

## Media Release of October 30, 2018

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# 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

The first six months of the current fiscal year clearly reflect the intra-year cyclicity of the 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, Burckhardt Compression reiterates the 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. The business activities in China continued to grow and, together with the subsidiary Shenyang Yuanda Compressor, Burckhardt Compression defended its 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 Burckhardt Compression holds a minority stake, sustained its recovery in the upstream market and scored some additional contract wins in the downstream business.

### 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 Burckhardt Compression optimized in the past few months together with its 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 its guidance for fiscal 2018 as a whole, Burckhardt Compression reiterates the expectation of a higher order intake, sales at prior-year level and slightly higher operating and net income. The 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.

## Key figures for the first half of fiscal year 2018 (April – September 2018)

in CHF 1'000	April–Sept. 2018	April–Sept. 2017	Change 2018/2017	Fiscal year 2017
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

Additional information on the interim results for fiscal year 2018 has been published on our website at [www.burckhardtcompression.com/financial-reports](http://www.burckhardtcompression.com/financial-reports).

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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.

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