

BURCKHARDT COMPRESSION HOLDING AG RESULTS FY 2017

Winterthur, May 29, 2018

Content

• About Burckhardt Compression	M. Pawlicek
• Corporate Overview	M. Pawlicek
• Review Systems Division	M. Pawlicek
• Review Services Division	M. Pawlicek
• Financials	R. Braendli
• Outlook, Guidance & Growth Areas	M. Pawlicek
• Shareholders	R. Braendli
• Questions & Answers	All

ABOUT BURCKHARDT COMPRESSION

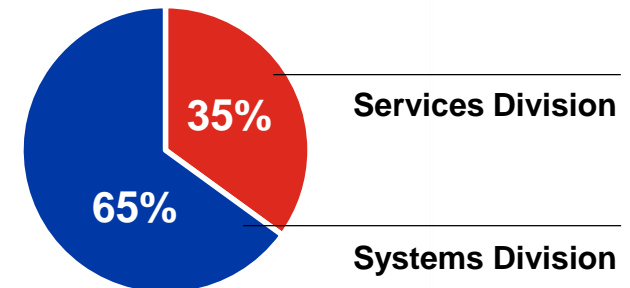
About Burckhardt Compression

Burckhardt Compression is the worldwide market leader for reciprocating compressor systems and the only manufacturer and service provider that covers a full range of reciprocating compressor technologies and services. Its customized compressor systems are used in the upstream oil & gas, gas transport and storage, refinery, chemical, petrochemical and industrial gas sectors. Burckhardt Compression's leading technology, broad portfolio of compressor components and the full range of services help customers around the world to find the optimized solution for their reciprocating compressor systems. Since 1844 its highly skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.



About Burckhardt Compression

- **Founded** 1844
- **Division of Sulzer Corporation** 1969 – 2002
- **Management buyout** 2002
- **Shareholders** Public listed company SIX (BCHN) since IPO in 2006
 - > 4'000 Shareholders
 - Market cap CHF 1.0 bn (31.3.2018)
- **Headcount (FTEs worldwide)** 2'214 (FY 2016: 2'107)
- **Sales FY 2017** CHF 595 mn (FY 2016: 558 mn)



About Burckhardt Compression



- Burckhardt Compression Manufacturing/Assembly Locations
- Burckhardt Compression Subsidiaries and Service Centers

Market Segments

**Upstream
Oil & Gas**



**Gas Transport
and Storage**



Refinery



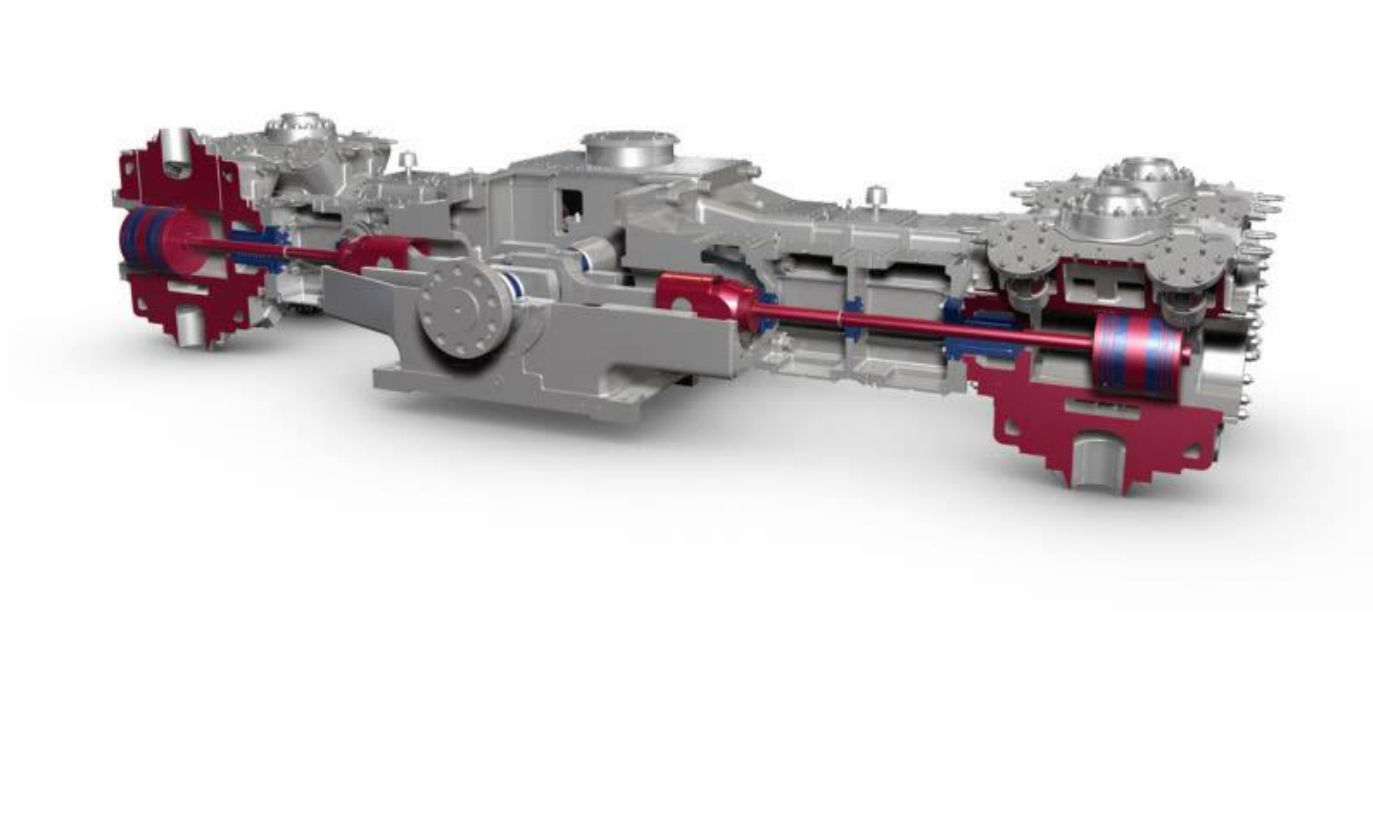
**Petro-
chemical/
Chemical
Industry**



Industrial Gas



Reciprocating Compressor (Crosshead Design)



CORPORATE OVERVIEW

Financial Summary

All Financials FY16/FY17 in accordance with Swiss GAAP FER

	Systems Division		Services Division		Other ¹⁾		Total	
in CHF mn	2017	2016	2017	2016	2017	2016	2017	2016
Sales	384.4	367.2	210.2	190.5			594.6	557.7
Cost of goods sold	-357.2	-330.8	-112.3	-96.5			-469.5	-427.2
Gross profit	27.2	36.5	97.9	94.0			125.1	130.5
Gross profit as % sales	7.1%	9.9%	46.6%	49.4%			21.0%	23.4%
Operating income	-9.0	-1.5	54.4	53.0	-3.7	-3.8	41.7	47.7
Operating income as % sales	-2.3%	-0.4%	25.9%	27.8%			7.0%	8.6%

¹⁾ Includes corporate center and real estate company

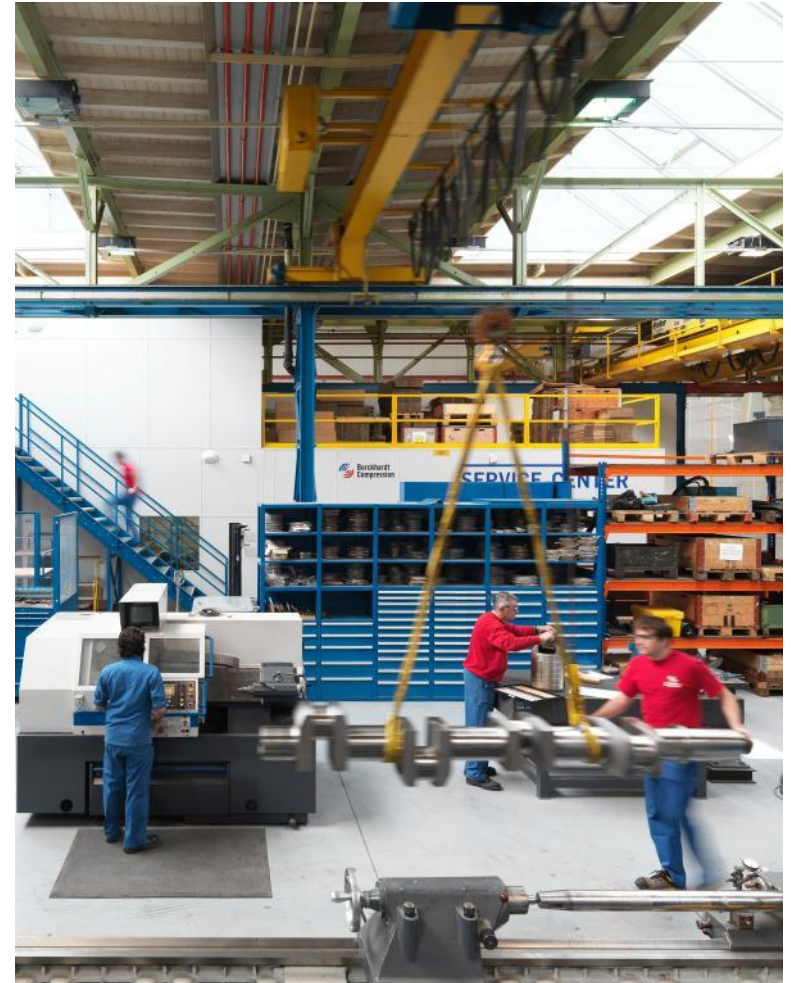
Highlights

- **Launch of the new Mid-Range Plan for FY 2018-2022**
- **Opening of the Global Support Center in Pune, India**
- **Acquisition of service provider CSM in Edmonton, Canada**
- **New service sales office in Argentina**
- **Collaboration agreement signed with Kompressorteknik ML AB, Sweden**
- **First orders for Monitoring and Diagnostics equipment for LNG tankers**
- **Received first joint order for SYCC and BC compressors in China**



Set Backs

- Further reduction of profitability in the Systems Division due to:
 - Additional cost for improvements in dual-fuel applications
 - Sharp rise in material prices, especially in China
 - Under-utilized production capacity
- Systems business is still a buyers' market
- Slower than expected recovery of US market



REVIEW SYSTEMS DIVISION

Systems Division

Financials

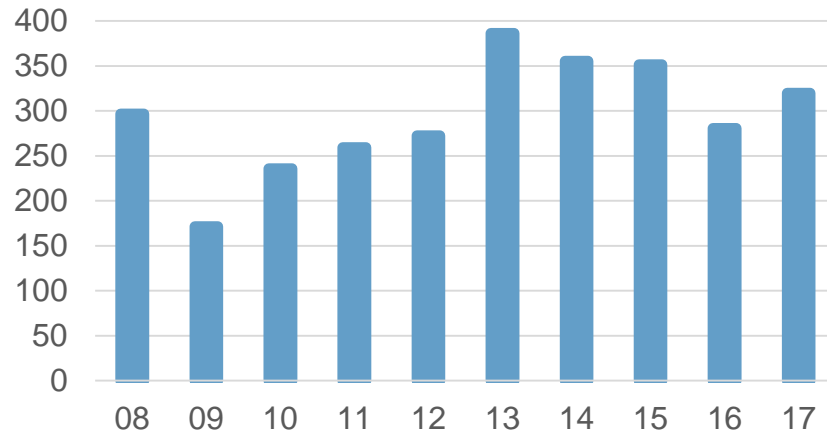
in CHF mn	2017	2016	Change 2016/2017
Order intake	319.8	280.6	+14.0%
Sales	384.4	367.2	+4.7%
Gross profit	27.2	36.5	-25.5%
In % of sales	7.1%	9.9%	
EBIT	-9.0	-1.5	
In % of sales	-2.3%	-0.4%	
Headcount (FTEs)	1'425	1'446	-1.6%

Systems Division

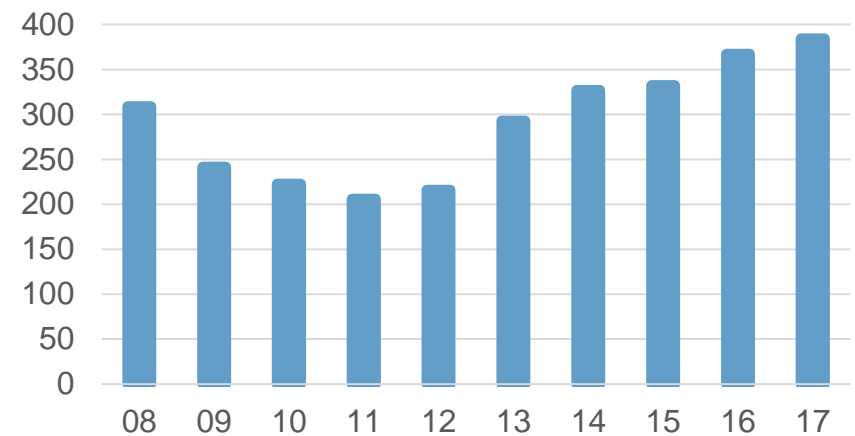
Key Figures

in CHF mn

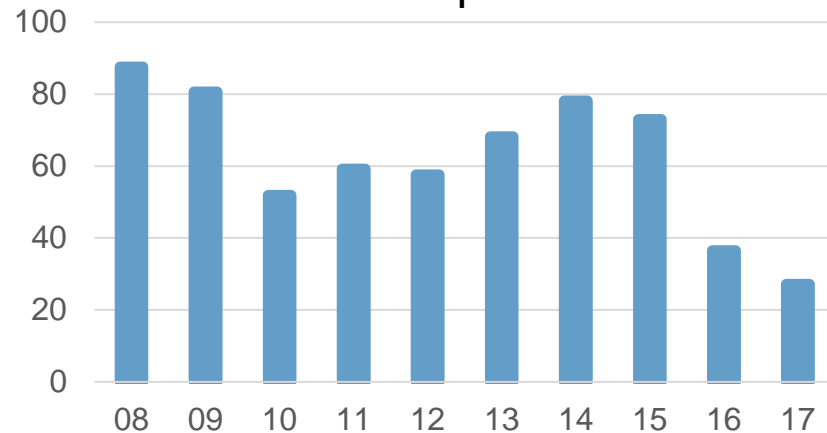
Order intake



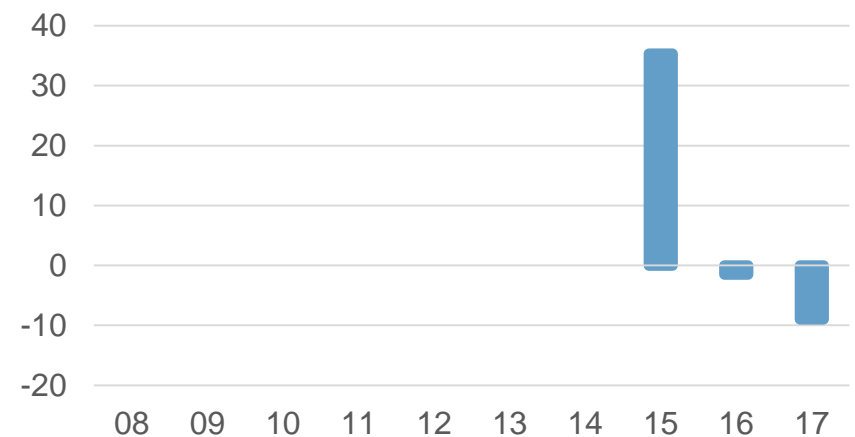
Sales



Gross profit



EBIT



Systems Division

Global Footprint and Capacity Load

■ Burckhardt
Compression
Manufacturing /
Assembly Locations

Switzerland: Low work load; short-time work in some areas 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 → additional workload as intercompany parts- and components supply increases



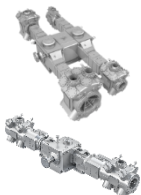
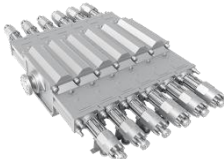


South Korea: Good workload from order backlog in LNGM

Systems Division

Profitability Improvement Program

- **Defend Short-Term Results (30 separate initiatives)**
 - 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

Our Products and Markets

Products Markets	 Laby® Compressors	 Laby®-GI Compressors	 B-Line M-Line Process Gas Compressors API 618	 Hyper Compressors	 Standard High Pressure Compressors	 Components and Service
Upstream oil & gas	●	●	●		●	●
Gas transport & storage	●	●	●		●	●
Refinery			●			●
Petrochemical / Chemical industry	●		●	●		●
Industrial gases	●		●		●	●

Systems Division

Upstream Oil & Gas

Market drivers & trends

- US political support for domestic gas production
 - Productivity improvements in Enhanced Oil Recovery
 - Changing energy mix leads to a globally increasing demand for gas
 - Oil price development
 - Growth of middle-class in emerging countries driving the need for natural gas-based products
-

Highlights FY 2017

- 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 & trends

- Changing global energy mix towards gas
 - Importance of natural gas as a clean and inexpensive source of energy
 - Feedstock for the Petrochemical industry changing to low-cost LPG/LEG (e.g. in the US)
 - Gas is found in areas where it is not used
-

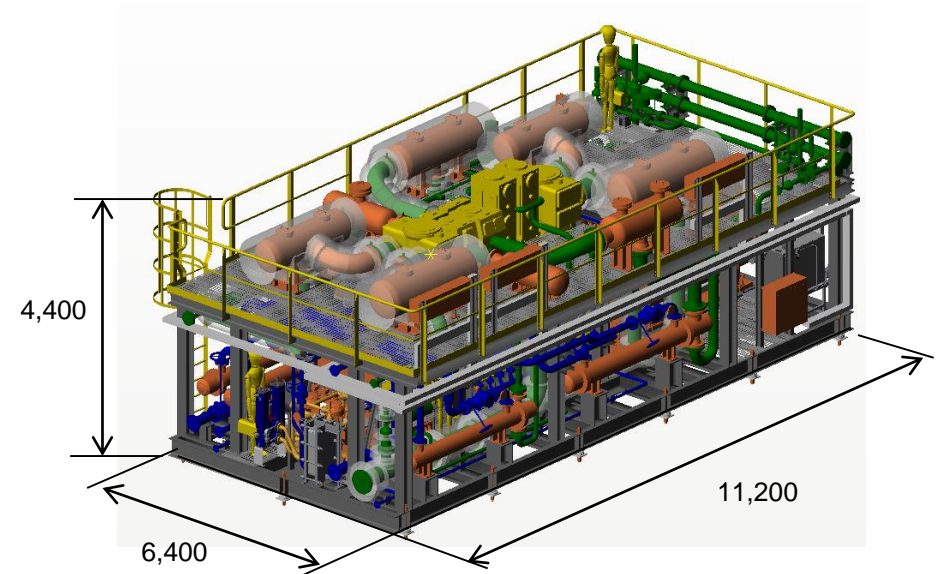
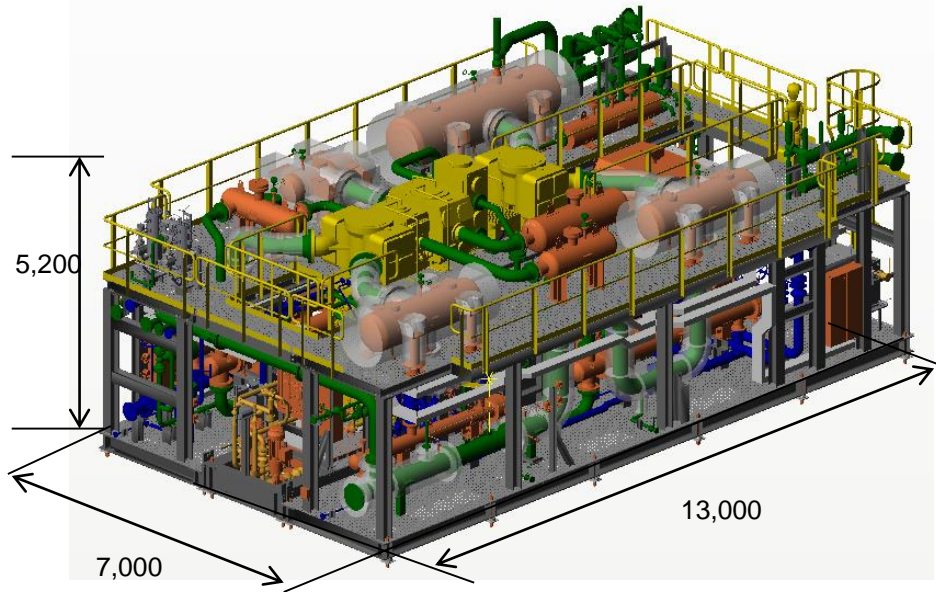
Highlights FY 2017

- Several orders received for LPG (delivery 2018-2020)
 - Orders received for LNG receiving terminals in China and Europe
 - Few orders for LNGM fuel gas
-

Expected market development

- Reduced demand for LNGM in 2017 → recovery in 2018
 - LPGM business continues on a lower level → recovery not before 2019
 - 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 & trends

- Older/less efficient technologies trigger new equipment or replacement of existing
- Growing demand for clean fuels due to environmental regulations (Euro V & VI)
- Flexibility to process different crude oil qualities
- Strategic importance of refining capacity for independent supply
- Oil producing countries capturing a greater share of value creation across the process chain

Highlights FY 2017

- Orders from Azerbaijan, China, India, Middle East, Russia and Southeast Asia

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 & trends

- Annual ~2% demand growth for plastics based on increased world population & middle class growth in India and China
- Shift of production to countries with low feed stock price (e.g. US)
- Older technologies/less efficient plants will be replaced by state-of-the-art facilities which are more profitable

Highlights FY 2017

- Several orders for polypropylene, polyethylene and EPDM plants: Canada, China, Nigeria, Russia, Thailand and USA

Expected market development

- New LDPE projects (high pressure) under discussion (in China, Middle East and USA)
- Continuous growing polyolefin demand in Emerging Countries

Systems Division

Industrial Gases

Market drivers & trends

- World population growth leads to increasing demand for industrial gases (e.g. medical, food & beverage, fertilizers (CO₂), inert gas)
- Hydrogen to be used as fuel (busses, cars, trains, fuel cell power plants)
- Pressure to reduce CO₂ leads to commercial applications for CO₂

Highlights FY 2017

- Various orders received from Canada, China, India, Japan, Nepal and Switzerland

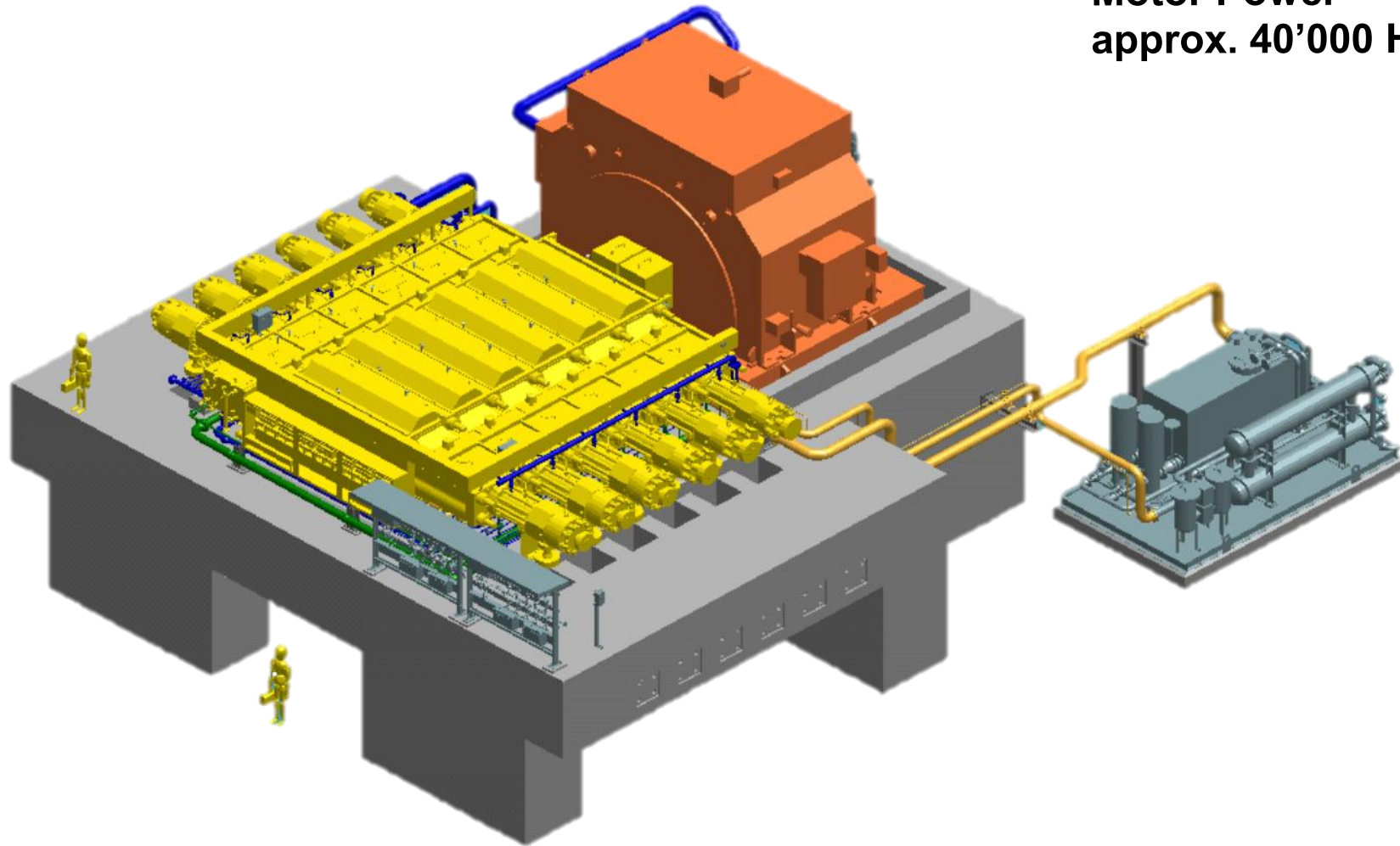
Expected market development

- 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

Secondary Compressor Type K12

Worlds Largest Piston-Compressor

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



Secondary Compressor Type K12

Worlds Largest Piston-Compressor



- **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**

REVIEW SERVICES DIVISION

Services Division

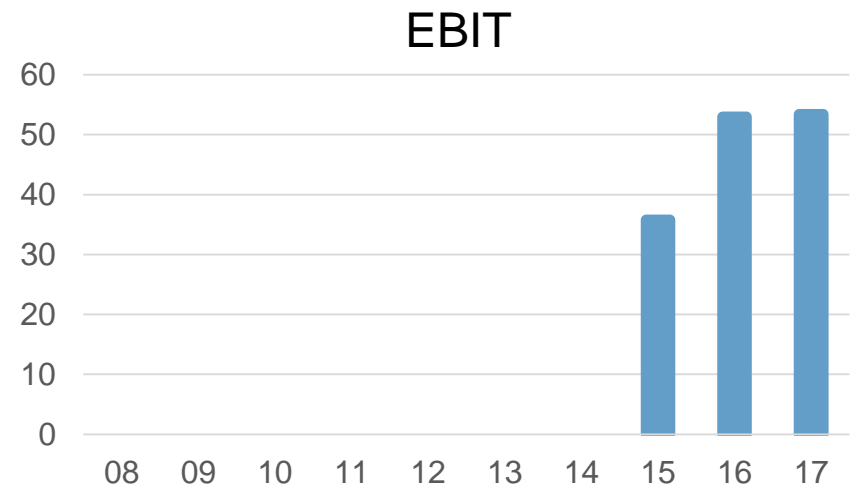
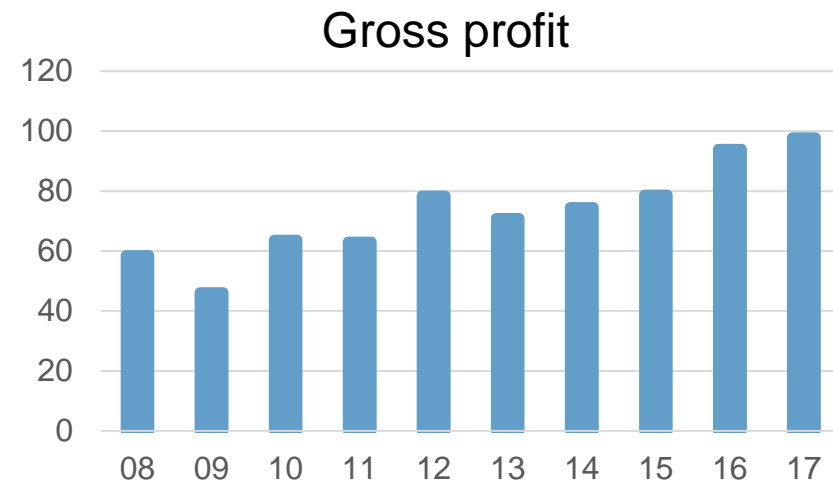
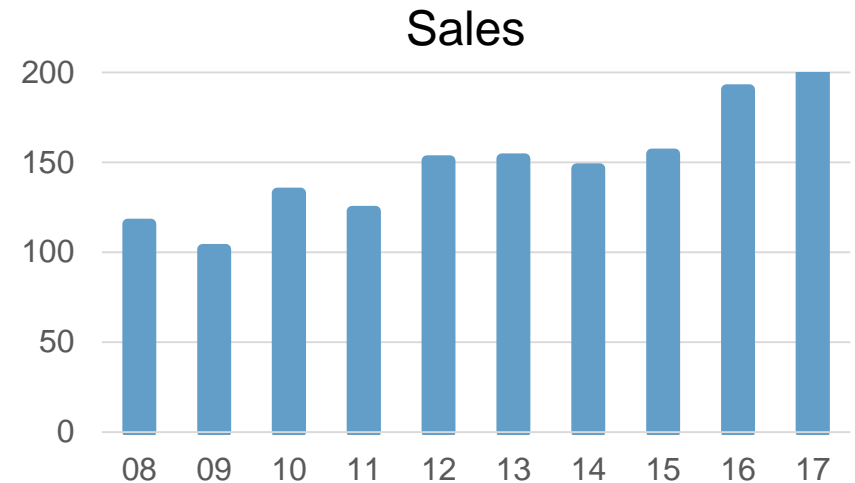
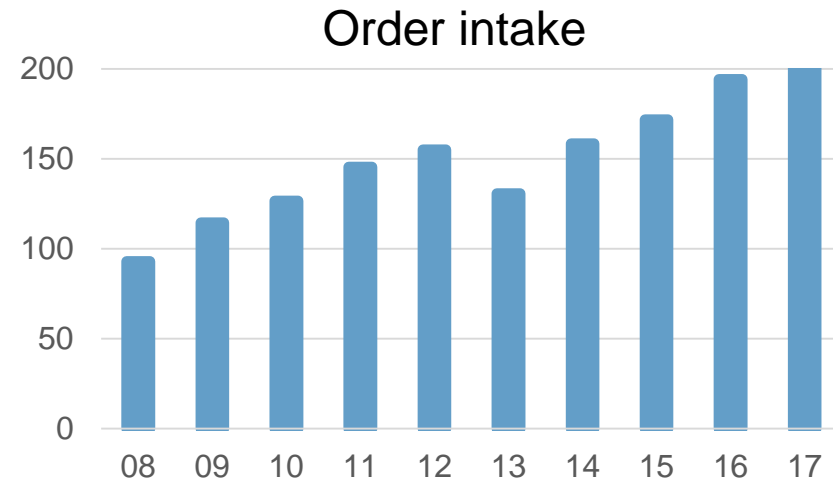
Financials

in CHF mn	2017	2016	Change 2016/2017
Order intake	205.4	194.3	+5.7%
Sales	210.2	190.5	+10.3%
Gross profit	97.9	94.0	+4.1%
In % of sales	46.6%	49.4%	
EBIT	54.4	53.0	+2.5%
In % of sales	25.9%	27.8%	
Headcount (FTEs)	778	649	+19.9%

Services Division

Key Figures

in CHF mn



Services Division

Business Overview

Market drivers & trends

- High worldwide population of reciprocating compressors (~72'000 units with a market size of about CHF 2.7 bn)
 - Increasing BC & SYCC compressor population
 - Increasing mean time between overhaul (MTBO) and reduction of operating costs
 - Age of some production plants → safety aspects
-

Highlights FY 2017

- 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 sales office in Argentina
-

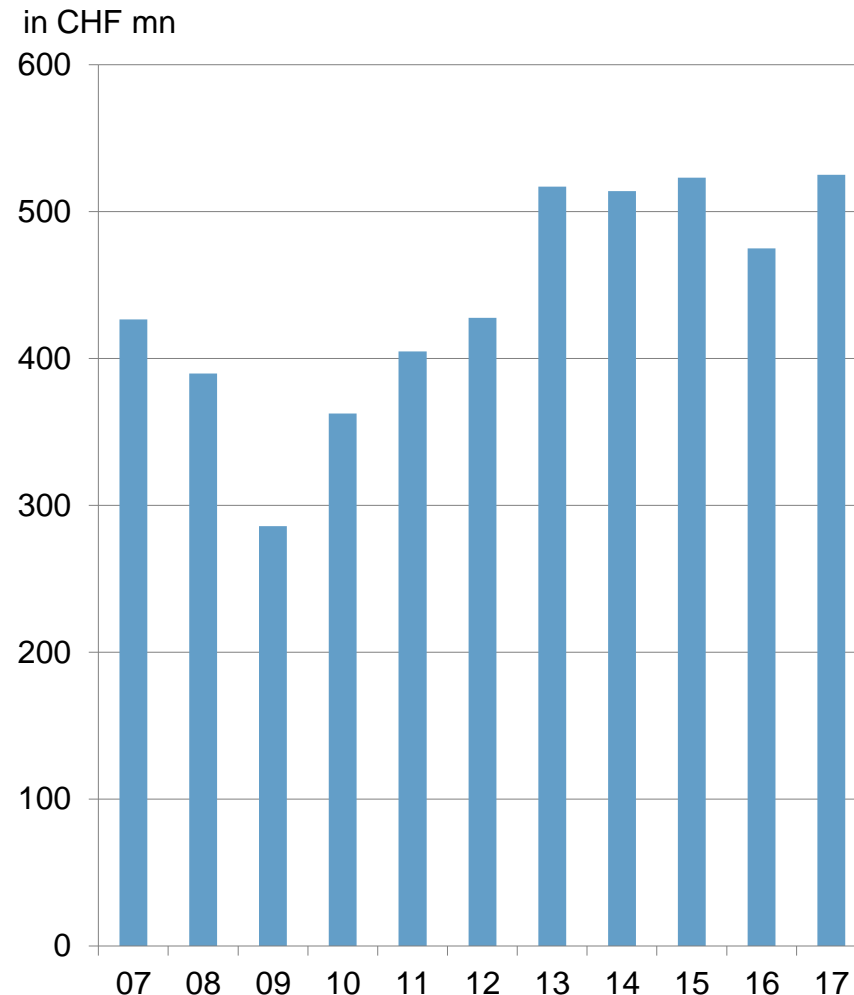
Expected market development

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

FINANCIALS

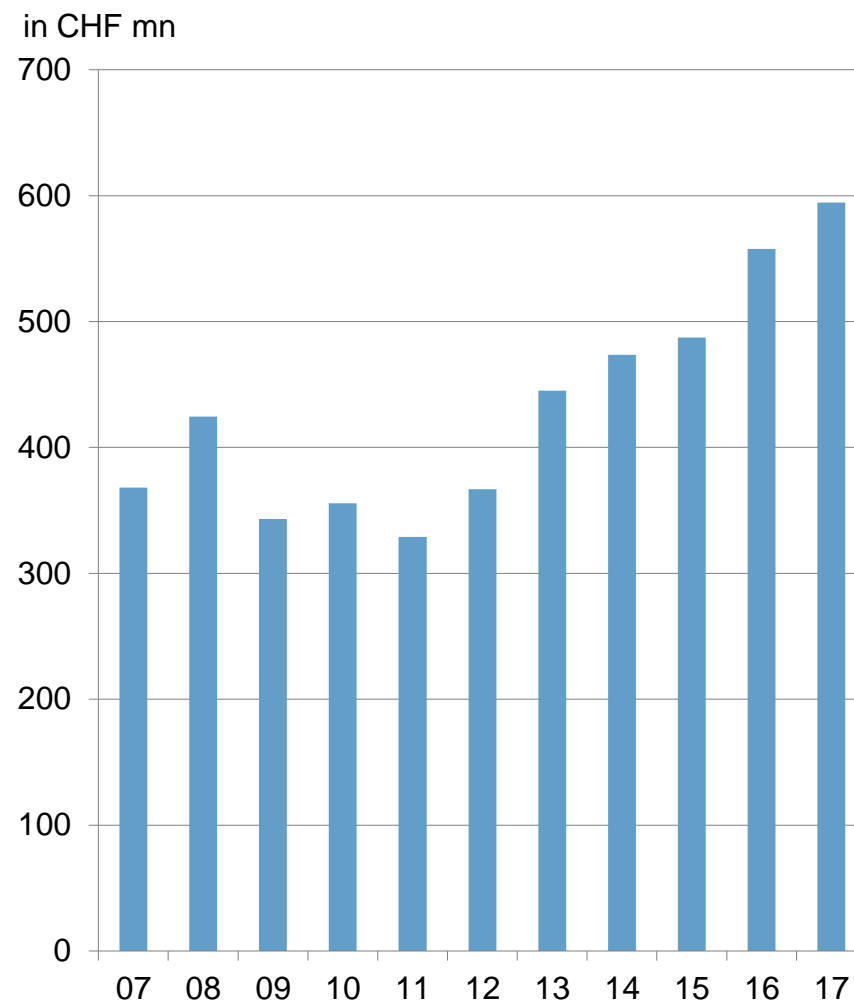
Order Intake

- **Increase of order intake by 10.6% to CHF 525.2 mn**
 - +10.3% excluding currency translation effects
- **Systems Division: +14.0% to CHF 319.8 mn**
 - Orders from Petrochemical, Gas Transport & Storage and Refinery
- **Services Division: +5.7% to CHF 205.4 mn**
 - Significant increase in field service and engineering
 - Spare parts orders below the very high prior year
 - About 20% OBC business



Sales

- **Sales increase overall by 6.6% to CHF 594.6 mn**
 - **+6.4% excluding currency translation effects**
- **Systems Division: +4.7% to CHF 384.4 mn**
 - **Including some projects originally scheduled for invoicing in FY 2016 (including the largest Hyper project in the world)**
- **Services Division: +10.3% to CHF 210.2 mn**
 - **Growth in all areas including Monitoring & Diagnostics and OBC**
 - **High volume in engineering, revamp and repair**



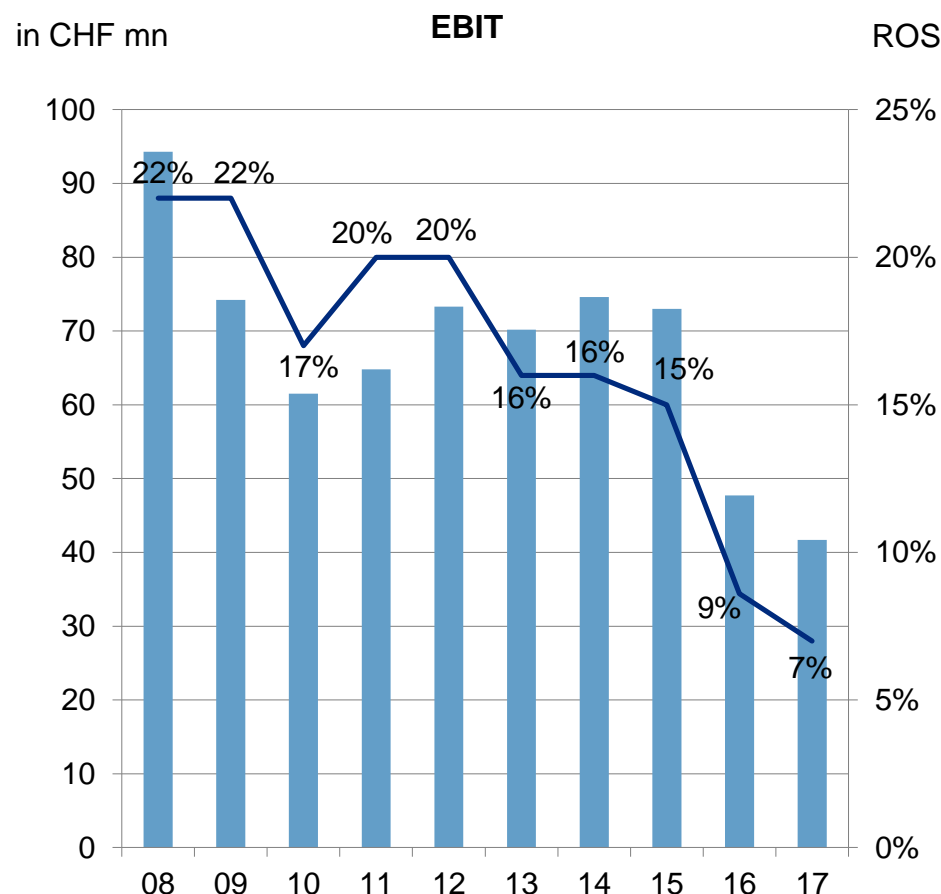
Sales and Gross Margin by Division

In CHF mn		FY 2014		FY 2015		FY2016		FY2017	
Systems Division	GSP GP	327.1 78.2	23.9%	332.4 73.0	22.0%	367.2 36.5	9.9%	384.4 27.2	7.1%
Services Division	GSP GP	146.5 74.6	50.9%	154.8 78.7	50.8%	190.5 94.0	49.4%	210.2 97.9	46.6%
Total	GSP GP	473.6 152.8	32.3%	487.2 151.7	31.1%	557.7 130.5	23.4%	594.8 125.1	21.0%

- **Gross profit in Services Division CHF 3.9 mn above prior year**
 - Slightly lower gross margin due to change in product mix to more Field Service, Engineering and OBC
- **Gross margin in Systems Division 2.8 percentage points below prior year**
 - Additional cost for improvements in dual-fuel applications
 - Sharp rise in material prices, especially in China
 - Under-utilized production capacity

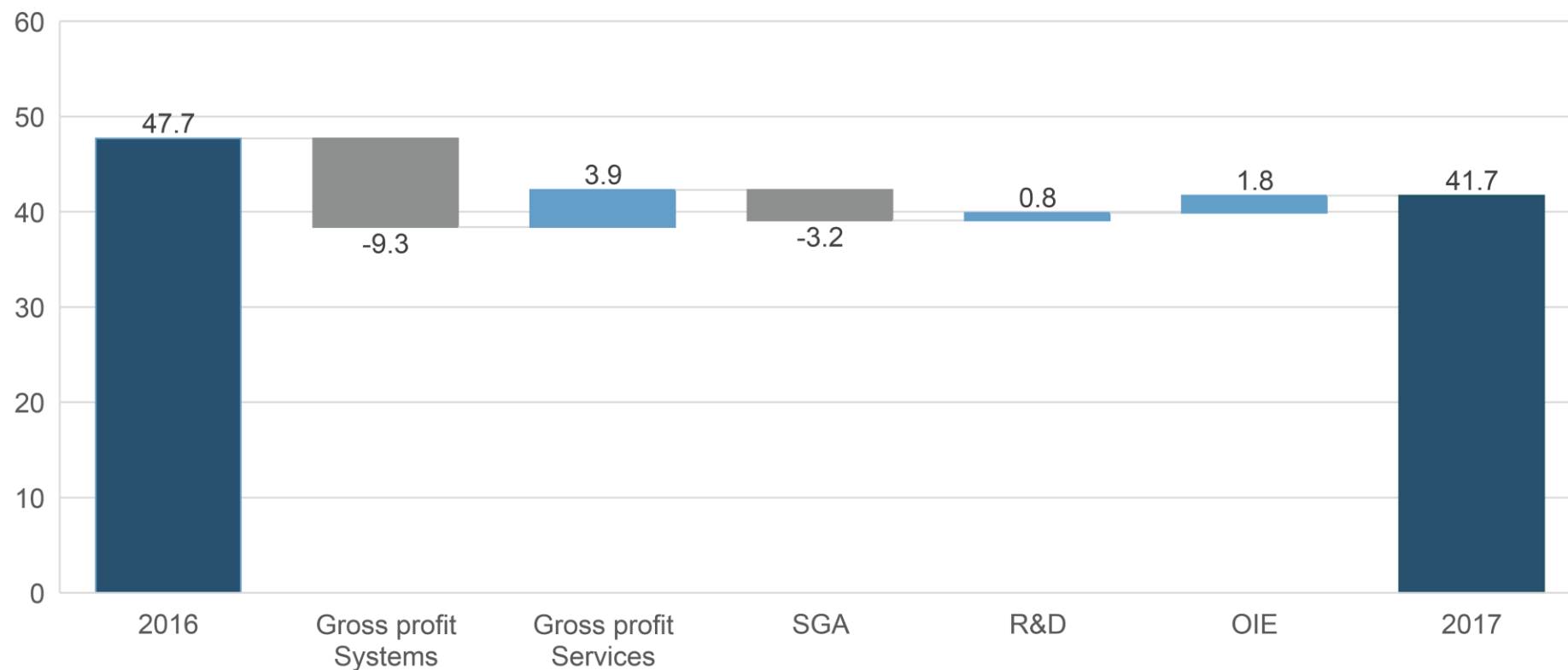
SGA and EBIT

- **SGA amounting to 13.5% of sales (prior year: 13.9%)**
 - **Total SGA CHF 80.5 mn, prior year: CHF 77.3 mn**
 - Including first full year of SYCC (prior year 11 months only) and 6 months of CSM Compressor Inc.
 - Including 12 months divisional organization structure, vs. 6 months only in prior year
- **EBIT margin within guidance**
- **EBIT CHF 6.0 mn or 12.7% below prior year**
 - **CHF 9.3 mn less gross profit from Systems Division**
 - **CHF 3.9 mn higher gross profit from Services Division**



EBIT Development FY 2016 to FY 2017

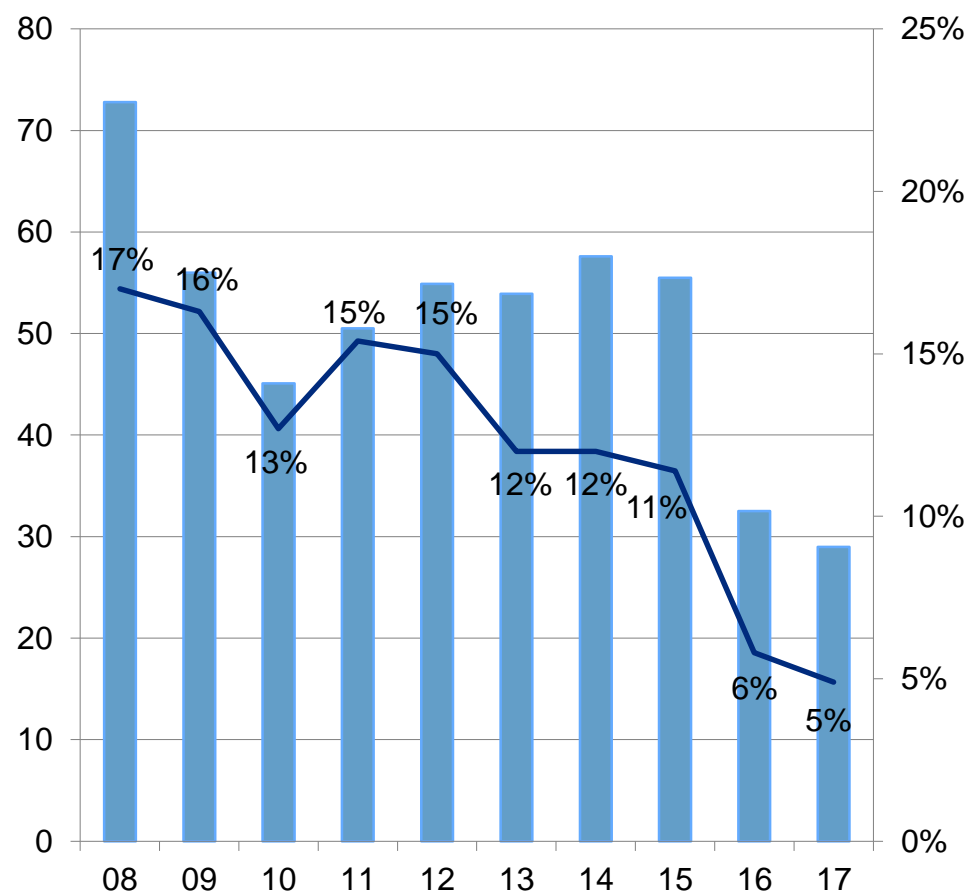
in CHF mn



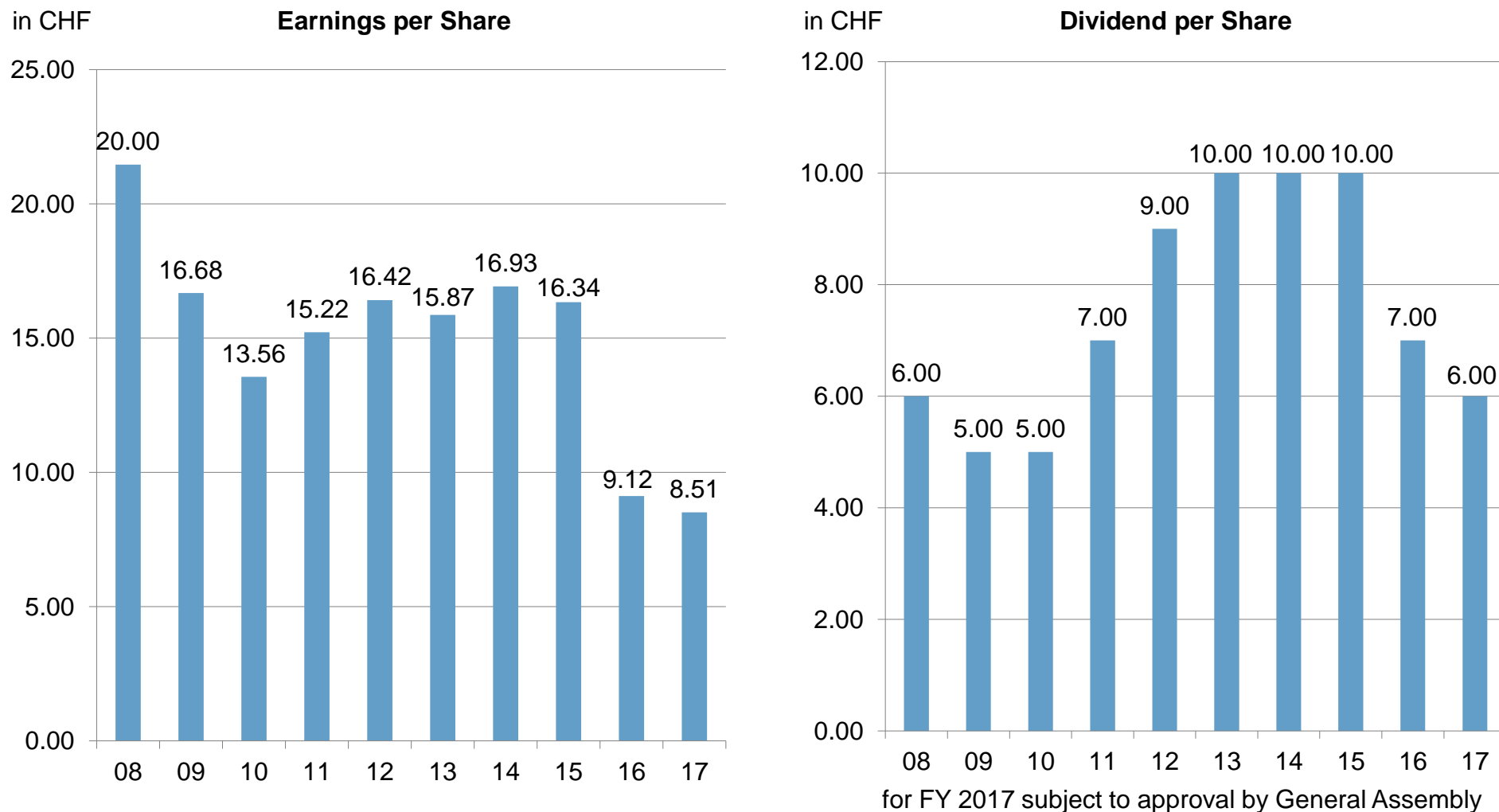
Net Income

- **Net income CHF 3.5 mn or 10.8% below prior year**
 - CHF -1.9 mn share of results Arkos Field Services (40% ownership)
 - Financial expense CHF -1.9 mn (prior year CHF -1.8 mn)
- **Tax rate of 23.5% (prior year 25.1%)**
 - More favorable mix of local tax rates

in CHF mn



Earnings and Dividend per Share



Balance Sheet Positions

- Decrease of balance sheet total by 1.7%
- Equity ratio increased by 2.9 percentage points to 42.0%
- Balance between advance payments from customers and Work In Progress plus advance payments to suppliers at CHF -42.5 mn (prior year CHF -42.1 mn)

In CHF mn	FY 2015	FY 2016	FY 2017
Property, Plant & Equipment	164.5	200.4	193.2
Inventories	199.6	250.2	210.7
- Thereof WIP	137.3	171.4	133.8
- Thereof Adv. Payments to Suppliers	18.3	35.3	29.3
Trade Receivables	124.5	209.8	227.7
Trade Payables	49.2	60.0	65.3
Adv. Payments from Customers	106.4	164.6	120.6
Shareholders Equity in % of Total Balance Sheet	50%	39%	42%

Cash Flow and Net Financial Position

- **Slightly higher net financial position**
 - Cash outflow from investing activities includes the acquisition of CSM (last year included the acquisition of 60 % of SYCC)
 - Marginally lower cash flow from operating activities
 - Dividend payment of CHF 7.00/share for FY 2016 (reported under financing activities)
 - Slightly decreased borrowings due to partial repayment of mortgage and bank loans

In CHF mn	2015	2016	2017
Cash Initial Balance	178.5	125.3	74.9
Cash Flow from Operating Activities	40.7	46.0	44.4
Cash Flow from Investing Activities	-63.1	-146.8	-17.2
Cash Flow from Financing Activities	-30.9	50.9	-28.2
Currency Translation Differences	0.0	-0.5	1.2
Cash Position	125.3	74.9	75.1
Borrowings	-32.1	-142.1	-137.2
Net Financial Position	93.2	-67.2	-62.1

Shenyang Yuanda Compressor Co. (SYCC)

Results FY 2017

- **SYCC “Operation”:**
 - Sales within expectations despite challenging market environment in China
 - EBIT significantly below expectation due to fast and sharp rise in material prices in China within the second half of fiscal year 2017
- **SYCC “Depreciation”:**
 - Inventory step-up (WIP); significant part of future gross profit included on the initial balance sheet (purchase price allocation)

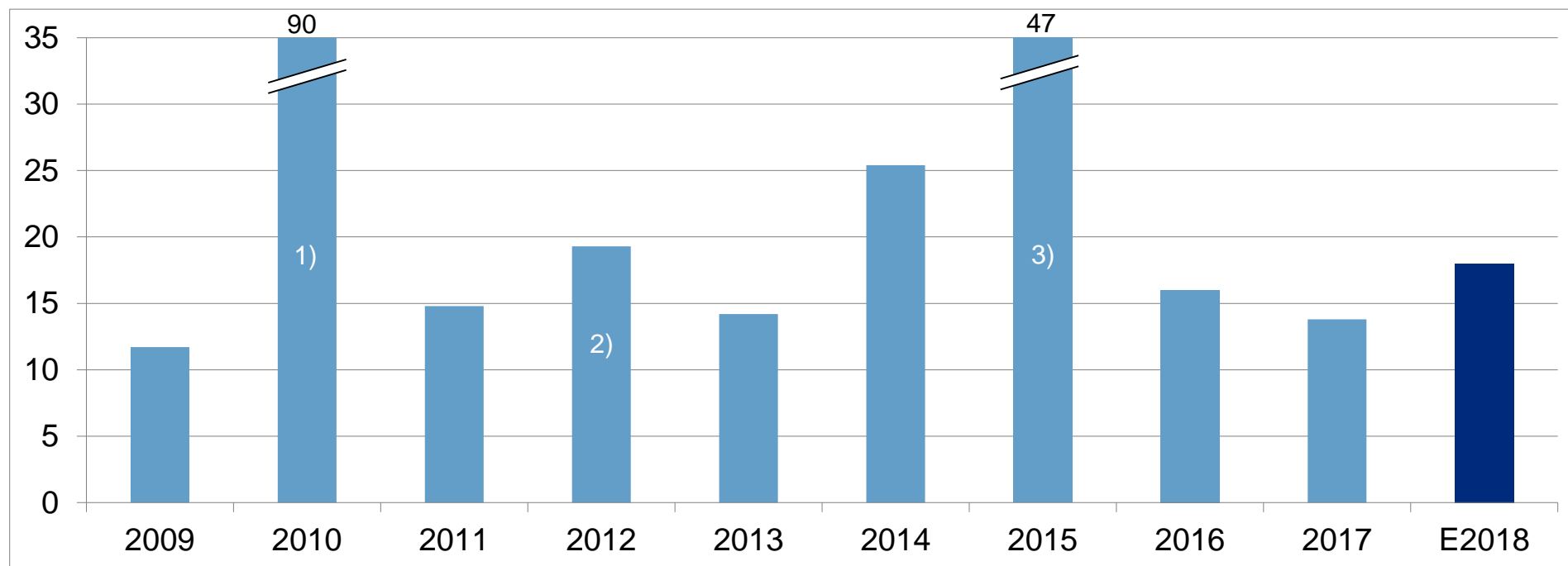
in mn CHF	FY 2017 SYCC „OPERATION“	FY 2017 SYCC „DEPRECIATION“	FY 2017 SYCC TOTAL
Sales	110.8		110.8
Gross Profit	13.4	-5.5	7.9
in % of Sales	12.1%		7.1%
EBIT	5.8	-5.5	0.3
in % of Sales	5.3%		0.2%
Net Income	4.9	-4.8	0.1
in % of Sales	4.5%		0.1%

Arkos Field Service Results FY 2017

- **Total net income CHF -4.7 mn (including CHF 3.8 mn depreciation and amortization) thereof BC share of results of associates (40%): CHF -1.9 mn**
- **Slightly improving business environment in the US upstream market (Arkos' original business)**
 - Slow business in the first half of FY 2017 partly due to hurricane “Harvey”
- **Initial cost to build up state-of-the-art Hyper service center for the US market**
- **Initial cost to set up cooperation with SYCC/China 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 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

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 FY 2017, recovery expected end of FY 2018 → environmental regulations play an important role**
- **LPGM business continues on a lower level → recovery not expected before 2019**
- **Further need for LNG import terminals**

- **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
 - New LDPE projects (high pressure) under discussion (in China, Middle East and USA)
- **General**
 - Competitors with their products are also diversifying into other market segments in order to load their factories

Guidance

Financial Targets

	Guidance FY 2018
Order Intake	Systems Division: FY 2018 = FY 2017 Services Division: continues to grow
Sales	At prior year level
Gross Margin	Systems Division: FY 2018 \geq FY 2017 Services Division: FY 2018 = FY 2017
EBIT Margin	FY 2018 slightly above FY 2017 2 nd semester FY 2018 significantly higher than 1 st semester FY 2018
Dividend Policy	Payout ratio between 50 – 70% of net profit

Mid-Range Plan 2018-2022 → Targets 2022

Presented on January 9, 2018

BC Group

- Sales CHF 700 mn
- Keep leading market position in Systems Division
- Become a leading Services provider
- Strengthen global capabilities
- Live Values & Behaviors
- Improve overall profitability
- EBIT Margin of 10 - 15%
- Sustainable value increase

Systems Division

- Sales CHF 340 mn
- Keep leading market position in all segments
- Use strong global presence and Shenyang Yuanda Compressor
- Focus on operational excellence
- EBIT Margin of 0 - 5%

Services Division

- Sales CHF 360 mn
- Grow 6 - 8% per year
- Organic growth on BC and OBC business
- Further growth through acquisitions (OBC)
- EBIT Margin of 20 - 25%

Growth Areas

Organic Growth

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

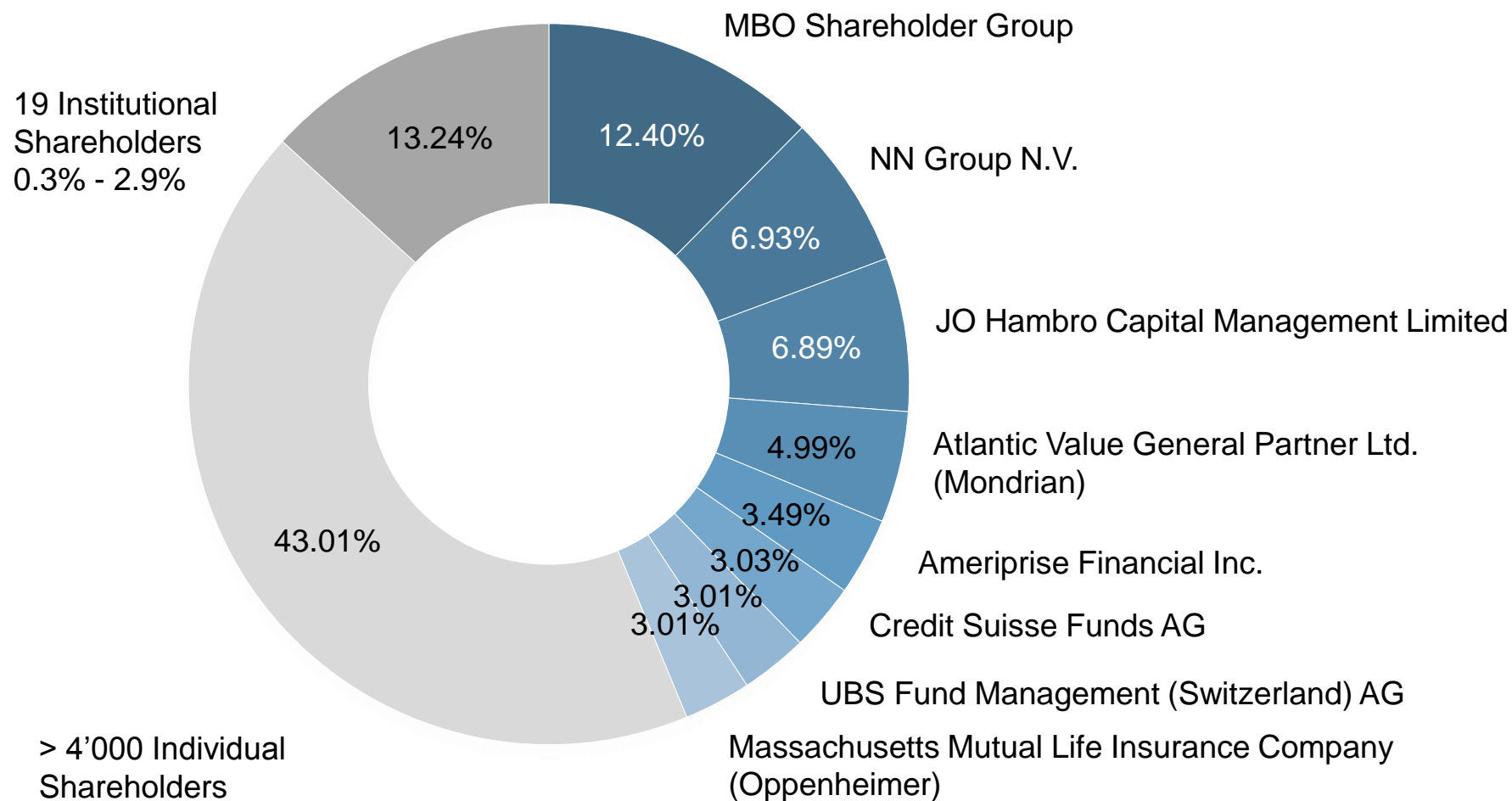


Acquisitions

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

SHAREHOLDERS

Burckhardt Compression Shareholder Structure



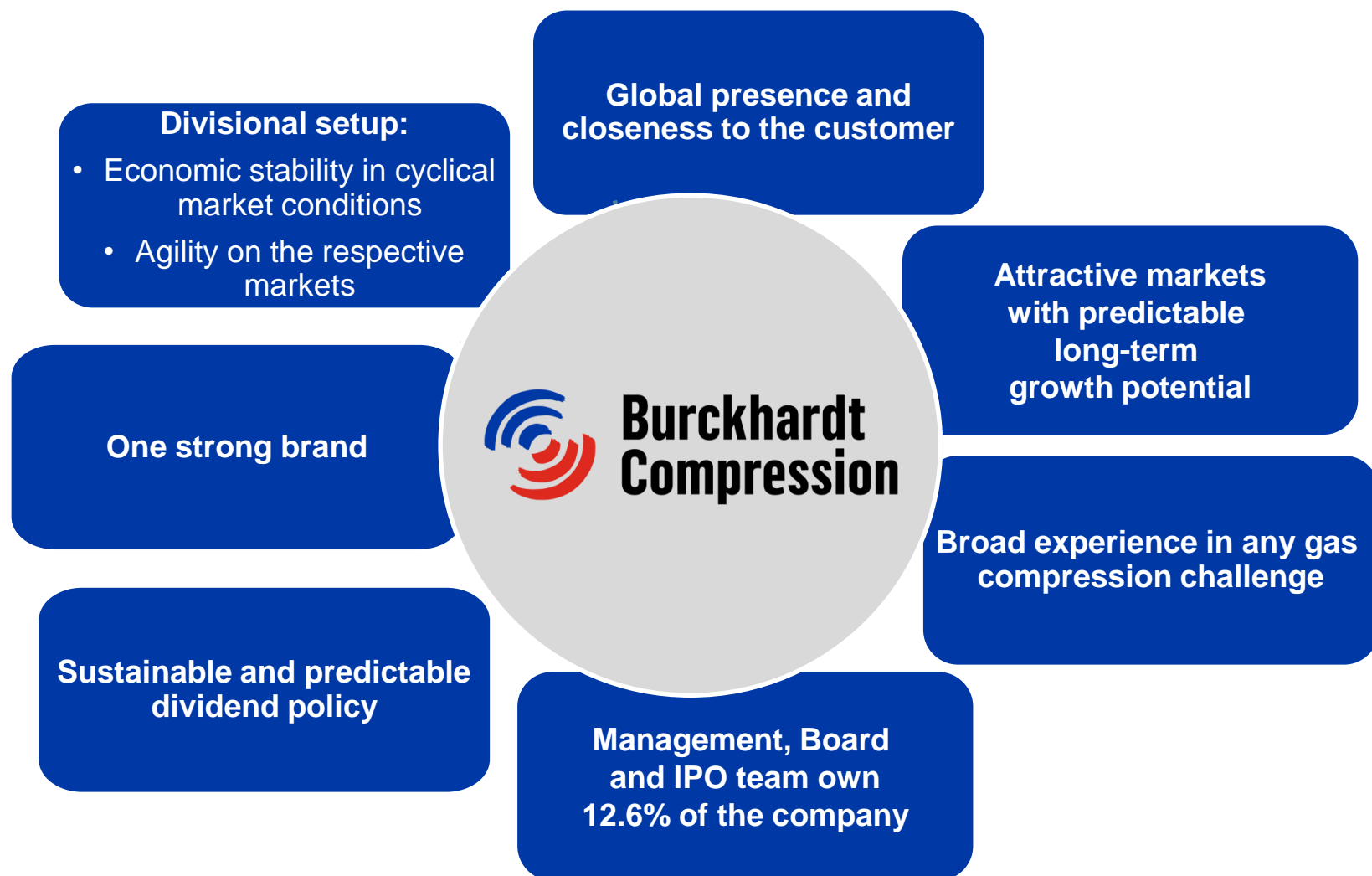
Status 31.03.2018

Performance of BCHN Share Compared to the SPI Index



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
26.6.06	30.3.07	31.3.08	31.3.09	31.3.10	31.3.11	30.3.12	31.3.13	31.3.14	31.3.15	31.3.16	31.3.17	31.3.18
85.00	199.50	317.00	106.00	208.00	244.20	247.50	355.30	455.00	366.75	329.75	271.50	304.80

Seven Good Reasons to Invest



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™