

Media Release of May 29, 2018

Burckhardt Compression: growth in both divisions, operating income within guidance

As expected, 2017 was a challenging year for Burckhardt Compression. Nevertheless, the company can report an increase in both order intake and sales. The margins met the expectations for the 2017 fiscal year, but are significantly lower than the targets for the coming years.

Order intake: growth in both divisions

Consolidated order intake amounted to CHF 525.2 mn, which is 10.6% higher than a year previously. Excluding currency translation effects, there was a rise of 10.3%. The Systems Division accounted for CHF 319.8 mn of total order intake, or 14.0% more than in the previous year. This increase is explained primarily by the strong petrochemical and refinery business. Meanwhile, orders received in the Services Division rose by 5.7% to CHF 205.4 mn thanks mainly to good growth in the engineering business.

Another increase in sales

Burckhardt Compression Group achieved further growth in fiscal year 2017, booking CHF 594.6 mn in sales (plus 6.6%). The Services Division (plus 10.3%) as well as the Systems Division (plus 4.7%) contributed. Excluding currency translation effects, sales increased by 6.4%.

Operating income within guidance

Gross profit of CHF 125.1 mn was 4.2% below the figure reported for the previous year (CHF 130.5 mn). This resulted in a gross margin of 21.0% (previous year: 23.4%). The decline in the Systems Division's gross margin from 9.9% to 7.1% was mainly due to one-time costs in the LNGM business and the sharp rise in material prices, especially in China. Gross profit at the Services Division went up again to CHF 97.9 mn, which is CHF 3.9 mn higher than in the previous year; the gross profit margin was 46.6%, lower than in 2016 (49.4%), primarily because of changes in the product mix.

Operating income amounted to CHF 41.7 mn, or 7.0 percent of sales, down CHF 6.0 mn on the prior-year figure. The Systems Division reported a substantially higher operating loss of CHF -9.0 mn, compared with CHF -1.5 mn in 2016. The Services Division achieved operating income of CHF 54.4 mn, compared with CHF 53.0 mn a year previously.

Consolidated net income amounted to CHF 29.0 mn, 10.6% less than in the previous fiscal year. Net income per share amounted to CHF 8.51 (previous year CHF 9.12).

Equity base even stronger

Total assets at the end of the reporting period amounted to CHF 797.6 mn, which represents a reduction of 1.7%, or CHF 13.4 mn, on the year-back figure. Current and non-current assets both decreased. The equity ratio increased from the previous year's 39.1% to 42.0%. The net financial position at the end of the fiscal year came to CHF –62.1 mn, a slight improvement of CHF 5.2 mn compared to end-March 2017.

Market position maintained, further cost savings realized

Despite the very competitive environment, Burckhardt Compression successfully defended its market leadership position in the reciprocating compressor systems market. The Services Division continued to expand its market position and achieved largely organic sales growth of 10.3%. It also moved further into additional markets including Argentina and the Nordic countries. Further progress was made on the cost-saving and optimization projects started some time ago, such as Value Engineering and Best-Cost Countries. Overall costs for compressors were reduced as a result.

Mid-Range Plan for 2018–2022 approved

The Mid-Range Plan adopted in December 2017 sets different priorities for the two divisions for the next five fiscal years. The Systems Division is focusing mainly on improving profitability while maintaining global market leadership, whereas the Services Division is aiming for significant growth. The first priority for growth is service business involving compressors made by other manufacturers. This will be built up with the help of operational initiatives, including the implementation of a global ERP platform, the further expansion of the local and regional presence, and the expansion of service structures for the marine business. Ongoing digitalization will be used for new services and applications in both divisions. The Systems Division is aiming for sales of CHF 340 mn by 2022, with an EBIT margin of 0% to 5%, while the Services Division is targeting sales of CHF 360 mn and an EBIT margin of 20% to 25%. This strategy is based mainly on organic growth, which includes the complete takeover of Shenyang Yuanda Compressor and Arkos Field Services.

Outlook for fiscal 2018

Burckhardt Compression believes that key sales markets will continue to recover in fiscal year 2018, making customers more willing to invest. With sales expected to match the 2017 level, the company expects a slight increase in operating income and net profit.

Dividend

The Board of Directors will propose a dividend of CHF 6.00 per share (CHF 7.00 in the previous year) at the annual general meeting. This corresponds to a payout ratio of 70.5% of net income (previous year according to Swiss GAAP FER 76.8%), which is at the upper end of the targeted range of 50% to 70%.

First annual accounts according to Swiss GAAP FER Standard

The annual financial statements contained in this report are the first to be based on the Swiss GAAP FER accounting standard. Prior-year figures (fiscal year 2016) have been recalculated on the basis of this standard to provide proper comparability between this year and last.

The annual report 2017 and further information on the fiscal year 2017 are available on the website on: <https://www.burckhardtcompression.com/financial-reports>.

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, 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.

SIX Swiss Exchange: BCHN

For further information, please visit www.burckhardtcompression.com

Attachments:

- Figures at a glance
- Consolidated income statement
- Consolidated balance sheet
- Consolidated cash flow statement
- Consolidated statement of changes in equity
- Segment reporting
- Key dates for 2018 and 2019

FIGURES AT A GLANCE

	2015	2016 ¹	2017 ¹	Change 2016/2017	
in CHF mn					
Order intake:					
– Systems Division	351.4	280.6	319.8	14.0%	
– Services Division	171.8	194.3	205.4	5.7%	
Total	523.2	474.9	525.2	10.6%	
Sales and gross profit:					
– Systems Division	Sales	332.4	367.2	384.4	4.7%
	Gross profit	73.0	36.5	27.2	-25.5%
	in % of sales	22.0%	9.9%	7.1%	
– Services Division	Sales	154.8	190.5	210.2	10.3%
	Gross profit	78.7	94.0	97.9	4.1%
	in % of sales	50.8%	49.4%	46.6%	
Total	Sales	487.2	557.7	594.6	6.6%
	Gross profit	151.7	130.5	125.1	-4.2%
	in % of sales	31.1%	23.4%	21.0%	
Operating income (EBIT)	73.0	47.7	41.7	-12.7%	
in % of sales	15.0%	8.6%	7.0%		
Net income	55.5	32.5	29.0	-10.6%	
in % of sales	11.4%	5.8%	4.9%		
Depreciation and amortization	15.3	20.4	21.3	4.4%	
Cash flow:					
– from operating activities	40.7	45.9	44.4	-3.3%	
– from investing activities	-63.1	-146.8	-17.2		
– from financing activities (incl. translation differences)	-30.8	50.5	-27.0		
Total	-53.2	-50.4	0.2		
Total balance sheet assets	708.0	811.0	797.6	-1.7%	
Non-current assets	247.2	257.6	251.8	-2.2%	
Current assets	460.8	553.4	545.8	-1.4%	
Shareholders' equity	355.1	317.1	335.2	5.7%	
in % of total balance sheet assets	50.2%	39.1%	42.0%		
Net financial position (in CHF mn)	93.2	-67.2	-62.1		
Headcount as per end of fiscal year (full-time equivalents)	1'432	2'107	2'214	5.1%	
Total remuneration Board of Directors (in TCHF)	513.0	492.0	569.0	15.7%	
Total remuneration Executive Board (in TCHF)	4'499.0	2'461.0	2'378.0	-3.4%	
Share price as per end of fiscal year (in CHF)	329.75	271.25	304.80	12.4%	
Market capitalization (in CHF mn)	1'121.2	922.3	1'036.3	12.4%	
Market capitalization/shareholders' equity (ratio)	3.2	2.9	3.1	6.3%	
Net income per share (EPS) (in CHF)	16.34	9.12	8.51	-6.7%	
Dividend per share (in CHF)	10.00	7.00	6.00	-14.3%	
Number of issued shares	3'400'000	3'400'000	3'400'000		

¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017.

The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under preview.

CONSOLIDATED INCOME STATEMENT

	2017	2016
in CHF 1'000		
Sales	594'574	557'725
Cost of goods sold	-469'514	-427'188
Gross Profit	125'060	130'537
Selling and marketing expenses	-45'341	-44'774
General and administrative expenses	-35'127	-32'512
Research and development expenses	-8'004	-8'795
Other operating income	25'158	27'221
Other operating expenses	-20'064	-23'948
Operating income	41'682	47'729
Share of results of associates	-1'888	-2'551
Financial income and expenses	-1'867	-1'842
Earnings before taxes	37'927	43'336
Income tax expenses	-8'904	-10'883
Net income	29'023	32'453
Share of net income attributable to shareholders of Burckhardt Compression Holding AG	28'837	30'905
Share of net income attributable to non-controlling interests	186	1'548
Basic earnings per share in CHF	8.51	9.12
Diluted earnings per share in CHF	8.51	9.12

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of fiscal year 2017. Prior period figures have been restated accordingly.

CONSOLIDATED BALANCE SHEET

	03/31/2018	03/31/2017
in CHF 1'000		
Non-current assets		
Intangible assets	13'200	11'767
Property, plant and equipment	193'170	200'379
Investment in associates	12'249	14'704
Deferred tax assets	7'871	6'622
Other financial assets	25'313	24'083
Total non-current assets	251'803	257'555
Current assets		
Inventories	210'703	250'232
Trade receivables	227'699	209'782
Other current receivables	29'546	15'326
Prepaid expenses and accrued income	2'755	3'178
Cash and cash equivalents	75'077	74'892
Total current assets	545'780	553'410
Total assets	797'583	810'965
Equity		
Share capital	8'500	8'500
Capital reserves	421	-
Treasury shares	-1'652	-6'582
Retained earnings and other reserves	288'798	278'129
Equity attributable to shareholders of Burckhardt Compression Holding AG	296'067	280'047
Non-controlling interests	39'133	37'056
Total equity	335'200	317'103
Liabilities		
Non-current liabilities		
Non-current financial liabilities	65'599	71'825
Deferred tax liabilities	14'599	16'365
Non-current provisions	14'249	13'000
Other non-current liabilities	5'900	6'707
Total non-current liabilities	100'347	107'897
Current liabilities		
Current financial liabilities	71'538	70'310
Trade payables	65'294	59'980
Customers' advance payments	120'642	164'669
Other current liabilities	21'373	21'741
Accrued liabilities and deferred income	63'340	49'340
Current provisions	19'849	19'925
Total current liabilities	362'036	385'965
Total liabilities	462'383	493'862
Total equity and liabilities	797'583	810'965

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of fiscal year 2017. Prior period figures have been restated accordingly.

CONSOLIDATED CASH FLOW STATEMENT

	2017	2016
in CHF 1'000		
Cash flow from operating activities		
Net income	29'023	32'453
Income tax expenses	8'904	10'883
Financial income and expenses	1'867	1'842
Share of results of associates	1'888	2'551
Depreciation	17'411	16'471
Amortization	3'897	3'945
Change in inventories	42'029	12'829
Change in trade receivables	-10'412	-7'610
Change in other current assets	-10'627	11'155
Change in trade payables	3'452	-18'137
Change in customers' advance payments	-46'169	14'222
Change in provisions	2'037	-778
Change in other current liabilities	19'119	-10'940
Adjustment for non-cash items	1'082	-6'609
Interest received	578	302
Interest paid	-1'743	-2'068
Income taxes paid	-17'977	-14'545
Total cash flow from operating activities	44'359	45'966
Cash flow from investing activities		
Purchase of property, plant and equipment	-8'730	-14'489
Sale of property, plant and equipment	810	774
Purchase of intangible assets	-5'101	-1'513
Sale of intangible assets	-	65
Acquisition of group companies net of cash acquired	-4'197	-131'677
Total cash flow from investing activities	-17'218	-146'840
Cash flow from financing activities		
Increase in financial liabilities	2'322	99'424
Decrease in financial liabilities	-6'961	-9'648
Purchase of treasury shares	-	-4'917
Dividends paid	-23'859	-33'950
Transactions with non-controlling interests	299	-
Total cash flow from financing activities	-28'199	50'909
Currency translation differences on cash and cash equivalents	1'243	-419
Net change in cash and cash equivalents	185	-50'384
Cash and cash equivalents at beginning of period	74'892	125'276
Cash and cash equivalents at end of period	75'077	74'892
Net change in cash and cash equivalents	185	-50'384

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF 1'000	Share capital	Capital reserves	Treasury shares	Hedge reserve	Translation reserve	Goodwill offset	Other retained earnings	Equity attributable to shareholders of Burckhardt Compression Holding AG	Non-controlling interests	Total equity
Balance at 03/31/2016 (IFRS)	8'500	-	-1'639	-4'671	-18'920	-	371'822	355'092	-	355'092
Swiss GAAP FER Adjustments					18'920	-20'460	19'161	17'621		17'621
Balance at 04/01/2016 (Swiss GAAP FER)	8'500	-	-1'639	-4'671	-	-20'460	390'983	372'713	-	372'713
Result for the period							30'905	30'905	1'548	32'453
Additions from acquisitions of subsidiaries								-	37'037	37'037
Currency translation differences					-993			-993	-1'529	-2'522
Changes of cash flow hedges				-1'117				-1'117		-1'117
Dividends paid							-33'950	-33'950		-33'950
Changes in treasury shares			-4'943					-4'943		-4'943
Share-based payments (allocated)							239	239		239
Goodwill on acquisition						-82'807		-82'807		-82'807
Balance at 03/31/2017 (Swiss GAAP FER)	8'500	-	-6'582	-5'788	-993	-103'267	388'177	280'047	37'056	317'103
Balance at 03/31/2017 (IFRS)	8'500	-	-6'582	-5'788	-23'057	-	338'779	311'852	45'337	357'189
Swiss GAAP FER Adjustments					22'064	-103'267	49'398	-31'805	-8'281	-40'086
Balance at 04/01/2017 (Swiss GAAP FER)	8'500	-	-6'582	-5'788	-993	-103'267	388'177	280'047	37'056	317'103
Result for the period							28'837	28'837	186	29'023
Currency translation differences					3'138			3'138	1'827	4'965
Changes of cash flow hedges				5'354				5'354		5'354
Dividends paid							-23'624	-23'624	-235	-23'859
Transactions with non-controlling interests									299	299
Share-based payments (distributed)		421	4'930				-5'351	-		-
Share-based payments (allocated)							2'878	2'878		2'878
Goodwill on acquisition						-563		-563		-563
Balance at 03/31/2018 (Swiss GAAP FER)	8'500	421	-1'652	-434	2'145	-103'830	390'917	296'067	39'133	335'200

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SEGMENT REPORTING

in CHF '000	Systems Division		Services Division		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Sales	384'392	367'190	210'182	190'535	–	–	594'574	557'725
Cost of goods sold	–357'201	–330'702	–112'313	–96'486	–	–	–469'514	–427'188
Gross profit	27'191	36'488	97'869	94'049	–	–	125'060	130'537
Gross profit as % of sales	7.1%	9.9%	46.6%	49.4%	–	–	21.0%	23.4%
Operating income	–8'974	–1'472	54'352	53'011	–3'696	–3'810	41'682	47'729
Operating income as % of sales	–2.3%	–0.4%	25.9%	27.8%	–	–	7.0%	8.6%

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KEY DATES FOR 2018 AND 2019

July 6, 2018

Annual General Meeting of Shareholders

October 30, 2018

Results for the first half of 2018
 (as per September 30, 2018)

May 28, 2019

2018 Annual Report (as per March 31, 2019)

July 6, 2019

Annual General Meeting of Shareholders