

FIRST-HALF RESULTS FOR FISCAL YEAR 2020

Compressors for a Lifetime™

RESULTS FOR THE FIRST HALF OF 2020

HALF-YEAR RESULTS SIGNIFICANTLY HIGHER THAN A YEAR AGO, DECLINE IN ORDER INTAKE DUE TO CORONAVIRUS OUTBREAK, FULL-YEAR GUIDANCE CONFIRMED

DEAR SHAREHOLDERS

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. We 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, we managed to continue production, maintain our supply chains and thus fulfill our customers' needs. Our highest priority at all times has been to safeguard the health of our employees and their families, as well as of our 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.

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

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, we expect sales to stay around the same level in the second half of the year. Looking at the backlog and the resulting lower capacity utilization, we expect 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, we expect 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, we expect increasing sales and profitability in the second half due to the higher order intake in the first months of the fiscal year. We anticipate 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, we expect to see a contribution from the government support programs.

Integration of JSW on course

On April 21, 2020 we 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, we 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, we have 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, we are still expecting to achieve sales of more than CHF 650 mn for fiscal 2020, as well as profit margins around the prior-year level.

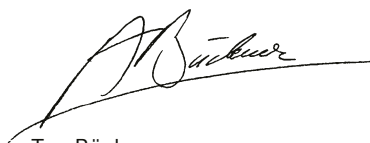
In the Systems Division, we expect sales to stay around the same level in the second half of the year. Looking at the backlog and the resulting lower capacity utilization, we expect to see reduced profit margins compared to the first half of the year.

In the Services Division, we expect increasing sales and profitability in the second half due to the higher order intake in the first months of the fiscal year. We anticipate 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.

Thank you

Our employees around the world were clearly challenged in recent months by the repercussions of the pandemic and their extraordinary efforts to maintain our business continuity are greatly appreciated. We also thank all our shareholders and our customers.

Yours sincerely,



Ton Büchner
Chairman of the
Board of Directors



Marcel Pawlicek
CEO

Winterthur, November 4, 2020

IR calendar:

November 4, 2020	Investor Day 2020
June 1, 2021	2020 Annual Report (as per March 31, 2021)
July 3, 2021	Annual General Meeting

CONSOLIDATED INCOME STATEMENT

in CHF 1'000	First half 2020 April–Sept. 2020	First half 2019 April–Sept. 2019	2019 fiscal year April 2019–March 2020
Sales	295'221	276'225	629'585
Cost of goods sold	-221'502	-211'397	-479'800
Gross profit	73'719	64'828	149'785
Selling and marketing expenses	-23'050	-24'775	-50'455
General and administrative expenses	-20'943	-20'275	-42'753
Research and development expenses	-6'926	-4'214	-10'513
Other operating income	10'036	12'322	41'955
Other operating expenses	-6'863	-11'235	-33'224
Operating income	25'973	16'651	54'795
Share of results of associates	-	-547	-2'494
Financial income and expenses	-1'053	-1'980	-4'741
Earnings before taxes	24'920	14'124	47'560
Income tax expenses	-5'935	-2'373	-7'689
Net income	18'985	11'751	39'871
Share of net income attributable to shareholders of Burckhardt Compression Holding AG	16'020	7'338	32'390
Share of net income attributable to non-controlling interests	2'965	4'413	7'481
Basic earnings per share in CHF	4.73	2.17	9.56
Diluted earnings per share in CHF	4.73	2.17	9.56

CONSOLIDATED BALANCE SHEET

in CHF 1'000	First half 2020 09/30/2020	First half 2019 09/30/2019	2019 fiscal year 03/31/2020
Non-current assets			
Intangible assets	12'560	11'219	12'943
Property, plant and equipment	201'832	185'701	202'632
Investments in associates	–	10'913	–
Deferred tax assets	14'209	10'278	14'513
Other financial assets	3'940	27'577	4'034
Total non-current assets	232'541	245'688	234'122
Current assets			
Inventories	247'094	258'452	264'479
Trade receivables	201'819	212'898	256'121
Other current receivables	26'020	19'385	33'377
Prepaid expenses and accrued income	5'713	4'869	4'584
Cash and cash equivalents	140'296	74'549	90'319
Total current assets	620'942	570'153	648'880
Total assets	853'483	815'841	883'002
Equity			
Share capital	8'500	8'500	8'500
Capital reserves	486	435	435
Treasury shares	–2'206	–3'829	–5'216
Retained earnings and other reserves	236'778	276'012	269'763
Equity attributable to shareholders of Burckhardt Compression Holding AG	243'558	281'118	273'482
Non-controlling interests	47'359	44'407	44'024
Total equity	290'917	325'525	317'506
Liabilities			
Non-current liabilities			
Non-current financial liabilities	193'662	71'156	88'713
Deferred tax liabilities	11'485	12'602	13'620
Non-current provisions	15'713	13'997	14'311
Other non-current liabilities	6'563	9'848	7'616
Total non-current liabilities	227'423	107'603	124'260
Current liabilities			
Current financial liabilities	14'662	73'530	93'259
Trade payables	81'057	79'651	91'337
Customers' advance payments	140'159	142'910	145'297
Other current liabilities	25'986	16'019	13'895
Accrued liabilities and deferred income	52'414	47'293	77'122
Current provisions	20'865	23'310	20'326
Total current liabilities	335'143	382'713	441'236
Total liabilities	562'566	490'316	565'496
Total equity and liabilities	853'483	815'841	883'002

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1'000	First half 2020 April–Sept. 2020	First half 2019 April–Sept. 2019	2019 fiscal year April 2019–March 2020
Cash flow from operating activities			
Net income	18'985	11'751	39'871
Income tax expenses	5'935	2'373	7'689
Financial income and expenses	1'053	1'980	4'741
Share of results of associates	–	547	2'494
Depreciation	8'692	8'609	17'416
Amortization	1'835	1'601	3'133
Change in inventories	17'239	–42'129	–36'129
Change in trade receivables	54'052	40'183	5'331
Change in other current assets	6'352	6'670	–6'544
Change in trade payables	–10'331	–5'086	1'180
Change in customers' advance payments	–5'017	17'220	23'494
Change in provisions	–944	2'648	–70
Change in other liabilities	–15'620	–22'091	1'947
Adjustment for non-cash items	2'181	829	2'455
Interest received	141	325	227
Interest paid	–900	–1'219	–2'865
Income taxes paid	–6'706	–5'195	–13'627
Total cash flow from operating activities	76'947	19'016	50'743
Cash flow from investing activities			
Purchase of property, plant and equipment	–8'850	–14'062	–29'484
Sale of property, plant and equipment	203	–	2'555
Purchase of intangible assets	–1'438	–1'526	–4'851
Increase in financial assets	–	–219	–2'100
Acquisition of group companies net of cash acquired	–21'227	–	–15'783
Total cash flow from investing activities	–31'312	–15'807	–49'663
Cash flow from financing activities			
Increase in financial liabilities	100'000	13'174	43'010
Decrease in financial liabilities	–72'108	–	–5'710
Purchase of treasury shares	–3'153	–2'348	–3'735
Dividends paid	–20'180	–20'364	–22'289
Total cash flow from financing activities	4'559	–9'538	11'276
Currency translation differences on cash and cash equivalents	–217	–2'131	–5'047
Net change in cash and cash equivalents	49'977	–8'461	7'309
Cash and cash equivalents at beginning of period	90'319	83'010	83'010
Cash and cash equivalents at end of period	140'296	74'549	90'319
Net change in cash and cash equivalents	49'977	–8'461	7'309

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, 2019	8'500	446	-1'582	-1'405	367	-103'830	399'968	302'464	42'570	345'034
Net income	-	-	-	-	-	-	7'338	7'338	4'413	11'751
Currency translation differences	-	-	-	-	-7'093	-	-	-7'093	-2'576	-9'669
Changes of cash flow hedges	-	-	-	127	-	-	-	127	-	127
Dividends paid	-	-	-	-	-	-	-20'364	-20'364	-	-20'364
Purchase of treasury shares	-	-	-2'348	-	-	-	-	-2'348	-	-2'348
Share-based payments (distributed)	-	-11	101	-	-	-	-90	-	-	-
Share-based payments (allocated)	-	-	-	-	-	-	994	994	-	994
Balance at September 30, 2019	8'500	435	-3'829	-1'278	-6'726	-103'830	387'846	281'118	44'407	325'525
Balance at April 1, 2020	8'500	435	-5'216	-616	-13'315	-121'835	405'529	273'482	44'024	317'506
Net income	-	-	-	-	-	-	16'020	16'020	2'965	18'985
Currency translation differences	-	-	-	-	-502	-	-	-502	370	-132
Changes of cash flow hedges	-	-	-	822	-	-	-	822	-	822
Dividends paid	-	-	-	-	-	-	-20'180	-20'180	-	-20'180
Purchase of treasury shares	-	-	-3'153	-	-	-	-	-3'153	-	-3'153
Share-based payments (distributed)	-	51	6'163	-	-	-	-6'214	-	-	-
Share-based payments (allocated)	-	-	-	-	-	-	1'941	1'941	-	1'941
Goodwill on acquisition	-	-	-	-	-	-24'872	-	-24'872	-	-24'872
Balance at September 30, 2020	8'500	486	-2'206	206	-13'817	-146'707	397'096	243'558	47'359	290'917

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 30, 2020. 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, 2020. The current accounting standards are congruent with the accounting standards used to prepare the 2019 financial statements.

2. Segment reporting

	Systems Division				Services Division			
in CHF 1'000	HY 2020 April–Sept. 2020	HY 2019 April–Sept. 2019	Change 2020/2019	FY 2019 April 2019– March 2020	HY 2020 April–Sept. 2020	HY 2019 April–Sept. 2019	Change 2020/2019	FY 2019 April 2019– March 2020
Sales	193'886	172'625	12.3%	388'256	101'335	103'600	-2.2%	241'329
Cost of goods sold	-157'312	-156'186	-	-345'482	-64'190	-55'211	-	-134'318
Gross profit	36'574	16'439	122.5%	42'774	37'145	48'389	-23.2%	107'011
Gross profit as % of sales	18.9%	9.5%	-	11.0%	36.7%	46.7%	-	44.3%
Operating income	17'087	-4'878	-	6'443	10'468	23'311	-55.1%	54'692
Operating income as % of sales	8.8%	-2.8%	-	1.7%	10.3%	22.5%	-	22.7%

	Others				Total			
in CHF 1'000	HY 2020 April–Sept. 2020	HY 2019 April–Sept. 2019	Change 2020/2019	FY 2019 April 2019– March 2020	HY 2020 April–Sept. 2020	HY 2019 April–Sept. 2019	Change 2020/2019	FY 2019 April 2019– March 2020
Sales	-	-	-	-	295'221	276'225	6.9%	629'585
Cost of goods sold	-	-	-	-	-221'502	-211'397	-	-479'800
Gross profit	-	-	-	-	73'719	64'828	13.7%	149'785
Gross profit as % of sales	-	-	-	-	25.0%	23.5%	-	23.8%
Operating income	-1'582	-1'782	-11.2%	-6'340	25'973	16'651	56.0%	54'795
Operating income as % of sales	-	-	-	-	8.8%	6.0%	-	8.7%

3. Business combinations and other changes in the scope of consolidation

The Japan Steel Works Ltd. (Japan)

On April 21, 2020, Burckhardt Compression acquired the global compressor business from the Japan Steel Works Ltd. (JSW), a Japanese business based in Tokyo, in an asset deal. With the acquisition of the global compressor business from JSW, Burckhardt Compression is strengthening its market presence in Japan.

The following table shows the fair value of assets and liabilities acquired at the acquisition date and the goodwill arising from this transaction.

in CHF 1'000	
Inventories	719
Non-current liabilities	-1'794
Current liabilities	-212
Net assets / liabilities acquired at fair value	-1'287
Goodwill from acquisition	24'872
Total purchase price	23'585
Less cash and cash equivalents acquired	-
Less purchase price not yet paid (deferred consideration)	-2'358
Net cash outflow on acquisition	21'227

Shenyang Yuanda Compressor Co. Ltd. (China)

On September 14, 2020, Burckhardt Compression has entered into a memorandum of understanding to acquire the remaining 40% of Shenyang Yuanda Compressor Co. Ltd. Burckhardt Compression initially purchased a 60% interest in Shenyang Yuanda Compressor, a Chinese compressor manufacturer based in Shenyang, in March of 2016.

There were no changes in the scope of consolidation in the first half year 2019.

4. Financial Liabilities

On September 30, 2020, Burckhardt Compression issued a bond for a total of CHF 100 mn with a coupon of 1.50%. The issue price was 100% of the nominal value. It will be redeemed at par value on September 30, 2024. The bond is listed on the SIX Swiss Exchange.

5. Impacts of Covid-19

Since the outbreak of the Covid-19 pandemic, Burckhardt Compression has taken all the necessary measures to protect the health of its employees, customers, suppliers and business partners. Burckhardt Compression countered the weakening of its business by implementing cost-saving measures already at an early stage. These measures also include government support in various countries and are recognised in the corresponding expense category as cost reduction. For these interim consolidated financial statements 2020, Burckhardt Compression considered all known consequences of the Covid-19 pandemic.

6. 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, 175 years and counting, 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 2020 interim report is also available in German, and both versions can be downloaded from our website at report.burckhardtcompression.com. The English version takes precedence in the event of a conflict.



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