

FIRST-HALF RESULTS FOR FISCAL YEAR 2018

Compressors for a Lifetime™

RESULTS FOR THE FIRST HALF OF 2018

SUBSTANTIALLY HIGHER ORDER INTAKE – YEAR-ON-YEAR DECLINES IN SALES, OPERATING INCOME AND NET INCOME – GUIDANCE FOR THE FULL YEAR REITERATED

DEAR SHAREHOLDERS

The first six months of the current fiscal year clearly reflect the intra-year cyclicity of our business. Incoming orders rose to very pleasing levels, whereas Group sales and operating results were sharply lower compared to the first half of the previous fiscal year. With respect to the 2018 fiscal year as a whole, we reiterate our expectation of a higher order intake, sales at prior-year level and a slight increase in operating and net income.

Both divisions report substantially higher order intake

Group order intake for the first half of the 2018 fiscal year increased significantly by 42.6% to CHF 303.3 mn compared to the prior-year period. Both divisions reported a sharp increase in orders received.

Order intake at the Systems Division rose 55.5% to CHF 183.0 mn as the general market environment brightened. The gas transport and storage business led the recovery, followed by the refinery and petrochemical business. Our business activities in China continued to grow and, together with our subsidiary Shenyang Yuanda Compressor, we defended our leading position in this market. In addition to China, markets in India and the US showed positive trends.

The Services Division reported a significant increase in orders received as well, up 26.7% to CHF 120.3 mn. Greater demand for replacement parts and engineering-related projects fueled much of its order growth. Arkos Field Services, the Texas company in which we hold a minority stake, sustained its recovery in the upstream market and scored some additional contract wins in the downstream business.

Key figures

	April–Sept. 2018	April–Sept. 2017	Change 2018/2017	Fiscal year 2017
in CHF 1'000				
Order intake	303'254	212'646	42.6%	525'229
– Systems Division	183'001	117'702	55.5%	319'798
– Services Division	120'253	94'944	26.7%	205'431
Sales	258'120	287'007	–10.1%	594'574
Gross profit	49'161	54'927	–10.5%	125'060
Operating income (EBIT)	5'628	12'780	–56.0%	41'682
Net income	2'386	8'697	–72.6%	29'023
Total assets	747'930	749'502	–0.2%	797'583
Total equity	307'604	309'615	–0.6%	335'200
Earnings per share (in CHF)	0.16	2.37	–93.1%	8.51
FTEs as per Sept. 30 / March 31	2'306	2'192	5.2%	2'214

Divergent sales trends

Group sales of CHF 258.1 mn came in 10.1% below the figure reported for the prior-year period. Sales in the Systems Division declined by 17.8% to CHF 158.5 mn but were up 5.7% to CHF 99.6 mn in the Services Division. Scheduled completions of customer orders will result in asymmetrical sales trends at the Systems Division this year. Sales at the Systems Division will be considerably higher in the second half.

Lower gross profit from the Systems Division

Consolidated gross profit for the first half of the fiscal year amounted to CHF 49.2 mn (prior-year period: CHF 54.9 mn), resulting in a gross profit margin of 19.0% (prior-year period: 19.1%). Gross profit in the Systems Division stood at CHF 5.6 mn (prior-year period: CHF 11.4 mn) and the corresponding gross profit margin was 3.6% (prior-year period: 5.9%). The declines are primarily attributed to additional costs in the LNGM business and the completion of projects that had been affected by a sharp rise in materials procurement costs in China over the past year. The gross profit of the other business of Systems Division made remarkable progress. Gross profit in the Services Division was unchanged at CHF 43.5 mn and the resulting margin of 43.7% was slightly below the year-ago margin of 46.2%.

Lower operating income – net income clearly lower

Selling, marketing and general administrative expenses came to CHF 41.3 mn, which is CHF 0.5 mn or 1.1% above the prior-year period. Research and development expenses rose by CHF 0.2 mn to CHF 4.0 mn. Other operating income and expenses of CHF 1.7 mn is CHF 0.8 mn less than in the previous year, largely because of exchange-rate fluctuations.

Group operating income (EBIT) for the period amounted to CHF 5.6 mn, a decline of CHF 7.2 mn compared to the prior-year period, and the resulting EBIT margin is 2.2% (prior-year period: 4.5%). The reason for the lower EBIT can be traced to the Systems Division's higher losses of CHF –13.6 mn, which corresponds to –8.6 percentage points of sales, well below the prior-year figures of CHF –7.4 mn or –3.8 percent of sales. Gross profit and, hence, the gross profit margin of the Systems Division will show a considerable improvement in the second half. EBIT at the Services Division decreased by CHF –1.7 mn to CHF 20.6 mn, resulting in an EBIT margin of 20.7% (prior-year period: 23.7%). Net income for the Group amounted to CHF 2.4 mn, a decline of CHF 6.3 mn from the level reported for the prior-year period.

Execution of Mid-Range Plan in progress

The Mid-Range Plan passed in December 2017 covering fiscal years 2018 to 2022 sets different priorities for the two divisions in the coming years. Execution of the various initiatives is now under way. Ongoing projects to lower and optimize operating costs, ranging from value engineering to global procurement policies, were expanded. Within the scope of value engineering we optimized in the past few months together with our global suppliers not only stand-alone compressors but also entire systems.

Improved net financial position – equity ratio unchanged

Total assets at the end of September amounted to CHF 747.9 mn, which corresponds to a decline of CHF 49.7 mn or 6.2% compared to the end of March (the close of the 2017 fiscal year). This reduction is mainly attributed to a decline in trade receivables. The Group's net cash position improved by CHF 24.6 mn to CHF –37.4 mn compared to the end of the 2017 fiscal year, in spite of the dividend payout of CHF 20.4 mn in July 2018. The equity ratio at the end of September stood at 41.0%, unchanged from the level reported at the end of the 2017 fiscal year.

Outlook for 2018 fiscal year and Mid-Range Plan confirmed

In our guidance for fiscal 2018 as a whole, we reiterate our expectation of a higher order intake, sales at prior-year level and slightly higher operating and net income. Our financial targets in the Mid-Range Plan remain unchanged at CHF 700 mn in sales with an EBIT margin of 10–15%, to be achieved by the end of fiscal 2022.

Thank you

The Board of Directors and the Executive Board thank all employees for their hard work and dedication. We also deeply appreciate the trust and loyalty of our shareholders and of our customers around the world.

Yours sincerely,



Valentin Vogt
Chairman of the
Board of Directors



Marcel Pawlicek
CEO

Winterthur, October 30, 2018

IR calendar:

May 28, 2019	2018 Annual Report (as per March 31, 2019)
July 6, 2019	Annual General Meeting

CONSOLIDATED INCOME STATEMENT

in CHF 1'000	First half 2018 April–Sept. 2018	First half 2017 April–Sept. 2017	2017 fiscal year April 2017–March 2018
Sales	258'120	287'007	594'574
Cost of goods sold	–208'959	–232'080	–469'514
Gross profit	49'161	54'927	125'060
Selling and marketing expenses	–23'454	–22'256	–45'341
General and administrative expenses	–17'838	–18'576	–35'127
Research and development expenses	–3'966	–3'808	–8'004
Other operating income	12'846	18'005	25'158
Other operating expenses	–11'121	–15'512	–20'064
Operating income	5'628	12'780	41'682
Share of result of associates	–366	–420	–1'888
Financial income and expenses	–2'152	–803	–1'867
Earnings before taxes	3'110	11'557	37'927
Income tax expenses	–724	–2'860	–8'904
Net income	2'386	8'697	29'023
Share of net income attributable to shareholders of Burckhardt Compression Holding AG	552	7'999	28'837
Share of net income attributable to non-controlling interests	1'834	698	186
Basic earnings per share in CHF	0.16	2.37	8.51
Diluted earnings per share in CHF	0.16	2.37	8.51

CONSOLIDATED BALANCE SHEET

in CHF 1'000	First half 2018 09/30/2018	First half 2017 09/30/2017	2017 fiscal year 03/31/2018
Non-current assets			
Intangible assets	13'115	9'968	13'200
Property, plant and equipment	179'444	198'158	193'170
Investments in associates	12'012	13'842	12'249
Deferred tax assets	7'937	7'355	7'871
Other financial assets	26'731	23'849	25'313
Total non-current assets	239'239	253'172	251'803
Current assets			
Inventories	217'748	216'780	210'703
Trade receivables	190'483	196'356	227'699
Other current receivables	31'496	18'502	29'546
Prepaid expenses and accrued income	3'609	3'216	2'755
Cash and cash equivalents	65'355	61'476	75'077
Total current assets	508'691	496'330	545'780
Total assets	747'930	749'502	797'583
Equity			
Share capital	8'500	8'500	8'500
Capital reserves	421	419	421
Treasury shares	-1'581	-1'681	-1'652
Retained earnings and other reserves	262'257	264'332	288'798
Equity attributable to shareholders of Burckhardt Compression Holding AG	269'597	271'570	296'067
Non-controlling interests	38'007	38'045	39'133
Total equity	307'604	309'615	335'200
Liabilities			
Non-current liabilities			
Non-current financial liabilities	64'705	67'385	65'599
Deferred tax liabilities	12'912	14'250	14'599
Non-current provisions	13'961	10'932	14'249
Other non-current liabilities	9'292	5'017	5'900
Total non-current liabilities	100'870	97'584	100'347
Current liabilities			
Current financial liabilities	38'039	69'607	71'538
Trade payables	62'294	53'006	65'294
Customers' advance payments	147'042	127'747	120'642
Other current liabilities	18'875	12'166	21'373
Accrued liabilities and deferred income	54'619	57'911	63'340
Current provisions	18'587	21'866	19'849
Total current liabilities	339'456	342'303	362'036
Total liabilities	440'326	439'887	462'383
Total equity and liabilities	747'930	749'502	797'583

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1'000	First half 2018 April–Sept. 2018	First half 2017 April–Sept. 2017	2017 fiscal year April 2017–March 2018
Cash flow from operating activities			
Net income	2'386	8'697	29'023
Income tax expenses	724	2'860	8'904
Financial income and expenses	2'152	803	1'867
Share of results of associates	366	420	1'888
Depreciation	8'797	8'573	17'411
Amortization	2'177	1'998	3'897
Change in inventories	-13'039	35'050	42'029
Change in trade receivables	26'910	16'085	-10'412
Change in other current assets	-4'339	-3'132	-10'627
Change in trade payables	-327	-7'272	3'452
Change in customers' advance payments	32'002	-36'514	-46'169
Change in provisions	-809	-3'744	2'037
Change in other current liabilities	-6'122	9'614	19'119
Adjustment for non-cash items	-304	4'486	1'082
Interest received	140	53	578
Interest paid	-1'082	-926	-1'743
Income taxes paid	-5'317	-11'039	-17'977
Total cash flow from operating activities	44'315	26'012	44'359
Cash flow from investing activities			
Purchase of property, plant and equipment	-3'437	-6'350	-8'730
Sale of property, plant and equipment	9'130	230	810
Purchase of intangible assets	-2'142	-41	-5'101
Sale of intangible assets	2	–	–
Purchase of financial assets	-1'455	–	–
Acquisition of group companies net of cash acquired	–	-4'640	-4'197
Total cash flow from investing activities	2'098	-10'801	-17'218
Cash flow from financing activities			
Increase in financial liabilities	–	79	2'322
Decrease in financial liabilities	-33'650	-5'150	-6'961
Dividends paid	-20'361	-23'624	-23'859
Transactions with non-controlling interests	–	–	299
Total cash flow from financing activities	-54'011	-28'695	-28'199
Currency translation differences on cash and cash equivalents	-2'124	68	1'243
Net change in cash and cash equivalents	-9'722	-13'416	185
Cash and cash equivalents at beginning of period	75'077	74'892	74'892
Cash and cash equivalents at end of period	65'355	61'476	75'077
Net change in cash and cash equivalents	-9'722	-13'416	185

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
in CHF 1'000										
Balance at April 1, 2017	8'500	–	–6'582	–5'788	–993	–103'267	388'177	280'047	37'056	317'103
Net income	–	–	–	–	–	–	7'999	7'999	698	8'697
Currency translation differences	–	–	–	–	161	–	–	161	291	452
Changes of cash flow hedges	–	–	–	4'741	–	–	–	4'741	–	4'741
Dividends paid	–	–	–	–	–	–	–23'624	–23'624	–	–23'624
Share-based payments (distributed)	–	419	4'901	–	–	–	–5'320	–	–	–
Share-based payments (allocated)	–	–	–	–	–	–	2'809	2'809	–	2'809
Goodwill on acquisition	–	–	–	–	–	–563	–	–563	–	–563
Balance at September 30, 2017	8'500	419	–1'681	–1'047	–832	–103'830	370'041	271'570	38'045	309'615
Balance at April 1, 2018	8'500	421	–1'652	–434	2'145	–103'830	390'917	296'067	39'133	335'200
Net income	–	–	–	–	–	–	552	552	1'834	2'386
Currency translation differences	–	–	–	–	–5'960	–	–	–5'960	–2'960	–8'920
Changes of cash flow hedges	–	–	–	–377	–	–	–	–377	–	–377
Dividends paid	–	–	–	–	–	–	–20'361	–20'361	–	–20'361
Share-based payments (distributed)	–	–	71	–	–	–	–	71	–	71
Share-based payments (allocated)	–	–	–	–	–	–	–395	–395	–	–395
Balance at September 30, 2018	8'500	421	–1'581	–811	–3'815	–103'830	370'713	269'597	38'007	307'604

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited interim consolidated financial statements, prepared in accordance with Swiss GAAP FER, were approved by the Board of Directors on October 29, 2018. This is a condensed interim report pursuant to Swiss GAAP FER 31 "Complementary recommendations for listed companies."

Since the consolidated interim financial statements do not include all the information contained in consolidated annual financial statements, they should be read in conjunction with the consolidated annual financial statements for the year ended March 31, 2018. The current accounting standards are congruent with the accounting standards used to prepare the 2017 financial statements.

2. Segment reporting

	Systems Division				Services Division			
in CHF 1'000	HY 2018 April–Sept. 2018	HY 2017 April–Sept. 2017	Change 2018/2017	FY 2017 April 2017– March 2018	HY 2018 April–Sept. 2018	HY 2017 April–Sept. 2017	Change 2018/2017	FY 2017 April 2017– March 2018
Sales	158'546	192'809	–17.8%	384'392	99'574	94'198	5.7%	210'182
Cost of goods sold	–152'916	–181'374	–	–357'201	–56'043	–50'706	–	–112'313
Gross profit	5'630	11'435	–50.8%	27'191	43'531	43'492	0.1%	97'869
Gross profit as % of sales	3.6%	5.9%	–	7.1%	43.7%	46.2%	–	46.6%
Operating income	–13'630	–7'398	84.2%	–8'974	20'633	22'337	–7.6%	54'352
Operating income as % of sales	–8.6%	–3.8%	–	–2.3%	20.7%	23.7%	–	25.9%

	Others				Total			
in CHF 1'000	HY 2018 April–Sept. 2018	HY 2017 April–Sept. 2017	Change 2018/2017	FY 2017 April 2017– March 2018	HY 2018 April–Sept. 2018	HY 2017 April–Sept. 2017	Change 2018/2017	FY 2017 April 2017– March 2018
Sales	–	–	–	–	258'120	287'007	–10.1%	594'574
Cost of goods sold	–	–	–	–	–208'959	–232'080	–	–469'514
Gross profit	–	–	–	–	49'161	54'927	–10.5%	125'060
Gross profit as % of sales	–	–	–	–	19.0%	19.1%	–	21.0%
Operating income	–1'375	–2'159	–36.3%	–3'696	5'628	12'780	–56.0%	41'682
Operating income as % of sales	–	–	–	–	2.2%	4.5%	–	7.0%

3. Events after the balance sheet date

There were no significant events after the balance sheet date.

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.

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This document may contain forward-looking statements, including but not limited to projections of financial results, market activity and future product developments. 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.

The 2018 interim report is also available in German, and both versions can be downloaded from our website at www.burckhardtcompression.com/financial-reports. The German version takes precedence in the event of a conflict.





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