

Press release, November 4, 2020

Burckhardt Compression delivers significantly higher half-year results than a year ago, decline in order intake due to coronavirus outbreak, full-year guidance and Mid-Range Plan targets for 2022 confirmed

- **Sales, operating income and net income significantly higher compared to prior-year levels; temporary margin fluctuations at divisional level**
- **Lower order intake due to coronavirus**
- **Bond placed successfully on Swiss capital market**
- **Assuming that the economic environment will not deteriorate significantly,**
 - **management confirms guidance for full-year 2020**
 - **Group-level Mid-Range Plan targets for fiscal year 2022 confirmed on Investor Day: sales of CHF 700 mn, EBIT margin of 10 – 15%**

The first half of the 2020 fiscal year closed with higher sales, significantly increased operating income and a substantial year-on-year rise in net income. Order intake was lower as a result of the coronavirus pandemic's effects on customers.

The coronavirus pandemic had a clear impact on Burckhardt Compression. The company took swift action and implemented a comprehensive crisis management strategy to counteract the effects of the pandemic and to keep the business going at all times. With a few exceptions, Burckhardt Compression managed to continue production, maintain the supply chains and thus fulfill the customers' needs. The highest priority at all times has been to safeguard the health of the employees and their families, as well as of the customers and business partners.

Global markets affected in different ways

Governments and Central Banks have reacted in various ways to the pandemic outbreaks in their respective countries and regions. The Chinese market, which is important to Burckhardt Compression, remained strong despite the pandemic and the temporary local lockdowns, but it couldn't quite match the previous year's performance. The economic downturn in the USA left its mark; combined with coronavirus-related travel restrictions, this affected the performance of Arkos Field Services in particular.

Group: significantly higher net income

Group order intake for the first half of fiscal 2020 amounted to CHF 303.0 mn, a decline of -8.0% compared to the first half of last year, or -13.3% before the acquisitions of Arkos Field Services (Arkos) and the compressor business of The Japan Steel Works (JSW). Sales for the first half of the fiscal year amounted to CHF 295.2 mn, an increase of 6.9% (0.6% before acquisitions). Gross profit for the first half increased 13.7% to CHF 73.7 mn, resulting in a gross profit margin of 25.0% (prior-year period: 23.5%).

Group operating income (EBIT) for the first half rose substantially to CHF 26.0 mn (prior-year period: CHF 16.7 mn) resulting in an EBIT margin of 8.8% (prior-year period: 6.0%). The Group's net income at CHF 19.0 mn came in significantly higher compared to the prior-year figure of CHF 11.8 mn. Earnings per share attributable to Burckhardt Compression shareholders clearly increased from CHF 2.17 to CHF 4.73.

Global selling costs were lower than in the prior-year period due to lower travel and representation costs. Selling, marketing and general administrative expenses amounted to CHF 44.0 mn (14.9% of sales), which is 2.4% less than in the prior-year period (16.3% of sales) when Arkos had not yet been consolidated. Research and development expenses rose by CHF 2.7 mn in the first half year to CHF 6.9 mn, thanks in part to the higher number of ongoing projects, including those involving innovative applications such as hydrogen-based mobility and energy. Other operating income came to CHF 3.2 mn. This increase of CHF 2.1 mn on the prior year is largely attributable to currency translation effects.

Systems Division: lower order intake, stronger sales and EBIT

Order intake at the Systems Division decreased by -20.1% (no impact from acquisitions) to CHF 170.2 mn. Some individual customers, especially in the refinery business, put capital spending on hold owing to the uncertainties caused by the pandemic. Sales increased by 12.3% (no impact from acquisitions) to CHF 193.9 mn. Owing to the delivery of higher-margin projects in the first half, gross profit increased by 122.5% to CHF 36.6 mn, resulting in a gross profit margin of 18.9% (prior-year period: 9.5%, incl. additional costs incurred in the LNGM business). The division achieved an EBIT margin of 8.8% in the first half of 2020 (prior-year period: -2.8%).

In the Systems Division, Burckhardt Compression expects sales to stay around the same level in the second half of the year. Looking at the backlog and the resulting lower capacity utilization, the company expects to see reduced profit margins compared to the first half of the year.

Services Division: higher order intake, lower sales and EBIT

Order intake at the Services Division rose to CHF 132.8 mn, a year-on-year increase of 14.0% (-0.9% before acquisitions). The prior-year figure does not include Arkos or the compressor business of JSW. The order intake figure includes several major orders for the Engineering/Revamp/Repair business, as well as one order in a low double-digit million amount, for a ten-year long-term service agreement in the Marine business. Coronavirus related travel restrictions had a clear impact, especially on Field Service and Engineering/Revamp/Repair. In the USA, the unfavorable business environment was made even worse by the coronavirus, leading to a significant drop in demand in the upstream market segments traditionally targeted by Arkos; its downstream business remained stable. Services Division turnover fell -2.2% (-18.9% before acquisitions) to CHF 101.3 mn. With an order intake up in the final months of the first half year, Burckhardt Compression expects higher sales in the second half. Gross profit in the Services Division declined from CHF 48.4 mn to CHF 37.1 mn. The division's gross profit margin slippage from 46.7% to 36.7% was mainly due to the margin dilution resulting from the Arkos consolidation. The EBIT margin temporarily fell from 22.5% to 10.3%. Excluding Arkos, the division's EBIT margin level was close to 20%.

In the Services Division, Burckhardt Compression expects increasing sales and profitability in the second half due to the higher order intake in the first months of the fiscal year. The company anticipates profit margins will be up in the second half of the year thanks to much better utilization in the Field Service and Engineering/Revamp/Repair businesses, and a recovery in profitability at Arkos.

Structural adjustments at Arkos

Despite the major challenges caused by the coronavirus, the integration of Arkos and the organizational changes remain on track. Arkos will continue to grow its downstream business and thus improve its profitability. In the USA, Burckhardt Compression expects to see a contribution from the government support programs.

Integration of JSW on course

On April 21, 2020 Burckhardt Compression completed the acquisition of the global compressor business of JSW, and its integration is now successfully underway.

Shenyang Yuanda Compressor: new plant completed in Shenyang

Shenyang Yuanda Compressor's new factory in Shenyang, China, was completed as planned at the end of September. The new production facility is around 60% larger and replaces the two previous locations. Furthermore, on September 14, 2020 a memorandum of understanding for the acquisition of the remaining 40% of Shenyang Yuanda Compressor was signed.

Reduction in accounts receivable

Total assets at the end of September 2020 amounted to CHF 853.5 mn, which is 3.3% lower than at the end of March (close of 2019 fiscal year). This reduction is mainly due to a reduction in accounts receivable. The net financial position at the end of the reporting period amounted to CHF -68.0 mn (CHF -91.7 mn at the close of 2019 fiscal year). Work in progress not financed by customer advance payments improved to CHF -34.9 mn from CHF -45.0 mn at the end of March. Following the dividend pay-out to shareholders and the offsetting of goodwill from the acquisition of JSW's compressor business, the equity ratio comes to 34.1% at the end of September, slightly below the figure from the end of fiscal 2019 (36.0%).

Successful bond issue

In September 2020, Burckhardt Compression successfully placed a bond of CHF 100 mn with a four years term. The bond was issued to finance or refinance the acquisitions of Shenyang Yuanda Compressor, Arkos and the compressor business of JSW, as well as for general financing purposes.

Guidance for 2020 fiscal year as a whole

Even though many countries are currently dealing with a second wave of coronavirus, Burckhardt Compression has experienced a recovery in economic activities in certain regions in recent months. On the other hand, currencies have been fluctuating significantly recently. From today's perspective, the company is still expecting to achieve sales of more than CHF 650 mn for fiscal 2020, as well as profit margins around the prior-year level.

In the Systems Division, Burckhardt Compression expects sales to stay around the same level in the second half of the year. Looking at the backlog and the resulting lower capacity utilization, the company expects to see reduced profit margins compared to the first half of the year.

In the Services Division, Burckhardt Compression expects increasing sales and profitability in the second half due to the higher order intake in the first months of the fiscal year. The company anticipates profit margins will be up in the second half of the year thanks to much better utilization in the Field Service and Engineering/Revamp/Repair businesses, and a recovery in profitability at Arkos.

Investor Day 2020: Focus points for sustainable value creation

Burckhardt Compression's third Investor Day is taking place in Winterthur, Switzerland, today. Amongst other things, the company is presenting its focus points for sustainable value creation for all stakeholders within the current Mid-Range Plan period and beyond.

These are:

- Its geographic positioning and large customer base, which provide a sound platform for future growth with increasing economies of scale
- The integrated business model of the Systems and Services divisions, which provides stability across the entire value chain
- The company's favorable position to benefit from changes in the global energy mix and from the new applications this is creating
- Confirmation of the company's ability to deliver on the Mid-Range goals of CHF 700 mn at the top line with an EBIT margin of 10 – 15% at Group level, provided that the coronavirus does not lead to a further significant deterioration in the business environment
- Focus on disciplined capital management

Key figures for the first half of fiscal 2020 (April – September 2020)

KEY FIGURES

in CHF 1'000	April–Sept. 2020	April–Sept. 2019	Change 2020/2019	Fiscal year 2019
Order intake	303'023	329'516	–8.0%	607'303
– Systems Division	170'221	213'051	–20.1%	361'201
– Services Division	132'802	116'465	14.0%	246'102
Sales	295'221	276'225	6.9%	629'585
Gross profit	73'719	64'828	13.7%	149'785
Operating income (EBIT)	25'973	16'651	56.0%	54'795
Net income	18'985	11'751	61.6%	39'871
Total assets	853'483	815'841	4.6%	883'002
Total equity	290'917	325'525	–10.6%	317'506
Earnings per share (in CHF)	4.73	2.17	118.0%	9.56
FTEs as per Sept. 30 / March 31	2'575	2'430	5.9%	2'621

Additional information can be found on our website:

- Half-Year Report 2020: www.burckhardtcompression.com/finanzberichte
- Investor Day November 4, 2020: www.burckhardtcompression.com/investorday

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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 and 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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For further information please visit www.burckhardtcompression.com