Burckhardt Compression

ANNUAL REPORT 2016

Compressors for a Lifetime™

ABOUT US

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, high-quality compressor components and the full range of services help customers to minimize the life cycle costs of their reciprocating compressor systems around the world. Since 1844, its highly skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.

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TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

Our results for the 2016 fiscal year did not meet our expectations. Orders received fell well short of the figure reported for the previous fiscal year, sales growth came solely from acquisitions, and our margins were unsatisfactory, even including the substantial non-recurring positive effect.

Order intake: Growing services business, steep fall in Systems Division Consolidated order intake amounted to CHF 474.9 mn, which corresponds to a year-on-year decline of 9.2%. Excluding currency translation effects, sales declined by 8.6% and were down 26.0% excluding acquisition activity. The Systems Division accounted for CHF 280.6 mn of total order intake, or 20.1% less than in the previous year. This decline is largely attributed to the weak marine compressor business in gas transport and storage markets. Meanwhile, orders received in the Services Division rose by 13.1% to CHF 194.3 mn, fueled primarily by the spare parts business.

Sales growth driven by acquisitions Burckhardt Compression Group achieved further growth in the fiscal year 2016, booking CHF 557.7 mn in sales (plus 14.5%). Both the Systems (plus 10.5%) and Services (plus 23.1%) division contributed to the sales growth. Excluding currency translation effects, sales were up by 15.0%; excluding acquisition activity, they were down 4.7%.

Significantly lower operating and net profit Gross profit of CHF 130.5 mn was 14.0% below the figure reported for the previous year (CHF 151.7 mn) and the gross profit margin amounted to 23.4% (31.1% in the previous year). The gross margin for the Systems Division fell by more than half, from 22.0% to 9.9%, primarily due to a change in product mix and unusually intense market competition. Gross profit in the Services Division was sharply higher, rising from CHF 78.7 mn to CHF 94.0 mn, and its gross profit margin came in at 49.4%.

Consolidated operating income declined by 16.3%. Reported operating income includes a gain of CHF 15.2 mn from pension plan adjustments. The Systems Division incurred a loss of CHF –3.6 mn at the EBIT line compared to a positive CHF 35.3 mn in the preceding fiscal year, whereas the Services Division reported sharply higher operating income of CHF 53.1 mn, an increase of CHF 17.3 mn compared to the previous fiscal year. Acquisitions (Shenyang Yuanda Compressor) contributed CHF 2.0 mn to operating income, which includes a writedown of CHF 8.1 mn within the scope of the purchase price allocation.

Consolidated net income after minorities amounted to CHF 37.9 mn, 31.6% less than in the previous fiscal year. Net income per share amounted to CHF 11.20 (previous year CHF 16.34).

Significant change in balance sheet structure Total assets at the end of the reporting period amounted to CHF 927.2 mn, which represents an increase of 31.0% over the preceding 12 months, largely due to acquisition activity. Shareholders' equity, conversely, rose by only 0.6%, primarily due to the recognition of a put option granted to Shenyang Yuanda Compressor's minority shareholders with a carrying value of CHF 54.7 mn. That and the partially debt-financed acquisition of the interest in Shenyang Yuanda Compressor lowered the equity ratio to 38.5%, from 50.2% at the end of the fiscal year 2015. Non-current assets increased by a total of CHF 126.6 mn to CHF 373.8 mn during the period under review, mainly due to the acquisition of Shenyang Yuanda Compressor. The positive net financial position of CHF 93.2 mn reported at the end of the fiscal year 2015 declined by CHF 160.4 mn, mainly due to the acquisition of Shenyang Yuanda Compressor, and the resulting net financial position at the end of March 2017 was a negative CHF 67.2 mn.

Market position defended Despite the difficult market environment, Burckhardt Compression successfully defended its market leading position in the reciprocating compressor systems market. The process of integrating Shenyang Yuanda Compressor after acquiring a 60% interest in the company is nearly complete and the collaboration with Arkos Field Services (40% interest) is proceeding as planned. Arkos now occupies part of the new factory in Houston, where it has set up a modern, highly capable service and repair center. These transactions and the acquisition of IKS Industrie- und Kompressorenservice GmbH in September have strengthened Burckhardt Compression's local presence as a compressor services provider, particularly in its three core markets of China, the US and Germany.

Valentin Vogt

More flexible organization and optimized costs With its new organizational structure introduced in June 2016 establishing the two divisions of Systems and Services, Burckhardt Compression is able to address the differing needs of its customers even better than before. Various projects were initiated to reduce and optimize operating costs and raise profitability in the long run. Global sourcing activities are being intensified, for instance, and the centers of excellence are being aligned more closely with their specific markets. Operating processes are also being standardized across multiple company sites. In the Services Division, regional sales teams are being strengthened and new geographical markets are targeted, given that the services business is decidedly regional and that requires both short response times and organizational agility.

Outlook for fiscal year 2017 Our main markets will remain very challenging in the fiscal year 2017. This is particularly true for the marine compressor business within the gas transport and storage markets. From today's standpoint, the positive development in the Services Division is expected to continue, whereas the Systems Division is not expected to experience a positive trend in orders received until fiscal year 2018 at the earliest. Burckhardt Compression expects sales for the fiscal year 2017 at previous year level and an operating margin between 6% and 9%. Burckhardt Compression expects the EBIT margin to be higher from fiscal year 2018 on.

Marcel Pawlicek

Dividend The Board of Directors will propose a dividend of CHF 7.00 per share (CHF 10.00 in the previous year) at the annual general meeting. This corresponds to a payout ratio of 62.5% of net income (previous year 61.2%), which is within the targeted range of 50% to 70%.

Accounting standards changed to Swiss GAAP FER The Board of Directors of Burckhardt Compression Holding AG has decided to switch the company's accounting standard from IFRS to Swiss GAAP FER, effective April 1, 2017. The registered shares of Burckhardt Compression Holding AG will remain listed on the SIX Swiss Exchange and will remain part of the Swiss Performance Index (SPI). The Board's decision is attributable to the increasingly complex, time-consuming and extensive detailed requirements imposed by IFRS. Swiss GAAP FER is an internationally recognized accounting standard that is less complex, easier to follow and, therefore, more cost-effective. It meets all the needs of an international group like Burckhardt Compression and its shareholders. Burckhardt Compression's consolidated financial accounts under Swiss GAAP FER will continue to be of utmost quality and provide a "true and fair view" of its financial performance and position.

Thank you The Board of Directors and the Executive Board thank all employees for their strong commitment and unrelenting hard work throughout the challenging past year. We also thank our shareholders for their trust and our customers and suppliers for the business relationships we have cultivated, some of which go back many years.

Yours sincerely,

Valentin Vogt	Marcel Pawlicek
Chairman of the Board of Directors	CEO

Winterthur, June 6, 2017

MILESTONES 2016

Sales growth driven by acquisitions
Again Burckhardt Compression surpassed with CHF 557.7 mn the sales of the previous year. Both divisions contributed to this achievement. Systems reported 10.5% growth to CHF 367.2 mn, Services 23.1% growth to CHF 190.5 mn.

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New organizational structure yields benefits
A new organizational structure with two divisions, Systems and Services, was introduced on June 1, 2016 and the number of seats on the Executive Board was reduced at the same time. With this new divisional structure, Burckhardt Compression can address the varying challenges it faces in its targeted markets with more agility than before. That was already evident during the year under review. Services delivered a high rate of growth, while the Systems Division defended its market share despite declining order flows.

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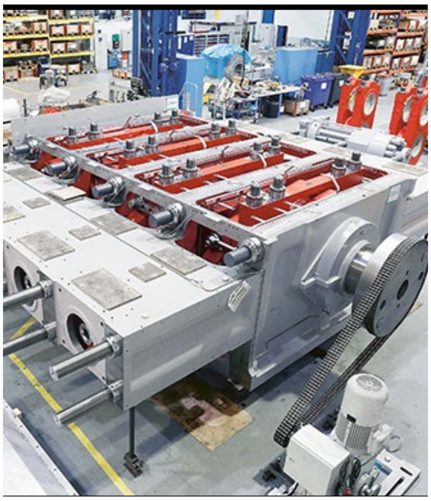

Most powerful compressor system ever built delivered to LDPE plant
At the end of the fiscal year Burckhardt Compression finished the world's most powerful compressor system for a customer in North America, where it will be used to produce low-density polyethylene (LDPE). The LDPE plant will produce approximately 400'000 tons of polyethylene per year for packaging, plastic wrap and protection covers. The compressor system consists of two Hyper Compressors plus a so-called booster primary compressor for pre-compression of the gas. The compressor system weights a total of 560 tonns and is rated with a total power of 33 MW.

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US Service Center for LDPE plants
Burckhardt Compression commissioned its new factory in Waller, near Houston, Texas, in August 2016. A fully equipped Service Center with a special focus on LDPE plants is now being built together with Arkos Field Services at that site. It will offer the full range of compressor services for the US, Canadian, Mexican and Latin American markets and thus serve as a center of excellence for Burckhardt Compression customers in North, Central and South America.

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First joint projects acquired with Shenyang Yuanda Compressor
After acquiring a majority interest in Shenyang Yuanda Compressor, the leading local manufacturer of reciprocating compressor systems in China, in May 2016, the first joint projects have already been won. Integration of Shenyang Yuanda Compressor is proceeding according to plan and most of the integration projects have already been completed or are about to be completed. This acquisition extends Burckhardt Compression's local presence to new market segments, broadens its product portfolio, thereby allowing it to address a wider range of market needs, and it provides immediate access to a well-established local supply chain.

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Successful integration of IKS
IKS Industrie- und Kompressorenservice GmbH, a German firm in Bremen that was acquired in September 2016, was successfully integrated into the Services Division and now operates under the name Burckhardt Compression. This acquisition makes the Group the leading provider of services for reciprocating compressors in the German-speaking market. Compressor services are now being offered not only for its own brand, but also for reciprocating compressor systems manufactured by other companies.

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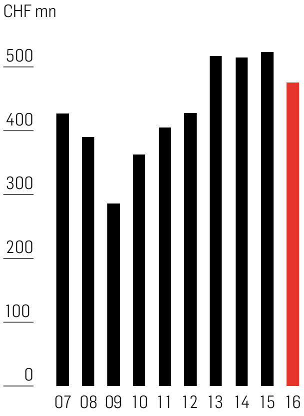
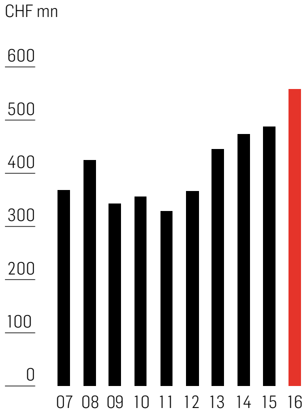
FIGURES AT A GLANCE

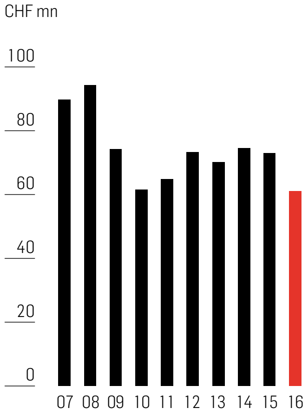
ORDER INTAKE



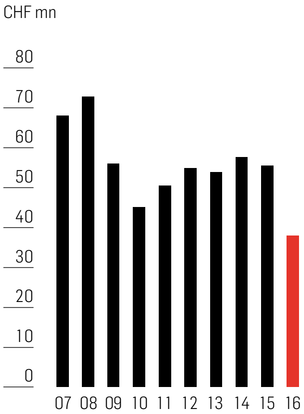
SALES



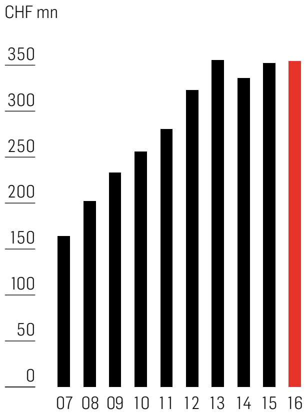
OPERATING INCOME (EBIT)



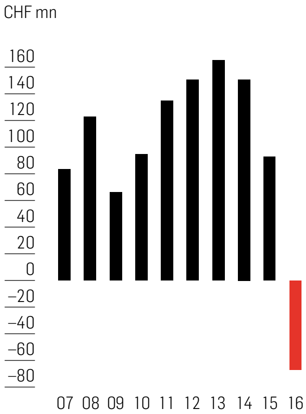
NET INCOME



SHAREHOLDERS' EQUITY

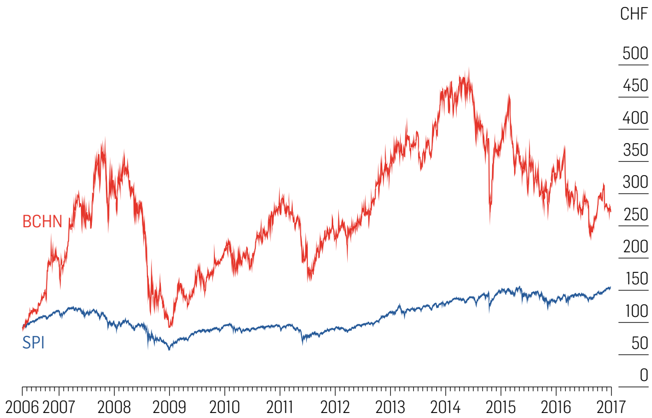


NET FINANCIAL POSITION

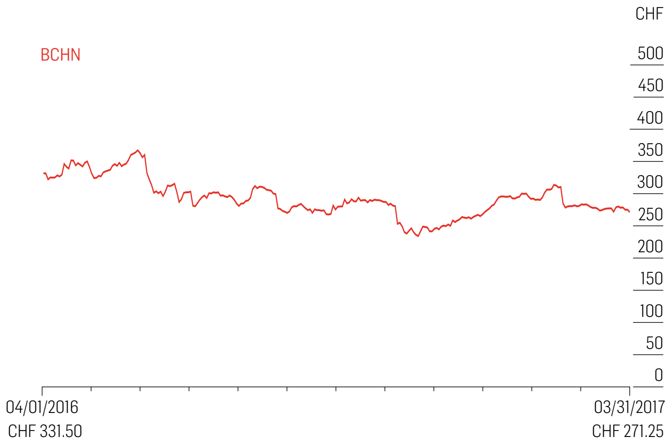


SHARE PRICE

SINCE IPO



FISCAL YEAR 2016



in CHF mn		2014	2015	2016	Change 2015/2016
Order intake:					
– Systems Division		355.6	351.4	280.6	–20.1%
– Services Division		158.5	171.8	194.3	+13.1%
Total		514.1	523.2	474.9	–9.2%
Sales and gross profit:					
– Systems Division	Sales	327.1	332.4	367.2	+10.5%
	Gross profit	78.2	73.0	36.5	–50.0%
	in % of sales	23.9%	22.0%	9.9%	
– Services Division	Sales	146.5	154.8	190.5	+23.1%
	Gross profit	74.6	78.7	94.0	+19.4%
	in % of sales	50.9%	50.8%	49.4%	
Total	Sales	473.6	487.2	557.7	+14.5%
	Gross profit	152.8	151.7	130.5	–14.0%
	in % of sales	32.3%	31.1%	23.4%	
Operating income (EBIT)		74.6	73.0	61.1	–16.3%
in % of sales		15.7%	15.0%	11.0%	
Net income attributable to shareholders of Burckhardt Compression		57.6	55.5	37.9	–31.6%
in % of sales		12.2%	11.4%	6.8%	
Depreciation and amortization		14.4	15.3	23.4	+52.9%
Cash flow:					
– from operating activities		46.8	40.7	47.0	+15.5%
– from investing activities		–26.6	–63.1	–147.9	
– from financing activities (incl. translation differences)		–43.7	–30.8	50.9	
Total		–23.5	–53.2	–50.4	
Total balance sheet assets		681.4	708.0	927.2	+31.0%
Non-current assets		183.8	247.2	373.8	+51.2%
Current assets		497.5	460.8	553.4	+20.1%
Shareholders' equity		338.6	355.1	357.2	+0.6%
in % of total balance sheet assets		49.7%	50.2%	38.5%	
Net financial position		151.3	93.2	–67.2	
Headcount as per end of fiscal year (full-time equivalents)		1'385	1'432	2'107	+47.1%
Total remuneration Board of Directors (in TCHF)		504.0	513.0	492.0	–4.1%
Total remuneration Executive Board (in TCHF)		4'911.0	4'499.0	2'461.0	–45.3%
Share price as per end of fiscal year (in CHF)		375.50	329.75	271.25	–17.7%
Market capitalization (in CHF mn)		1'276.7	1'121.2	922.3	–17.7%
Market capitalization/shareholders' equity (ratio)		3.8	3.2	2.6	–18.8%
Net income per share (EPS) (in CHF)		16.93	16.34	11.20	–31.5%
Dividend per share (in CHF)		10.00	10.00	7.00	–30.0%

OUR COMPANY

HISTORY

Our company history began 173 years ago. On January 9, 1844, founder Franz Burckhardt laid the foundation for success by purchasing the first company premises in Basle. In its early years, Burckhardt's mechanics workshop manufactured machines for the textile industry. Over the years, Burckhardt expanded his field of activity to general mechanical engineering. In 1856, the company started producing steam engines. In 1878, the first reciprocating compressor was developed and the first sales recorded in 1883. As additional capital was needed to finance the construction of the new factory on Dornacherstrasse in Basle, the "Engineering Works Burckhardt Ltd." was established in Basle in 1890 by August Burckhardt, who had taken over the company from his deceased father Franz.

Another milestone was achieved in 1913 with the delivery of the first ammonia synthesis compressor with an end pressure of 300 bar to BASF in Ludwigshafen, Germany – a customer that had purchased one of Burckhardt's first compressors back in 1885. In 1935, Sulzer supplied the Hürlimann Brewery in Zurich with the first Sulzer Labyrinth Piston Compressor and in 1951, the company received an order from Imperial Chemical Industries (ICI) for 11 Hyper Compressors for the production of low density polyethylene (LDPE) with an end pressure of 1'500 bar. After several years' cooperation between Burckhardt and Sulzer, the Engineering Works Burckhardt was taken over by Sulzer and became a subsidiary of the Sulzer Group on May 8, 1969. In 1982, as part of an intensified cooperation, the reciprocating compressor activities of the Sulzer Group were consolidated under one legal entity, the Sulzer-Burckhardt Engineering Works Ltd. In 1994, the company celebrated its 150th anniversary. In the process of restructuring the entire Group in 1999, Sulzer decided to consolidate the activities of Sulzer-Burckhardt Switzerland in Winterthur. Activities in Basle were relocated to Winterthur and the building on Dornacherstrasse in Basle was sold.

In 2000, Sulzer decided to concentrate its activities on four divisions. As Sulzer-Burckhardt did not fit in with this new strategy, the decision was made to divest Sulzer-Burckhardt. Together with the financial investor Zurmont Finanz AG, five members of management purchased Sulzer-Burckhardt Engineering Works Ltd. on April 30, 2002. In the course of separating from Sulzer, Sulzer-Burckhardt became Burckhardt Compression in May 2002. In 2006, Zurmont decided to divest its shares in Burckhardt Compression by means of an IPO. Our company has been listed on the SIX Swiss Exchange since June 26, 2006, and it was one of the 90 largest listed companies in Switzerland at the end of the fiscal year (by market capitalization). SIX Swiss Exchange added the shares of Burckhardt Compression Holding AG to its SPI Select Dividend 20 Index in March 2015 and confirmed their inclusion in March 2016 and again in March 2017. This index comprises 20 out of the more than 200 stocks in the SPI that boast the highest dividend yields, stable dividend track records and solid profitability.

In May 2016, the Group acquired a 60% majority interest in Shenyang Yuanda Compressor, the leading manufacturer of reciprocating compressor systems in China. In June 2016, Burckhardt Compression introduced a divisional organizational system with two divisions, Systems and Services, which enables it to address customer needs even better than before.

VISION

We are committed to becoming the manufacturer of choice for reciprocating compressors. All products and services required throughout the life cycle of a reciprocating compressor are provided through our global organization.

MISSION

Our mission centers on the sustainable growth of Burckhardt Compression's business. Sustainable means setting up and conducting our business activities in such a way that sustainable and balanced growth is achieved for all stakeholders. Continued development of the reciprocating compressor business and a constant quest for improvement are at the heart of everything we do. Particular attention is being devoted to the expansion of the service and components business, the development of promising new applications and the extension of our geographic reach.

BURCKHARDT COMPRESSION BRAND

Burckhardt Compression and its umbrella brand Burckhardt stand for quality and worldwide leadership in innovative reciprocating compressor systems and technology. The brand image is supported by technology that is distinguished by lowest life cycle costs, Burckhardt Compression's globally recognized specialists in the various technical fields with outstanding problem-solving competencies and an unyielding commitment to premium quality – be it in new compressor systems, compressor components or service and maintenance. Our collaboration with external and internal customers is dedicated, solutions-oriented and distinguished by genuine enthusiasm for our reciprocating compressors.

The umbrella brand Burckhardt and its corresponding graphic mark in the form of the red-blue, stylized compressor valve plate have been internationally registered for many years. Burckhardt Compression's brand and patent attorneys will vigorously and steadfastly defend the company against any imitations, counterfeiting or patent infringements. There are clear rules governing the use of Burckhardt Compression brands and their perception is developed and promoted through active usage in our corporate and marketing communication activities.

GUIDING PRINCIPLES

In response to the Group's substantial growth in recent years and the resultant internationalization of the company, Burckhardt Compression updated the "BC Code" and issued the revised policy document headlined "Values and Behaviors" during the past fiscal year. The basic principles of our company culture are reflected in the "Values and Behaviors" policy. It also contains guidelines for the intensified, and increasingly virtual, collaboration between the Group's subsidiaries and sites across the world, which makes a common understanding of the values and standards of conduct that apply to all employees all the more important.

STRATEGY AND MID RANGE PLAN

Burckhardt Compression is the world's leading manufacturer of reciprocating compressors. It operates in two divisions, Systems and Services. The new Mid Range Plan for fiscal years 2018 to 2022 is currently being formulated. Burckhardt Compression will continue to expand its market position through organic growth and selective acquisitions with the ultimate objective of strengthening its market leadership. Geographic reach and customer proximity are particularly crucial in the services business, which is why the German firm IKS Industrie- und Kompressorenservice was acquired during the year under review.

In the compressor manufacturing business, we will continue to selectively expand our activities with new applications. Shenyang Yuanda Compressor, the company in which a 60% interest was recently acquired, enhanced the Group's offering of compressors for coal-to-chemical applications.

Our goal is to achieve better-than-average margins compared to industry peers and thereby maintain a high degree of commercial flexibility. Quality and lowest life cycle costs are important aspects for Burckhardt Compression. Because we cover all aspects of reciprocating compressor technology in-house, we offer our customers highly competent and reliable advisory services and support.

PRODUCT DEVELOPMENT AND INNOVATION

Innovation management and systematic product development/management serve to strengthen our competitive position and enable us to optimally address new applications for reciprocating compressors by developing and delivering customer-oriented solutions. Burckhardt Compression's prime objectives are to develop reciprocating compressors and components with the lowest life cycle costs and maintain its technology leadership in the reciprocating compressor business. Quality, technology, materials and design specifications are all geared towards high operational reliability, long service intervals and easy maintenance – the overall aim being to achieve the lowest possible operating costs. Burckhardt Compression's product development activities have been guided by a stage-gate process for many years. This process is first applied in the idea generation and screening phase and continues during the initial evaluation of product viability and market attractiveness followed by the elaboration of product performance specifications, market analysis and then the actual development and subsequent launch of the product. After a product has been successfully developed and placed into operation, a concluding review of the development project is conducted. The major milestones in the stage-gate process must be presented to and accepted by the "Innovation Review Team," which is headed by the members of the Executive Board.

MAIN APPLICATIONS

Upstream oil & gas
Growing global demand for energy is spurring efforts to discover new deposits of oil and gas as well as new ways of improving recovery from existing wells. Although market development has been stalled by rather low prices for crude oil and natural gas, in the long run, business will be driven by the following trends:
– Exploration and development of new deep sea fields
– Further progress in the extraction of shale oil and gas
– Better exploitation of existing fields

Moreover, producers must comply with increasingly stringent regulations requiring the environmentally responsible disposal of toxic and non-toxic gases that arise during extraction and production.

Burckhardt Compression offers on- and offshore solutions for a select range of applications. High-quality, low-speed reciprocating compressors (compliant with API standard 618) have been developed for these applications, which include enhanced oil recovery methods (EOR). EOR is a technique where pressurized gas is injected into productive fields either directly through existing well bores (gas lift) or through separate well bores (gas injection), resulting in significantly higher recovery rates. Recovery rates are typically around 30% using conventional production methods and often be increased to more than 60% using EOR methods. Natural gas is used to enhance recovery rates and it is often mixed with other gases. EOR methods can also be combined with environmentally responsible methods for disposing of unwanted gases, which in the past were usually just flared, polluting the surrounding environment and atmosphere. These gases contain aggressive, sulfuric components and Burckhardt Compression is an expert at building compressors for compressing such gases. In deepwater applications off the coast of Brazil, CO_2 injection is also used for EOR methods with pressure levels of up to 600 bar. On-site preprocessing applications in the oil and gas industries offer additional opportunities for Burckhardt Compression. In these applications, individual components of extracted gas are separated at the wellhead to facilitate the subsequent gas transport through the gathering lines to centralized points. Thick, viscous tar oil is mixed with naphtha and other diluents to create a fluid capable of transportation by pipeline.

Large-scale production of shale gas began in 2009, and the ramp-up of shale oil production shortly afterwards. Together with OPEC's firm stance on maintaining its production output, this led to a global oversupply of oil and gas which, in turn, triggered a steep correction in prices from mid-2014 on. Projected market growth has been delayed rather than fundamentally altered in the wake of the steep drop in oil prices.

Gas transport and storage

Demand for environmentally friendly natural gas as a fossil fuel will continue to increase over the long term. Replacing the liquid fossil fuels of diesel, gasoline and oil with natural gas would reduce global carbon dioxide emissions by about 25%. That fact and more stringent emissions regulations, especially in the maritime shipping industry, are additional incentives to switch to natural gas as a source of fuel. Moreover, coal-fired and nuclear power plants are increasingly being replaced with gas power plants amid widespread efforts to decarbonize growing economies and to diversify energy supply in many regions of the world. The development of new sources of natural gas, shale gas deposits for example, is increasing the volume of international trade in natural gas and transport and storage volumes are therefore rising as well. This is especially evident in the non-pipeline mode of gas transportation via LNG carriers. More than 40% of total natural gas transport volumes traded and transported worldwide are liquefied, which reduces transport volumes by a factor of 600. The LNG (Liquefied Natural Gas) process chain consists of natural gas production, purification and liquefaction, ship loading, transportation and subsequent off-loading, storage, and re-gasification and, ultimately, injection into a gas distribution grid. Burckhardt Compression offers unique, economical solutions for compressing and reliquefying boil-off gas (BOG) from liquid gases, for gas injection systems for two- or four-stroke marine diesel engines, and for recovering or storing natural gas and other hydrocarbons at land or offshore installations.

Refinery

Refineries process crude oil into products such as gasoline, kerosene, diesel, liquefied petroleum gas (LPG) as well as solvents and lubricants. Worldwide demand for these products will continue to grow over the long term and most of the growth in demand will stem from non-OECD countries. Additional factors encouraging investment in the refining industry are more stringent environmental regulations, cost reduction considerations, plant expansion trends and the need to process both lower-quality grades of crude oil and, in technologically more advanced processes, heavy petroleum by-products. New refineries are being built in areas where new reserves of crude oil as well as tar sands and shale gas are being developed, requiring additional processing facilities. For state-owned refineries, strategic issues regarding location and supply security are also of considerable importance. Burckhardt Compression offers Process Gas Compressors with the highest possible availability and lowest life cycle costs for all relevant oil refining processes that require gas (mostly hydrocarbon gas/hydrocarbon mixtures).

Petrochemical/chemical industry

The production of a vast range of petrochemical and chemical products such as polyolefins (polymers), lacquers, synthetic rubbers, adhesives and dyes, solvents, paints, fertilizers, detergents or textiles entails, among other things, the processing of oil, natural gas and even coal. Demand for petrochemical and chemical products, especially for polyolefins, will steadily increase worldwide over the long term. In this application area, too, companies will continue their efforts to reduce costs by replacing smaller scale plants with larger ones, establishing strategic production sites, and extending value-added chains. An additional source of growth is the growing production of natural gas from shale formations worldwide. In terms of potential, the US is the leading market in this segment. Burckhardt Compression offers several product lines with individual, reliable and benchmark-setting reciprocating compressor solutions for a broad spectrum of applications.

Industrial gases
Industrial gases such as argon, helium, carbon dioxide, carbon monoxide, oxygen, nitrogen and hydrogen are produced in air separation or hydrogen generation plants. The end market for industrial gases is quite broad, encompassing industries as diverse as metalworking and metallurgy, chemical companies, energy technology, food manufacturing, green technology, glass manufacturing, electronics, construction, rubber and plastics processing, and healthcare. Growth drivers are regional growth and industry-specific growth. Companies that supply the energy sector (refineries) with hydrogen are expected to be a particularly strong growth driver. This is another example of an application area where Burckhardt Compression is profiting from the increased extraction of shale gas deposits, especially in the US. Burckhardt Compression's dependable compressors are used in a wide variety of applications to process industrial gases.

CUSTOMERS

The customers we serve include some of the largest companies in the world active in the oil and gas industry, in the petrochemical/chemical industry and in the industrial gas sector as well as a considerable number of general engineering companies that design and construct plants and industrial complexes for our end customers.

COMPRESSOR SYSTEMS

Burckhardt Compression's reciprocating compressors are the key part of compressor systems which, in turn, are part of large-scale processing plants.

Laby® – Labyrinth Piston Compressors
The Labyrinth Piston Compressor offers unrivaled reliability and availability thanks to its unique labyrinth sealing system on piston and piston rod gland, which enables oil-free and contact-free compression. The result is an extended MTBO (mean time between overhaul), which has a positive impact on reliability and operating cost. This prevents piston ring debris from contaminating the gas as well as friction-induced hot spots. The Laby® Compressor is designed to compress bone-dry, dirty, abrasive and other gases. The gastight casing reduces gas emissions and losses to the environment to virtually zero. The Laby® Compressor easily manages the compression of LNG boil-off gas at suction temperatures down to minus –160 °C (–250 °F).

Laby®-GI Compressors
The Laby®-GI Compressor has a fully balanced design that eliminates unbalanced moments and forces, so it can be used on offshore vessels and installations. Strict guidelines for offshore applications regarding maximum allowable vibration levels on deck structures must be observed. The Laby®-GI Compressor is mostly used for compression of LNG boil-off gas. The unique combination of labyrinth seal design and tried-and-tested ring seal technology makes Laby®-GI Compressors the solution of choice for both low-temperature and high-pressure applications. The proven technology is a guarantee for maximum efficiency and lowest life cycle cost. Depending on the operating conditions, Laby®-GI Compressors can feature either lubricated or non-lubricated compression.

Process Gas Compressors API 618
Process Gas Compressors built by Burckhardt Compression are synonymous with unrivalled availability and long operating times. Optimal sizing and the use of top quality compressor components ensure low operating and maintenance costs. The design, the advanced Swiss technology and superb quality together with the robust construction translate into unexcelled reliability and ultralow life cycle costs.

The process gas compressor is built according to individual application specifications in accordance with the API 618 guidelines (5th Edition). Burckhardt Compression offers non-lubricated and lubricated Process Gas Compressors, horizontal and vertical. They are especially suited for high-pressure compression of hydrogen, hydrocarbon and corrosive gases.

Hyper Compressors

The Hyper Compressor is a high-pressure reciprocating compressor for low density polyethylene (LDPE) plants with a discharge pressure of up to 3'500 bar. Burckhardt Compression has established an outstanding track record with more than 56 years of experience in building Hyper Compressors. These compressors are distinguished by a long operational life and high safety standards, which can be traced to their unique construction design and Burckhardt Compression's global one-stop maintenance and service capabilities.

The most powerful compressor in the world, driven by a 33'000 kW electric motor and compression capacity of 400'000 metric tons of ethylene a year, was built by Burckhardt Compression in 2016. Burckhardt Compression is the world market leader for Hyper Compressors.

Standard High Pressure Compressors

Standard High Pressure Compressors from Burckhardt Compression are extremely robust and reliable reciprocating compressors with a compact design and low weight. They are delivered skid-mounted with structural supports that dampen vibrations, so there is no need for a special foundation. Due to the low-pressure conditions per compressor speed range, greater piston displacement can be achieved at lower compression temperatures. The result is high compression efficiency, low wear and less maintenance expense. The air-cooled compressors are used to compress air, hydrogen, nitrogen, helium, argon, natural gas and other non-corrosive gases and gas mixtures. The Standard High Pressure Compressors are smaller than the other compressors in Burckhardt Compression's portfolio of reciprocating compressors, offering a maximum power of 220 kW and discharge pressure of up to 400 bar with suction volumes of up to 1'600 Nm^3/h.

SERVICE AND COMPONENTS BUSINESS

Its comprehensive range of services is backed by OEM parts with high supply readiness as well as vast engineering know-how, from simple modifications to extensive retrofit and revamp projects. Experienced field service engineers ensure close customer interaction. Diagnostic solutions derived from thorough, competent and reliable analyses and advisory services, all from a single source of course, round out the division's offering.

Service and engineering expertise

Reliability, availability and cost-effectiveness are crucial for operators of reciprocating compressor systems, which is why they appreciate expert partners with extensive knowledge of such systems who can offer them sound advice. Burckhardt Compression stands out from other manufacturers and service providers because of its comprehensive in-house expertise. Individual, complementary packages of services are offered for all makes of reciprocating compressors and system auxiliaries. Our internal specialists come from various technical fields and use proprietary, advanced software tools to model, calculate and optimize reciprocating compressor performance, regardless of make or brand. They are capable of resolving even highly complex technical problems cost-effectively and efficiently. A highly motivated team carries out refurbishment projects of any complexity to the full satisfaction of customers and can prolong the operating life of older compressors by retrofitting them with the latest technology.

Original spare parts for optimal compressor operation

Original spare parts backed by Burckhardt Compression's manufacturing guarantees stand for superior quality and ensure low life cycle costs as well as the optimal operation of compressor systems. These top-quality compressor components are tailored to specific system requirements. Compressor components such as valves, seals and packings are subject to wear and tear, so these parts largely determine the duration of service intervals and operational availability and, ultimately, the overall life cycle costs of reciprocating compressors. Besides operational availability, Burckhardt Compression stands by its commitment to supply compressor parts and components over a long-term period. Burckhardt Compression is methodically expanding this business in close collaboration with numerous operators of reciprocating compressors.

Continuous monitoring enhances operating safety
Preventive services and rapid response times, based on online diagnostic data and analyses, play a vital role in optimizing compressor availability. Reliable condition monitoring and diagnostic systems for reciprocating compressors and equipment, integrated within the top-level systems for monitoring an entire production facility, are effective tools for enhancing the operating safety and prolonging the service intervals of a compressor system. Permanent machine diagnosis detects potential and actual faults at an early stage and thus helps to avoid costly and unscheduled downtime. Other advantages include the optimization of operating parameters and central control and monitoring of compressors that are in operation at different sites. The diagnostic systems made by our subsidiary PROGNOST Systems GmbH are designed for use with reciprocating compressors as well as with many other types of rotating machines. They are equipped with globally leading technology and offer international corporations in the oil, gas and chemicals industry value for money and operational reliability day after day.

Close to the customer
Geographic proximity, being close to wherever the compressor systems are installed, and cultivating relationships built on trust are likewise vital in our concept of success. Having a local presence simplifies interaction with the customer, shortens the supply chain and reduces field service hours. Burckhardt Compression is active in all relevant markets through its own subsidiaries and its business partners. It currently operates 46 Service Centers around the world and boasts a strong regional reach. It will continue to expand this service network going forward.

HAND IN HAND

OUR CLIENTS AND US

Why is Burckhardt Compression the world leader for reciprocating compressor systems? Because our employees are close to our customers – wherever and whenever they need us. From the development and manufacturing stage to the services offered onsite at installations around the world. Impressed by our genuine commitment and can-do attitude, customers gladly choose our products and services time and again.


urckhardt
compression
Lifetime

REVIEW OF THE FISCAL YEAR

FINANCIAL PERFORMANCE

Order intake: Growing services business, steep fall in Systems Division

Consolidated order intake amounted to CHF 474.9 mn, which corresponds to a year-on-year decline of 9.2%. Excluding currency translation effects, sales declined by 8.6% and were down 26.0% excluding acquisition activity. The Systems Division accounted for CHF 280.6 mn of total order intake, or 20.1% less than in the previous year. This decline is largely attributed to the weak marine compressor business in gas transport and storage markets. Meanwhile, orders received in the Services Division rose by 13.1% to CHF 194.3 mn, fueled primarily by the spare parts business.

Sales growth driven by acquisitions

Burckhardt Compression Group achieved further growth in the fiscal year 2016, booking CHF 557.7 mn in sales (plus 14.5%). Both the Systems (plus 10.5%) and Services (plus 23.1%) division contributed to the sales growth. Excluding currency translation effects, sales were up by 15.0%; excluding acquisition activity, they were down 4.7%.

Significantly lower operating and net profit

Gross profit of CHF 130.5 mn was 14.0% below the figure reported for the previous year (CHF 151.7 mn) and the gross profit margin amounted to 23.4% (31.1% in the previous year). The gross margin for the Systems Division fell by more than half, from 22.0% to 9.9%, primarily due to a change in product mix and unusually intense market competition. Gross profit in the Services Division was sharply higher, rising from CHF 78.7 mn to CHF 94.0 mn, and its gross profit margin came in at 49.4%.

Consolidated operating income declined by 16.3%. Reported operating income includes a gain of CHF 15.2 mn from pension plan adjustments. The Systems Division incurred a loss of CHF –3.6 mn at the EBIT line compared to a positive CHF 35.3 mn in the preceding fiscal year, whereas the Services Division reported sharply higher operating income of CHF 53.1 mn, an increase of CHF 17.3 mn compared to the previous fiscal year. Acquisitions (Shenyang Yuanda Compressor) contributed CHF 2.0 mn to operating income, which includes a writedown of CHF 8.1 mn within the scope of the purchase price allocation.

Consolidated net income after minorities amounted to CHF 37.9 mn, 31.6% less than in the previous fiscal year. Net income per share amounted to CHF 11.20 (previous year CHF 16.34).

Significant change in balance sheet structure

Total assets at the end of the reporting period amounted to CHF 927.2 mn, which represents an increase of 31.0% over the preceding 12 months, largely due to acquisition activity. Shareholders' equity, conversely, rose by only 0.6%, primarily due to the recognition of a put option granted to Shenyang Yuanda Compressor's minority shareholders with a carrying value of CHF 54.7 mn. That and the partially debt-financed acquisition of the interest in Shenyang Yuanda Compressor lowered the equity ratio to 38.5%, from 50.2% at the end of the fiscal year 2015. Non-current assets increased by a total of CHF 126.6 mn to CHF 373.8 mn during the period under review, mainly due to the acquisition of Shenyang Yuanda Compressor. The positive net financial position of CHF 93.2 mn reported at the end of the fiscal year 2015 declined by CHF 160.4 mn, mainly due to the acquisition of Shenyang Yuanda Compressor, and the resulting net financial position at the end of March 2017 was a negative CHF 67.2 mn.

Market position defended

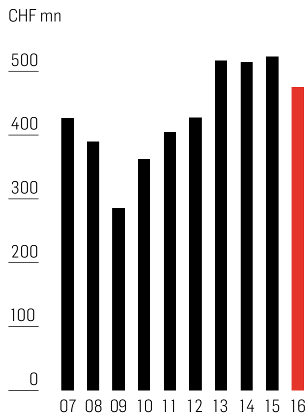
Despite the difficult market environment, Burckhardt Compression successfully defended its market leadership position in the reciprocating compressor systems market. The process of integrating Shenyang Yuanda Compressor after acquiring a 60% interest in the company is nearly complete and collaboration with Arkos Field Services (40% interest) is proceeding as planned. Arkos now occupies part of the new factory in Houston, where it has set up a modern, highly capable service and repair center. These transactions and the acquisition of IKS Industrie- und Kompressorenservice GmbH in September have strengthened Burckhardt Compression's local presence as a compressor services provider, particularly in its three core markets of China, the US and Germany.

More flexible organization and optimized costs

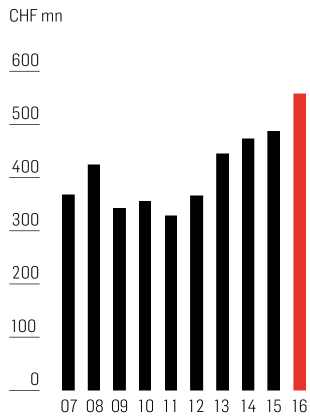
With its new organizational structure introduced in June 2016 establishing the two divisions of Systems and Services, Burckhardt Compression is able to address the differing needs of its customers even better than before. Various projects were initiated to reduce and optimize operating costs and raise profitability in the long run. Global sourcing activities are being intensified, for instance, and the centers of excellence are being aligned more closely with their specific markets. Operating processes are also being standardized across multiple company sites. In the Services Division, regional sales teams are being strengthened and new geographical markets are targeted, given that the services business is decidedly regional and that requires both short response times and organizational agility.

Workforce grows through acquisitions
The significant increase in the workforce (plus 675 employees) can be traced to the acquisition of Shenyang Yuanda Compressor and IKS Industrie- und Kompressorenservice GmbH. Burckhardt Compression Group employed 2'107 full-time equivalents at the end of the period under review (previous year 1'432). During the course of the fiscal year, the employee headcount in the Systems Division had to be reduced due to the sharp drop in incoming orders and there was a slight reduction in the number of staff at the Services Division. At the end of March 2017, 711 employees (33.7%) were based in Switzerland, 1'006 (47.8%) in BRIC countries and 390 (18.5%) in other countries.

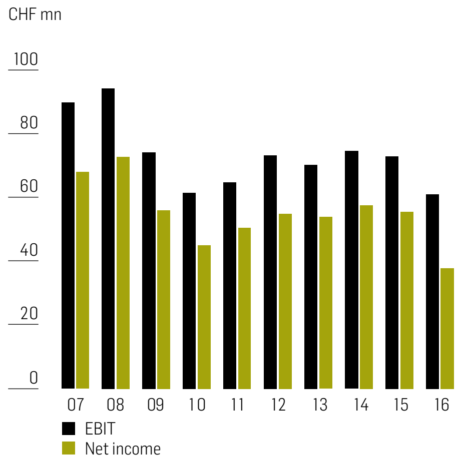
ORDER INTAKE



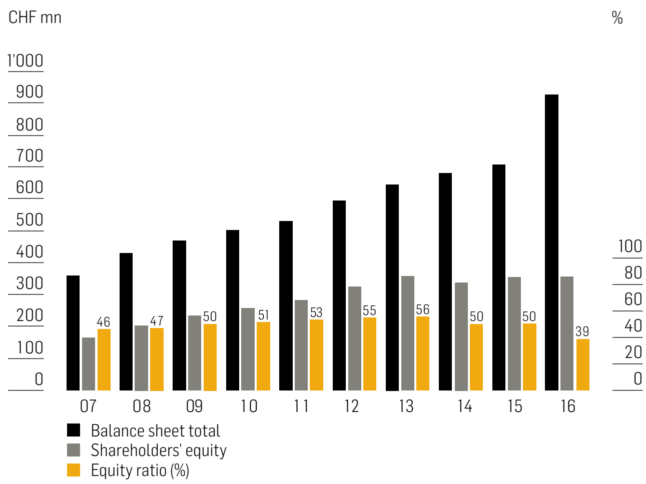
SALES



EBIT AND NET INCOME



EQUITY RATIO



CAPACITY

The new factory in Waller, a city near Houston, Texas, was commissioned in August 2016. Burckhardt Compression will manufacture API 618 Process Gas Compressors for customers in the refinery and chemicals industries across the US, Canada, Mexico and Latin America.

Two Service Centers were established during the period under review. Burckhardt Compression now has Service Centers in Saudi Arabia and it opened its second Service Center in China. The new Service Center in Saudi Arabia will also serve the market in Bahrain. Its services offering covers all compressor valves, Hyper components, low and high-pressure packings, piston rods as well as other components for reciprocating compressor systems.

ACQUISITIONS

After acquiring a majority interest in Shenyang Yuanda Compressor, the leading local manufacturer of reciprocating compressor systems in China, in May 2016, the first jointly acquired projects have already been booked. Integration is proceeding according to plan and most of the integration projects have already been completed or are about to be completed. This acquisition extends Burckhardt Compression's local presence to new market segments, broadens its product portfolio, allowing it to address a wider range of market needs, and it provides immediate access to a well-established local supply chain.

In September 2016, Burckhardt Compression acquired IKS Industrie- und Kompressorenservice GmbH, a company based in Bremen, Germany. The company is a leading provider of services for reciprocating compressors in German-speaking markets. IKS has an extensive service network in German and considerable know-how in application areas spanning the chemical, refinery, and petrochemical industries, industrial gases, the food manufacturing industry, and the iron and steel sector.

Cooperation with Arkos Field Services, the US company in which a 40% interest was acquired in December 2015, is likewise proceeding as planned. Arkos offers considerable experience in the US market as a provider of gas compressor services and components and it has assumed responsibility for Burckhardt Compression's former services operations in the US. It now occupies part of the new factory in Houston, where it has set up a modern, fully equipped service and repair center.

CUSTOMERS

Customer satisfaction is important to Burckhardt Compression. Both divisions conducted customer surveys during the year under review in a bid to understand customer needs even better.

Our intention to submit key elements of our Mid Range Plan for 2018–2022 to selected customers for general review and comments that could then be integrated into the final version of the plan is another example of our efforts to improve our understanding of customer needs.

RESEARCH AND DEVELOPMENT

Persisto® products added to materials portfolio
A custom-made compound for compressor sealing systems marketed under the brand name Persisto® was added to our portfolio of materials during the year under review. This PTFE-based material has superior mechanical qualities and can be used in many applications instead of expensive high-temperature polymers. Persisto® is the brand name we use for our premium sealing materials. Many of these materials were developed in-house by Burckhardt Compression and Burckhardt Compression is also responsible for production and quality assurance.

To constantly improve customer satisfaction, Burckhardt Compression conducted customer surveys during the year under review.

Longer service intervals thanks to new innovations
The life cycle of compressor sealing components depends on the materials they are made of and on the design of the piston rings. Besides our advancements on the materials front, we have also revolutionized piston ring and packing designs. Our new, patented ring designs can significantly lengthen the useful life of sealing systems and thus improve overall compressor service life. This translates into better compressor availability and lower service and maintenance costs.

Portfolio of marine compressors enlarged
In the market for LNG-fueled cargo ships, Burckhardt Compression offers compressors that compress and condense boil-off gas so it can then be burned in the ship's engines or reliquefied and returned to the LNG storage tanks. We developed a series of smaller compressors to complement the existing line of

Laby®-GI compressors during the fiscal year under review. They are suitable for use at lower discharge pressures or for smaller volumes of boil-off gas. These new product developments have established Burckhardt Compression as a comprehensive provider of solutions for LNG-powered vessels in the marine shipping industry.

BRAND MANAGEMENT

Burckhardt Compression is constantly striving to optimize and strengthen the international positioning of its "Burckhardt Compression" brand. Our corporate identity and long-term brand strategy express the organization's values and principles and highlight Burckhardt Compression's position as a unique, long-term partner with a strong Swiss tradition.

In the period under review, various print and online communications tools were introduced for both divisions and Burckhardt Compression's exhibition concept was upgraded. The market positioning of the brand was also sharpened on the occasion of the company's first Investor Day.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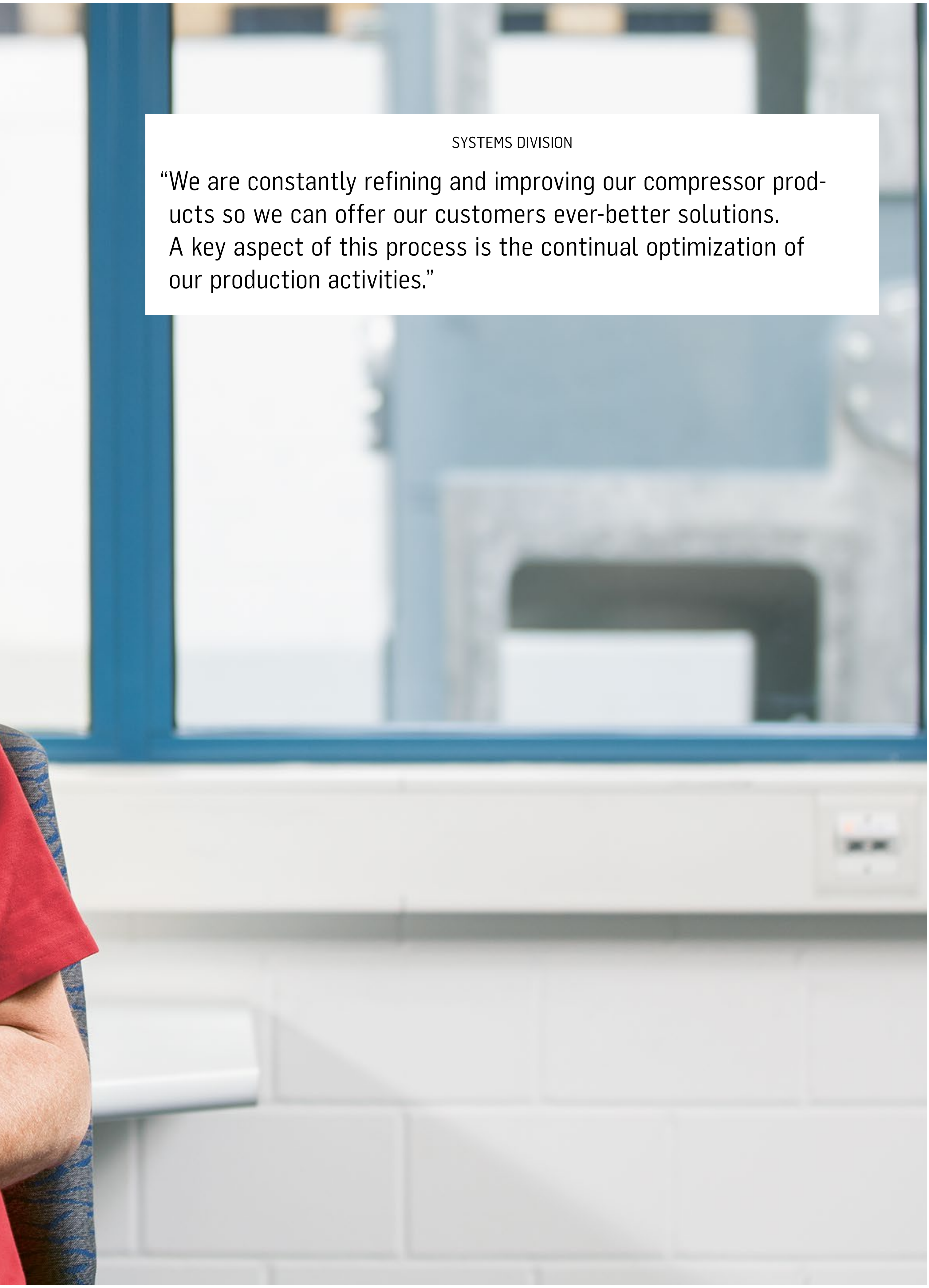
Burckhardt Compression

SYSTEMS DIVISION

Our reciprocating compressor systems are used in many different applications. For example, our Laby®-GI Compressor, a compressor system built with highly advanced engineering technology, is well suited for offshore installations. Its fully balanced design eliminates all unbalanced forces and moments.


Burckhardt
Compression

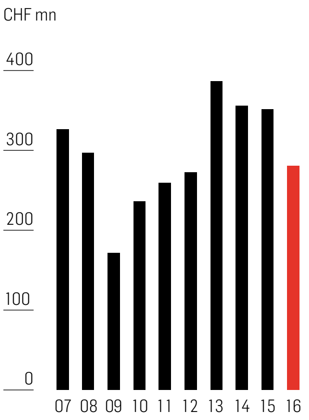


SYSTEMS DIVISION

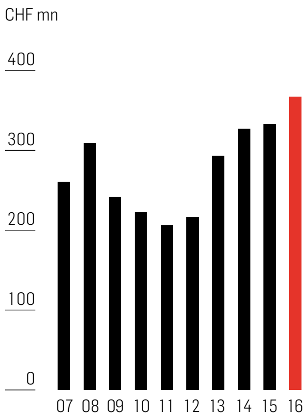
"We are constantly refining and improving our compressor products so we can offer our customers ever-better solutions. A key aspect of this process is the continual optimization of our production activities."

REVIEW OF THE FISCAL YEAR SYSTEMS DIVISION

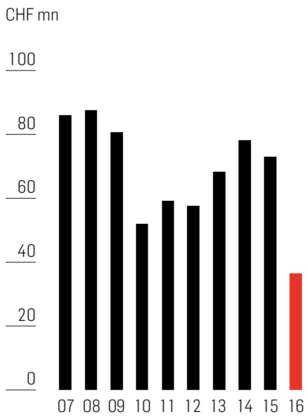
ORDER INTAKE



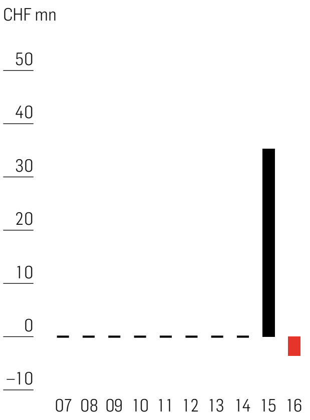
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)



FIGURES

in CHF mn		2015	2016	Change 2015/2016
Order intake		351.4	280.6	–20.1%
Sales and gross profit				
	Sales	332.4	367.2	+10.5%
	Gross profit	73.0	36.5	–50.0%
	in % of sales	22.0%	9.9%	
Operating income (EBIT)		35.3	–3.6	
in % of sales		10.6%	–1.0%	
Headcount as per end of fiscal year (full-time equivalents)			1'446	

Difficult market environment

Incoming orders at the Systems Division amounted to CHF 280.6 mn and were 20.1% below the level from the prior-year period. This sharp contraction is largely attributed to the weak marine compressor business in gas transport and storage markets, the extent of which was completely unexpected. In contrast, divisional sales were sharply higher at CHF 367.2 mn (plus 10.5%). Gross profit for the year of CHF 36.5 mn clearly fell short of the year-ago figure of CHF 73.0 mn and the corresponding profit margin was more than halved to 9.9% (22.0%). The significant margin erosion is attributed firstly to sharply lower prices for new systems due to unusually intense market competition, which could not be offset by a corresponding reduction in costs. Secondly, high one-off costs were incurred to install and commission compressor systems for new applications and, thirdly, the utilization rates at the manufacturing plants were clearly too low during the second half of the year in the wake of the weak order inflow.

The sales of the Systems Division were sharply higher with CHF 367.2 mn.

The sharp decline in gross profit led to a loss of CHF –3.6 mn for the year under review. In the previous fiscal year, the Systems Division reported an operating profit of CHF 35.3 mn, which corresponded to an operating margin of 10.6%.
Burckhardt Compression offers compressor system solutions for the following application areas:

– Upstream oil & gas
– Gas transport and storage
– Refinery
– Petrochemical/chemical industry
– Industrial gases

MARKETS

Despite the difficult environment, several key market wins were recorded. Collaboration with shipbuilders was intensified and strategically important customers in India and China were gained. Major orders were received in China, Nigeria and Oman.

Upstream oil & gas

Due to the low oil prices – which only have a negative impact on Burckhardt Compression's operations in this particular market – business remains subdued at low levels. That said, the slight recovery in oil prices in the US during recent months led to an upturn in shale oil operations, which we view as the starting point for a recovery for the shale oil industry.

Gas transport and storage

This application area experienced an unexpectedly strong contraction in demand for marine compressors. Uncertainty regarding the future path of energy prices, and the generally adverse environment in the marine compressor business, pressured investment activity in the gas transport market. On the positive side, we received an initial order for an LNG terminal in India. We expect this market to recover during the course of 2018 and are confident that it will deliver growth again over the long run.

Refinery

The market is growing, driven by major projects in the Middle East, China, Southeast Asia and India. These projects reflect the growing desire of these countries to increase their share of the refinery value chain. China is expanding its capacities to reduce its dependence on imports from foreign refineries. Competitive pressure is high in this market, especially for major projects.

Petrochemical and chemical industry

Business activity in this application area was at the levels seen in the previous year. Several projects were temporarily postponed owing to uncertainty over commodity prices. Markets in China and the Middle East were guardedly positive. The outlook for this segment remains positive against the backdrop of a growing global population.

Industrial gases

Overall business activity in the individual gases segment was at the level achieved in the previous year. This market is expected to track global GDP growth over the medium term. Thanks to global population growth and the progressive industrialization of fast-growing economies, demand for industrial gases from the food manufacturers, farmers, the construction sector and the health care sector will steadily increase.

ACQUISITION

The integration of Shenyang Yuanda Compressor following the acquisition of a majority interest in the year under review is proceeding as planned and Burckhardt Compression expects to have completed all integration projects by the end of the calendar year 2017. Jointly designed systems have already been unveiled and were met with considerable interest from the market.

"PULLING SYSTEMS TOGETHER" FOR POSITIVE CHANGE

During the third quarter of the period under review, an extensive process- and cost-optimization program was initiated as a short-term response to the reduced volume of incoming orders while striving to significantly improve our competitive edge in the medium term. The cost-optimization program consists of approximately 30 projects affecting all units, including design, procurement, production processes, project management, logistics and capacity management. This program will cushion the drop in sales volumes coupled with mounting pricing pressure and will help to position the company for stronger growth in the years to come.

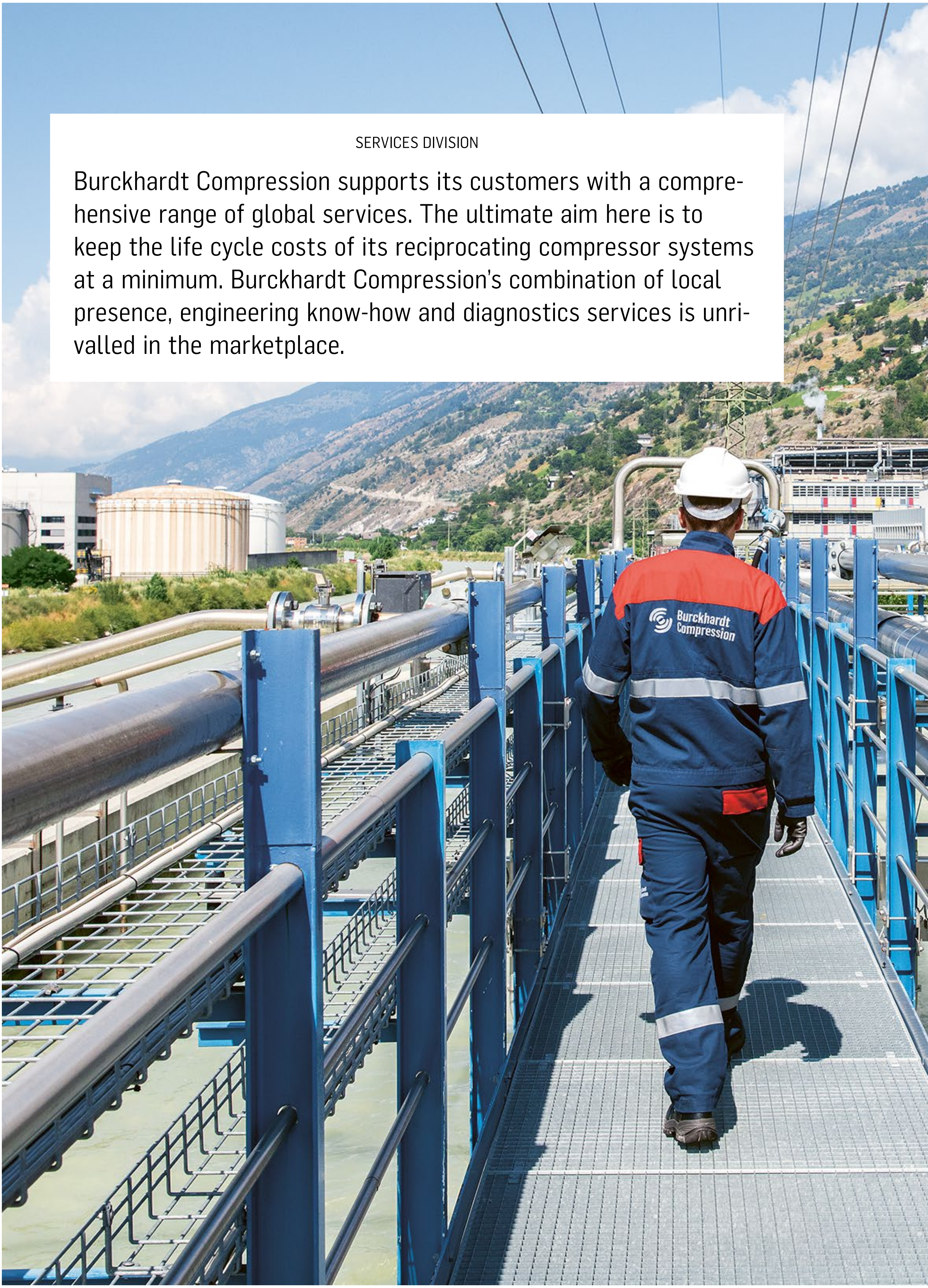
OUTLOOK

The markets in Southeast Asia, Africa and Central Asia will grow in importance during the coming years. Increasing demand for petrochemical products, especially in newly industrialized countries such as India and China, will spur investment in production plants for polyethylene and polypropylene. We also expect growth to come from producers of petrochemical and chemical products as they expand their existing sites and build new plants that enable them to process different base products, for example naphtha (refined oil), liquefied petroleum gas (LPG) or ethylene, and thereby reduce their exposure to commodity price fluctuations. Furthermore, various refineries in India will be retrofitted in the near future to comply with the EU Standard VI that will take effect in 2021. Since liquefied natural gas (LNG) is quickly becoming a globally traded commodity – with enticing price differences versus pipeline gas or other liquid fuels and combustibles – it is expected to prompt more and more customers to switch to LNG as a primary source of energy. This trend will be supported by the carbon emission reduction targets in the Paris Agreement that entered into effect in 2016.

The markets in Southeast Asia, Africa and Central Asia will grow in importance during the coming years.

SERVICES DIVISION

Burckhardt Compression supports its customers with a comprehensive range of global services. The ultimate aim here is to keep the life cycle costs of its reciprocating compressor systems at a minimum. Burckhardt Compression's combination of local presence, engineering know-how and diagnostics services is unrivalled in the marketplace.



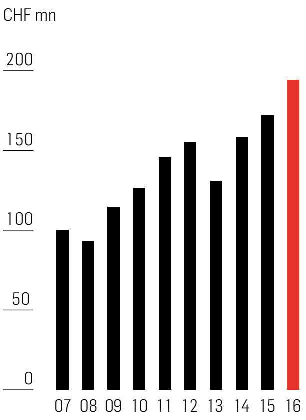
SERVICES DIVISION

"We are constantly expanding the range of services we offer. As we do so, our overriding objective is to address the needs of our customers on an individual basis. Whether overhauls or upgrades, or maintenance work on marine systems in a dockyard or on the open sea."

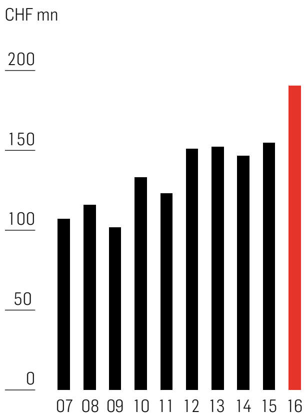

Burckhardt
Compression

REVIEW OF THE FISCAL YEAR SERVICES DIVISION

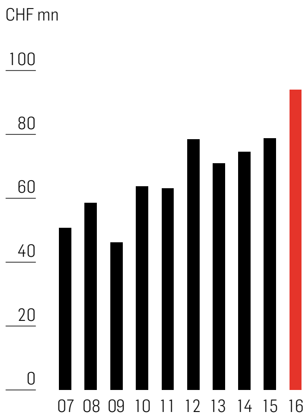
ORDER INTAKE



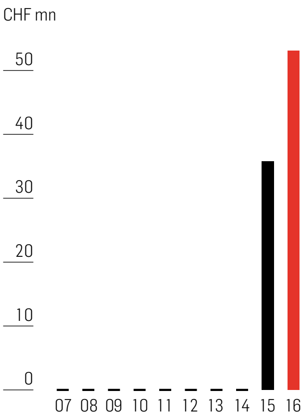
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)



FIGURES

in CHF mn		2015	2016	Change 2015/2016
Order intake		171.8	194.3	+13.1%
Sales and gross profit				
	Sales	154.8	190.5	+23.1%
	Gross profit	78.7	94.0	+19.4%
	in % of sales	50.8%	49.4%	
Operating income (EBIT)		35.8	53.1	+48.3%
in % of sales		23.2%	27.9%	
Headcount as per end of fiscal year (full-time equivalents)			649	

Steady increase in order intake
Orders received rose by 13.1% to a new record high of CHF 194.3 mn. This growth was driven in particular by the spare parts business and services for third-party compressors. Divisional sales were likewise sharply higher, rising by 23.1% to CHF 190.5 mn, and now account for 34.2% or one-third of total Group sales. Gross profit amounted to CHF 94.0 mn, which represents an increase of 19.4% from the year-ago period. The gross margin stood at 49.4%, slightly below the previous year (50.8%). The divisional operating income rose from CHF 35.8 mn in the previous year to CHF 53.1 mn.

MARKETS

Markets show regionally different developments
In Western Europe, Burckhardt Compression was confronted with challenging markets. Service intervals were prolonged, particularly in the chemicals industry. Viewed as a whole, however, there were some growth opportunities in this market, whereas business in Eastern Europe was more subdued. The Asia-Pacific region remains a fast-growing yet highly competitive market with persisting price pressure. Business in the Middle East and Africa was stable with pockets of growth.

Burckhardt Compression developed a holistic portfolio of services for shipping companies that includes operating performance reports, analyses and a guaranteed 24/7 availability throughout the year.

The situation in Latin America is mixed. Generally pleasing growth in Argentina, Columbia and Brazil, particularly in the petrochemical/chemical markets, contrasted with shrinking market volumes in Venezuela, Mexico and Central America. In Canada, the overall trend was positive, while the US market came under considerable pressure. Once again, the diagnostics business was promising worldwide.

COMPREHENSIVE OFFERING OF SERVICES

Burckhardt Compression developed a holistic portfolio of services for shipping companies during the year under review that meets a variety of needs, whether in dry dock or on the open seas. These services include operating performance reports and analyses, guaranteed 24/7 availability throughout the year, telephone and e-mail support, global deployment of service engineers who can be onboard a ship within 48 hours, even on the open seas, and high supply availability levels for spare parts. They were successfully introduced during the year under review and have met with strong demand from shipping companies. Efforts to improve the accessibility and availability of established services for onshore reciprocating compressor systems were also steadfastly pursued.

ACQUISITIONS AND ALLIANCES

IKS Industrie- und Kompressorenservice GmbH, a German firm in Bremen acquired in fiscal year 2016, was successfully integrated and now operates under the name Burckhardt Compression. IKS specializes in servicing third-party compressors, its service technicians are highly experienced and it has considerable engineering know-how.

Thanks to the cooperation with Arkos Field Services, a US company in which Burckhardt Compression holds a 40% minority interest, the company has gained valuable know-how in upstream and midstream applications. This represents a sound platform from which to offer new services to existing customers in downstream market segments, which have historically been the core target segments of Burckhardt Compression.

NEW SERVICE CENTERS

In keeping with its goal of expanding its geographic reach, Burckhardt Compression opened new Service Centers in Saudi Arabia and in Xian, China (the latter in addition to its existing Service Center in Shanghai).

OUTLOOK

We expect continued growth in the services business during the coming years for the following reasons:

- More and more customers are outsourcing service-related operations.
- The installed base of compressors continues to grow
- Customers are seeking efficiency gains to sharpen their competitive profile. Refurbishment, retrofit and reengineering projects are the answer.
- Preventive maintenance in conjunction with the continuous condition monitoring of compressor systems is growing in importance.

We anticipate faster growth in the services business than in the replacement and spare parts business.

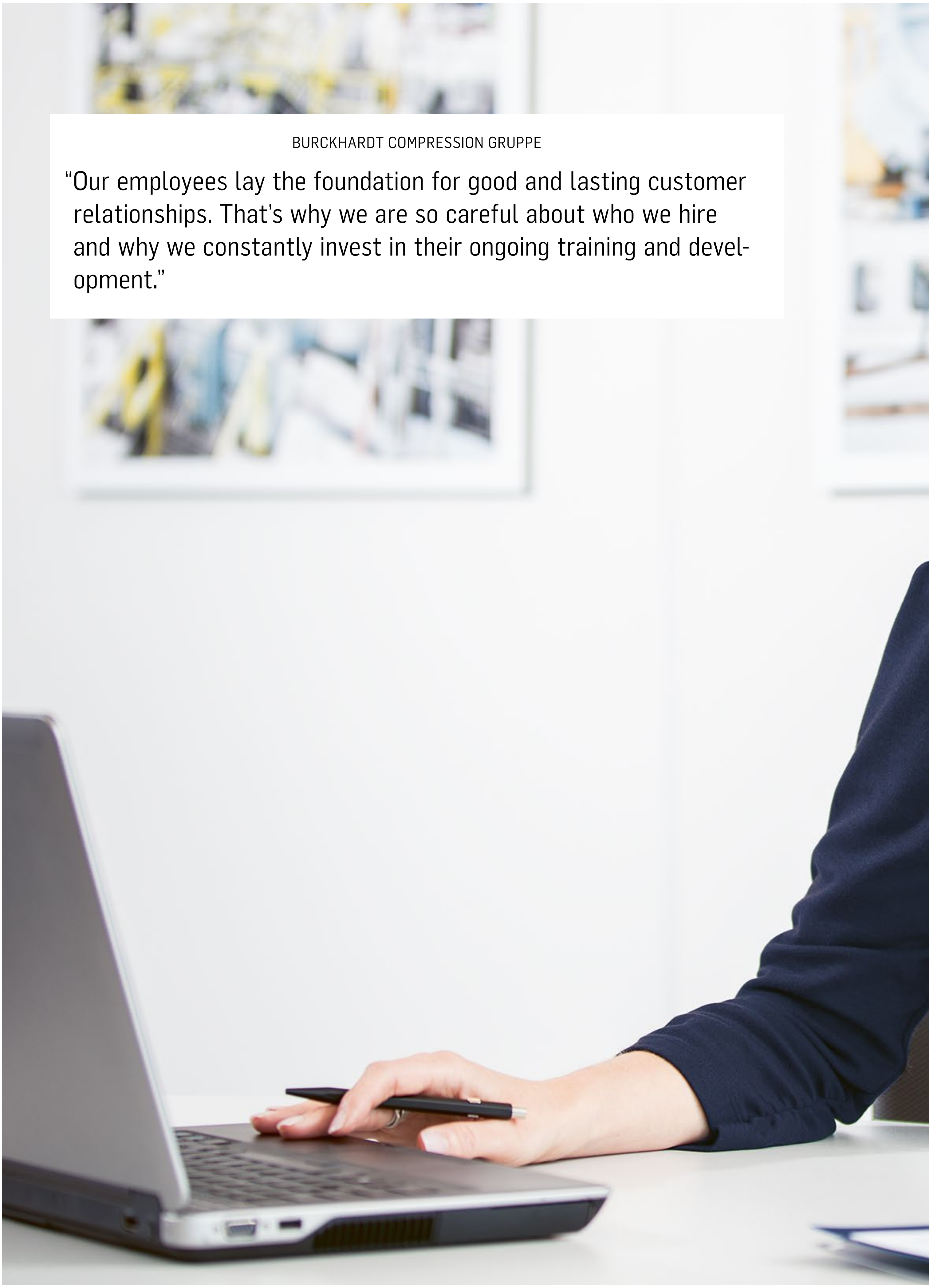
Key priorities in the coming fiscal years, besides the ongoing management and renewal of the services portfolio and improvement of service availability, will be efficiency gains and even tighter cost management. Selective local acquisitions are also possible to improve market coverage, accessibility and service availability in terms of customer proximity.

LONG-LASTING CUSTOMER RELATIONSHIPS

Our customer relationships are built on a foundation of trust and partnership and often go back for many years. No wonder: The typical reciprocating compressor system we make can be expected to operate reliably for 30 to 50 years.

BURCKHARDT COMPRESSION GRUPPE

"Our employees lay the foundation for good and lasting customer relationships. That's why we are so careful about who we hire and why we constantly invest in their ongoing training and development."



SUSTAINABILITY REPORT

COMMITMENT AND LEADERSHIP

Burckhardt Compression has made a long-term commitment to the economy, society and the environment. Our aim is to create all the right conditions to preserve and continue the company's more than 170-year tradition of success. This can only be achieved if a balance is found between the different and sometimes opposing interests of the individual stakeholders.

We are committed to transparency. Only by knowing exactly where things stand can appropriate goals be set and the right measures initiated to achieve them. Regular management reviews and appropriate controlling instruments ensure that we achieve the goals we set. Burckhardt Compression's sustainability credentials are evaluated by an external specialist (GAM) on a regular basis. During the latest assessment in 2015 we again achieved our goal of exceeding the average rating for a selected group of comparable Swiss companies.

ECONOMIC SUSTAINABILITY

Objective

Our company's primary objective is to achieve our financial goals, since failure to meet these goals could have a profound impact on the future of our company. The continued existence of Burckhardt Compression over the long term is ensured only if we manage to achieve financial results that at least average those of our direct competitors.

Investors

We maintain an open and transparent dialog with our investors and interested parties. The aim of our Investor Relations is to adequately portray our company and markets to enable a fair valuation of Burckhardt Compression stock. In an effort to further that dialog, we organized the very first Investor Day at the company's headquarters in Winterthur in December 2016. Our Investor Relations are evaluated by independent firms and receive consistently very good ratings considering the size of our company.

The leading Swiss business newspaper "Finanz und Wirtschaft" gives us an A– rating (A being the highest rating) for Investor Relations and transparency. In the annual ranking of annual reports conducted by HarbourClub and the business magazine "Bilanz" our 2015 annual report maintained its very high ranking of 31 (out of a total of 228 companies) in the category Value Reporting (Print) and placed 49th in the category Design (Print). In the category Online, we placed 69th, far better than in the preceding years.

The annual Obermatt survey measures the performance of listed companies relative to peers and here Burckhardt Compression was rated 14th in the "growth performance ranking" of mid-cap companies for 2016.

In the 2016 survey of company boards carried out by zRating in collaboration with the "Finanz und Wirtschaft," Burckhardt Compression achieved an excellent 7th place ranking among the 165 Swiss listed companies covered by the survey. This survey comprised 27 criteria based on the principles of good corporate governance, statutory requirements and instruments of self-regulation.

Burckhardt Compression Holding AG shares have been in the SPI Select Dividend 20 Index since March 2015. This index comprises 20 out of the more than 200 stocks in the SPI that boast the highest dividend yields, stable dividend track records, and solid profitability. To be admitted to the index, companies must have also paid out a dividend in at least four of the past five fiscal years. Return on capital (ROC) is also measured to screen out the highest-yielding stocks with sustainable profitability levels. ABB, Nestlé, Swisscom and Roche are among the companies that have been admitted to this index. Admission to this index confirms Burckhardt Compression's attractive positioning in the capital market.

Customers

Burckhardt Compression seeks long-term customer relations. The average useful life of our compressors is 30–50 years. Following the project phase, we provide our customers with the necessary services and components they need throughout the entire life cycle of our compressors. Our longest standing customer relationship dates back to 1885, when we supplied BASF in Ludwigshafen with one of the first compressors ever built by our company.

The various business activities of Burckhardt Compression also call for a variety of tools for measuring customer satisfaction. Here a distinction is made between direct and indirect key performance indicators (KPI), which are measured and evaluated. Customer satisfaction is evaluated during claims and warranties meetings, which are an integral part of the management process and are held with the Management Team. Appropriate measures are then introduced and implemented based on the results of the evaluation. Customer surveys were conducted in the Systems Division and the Services Division during the year under review.

Competition

Lower life cycle costs distinguish us from our competitors in our sales markets. The investment required for our products is offset against significantly lower operating expenses over the entire product life cycle.

We are committed to fair competition, in which there is no room for price fixing, cartels or other activities that distort competition. We value our corporate and business know-how, especially our technical and commercial know-how, and are constantly safeguarding it against loss or unauthorized access.

Suppliers

A well-functioning supply chain ensures our continual product development and manufacturing activities. Burckhardt Compression buys its products from various global and regional suppliers. We cooperate closely with them as early as the development stage and aspire to establish long-lasting partnerships. We adhere to the principles set out in our Code of Conduct and ensure that they are strictly complied with in all dealings with our suppliers. The Code of Conduct is available to the public and can be viewed at www.burckhardtcompression.com/about-us/vision-mission-values. We systematically test their suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators.

We adhere to the principles set out in our Code of Conduct and ensure that they are strictly complied with in all dealings with our suppliers.

The topic of procurement is an integral part of Burckhardt Compression's management cycle. Those responsible for procurement report regularly on key changes. Decisions are made together with the divisional management teams to ensure a smooth supply chain. Every year, we reward the best suppliers in the various categories, to encourage them to achieve even more.

Process improvement

The quest for continuous improvement by Burckhardt Compression's executives and employees forms the foundation on which the company is based. Operational progress, which is reflected in above-average profitability, is fostered on the one hand by a structured improvement and sustainability process for employees and executives and, on the other, through systematic application of operating methods and procedures. We consider our successful, constructive approach to interfaces, where the greatest potential for improvement can usually be found, as one of our company's core capabilities.

Every year, the personal objectives of our executives and employees include implementing continuous improvement projects. These projects are implemented using methods developed by Burckhardt Compression and evaluated by its executives. We also work with suppliers, universities, institutions and advisors worldwide to develop and improve products or processes in areas where we do not have the necessary expertise. Collaboration with external experts and specialists fosters new ideas and maximizes creative potential, also within the company.

Capital expenditure

In the past five years Burckhardt Compression has invested CHF 120.8 mn (without acquisitions). A considerable amount of capital was invested in the construction of two new manufacturing plants in Busan (South Korea) and Houston (US) and in the expansion of our manufacturing site in Winterthur. Establishing manufacturing capacity in the respective regional markets facilitates further productivity and efficiency gains, for example, by enabling the gradual replacement of plant and equipment at the Winterthur and Pune sites.

Investments were also made to open new service centers and expand existing ones. Software programs were bought or updated and IT infrastructure was upgraded to further globalize our business processes.

Value-based management

We measure the value generated for our shareholders in two ways:

– Market capitalization as a percentage of equity
– Change in earnings per share

Market cap divided by shareholders' equity at the end of the reporting year resulted in a quotient of 2.6 (previous year 3.2). This clearly shows that we continue to generate substantial value with the capital of our shareholders (shareholders' equity). Net income per share for the period under review amounted to CHF 11.20 (previous year CHF 16.34). We aim to increase this figure.

During the year under review, Burckhardt Compression acquired IKS Industrie- und Kompressorenservice GmbH, a German firm headquartered in Bremen that has since been fully integrated into the Group.

All acquisition targets must meet three specific criteria: 1) The acquired activities must be a good strategic fit for our company; 2) the price must be in accord with our expectations; 3) the corporate culture of the target company must be compatible with our own.

Risk management

As the world's leading manufacturer of reciprocating compressors, Burckhardt Compression is exposed to a number of risks. We have developed a comprehensive risk management plan for our company and integrated it into our existing planning and management process.

The Executive Board's assessment of risks is discussed with the Audit Committee twice a year. We distinguish between two categories of risk:

1. Internal: Risks that Burckhardt Compression can directly influence.
2. External: Risks over which Burckhardt Compression has little or no influence.

The objectives of our risk management activities are:

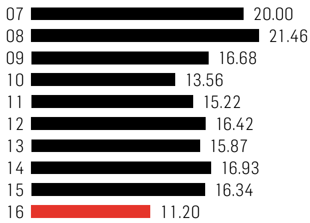
– to systematically detect special risks;
– to establish processes for monitoring, reducing and, in a best case, preventing risks;
– achieving a balance between risks and rewards for our business.

ACTUAL WARRANTY COSTS AS A PERCENTAGE OF SALES

%

NET INCOME PER SHARE

CHF



SOCIAL SUSTAINABILITY

Corporate culture
A well-founded and sound corporate culture is the foundation of a company's competitiveness. We therefore updated the "BC Code of Conduct" during the year under review and issued a revised policy document headlined "Values and Behaviors." The revision of the BC Code was necessary to meet our increased needs in the wake of Burckhardt Compression's significant growth over the past few years, as a result of which collaboration between employees from different subsidiaries is becoming more common.

Employees are also given updates on our efforts to adhere to the core values in the "BC Live Report" newsletter.

All employees are briefed on the company's binding values and code of conduct. Members of the Executive Board have also stressed the importance of these common values and behaviors in video podcasts. Employees are also given updates on our efforts to adhere to the core values in the "BC Live Report" newsletter, which is published approximately every 2 months. These measures help us to ensure that our employees are familiar with our corporate culture and live up to our core values. Our executives are important role models in this regard.

Sustainable HR policy
Only satisfied employees are willing to go that extra mile to meet the needs of our customers. That's why we are committed to a sustainable HR policy. We actively promote the right balance of employees in regard to gender and age. Loyalty and the ability to identify with the company are confirmed by the fact that the average employee has been with the company for nine years.

We participate in the largest national survey of employees on a regular basis with the twin objective of gathering input for further improvement and verifying the results of past measures.

We have a responsibility to ensure the expertise of our employees and promote the exchange of knowledge. Our new employee orientation process ensures that new hires are familiarized with their area of work and our corporate culture. Personal development is part of our annual appraisal and it is financed by Burckhardt Compression. We have developed an internal, modular structured expert, product-related and leadership training program to ensure the continual development of our technology know-how and leadership competencies. Training courses for specific skillsets are organized for the entire Burckhardt Compression Group twice a year.

Burckhardt Compression conducts an annual appraisal and performance review of each employee suited to the particular level of hierarchy, comprising personal development goals and suggestions for continuous improvement. Part of this system involves reviews as to the status of individual objectives, and corresponding measures. 13.0% of our employees worldwide are women (12.4% in the previous fiscal year) and we aim to raise this percentage to 15% over the coming years. Both men and women sit on the Board of Directors and the Executive Board of our company. This meets one of the recommendations from the Code of Best Practice for Corporate Governance published by economiesuisse but, more than that, we are convinced that mixed-gender teams perform better.

Our employees are regularly informed about the course of business and other corporate developments by their managers. Burckhardt Compression employees in Switzerland are informed twice a year by the presidents of their divisions. The higher employee turnover rate of 10.2% for the year under review (previous year: 5.4%) is attributed to restructuring and acquisition activity.

Promoting new talent and career development
We actively promote and support new talent at all levels and we are committed to the Swiss system of apprentice training. There are currently 64 apprentices in Switzerland and 17 in India receiving vocational training in eight different trades. We are a founding member of the initiative launched under the auspices of the Swiss Federal Office for Professional Education and Technology and the Swiss-Indian Chamber of Commerce to establish an apprenticeship system of learning in India patterned after the Swiss model and we are a corporate sponsor of the AZW Training Center in Winterthur for industrial-vocational career pathways. Apprentices with a good performance record are generally retained by Burckhardt Compression upon completion of their apprenticeship. Burckhardt Compression's annual spending on apprenticeship training programs (cash out) amounts to about CHF 1.5 mn. Vacant job positions at all levels will also be advertised internally. External as well as internal candidates must go through a proprietary screening process. The systematic evaluation and development of the company's future managers, which we have practiced internally with success for many years, enabled us to again fill various management vacancies during the past year with internal candidates. If there are no suitable candidates available in-house to succeed a departing executive or to fill a new management-level position, we are in a good position to recruit well-qualified external candidates, not least due to our company profile and image.

Occupational health & safety

Safety at work is very important to Burckhardt Compression. We believe it is important that all employees are informed of the risks involved in their work and aware of the accident prevention measures. Regular training is provided on the topic of safety at work. Work safety audits and safety inspections are carried out annually by external professionals and the findings are implemented accordingly.

The health and general well-being of our employees are important to us. All employees are now required to wear protective eyewear in the workshop in Winterthur, for example, so as to further reduce the risk of eye injuries. Physical and mental health are closely linked to performance. An extensive range of physical activities, preventive measures and measures on specific topics help to improve employee satisfaction, health and motivation, and to reduce absences. We have systematically reduced the average number of working days lost because of illness in recent years. In the year under review, the average number of days off per employee was 6.3 days, which represents another reduction compared to the figure of 6.4 days in the previous fiscal year. Our aim is to bring this down to less than 6.0 days. Measures have been introduced to help us achieve this goal.

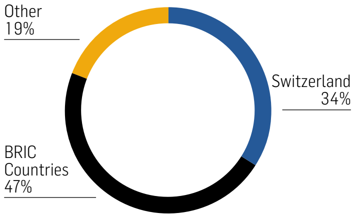
This and other measures are part of the EOHS system (Environment/Occupational Health & Safety System) that is being introduced at all Group sites in compliance with ISO14001 and OHSAS18001 standards.

Social environment

We are well established in our social environment. We actively cooperate with citizens and the authorities at all locations. Our company supports employees who are committed to doing good for the community. Therefore, we support the engagement of our executives and employees in political and charitable aspirations with the aim of alleviating problems facing society. For example, our Board Chairman has presided over the Swiss Employer's Association (honorary office) for the past six years and the CEO is the honorary chair of the Swiss-CIS/Georgia Chamber of Commerce. To strengthen local social networks, we run programs at the locations of our biggest companies in Switzerland and India that support local social and cultural projects. In doing so, we specifically encourage our employees to become personally involved in such projects.

GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2016
100% = 2'107

Employees (full-time equivalents)

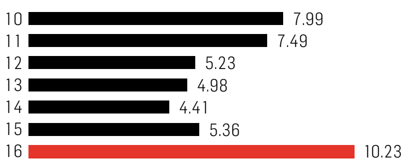


GLOBAL WORKFORCE BY GENDER

Employees (full-time equivalents)

EMPLOYEE TURNOVER RATIO

%



ENVIRONMENTAL SUSTAINABILITY

"We are a company that cares about the environment and that strongly supports responsible and prudent consumption of energy and our planet's finite natural resources. By exercising foresight and prudence, we help to minimize the use of energy, water and chemicals of all kinds while addressing the issue of harmful emissions." (Code of Conduct)

Innovation

Environmental protection starts with product design and development. Here, the focus is on sustainable and efficient development, taking into account the entire life cycle of a product. Whenever it makes sense, our customers are included early on in the development stage of new products, in order to find joint innovative solutions and verify ideas.

Lower life cycle costs distinguish Burckhardt Compression from the competition. We make a conscious effort to lengthen servicing intervals. We set great store by this when developing our compressors and we use compressor components – wherever possible, from our own product portfolio – to optimize service cycles. "Compressors for a Lifetime™" is not just a saying, but a philosophy we live by. The average life cycle of our compressors is 30 to 50 years.

Products

Highly functional products enable our compressor systems to run optimally. The following newly developed products and solutions promise to offer customers greater benefits while improving our environmental footprint:

- Laby®-GI compressors: The dual-fuel propulsion system developed for LNG carriers can be powered by environmentally friendly natural gas instead of diesel. The Laby®-GI fuel gas compressors by Burckhardt Compression compress the boil-off gas from the LNG tanks, which is then injected directly into a diesel engine. The dual-fuel propulsion system for LNG carriers significantly reduces CO_2 and SO_X emissions when powered by natural gas.
- Process Gas Compressors API 618: These compressors are used specifically in industrial processes for the desulphurization of fuels.
- PROGNOST®-SILver: Systems for monitoring and diagnosing the condition of reciprocating compressors are key tools for increasing operational safety, lengthening service intervals and preventing fault events.

Procurement

We draw on the experience of our suppliers to help us continuously improve our products. Much of the value creation is performed by them. Therefore, we place the same high demands on them as we do on ourselves. They are integrated into our environmental and quality policy. Checks are made on site or when goods arrive to ensure adherence to specifications and verified by reviewing the required audit reports.

Manufacturing and logistics

In our efforts to transfer knowledge and production know-how between our various production and engineering centers, we are also transferring safe, efficient and environmentally friendly production and engineering processes. We have optimized our internal logistics processes and transportation operations through the "PULL@BCA" program. We are also reducing the number of transport runs by consolidating deliveries and deploying more container delivery solutions. PULL@BCAG is not simply a project but rather a reflection of our basic philosophy about the work we do. Local procurement of machine accessories brings us even closer to our customers and allows us to reduce transport runs.

Buildings and fixtures

Thanks to the new 2'300 m^2 manufacturing hall that became operational in September 2015, we were able to vacate more leased premises. Great attention was paid to environmental protection and energy efficiency during the construction of the new manufacturing area. For example, waste heat generated in the paint shop and testing facility is recovered by ceiling panels and pumped to a storage unit. The stored heat can be directly returned directly to the underfloor heating system. This has reduced the need for district heating by up to 60%. The ventilation system and drying systems in the paint shop also have their own integrated heat recovery system. Thanks to these heat exchangers, 77% of the heat required is returned to the cabins.

Energy for heating the offices and production facilities in Winterthur comes from the heat generated by a nearby waste incineration plant. Highly energy-efficient external doors, and where necessary additional air locks, have been installed almost everywhere at the manufacturing facilities in Winterthur. The new manufacturing area is also equipped with state-of-the-art LED technology. Daylight sensors dim the lights automatically or shut them off altogether. This reduces energy consumption by 60%. Their longer lifespan of 50'000 hours also means that the expensive process of changing the bulbs has also been minimized. We have renewed our machine tools over the past few years. The new machines are much more powerful, but consume much less energy. A new surface finishing shop for small parts was commissioned in fiscal 2016. It is equipped with cutting-edge technology and enables small parts weighing up to four tons to be coated more efficiently than before. The small parts finishing shop's heat recovery solutions for the heating and ventilation systems achieve a high efficiency rate of 77%. This enables us to further reduce our emissions of harmful VOC gases (Volatile Organic Compounds). Water-soluble paints can also be used in the future.

Our factory in Pune, India, received a GreenCo Silver Award during the year under review.

Furthermore, the continuous flow manufacturing system for the new assembly hall was finalized. At the factory in Shenyang owned by Shenyang Yuanda Compressor, the company in which a majority interest was acquired during the year under review, a waste air filtration system to treat the gases that are released during the casting operations was installed and various investments were made in the casting preparation and casting processes.

Our factory in Pune, India, received a GreenCo Silver Award during the year under review. GreenCo is a rating system established by the Confederation of Indian Industry (CII), which takes a holistic approach to measuring the results of companies' environmental initiatives.

In November 2015, we received an award from the Carbon Disclosure Project (CDP) for making the greatest improvement of any company in Switzerland. CDP takes all the information about a company's electricity and water consumption, waste volumes and mobility, and converts this data into the equivalent quantity of carbon dioxide. In 2015, Burckhardt Compression earned a CDP rating of 91DE and was placed in Performance Band "C" for the year under review. A direct comparison for the past two years is not possible due to changes in CDP's rating structure. Burckhardt Compression's consumption of electricity and water rose significantly during the past fiscal year due to the commissioning of a new assembly plant in Korea and in the US.

Environmental management, recycling and waste disposal

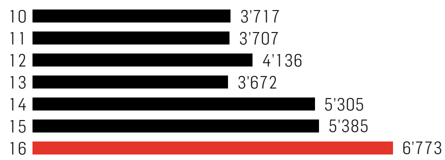
Hazardous goods and chemicals are transported, stored and disposed of in accordance with applicable laws and regulations. We try to recycle as much of our waste as possible. Internal collection points help our employees sort and dispose of waste correctly. This allows most of our waste to be recycled. The rest is sent to a nearby waste incineration plant that produces district heat for water and space heating systems. Specialized companies are engaged to ensure that certain materials (e.g. metals) are recycled in the proper, most environmentally friendly way.

The waste management concept introduced in 2015 in collaboration with an external consultant was continued and expanded and will lead to even greater separation of waste in the future.

These and other measures are part of the EOHS system (Environment/Occupational Health & Safety System) that is being introduced at all Group sites in compliance with ISO 14001 and OHSAS 18001 standards. Official certification is planned for 2018.

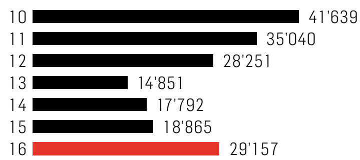
ELECTRICITY CONSUMPTION

MWh



WATER CONSUMPTION

m^3



WASTE

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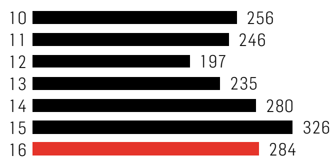


Figures without Shenyang Yuanda Compressor

CORPORATE GOVERNANCE

Burckhardt Compression is committed to responsible corporate governance. The company adheres to the Directive on Information Relating to Corporate Governance (DCG) issued by SIX Swiss Exchange, where applicable to Burckhardt Compression, and the "Swiss Code of Best Practice for Corporate Governance" issued by economiesuisse.

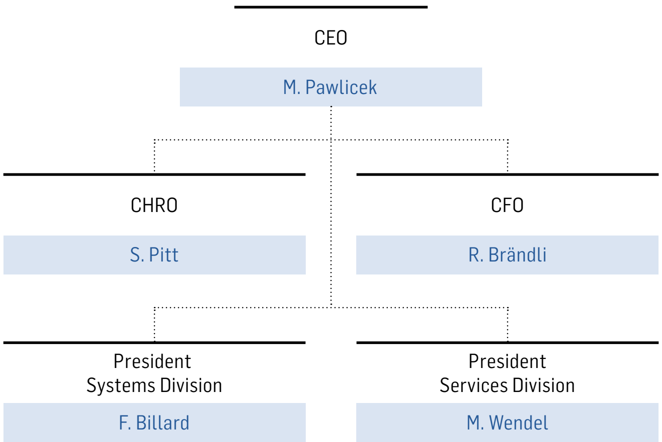
This report is structured in accordance with the DCG's outline and numbering. Unless otherwise noted, the information presented reflects the situation on March 31, 2017.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1. Group structure

1.1.1. Management structure

Burckhardt Compression introduced a divisional operating structure on June 1, 2016 and its business activities have since been organized in two divisions, the Systems Division (compressor manufacturing business) and the Services Division (compressor services and components). The management structure of the Burckhardt Compression Group is given in the organizational chart below:



1.1.2. Listed Group companies

Burckhardt Compression Holding AG, a corporation organized under the laws of Switzerland with legal domicile in Winterthur, is the only listed Group company. Burckhardt Compression registered shares (BCHN) are listed on the SIX Swiss Exchange in Zurich (ISIN: CH0025536027; security number 002553602). Its market capitalization as per March 31, 2017 amounted to CHF 922'250'000.

1.1.3. Unlisted Group companies

Information on the unlisted companies included in the scope of consolidation of Burckhardt Compression Holding AG is given in the financial report on page 115, Note 102, "Subsidiaries."

With the exception of Burckhardt Compression Holding AG, none of the companies included in the scope of consolidation hold any BCHN shares.

1.2. Significant shareholders

According to information available to the company from the disclosure notifications of the SIX Swiss Exchange AG, the shareholders listed in the following table reported shareholdings of at least 3% of the voting rights as per March 31, 2017. In accordance with the company's Bylaws, the voting rights of NN Groep N.V. and J O Hambro Capital Management Limited are limited in each case to 5.0% of the total number of BCHN registered shares recorded in the commercial register:

Name	Country	% of shares
MBO shareholder pool	CH	12.4
NN Groep N.V.	NL	6.9
J O Hambro Capital Management Limited	UK	5.1
Mondrian Investment Partners	UK	5.0
TIAA-CREF Investment Management	US	4.9
Ameriprise Financial Inc.	US	3.1
Oppenheimer Funds	US	3.0
UBS Fund Management (Switzerland) AG	CH	3.0

More detailed information on the disclosure notifications is available on the website of the SIX Swiss Exchange's Disclosure Office (https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

1.3. Cross-shareholdings

Burckhardt Compression Holding AG has no cross-shareholdings with any other company or group of companies.

2. CAPITAL STRUCTURE

2.1. Capital
The issued share capital of Burckhardt Compression Holding AG amounts to CHF 8'500'000, comprising 3'400'000 fully paid registered shares with a nominal value of CHF 2.50 each.

2.2. Details on authorized and conditional capital
The Board of Directors is empowered to increase the company's share capital by a maximum of CHF 1'275'000 at any time until July 1, 2017 by issuing a maximum of 510'000 fully paid registered shares with a nominal value of CHF 2.50 each (authorized share capital). The date and amount of the issuance, the time of dividend entitlement and, if applicable, the type of contribution shall be determined by the Board of Directors. Partial increases in capital are permitted. The transferability of the shares shall be subject to the registration restrictions set forth in the Bylaws, if any. The Board of Directors is authorized to exclude shareholders' subscription rights, in part or whole, in favor of third parties if the new shares are used to i) acquire companies through an exchange of shares or ii) to finance the purchase of companies in whole or part. The Board of Directors is also authorized to exclude subscription rights of shareholders if the newly created shares are issued by means of a public offering. Shares for which subscriptions rights have been granted but not exercised will be allotted by the Board of Directors at its own discretion. Apart from the above, Burckhardt Compression Holding AG has no other authorized and/or conditional share capital.

2.3. Changes in capital
There has been no movement in share capital since the IPO in June 2006.

2.4. Shares and participation certificates
Voting rights may only be exercised after the shareholder has been registered in the Share Register. All shares are entitled to full dividend rights. Voting rights per shareholder are restricted to 5% of the total number of the registered shares recorded in the commercial register. This does not apply to shareholders who were in possession of more than 5% of the shares of Burckhardt Compression Holding AG before the Initial Public Offering (IPO). The voting rights of treasury shares – held by Burckhardt Compression Holding AG – will be suspended. The company has not issued any participation certificates.

2.5. Dividend-right certificates
The company has not issued any dividend-right certificates.

2.6. Limitations on transferability and nominee registrations
No person or entity will be registered in the Share Register with voting rights for more than 5% of the issued share capital. This entry restriction is also applicable to persons whose shares are held, in whole or part, by Nominees. This restriction is also valid if shares are acquired through the exercise of subscription, option or conversion rights, with the exception of shares acquired through inheritance, division of an estate or marital property law.

Legal entities and partnerships associated with each other by uniformly managed capital or votes or in any other way, as well as private and legal entities or partnerships which form an association to evade registration restrictions are regarded as one person.

Individual persons who have not expressly declared in their registration application that they hold the shares for their own account (Nominees) will be entered in the Share Register with voting rights if the Nominee concerned provides proof that he is subject to supervision by an accredited bank and financial market regulator and if he has concluded an agreement with the Board of Directors concerning his status. Nominees holding up to 2% of the issued shares will be entered in the Share Register with voting rights without having to sign an agreement with the Board of Directors. Nominees holding more than 2% of the issued shares will be entered in the Share Register with 2% voting rights and, for the remaining shares, without voting rights. Above this 2% cap, the Board of Directors may have Nominees entered in the Share Register with voting rights if they disclose the names, the addresses, the nationalities and the shareholdings of the persons for whom they hold more than 2% of the issued share capital.

2.7. Convertible bonds and options
The company does not have any outstanding convertible bonds and has not issued any option rights.

From left: Urs Leinhäuser, Dr. Monika Krüsi, Valentin Vogt, Hans Hess, Dr. Stephan Bross

3. BOARD OF DIRECTORS

3.1. Members and
3.2. Other activities and commitments

The Bylaws stipulate that the Board of Directors consists of a minimum of three and a maximum of seven members. At present, the composition of the Board of Directors is as follows:

Name	Nationality	Function	First elected	Term expires
Valentin Vogt	CH	Chairman, non-executive, Chairman SC	2002	2017
Hans Hess	CH	Deputy Chairman, non-executive, Chairman NCC	2006	2017
Dr. Monika Krüsi	CH/IT	Member, non-executive, member SC, member AC	2012	2017
Urs Leinhäuser	CH	Member, non-executive, Chairman AC	2007	2017
Dr. Stephan Bross	DE	Member, non-executive, member NCC	2014	2017

AC = Audit Committee
NCC = Nomination and Compensation Committee
SC = Strategy Committee

Valentin Vogt was CEO of Burckhardt Compression Group from the year 2000 until March 31, 2011. No other Board member has served as a member of the Executive Board of a Burckhardt Compression Group company. None of the directors have material business relationships with a Burckhardt Compression Group company.

Biographical details and information on other activities and commitments of the individual members of the Board of Directors are given below:

VALENTIN VOGT (1960)

Education
Lic. oec. HSG St. Gallen, Switzerland

Professional background
Since 2011 self-employed, Switzerland
2000–2011 CEO, Burckhardt Compression Group, Switzerland
1992–2000 General Manager, Sulzer Metco AG, Switzerland
1989–1992 CFO, Sulzer Metco AG, Switzerland
1986–1989 CFO, Alloy Metals, USA
1985–1986 Controller, Sulzer AG, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG
– Chairman of the Board of Directors
– Chairman of the Strategy Committee

Other activities and commitments
– Board member, Bucher Holding AG, Switzerland
– Board member, Kistler Holding AG, Switzerland
– Board member, Ernst Göhner Stiftung Beteiligungen AG, Switzerland
– Chairman of the Swiss Employers' Association, Switzerland
– Member of Economic Advisory Board, Swiss National Bank, Switzerland

HANS HESS (1955)

Education
Master's degree in Materials Science & Engineering, ETH Zurich, Switzerland, MBA University of Southern California, USA

Professional background
Since 2006 self-employed, Hanesco AG, Switzerland
1996–2005 Delegate of the Board of Directors and CEO, Leica Geosystems AG, Switzerland
1993–1996 President, Leica Optronics Group, Switzerland
1989–1993 Vice President, Leica Microscopy Group, Switzerland
1983–1988 Head of Polyurethane Division, Huber & Suhner AG, Switzerland
1981–1983 Development Engineer, Sulzer AG, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG
– Deputy Chairman of the Board of Directors
– Chairman of the Nomination and Compensation Committee

Other activities and commitments:
– Chairman of the Board, COMET Holding AG, Switzerland
– Chairman of the Board, Reichle & DeMassari AG, Switzerland
– Board member, dorma+kaba Holding AG, Switzerland
– Chairman, Swissmem, Switzerland
– Vice President, economiesuisse, Switzerland
– Trustee, Vontobel Foundation, Switzerland
– Trustee, Swisscontact, Switzerland
– Trustee, Technorama, Switzerland

DR. MONIKA KRÜSI (1962)

Education
Ph.D. in Business Informatics, MBA, University of Zurich, Switzerland

Professional background
Since 2003 Partner, MKP Consulting AG, Switzerland
2001–2003 Partner, Venture Incubator Partners AG, Switzerland
1991–2001 Associated Partner, McKinsey & Co., Inc., Switzerland
1986–1990 Credit Suisse, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG
- Member of the Board of Directors
- Member of the Strategy Committee
- Member of the Audit Committee

Other activities and commitments
- Board member, ACP, Switzerland
- Board member, Emch AG, Switzerland
- Board member, CP Pumpen AG, Switzerland
- Board member, Technopark Luzern, Switzerland
- Board member, 360°, Switzerland

URS LEINHÄUSER (1959)

Education
Degree in Business Administration, University of Applied Sciences, Zurich, Switzerland
IMD Lausanne (SSE)

Professional background
Since 2016 Partner/Consultant ADULCO GmbH, Switzerland
2014–2016 self-employed, Switzerland
2011–2014 CFO and Deputy CEO, Member of Executive Board, Autoneum Holding AG, Switzerland
2003–2011 CFO and Head Corporate Center, Member of Group Executive Committee, Rieter Holding AG, Switzerland
1999–2003 CFO, Member of Group Executive Committee, Mövenpick Holding, Switzerland
1997–1999 Head of Finance and Controlling, Piping Systems Division, Georg Fischer AG, Switzerland
1995–1997 Head of Corporate Controlling, Georg Fischer AG, Switzerland
1988–1994 Group Controller, Cerberus AG, Switzerland
1992 Managing Director, Cerberus, Denmark
1986–1988 Tax Consultant, Deputy Head, Tax Consultancy Department, Refidar Moore Stephens, Switzerland
1983–1986 Tax Inspector, Cantonal Tax Department SH, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG
- Member of the Board of Directors
- Chairman of the Audit Committee

Other activities and commitments
- Board member, Ammann Group Holding AG, Switzerland
- Board member, Liechtensteinische Landesbank AG, Liechtenstein
- Board member, Ascom Holding AG, Switzerland
- Board member, VAT Group AG, Switzerland
- Member of the Board of Trustees of the IFF Institute of the University of St Gallen, Switzerland

DR. STEPHAN BROSS (1962)

Education
Degree in Engineering, University of Braunschweig, Germany

Professional background
Since 2014 Senior Vice President, Pumps, KSB AG, Germany
2007–2013 Senior Vice President, Service, KSB AG, Germany
2002–2007 Head Product Management and Development Engineered Pumps, KSB AG, Germany
1997–2001 Head Development and Services Fluid Flow Technical Systems, KSB AG, Germany
1996–1997 Head of Fluid Mechanics Research, KSB AG, Germany
1993–1996 R&D Engineer, KSB AG, Germany

Duties and responsibilities as a director of Burckhardt Compression Holding AG
- Member of the Board of Directors
- Member of the Nomination and Compensation Committee

3.3. Rules in the Bylaws concerning the number of permitted activities

Members of the Board of Directors may not hold more than ten (10) additional board memberships, whereof not more than four (4) in listed companies.

3.4. Election and term of office

Each member of the Board of Directors, the Board Chairman, and each member of the Nomination and Compensation Committee are elected annually by the Annual General Meeting. The members of the Board of Directors shall be automatically retired from the Board of Directors in the year in which they reach the age of 70.

3.5. Internal organization

The Board of Directors has the final responsibility for the business strategy and the management of the Burckhardt Compression Group. It has final authority and defines the guidelines regarding strategy, organization, financial planning and accounting for the Burckhardt Compression Group. The Board of Directors has delegated executive management responsibility to the CEO of Burckhardt Compression Group. The Board of Directors appoints a secretary for the Board and for the company. The Secretary does not need to be a member of the Board. This role is currently assigned to the company's Legal Counsel. The Board of Directors meets as often as business requires, but at least four times per year. In fiscal year 2016, the Board of Directors held six meetings, with each meeting lasting from half a day to one day. Furthermore, the Board of Directors held three telephone conferences during fiscal year 2016, each one lasting one to two hours. The Board of Directors has a quorum when the majority of the members are present. Decisions are passed by a simple majority. In the event of a tie, the Chairman has the casting vote.

Up until the introduction of the divisional organizational structure (in effect since June 1, 2016), the CEO, the VPs of Sales Compressor Systems, Components, Components Services & Support, Design & Manufacturing, Contracting, and Human Resources Management (HRM), the CFO and the Legal Counsel, who acts as secretary, had been invited to Board meetings to report on developments in their business areas. As of that date – or the date of commencement of employment of the new divisional Presidents – the CEO, the two Presidents of the Systems and Services Divisions, the CFO, the CHRO and the Legal Counsel, in his role as secretary, have been invited to attend the Board meetings to report on developments in their respective business areas. The Board of Directors has set up the following committees:

Audit Committee The Audit Committee advises and supports the Board in all matters related to external and internal audits, risk management, accounting policies and practices and compliance with accounting standards issued. In fiscal year 2016, the Audit Committee held two half-day meetings. The CEO, the CFO, the head of the internal audit department and representatives of the external auditors also participated in these meetings. Members are Urs Leinhäuser (Chairman) and Dr. Monika Krüsi.

Nomination and Compensation Committee This committee advises and assists the Board of Directors on appointments and dismissals to and from the Executive Board and draws up proposals for the appointment, assessment or dismissal of members of the Board of Directors. Furthermore, the Nomination and Compensation Committee advises and assists the Board of Directors on questions relating to the compensation of the Board members and the Executive Board. The Nomination and Compensation Committee held three meetings in fiscal year 2016. The meetings lasted half a day each. The CEO and the CHRO also attended these meetings. Members are Hans Hess (Chairman) and Dr. Stephan Bross.

Strategy Committee The Strategy Committee supports the CEO in developing corporate strategy and advises the Board of Directors in strategic matters such as acquisitions and divestments. It evaluates the implementation of company strategy on a regular basis and submits proposals to the Board of Directors if adjustments or other measures are deemed necessary. The Strategy Committee held three meetings in fiscal year 2016. The meetings lasted half a day or a day each. Members are Valentin Vogt (Chairman) and Dr. Monika Krüsi.

3.6. Definition of areas of responsibility

The Board of Directors has delegated the executive management of the company and the Group to the CEO of Burckhardt Compression Group, with the exception of the following matters:

- Definition of the business policies and strategy of the Group
- Definition of the top-level organizational structure of the Group
- Approval of the periodic forecasts, the annual report and of reporting and accounting policies
- Ensuring adequate internal control systems based on the recommendations of the Audit Committee
- Determination of the appropriate capital structure
- Appointment and dismissal of members to and from the Executive Board, as well as compensation of the Executive Board
- Decisions on new subsidiaries, major capital expenditure projects, acquisitions, financing transactions, insurance concepts and the provision of guarantees if such decisions exceed the powers conferred on the CEO.

The powers of the Executive Board and of the Group company executives are listed in detail in the delegation of authority.

3.7. Information and control instruments relating to the Executive Board

Order intake, the income statement, balance sheet, liquidity planning and cash flow, headcount, personnel costs and capital expenditure are consolidated and annotated on a monthly basis. A rolling forecast of Group results for the current and coming fiscal years is also prepared and annotated four times a year (April, July, October and January). Targets for the coming fiscal year are determined based on the January forecast. The financial report and the forecasts are distributed to the members of the Executive Board and all members of the Board of Directors. At every meeting of the Board of Directors, the members of the Executive Board report on the course of business and on all issues of relevance to the Group. The statutory auditor assesses the effectiveness of the internal control system (ICS) in a written report submitted to the Audit Committee and the Board of Directors once a year.

The Internal Group Audit unit reports to the Chairman of the Board of Directors' Audit Committee. Management responsibility for the unit has been delegated to the head of the Accounting unit of Burckhardt Compression AG, who is also responsible for coordinating and conducting the audits. The CFO is responsible for coordination between the Audit Committee and the head of the Internal Group Audit. The Internal Group Audit team consists of qualified staff from the Finance and Controlling departments of Burckhardt Compression AG and several selected financial specialists from the Group's subsidiaries. These employees perform the internal audit duties assigned to them in addition to their core duties and responsibilities within the Finance and Controlling units and in this additional capacity they report directly to the head of Internal Group Audit, who in turn reports directly to the Chairman of the Board of Directors' Audit Committee. This efficient organization is tailored to the needs and size of Burckhardt Compression Group and fosters an active exchange of information and best practices with the objective of creating sustained value added for Burckhardt Compression Group by means of continual process improvement. The internal auditors undergo regular training for the performance of their tasks. The training received is coordinated by the head of the Internal Group Audit. The schedule for internal audits is determined by the Audit Committee of the Board of Directors on an annual basis and may be changed or expanded by the Audit Committee as and when required. Eight internal audits were carried out in fiscal year 2016. The internal auditors' reports were distributed to the management of the audited company, the members of the Audit Committee of the Board of Directors, the Executive Board members and to the external company auditors.

The management of risks is integrated into the existing planning and management processes. The CEO reports on the assessment of the operational and financial risks to the Audit Committee and the Board of Directors twice a year. The Board of Directors assesses strategic risks on a regular basis.

4. EXECUTIVE BOARD

4.1. Members of the Executive Board and
4.2. Other activities and commitments

Name	Nationality	Function
Marcel Pawlicek	CH	CEO
Rolf Brändli	CH	CFO
Sandra Pitt	DE	CHRO
Fabrice Billard	FR	President Systems Division
Martin Wendel	DE	President Services Division

Biographical details and information on other activities and commitments of the members of the Executive Board are given below:

MARCEL PAWLICEK (1963)

Education
Degree in Mechanical Engineering, HTL Winterthur, Switzerland, MBA Marketing and International Business, Fordham University, New York, USA

Professional background
Since 2011 CEO, Burckhardt Compression Group, Switzerland
2008–2011 Head of Design & Manufacturing, Burckhardt Compression AG, Switzerland
2001–2008 Head of CSS, Burckhardt Compression AG, Switzerland
1999–2001 Head Sales and Contracting HPI, Sulzer-Burckhardt AG, Switzerland
1989–1999 Project Manager and Marketing & Sales Manager for Burckhardt compressors, Sulzer Inc., USA
1986–1989 Design Engineer, Sulzer-Burckhardt AG, Switzerland

Other activities and commitments
– President of the Swiss-CIS/Georgia Chamber of Commerce
– Vice President of AZW Winterthur, Switzerland

ROLF BRÄNDLI (1968)

Education
Degree in Business Administration, HWV Zurich, Switzerland

Professional background
Since 2008 CFO, Burckhardt Compression Group, Switzerland
2001–2008 Head of Finance & Administration, Sulzer Brasil S.A., São Paulo, Brazil; Regional Controller, Sulzer Pumps South America & South Africa
1997–2001 Regional Controller Asia/Pacific, Sulzer International Ltd.; General Manager, Sulzer Hong Kong Ltd., Hong Kong, SAR China
1994–1997 Management Consultant, OBT Treuhand AG Zurich, Switzerland

SANDRA PITT (1971)

Education
Degree in Business Administration/ Business Informatics, Germany, MBA International Finance/International HR, American University Washington, USA

Professional background
Since June 2015 CHRO, Burckhardt Compression Group, Switzerland
2013–2015 Head Corporate HR, AFG Management AG, Switzerland
2012–2013 Head Personal Central Europe, Holcim (Schweiz) AG, Switzerland
2010–2012 Head Personal, Holcim (Schweiz) AG, Switzerland
2007–2009 Head Personal BASF Group Switzerland, BASF Schweiz AG, Switzerland
2006–2007 HR Director Europe, BASF AG, Division Europe, Germany
2003–2006 Internal Consultant Performance Management, BASF AG, Division Personal Global, Germany
2002–2003 HR Coordinator Europe, BASF AG, Division Personal Global, Germany

FABRICE BILLARD (1970)

Education
Master of Science in aeronautics and aerospace engineering, Ecole Centrale Paris, France

Professional background
Since October 2016 President Systems Division, Burckhardt Compression Group, Switzerland
2015–2016 Chief Strategy Officer, Sulzer, Switzerland
2012–2015 Head Business Unit Mass Transfer Technology, Sulzer Chemtech, Switzerland/Singapore
2010–2012 Head Europe, Middle-East, India, Russia & Africa Business Unit Mass Transfer Technology, Sulzer Chemtech, Switzerland
2008–2010 Vice President Business Development, Sulzer Chemtech, Switzerland
2005–2008 Head Global Customer Services, Sulzer Pumps, Switzerland
2004–2005 Strategic Development Manager, Sulzer Corporate, Switzerland
1999–2004 Principal, The Boston Consulting Group, Switzerland/France

MARTIN WENDEL (1966)

Education
Degree in mechanical engineering and production systems, University of Karlsruhe, Germany

Professional background
Since September 2016 President Services Division, Burckhardt Compression Group, Switzerland
2014–2016 Vice President Service, Rolls-Royce Power Systems AG, Germany
2011–2014 Vice President Service Operations and Logistics, Rolls-Royce Power Systems AG, Germany
2008–2010 Vice President Global After Sales, Rolls-Royce Power Systems AG, Germany
2002–2008 Director Global Spare Parts Center, Rolls-Royce Power Systems AG, Germany
2000–2001 Head Project Euro III, EvoBus, Germany
1999–2000 Head Order Center/Logistics Powered Industrial Trucks, Linde, Germany
1997–1999 Head Electric Forklift Truck Production, Paint Shop, Receiving, Linde, Deutschland

4.3. Rules in the Bylaws concerning the number of permitted activities
In the course of the implementation of the Swiss Federal Ordinance Against Excessive Compensation in listed companies (OAEC), the Annual General Meeting of July 4, 2015 approved an amendment to Article 28 of the company's Bylaws.

Following this amendment, members of the Executive Board may not hold more than five (5) additional board memberships, whereof no more than two (2) in listed companies.

4.4. Management contracts
There are no management contracts with third parties.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

The principles and elements of compensation paid to members of the Board of Directors and the Executive Board as well as the authority and the mechanisms used to determine such compensation are explained in the Compensation Report on pages 61 to 69.

The shareholdings of the members of the Board of Directors and the Executive Board in Burckhardt Compression Holding AG are listed in the Compensation Report on pages 61 to 69 and in the financial statement of Burckhardt Compression Holding AG, note 103 "Share capital and shareholders" on page 115.

Burckhardt Compression Group did not grant any loans, credit or collateral to any of the members of the Board of Directors or the Executive Board in fiscal year 2016 and there are no arrangements of this nature outstanding.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

6.1. Voting rights restrictions and representation of voting rights
No person or entity will be registered in the Share Register with voting rights for more than 5% of the issued share capital. This entry restriction is also applicable to persons whose shares are held, in whole or part, by Nominees. This restriction is also valid if shares are acquired through the exercise of subscription, option or conversion rights. This restriction on voting rights does not apply to shareholders who were in possession of more than 5% of the shares of Burckhardt Compression Holding AG before the IPO. There is no provision for measures to remove restrictions.

A shareholder may be represented at the Annual General Meeting by his/her legal representative, another shareholder with the right to vote, or the independent proxy holder. All shares held by a shareholder may be represented by only one person.

6.2. Statutory quorums
A majority of at least two-thirds of the voting rights represented is required for changes to the company's Bylaws.

6.3. Convocation of the General Meeting of Shareholders
None of the applicable rules deviate from the law.

6.4. Inclusion of an item on the agenda
Shareholders who together represent at least 10% of the share capital or shares with a nominal value of at least CHF 1.0 mn can ask for an item to be included on the agenda of the General Meeting. The Board of Directors must receive written proposals for items to be included on the agenda, specifying the issue to be discussed and the shareholders' proposals, at least 40 days before the date of the General Meeting.

6.5. Entries in the Share Register
The record date for registered shareholders to be entered in the Share Register prior to an Annual General Meeting will be stated in the invitation to the Annual General Meeting.

7. CHANGES OF CONTROL AND DEFENSE MEASURES

7.1. Obligation to make an offer
Once a shareholder acquires 33⅓% of share capital and voting rights, he/she will be under an obligation to submit a public tender offer. The Bylaws contain neither an opting-out nor an opting-up clause.

7.2. Clauses on change of control
There are no provisions for special severance payments for members of the Board of Directors or members of the Executive Board in the event of a change of control over Burckhardt Compression Holding AG.

8. AUDITORS

8.1. Duration of mandate and term of office of the auditor in charge
PricewaterhouseCoopers AG (PwC) has been the statutory auditor of Burckhardt Compression Holding AG since 2002 and is also in charge of the audit of the consolidated financial statements. The statutory auditor is elected by the General Meeting of Shareholders for one year at a time. The auditor in charge will be changed after a maximum period of seven years. Beat Inauen has served as auditor in charge since the 2013 reporting period.

8.2. Auditor's fees
Total fees for auditing services provided by PwC worldwide during fiscal year 2016 amounted to TCHF 380 (previous year TCHF 305). The fees for fiscal year 2016 include for the first time the auditing services for Shenyang Yuanda Compressor.

8.3. Additional fees

The additional fees for services provided by PwC worldwide during fiscal year 2016 amounted to TCHF 6 (previous year: TCHF 233). This includes consultation fees in connection with the implementation of new accounting policies and other issues. The services rendered by PwC beyond the auditing tasks are compatible with its auditing responsibilities. Measures have been identified and implemented to significantly reduce the amount of additional fees relative to total auditing fees going forward.

8.4. Information tools of the external auditors

The Audit Committee assists the Board of Directors in monitoring the company's accounting and financial reporting. It assesses the internal control procedures, the management of business risks, the audit plan and scope, the conduct of the audits and their results. The Audit Committee also reviews the auditor's fees. The statutory auditor is present during the examination of the consolidated annual and semi-annual financial statements. Once a year, the members of the Audit Committee receive from the statutory auditor a summary of the audit findings and suggested improvements. The Audit Committee held two half-day meetings during the 2016 reporting period, in which the auditor in charge and another representative of the auditor took part.

9. INFORMATION POLICY

Burckhardt Compression Holding AG reports order intake, sales, operating results, balance sheet, cash flow and changes in shareholders' equity on a semi-annual basis, together with comments on the trend of business and the outlook for the future. Burckhardt Compression Holding AG provides share price sensitive information in accordance with the ad hoc disclosure requirements set out in the Listing Rules of the SIX Swiss Exchange. Burckhardt Compression Holding AG will send potentially share price-sensitive information to all interested parties via an e-mail distribution list. Financial reports are available on our website (www.burckhardtcompression.com) and will be delivered to interested parties on request.

Key dates for 2017 and 2018
July 1, 2017
Annual General Meeting
November 7, 2017
Results for the first half of 2017 (as per September 30, 2017)
May 29, 2018
2017 Annual Report (as per March 31, 2018)
July 6, 2018
Annual General Meeting

Details of these dates, possible changes, the company profile, current share prices, presentations and contact addresses can be found at www.burckhardtcompression.com, where interested parties can also subscribe to the e-mail distribution list.

COMPENSATION REPORT

1. BASIS

This Compensation Report describes the policies and system in place for the compensation of the Board of Directors and the Executive Board of Burckhardt Compression and it contains information on their annual compensation. This report was prepared in accordance with the provisions of the Swiss federal Ordinance Against Excessive Compensation in Listed Companies (OAEC), the Directive on Information relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange, and the Bylaws of Burckhardt Compression Holding AG.

2. COMPENSATION POLICY

Burckhardt Compression has established a transparent and long-term-oriented compensation system. The objectives pursued with this system are to ensure that the compensation of the Board of Directors and the company executives is market competitive and to achieve a good balance between the interests of the shareholders, the directors and executive management. Market-competitive pay is a basic prerequisite for attracting well qualified directors and executives and ensuring that they remain with the company for the long run.

3. ORGANIZATION, DUTIES AND POWERS

The Nomination and Compensation Committee (NCC) is comprised of at least two members of the Board of Directors. The members of the NCC are elected individually and annually by the Annual General Meeting and their term of office shall expire at the end of the next Annual General Meeting. The Annual General Meeting of July 1, 2016 elected Hans Hess and Dr. Stephan Bross to the Nomination and Compensation Committee. The Board of Directors appointed Hans Hess Chairman of the Nomination and Compensation Committee.

The NCC meets at least twice a year. The CEO and the CHRO attend these meetings in an advisory capacity, except during deliberation of meeting topics that pertain to themselves. The Nomination and Compensation Committee held three meetings during the year under review.

The duties and powers of the NCC are set forth in the Bylaws and in the Organizational Regulations of the Company. The NCC supports the Board of Directors in the performance of its duties pertaining to the compensation and personnel policies of the company and the entire Group as prescribed by law or the company's Bylaws. The most important duties and powers of the NCC with regard to compensation are noted in the table below.

The Annual General Meeting of Burckhardt Compression Holding AG casts the following votes in relation to the compensation of the Board of Directors and Executive Board:
– a prospective and individual vote on the maximum aggregate amount of fixed compensation for the Board of Directors and the Executive Board for the annual reporting period following the Annual General Meeting
– a retrospective and individual vote on the maximum aggregate amount of variable compensation for the Board of Directors and the Executive Board for the annual reporting period preceding the Annual General Meeting.

Furthermore the Annual General Meeting casts a consultative vote on the Compensation Report.

4. COMPENSATION SYSTEM

Burckhardt Compression Holding AG's compensation system consists of a mix of fixed and variable components. In accordance with the Bylaws of Burckhardt Compression Holding AG, variable compensation can be paid in whole or part in the form of shares, conditional rights to receive shares, or in comparable instruments of the company.

4.1. Compensation system for the Board of Directors

Compensation paid comprises a fixed cash component, an additional cash payment for directors serving on a formal Board committee, and a variable profit-related component distributed as shares (free shares).

The fixed cash component amounts to CHF 55'000 for members of the Board of Directors and CHF 110'000 for the Chairman. The additional cash payment for directors serving on a formal Board committee amounts to CHF 10'000 a year.

Topic	Proposal/recommendation by	Approval authority
Compensation principles and guidelines	NCC	Board of Directors
Compensation Report	NCC	Board of Directors
Compensation of Board of Directors	NCC	Board of Directors
Compensation of CEO	NCC	Board of Directors
Aggregate compensation of Executive Board	NCC	Board of Directors
Compensation per member of Executive Board (excl. CEO)	CEO	NCC
Loans and additional pension benefits for Executive Board (excl. CEO)	CEO	NCC

As of fiscal year 2013, variable compensation is based on the attainment of the net income targets as specified in the Mid Range Plan for the fiscal years 2013 to 2016 and will be calculated in two allotments as a percentage of cumulative net income for the fiscal years 2013 and 2014 and for the fiscal years 2015 and 2016, respectively. The percentage rate used for the members of the Board of Directors is 0.04% of net income; a percentage rate of 0.06% of net income is used for the Chairman of the Board of Directors. A maximum amount in absolute terms has been set as an upper limit on the awardable variable compensation for each allotment. For members of the Board of Directors the maximum amount for each two-year period is CHF 65'000; for the Chairman of the Board of Directors the maximum amount for each two-year period is CHF 100'000. If the minimum absolute amount of net income for a two-year period (CHF 90 mn) is not attained, entitlement to the variable compensation for the corresponding two-period will lapse. At the time the compensation system for the Board of Directors (2013–2016) was implemented in 2012, variable compensation of the Board of Directors was standard practice. Furthermore, the awardable amount of variable compensation corresponds to less than 25% of total compensation and a maximum amount of variable compensation has been defined in absolute terms. The amount calculated based on the defined percentage of net income will be paid out in the form of free shares. The number of shares awarded will be based on the average share price for the periods from the announcement of the full-year results to the Annual General Meetings for the fiscal years 2014 and 2016, respectively. The number of shares awarded will be derived from the calculated amount of the variable pay component divided by the average share price for the period. The free shares for the fiscal years 2013 and 2014 were distributed at the end of July 2015. The free shares for the fiscal years 2015 and 2016 will be distributed at the end of July 2017, subject to approval by the Annual General Meeting. All shares received will not be subject to any restrictions upon the date of transfer.

4.2. Compensation system for the Executive Board

Compensation of the Executive Board consists of three components:

- A fixed base salary;
- a variable performance- and profit-related annual bonus paid in cash;
- variable performance- and profit-related long-term incentive pay awarded in the form of free shares.

Base salary The members of the Executive Board are assigned to so-called Global Grades as defined by a global functional grading system (Willis Towers Watson Global Grading System). Market data for each Global Grade and the results of annual executive performance appraisals are taken into consideration when determining the base salary of the members of the Executive Board.

Annual Bonus The members of the Executive Board receive a variable performance- and profit-related bonus in addition to their base salaries. The annual bonus is calculated based on a predefined percentage of net income generated by the Burckhardt Compression Group and is contingent on the attainment of minimum financial targets. The percentage rate applied for the CEO is 0.28%. For the members of the Executive Board, the predefined fixed percentage rate varies from 0.08%–0.16% of net income, depending on their Global Grade. If the minimum financial target with regard to the net income margin (7.5%) is not achieved, entitlement to the variable pay component for the corresponding business year will lapse. If the financial target is at least reached and the net income margin (7.5%) is equal to or higher than the returns achieved by the benchmark group, entitlement to the full variable pay will be granted; if not, the variable pay will be reduced by 50%.

The benchmark group consists of one direct competitor for compressor systems, one direct competitor for compressor components, and one company that sells products in the same market as Burckhardt Compression Group. Specifically, the benchmark group consists of the following three companies or corporate units:

- Sulzer Chemtech
- Neuman & Esser
- EnPro Industries, Engineered Products Division

A maximum amount in absolute terms has not been set for the annual bonus because:

- the annual bonus accounts for less than 20% of the total compensation of the Executive Board.
- in accordance with the current compensation guidelines, the Board of Directors is empowered to adjust the guidelines and the annual bonus entitlements in the event of a major change (e.g. mergers, acquisitions, fundamental change in the economic environment). This represents an implied restriction of the annual bonus.

Long-term incentive pay Members of the Executive Board additionally receive long-term incentive pay awarded in the form of free shares.

Long-term incentive pay is based on the attainment of the Mid Range Plan targets for organic growth (sales) and net income of Burckhardt Compression Group set for the fiscal years 2013 to 2016.

The basis upon which the long-term incentive pay is calculated consists of a fixed, predefined amount per Global Grade. If the sales and net income targets set in the Mid Range Plan are attained by the end of the fiscal year 2016, this fixed amount will be multiplied by a factor of 1.0 (0.5 each for sales and net income) and awarded in the form of shares (free shares). The targeted amount of the long-term bonus for the entire four-year period is CHF 600'000 for the CEO and for the members of the Executive Board, depending on their Global Grade, between CHF 270'000 and CHF 400'000. The sales target in the Mid Range Plan (aggregate) for the four years amounts to

CHF 1'850 mn, the net income target is CHF 250 mn. If the targets are only partially achieved, the factors will be reduced by a corresponding amount. Minimum financial targets have been defined for both cumulative sales and for cumulative net income. Minimum cumulative sales is set at CHF 1'600 mn, minimum cumulative net income is CHF 180 mn. If cumulative sales or net income fall short of these minimum thresholds, the corresponding factor will be reduced to zero. If the Mid Range Plan targets for sales or net income are exceeded, the corresponding factors will be increased up to a maximum amount of 0.6 each (1.2 in total).

An interim evaluation of the attained targets was conducted after two years. Members of the Executive Board whose employment with the company had not been terminated as of July 31, 2015 were awarded a fixed number of free shares for the fiscal years 2013 and 2014 on that date. These free shares will be distributed at the end of July 2017. The factors used for the multiplication of the fixed amount in the interim evaluation are limited to 0.25 each (total 0.5). The second allotment of free shares for the fiscal years 2015 and 2016 will be awarded and distributed at the end of July 2017, subject to approval by the Annual General Meeting and provided that the employment contract for the respective Executive Board members has not been terminated. Persons subsequently appointed to the Executive Board will be entitled to long-time incentive pay on a pro rata basis. The number of shares awarded will be based on the average share price for the periods from the announcement of the full-year results to the annual general meetings for the fiscal years 2014 and 2016, respectively.

All shares received will not be subject to any restrictions upon the date of transfer.

Employment contract terms Employment contracts with Executive Board members are entered into for an indefinite period with a notice period of six months.

5. COMPENSATION PAID WITH COMPARATIVE FIGURES FOR THE PREVIOUS YEAR

5.1. Compensation paid to the Board of Directors

The following aggregate compensation was paid to the members of the Board of Directors for the fiscal years 2016 and 2015:

in CHF 1'000								**2016**
Name	Function	Fees	Social insurance contributions and other benefits	Total fixed compensation (gross)	Share-based payments[1]	Social insurance contributions and other benefits	Total variable compensation (gross)	**Total**
Members of the Board of Directors								
Valentin Vogt	Chairman	120	9	129	20	1	22	151
Hans Hess	Deputy Chairman	65	4	69	14	1	15	83
Dr. Stephan Bross	Member	65	0	65	14	0	14	78
Dr. Monika Krüsi	Member	75	5	80	13	1	14	95
Urs Leinhäuser	Member	65	5	70	13	1	14	85
Total		**390**	**23**	**413**	**74**	**5**	**79**	**492**
Approved for fiscal year 2016 by the 2015 AGM				**425**[2]				

in CHF 1'000								**2015**
Name	Function	Fees	Social insurance contributions and other benefits	Total fixed compensation (gross)	Share-based payments[1]	Social insurance contributions and other benefits	Total variable compensation (gross)	**Total**
Members of the Board of Directors								
Valentin Vogt	Chairman	120	9	129	25	2	27	156
Hans Hess	Deputy Chairman	65	4	69	17	4	21	90
Dr. Stephan Bross	Member	65	0	65	17	0	17	82
Dr. Monika Krüsi	Member	75	5	80	17	1	18	98
Urs Leinhäuser	Member	65	5	70	17	0	17	87
Total		**390**	**23**	**413**	**93**	**7**	**100**	**513**

[1] Variable compensation paid to members of the Board of Directors (free shares)
[2] This amount includes a contingency reserve of CHF 10'000

The total fixed compensation in the fiscal year under review is unchanged from the previous fiscal year. The Annual General Meeting of July 4, 2015 approved aggregate fixed compensation in the amount of CHF 425'000 (gross, incl. social insurance contributions) for the Board of Directors (five persons) for fiscal year 2016. The amount of compensation actually paid was CHF 12'000 less than the approved amount.

5.2. Compensation paid to the Executive Board

The following compensation was paid to the members of the Executive Board for the fiscal years 2016 and 2015:

in CHF 1'000									2016
Name	Function	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Variable annual bonus, cash	Share-based long-term incentive pay	Social insurance contributions and other benefits	Total variable compensation (gross)	Total
Executive Board									
Marcel Pawlicek	CEO	425	123	548	84	35	31	150	698
Other members of the Executive Board[1]		1'117	249	1'367	145	192	59	396	1'763
Total		**1'542**	**372**	**1'915**	**229**	**227**	**90**	**546**	**2'461**
Approved for fiscal year 2016 by the 2015 AGM				**3'470**					

in CHF 1'000									2015
Name	Function	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Variable annual bonus, cash	Share-based long-term incentive pay	Social insurance contributions and other benefits	Total variable compensation (gross)	Total
Executive Board									
Marcel Pawlicek	CEO	424	118	542	155	108	54	317	859
Other members of the Executive Board[2]		2'084	470	2'554	485	448	153	1'086	3'640
Total		**2'508**	**588**	**3'096**	**640**	**556**	**207**	**1'403**	**4'499**

[1] As per March 31, 2017: 4 members
[2] As per March 31, 2016: 10 members

The CEO's fixed compensation for the period under review is comparable to the level from the previous fiscal year. The total amount of fixed compensation for the other members of the Executive Board is significantly lower than in the prior-year period. The number of members on the Executive Board was reduced as of June 1, 2016 from 11 (incl. the CEO) to 5. In addition, two of the five members joined the Executive Board during the course of the fiscal year, the President of Services Division as of September 1, 2016 and the President of Systems Division as of October 1, 2016, and therefore their compensation was calculated on a pro rata basis. The Annual General Meeting of July 4, 2015 approved a total sum of CHF 3'470'000 (gross, including social insurance contributions) for the fixed compensation of the entire Executive Board for the fiscal year 2016. Due to the aforementioned reasons, the amount of fixed compensation actually paid (gross, including social insurance contributions) was significant CHF 1'555'000 below the approved amount.

Based on the published results, the minimum target with respect to the net income margin (7.5%) was not reached in the fiscal year 2016. However, the company's compensation policy allows acquisition effects to be factored out when calculating whether the minimum financial targets have been achieved. Excluding the effect of the acquisition of Shenyang Yuanda Compressor, the net income margin stood at 8.9%, which is above the specific minimum target. Therefore, the annual bonus for the Executive Board members submitted by the Board of Directors to the Annual General Meeting for approval is significantly lower due to the decline in net income for the year under review.

The four-year long-term incentive pay program for fiscal years 2013–2016 ended with the 2016 fiscal year. The sales target of CHF 1'850 mn consisting of the cumulative sales for the four-year period was slightly exceeded (CHF 1'872 mn). The net income target for the period (CHF 250 mn) was clearly not reached as cumulative net income amounted to CHF 197 mn. Therefore, only 70% of the respective long-term bonuses will be paid out to the members of the Executive Board in July 2017, subject to approval by the upcoming Annual General Meeting.

6. OVERVIEW OF SHAREHOLDINGS AND ALLOCATED/DISTRIBUTED SHARES

6.1. Detailed overview of allocated and distributed shares

In the fiscal years 2015 and 2016 the following shares were allocated and distributed:

Name	Function	Shares allocated in FY 2015	**Shares allocated in FY 2016**	Shares distributed in FY 2015	**Shares distributed in FY 2016**
Members of the Board of Directors					
Valentin Vogt	Chairman	177	0	177	0
Hans Hess	Deputy Chairman	118	0	118	0
Dr. Stephan Bross	Member	45	0	45	0
Dr. Monika Krüsi	Member	118	0	118	0
Urs Leinhäuser	Member	118	0	118	0
Total		**576**	**0**	**576**	**0**
Executive Board					
Marcel Pawlicek	CEO	622	0	0	0
Other members of the Executive Board		2'318	0	0	0
Total		**2'940**	**0**	**0**	**0**
Total		**3'516**	**0**	**576**	**0**

6.2. Detailed overview of shareholdings

As per March 31, 2017, the members of the Executive Board and the Board of Directors (and related persons) owned the following numbers of shares of Burckhardt Compression Holding AG:

		03/31/2017	03/31/2016
Name	Function	Total shares	Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'026	203'026
Hans Hess	Deputy Chairman	5'493	5'493
Dr. Stephan Bross	Member	45	45
Dr. Monika Krüsi	Member	815	815
Urs Leinhäuser	Member	910	710
Total		**210'289**	**210'089**
Executive Board			
Marcel Pawlicek	CEO	42'111	44'045
Fabrice Billard[1]	President Systems Division	220	N/A
Rolf Brändli	CFO	1'054	1'054
Sandra Pitt	CHRO	0	0
Martin Wendel[2]	President Services Division	100	N/A
Total		**43'485**	**45'099**
Total		**253'774**	**255'188**
As a % of all outstanding shares		7.5%	7.5%

[1] Member of Executive Board since October 1, 2016

[2] Member of Executive Board since September 1, 2016

7. TRANSACTIONS WITH THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD AND RELATED PARTIES

No other payments or fees for additional services were paid to the members of the Board of Directors or the Executive Board or to related parties during the fiscal year 2016. No bonuses for accession were payed in the year under review. At the reporting date no loans, credit lines or pension benefits over and above those provided by mandatory occupational pension plans have been extended to members of the company's boards.

8. MOTIONS FOR THE ANNUAL GENERAL MEETING

8.1. Approval of the maximum aggregate amount of variable compensation for the Board of Directors fiscal year 2016

The Board of Directors proposes that a maximum aggregate amount of CHF 79'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Board of Directors for fiscal year 2016.

8.2. Approval of the maximum aggregate amount of variable compensation for the Executive Board fiscal year 2016

The Board of Directors proposes that a maximum aggregate amount of CHF 546'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Board for fiscal year 2016.

8.3. Consultative vote on the Compensation Report for fiscal year 2016

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2016 in a consultative vote.

8.4. Approval of the maximum aggregate amount of fixed compensation for members of the Board of Directors fiscal year 2017

The Board of Directors proposes that a maximum aggregate amount of CHF 580'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Board of Directors for fiscal year 2017. The proposed amount includes a contingency reserve of CHF 9'000. The previous compensation policy for the Board of Directors, which had been in effect for the period from April 1, 2013 to March 31, 2017, was replaced with a revised policy on April 1, 2017. The new compensation scheme is based on fixed compensation only; variable compensation will no longer be paid. In addition, compensation levels were adjusted at the end of the four-year period. This is the reason why the maximum aggregate amount of compensation is much higher than in previous years.

8.5. Approval of the maximum aggregate amount of fixed compensation for members of the Board of Directors fiscal year 2018

The Board of Directors proposes that a maximum aggregate amount of CHF 580'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Board of Directors for fiscal year 2018. The proposed amount includes a contingency reserve of CHF 9'000.

8.6. Approval of the maximum aggregate amount of fixed compensation for the members of the Executive Board fiscal year 2018

The Board of Directors proposes that a maximum aggregate amount of CHF 2'120'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Executive Board for fiscal year 2018. The proposed fixed compensation is significantly lower because the Executive Board consists of only 5 members as of June 1, 2016 compared to 11 persons in the previous period. The proposed sum includes a contingency reserve of CHF 250'000.

9. EVALUATION OF THE COMPENSATION SYSTEM

The compensation system of Burckhardt Compression was designated as best-in-class in a survey conducted by the University of St. Gallen in 2010. The next-best ranked compensation systems were Nestle, Straumann, Sika and Hilti's. This designation confirms that Burckhardt Compression introduced a simple, transparent, fair and integrated compensation system in 2008.

The former system of compensation for the Board of Directors, which had been in effect for the period from April 1, 2013 to March 31, 2017, was replaced with a new policy on April 1, 2017. The revised compensation plan is based on fixed compensation only; variable compensation will no longer be paid. A corresponding revision of the company's bylaws will be submitted for approval at the Annual General Meeting on July 1, 2017.

The previous system of compensation for the Executive Board applicable for the fiscal years from 2013 to 2016 will be replaced with a modified compensation system effective as from fiscal year 2017. Compensation paid to Executive Board members will, as before, consist of three components, a fixed base salary, a variable annual bonus and variable long-term incentive pay, but the annual bonus for the Executive Board will now be capped at 50% of the base salary. This change in the compensation system for the Executive Board will be introduced within the scope of the current bylaws and does not necessitate a revision of the company's bylaws.

Report of the statutory auditor
to the General Meeting of Burckhardt Compression Holding AG Winterthur

We have audited chapter 5 to 7 of the remuneration report of Burckhardt Compression Holding AG for the year ended 31 March 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 63 to 67 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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pwc

Opinion
In our opinion, the remuneration report of Burckhardt Compression Holding AG for the year ended 31 March 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen	Oliver Illa
Audit expert Auditor in charge	Audit expert

Winterthur, 1 June 2017

FINANCIAL REPORT

Burckhardt Compression Holding AG's fiscal year 2016 comprises the period from April 1, 2016 to March 31, 2017.

COMMENTS ON FINANCIAL REPORT

Summary

in CHF 1'000	2016	2015
Order intake	474'885	523'233
Sales	557'725	487'235
Gross profit	130'537	151'675
Operating income	61'117	72'978
Net income after non-controlling interests	37'947	55'505
Total assets	927'199	708'013
Shareholders' equity	357'189	355'092
Net income per share (in CHF)	11.20	16.34
FTEs as per end of fiscal year	2'107	1'432

SALES AND GROSS PROFIT

Sales in the 2016 fiscal year amounted to CHF 557.7 mn, which corresponds to an increase of 14.5% from the previous fiscal year (excluding the acquisition of Shenyang Yuanda Compressor Co. Ltd. (SYCC): –4.3%). The Systems Division contributed sales of CHF 367.2 mn, an increase of 10.5% versus the previous year. This figure is less than expected as some customer projects could not be completed within the scheduled timeframe. Sales in the Services Division grew 23.1% to CHF 190.5 mn. This growth was fueled primarily by the spare parts business and engineering/revamp/repair projects. Further growth was also achieved in the Other Brand Compressor (OBC) business. From a regional perspective, Asia and the Middle East accounted for most of the overall sales growth.

The gross profit margin came in at 23.4% (31.1% in the previous year). Due to fierce price competition, a shift in the product mix and the fact that production and assembly capacity was not fully utilized, the gross margin in the Systems Division shrank to 9.9% (22.0% in the previous year). The gross margin in the Services Division stood at 49.4% (50.8% in the previous year).

OPERATING INCOME

Operating income declined by 16.3% to CHF 61.1 mn year-on-year due to the lower gross profit, resulting in an EBIT margin of 11.0% (previous year: 15.0%). Selling & marketing and general administrative expenses declined by 1.7% to CHF 77.3 mn thanks to cost-cutting efforts and it must be noted that this figure also includes SYCC's selling & marketing and general administrative expenses for the first time (for eleven months). General administrative expenses also includes approximately a half-year of the additional expenditure related to the new divisional structure. Other operating income reflects a gain of CHF 15.2 mn (previous year: expense of CHF 3.4 mn) arising from an adjustment to employee pension plans in accordance with IAS 19, which is mostly attributed to the decision of the independent pension funds supervisory boards to gradually adjust the pension conversion rate. Research and development expenses were 33.0% less at CHF 7.8 mn, or approx. CHF 1.6 mn less than the average figure for the past five years, because some of the designated resources for R&D were temporarily used to optimize product costs.

FINANCIAL INCOME AND TAX EXPENSES

Almost all of the negative share of results of associates (CHF –2.6 mn) stems from the 40% interest acquired in Arkos Field Services in the US in the 2015 fiscal year. Despite having adjusted its capacity during the year under review, Arkos was unable to offset the sharp contraction in the services business in the US oil and gas market and closed the year with a negative net income result. A recovery of the US oil and gas market is expected by fiscal year 2018 at the earliest. Interest expenses rose to CHF 2.6 mn due to the partial financing of the SYCC acquisition through short- and long-term bank loans and mortgages (previous year: CHF 1.2 mn). Other financial expenses consists of a single entry of CHF 4.0 mn resulting from an adjustment to the net present value of the exercise price of the put option for the remaining 40% of SYCC's shares not held by Burckhardt Compression. The tax rate for the year was 26.8% (previous year: 22.1%). The higher tax rate mainly reflects non-deductible business expenses (such as the fair value remeasurement of the Shenyang put option), and an upward revision of tax due from earlier reporting periods in the amount of CHF 0.6 mn. These two effects added approximately 2.9 percentage points to the reported tax rate for fiscal 2016.

NET INCOME

Net income amounted to CHF 38.5 mn, or 30.7% less than in the previous fiscal year. The corresponding net income margin is 6.9% (previous year: 11.4%) and net income per share amounts to CHF 11.20 (previous year: CHF 16.34).

BALANCE SHEET

Total assets increased by 31.0% to CHF 927.2 mn, largely as a result of acquisition activity, while shareholders' equity showed an only slight increase of 0.6%. Shareholders' equity for the period under review declined due to IFRS requirements to recognize the present value of the exercise price of the put option granted to SYCC's minority shareholders, which reduced reported shareholders' equity by CHF 50.7 mn. Together with the partial debt financing of the SYCC acquisition, this lowered the equity ratio to 38.5% (previous year: 50.2%). Non-current assets rose by CHF 126.6 mn to CHF 373.8 mn, which largely reflects the additional assets from SYCC. There was also a substantial increase in inventories and trade and other receivables compared to the previous year, likewise due to the SYCC acquisition. Work in progress and advance payments to suppliers exceeded customers' advance payments by CHF 42.1 mn as of the reporting dated (previous year: CHF 49.2 mn). The share of project financing not covered by customers' advance payments remains relatively high and pertains primarily to projects in progress in the Chinese market and, to a lesser extent, in Mexico. The positive net cash position of CHF 93.2 mn at the end of the previous fiscal year declined by CHF 160.4 mn largely because of the acquisition of SYCC, resulting in a net debt position of CHF 67.2 mn.

CASH FLOW

Cash and cash equivalents declined by CHF 50.4 mn during the year under review. Cash flow from operating activities increased by CHF 6.3 mn to CHF 47.0 mn (previous year: CHF 40.7 mn). Cash outflow from investing activities amounted to CHF –147.9 mn (previous year: CHF –63.1 mn), most of which represented investments in connection with the acquisition of SYCC (CHF –129.6 mn, net of cash acquired). The net cash outflow for property, plant and equipment and for intangible assets totaled CHF 16.2 mn, significantly less than in the previous year (CHF –45.2 mn), when investments in new manufacturing plants in South Korea and the US, as well as in strategic land reserves were made. Cash flow from financing activities amounted to CHF 50.9 mn (previous year: CHF –30.9 mn) and includes a net inflow of CHF 89.8 mn from an increase in mortgage and other loans from banks, which was used primarily to finance the acquisition of SYCC.

CONSOLIDATED INCOME STATEMENT

in CHF 1'000	Notes	2016	2015
Sales	3	**557'725**	**487'235**
Cost of goods sold		–427'188	–335'560
Gross Profit		**130'537**	**151'675**
Selling and marketing expenses		–44'774	–49'436
General and administrative expenses		–32'512	–29'181
Research and development expenses	6	–7'780	–11'618
Other operating income	7	42'626	36'762
Other operating expenses	7	–26'980	–25'224
Operating income		**61'117**	**72'978**
Share of results of associates	12	–2'551	–651
Interest expenses	8	–2'556	–1'235
Other financial income (+) and expenses (–)	8	–3'455	199
Profit before income tax		**52'555**	**71'291**
Income tax expenses	9	–14'067	–15'786
Net income		**38'488**	**55'505**
Share of net income attributable to shareholders of Burckhardt Compression Holding AG		37'947	55'505
Share of net income attributable to non-controlling interests		541	–
Earnings per share for profit attributable to shareholders of Burckhardt Compression Holding AG			
– Basic	17	11.20	16.34
– Diluted	17	11.20	16.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1'000	Notes	2016	2015
Net income		**38'488**	**55'505**
Adjustments for cash flow hedges		–1'433	–1'008
Tax effect on adjustments of cash flow hedges		316	205
Currency translation differences		–6'045	–1'879
Total of items that may be reclassified to the income statement		**–7'162**	**–2'682**
Defined benefit cost recognized in other comprehensive income	5	17'197	–1'986
Tax effect on defined benefit cost recognized in other comprehensive income		–3'783	437
Total of items that will not be reclassified to the income statement		**13'414**	**–1'549**
Total comprehensive income for the period		**44'740**	**51'274**
Share of total comprehensive income attributable to shareholders of Burckhardt Compression Holding AG		46'107	51'274
Share of comprehensive income attributable to non-controlling interests		–1'367	–

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

in CHF 1'000	Notes	03/31/2017	03/31/2016
Non-current assets			
Intangible assets	10	124'457	34'841
Property, plant and equipment	11	200'379	164'533
Investment in associates	12	14'987	16'636
Derivative financial instruments	22	33	74
Other receivables	14	24'050	18'649
Deferred tax assets	9	9'883	12'441
Total non-current assets		**373'789**	**247'174**
Current assets			
Inventories	13	250'232	199'649
Trade and other receivables	14	228'104	133'291
Derivative financial instruments	22	182	2'623
Cash and cash equivalents	15	74'892	125'276
Total current assets		**553'410**	**460'839**
Total assets		**927'199**	**708'013**
Equity			
Share capital	17	8'500	8'500
Retained earnings and other reserves		338'779	371'822
Treasury shares		–6'582	–1'639
Cash flow hedging reserve		–5'788	–4'671
Currency translation differences		–23'057	–18'920
Equity attributable to shareholders of Burckhardt Compression Holding AG		**311'852**	**355'092**
Non-controlling interests		45'337	–
Total equity		**357'189**	**355'092**
Liabilities			
Non-current liabilities			
Borrowings	18	71'825	30'302
Derivative financial instruments	22	883	566
Other financial liabilities	26	54'669	–
Deferred tax liabilities	9	20'990	17'358
Retirement benefit obligations	5	19'293	51'610
Provisions	19	10'861	10'985
Other non-current liabilities	21	5'824	–
Total non-current liabilities		**184'345**	**110'821**
Current liabilities			
Borrowings	18	70'310	1'739
Trade payables		59'980	49'151
Current income tax liabilities		10'935	12'964
Customers' advance payments		164'669	106'406
Derivative financial instruments	22	4'030	4'832
Other current and accrued liabilities	20	56'116	48'820
Provisions	19	19'625	18'188
Total current liabilities		**385'665**	**242'100**
Total liabilities		**570'010**	**352'921**
Total equity and liabilities		**927'199**	**708'013**

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF 1'000	Notes	Attributable to shareholders of Burckhardt Compression Holding AG								Non-controlling interests	Total equity
		Share capital	Retained earnings and other reserves	Treasury shares	Cash flow hedging reserve	Currency translation differences	IAS 19 revaluation	Net income	Equity attributable to shareholders of Burckhardt Compression Holding AG		
Balance at 04/01/2015	17	**8'500**	**325'832**	**–161**	**–3'868**	**–17'041**	**–32'263**	**57'555**	**338'554**	–	–
Total comprehensive income					–803	–1'879	–1'549	55'505	51'274		
Changes in treasury shares			–88	–1'478					–1'566		
Share-based payments	27		825						825		
Dividends								–33'995	–33'995		
Allocation of net income			23'560					–23'560	–		
Balance at 03/31/2016		**8'500**	**350'129**	**–1'639**	**–4'671**	**–18'920**	**–33'812**	**55'505**	**355'092**	–	–
Balance at 04/01/2016	17	**8'500**	**350'129**	**–1'639**	**–4'671**	**–18'920**	**–33'812**	**55'505**	**355'092**	–	**355'092**
Total comprehensive income					–1'117	–4'137	13'414	37'947	46'107	–1'367	44'740
Additions from acqusitions of subsidiaries	1								–	46'704	46'704
Transactions with non-controlling interests	26		–50'693						–50'693		–50'693
Changes in treasury shares				–4'943					–4'943		–4'943
Share-based payments	27		239						239		239
Dividends								–33'950	–33'950		–33'950
Allocation of net income			21'555					–21'555	–		–
Balance at 03/31/2017		**8'500**	**321'230**	**–6'582**	**–5'788**	**–23'057**	**–20'398**	**37'947**	**311'852**	**45'337**	**357'189**

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1'000	Notes	2016	2015
Cash flow from operating activities			
Net income		**38'488**	**55'505**
Income tax expenses	9	14'067	15'786
Other financial income/expenses	8	3'455	–199
Interest expenses	8	2'556	1'235
Share of results of associates	12	2'551	651
Operating income		**61'117**	**72'978**
Depreciation	11	16'471	11'850
Amortization	10	6'977	3'414
Change in inventories		12'829	–27'883
Change in trade and other receivables		–3'962	3'948
Change in other net current assets		–13'566	–11'114
Change in retirement benefit obligations		–15'184	3'369
Change in provisions		–775	11'762
Change in other non-monetary items		–615	–12'362
Interest received		302	49
Interest paid		–2'068	–765
Income tax paid		–14'545	–14'520
Total cash flow from operating activities		**46'981**	**40'726**
Cash flow from investing activities			
Purchase of property, plant and equipment	11	–14'489	–41'293
Sale of property plant and equipment		774	1'468
Purchase of intangible assets	10	–2'528	–5'402
Sale of intangible assets		65	–
Acquistion of subsidiaries net of cash acquired	1	–131'677	–
Investments in associates	12	–	–17'856
Total cash flow from investing activities		**–147'855**	**–63'083**
Cash flow from financing activities			
Increase in borrowings		99'424	8'193
Repayment of borrowings		–9'648	–3'313
Purchase of treasury shares		–4'917	–1'823
Dividends paid	17	–33'950	–33'995
Total cash flow from financing activities		**50'909**	**–30'938**
Currency translation differences on cash and cash equivalents		–419	92
Net change in cash and cash equivalents		**–50'384**	**–53'203**
Cash and cash equivalents at 04/01/2016 / 04/01/2015	15	125'276	178'479
Cash and cash equivalents at 03/31/2017 / 03/31/2016	15	74'892	125'276
Net change in cash and cash equivalents		**–50'384**	**–53'203**

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Burckhardt Compression is one of the market leaders worldwide in the field of reciprocating compressors and the only manufacturer that offers a complete range of Laby® (labyrinth piston), Process Gas, and Hyper Compressors. The compressors are used to compress, cool or liquefy gases. Burckhardt Compression's customers include multinational companies active in the chemical, petrochemical, refinery, industrial gas and gas transport and storage industries. With the leading compressor technology, the high-quality compressor components and the comprehensive range of services Burckhardt Compression supports its customers in their effort to minimize the life cycle costs of their reciprocating compressor systems.

Burckhardt Compression Holding AG is a company limited by shares incorporated and domiciled in Switzerland. The address of its registered office is: Im Link 5, 8404 Winterthur/ Switzerland. Burckhardt Compression registered shares (BCHN) are listed on the SIX Swiss Stock Exchange in Zurich (ISIN: CH0025536027).

Burckhardt Compression Holding AG's fiscal year 2016 comprises the period from April 1, 2016 to March 31, 2017. These consolidated financial statements were authorized for issue by the Board of Directors on June 1, 2017 and will be submitted to shareholders for approval at the annual general meeting scheduled on July 1, 2017.

2. ACCOUNTING PRINCIPLES

2.1. Basis of presentation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, the policies described have been consistently applied to all the reporting periods presented.

The 2016 consolidated financial statements of Burckhardt Compression Holding AG were prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of International Accounting Standards Board (IASB) and are based on the individual financial statements of the group companies as per March 31, 2017. The consolidated financial statements are prepared on a historical cost basis with the exception of certain financial assets and financial liabilities including derivative financial instruments measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain estimates. It also requires management to exercise its judgment in the process of applying the company-wide accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section 4, "Critical accounting estimates and judgments".

Announced application of the accounting standard Swiss GAAP FER The Board of Directors has decided to change the accounting standard from IFRS to Swiss GAAP FER as of April 1, 2017. Swiss GAAP FER is a generally accepted, understandable and comprehensive accounting standard. Using Swiss GAAP FER, Burckhardt Compression will continue to publish transparent financial statements which give a true and fair view of the financial position, the cash flows and the results of its operations.

The change from IFRS to Swiss GAAP FER will have a material impact on the following areas of Burckhardt Compression's consolidated financial statements:
- Goodwill and certain intangible assets from acquisitions will be recognized directly through equity. Consequently, those intangible assets will no longer be amortized.
- According to Swiss GAAP FER 16 "Pension benefit obligations", the real economic impacts in connection with the Swiss pension plans are determined based on the financial statement of the pension fund prepared in accordance with Swiss GAAP FER 26 "Accounting of pension plans".
- The financial liability from the present value of the exercise price of the put option issued by Burckhardt Compression for the remaining 40% stake in Shenyang Yuanda Compressor Co. Ltd. (see note 26) will no longer be recognized on the balance sheet.

Burckhardt Compression is currently analyzing further repercussions of this changeover. The retrospective restatements as of April 1, 2016 will be published in the half-year report as of September 30, 2017.

2.2. Changes in accounting policies

Standards, interpretations and amendments to published standards effective in 2016 As per closing date of March 31, 2017, the following standards, interpretations and amendments to issued standards were applied by Burckhardt Compression for the first time. None of these have a material impact on the results or financial position of the Burckhardt Compression Group.

Standard	Name
Amendments to IAS 1	Presentation of Financial Statements
Amendments to IAS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Various	Annual Improvements to IFRS 2012–2014

Early adoption of the Amendments to IFRS 10 and IAS 28 For the preparation of its Annual Report 2015, Burckhardt Compression chose to early adopt the amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture). Burckhardt Compression omitted to disclose this early application in its Annual Report 2015. Further information on the effect of this early application on the consolidated financial statements 2015 of Burckhardt Compression is disclosed in note 28 of these consolidated financial statements 2016.

Early adoption of other new standards, interpretations and improvements Burckhardt Compression has not opted for early adoption of any other new standards, interpretations and amendments.

2.3. Principles in consolidation

Business combinations Burckhardt Compression accounts for business combinations using the acquisition method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange. At the time of the acquisition, all identifiable assets and liabilities that satisfy the recognition criteria are recognized at their fair values. The difference between the cost of acquisition and the fair value of the identifiable assets and liabilities acquired or assumed is accounted for as goodwill after taking into account any non-controlling interests. Goodwill is not amortized on a systematic basis but reviewed for impairment at least annually. Acquisition-related costs are expensed as incurred.

Subsidiaries The consolidated financial statements include all entities where Burckhardt Compression Holding AG has the power to control the financial and operating policy, usually as a result of owning more than 50% of the voting rights. New group companies are fully consolidated from the date on which control passes to Burckhardt Compression and deconsolidated from the date on which control ceases. Assets and liabilities, income and expenses, are recognized in full. Non-controlling interests are presented separately in the balance sheet and income statement. All material intercompany transactions and balances, including unrealized gains and losses of transactions between group companies, are eliminated. The group companies are listed in the section "Group companies".

Investments in associates Associates are those entities in which Burckhardt Compression has significant influence, but no control, over the financial and operating policies. Significant influence is generally presumed to exist when Burckhardt Compression holds, directly or indirectly, between 20% and 50% of the voting rights. Associates are accounted for using the equity method and are initially recognized at cost.

2.4. Foreign currency translation

Items included in the financial statements of each group company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are prepared in Swiss francs (CHF), which is the functional and the reporting currency of Burckhardt Compression Holding AG as most of the labor and material expenses arise in that currency.

In the single-entity financial statements of group companies, foreign-currency income and expenses are translated at the rates prevailing at the transaction date and foreign-currency assets and liabilities at year-end rates. The resulting foreign exchange gains or losses are recognized as profit or loss. Also foreign currency exchange gains and losses can arise on settlement of transactions and are recognized in the income statement. Only foreign currency exchange gains and losses on monetary assets and liabilities affect the income statement, except if they refer to cash flow hedges and qualifying net investment hedges.

For consolidation purposes, items in the balance sheets of foreign group companies are translated at year-end rates, while income statement items are translated at average rates for the period. The resulting currency translation differences are recognized in other comprehensive income (OCI) and, in the event of an entity's deconsolidation, transferred to the income statement as part of the gain or loss on the entity's disposal or liquidation.

2.5. Intangible assets

Intangible assets include material customer lists, licenses, patents, trademarks and similar rights acquired from third parties. They are amortized on a straight-line basis over their expected useful lives, over a period not exceeding 15 years. Immaterial purchased patents, licenses or trademarks and any internally generated intangible assets are expensed as incurred. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful life (three to five years). Internal costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisitions is recognized under intangible assets. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses. If there is objective evidence of a possible impairment, an additional impairment test will be performed immediately. Gains and losses arising on an entity's disposal comprise the carrying amount of the goodwill allocated to the entity being disposed of. Goodwill is allocated to cash-generating units for the purpose of the impairment test. It is allocated to those cash-generating units that are expected to benefit from the business combination on which the goodwill arose. The goodwill resulting from purchasing minority interests is recognized directly in equity according to the Economic Entity Method.

2.6. Property, plant and equipment

Items of property, plant and equipment are stated at cost less depreciation and write-downs for impairment, if required. They are depreciated on a straight-line basis over their estimated useful lives. Land is stated at cost and only written down when impaired. The estimated useful lives are as follows:

Buildings	20 to 50 years
Machinery	5 to 15 years
Technical equipment	5 to 10 years
Other non-current assets	max. 5 years

2.7. Impairment of non-financial assets

Goodwill and other intangible assets with an indefinite life are tested annually for impairment. Fixed assets and other non-current assets, including intangible assets with an identifiable useful life, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is calculated based on the estimated future cash flows, usually over a period of five years, and the projections for subsequent years. The results are discounted at an appropriate long-term interest rate. For the purpose of the impairment test, assets are grouped at the lowest level for which there are separately identifiable cash flows (so called "cash-generating units").

2.8. Inventories

Raw materials, supplies and consumables are stated at the lower of cost or net realizable value. Finished products and work in progress are stated at the lower of manufacturing cost or net realizable value. The cost of finished products and work in progress comprises material costs, direct and indirect production costs and other order-related production costs. Inventories are stated at weighted average costs based on their type and use. Valuation allowances are recognized for slow-moving and excess inventory items.

2.9. Trade and other receivables

Trade and other receivables are non-interest-bearing and stated at their nominal amount less valuation allowances for doubtful amounts. Impairments are assessed case by case. An impairment loss is recognized when there is objective evidence that the group will not be able to collect the full amount due. Impairment losses are recognized in the income statement. The carrying amounts thus determined correspond to an approximation of fair value.

2.10. Financial assets and liabilities

Financial assets and liabilities are divided into the following categories:

– **Financial assets and liabilities "at fair value through profit or loss"** This category has two sub-categories: Financial assets and liabilities held for trading and those designated at fair value through profit or loss at inception. A financial asset or liability is assigned to this category if acquired principally for the purpose of selling in the short-term or if designated as such by management. Derivatives are also assigned to this category unless they are designated as hedges. Assets and liabilities in this category are presented as current assets and liabilities if they are either held for trading or are expected to be realized within 12 months after the balance sheet date.

– **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets unless the maturity date is more than 12 months after the balance sheet date, in which case they are presented as non-current assets. Loans and receivables are carried in the balance sheet under trade and other receivables.

– **Available-for-sale financial assets** are non-derivative financial assets that are either classified as such or not assigned to any of the other categories. They are included in non-current assets unless management intends to dispose them within 12 months after the balance sheet date.

– **Financial liabilities at amortized cost** include all financial liabilities not accounted for at fair value through profit or loss. They are initially recognized at fair value, net of any transaction cost incurred. In subsequent periods, they are measured at amortized cost. Any difference between the amount borrowed (after deduction of transaction cost) and the repayment amount is reported in the income statement over the period of the financial debt, using the effective interest method. Liabilities under financial debts are classified as current liabilities unless Burckhardt Compression has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Regular purchases and sales of financial assets are recognized on trade date, on which Burckhardt Compression commits to purchase or sell the asset. Financial assets not classified as at fair value through profit or loss are initially stated at fair value plus transaction costs. Financial assets classified as at fair value through profit or loss are initially stated at fair value, with the related transaction costs recognized in the income statement. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or been transferred and Burckhardt Compression has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and assets classified as at fair value through profit or loss are subsequently measured at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising on financial assets measured at fair value through profit or loss, including interest and dividend income, are presented in the income statement on a net basis within other financial income/expenses in the period in which they arise.

In the event of changes in the fair value of monetary items that are classified as available for sale, currency translation differences resulting from changes in amortized cost are recognized in the income statement and other changes in carrying amount are recognized directly in equity.

Changes in the fair value of non-monetary assets classified as available-for-sale are taken to the balance sheet. If available-for-sale assets are sold or impaired, the accumulated fair value changes previously carried in the balance sheet are taken to the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the right to receive payment is established.

The fair value of quoted investments (fair value hierarchy 1) is based on current bid prices. If there is no active market for a financial asset or if the asset is not quoted (fair value hierarchies 2 and 3), fair value is determined using suitable valuation methods. These include the use of recent arm's length transactions, reference to other instruments that are essentially the same, discounted cash flow analysis and option pricing models based as far as possible on market data and as little as possible on company-specific data.

At each reporting date, the group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence that an available-for-sale asset is impaired, the cumulative loss (measured as the difference between the acquisition cost and current fair value less any impairment loss on that asset previously recognized in the income statement) is eliminated from equity and recognized in the income statement.

Derivative financial instruments Burckhardt Compression uses derivative financial instruments exclusively as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable future transaction (cash flow hedges). At inception of the hedge, Burckhardt Compression documents the hedging relationship between the hedging instrument and the hedged item, its risk management objective and the underlying strategy for undertaking the hedge. At inception of the hedge and on an ongoing basis, it also documents its assessment of whether the derivatives used in the hedging relationship are highly effective in offsetting changes in the fair value or cash flows of the hedged item. The fair values of the various derivative financial instruments used for hedging purposes are listed in note 22 "Derivative financial instruments". The full fair value of derivative financial instruments designated as hedging instruments is presented as a non-current asset or non-current liability if, as of the balance sheet date, the remaining term of the hedged item exceeds 12 months and as a current asset or current liability if the remaining term is shorter. Derivative financial instruments held for trading are presented as current assets or current liabilities.

The effective portion of changes in the fair value of derivatives qualifying as cash flow hedges is recognized in other comprehensive income. The ineffective portion of such fair value changes is recognized in the income statement net, within other operating income/expenses. Amounts recognized directly in equity are reclassified into profit or loss and recognized as income or expense in the same period in which the hedged item affects profit or loss (i.e. on the date on which a hedged future sale takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at that time remains in equity and is only taken to the income statement when the hedged future transaction occurs. When a future transaction is no longer expected to occur, the cumulative gain or loss recognized directly in equity is immediately transferred to the income statement.

2.11. Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.12. Trade payables, customers' advance payments and other liabilities

Trade payables, customers' advance payments and other liabilities are stated at amortized cost.

2.13. Provisions

Provisions are recognized for warranty obligations, personnel expenses and various commercial risks where Burckhardt Compression has an obligation towards third parties arising from past events, the amount of the liability can be reliably measured and it is probable that the settlement will result in an outflow of resources. The amount of the provisions is based on the expected expenditures required to cover all obligations and liabilities. Provisions for which the expected outflow of resources is not expected to take place within the next 24 months are discounted to their present value. No provisions are recognized for future operating losses.

2.14. Employee benefits

- **Retirement benefit obligations** The Burckhardt Compression Group operates various pension plans based on the local conditions in the respective countries. Burckhardt Compression operates defined benefit plans in Switzerland and Germany and defined contribution plans in the other countries. Whereas the Swiss pension plan's assets and liabilities are held by entities legally separate from the Burckhardt Compression group, the pension plan of Burckhardt Compression (Deutschland) GmbH is unfunded. Defined benefit plans typically define the amount of the pension benefits an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation, while, under defined contribution plans, fixed amounts are paid to an entity not belonging to the Burckhardt Compression group (insurance companies or funds).

The provision recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets and the effect on the asset ceiling, are recognized immediately in other comprehensive income.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expenses and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. In the case of the defined contribution plans, Burckhardt Compression contributes to public or private pension plans either due to a legal or contractual obligation or voluntarily. Above and beyond paying contributions, Burckhardt Compression does not have any further payment obligations. The contributions are recognized as employee benefit expense at the due date. Pre-paid contributions are recognized as assets to the extent that a right to receive a repayment or a reduction in future payments has been established.

- **Variable compensation plans** The group recognizes a liability and an expense for variable compensation plans based on a formula that takes into consideration the achievement of financial objectives. A provision is recognized in the consolidated financial statements in cases where the group has a contractual obligation or where past practice has resulted in a constructive obligation.

- **Share-based payments with compensation through equity instruments (equity settled)** Share-based payments with compensation through equity instruments are recognized at fair value as of the allocation date in the income statement. The expenses are distributed over the vesting periods. Further information is given in "Remuneration of the Board of Directors and Executive Board" and in the compensation report.

- **Other employment benefits** Other employment benefits include primarily anniversaries and severance payments, which are recognized on an accrual basis as a provision in the balance sheet.

2.15. Revenue recognition

Burckhardt Compression supplies compressor systems that are built into large, complex installations and provides compressor components and spare parts as well as services that are essential for consistent compressor performance. The compressor systems consist of modular compressors, supplemented with drive units, gas dampers and control and monitoring systems tailored to the customer's specifications. The majority of the costs to design and manufacture such compressor systems accrue during the last four to six months prior to delivery to the customer.

Burckhardt Compression recognizes revenue arising from the sale of goods and the rendering of services upon completion of the contract, net of sales or value-added taxes, credits, discounts and rebates and after elimination of intra-group sales. Under this method, revenue and the related cost of goods sold are recognized in the accounts when the risks and rewards have passed to the customers subject to the conditions of sale and the flow of future revenues is probable. The following conditions must be met in this regard:

- A good has been delivered or a contractually agreed service rendered.
- The basic items of a delivery have been accepted by the customer.
- The amount of revenues, or the contractually agreed selling price, can be reliably measured.
- The costs (including those yet to be incurred) can be reliably measured.

The group recognizes provisions for anticipated losses on contracts.

2.16. Research and development expenses

Research costs are recognized as expenses in the period in which they arise. Development costs are recognized as intangible assets if it is highly probable that the project in question will be commercially successful is technically feasible and the related costs can be reliably measured. All other research and development costs are recognized as expenses as incurred.

2.17. Deferred taxes

Using the liability method, deferred tax is provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements prepared in accordance with IFRS. However, if the deferred tax arises from initial recognition of an asset or a liability in a transaction other than a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), it is not accounted for. Deferred taxes are measured using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for temporary differences associated with investments in subsidiaries and associates, except where Burckhardt Compression is able to control the timing of the reversal of the temporary differences and when it is probable that the temporary differences will not reverse in the foreseeable future.

2.18. Leasing

Lease agreements in which a substantial portion of the risks and rewards associated with ownership of the leased asset remain with the lessor are classified as operating leases. Payments under operating leases are debited to the income statement on a straight-line basis over the duration of the lease.

2.19. Dividend distribution

Dividends distributed to the shareholders of Burckhardt Compression Holding AG are recognized as a liability in the period in which they are approved by the company's shareholders.

2.20. Treasury shares

If a group company acquires treasury shares, the value of the paid consideration, including directly attributable additional costs (net of taxes) is subtracted from the shareholders' equity until the shares are redeemed, reissued or sold. If such shares are subsequently reissued or sold, the consideration received, after subtracting directly attributable additional transaction costs and associated taxes, is recognized as shareholders' equity. With the exception of Burckhardt Compression Holding AG, none of the companies included in the scope of consolidation hold any treasury shares.

2.21. Government grants

Grants from governments or similar organizations are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to income and government grants related to assets are deferred and recognized as income over the period necessary to match them with the related costs which they are intended to compensate.

3. FINANCIAL RISK MANAGEMENT

- **Basic principles** The goal of the group-wide risk management policy is to minimize the negative impact of changes in the financing structure and financial markets, particularly with regard to currency fluctuations. Derivative financial instruments such as foreign exchange contracts may be used to address the respective risks. Burckhardt Compression pursues a conservative, risk averse financial policy. Financial risk management is based on the principles and regulations established by the Board of Directors. These govern Burckhardt Compression's financial policy and outline the conduct and powers of the group's treasury department, which is responsible for the group-wide management of financial risks. The financial principles and regulations govern areas such as financing policy, the management of foreign currency risk, the use of derivative financial instruments and the investment policy applicable to financial resources not required for operational purposes.

- **Liquidity risks** Each Burckhardt Compression group company is responsible for managing its liquidity so that day-to-day business can be handled smoothly, while the group treasury is responsible for maintaining the group's overall liquidity. Some of the group subsidiaries may secure loans from local creditors within the limits approved by the group management. The group treasury provides the local group companies with the necessary funds or invests their excess liquidity. The group treasury maintains sufficient liquidity reserves and open credit and guarantee lines to fulfill the financial obligations at all times.

  Burckhardt Compression follows the principle of security before return in the investment of financial resources. The liquidity is invested mainly on current accounts and occasionally in the money market (time deposits with first class financial institutions).

  The actual and future cash flows and cash reserves are compiled monthly in a rolling liquidity forecast. The Executive Board and the Board of Directors are informed about the liquidity situation and outlook with the regular financial reporting.

Cash and cash equivalents held by Burckhardt Compression and free credit facilities as per the balance sheet date were as follows:

in CHF 1'000	03/31/2017	03/31/2016
Cash and cash equivalents	74'892	125'276
Free credit facilities	44'426	70'323
Total	**119'318**	**195'599**

The decrease in free cash facilities mainly results from an increased use of credit facilities, mainly due to the partially debt-financed acquisition of Shenyang Yuanda Compressor Co. Ltd.

The contractual maturities of financial liabilities including estimated interest payments are as follows:

Financial liabilities as per 03/31/2017	**Total carrying amount**			**Contractual payments**		
in CHF 1'000		less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total cash flow**
Current and non-current financial borrowings	142'135	76'503	3'219	22'243	47'287	149'252
Trade payables	59'980	59'980				59'980
Other current financial liabilities	1'564	1'564				1'564
Other non-current financial liabilities	54'669				118'750	118'750
Total	**258'348**	**138'047**	**3'219**	**22'243**	**166'037**	**329'546**

Financial liabilities as per 03/31/2016	**Total carrying amount**			**Contractual payments**		
in CHF 1'000		less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total cash flow**
Current and non-current financial borrowings	32'041	2'845	1'578	28'604	204	33'231
Trade payables	49'151	49'151				49'151
Other current liabilities	3'852	3'852				3'852
Total	**85'044**	**55'848**	**1'578**	**28'604**	**204**	**86'234**

The table below discloses cash flows of the forward foreign exchange contracts as per the balance sheet date. The amounts disclosed correspond to the contractual non-discounted cash flows.

Forward foreign exchange contracts as per 03/31/2017			**Cash flow**		
in CHF 1'000	less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total**
Cash flow hedge outflow	131'149	17'205	–	–	**148'354**
Cash flow hedge inflow	127'066	16'327	–	–	**143'393**

Forward foreign exchange contracts as per 03/31/2016			**Cash flow**		
in CHF 1'000	less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total**
Cash flow hedge outflow	334'545	25'318	4'324	–	**364'187**
Cash flow hedge inflow	332'346	24'987	4'194	–	**361'527**

- **Currency risks** Burckhardt Compression hedges all major USD-denominated sales transactions of its Swiss entity (Burckhardt Compression AG). EUR-denominated sales and purchase transactions of the Swiss company are fairly evenly balanced when viewed over a period of 1–2 years and are therefore, to a certain extent, naturally hedged at the net profit level over said period. These foreign-exchange flows are regularly monitored by the group treasury; if there is evidence of a sustained shift in these flows, major sales and purchase transactions will be hedged on a case-by-case basis. For this, the group treasury normally uses forward exchange contracts. The other companies belonging to Burckhardt Compression group may, after consultation with group treasury, hedge the foreign-exchange risks of their sales and purchase transactions through local qualified institutions or group treasury, the objective being the optimization of the net profit of each group company as reported in its functional local currency. The group management regularly monitors the changes in the most important currencies and may adjust the hedging policy accordingly in the future.

  As a globally active corporation, Burckhardt Compression is also exposed to currency risks resulting from the translation into Swiss francs of items in the balance sheets of the foreign group companies. Burckhardt Compression Holding AG does not hedge these translation risks.

Based on income and invested capital, the following currencies are primarily relevant: EUR, USD, CNY and INR. As per balance sheet date, the following hypothetical foreign currency exchange rate risks on financial instruments existed:

03/31/2017

Exchange rate	EUR/ CHF	INR/ CHF	USD/ CHF	CNY/ CHF
Change of exchange rate (hypothetical)[1]	10%	10%	10%	10%

in CHF 1'000				
Effect on net income				
– with increase of exchange rate against CHF	1'163	–	2'496	–7
– with decrease of exchange rate against CHF	–1'163	–	–2'496	7
Effect on equity[2]				
– with increase of exchange rate against CHF	–	–	–8'068	–
– with decrease of exchange rate against CHF	–	–	8'068	–

03/31/2016

Exchange rate	EUR/ CHF	INR/ CHF	USD/ CHF	CNY/ CHF
Change of exchange rate (hypothetical)[1]	20%	20%	20%	20%

in CHF 1'000				
Effect on net income				
– with increase of exchange rate against CHF	4'832	731	731	90
– with decrease of exchange rate against CHF	–4'832	–731	–731	–90
Effect on equity[2]				
– with increase of exchange rate against CHF	–	–	–30'649	24'074
– with decrease of exchange rate against CHF	–	–	30'649	–24'074

[1] The hypothetical fluctuations in exchange rates expressed in percent were based on fluctuation scenarios of the respective foreign currencies against the Swiss franc as observed during recent reporting periods.
[2] The hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as hedges of future cash flow in foreign currency.

– **Risks from customer contracts** Financial risks due to the execution of major and critical customer contracts are minimized through the established project control tools and processes.

– **Credit risk** Credit risk in respect of trade receivables is limited due to the diverse nature and quality of the customer base. Such risk is minimized by means of regular credit checks, advance payments, letters of credit and other tools. There is no concentration of customer-related risks within Burckhardt Compression Group as the most important customers in the project business, which accounts for a large share of Burckhardt Compression's overall business, vary from one year to the next. In past years Burckhardt Compression experienced no major impairments of receivables due to customer risks.

Credit risks of banks and financial institutions are monitored and managed centrally. Generally, only independently rated parties with a strong credit rating are accepted, and the total volume of transactions is split among several banks to reduce the individual risk with one bank.

– **Interest rate risk** Interest rate risks arise from fluctuations in interest rates which could have a negative impact on the financial position of Burckhardt Compression. Assets and liabilities at variable rates expose Burckhardt Compression to cash flow interest rate risk.

The following table shows the effects on the net income if interest rates move by 100 basis points.

in CHF 1'000		**03/31/2017**
Variable interest-bearing financial instruments	**CHF interest rate**	**USD interest rate**
Impact of an increase by 100 basis points on group earnings	–385	–48
Impact of a decrease by 100 basis points on group earnings	–	48

in CHF 1'000		**03/31/2016**
Variable interest-bearing financial instruments	**CHF interest rate**	**USD interest rate**
Impact of an increase by 100 basis points on group earnings	–	–
Impact of a decrease by 100 basis points on group earnings	–	–

– **Capital risk** The capital managed by Burckhardt Compression is its consolidated equity. With regard to its capital management policies, Burckhardt Compression seeks to secure the continuation of its business activities, to achieve an acceptable return for the shareholders and to finance the growth of the business to a certain extent from own cash flow. In order to achieve these objectives Burckhardt Compression can adjust the dividend payments, repay share capital, issue new shares or divest parts of the assets.

Burckhardt Compression monitors and manages its capital and capital returns based on the following ratios:

Ratio	Definition
Equity base	Equity as percentage of balance sheet total (equity ratio)
Net financial position	Marketable securities, cash and cash equivalents less short- and long-term bank loans

As a long-term oriented industrial company exposed to cyclical market developments, Burckhardt Compression aims to keep a strong equity base and a solid net financial position. As per the balance sheet date those ratios showed the following values:

	03/31/2017	03/31/2016
Equity ratio	38.5%	50.2%
Net financial position (CHF 1'000)	–67'243	93'235

Overview of financial assets and liabilities

Carrying amount and fair value of financial assets and liabilities (carrying amount corresponds mainly to fair value)

in CHF 1'000	Fair value hierarchy	Notes	03/31/2017	03/31/2016
Loans and receivables				
Cash and cash equivalents	–	15	74'892	125'276
Trade receivables	–	14	209'782	124'105
Other receivables	–	14	39'194	24'796
Total loans and receivables			**323'868**	**274'117**
Derivative financial instruments from hedge accounting (assets)	2	22	**215**	**2'697**
Liabilities stated at amortized cost				
Trade payables	–		59'980	49'151
Other current liabilities	–	20	6'776	3'852
Current borrowings	–	18	70'310	1'739
Non-current borrowings	–	18	71'825	30'302
Total liablities stated at amortized cost			**208'891**	**85'044**
Liabilities stated at fair value through profit and loss				
Other non-current financial liabilities	3	26	54'669	–
Total liabilities stated at fair value through profit and loss			**54'669**	–
Derivative financial instruments from hedge accounting (liabilities)	2	22	**4'913**	**5'398**

Fair value hierarchy:

Level 1 Instruments with quoted prices and active markets.

Level 2 Instruments with quoted prices for comparable assets or liabilities in active markets, and instruments which can be valued using valuation methods based on observable market data.

Level 3 Instruments which are valued using valuation methods whose inputs are not based on observable market data.

The general valuation method is outlined in point 2.10 Accounting Principles. Further disclosures on the non-current financial liability measured using significant unobservable inputs (Level 3) can be found in note 26 ("Transactions with non-controlling interests").

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Burckhardt Compression makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

- **Impairment of goodwill** Burckhardt Compression tests goodwill for impairment on an annual basis in accordance with the accounting policy outlined under "Impairment of non-financial assets". The recoverable amounts of cash-generating units (CGU) are determined based on value-in-use calculations. These calculations require the use of assumptions. The group management forecasted gross margins based on developments in the past and on own expectations and industry predictions for future market development. The discount rates applied are pre-tax interest rates and reflect the specific risks of the business. The estimates could change or differ from the actual outcome and therefore lead to an impairment of goodwill. Further details about the impairment test are disclosed in note 10.

- **Provisions** Provisions contain the anticipated cash outflows, at their present value at the balance sheet date, for warranty and other claims, and onerous contracts. Every year the provisions set aside for warranties and guarantees are compared with the actual guarantee-related expenses incurred during the reporting period and adjusted accordingly in the event of sustained deviation. Actual payments may differ from these estimates. Further details with regards to provisions are disclosed in note 19.

- **Accruals** Income and expenses are accounted for on an accruals basis so that they are recognized in the periods to which they relate. Accruals include items for any additional expenses relating to outstanding commissioning costs and potential liquidated damages on contracts already billed. Actual expenses may differ from the accrued liabilities.

- **Income taxes** Burckhardt Compression is obliged to pay income taxes in various countries and is therefore required to make significant assumptions in order to calculate its worldwide tax provision. In the case of a number of transactions and calculations, the final tax liability cannot be ultimately determined during the normal course of business. Where the final tax liability arising from these transactions differs from the initial assumption, this will affect current and deferred taxes in the period in which the tax liability is ultimately determined. Deferred tax assets, including those on tax loss carry forwards, are only recognized if it is probable that they can be used by future taxable profits. The assessment of the recoverability of those deferred tax assets is therefore based on estimates, which could differ from actual results and consequently lead to valuation allowances. Further details with regards to income taxes are disclosed in note 9.

- **Pension liabilities** Pension liabilities are calculated on the balance sheet date using an actuarial-based procedure. For these projections assumptions must be made regarding interest rates, expected yields from assets, wage rises, staff fluctuations, etc. Changing the assumptions mentioned could lead to significant deviations because of the long-term nature of these calculations. Further details regarding pension liabilities are disclosed in note 5.

- **Financial liabilities** As part of the agreement regarding the acquisition of 60% of the shares of Shenyang Yuanda Compressor Co. Ltd. (SYCC), Burckhardt Compression has issued a put option on the remaining 40% of the shares of SYCC. The present value of the exercise price of the put option is accounted for as financial liability on Burckhardt Compression's balance sheet. Key assumptions for the valuation of this financial liability include the projected EBITDA of SYCC and the discount rate. Further details regarding this financial liability are disclosed in note 26.

5. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

01 Business combinations and other changes in the scope of consolidation

Shenyang Yuanda Compressor Co. Ltd. (SYCC)

in CHF 1'000	2016
	Fair value of aquired net assets
Intangible assets	28'739
Property, plant and equipment	39'601
Investments in associates	239
Inventories	64'511
Trade and other receivables	100'419
Cash and cash equivalents	5'320
Non-current liabilities	–10'205
Current liabilities	–111'864
Total net assets	**116'760**
Non-controlling interests	–46'704
Goodwill	64'849
Purchase consideration	**134'905**
Purchase price paid in cash	**134'905**
Cash and cash equivalents in subsidiary acquired	5'320
Cash outflow on transaction	**129'585**

On May 13, 2016, Burckhardt Compression Holding AG completed the acquisition of 60% of the shares of Shenyang Yuanda Compressor Co. Ltd., the leading manufacturer of reciprocating compressors in China. With this acquisition, Burckhardt Compression gains local market reach in additional market segments, expands its product portfolio to cover the diverse market requirements and gets direct access to a well-established local supply chain. The acquired receivables include trade receivables with a fair value of CHF 81.1 mn (gross contractual amounts receivable: CHF 91.2 mn / bad debt reserve: CHF 10.1 mn). The goodwill is attributable to access to additional markets and segments (primarily in China), access to a well-established additional supply chain, and SYCC's workforce. Non-controlling interests have been recognized as a proportion of net assets acquired.

Since the acquisition date, the SYCC contributed sales of CHF 91.4 mn and net income of CHF 1.0 mn to the Burckhardt Compression Group. Transaction costs recognized as general and administrative expenses in the income statement amounted to CHF 1.2 mn (CHF 0.5 mn in fiscal year 2016 / CHF 0.7 mn in fiscal year 2015).

Shenyang Yuanda Compressor Co. Ltd. has four subsidiaries and two associated companies. These companies are disclosed in note 31 ("Group companies").

IKS Industrie- und Kompressorenservice GmbH (IKS)

in CHF 1'000	2016
	Fair value of aquired net assets
Intangible assets	600
Property, plant and equipment	170
Inventories	182
Trade and other receivables	615
Cash and cash equivalents	–
Non-current liabilities	–471
Current liabilities	–690
Total net assets	**406**
Goodwill	3'082
Purchase consideration	**3'488**
Purchase price paid in cash	**2'092**
Purchase price payable in cash at a later date	1'396
Purchase consideration	**3'488**
Purchase price paid in cash	**2'092**
Cash and cash equivalents in subsidiary acquired	–
Cash outflow on transaction	**2'092**

On October 4, 2016, Burckhardt Compression (Deutschland) GmbH, a wholly owned subsidiary of Burckhardt Compression Holding AG, acquired 100% of the shares of IKS Industrie- und Kompressorenservice GmbH. IKS offers its clients a full range of compressor maintenance services. The acquisition of IKS will make Burckhardt Compression a leading provider of reciprocating compressor services in German-speaking markets. In addition to its highly qualified service specialists, IKS has a well-established service network in Germany. The goodwill is attributable to joint benefits regarding the "other brand compressor" business and IKS's workforce.

Since the acquisition date, IKS contributed sales of CHF 1.8 mn and net income of CHF 0.2 mn to the Burckhardt Compression Group. Transaction costs recognized as general and administrative expenses in the income statement amounted to CHF 0.2 mn.

Subsequent to the acquisition, IKS Industrie- und Kompressorenservice GmbH was merged with Burckhardt Compression (Deutschland) GmbH.

The purchase price allocations for the acquisitions of SYCC and IKS are preliminary for up to 12 months after the acquisition date and are subject to refinement as more detailed analysis is completed and additional information about the fair values of the assets and liabilities becomes available. The allocation of the considerations transferred may therefore change in the subsequent period.

If the acquisitions of SYCC and IKS had occurred on April 1, 2016, management estimates that consolidated sales would have amounted to CHF 566.0 mn, and consolidated net income of Burckhardt Compression would have amounted to CHF 38.9 mn.

There were no business combinations in the 2015 reporting period.

Other changes in the scope of consolidation

In June 2016, Burckhardt Compression AG, a wholly owned subsidiary of Burckhardt Compression Holding AG, established Burckhardt Compression Tehran SSK, a sales and service organization in the legal form of a private joint stock company, by means of a contribution in cash.

In September 2015 Burckhardt Components AG, a wholly owned subsidiary of Burckhardt Compression AG, was merged with Burckhardt Compression AG in the course of the "BC goes Service" initiative, in order to streamline processes.

02 Major currency exchange rates

	Average rates		Year-end rates	
	2016	2015	**03/31/2017**	03/31/2016
1 EUR	1.08	1.07	1.07	1.09
1 GBP	1.29	1.47	1.25	1.39
1 USD	0.99	0.97	1.00	0.96
1 CAD	0.75	0.74	0.75	0.74
1 AED	0.27	0.26	0.27	0.26
100 BRL	30.03	27.33	31.90	26.50
100 JPY	0.91	0.81	0.90	0.86
100 CNY	14.69	15.24	14.50	14.86
100 INR	1.47	1.49	1.54	1.45
100 KRW	0.09	0.08	0.09	0.08
1 TRY	0.31	0.34	0.27	0.34
1 SGD	0.71	0.70	0.71	0.71
100 ZAR	7.03	7.13	7.76	6.42

03 Segment reporting

Burckhardt Compression has introduced a new organizational structure as of June 1, 2016. It has established a divisional structure with two divisions: Systems and Services.

Operating segments requiring to be reported according to IFRS 8 are determined on the basis of the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within Burckhardt Compression as well as internal financial reporting to the Chief Operating Decision Maker. The segment information disclosed is in line with that reported in the internal reporting system. The reported segments have been identified as follows:

Systems Division Systems Division of Burckhardt Compression is the only manufacturer that covers a complete range of reciprocating compressor technologies. 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 competence helps customers to minimize life cycle costs of their reciprocating compressor systems around the world.

Services Division Burckhardt Compression's Services Division is a reliable one-stop provider of a full range of services for reciprocating compressors and stands for top-quality, high-performance components for all makes of reciprocating compressors, as replacement parts, or to repair or upgrade existing installations. Original spare parts backed by Burckhardt Compression's manufacturing guarantees stand for superior quality and ensure together with various complementary service modules both low life cycle costs as well as the optimal operation of compressor systems.

Others Certain expenses related to the corporate center are not attributable to a particular segment. They are reviewed as a whole and reported in the column "Others". Furthermore, "Others" includes adjustments made regarding the pension plans in Switzerland and Germany (IAS 19) and the income and expenses of Burckhardt Compression's real estate company.

	Systems Division		Services Division		Others		Total	
in CHF 1'000	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Sales	**367'190**	**332'416**	**190'535**	**154'819**			**557'725**	**487'235**
Cost of goods sold	–330'702	–259'429	–96'486	–76'131			–427'188	–335'560
Gross profit	**36'488**	**72'987**	**94'049**	**78'688**			**130'537**	**151'675**
Gross profit as % of sales	9.9%	22.0%	49.4%	50.8%			23.4%	31.1%
Operating income	**–3'604**	**35'295**	**53'126**	**35'849**	**11'595**	**1'834**	**61'117**	**72'978**
Operating income as % of sales	–1.0%	10.6%	27.9%	23.2%			11.0%	15.0%

Geographic information

Sales by country of installation in CHF 1'000	2016	2015
Europe:		
– EU	112'156	147'703
– Switzerland	4'358	4'311
– Other European countries	62'628	69'087
Total Europe	**179'142**	**221'101**
North America	56'552	80'543
South America	11'957	21'923
Asia, Australia, Middle East	307'429	156'363
thereof China	139'742	62'255
Africa	2'645	7'305
Total	**557'725**	**487'235**

Sales by customer location in CHF 1'000	2016	2015
Europe:		
– EU	124'471	165'770
– Switzerland	14'331	13'301
– Other European countries	62'394	70'711
Total Europe	**201'196**	**249'782**
North America	44'333	63'123
South America	7'596	9'005
Asia, Australia, Middle East	301'849	161'920
thereof China	132'757	56'274
Africa	2'751	3'405
Total	**557'725**	**487'235**

Carrying amount of assets by location of assets in CHF 1'000	03/31/2017	03/31/2016
Europe:		
– EU	46'641	35'774
– Switzerland	427'212	520'769
Total Europe	**473'853**	**556'543**
North America	98'296	87'818
South America	2'291	1'108
Asia, Australia, Middle East	352'759	62'544
thereof China	292'694	31'076
Total	**927'199**	**708'013**

Capital expenditure for property, plant and equipment in CHF 1'000	2016	2015
Europe:		
– EU	708	993
– Switzerland	7'239	21'184
Total Europe	**7'947**	**22'177**
North America	1'148	9'576
South America	166	144
Asia, Australia, Middle East	5'228	9'396
thereof China	3'599	468
Total	**14'489**	**41'293**

04 Additional information regarding the income statement

in CHF 1'000	2016	2015
Personnel expenses		
Salaries and wages	–116'684	–113'528
Defined benefit plans	7'561	–11'128
Defined contribution plans	–7'408	–7'148
Other social benefits	–7'869	–7'533
Other personnel costs	–11'451	–14'381
Total personnel expenses	**–135'851**	**–153'718**
Depreciation and amortization		
Depreciation	–16'471	–11'850
Amortization	–6'977	–3'414
Total depreciation and amortization	**–23'448**	**–15'264**

05 Employee benefit plans

Burckhardt Compression operates defined benefit pension plans in Switzerland and Germany.

The plans in Switzerland consist of two independent pension funds ("Sulzer Vorsorgeeinrichtung", a base plan for all employees and "Johann Jakob Sulzer Stiftung" a plan for employees with salaries exceeding a certain limit). The majority of the active participants in the two pension funds are employed at companies not belonging to Burckhardt Compression. The board of trustees for the base plan comprises ten employee and ten employer representatives of the contributing companies and is responsible for the investment of the assets and the risk management. The insurance plans of the "Sulzer Vorsorgeeinrichtung" and of the "Johann Jakob Sulzer Stiftung" are contribution-based and are classified as defined benefit plans according to IAS 19. The plans contain a cash balance benefit formula. Under Swiss law, the pension funds guarantee the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the board of trustees. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the pension funds. These plans are funded through a legally separate trustee administered pension fund ("Sulzer Vorsorgeeinrichtung" and "Johann Jakob Sulzer Stiftung"). The pension funds are able to adapt the contribution and benefits at any time. In case of underfunding, this may involve special payments from the employer.

In June 2016, the boards of the two pension funds in Switzerland decided to reduce the guaranteed pension conversion rate by 1.0 percentage point over four years, beginning January 1, 2018. The plan amendments, recognized as past service cost, had a positive impact of CHF 18.5 mn on the income statement and were accounted for as other operating income.

The disclosed sensitivities have been determined by changing the discount rate and the rate of salary increase by +/–0.25% resp. making an adjustment to the mortality rates so that the longevity increased/decreased by one year. The cash funding of these plans is designed to ensure that present and future contributions should be sufficient to meet future liabilities. Employer and employee contributions are defined in terms of an age related sliding scale of percentages of the insured salary.

The financing of pension plans in Germany is made by means of provisions accrued in the accounting records of the companies affected.

in CHF 1'000	Funded plans	Unfunded plans	**2016**	**2015**
Reconciliation of the amount recognized in the balance sheet				
Present value of funded defined benefit obligation	–271'100	–	–271'100	–289'553
Fair value of plan assets	253'887	–	253'887	240'159
Overfunding (+) / underfunding (–)	**–17'213**	**–**	**–17'213**	**–49'394**
Present value of unfunded defined benefit obligation	–	–2'080	–2'080	–2'216
Asset (+) / liability (–) recognized in the balance sheet	**–17'213**	**–2'080**	**–19'293**	**–51'610**
– thereof as liabilities under non-current provisions	–17'213	–2'080	–19'293	–51'610
Reconciliation of asset (+) / liability (–) recognized in the balance sheet				
Asset (+) / liability (–) recognized at April 1			–51'610	–45'915
Defined Benefit cost recognized in profit or loss			7'561	–11'128
Defined Benefit cost recognized in other comprehensive income			17'197	–1'986
Contributions by the employer/benefits paid directly by the employer			7'517	7'526
Currency translation differences			42	–107
Asset (+) / liability (–) recognized at March 31			**–19'293**	**–51'610**
Components of defined benefit cost in profit or loss				
Current service cost (employer)			–10'629	–10'734
Interest cost			–1'482	–2'021
Interest income on plan assets			1'245	1'657
Past service cost			18'458	–
Other administrative cost			–31	–30
Income (+) / expenses (–) recognized in profit or loss			**7'561**	**–11'128**
– thereof as personnel expenses			–7'386	–7'395
– thereof as other operating income (+) / expenses (–)			15'184	–3'369
– thereof as financial income (+) / expenses (–)			–237	–364
Components of defined benefit cost in other comprehensive income				
Actuarial (loss) / gain on defined benefit obligation			3'604	–6'226
Return on plan assets excl. interest income			13'593	4'240
Cost recognized in OCI			**17'197**	**–1'986**

in CHF 1'000	2016	2015
Reconciliation of defined benefit obligation		
Defined benefit obligation as of April 1	291'769	272'009
Interest cost	1'482	2'021
Current service cost (employer)	10'629	10'734
Contributions by plan participants	5'309	5'270
Past service cost	–18'458	–
Benefits paid (deposited)	–13'936	–4'628
Other administrative cost	31	30
Actuarial gain (–) / loss (+) on obligation	–3'604	6'226
Currency translation differences	–42	107
Defined benefit obligation as of March 31	**273'180**	**291'769**
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of April 1	240'159	226'094
Interest income on plan assets	1'245	1'657
Contributions by the employer/benefits paid directly by the employer	7'517	7'526
Contributions by plan participants	5'309	5'270
Benefits paid (deposited)	–13'936	–4'628
Return on plan assets excl. interest income	13'593	4'240
Fair value of plan assets as of March 31	**253'887**	**240'159**
Total plan assets at fair value – Quoted market price		
Cash and cash equivalents	26'924	20'310
Equity instruments third parties	57'703	51'490
Debt instruments third parties	92'361	98'215
Real Estate funds	5'460	4'353
Others	7'356	–
Total assets at fair value – Quoted market price as of March 31	**189'804**	**174'368**
Total plan assets at fair value – Non-quoted market price		
Properties occupied by or used by third-parties (Real Estate)	56'727	53'547
Others	7'356	12'244
Total assets at fair value – Non-quoted market price as of March 31	**64'083**	**65'791**

in CHF 1'000	2016	2015
Best estimate of contributions for upcoming financial year		
Contributions by the employer/benefits paid directly by the employer	7'174	7'604
Contributions by plan participants	5'053	5'388
Components of Defined Benefit Obligation, split (§137)		
Defined Benefit Obligation at March 31 for active members	153'941	169'924
Defined Benefit Obligation at March 31 for pensioners	119'239	121'845
Total Defined Benefit Obligation at March 31	**273'180**	**291'769**
Components of actuarial (gain) / losses on obligations (§141 lit. c)		
Actuarial (gain) / loss arising from changes in financial assumptions	–5'021	–1'875
Actuarial (gain) / loss arising from changes in demogr. assumptions	2'258	–
Actuarial (gain) / loss arising from experience adjustments	–841	8'101
Actuarial (gain) / loss on defined benefit obligation	**–3'604**	**6'226**
Maturity profile of defined benefit obligation (§147 lit. c)		
Weighted average duration of defined benefit obligation in years	15.6	16.3
Sensitivity analysis of Defined Benefit Obligation		
Discount rate (decrease 0.25%)	284'140	304'215
Discount rate (increase 0.25%)	262'966	280'189
Future salary growth (decrease 0.25%)	270'117	290'498
Future salary growth (increase 0.25%)	272'134	293'080
Life expectance (decrease 1 year)	263'835	283'923
Life expectance (increase 1 year)	278'241	299'499
Principal actuarial assumptions as of March 31		
Discount rate	0.67%	0.52%
Future salary increases	1.00%	1.00%
Future pension increases	0.00%	0.00%
Expected average remaining working lives in years	9.7	9.9
Life expectance at retirement age (male/female) in years	22.4 / 24.4	21.6 / 24.1
Mortality tables	BVG 2015 GT	BVG 2010 GT

06 Research and development expenses

Research and development activities in the fiscal year 2016 centered on enhancing certain types of compressors for the optimization of Burckhardt Compression's product portfolio as well as research in the field of compressor related tribology and fluid dynamics.

In fiscal year 2016, development expenses amounting to CHF 1.0 mn (prior year: CHF 1.2 mn) were capitalized at PROGNOST Systems GmbH for the development of an enhanced product line. No other development expenses were capitalized in the fiscal years 2016 and 2015.

07 Other operating income and expenses

in CHF 1'000	2016	2015
Currency exchange gains	19'186	17'817
Other operating income	23'440	18'945
Total other operating income	42'626	36'762
Currency exchange losses	–19'496	–15'675
Other operating expenses	–7'484	–9'549
Total other operating expenses	–26'980	–25'224
Total other operating income and expenses	**15'646**	**11'538**

Other operating income includes an adjustment of employee benefit plans under IAS 19 amounting to CHF 15.2 mn (prior year: expense of CHF 3.4 mn). Furthermore, other operating income was positively affected the operating income of CHF 6.5 mn (prior year: CHF 6.3 mn) from the real estate company (Burckhardt Compression Immobilien AG).

Other operating expenses included expenses amounting to CHF 3.3 mn (prior year: CHF 3.1 mn) from the real estate company. Additionally, expenses relating to the amortization of purchase price adjustments in connection with the acquisition of Shenyang Yuanda Compressor Co. Ltd. (SYCC) amounting to CHF 3.0 mn were accounted for in other operating expenses.

In fiscal year 2015, Burckhardt Compression and Arkos Field Services LP signed an agreement regarding the transfer of certain assets (mainly trade receivables and inventory) from Burckhardt Compression to Arkos in order to consolidate the service business in the United States. This transaction resulted in a book gain amounting to CHF 12.0 mn and was accounted for in other operating income in fiscal year 2015.

08 Financial result

in CHF 1'000	2016	2015
Interest expenses	–2'556	–1'235
Interest income	614	155
Other financial income (+) and expenses (–)	–4'069	44
Total	**–6'011**	**–1'036**

The increase in interest expenses is due to the increase in short-term and long-term financing, which was mainly due to the partial debt financing of the acquisitions made in fiscal year 2016.

As part of the agreement regarding the acquisition of 60% of the shares of SYCC, Burckhardt Compression issued a put option on the remaining 40% of the shares of SYCC. At the date of the granting of the put option, the present value of the exercise price of the put option amounted to CHF 50.7 mn. As of March 31, 2017, the present value of the exercise price of the put option amounted to CHF 54.7 mn. The difference between the two amounts, CHF 4.0 mn, was accounted for as other financial expense.

09 Taxes

Income taxes

in CHF 1'000	2016	2015
Current income tax expenses	–14'337	–13'399
Deferred income tax income (+) and expenses (–)	270	–2'387
Total	**–14'067**	**–15'786**

Reconciliation of income tax expense

in CHF 1'000	2016	2015
Profit before income taxes	52'555	71'291
Income tax expenses at the local tax rates in the respective countries	–11'440	–15'537
Effect of share of results of associates	–	143
Effect of non-recognition of tax loss carry forwards	–859	–460
Effect of recognition and offset of tax loss carry forwards not recognized in prior years	–	68
Effect of income tax of prior periods	–626	–
Effect of non-deductible expenses	–1'142	–
Total income tax expenses	**–14'067**	**–15'786**
as % of profit before income taxes	26.8%	22.1%

The expected tax rate of Burckhardt Compression Group corresponds to the weighted average tax rate based on the income (loss) before taxes and the tax rate of each group company. The increase in tax rate is mainly due to the effect of non-deductible expenses, the non-recognition of tax loss carry forwards and adjustments with respect to prior years.

Deferred taxes

in CHF 1'000	2016	2015
Balance as per 04/01/2016 / 04/01/2015	4'917	1'977
Changes in the consolidation scope	3'320	–
Charged to the income statement	–270	2'387
Deferred taxes recognized in equity	3'783	758
Taxes charged to equity for hedging reserves	–316	–205
Currency translation differences	–327	–
Balance as per 03/31/2017 / 03/31/2016	**11'107**	**4'917**

The deferred tax liabilities (net) increased by CHF 6.2 mn, mainly due to the acquisition of Shenyang Yuanda Compressor Co. Ltd. (and the corresponding deferred tax liabilities on adjustments as part of the purchase price allocation) and the decrease of the liability for retirement benefit obligations, which reduced the corresponding deferred tax asset.

Breakdown of deferred taxes in the balance sheet

	03/31/2017		03/31/2016	
in CHF 1'000	Assets	Liabilities	Assets	Liabilities
Intangible assets	169	5'909	–	1'728
Property, plant and equipment	179	6'758	34	7'039
Inventories	230	3'083	45	2'573
Trade and other receivables	1'368	3'308	21	3'451
Financial assets	11	–	195	22
Derivative financial instruments	1'801	6	127	–
Non-current provisions	4'382	2'100	11'435	1'860
Trade payables	376	824	489	2'302
Other current and accrued liabilities	202	269	402	–
Tax loss carry forwards	2'432	–	1'310	–
Total deferred taxes (gross)	**11'150**	**22'257**	**14'058**	**18'975**
Offset	–1'267	–1'267	–1'617	–1'617
Total deferred taxes (net)	**9'883**	**20'990**	**12'441**	**17'358**

There are temporary differences in the amount of CHF 162.0 mn (prior year: CHF 184.8 mn) in conjunction with investments in subsidiaries for which Burckhardt Compression has not recorded deferred tax liabilities based on the exemption provisions of IAS 12.

Tax loss carry forwards

in CHF 1'000	03/31/2017	03/31/2016
Expiring in the next 3 years	–	292
Expiring in 4 years or later	10'249	6'558
Total tax loss carry forwards	**10'249**	**6'850**
Potential tax assets calculated	3'099	1'897
Valuation allowance	–667	–587
Deferred tax assets	**2'432**	**1'310**

10 Intangible assets
Acquisition costs

in CHF 1'000	Goodwill	Customer lists	Other intangible assets	2016 Total	Goodwill	Customer lists	Other intangible assets	2015 Total
Balance as per 04/01/2016 / 04/01/2015	19'802	5'636	26'118	51'556	20'994	7'739	19'591	48'324
Changes in the consolidation scope	67'931	17'079	12'633	97'643	–	–	–	–
Additions	–	–	2'528	2'528	–	–	5'402	5'402
Disposals	–	–	–251	–251	–1'325	–2'269	–223	–3'817
Reclassifications	–	–	596	596	–	–	1'220	1'220
Currency translation differences	–2'542	–766	–509	–3'817	133	166	128	427
Balance as per 03/31/2017 / 03/31/2016	**85'191**	**21'949**	**41'115**	**148'255**	**19'802**	**5'636**	**26'118**	**51'556**

Accumulated amortization

in CHF 1'000	Goodwill	Customer lists	Other intangible assets	2016 Total	Goodwill	Customer lists	Other intangible assets	2015 Total
Balance as per 04/01/2016 / 04/01/2015	–	–4'930	–11'785	–16'715	–	–6'454	–9'045	–15'499
Changes in the consolidation scope	–	–3	–370	–373	–	–	–	–
Additions	–	–2'438	–4'539	–6'977	–	–489	–2'925	–3'414
Disposals	–	–	186	186	–	2'155	222	2'377
Reclassifications	–	–	–	–	–	–	–	–
Currency translation differences	–	82	–1	81	–	–142	–37	–179
Balance as per 03/31/2017 / 03/31/2016	**–**	**–7'289**	**–16'509**	**–23'798**	**–**	**–4'930**	**–11'785**	**–16'715**

Net book value

in CHF 1'000	Goodwill	Customer lists	Other intangible assets	2016 Total	Goodwill	Customer lists	Other intangible assets	2015 Total
Balance as per 04/01/2016 / 04/01/2015	19'802	706	14'333	34'841	20'994	1'285	10'546	32'825
Balance as per 03/31/2017 / 03/31/2016	**85'191**	**14'660**	**24'606**	**124'457**	**19'802**	**706**	**14'333**	**34'841**

Other intangible assets Other intangible assets mainly consist of investments in software and IT licenses, the technology and the brand acquired as part of the acquisition of Shenyang Yuanda Compressor Co. Ltd., and the capitalization of development expenses at PROGNOST Systems GmbH.

Impairment tests for goodwill Goodwill is allocated to the identifiable cash-generating units of the Burckhardt Compression Group (Systems Division and Services Division). Burckhardt Compression changed its organizational structure as of June 1, 2016 (see note 3 for further details). This change in the organizational structure led to a reassessment and redefinition of the cash-generating units compared to fiscal year 2015.

Goodwill was tested for impairment in the fourth quarter of the fiscal year 2016. The recoverable amount of a cash-generating unit is determined by calculating its value in use. These calculations are based on cash flow projections. For this purpose, four planning years are taken into consideration, applying the parameters listed below as well as a terminal value with a growth rate of 1.0%. Management estimated the planned gross profit margin based on past developments and the expectations regarding future market developments. The assumptions listed below were used in the analysis of each cash-generating unit. No impairment losses were recognized for fiscal years 2016 and 2015. Sensitivity analyses were done using the parameters listed in the table below.

For the cash-generating unit "Services Division" the sensitivity analysis indicated that an impairment can be reasonably considered unlikely. For the cash-generating unit "Systems Division" a reduction of the growth rate during the planning period from 2.2% to 1.3%, a decrease of the gross margin as percentage of sales in the terminal value from 18.0% to 17.4%, or an increase of the pre-tax discount rate from 9.3% to 10.0% would result in a value in use equal to the carrying amount.

in CHF 1'000	Systems Division	Services Division	Total
Goodwill as per 03/31/2017	50'557	34'634	85'191

The test is based on the following assumptions:			
– Growth rate for sales during planning period	2.2%	5.5%	
– Gross margin as % of sales in terminal value	18.0%	50.5%	
– Pre-tax discount rate	9.3%	9.3%	

The discount rate for discounting projected cash flows equals the rate which is used for similar purposes in the day-to-day business. The discount rate applied in the previous fiscal year for discounting projected cash flows was 9.9%.

11 Property, plant and equipment

Acquisition costs

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2016 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2015 Total
Balance as per 04/01/2016 / 04/01/2015	117'839	90'612	18'773	12'539	239'763	97'163	80'594	18'503	9'632	205'892
Changes in the consolidation scope	34'176	18'808	3'643	2'028	58'655	–	–	–	–	–
Additions	1'333	4'135	2'852	6'169	14'489	15'170	9'806	2'825	13'492	41'293
Disposals	–370	–847	–441	–596	–2'254	–712	–1'939	–2'696	–345	–5'692
Reclassifications	9'995	942	1'049	–12'582	–596	6'276	2'362	275	–10'133	–1'220
Currency translation differences	–788	–164	138	200	–614	–58	–211	–134	–107	–510
Balance as per 03/31/2017 / 03/31/2016	**162'185**	**113'486**	**26'014**	**7'758**	**309'443**	**117'839**	**90'612**	**18'773**	**12'539**	**239'763**

Accumulated depreciation

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2016 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2015 Total
Balance as per 04/01/2016 / 04/01/2015	–14'607	–48'635	–11'988	–	–75'230	–12'188	–43'547	–11'814	–	–67'549
Changes in the consolidation scope	–6'800	–9'996	–2'088	–	–18'884	–	–	–	–	–
Additions	–4'624	–9'039	–2'808	–	–16'471	–2'487	–7'195	–2'168	–	–11'850
Disposals	291	696	493	–	1'480	37	2'036	1'938	–	4'011
Reclassifications	–	–	–	–	–	–	–	–	–	–
Currency translation differences	68	59	–86	–	41	31	71	56	–	158
Balance as per 03/31/2017 / 03/31/2016	**–25'672**	**–66'915**	**–16'477**	**–**	**–109'064**	**–14'607**	**–48'635**	**–11'988**	**–**	**–75'230**

Net book value

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2016 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2015 Total
As per 04/01/2016 / 04/01/2015	103'232	41'977	6'785	12'539	164'533	84'975	37'047	6'689	9'632	138'343
As per 03/31/2017 / 03/31/2016	**136'513**	**46'571**	**9'537**	**7'758**	**200'379**	**103'232**	**41'977**	**6'785**	**12'539**	**164'533**

The additions recorded in category “Machinery and equipment” and "Assets under construction" can primarily be traced to the modernization and replacement of machining tools both for compressor equipment and components production capacity at Burckhardt Compression AG and at Shenyang Yuanda Compression Co. Ltd.

In the fiscal years 2016 and 2015 no traded assets are capitalized.

12 Investments in associates

in CHF 1'000	2016	2015
Balance as per 04/01/2016 / 04/01/2015	16'636	–
Changes in the consolidation scope	231	17'856
Additions	–	17'856
Share of net results	–2'551	–651
Currency translation differences	671	–569
Balance as per 03/31/2016 / 03/31/2015	**14'987**	**16'636**

Shenyang Yuanda Compressor Co. Ltd. holds a 40% stake in two companies: Shenyang Yuanda Shengda Turbine Compressor Co. Ltd. and Shunyuan Resources Recycling Equipment Industry (Liaoning) Co. Ltd. The companies held by Shenyang Yuanda Compressor Co. Ltd. are not material from a Group perspective.

On December 21, 2015, Burckhardt Compression signed and closed an agreement in which Burckhardt Compression acquired a 40% position in Arkos Group LLC, holding company of Arkos Field Services, an experienced US-based compression and equipment service provider.

The following table provides selected summarized unaudited key financial data of Arkos:

in CHF 1'000	2016	2015
Income statement		
Sales	59'423	67'953
Operating income	–5'215	–3'835
Net income	–5'795	–4'161
Balance sheet as per March 31		
Current assets	38'761	42'384
Non-current assets	42'270	42'238
Current liabilities	10'057	9'900
Non-current liabilities	30'771	27'116
Equity	40'203	47'606

13 Inventories

in CHF 1'000	03/31/2017	03/31/2016
Acquisition costs		
Raw materials, supplies and consumables	19'103	13'958
Work in progress	171'404	137'287
Finished products and trade merchandise	35'232	40'109
Advance payments to suppliers	35'323	18'281
Valuation allowances	–10'830	–9'986
Balance as per 03/31/2017 / 03/31/2016	**250'232**	**199'649**

in CHF 1'000	2016	2015
Valuation allowances		
Balance as per 04/01/2016 / 04/01/2015	–9'986	–9'196
Changes in the consolidation scope	–134	–
Utilized due to disposals	440	27
Additions	–1'027	–818
Currency translation adjustments	–123	1
Balance as per 03/31/2017 / 03/31/2016	**–10'830**	**–9'986**

The increase in inventories is mostly the result of the acquisition of Shenyang Yuanda Compressor Co. Ltd.

The capital invested in work in progress and advance payments to suppliers is to a large extent financed by advance payments from customers, leaving a negative balance as of March 31, 2017 of CHF –42.1 mn (prior year: CHF –49.2 mn).

14 Trade and other receivables

in CHF 1'000	03/31/2017	03/31/2016
Trade receivables	219'411	124'546
Allowance for bad debts	–9'629	–441
Other receivables	15'144	6'147
Prepaid expenses and accrued income	3'178	3'039
Total current receivables	**228'104**	**133'291**
Other receivables	24'050	18'649
Total non-current receivables	**24'050**	**18'649**
Total receivables	**252'154**	**151'940**

in CHF 1'000	2016	2015
Allowance for bad debts		
Balance as per 04/01/2016 / 04/01/2015	–441	–470
Changes in the consolidation scope	–10'097	–
Additions	–162	–61
Released	642	76
Utilization	31	15
Currency translation adjustments	398	–1
Balance as per 03/31/2017 / 03/31/2016	**–9'629**	**–441**

The difference in trade receivables compared to prior year is mainly the result of the acquisition of Shenyang Yuanda Compressor Co. Ltd. (SYCC).

Other non-current receivables as of March 31, 2017 include a promissory note with a carrying amount of CHF 18.0 mn from Arkos Group LLC and Arkos Field Services LP resulting from the asset transfer from Burckhardt Compression to Arkos Field Services LP in the financial year 2015. Furthermore, other non-current receivables include loans to companies of the Arkos Group amounting to CHF 4.5 mn.

The allowance for bad debts at the end of the 2016 and 2015 fiscal years was entirely related to accounts receivable which were more than 90 days overdue as per the closing date.

in CHF 1'000	03/31/2017		03/31/2016	
Age profile of trade receivables				
Not due	105'564	50.3%	75'442	60.8%
Overdue 1–30 days	21'882	10.4%	12'818	10.3%
Overdue 31–60 days	10'818	5.2%	6'020	4.9%
Overdue 61–90 days	7'606	3.6%	5'291	4.3%
Overdue more than 90 days	63'912	30.5%	24'534	19.8%
Balance as per 03/31/2017 / 03/31/2016	**209'782**	**100.0%**	**124'105**	**100.0%**

in CHF 1'000	03/31/2017	03/31/2016
Trade receivables broken down into currencies		
CHF	26'007	42'665
EUR	29'567	32'082
USD	53'706	32'584
GBP	1'280	966
JPY	513	258
INR	2'452	4'672
BRL	559	210
KRW	29	96
CAD	2'213	3'548
CNY	89'782	3'505
Other	3'674	3'519
Total (after allowance for bad debts)	**209'782**	**124'105**

The single largest account receivable represents 8% (prior year: 9%) of total trade receivables. The risk of default among Burckhardt Compression customers is limited; a high share of the accounts receivable is secured by letters of credit.

Long-term overdue positions (overdue more than 90 days) were amounting to 30.5% of total account receivables (prior year: 19.8%). This increase is mainly due to accounts receivables at SYCC. The high amount of overdue positions in China is related to projects where customers do not yet need the compressor equipment due to delayed overall project schedules on the customer's side.

15 Cash and cash equivalents

Cash was primarily held in current accounts.

in CHF 1'000	03/31/2017	03/31/2016
Cash	79	737
Bank deposits	72'938	124'263
Short-term deposits	1'875	276
Total cash and cash equivalents	**74'892**	**125'276**

16 Pledged assets

As per March 31, 2017, Burckhardt Compression had pledged assets with a carrying amount of CHF 114.5 mn (prior year: CHF 84.2 mn) to secure mortgage loans and guarantees. The pledged assets consisted mainly of land and buildings, and to a lesser degree of inventories and receivables.

17 Share capital

	03/31/2017	03/31/2016
Number of shares issued	3'400'000	3'400'000

The nominal value per share amounts to CHF 2.50. All shares are registered shares and are paid in full. The breakdown of equity into its individual components is shown in the statement of changes in equity. The Board of Directors is empowered to increase the company's share capital by a maximum of CHF 1'275'000 at any time until July 1, 2017 by issuing a maximum of 510'000 fully paid registered shares with a nominal value of CHF 2.50 each (authorized capital).

	03/31/2017	03/31/2016
Number of treasury shares	24'966	5'016

All treasury shares are held for the share based long-term incentive program within the Burckhardt Compression Group.

Earnings per share

in CHF 1'000	2016	2015
Net income attributable to shareholders of Burckhardt Compression Holding AG[1]	37'947	55'505
Average number of outstanding shares	3'388'264	3'397'780
Average number of outstanding shares for the calculation of earnings per share	3'388'264	3'397'780
Earnings per share (CHF)	11.20	16.34
Diluted earnings per share (CHF)	11.20	16.34
Dividend per share (CHF)[1]	7.00	10.00

[1] The Board of Directors will propose to the Annual General Meeting a dividend of CHF 7.00 per share, to be paid in July 2017.

The average number of outstanding shares is calculated based on the issued shares minus the weighted average number of treasury shares. There are no conversion or option rights outstanding; therefore, there is no potential dilution of earnings per share.

18 Borrowings

in CHF 1'000	Current	Non-current	Total 03/31/2017	Total 03/31/2016
Bank loans and leasing commitments	70'310	71'825	142'135	31'391
Other	–	–	–	650
Total	**70'310**	**71'825**	**142'135**	**32'041**

The average effective interest rate amounted to 1.9% in fiscal year 2016 and 2.5% in the previous fiscal year.

As per March 31, 2017, Burckhardt Compression AG had committed bank facilities totaling CHF 321.6 mn (excluding mortgage loans), thereof CHF 150.3 mn in cash credit lines (previous year total bank facilities amounted to CHF 234.8 mn, thereof CHF 111.9 mn in cash credit lines).

Operating leases are disclosed on the note 25 (Other financial commitments).

Some borrowings are subject to financial covenants such as a minimum equity ratio or a maximum ratio of net financial indebtedness to EBITDA. All covenants were adhered to as of March 31, 2017 (same as prior year).

19 Provisions

in CHF 1'000	Employee benefits	Warranties, penalties, unprofitable contracts	Other	2016 Total	Employee benefits	Warranties, penalties, unprofitable contracts	Other	2015 Total
Balance as per 04/01/2016 / 04/01/2015	4'173	23'565	1'435	29'173	3'705	13'671	1'203	18'579
Changes in the consolidation scope	–	1'564	–	1'564	–	–	–	–
Additions	666	2'671	492	3'829	1'063	15'568	1'162	17'793
Released as no longer required	–161	–6'889	–416	–7'466	–125	–1'066	–130	–1'321
Released for utilization	–203	3'041	86	2'924	–456	–4'499	–786	–5'741
Currency translation differences	106	317	39	462	–14	–109	–14	–137
Balance as per 03/31/2016 / 03/31/2015	**4'581**	**24'269**	**1'636**	**30'486**	**4'173**	**23'565**	**1'435**	**29'173**
Thereof current	1'446	16'543	1'636	19'625	976	15'777	1'435	18'188
Thereof non-current	3'135	7'726	–	10'861	3'197	7'788	–	10'985

The employee benefits category includes mainly provisions for long-service awards and ordinary termination benefits. The "Warranties, penalties, unprofitable contracts" category comprises provisions based on historical experience for work performed under warranties, as well as penalties and losses arising from new machine projects at the expense of Burckhardt Compression.

20 Other current and accrued liabilities

in CHF 1'000	03/31/2017	03/31/2016
Other current liabilities		
Social security institutions	2'234	457
Tax liabilities (excl. income taxes)	2'978	2'282
Miscellaneous	1'564	1'113
Total	**6'776**	**3'852**
Accrued liabilities		
Vacation and overtime	2'593	3'278
Salaries, wages and bonus payments	7'214	7'833
Contract related liabilities	28'299	27'011
Miscellaneous	11'234	6'846
Total	**49'340**	**44'968**
Total other current and accrued liabilities	**56'116**	**48'820**

21 Other non-current liabilities

Other non-current liabilities mainly consist of various government grants in China.

22 Derivative financial instruments

	03/31/2017		03/31/2016	
in CHF 1'000	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Forward foreign exchange contracts (Cash flow hedges)	**215**	**4'913**	**2'697**	**5'398**
Thereof current	182	4'030	2'623	4'832
Thereof non-current	33	883	74	566

The fair value of the derivative assets quantifies the maximum loss that would occur if the counterparties failed to meet their obligations. The counterparties consist solely of prime-rated financial institutions. There is no excessive concentration of risk.

As per March 31, 2017 the contract value of the open derivative financial instruments amounted to CHF 143.4 mn; as per March 31, 2016 it totaled CHF 364.2 mn. The significant decrease in contract value is mainly related the hedging of the projected payables for the acquisition of a majority stake in Shenyang Yuanda Compressor Co. Ltd. in the prior year, and to a lesser extent to the lower volume of business transactions to be hedged as of the closing date.

In the fiscal years 2016 and 2015 no significant ineffective portions of cash flow hedges were recognized in the income statement.

23 Outstanding guarantees

in CHF 1'000	Limited maturity	Unlimited maturity	Total 03/31/2017	Total 03/31/2016
Total pending guarantees	**108'063**	**3'373**	**111'436**	**96'748**
Thereof from Swiss banks	78'589	1'811	80'400	60'657
Thereof from foreign banks	29'474	1'562	31'036	36'091

Burckhardt Compression issues guarantees essentially for securing customer advance payments and for eventual warranty claims from customers. Outstanding bank guarantees as of March 31, 2017 increased from the previous year mainly due to the increase in advance customer payments.

24 Contingent liabilities

Burckhardt Compression did not have any material contingent liabilities as per March 31, 2017 and as per March 31, 2016.

25 Other financial commitments

Liabilities from operating leases

in CHF 1'000	Thereof due in less than 1 year	Thereof due in 1 to 5 years	Thereof due in more than 5 years	03/31/2017	03/31/2016
Buildings	1'127	2'647	1'228	5'002	1'785
Cars	220	346	–	566	1'007
Other	102	358	3	463	242
Total	**1'449**	**3'351**	**1'231**	**6'031**	**3'034**

Burckhardt Compression has no financial leases.

Other financial obligations The most significant purchase commitments for capital expenditure as per March 31, 2017 comprise patterns for castings amounting to CHF 0.9 mn and CHF 0.3 mn for IT infrastructure.

26 Transactions with non-controlling interests

As part of the agreement regarding the acquisition of 60% of the shares of Shenyang Yuanda Compressor Co. Ltd. (SYCC), Burckhardt Compression agreed on the conditions of the potential transfer of the remaining 40% of the shares of SYCC with the current shareholders of those shares. On the one hand, Burckhardt Compression received a call option on the remaining 40% of the shares of SYCC. On the other hand, Burckhardt Compression issued a put option on the remaining 40% of the shares of SYCC. None of the options are currently exercisable. As the call option does not the meet the criteria for recognition as financial asset, it is not shown on Burckhardt Compression's balance sheet. The present value of the exercise price of the put option is accounted for as financial liability on Burckhardt Compression's balance sheet.

At the date of the granting of the put option, the present value of the exercise price of the put option amounted to CHF 50.7 mn. It was initially accounted for against retained earnings. As of March 31, 2017, the present value of the exercise price of the put option amounted to CHF 54.7 mn. The main reason of the increase of the present value is that eleven months have gone by since the date of the issuance of the put option. The difference between the two amounts, CHF 4.0 mn, was accounted for as other financial expense.

The present value of the exercise price of the put option was calculated using a discounted cash flow method with parameters such as SYCC's future EBITDA, the contractually agreed EBITDA multiple and the discount rate. Should SYCC's future EBITDA increase or decrease by 10%, this would lead to an increase or decrease of 10% of the present value of the exercise price of the put option. Should the discount rate decrease by 10%, this would lead to an increase of 7% of the present value of the exercise price of the put option. Should the discount rate increase by 10%, this would lead to a decrease of 6% of the present value of the exercise price of the put option.

27 Share-based payments

A share-based payment plan exists for the members of the Board of Directors, the members of the Executive Board and certain other employees. They receive long-term incentive pay awarded in the form of free shares. Long-term incentive pay is based on the attainment of the Mid Range Plan targets set for the fiscal years 2013 to 2016 (organic sales growth and net income of Burckhardt Compression Group). None of the shares are subject to any restrictions upon the date of transfer. Further details regarding the long-term incentive pay are disclosed in the Compensation Report section of this Annual Report.

In 2016, no shares were allocated or distributed to members of the Board of Directors. In 2015, 576 shares at a fair value of CHF 378 were allocated and distributed to members of the Board of Directors.

In 2016, no shares were allocated or distributed to members of the Executive Board or any other employees. In 2015, 6'950 shares at a fair value of CHF 378 were allocated to these employees, and no shares were distributed to these employees.

Personnel expenses in 2016 for share-based payments amounted to CHF 0.2 mn (prior year: CHF 1.6 mn).

28 Related parties

Members of the Board of Directors were compensated as follows:

in CHF 1'000	2016	2015
Salaries and other short-term employee benefits	390	390
Share-based payments	74	93
Pension and social security contributions	28	30
Total	**492**	**513**

Members of the Executive Board were compensated as follows:

in CHF 1'000	2016	2015
Salaries and other short-term employee benefits	1'772	3'148
Share-based payments	227	556
Pension and social security contributions	462	795
Total	**2'461**	**4'499**

The detailed disclosures regarding executive remuneration required by Swiss law are included in the Compensation Report section of this Annual Report.

The following transactions were carried out with related parties and the following balances were outstanding as of the balance sheet date respectively:

in CHF 1'000	Sales of goods and services	Purchase of goods and services	Receivables	Liabilities
Associates	5'114	352	23'463	1'668
Total 2016 / as per 03/31/2017	**5'114**	**352**	**23'463**	**1'668**

Receivables from associates as of March 31, 2017 include a promissory note from Arkos Group LLC and Arkos Field Services LP with a carrying amount of CHF 18.0 mn resulting from the asset transfer from Burckhardt Compression to Arkos Field Services LP in the financial year 2015. Furthermore, they include loans to companies of the Arkos Group amounting to CHF 4.5 mn.

in CHF 1'000	Sales of goods and services	Purchase of goods and services	Receivables	Liabilities
Associates	–	–	17'244	–
Total 2015 / as per 03/31/2016	**–**	**–**	**17'244**	**–**

Receivables from associates as of March 31, 2016 include a promissory note from Arkos Group LLC and Arkos Field Services LP with a carrying amount of CHF 17.2 mn.

Transactions with related parties in the financial year 2015
In note 7 of the consolidated financial statements 2015 of Burckhardt Compression, a book gain of CHF 12.0 mn resulting from a transaction with Arkos Field Services LP was commented on. Burckhardt Compression indirectly owns 40% of Arkos Field Services LP. Consequently, Arkos Field Services LP is a related party to Burckhardt Compression, and the transaction is to be considered as transaction with a related party.

Burckhardt Compression sold its entire service business in the United States to Arkos. Therefore, in line with IAS 28p31A, the gain resulting from this downstream transaction between Burckhardt Compression and its associate (Arkos Field Services LP) was recognized in full in Burckhardt Compression's consolidated income statement 2015.

Burckhardt Compression's service business in the United States, which was sold to Arkos, had sales amounting to CHF 12.3 mn and a local gross profit amounting to CHF 3.2 mn in the year prior to the transaction. As part of the transaction, Burckhardt Compression transferred assets (including goodwill) with a carrying amount of CHF 5.2 mn to Arkos Field Services LP. No liabilities were transferred as part of the transaction.

Furthermore, Burckhardt Compression agreed on the conditions of the potential transfer of the remaining 60% position of Arkos Group LLC with the current owner. On the one hand, Burckhardt Compression received call options on the remaining 60% position of Arkos Group LLC. On the other hand, Burckhardt Compression issued put options on the remaining 60% position of Arkos Group LLC. None of the options are currently exercisable. As neither the call options nor the put options meet the criteria for recognition as financial instrument, they are not recognized on Burckhardt Compression's consolidated balance sheet.

29 Risk management
Burckhardt Compression has an integrated risk management policy. In a two steps process, the Board of Directors identifies key risks in an early stage and assigns them into categories of strategic, financial and operational risks. The risks are then assessed and processed and consistently monitored, avoided or reduced through adequate risk management measures. The first step consists of a continuous risk management process where risks are systematically identified and assessed in a periodic leadership cycle at the larger locations of the Burckhardt Compression Group in order to define and monitor the necessary measures with responsible people and deadlines for the according implementation. The second step consists of a periodic management review which takes place as part of the semiannual meeting of the Audit Committee of the Board of Directors. For this purpose, the CEO prepares an overview of the key risks the Burckhardt Compression Group is exposed to and presents an assessment of the probability of such risks to happen and the impact they could have on the group. The presentation is given to the Audit Committee of the Board of Directors together with adequate measures and responsible people and deadlines to implement these measures. The Audit Committee then informs the full Board about the findings of the risk management review.

30 Events after the balance sheet date
The Board of Directors and the Executive Board were not aware of any significant events occurring after the balance sheet date when the consolidated financial statements were approved on June 1, 2017.

31 Group companies

Company	Registered capital	Interest in capital	Research & development	Manufacturing & Engineering	Contracting	Sales	Service
Burckhardt Compression AG[1] Winterthur, Switzerland	CHF 2'000'000	100%	•	•	•	•	•
Burckhardt Compression Immobilien AG[1] Winterthur, Switzerland	CHF 5'000'000	100%					
Burckhardt Compression (Deutschland) GmbH Neuss, Germany	EUR 30'000	100%				•	•
Burckhardt Compression (Italia) S.r.l. Milan, Italy	EUR 400'000	100%			•	•	•
Burckhardt Compression (France) S.A.S. Cergy Saint Christophe, France	EUR 300'000	100%				•	•
Burckhardt Compression (España) S.A. Madrid, Spain	EUR 550'000	100%				•	•
Burckhardt Compression (UK) Ltd. Bicester, United Kingdom	GBP 250'000	100%				•	•
Burckhardt Compression (US) Inc. Houston, USA	USD 250'000	100%		•	•	•	
Burckhardt Compression (Canada) Inc. Brampton, Canada	CAD 200'000	100%			•	•	•
Burckhardt Compression (Japan) Ltd. Tokyo, Japan	JPY 50'000'000	100%				•	•
Burckhardt Compression (Shanghai) Co. Ltd. Shanghai, China	CNY 14'198'000	100%		•	•	•	•
Burckhardt Compression (India) Private Ltd. Pune, India	INR 331'140'000	100%	•	•	•	•	•
Burckhardt Compression (Brasil) Ltda. São Paolo, Brazil	BRL 5'818'000	100%				•	•
Burckhardt Compression (Middle East) FZE Dubai, United Arab Emirates	AED 2'000'000	100%				•	•
Burckhardt Compression Korea Ltd. Seoul, South Korea	KRW 250'000	100%				•	•
Burckhardt Kompresör San. ve Tic. Ltd. Istanbul, Turkey	TRY 800'000	100%				•	•
Burckhardt Compression Singapore Pte Ltd. Singapore, Singapore	SGD 700'000	100%				•	•
Burckhardt Compression South Africa (Pty) Ltd. Sunnyrock, South Africa	ZAR 3'000'000	100%				•	•
Burckhardt Compression Korea Busan Ltd. Busan, South Korea	KRW 7'000'000'000	100%		•	•	•	
Burckhardt Compression (Saudi Arabia) LLC Dammam, Saudi Arabia	SAR 1'000'000	100%				•	•
Burckhardt Compression North America Service LLC Wilmington, USA	USD 1'800'000	100%					
Burckhardt Compression Tehran SSK Tehran, Iran	IRR 100'000'000	100%				•	•

Company	Registered capital	Interest in capital	Research & development	Manufacturing & Engineering	Contracting	Sales	Service
Shenyang Yuanda Compressor Co. Ltd.[1] Shenyang, China	CNY 94'500'000	60%	•	•	•	•	•
Liaoning Yuanyu Industrial Machinery Co. Ltd. Kaiyuan, China	CNY 39'000'000	60%	•	•			
Shenyang Yuanda Compressor Automatic Control System Co. Ltd. Shenyang, China	CNY 5'000'000	36%			•	•	•
Shenyang Yuanda Compressor Energy Service Co. Ltd. Shenyang, China	CNY 1'000'000	60%				•	•
Shenyang Yuanda Compressor Import and Export Co. Ltd. Shenyang, China	CNY 1'000'000	60%				•	•
Shenyang Yuanda Shengda Turbine Compressor Co. Ltd.[2] Shenyang, China	CNY 100'000'000	24%			•	•	•
Shunyuan Resources Recycling Equipment Industry (Liaoing) Co. Ltd.[2] Shenyang, China	CNY 65'000'000	24%				•	•
Compressor Tech Holding AG[1] Zug, Switzerland	CHF 200'000	100%					
PROGNOST Systems GmbH Rheine, Germany	EUR 200'000	100%	•	•	•	•	•
PROGNOST Systems Inc. Houston, USA	USD 240'000	100%		•		•	•
Société d'Application du Métal Rouge SAS Pont Sainte Marie Cedex, France	EUR 501'000	100%	•	•		•	•
Arkos Group LLC[2] Houston, USA	USD 26'250'000	40%					
Arkos Field Services LP[2] Houston, USA	–	40%	•	•	•	•	•
Arkos Realty & Investments LP[2] Houston, USA	–	40%					
Precision Arkos Machine, LP[2] Houston, USA	–	28%				•	•

[1] Company is directly held by Burckhardt Compression Holding AG. All other companies are indirectly held by Burckhardt Compression Holding AG.
[2] Company is accounted for using the equity method. All other companies are fully consolidated.

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Report of the statutory auditor

to the General Meeting of Burckhardt Compression Holding AG Winterthur

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Burckhardt Compression Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 March 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 72 to 107) give a true and fair view of the consolidated financial position of the Group as at 31 March 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 2,600,000

We concluded full scope audit work at five group companies in four countries. At one reporting unit, we performed an audit of specific accounts. Our audit scope addressed around 82% of the net revenue and 78% of the assets of the Group. The remaining companies were addressed by analytical reviews at Group level.

As key audit matters, the following areas of focus were identified:

- Impairment testing of goodwill
- Acquisition of Shenyang Yuanda Compressor Co. Ltd. (SYCC)

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Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor, the component auditors in the PwC network and third parties. The Group auditor performed the audit of the consolidation, disclosures and presentation of the consolidated financial statements, the goodwill and the acquisition of SYCC. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. Our involvement comprised reviewing the reporting, taking part in telephone calls with the component auditors during the interim audit and the year-end audit, communicating the risks identified at Group level and determining the materiality thresholds for the audits performed by component auditors.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 2,600,000
How we determined it	5% of profit before income tax
Rationale for the materiality benchmark applied	We chose profit before income tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. In addition, profit before income tax is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 250,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of goodwill

Key audit matter	*How our audit addressed the key audit matter*
The impairment testing of goodwill was deemed a key audit matter for the following two reasons: Goodwill is a significant asset category on the balance sheet (CHF 85.2 million). Goodwill is not regularly amortised but tested for impairment on an annual basis. In calculating the value-in-use for these tests, the Board of Directors and Management have significant scope for judgement in determining assumptions regarding future revenue and margin growth and the discount rate to be applied to the expected cash flows, in specifying the cash generating units (CGUs) and in allocating the goodwill and net operating assets to the CGUs. Management applied an established process in forecasting cash flows. The Board of Directors monitored adherence to this process and approved the impairment test conducted by Management. Please refer to page 77 and 78 (Accounting Principles – Intangible assets and Impairment of non-financial assets), page 85 (Critical accounting estimates and judgements – Impairment of goodwill) and pages 95 and 96 (Impairment tests for goodwill) in the notes to the consolidated financial statements.	In our audit of goodwill, we performed the following main audit procedures: • We compared sales, gross profit and EBIT of the year under review with the figures used for the previous year's impairment test. The aim was to identify any forecasts that in retrospect appeared too optimistic. • We checked for plausibility the key assumptions applied by Management in the impairment test (sales and margin growth and the discount rate) and the change in net working capital. • We assessed the specification of the CGUs taking into account IFRS accounting standards and our knowledge of the organisation, of the structure and of the governance of the Group. • We assessed the appropriateness of the procedure for allocating goodwill and net operating assets to both CGUs. • We analysed the individual parameters of the discount rate and compared them with analogous companies. • Further, we assessed the technical appropriateness and arithmetical correctness of the valuation model. • We re-performed the sensitivity analyses carried out by Management. Additionally, we performed our own sensitivity analyses using different discount rates, revenues and margins. These analyses enabled us to assess any potential impairment of the goodwill. We consider the valuation process and the assumptions applied by Management to be an appropriate and adequate basis for the impairment testing of the goodwill recognised as at 31 March 2017.

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Acquisition of Shenyang Yuanda Compressor Co. Ltd. (SYCC)

Key audit matter	*How our audit addressed the key audit matter*
On 13 May 2016 Burckhardt Compression Holding AG acquired a 60% share of Shenyang Yuanda Compressor Co. Ltd. (SYCC), headquartered in Shenyang (China). The purchase price was CHF 134.9 million and the provisional calculation of goodwill amounted to CHF 64.8 million. The assessment of the acquisition of SYCC was deemed a key audit matter because of the critical estimates made by Management in relation to the opening balance sheet. In particular, the identification and valuation of intangible assets, the calculation of the fair value of inventories and the determination of goodwill involved significant scope for judgement. Please refer to page 77 (Accounting Principles – Business combinations) and page 86 and 87 (Business combinations and other changes in the scope of consolidation) in the notes to the consolidated financial statements.	We assessed whether amounts reported in the opening balance sheet as at 13 May 2016 had been identified in line with the purchase agreement and recognised according to the provisions of IFRS 3 'Business Combinations'. The main audit procedures we performed were as follows: • We assessed the competence and independence of the experts commissioned to provide the purchase price allocation report. • For the assessment of the purchase price allocation report, we involved our own internal valuation experts, who specifically performed the following: – Assessment of the discount rate. – Comparison with analogous transactions and market data of the customer turnover rates and royalty rates used, as applicable, in the valuation of the customer relationships, the order book and the brands and technologies. – Assessment of the method used to calculate the fair value of the inventories. – Assessment of the technical appropriateness and arithmetical correctness of the valuation report. • We checked whether the transaction was recognised and disclosed in the consolidated financial statements in accordance with the provisions of IFRS 3 'Business Combinations'. The results of our audit corroborate the assumptions and the budget figures used by Management in the valuation of the intangible assets, the inventories and the goodwill in the opening balance sheet of SYCC and the presentation of the acquisition in the consolidated financial statements.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the compensation report of Burckhardt Compression Holding AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are

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responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate to the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen	Oliver Illa
Audit expert Auditor in charge	Audit expert

Winterthur, 1 June 2017

FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

BALANCE SHEET

in CHF 1'000	Notes	03/31/2017	03/31/2016
Current assets			
Cash and cash equivalents		798	30'846
Other current receivables due from third parties		409	3
Short-term loans to group companies		–	29'800
Total		**1'207**	**60'649**
Non-current assets			
Financial assets			
– Long-term loans to group companies		39'466	106'600
– Investments in group companies	102	171'781	36'877
Total		**211'247**	**143'477**
Total assets		**212'454**	**204'126**
Short-term liabilities			
Trade payables due to third parties		2	2
Accrued expenses and deferred income		219	269
Short-term provisions		–	349
Total		**221**	**620**
Equity			
Share capital	103	8'500	8'500
Legal reserves from retained earnings		1'700	1'700
Free reserves from retained earnings			
– Profit brought forward		160'995	193'736
– Net income		47'620	1'209
Treasury shares	104	–6'582	–1'639
Total		**212'233**	**203'506**
Total equity and liabilities		**212'454**	**204'126**

INCOME STATEMENT

in CHF 1'000	2016	2015
Income		
Dividend income from group companies	47'800	–
Interest income from group companies	508	2'270
Income from services provided to group companies	192	192
Total	**48'500**	**2'462**
Expenses		
Operating expenses	–1'328	–1'311
Direct Taxes	448	58
Total	**–880**	**–1'253**
Net income	**47'620**	**1'209**

NOTES TO THE FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

101 Accounting policies

The financial statements as per March 31, 2017 are in compliance with the requirements of Swiss corporate law.

The financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO).

The following disclosures are not being made separately in the statutory financial statement pursuant to Art. 961d (1) CO as Burckhardt Compression Holding AG is presenting consolidated financial information according to IFRS:

– Additional disclosures in the notes (auditor's fee; disclosure on non-current interest-bearing liabilities)
– Cash flow statement
– Management report

The treasury shares are recorded at cost and are shown as minus position in equity.

Burckhardt Compression Holding AG uses derivative financial instruments exclusively as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable future transaction (cash flow hedges). At inception of the hedge, Burckhardt Compression Holding AG documents the hedging relationship and the effectiveness between the hedging instrument and the hedged item.

The derivative financial instruments are off-balance sheet items.

All the values in the annual financial statements are reported in thousand Swiss Francs (TCHF) unless otherwise indicated.

Burckhardt Compression Holding AG's fiscal year 2016 comprises the period from April 1, 2016 to March 31, 2017.

102 Subsidiaries

The equity interests held directly and indirectly by Burckhardt Compression Holding AG are shown in note 31 "Group companies" and note 12 "Investments in associates".

103 Share capital and shareholders

The share capital amounts to CHF 8'500'000 and is composed of 3'400'000 shares, each with a nominal value of CHF 2.50. All shares are registered shares and are paid in full. The Board of Directors is empowered to increase the company's share capital by a maximum of CHF 1'275'000 at any time until July 1, 2017 by issuing a maximum of 510'000 fully paid registered shares with a nominal value of CHF 2.50 each (authorized capital).

No person will be registered in the Share Register as shareholder with voting rights with respect to more than five percent of the issued share capital. This entry restriction is also applicable to persons whose shares are totally or partially held by nominees. This restriction is also valid if shares are purchased when practicing subscription, warrant and conversion rights, with the exception of shares acquired by succession, distribution of inheritance or matrimonial regime. Legal entities and partnerships associated with each other by uniformly managed capital or votes or in any other way, as well as private and legal entities or partnerships, which form an association to evade the entry restriction, are regarded as one person.

Individual persons, who have not expressly declared in the application of entry that they hold the shares for their own account (Nominees), will be entered in the Share Register with voting rights, if the Nominee concerned establishes his subordination to an accredited banking supervision and securities authority, and if he/she has concluded an agreement with the Board of Directors of the company concerning his/her position. Nominees holding two or less than two percent of the issued shares will be entered in the Share Register with voting rights without an agreement with the Board of Directors. Nominees holding more than two percent of the issued shares will be entered in the Share Register with two percent voting rights and, for the remaining shares, without voting right. Above this limit of two percent, the Board of Directors may enter in the Share Register Nominees with voting rights if they disclose the names, addresses, nationality, and shareholdings of the persons for whom they hold more than two percent of the issued shares.

As of March 31, 2017, there is no such declaration between a nominee-shareholder and the board of directors.

Shareholder groups which had existed before June 23, 2006 are excluded from the voting rights restrictions.

According to information available to the company from the disclosure notifications of the SIX Swiss Exchange Ltd., the following shareholders reported shareholdings of at least 3% of the share capital and voting rights as of March 31, 2017 (according to the statutory bylaws the voting rights of NN Group N.V. and J O Hambro Capital Management Limited are limited to 5% of the total number of the registered BCHN shares recorded in the commercial register):

Shareholders		03/31/2017	03/31/2016
	Country	% of shares	% of shares
MBO Aktionärsgruppe	CH	12.40	12.40
NN Group N.V. (former ING Groep N.V.)	NL	6.90	6.90
J O Hambro Capital Management Limited	GB	5.10	3.70
TIAA-CREF Investment Management	US	4.95	5.40
Atlantic Value General Partner Limited (Mondrian)	GB	4.99	5.00
UBS Fund Management (Switzerland) AG	CH	3.01	3.00
Ameriprise Financial Inc.	US	3.10	3.10
Oppenheimer Funds	US	3.00	3.50

As per March 31, 2017 the members of the Executive Board and the non-executive members of the Board of Directors (and related persons), owned the following numbers of shares of Burckhardt Compression Holding AG:

		03/31/2017	03/31/2016
Name	Position	Total shares	Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'026	203'026
Hans Hess	Deputy Chairman	5'493	5'493
Dr. Stephan Bross	Member	45	45
Dr. Monika Krüsi	Member	815	815
Urs Leinhäuser	Member	910	710
Total		**210'289**	**210'089**
Executive Board			
Marcel Pawlicek	CEO	42'111	44'045
Rolf Brändli	CFO	1'054	1'054
Sandra Pitt	CHRO	–	–
Fabrice Billard[3]	COO Systems Division	220	–
Martin Wendel[2]	COO Services Division	100	–
Rainer Dübi[1]	VP Design & Manufacturing	N/A	202
René Guthauser[1]	VP Quality & Infrastructure	N/A	603
Keven Li[1]	MD Burckhardt Compression (Shanghai) Co., Ltd.	N/A	765
Narasimha Rao[1]	MD Burckhardt Compression (India) Pvt. Ltd.	N/A	150
Marco Scanderbeg[1]	VP Marketing & Communications	N/A	500
Dr. Daniel Schillinger[1]	VP Sales Compressor Systems	N/A	157
Matthias Tanner[1]	VP Contracting	N/A	37
Robert Züst[1]	VP Components, Services & Support	N/A	872
Total		**43'485**	**48'385**
Total		**253'774**	**258'474**
In % of total shares		7.5%	7.6%

[1] Member of the Executive Board until May 31, 2016
[2] Member of the Executive Board as from September 1, 2016
[3] Member of the Executive Board as from October 1, 2016

104 Treasury shares

	2016	2015
Number at 04/01/2016 / 04/01/2015	5'016	490
Purchases	20'000	5'445
Sales	–50	–919
Number at 03/31/2017 / 03/31/2016	24'966	5'016

The treasury shares have been purchased at an average price of CHF 246.70 per share. The average selling price did amount to CHF 333.59.

Further disclosures pursuant to Article 959c par. 2 of the Swiss Code of Obligations:

Full-time employees

Burckhardt Compression Holding AG does not employ any employees.

Liabilities to pension funds

in CHF 1'000	03/31/2017	03/31/2016
Total liabilities to pension funds	–	–

Net release of undisclosed reserves

in CHF 1'000	03/31/2017	03/31/2016
Net release of undisclosed reserves	–	–

Derivative financial instruments

in CHF 1'000	03/31/2017	03/31/2016
Forward foreign exchange contracts (negative current fair value on cash flow hedge)	–	–2'676

Guarantees

in CHF 1'000	03/31/2017	03/31/2016
Guarantees	114'818	112'435

Burckhardt Compression Holding AG issues advance payment guarantees and performance bonds in the name of Burckhardt Compression AG and in favor of a small number of selected customers. In addition, standing guarantees have been given to secure credit lines and guarantee limits granted by foreign banks.

The credit lines and guarantee facilities extended to Burckhardt Compression AG by financial institutions do not require any assets or shares of Burckhardt Compression Holding AG to be pledged as collateral.

Remuneration of the Board of Directors and the Executive Board

Type and amount of remuneration of the members of the Board of Directors and the Executive Board as well as the principles and basic elements of the company's compensation policy are depicted and explained in the compensation report on pages 61 to 69.

Events after the balance sheet date

There were no additional events after the balance sheet date which affect the annual results or would require an adjustment to the carrying amounts of Burckhardt Compression Holding AG's assets and liabilities.

Carry-forward and appropriation of earnings

in CHF 1'000	2016	2015
Retained earnings at the beginning of the period	160'945	193'731
Undistributed dividend on treasury shares	50	5
Net income of the year	47'620	1'209
Retained earnings at the disposal of the Annual General Meeting	**208'615**	**194'945**
The Board of Directors proposes the following appropriation		
– Gross dividend	–23'800	–34'000
Retained earnings carried forward	**184'815**	**160'945**

The Board of Directors will propose payment of a gross dividend of CHF 7.00 per registered share at the Annual General Meeting of Shareholders on July 1, 2017.

	2016	2015	2014
Gross dividend	7.00	10.00	10.00
Less 35% withholding tax	–2.45	–3.50	–3.50
Net dividend	**4.55**	**6.50**	**6.50**

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will take place at 10.00 am on Saturday, July 1, 2017 at the Park Arena, Barbara-Reinhart-Strasse 24, 8404 Winterthur, Switzerland.

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Report of the statutory auditor

to the General Meeting of Burckhardt Compression Holding AG Winterthur

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Burckhardt Compression Holding AG, which comprise the balance sheet as at 31 March 2017, income statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 114 to 118) as at 31 March 2017 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 2,120,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

Impairment testing of investments in subsidiaries

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Audit scope
We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 2,120,000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant and generally accepted benchmark against which holding companies can be assessed.

We agreed with the Audit Committee that we would report to them misstatements above CHF 212,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment testing of investments in subsidiaries

Key audit matter	*How our audit addressed the key audit matter*
Investments in subsidiaries is a significant asset category on the balance sheet (CHF 171.8 million). In order to test for impairment of investments, that is, to identify investments whose book value is higher than the net value of the underlying assets, Management carries out valuations using the capitalised earnings method or the DCF method. Doing so involves significant scope for judgement, particularly in determining the assumptions to be used concerning future business results and the discount rate to apply to the forecasted profits or cash flows. Please refer to page 115 (Subsidiaries) in the notes to the financial statements.	In our audit of investments in subsidiaries, we performed in particular the following audit procedures: We compared the book value of the investments in the year under review with their pro-rata share of each company's net assets or, in the case of the investment in the Shenyang Yuanda Compressor Co. Ltd., with the acquisition price paid. We consider the valuation process and the assumptions used to be an appropriate and adequate basis for the impairment testing as at 31 March 2017.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate to the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen	Oliver Illa
Audit expert Auditor in charge	Audit expert

Winterthur, 1 June 2017

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The statements in this review relating to matters that are not historical facts are forward-looking statements that are not guarantees of future performance and involve risks and uncertainties, including but not limited to: future global economic conditions, foreign exchange rates, regulatory rules, market conditions, the actions of competitors and other factors beyond the control of the company.

This Annual Report is published in German and English and is also available on the internet under www.burckhardtcompression.com/financial-reports as an online version. The printed German version is binding. The financial report is available in English only.

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Overview key figures

OVERVIEW KEY FIGURES

in CHF mn	2007	2008	2009	2010	2011
Order intake:					
– Systems Division	326.5	296.8	171.3	235.9	259.3
– Services Division	100.2	93.1	114.6	126.6	145.6
Total	426.7	389.9	285.9	362.5	404.9
Sales and gross profit:					
– Systems Division					
Sales	260.8	308.7	241.5	222.5	206.0
Gross profit	85.9	87.6	80.7	51.9	59.2
in % of sales	32.9%	28.4%	33.4%	23.3%	28.7%
– Services Division					
Sales	107.2	115.8	101.7	133.1	122.9
Gross profit	50.7	58.6	46.2	63.7	63.1
in % of sales	47.3%	50.6%	45.4%	47.9%	51.3%
Total					
Sales	368.0	424.5	343.2	355.6	328.9
Gross profit	136.6	146.2	126.9	115.6	122.3
in % of sales	37.1%	34.4%	37.0%	32.5%	37.2%
Operating income (EBIT)	89.8	94.3	74.2	61.5	64.8
in % of sales	24.4%	22.2%	21.6%	17.3%	19.7%
Net income attributable to shareholders of Burckhardt Compression	68.0	72.8	56.0	45.1	50.5
in % of sales	18.5%	17.1%	16.3%	12.7%	15.4%
Depreciation and amortization	5.4	6.9	9.5	9.9	10.6
Cash flow:					
– from operating activities	66.9	82.5	58.8	61.6	74.5
– from investing activities	–57.7	6.5	–88.8	–12.9	–9.2
– from financing activities (incl. translation differences)	–5.3	–22.4	18.1	–18.6	–24.2
Total	3.9	66.6	–11.8	30.1	41.1
Total balance sheet assets	359.7	431.0	470.0	502.4	530.7
Non-current assets	71.3	79.1	157.3	156.2	156.6
Current assets	288.5	351.9	312.7	346.2	374.1
Shareholders' equity	165.5	203.9	234.9	258.0	282.8
in % of total balance sheet assets	46.0%	47.3%	50.0%	51.3%	53.3%
Net financial position	83.7	123.3	66.5	95.0	135.4
Headcount as per end of fiscal year (full-time equivalents)	819	916	891	917	983
Total remuneration Board of Directors (in TCHF)	230.0	306.0	373.0	435.0	422.0
Total remuneration Executive Board (in TCHF)	3'231.0	3'696.0	3'345.0	3'949.0	3'466.0
Share price as per end of fiscal year (in CHF)	317.00	106.00	208.00	289.25	247.50
Market capitalization (in CHF mn)	1'077.8	360.4	707.2	983.5	841.5
Market capitalization/shareholders' equity (ratio)	6.5	1.8	3.0	3.8	3.0
Net income per share (EPS) (in CHF)	20.00	21.46	16.68	13.56	15.22
Dividend per share (in CHF)	6.00	6.00	5.00	5.00	7.00

in CHF mn	2012	2013	2014	2015	2016
Order intake:					
– Systems Division	272.7	386.3	355.6	351.4	280.6
– Services Division	155.1	130.8	158.5	171.8	194.3
Total	427.8	517.1	514.1	523.2	474.9
Sales and gross profit:					
– Systems Division					
Sales	215.7	292.9	327.1	332.4	367.2
Gross profit	57.6	68.2	78.2	73.0	36.5
in % of sales	26.7%	23.3%	23.9%	22.0%	9.9%
– Services Division					
Sales	151.0	152.1	146.5	154.8	190.5
Gross profit	78.4	71.0	74.6	78.7	94.0
in % of sales	51.9%	46.7%	50.9%	50.8%	49.4%
Total					
Sales	366.7	445.0	473.6	487.2	557.7
Gross profit	136.0	139.2	152.8	151.7	130.5
in % of sales	37.1%	31.3%	32.3%	31.1%	23.4%
Operating income (EBIT)	73.3	70.2	74.6	73.0	61.1
in % of sales	20.0%	15.8%	15.7%	15.0%	11.0%
Net income attributable to shareholders of Burckhardt Compression	54.9	53.9	57.6	55.5	37.9
in % of sales	15.0%	12.1%	12.2%	11.4%	6.8%
Depreciation and amortization	11.1	11.8	14.4	15.3	23.4
Cash flow:					
– from operating activities	36.3	58.2	46.8	40.7	47.0
– from investing activities	–19.3	–14.2	–26.6	–63.1	–147.9
– from financing activities (incl. translation differences)	–12.0	–32.0	–43.7	–30.8	50.9
Total	5.0	12.0	–23.5	–53.2	–50.4
Total balance sheet assets	594.4	645.9	681.4	708.0	927.2
Non-current assets	167.1	165.9	183.8	247.2	373.8
Current assets	427.3	480.0	497.5	460.8	553.4
Shareholders' equity	325.4	358.5	338.6	355.1	357.2
in % of total balance sheet assets	54.7%	55.5%	49.7%	50.2%	38.5%
Net financial position	150.8	165.8	151.3	93.2	–67.2
Headcount as per end of fiscal year (full-time equivalents)	1'078	1'232	1'385	1'432	2'107
Total remuneration Board of Directors (in TCHF)	520.1	498.3	504.0	513.0	492.0
Total remuneration Executive Board (in TCHF)	4'629.5	4'889.0	4'911.0	4'499.0	2'461.0
Share price as per end of fiscal year (in CHF)	355.25	460.00	375.50	329.75	271.25
Market capitalization (in CHF mn)	1'207.9	1'564.0	1'276.7	1'121.2	922.3
Market capitalization/shareholders' equity (ratio)	3.7	4.4	3.8	3.2	2.6
Net income per share (EPS) (in CHF)	16.42	15.87	16.93	16.34	11.20
Dividend per share (in CHF)	9.00	10.00	10.00	10.00	7.00

Burckhardt Compression

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