

**Media release of August 25, 2016**

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## **Market situation forces Burckhardt Compression to adjust capacity**

**The market environment in the compressor business has developed less positively than expected in recent months. This is compounded by the fact that the changed product mix in new systems has led to lower capacity utilization in manufacturing and at the same time the growth in the services business is less dynamic than originally planned. These factors are compelling Burckhardt Compression to adjust capacity. 100 jobs are likely to be shed worldwide, 50 of them in Winterthur and 50 at other locations. In addition, short-time working will be introduced for around 100 staff at the Winterthur site as from October.**

### **Changed market situation for compressor business**

The market environment for compressors has developed less positively than expected in recent months. Order intake has been sluggish in the past few months and will fail to match the previous year's level. Furthermore, falling order intake in the standalone compressor applications business has had a palpable effect on capacity utilization in manufacturing.

### **Services developing at less dynamic rate**

Although the organizational structure of services has been continuously geared toward significantly higher sales in recent years, this business has grown more slowly than expected. Burckhardt Compression expects services to continue to grow in the future, but at a less dynamic rate than originally planned. With the creation of a new divisional structure, greater account can now be taken of the various operating procedures in both divisions Systems and Services.

### **Shedding of 100 jobs worldwide**

It is likely that 100 jobs will be shed at Burckhardt Compression worldwide. A reduction of 50 jobs is planned for the site in Winterthur. Unfortunately, Burckhardt Compression currently anticipates that the most part of the jobs will have to be shed by means of redundancies. A consultation procedure involving employee representatives and social partners will commence on August 26, 2016 and last until September 16, 2016. A redundancy scheme has been set up for the affected employees. Employees whose employment contract is being terminated will be assisted. CEO Marcel Pawlicek comments: "Unfortunately the changed market situation makes it necessary for us to adjust our headcount – something I deeply regret." Burckhardt Compression employs around 730 people at its Winterthur site, out of a worldwide total of 2,100 people.

**Short-time working in Winterthur**

Short-time working is due to be introduced for 100 employees at the Winterthur site as from October. These planned measures are due to the lower order intake seen in recent months as well as to a decline in business for standalone compressor applications. It has not been possible to offset the decline through an increase of orders for complete systems, which resulted in lower capacity utilization at the Winterthur site in particular. Short-time working will prevent a further reduction in staffing levels.

**Global positioning as competitive advantage**

The planned measures are not connected to the recent acquisitions in China and the US, or to the new assembly facilities in Korea and the US – rather, they are in response to the market developments described. The newly opened assembly facility in South Korea enables Burckhardt Compression to serve the country's shipbuilding industry in the first place and its local presence guarantees short delivery times. The recently opened assembly facility in Waller, US, and the Arkos service network with 17 locations enable Burckhardt Compression to market the API 618 process gas compressors in the United States. The headquarters and production site in Winterthur play a key role thanks to their strong technological expertise and highly trained staff, and will continue to provide a competitive advantage going forward.

**Process optimization and global sourcing**

Other Group-wide cost-reduction programs have already been initiated, in addition to the measures mentioned above. They include the creation of a global procurement system as well as a further optimization of processes, for example. This involves worldwide sourcing within and beyond the Burckhardt Compression Group.

**Expectations for 2016 financial year**

Burckhardt Compression anticipates order intake of less than CHF 500 million for the Group's business (excluding Shenyang Yuanda Compressor). In all other respects, the outlook announced in June of this year remains unchanged. Group sales in the current financial year will be considerably above CHF 500 million. The operating margin (excluding Shenyang Yuanda Compressor) is expected to recede temporarily to 11% to 13% in the 2016 fiscal year before rising again to 14% to 16% in the 2017 fiscal year (excluding Shenyang Yuanda Compressor). A detailed outlook (including Shenyang Yuanda Compressor) for key financial figures is to follow in conjunction with the half year report, as soon as the mapping of the new organizational structure and integration of Shenyang Yuanda Compressor are at a more advanced stage.

**Further information:**

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### **About Burckhardt Compression**

Burckhardt Compression is the worldwide market leader for reciprocating compressors systems. As single manufacturer and service provider that covers a complete 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, high-quality compressor components and the full range of services help customers to minimize life cycle costs of their reciprocating compressor systems around the world. Since 1844 its highly skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.

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