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Burckhardt Compression results for the first half of fiscal 2012: Higher sales and solid earnings power

Burckhardt Compression, one of the world's leading manufacturers of reciprocating compressors, increased its sales by 11% (plus 10% at constant exchange rates) in the first half of fiscal year 2012 (April to September). Order intake nearly matched the high level reached in the first half of the previous fiscal year. The EBIT margin rose to 18.4% and the net income margin to 13.8%. In its full-year forecast, Burckhardt Compression expects significantly higher sales in view of the currently high order backlog and an EBIT margin near the middle of its long-term target range of 15% to 20%.

Orders intake for the Group during the first half of the year totaled CHF 192.4 million, nearly matching the high level that was reported in the year-ago period (CHF 197.8 million). While Compressor Systems (CS) reported a decline of 11.9% to CHF 105.8 million, order intake at the Components, Services & Support (CSS) business showed a pleasing uptrend, rising 11.5% to CHF 86.6 million.

First-half sales and profits higher year-on-year

Thanks to the significantly higher CSS volume, consolidated sales in the first half of the fiscal year rose by 11.3% (plus 10.4% at constant exchange rates) to CHF 160.7 million. As in the preceding fiscal year, there will be a sequential increase in sales in the second half of the year due to the delivery dates specified by customers for the compressor systems they have ordered. Gross profit increased by 10.6% from the prior year figure to CHF 58.3 million, resulting in a gross profit margin of 36.3% (36.5% in the prior year period). Selling and administrative expenses rose by CHF 1.2 million or 5.0% compared to the prior year period as a result of the ongoing expansion of distribution and logistics operations, especially in the CSS business.

Operating income of CHF 29.6 million for the first half year represents a year-on-year increase of 39.6%, bringing the corresponding margin to 18.4% (14.7% in the year-ago period). Net income rose by 49.3% to CHF 22.1 million, corresponding to 13.8% of sales, and earnings per share grew by 50.9% to CHF 6.64 (CHF 4.40 in the year-ago period).

Balance sheet remains strong

Total balance sheet assets at the end of September 2012 amounted to CHF 551.2 million, up 11.7%, and the equity ratio was a solid 51.1%. Holdings of cash and cash equivalents increased by CHF 29.8 million to CHF 150.4 million compared to the previous year's figure (September 30, 2011).

Exchange rates still challenging

The floor set by the Swiss National Bank for the EUR/CHF currency pair and the lower rate of inflation in Switzerland compared to neighboring European countries have played an important role in easing competitive pressure. In view of the persisting margin pressure, especially in the CS

business, internal measures will be steadfastly implemented. They are focused on increasing procurement and value creation activities in foreign countries, raising efficiency, developing new products and addressing new application areas.

Manufacturing of compressor components consolidated at Oberwinterthur

The consolidation of the formerly Ohringen-based subsidiary MT Sealing with the Valves unit in Oberwinterthur as well as the related capital expenditure were successfully completed during the period under review. Besides efficiency improvements and process simplifications, bringing these two units together allows them to broaden and deepen their previous cooperation and brings the company closer to realizing its medium-term growth targets for the CSS business.

Expansion of market presence

Local presence, competent customer relations teams and a good service offering are key factors that will fuel the further growth of the business. It was with this in mind that the Group's subsidiaries have been expanded and strengthened during recent years. In the period under review the decision was taken to establish a new subsidiary with a service center in Turkey.

Further market success for extended product line of Process Gas Compressors

The extended product line of Process Gas Compressors at the high end of the performance range enjoyed further market success during the period under review, leading to additional high profile reference projects. Judging by the considerable number of offers outstanding, more orders for these systems are likely to be received before the current fiscal year closes.

Outlook

The markets of relevance to Burckhardt Compression continue to show positive developments amid a challenging economy. Burckhardt Compression expects a higher order intake for the current fiscal year (ending March 31, 2013) compared to the previous fiscal year. This forecast is supported by a strong order intake at the CS business early in the second half of the year. Sales for the current fiscal year will be substantially higher than last year in view of the currently high order backlog. The operating profit margin is expected to be near the middle of the long-term target range of 15% to 20%.

About Burckhardt Compression

Burckhardt Compression is one of the worldwide market leaders in the field of reciprocating compressors and the only manufacturer that offers a complete range of Laby® (labyrinth piston), Process Gas, and Hyper Compressors. The compressors are used to compress, cool or liquefy gases. Burckhardt Compression's customers include multinational companies active in the chemical, petrochemical, refinery, industrial gas and gas transport and storage industries. With the leading compressor technology, the high-quality compressor components and the comprehensive range of services Burckhardt Compression supports its customers in their effort to minimize the life cycle costs of their reciprocating compressor systems.

**Key figures for the first half of fiscal year 2012
(April – September 2012)**

in CHF million	April- Sept. 2012	April- Sept. 2011	Change 2011/2012	2011 fiscal year
Order intake	192.4	197.8	-2.7%	404.9
Sales	160.7	144.4	+11.3%	328.9
Gross profit	58.3	52.7	+10.6%	122.3
Operating profit (EBIT)	29.6	21.2	+39.6%	64.8
In % of sales	18.4%	14.7%		19.7%
Net income	22.1	14.8	+49.3%	50.5
In % of sales	13.8%	10.2%		15.4%
Total assets	551.2	493.3	+11.7%	530.7
Shareholders' equity	281.8	247.8	+13.7%	282.8
In % of balance sheet total	51.1%	50.2%		53.3%
Earnings per share (in CHF)	6.64	4.40	+50.9%	15.22
Headcount as per Sept. 30 / March 31.	1'031	940	+9.7%	983

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Additional information on the interim results for the 2012 fiscal year has been published on our website at www.burckhardtcompression.com/midyearresults.