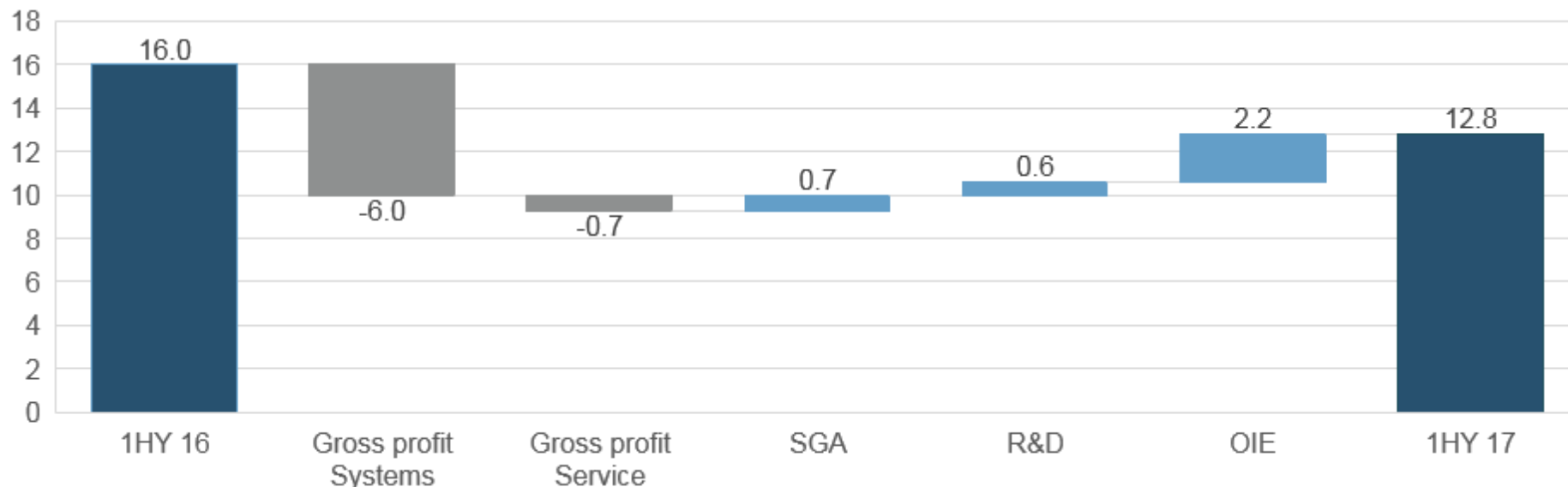
SGA and EBIT

- **SGA amounting to 14.2% of sales (prior year period: 15.4%)**
 - Total SGA CHF 40.8 mn (prior year period: CHF 41.5 mn)
 - Including new division structure (not in place in 1HY 16)
- **EBIT CHF 12.8 mn or 20.3% below prior year period**
 - ROS of 4.5% (prior year period: 5.9%)
 - CHF 6.0 mn less gross profit from Systems Division



EBIT Development 1HY FY16 to 1HY FY17

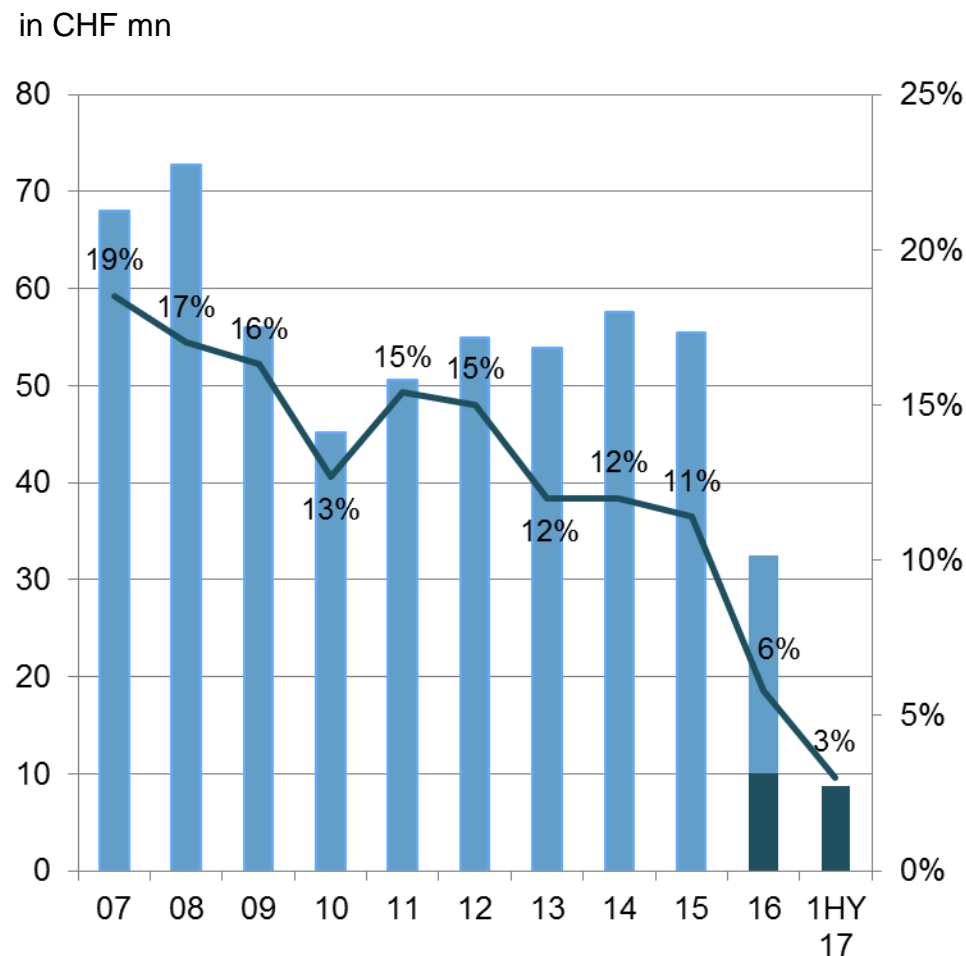
in CHF mn



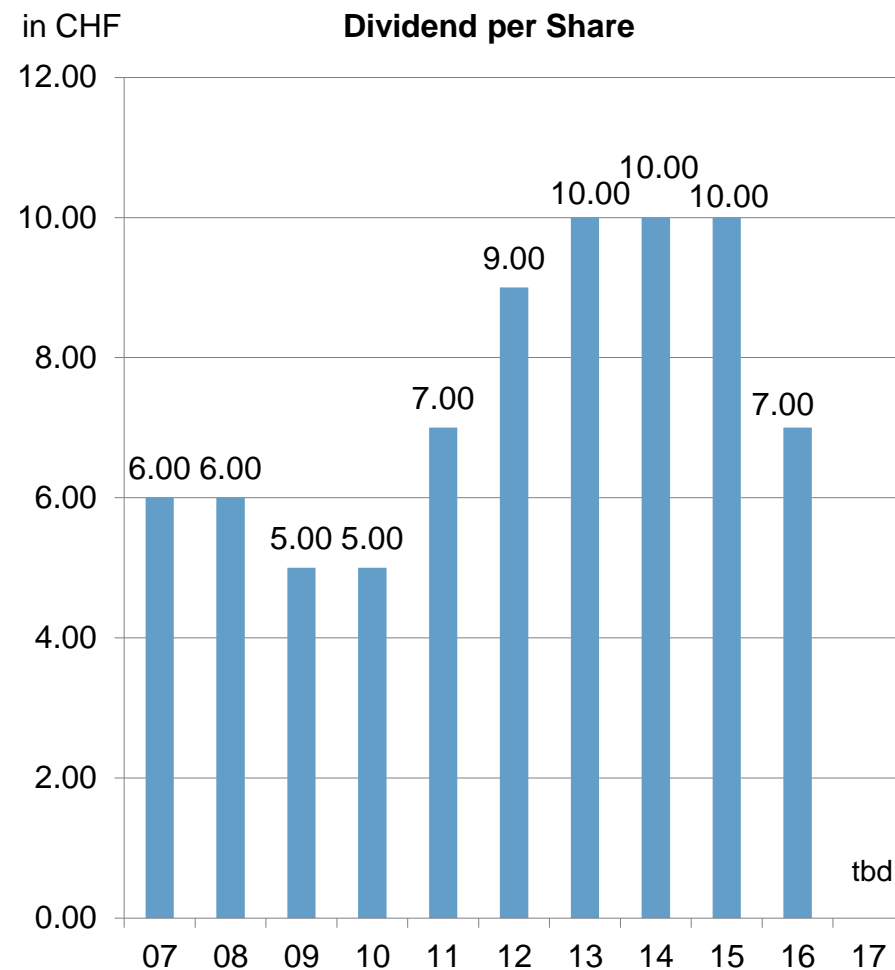
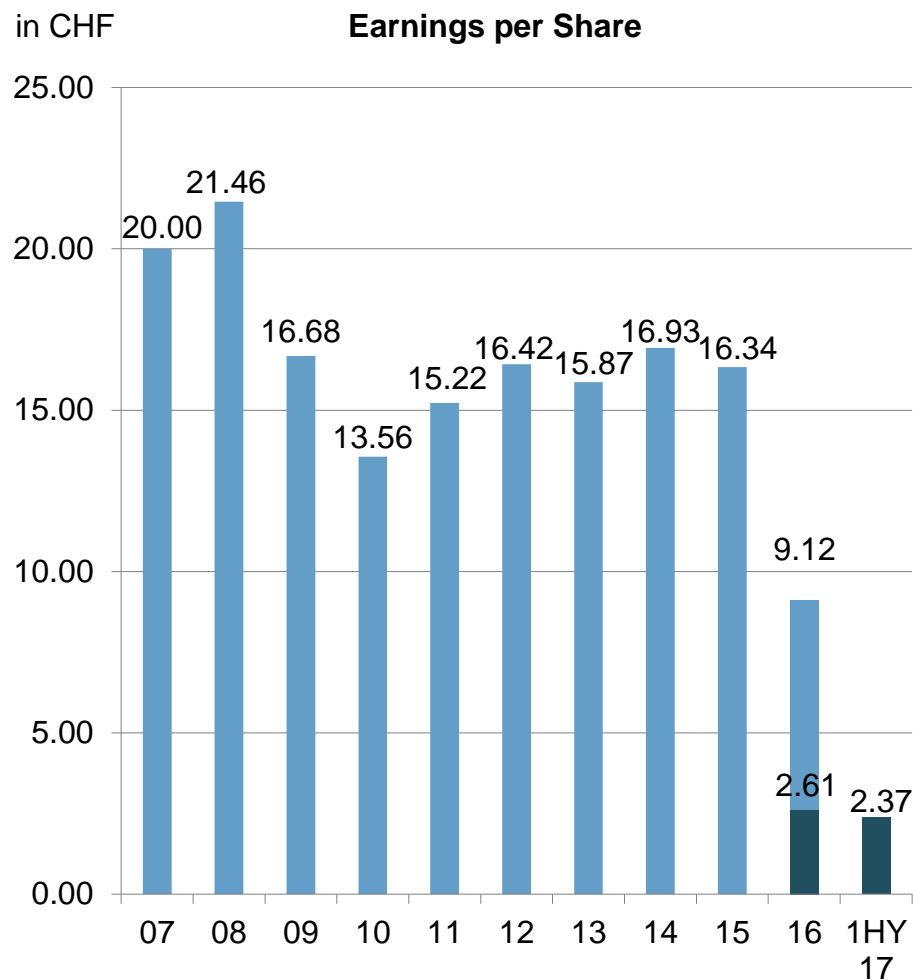
- Major impact from gross profit Systems Division
- Further reduction of SGA in spite of new divisional structure
- OIE largely reflects exchange-rate fluctuations

Net Income

- **Net income CHF 8.7 mn or 12.7% below prior year period**
 - CHF -0.4 mn share of results of Arkos Field Services (40% ownership)
 - Interest expense CHF -0.8 mn (prior year period CHF -1.5 mn)
- **Tax rate of 24.7% (prior year period 27.6%)**
 - Last year included tax charges from prior year periods



Earnings and Dividend per Share



Balance Sheet Positions

- Balance sheet total declined by CHF 61.5 mn or 7.6% compared to FY16
 - Lower WIP in line with lower order intake
 - Reduction accounts receivables resulting from collection of overdue receivables
- Moderate increase of equity ratio by 2 percentage points mainly due to lower balance sheet total
- Balance adv. payments from customers to WIP and adv. payments to suppliers at CHF -43.3 mn (FY16 CHF -41.1 mn)

In CHF mn	FY FY16	1HY FY16	1HY FY17
Property, Plant & Equipment	200.4	202.6	198.2
Inventories	250.2	250.0	216.8
- Thereof WIP	170.5	142.1	141.0
- Thereof Adv. Payments to Suppliers	35.3	25.3	30.0
Trade Receivables	209.8	199.1	196.4
Trade Payables	60.0	54.8	53.0
Adv. Payments from Customers	164.7	163.0	127.7
Shareholders Equity in % of Total Balance Sheet (equity ratio)	39%	38%	41%

Cash Flow and Net Financial Position

- **Lower net financial position**
 - **Lower cash flow from operating activities**
 - **Dividend payment of CHF 7.00/ share for FY16 (total CHF -23.6 mn)**
 - **Cash flow from investing activities FY16 included the cash out for the acquisition of SYCC (CHF -130.0 mn)**

In CHF mn	2016	1HY FY16	1HY FY17
Cash Initial Balance	125.3	125.3	74.9
Cash Flow from Operating Activities	46.0	29.3	26.0
Cash Flow from Investing Activities	-146.8	-137.2	-10.8
Cash Flow from Financing Activities	50.9	52.3	-28.7
Currency Translation Differences	-0.4	0.1	0.1
Cash Position	74.9	69.8	61.5
Borrowings	-142.1	-137.8	-137.0
Net Financial Position	-67.2	-68.0	-75.5

Shenyang Yuanda Compressor Co. (SYCC)

Results 1HY FY17

- **SYCC “Operation”:**
 - Still solid sales performance despite challenging market environment in China
 - YTD EBIT and EBIT margin at expected level
 - Gross profit under pressure due to increasing commodity prices in China
- **SYCC „Depreciation“:**
 - Inventory step-up (WIP); significant part of future gross profit included on the initial balance sheet (purchase price allocation)
 - Depreciation ending April 2018

In mn CHF	1HY FY17 SYCC „OPERATION“	1HY FY17 SYCC „DEPRECIATION“	1HY FY17 SYCC TOTAL
Sales	49.4		49.4
Gross Profit	9.1	-2.7	6.4
in % of Sales	18.4%		12.9%
EBIT	5.0	-2.7	2.3
in % of Sales	10.2%		4.7%
Net Income	3.9	-2.3	1.6
in % of Sales	7.9%		3.2%

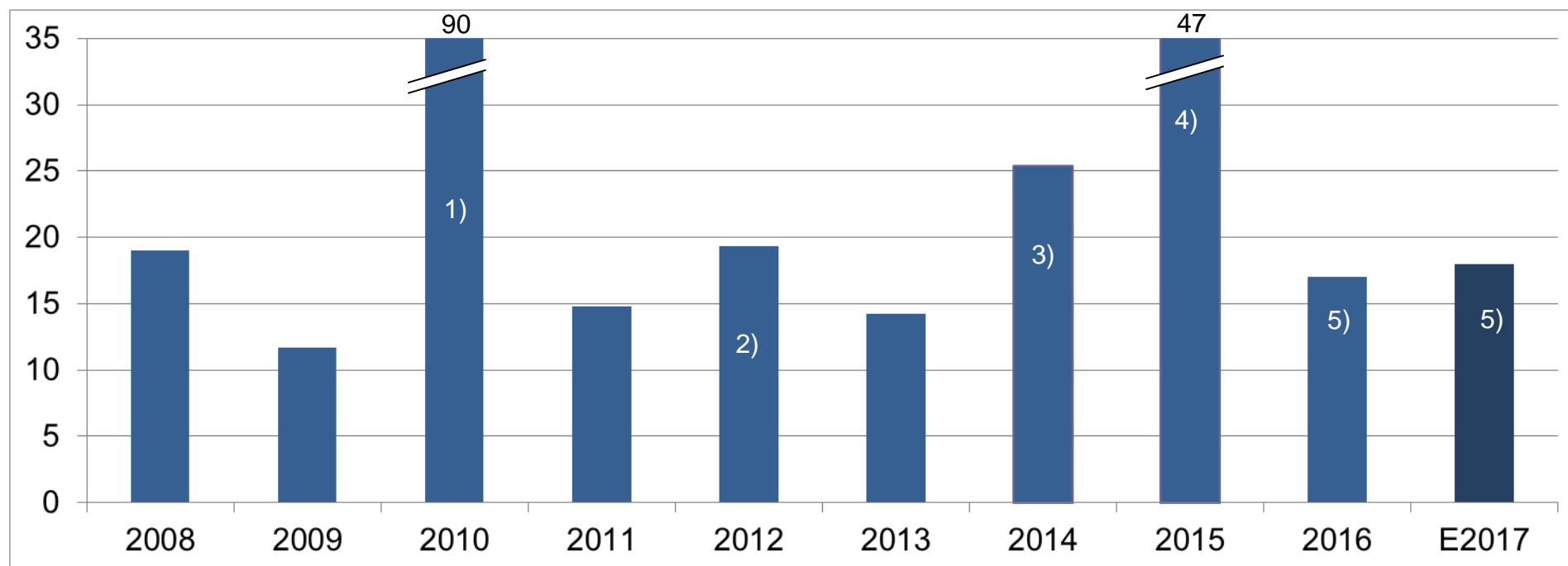
Arkos Field Service Results 1HY FY17

- Total net income 1HY FY17 CHF -1.1 mn. Thereof BC share in results of associates (40%): CHF -0.4 mn
- Continuous challenging business environment in the US upstream market (Arkos' original business)
- Several initiatives are underway to increase downstream business
- State-of-the-art Hyper Compressor service center inaugurated
- Cooperation with SYCC in the field of high speed machines (entire systems as well as components)



Capital Investments (Additions to fixed Assets)

in CHF mn



- 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 Acquisition of Espresso & SAMR
- 4) 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
- 5) Including regular CAPEX at SYCC

ACCOUNTING STANDARDS CHANGED TO SWISS GAAP FER

Reasons

- **Burckhardt Compression decided to switch the company's accounting standard from IFRS to Swiss GAAP FER effective April 1, 2017**
- **The following reasons led to this decision:**
 - **Increasingly complex, time consuming and extensive detailed requirements imposed by IFRS**
 - **Increasing gap between operational performance and how some topics have to be reported under IFRS**
 - **Swiss GAAP FER is an internationally recognized accounting standard**
 - Less complex and easier to follow
 - More cost effective
 - **Swiss GAAP FER meets all the needs for an international group like Burckhardt Compression and its shareholders**
 - **Burckhardt Compression's consolidated financial accounts under Swiss GAAP FER will continue the true and fair principle**

Restatement of Balance Sheet as of March 31, 2017

in CHF mn	IFRS	Swiss GAAP FER	Difference	Comments
Goodwill	85.2	-	-85.2	Goodwill from acquisitions
Capitalized development costs	2.1	-	-2.1	Formerly capitalized development costs of Prognost
Intangible assets	37.2	11.8	-25.4	Intangible assets from acquisitions
Investments in associates	15.0	14.7	-0.3	Arkos Goodwill
Deferred tax assets	9.9	6.7	-3.2	Elimination of tax impact from restatements
Other assets	777.8	777.8	-	
Total assets	927.2	811.0	-116.2	
Equity (BCHN shareholders)	311.9	280.0	-31.9	
Non-controlling interests (NCI)	45.3	37.1	-8.2	Intangible assets from acquisitions (NCI share)
Total equity	357.2	317.1	-40.1	
Equity ratio	39%	39%		
SYCC put liability	54.7	-	-54.7	SYCC put option
Retirement benefit obligations	19.3	2.1	-17.2	IAS 19 (not accounted for under Swiss GAAP FER)
Provisions	41.5	41.9	0.4	Different provisions for personnel costs
Deferred tax liabilities	21.0	16.4	-4.6	Elimination of tax impact from restatements
Other liabilities	433.5	433.5	-	
Total liabilities	570.0	493.9	-76.1	
Total equity + liabilities	927.2	811.0	-116.2	

Restatement of P&L for FY16

in CHF mn	IFRS	Swiss GAAP FER	Difference	Comments
Sales	557.7	557.7	-	
Cost of goods sold	-427.2	-427.2	-	
Gross profit	130.5	13.0.5	-	
Selling and marketing expenses	-44.8	-44.8	-	
General and administrative expenses	-32.5	-32.5	-	
Research and development expenses	-7.8	-8.8	-1.0	Formerly capitalized development costs of Prognost
Other operating income	42.6	27.2	-15.4	IAS 19 (not accounted for under Swiss GAAP FER)
Other operating expenses	-26.9	-23.9	3.0	Depreciation of intangible assets
Operating income	61.1	47.7	-13.4	
Share of result of associates	-2.6	-2.6	-	
Financial result	-5.9	-1.8	4.1	SYCC put option (CHF 4.0 mn); IAS 19 (CHF 0.1 mn)
Profit before income tax	52.6	43.3	-9.3	
Income tax expenses	-14.1	-10.8	3.3	Elimination of tax impact from restatements
Net income	38.5	32.5	-6.0	
thereof BCHN shareholders	38.0	30.9	-7.1	
thereof non-controlling interests	0.5	1.6	1.1	
Earnings per share (CHF)	11.20	9.12		
Dividend	7.00	7.00		
Payout ratio	63%	77%		

OUTLOOK, GUIDANCE & GROWTH AREAS

- **Upstream Oil & Gas**

- **Further development of the onshore business since production costs have been significantly reduced**
- **Once production costs will be further reduced:**
 - Development of not easy reachable oil and gas fields
 - Growing enhanced oil recovery

- **Gas Transport and Storage**

- **LNGM low order intake in 2017, recovery expected end of 2018, financial future of Korean shipbuilders as well as environmental regulations play an important role**
- **Overcapacity in LPGM, will stay at a low level for the next 2 to 3 years**

- **Refinery**
 - Continues to be the largest market segment overall and bears the highest potential to increase our market share (BC & SYCC compressors) → since every player builds API 618 Refinery compressors it is also the most competitive segment
- **Petrochemical / Chemical Industry**
 - Will continue to grow but competition in some areas is aggressive
 - Hyper Compressor business shows some recovery, especially in China
- **General**
 - Competitors with their products are also diversifying into other market segments in order to load their factories

Guidance

Financial Targets

	Guidance FY 2017
Order Intake	<ul style="list-style-type: none"> • No upturn in the Systems Division order intake expected until FY18 at the earliest • Continued growth in the Services Division
Sales	<ul style="list-style-type: none"> • At prior year level
Gross Margin	<ul style="list-style-type: none"> • Systems Division 8 - 10% • Services Division 45 - 50%
EBIT	<ul style="list-style-type: none"> • EBIT margin 6 - 9% • Higher EBIT margin expected from FY 2018 on
Dividend Policy	<ul style="list-style-type: none"> • Payout ratio between 50 - 70% of net profits

Growth Areas

Organic Growth

- **Systems Division**
 - Capitalize on recent geographical expansions and acquisitions
 - Refinery business
- **Services Division**
 - Grow in all business areas
 - Further selective geographical expansion

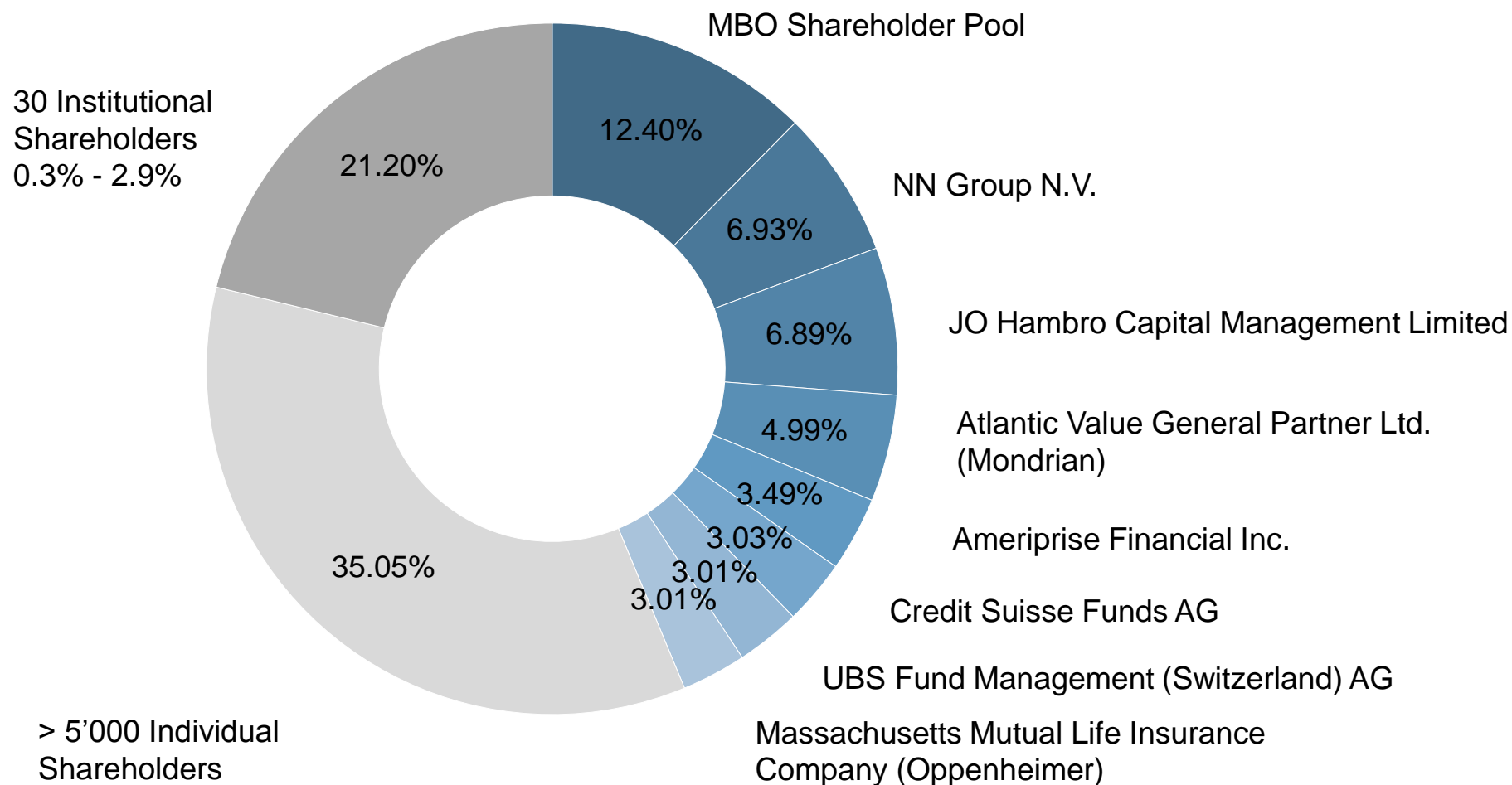


Acquisitions

- **Services Division**
 - Add-on acquisitions (focus OBC business)

SHAREHOLDERS

Burckhardt Compression Shareholder Structure



Status 30.9.2017

Performance of BCHN Share Compared to the SPI Index



2006 (IPO)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
26.6.06	30.3.07	31.3.08	31.3.09	31.3.10	31.3.11	30.3.12	30.3.13	30.9.14	30.9.15	30.9.16	29.9.17
85.00	199.50	317.00	106.00	208.00	244.20	247.50	355.30	442.50	315.00	275.25	301.50

Disclaimer

This document may contain forward-looking statements including, but not limited to, projections of financial developments, market activity, or future performance of products. These forward-looking statements are subject to change based on known or unknown risks and various other factors that could cause actual results or performance to differ materially from the statements made herein.



Burckhardt Compression

Compressors for a Lifetime™