

Media Release of June 6, 2017

Fiscal 2016 a difficult year

Burckhardt Compression, the world's leading manufacturer of reciprocating compressor systems, looks back on a fiscal year that did not meet its expectations. Orders received fell well short of the figure reported for the previous fiscal year, sales growth came solely from acquisitions, and the margins were unsatisfactory, even including a substantial non-recurring positive effect. A dividend of CHF 7.00 per share will be proposed at the Annual General Meeting.

Order intake: Growing services business, steep fall in Systems Division

Consolidated order intake amounted to CHF 474.9 mn, which corresponds to a year-on-year decline of 9.2%. Excluding currency translation effects, sales declined by 8.6% and were down 26.0% excluding acquisition activity. The Systems Division accounted for CHF 280.6 mn of total order intake, or 20.1% less than in the previous year. This decline is largely attributed to the weak marine compressor business in gas transport and storage markets. Meanwhile, orders received in the Services Division rose by 13.1% to CHF 194.3 mn, fueled primarily by the spare parts business.

Sales growth driven by acquisitions

Burckhardt Compression Group achieved further growth in the fiscal year 2016, booking CHF 557.7 mn in sales (plus 14.5%). Both the Systems (plus 10.5%) and Services (plus 23.1%) division contributed to the sales growth. Excluding currency translation effects, sales were up by 15.0%; excluding acquisition activity, they were down 4.7%.

Significantly lower operating and net profit

Gross profit of CHF 130.5 mn was 14.0% below the figure reported for the previous year (CHF 151.7 mn) and the gross profit margin amounted to 23.4% (31.1% in the previous year). The gross margin for the Systems Division fell by more than half, from 22.0% to 9.9%, primarily due to a change in product mix and unusually intense market competition. Gross profit in the Services Division was sharply higher, rising from CHF 78.7 mn to CHF 94.0 mn, and its gross profit margin came in at 49.4%.

Consolidated operating income declined by 16.3%. Reported operating income includes a gain of CHF 15.2 mn from pension plan adjustments. The Systems Division incurred a loss of CHF -3.6 mn at the EBIT line compared to a positive CHF 35.3 mn in the preceding fiscal year, whereas the Services Division reported sharply higher operating income of CHF 53.1 mn, an increase of CHF 17.3 mn compared to the previous fiscal year. Acquisitions (Shenyang Yuanda Compressor) contributed CHF 2.0 mn to operating income, which includes a writedown of CHF 8.1 mn within the scope of the purchase price allocation.

Consolidated net income after minorities amounted to CHF 37.9 mn, 31.6% less than in the previous fiscal year. Net income per share amounted to CHF 11.20 (previous year CHF 16.34).

Significant change in balance sheet structure

Total assets at the end of the reporting period amounted to CHF 927.2 mn, which represents an increase of 31.0% over the preceding 12 months, largely due to acquisition activity. Shareholders' equity, conversely, rose by only 0.6%, primarily due to the recognition of a put option granted to Shenyang Yuanda Compressor's minority shareholders with a carrying value of CHF 54.7 mn. That and the partially debt-financed acquisition of the interest in Shenyang Yuanda Compressor lowered the equity ratio to 38.5%, from 50.2% at the end of the fiscal year 2015. Non-current assets increased by a total of CHF 126.6 mn to CHF 373.8 mn during the period under review, mainly due to the acquisition of Shenyang Yuanda Compressor. The positive net financial position of CHF 93.2 mn reported at the end of the fiscal year 2015 declined by CHF 160.4 mn, mainly due to the acquisition of Shenyang Yuanda Compressor, and the resulting net financial position at the end of March 2017 was a negative CHF 67.2 mn.

Market position defended

Despite the difficult market environment, Burckhardt Compression successfully defended its market leading position in the reciprocating compressor systems market. The process of integrating Shenyang Yuanda Compressor after acquiring a 60% interest in the company is nearly complete and the collaboration with Arkos Field Services (40% interest) is proceeding as planned. Arkos now occupies part of the new factory in Houston, where it has set up a modern, highly capable service and repair center. These transactions and the acquisition of IKS Industrie- und Kompressoren-service GmbH in September have strengthened Burckhardt Compression's local presence as a compressor services provider, particularly in its three core markets of China, the US and Germany.

More flexible organization and optimized costs

With its new organizational structure introduced in June 2016 establishing the two divisions of Systems and Services, Burckhardt Compression is able to address the differing needs of its customers even better than before. Various projects were initiated to reduce and optimize operating costs and raise profitability in the long run. Global sourcing activities are being intensified, for instance, and the centers of excellence are being aligned more closely with their specific markets. Operating processes are also being standardized across multiple company sites. In the Services Division, regional sales teams are being strengthened and new geographical markets are targeted, given that the services business is decidedly regional and that requires both short response times and organizational agility.

Outlook for the fiscal year 2017

The main markets will remain very challenging in the fiscal year 2017. This is particularly true for the marine compressor business within the gas transport and storage markets. From today's standpoint, the positive development in the Services Division is expected to continue, whereas the Systems Division is not expected to experience a positive trend in orders received until fiscal year 2018 at the earliest. Burckhardt Compression expects sales for the fiscal year 2017 at previous year level and an operating margin between 6% and 9%. Burckhardt Compression expects the EBIT margin to be higher from fiscal year 2018 on.

Dividend

The Board of Directors will propose a dividend of CHF 7.00 per share (CHF 10.00 in the previous year) at the annual general meeting. This corresponds to a payout ratio of 62.5% of net income (previous year 61.2%), which is within the targeted range of 50% to 70%.

Accounting standards changed to Swiss GAAP FER

The Board of Directors of Burckhardt Compression Holding AG has decided to switch the company's accounting standard from IFRS to Swiss GAAP FER, effective April 1, 2017. The registered shares of Burckhardt Compression Holding AG will remain listed on the SIX Swiss Exchange and will remain part of the Swiss Performance Index (SPI). The Board's decision is attributable to the increasingly complex, time-consuming and extensive detailed requirements imposed by IFRS. Swiss GAAP FER is an internationally recognized accounting standard that is less complex, easier to follow and, therefore, more cost-effective. It meets all the needs of an international group like Burckhardt Compression and its shareholders. Burckhardt Compression's consolidated financial accounts under Swiss GAAP FER will continue to be of utmost quality and provide a "true and fair view" of its financial performance and position.

Further information:

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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, high-quality compressor components and the full range of services help customers to minimize the 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.

SIX Swiss Exchange: BCHN

For further information please visit www.burckhardtcompression.com

Attachments:

- Figures at a glance
- Consolidated income statement
- Consolidated statement of comprehensive income
- Segment reporting
- Consolidated balance sheet
- Consolidated cash flow statement
- Key dates for 2017 and 2018

The annual report 2016 and further information on the fiscal year 2016 are available on the website on: <https://www.burckhardtcompression.com/financial-reports>.

FIGURES AT A GLANCE

	2014	2015	2016	Change 2015/2016
in CHF mn				
Order intake:				
– Systems Division	355.6	351.4	280.6	–20.1%
– Services Division	158.5	171.8	194.3	+13.1%
Total	514.1	523.2	474.9	–9.2%
Sales and gross profit:				
– Systems Division				
Sales	327.1	332.4	367.2	+10.5%
Gross profit	78.2	73.0	36.5	–50.0%
in % of sales	23.9%	22.0%	9.9%	
– Services Division				
Sales	146.5	154.8	190.5	+23.1%
Gross profit	74.6	78.7	94.0	+19.4%
in % of sales	50.9%	50.8%	49.4%	
Total				
Sales	473.6	487.2	557.7	+14.5%
Gross profit	152.8	151.7	130.5	–14.0%
in % of sales	32.3%	31.1%	23.4%	
Operating income (EBIT)	74.6	73.0	61.1	–16.3%
in % of sales	15.7%	15.0%	11.0%	
Net income attributable to shareholders of Burckhardt Compression	57.6	55.5	37.9	–31.6%
in % of sales	12.2%	11.4%	6.8%	
Depreciation and amortization	14.4	15.3	23.4	+52.9%
Cash flow:				
– from operating activities	46.8	40.7	47.0	+15.5%
– from investing activities	–26.6	–63.1	–147.9	
– from financing activities (incl. translation differences)	–43.7	–30.8	50.9	
Total	–23.5	–53.2	–50.4	
Total balance sheet assets	681.4	708.0	927.2	+31.0%
Non-current assets	183.8	247.2	373.8	+51.2%
Current assets	497.5	460.8	553.4	+20.1%
Shareholders' equity	338.6	355.1	357.2	+0.6%
in % of total balance sheet assets	49.7%	50.2%	38.5%	
Net financial position	151.3	93.2	–67.2	
Headcount as per end of fiscal year (full-time equivalents)	1'385	1'432	2'107	+47.1%
Total remuneration Board of Directors (in TCHF)	504.0	513.0	492.0	–4.1%
Total remuneration Executive Board (in TCHF)	4'911.0	4'499.0	2'461.0	–45.3%
Share price as per end of fiscal year (in CHF)	375.50	329.75	271.25	–17.7%
Market capitalization (in CHF mn)	1'276.7	1'121.2	922.3	–17.7%
Market capitalization/shareholders' equity (ratio)	3.8	3.2	2.6	–18.8%
Net income per share (EPS) (in CHF)	16.93	16.34	11.20	–31.5%
Dividend per share (in CHF)	10.00	10.00	7.00	–30.0%

CONSOLIDATED INCOME STATEMENT

	2016	2015
in CHF 1'000		
Sales	557'725	487'235
Cost of goods sold	-427'188	-335'560
Gross Profit	130'537	151'675
Selling and marketing expenses	-44'774	-49'436
General and administrative expenses	-32'512	-29'181
Research and development expenses	-7'780	-11'618
Other operating income	42'626	36'762
Other operating expenses	-26'980	-25'224
Operating income	61'117	72'978
Share of results of associates	-2'551	-651
Interest expenses	-2'556	-1'235
Other financial income (+) and expenses (-)	-3'455	199
Profit before income tax	52'555	71'291
Income tax expenses	-14'067	-15'786
Net income	38'488	55'505
Share of net income attributable to shareholders of Burckhardt Compression Holding AG	37'947	55'505
Share of net income attributable to non-controlling interests	541	-
Earnings per share for profit attributable to shareholders of Burckhardt Compression Holding AG		
- Basic	11.20	16.34
- Diluted	11.20	16.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
in CHF 1'000		
Net income	38'488	55'505
Adjustments for cash flow hedges	-1'433	-1'008
Tax effect on adjustments of cash flow hedges	316	205
Currency translation differences	-6'045	-1'879
Total of items that may be reclassified to the income statement	-7'162	-2'682
Defined benefit cost recognized in other comprehensive income	17'197	-1'986
Tax effect on defined benefit cost recognized in other comprehensive income	-3'783	437
Total of items that will not be reclassified to the income statement	13'414	-1'549
Total comprehensive income for the period	44'740	51'274
Share of total comprehensive income attributable to shareholders of Burckhardt Compression Holding AG	46'107	51'274
Share of comprehensive income attributable to non-controlling interests	-1'367	-

SEGMENT REPORTING

in CHF '000	Systems Division		Services Division		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Sales	367'190	332'416	190'535	154'819			557'725	487'235
Cost of goods sold	-330'702	-259'429	-96'486	-76'131			-427'188	-335'560
Gross profit	36'488	72'987	94'049	78'688			130'537	151'675
Gross profit as % of sales	9.9%	22.0%	49.4%	50.8%			23.4%	31.1%
Operating income	-3'604	35'295	53'126	35'849	11'595	1'834	61'117	72'978
Operating income as % of sales	-1.0%	10.6%	27.9%	23.2%			11.0%	15.0%

CONSOLIDATED BALANCE SHEET

	03/31/2017	03/31/2016
in CHF 1'000		
Non-current assets		
Intangible assets	124'457	34'841
Property, plant and equipment	200'379	164'533
Investment in associates	14'987	16'636
Derivative financial instruments	33	74
Other receivables	24'050	18'649
Deferred tax assets	9'883	12'441
Total non-current assets	373'789	247'174
Current assets		
Inventories	250'232	199'649
Trade and other receivables	228'104	133'291
Derivative financial instruments	182	2'623
Cash and cash equivalents	74'892	125'276
Total current assets	553'410	460'839
Total assets	927'199	708'013
Equity		
Share capital	8'500	8'500
Retained earnings and other reserves	338'779	371'822
Treasury shares	-6'582	-1'639
Cash flow hedging reserve	-5'788	-4'671
Currency translation differences	-23'057	-18'920
Equity attributable to shareholders of Burckhardt Compression Holding AG	311'852	355'092
Non-controlling interests	45'337	-
Total equity	357'189	355'092
Liabilities		
Non-current liabilities		
Borrowings	71'825	30'302
Derivative financial instruments	883	566
Other financial liabilities	54'669	-
Deferred tax liabilities	20'990	17'358
Retirement benefit obligations	19'293	51'610
Provisions	10'861	10'985
Other non-current liabilities	5'824	-
Total non-current liabilities	184'345	110'821
Current liabilities		
Borrowings	70'310	1'739
Trade payables	59'980	49'151
Current income tax liabilities	10'935	12'964
Customers' advance payments	164'669	106'406
Derivative financial instruments	4'030	4'832
Other current and accrued liabilities	56'116	48'820
Provisions	19'625	18'188
Total current liabilities	385'665	242'100
Total liabilities	570'010	352'921
Total equity and liabilities	927'199	708'013

CONSOLIDATED CASH FLOW STATEMENT

	2016	2015
in CHF 1'000		
Cash flow from operating activities		
Net income	38'488	55'505
Income tax expenses	14'067	15'786
Other financial income/expenses	3'455	-199
Interest expenses	2'556	1'235
Share of results of associates	2'551	651
Operating income	61'117	72'978
Depreciation	16'471	11'850
Amortization	6'977	3'414
Change in inventories	12'829	-27'883
Change in trade and other receivables	3'962	3'948
Change in other net current assets	-13'566	-11'114
Change in retirement benefit obligations	-15'184	3'369
Change in provisions	-775	11'762
Change in other non-monetary items	-615	-12'362
Interest received	302	49
Interest paid	-2'068	-765
Income tax paid	-14'545	-14'520
Total cash flow from operating activities	46'981	40'726
Cash flow from investing activities		
Purchase of property, plant and equipment	-14'489	-41'293
Sale of property plant and equipment	774	1'468
Purchase of intangible assets	-2'528	-5'402
Sale of intangible assets	65	-
Acquisition of subsidiaries net of cash acquired	-131'677	-
Investments in associates	-	-17'856
Total cash flow from investing activities	-147'855	-63'083
Cash flow from financing activities		
Increase in borrowings	99'424	8'193
Repayment of borrowings	-9'648	-3'313
Purchase of treasury shares	-4'917	-1'823
Dividends paid	-33'950	-33'995
Total cash flow from financing activities	50'909	-30'938
Currency translation differences on cash and cash equivalents	-419	92
Net change in cash and cash equivalents	-50'384	-53'203
Cash and cash equivalents at 04/01/2016 / 04/01/2015	125'276	178'479
Cash and cash equivalents at 03/31/2017 / 03/31/2016	74'892	125'276
Net change in cash and cash equivalents	-50'384	-53'203

KEY DATES FOR 2017 AND 2018

July 1, 2017

Annual General Meeting

November 7, 2017

Results for the first half of 2017
(as per September 30, 2017)

May 29, 2018

2017 Annual Report (as per March 31, 2018)

July 6, 2018

Annual General Meeting