



ANNUAL REPORT 2017

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, broad portfolio of compressor components and the full range of services help customers around the world to find the optimized solution for their reciprocating compressor systems. Since 1844 its highly skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.

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TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

As expected, 2017 was a challenging year for our business. Nevertheless, we can report an increase in both order intake and sales. Our margins met our expectations for the 2017 fiscal year, but are significantly lower than our targets for the coming years.

Order intake: growth in both divisions Consolidated order intake amounted to CHF 525.2 mn, which is 10.6% higher than a year previously. Excluding currency translation effects, there was a rise of 10.3%. The Systems Division accounted for CHF 319.8 mn of total order intake, or 14.0% more than in the previous year. This increase is explained primarily by the strong petrochemical and refinery business. Meanwhile, orders received in the Services Division rose by 5.7% to CHF 205.4 mn thanks mainly to good growth in the engineering business.

Another increase in sales Burckhardt Compression Group achieved further growth in fiscal year 2017, booking CHF 594.6 mn in sales (plus 6.6%). The Services Division (plus 10.3%) as well as the Systems Division (plus 4.7%) contributed. Excluding currency translation effects, sales increased by 6.4%.

Operating income within guidance Gross profit of CHF 125.1 mn was 4.2% below the figure reported for the previous year (CHF 130.5 mn). This resulted in a gross margin of 21.0% (previous year: 23.4%). The decline in the Systems Division's gross margin from 9.9% to 7.1% was mainly due to one-time costs in the LNGM business and the sharp rise in material prices, especially in China. Gross profit at the Services Division went up again to CHF 97.9 mn, which is CHF 3.9 mn higher than in the previous year; the gross profit margin was 46.6%, lower than in 2016 (49.4%), primarily because of changes in the product mix.

Operating income amounted to CHF 41.7 mn, or 7.0 percent of sales, down CHF 6.0 mn on the prior-year figure. The Systems Division reported a substantially higher operating loss of CHF -9.0 mn, compared with CHF -1.5 mn in 2016. The Services Division achieved operating income of CHF 54.4 mn, compared with CHF 53.0 mn a year previously.

Consolidated net income amounted to CHF 29.0 mn, 10.6% less than in the previous fiscal year. Net income per share amounted to CHF 8.51 (previous year CHF 9.12).

Equity base even stronger Total assets at the end of the reporting period amounted to CHF 797.6 mn, which represents a reduction of 1.7%, or CHF 13.4 mn, on the year-back figure. Current and non-current assets both decreased. The equity ratio increased from the previous year's 39.1% to 42.0%. The net financial position at the end of the fiscal year came to CHF -62.1 mn, a slight improvement of CHF 5.2 mn compared to end-March 2017.

Market position maintained, further cost savings realized Despite the very competitive environment, Burckhardt Compression successfully defended its market leadership position in the reciprocating compressor systems market. The Services Division continued to expand its market position and achieved largely organic sales growth of 10.3%. It also moved further into additional markets including Argentina and the Nordic countries. Further progress was made on the cost-saving and optimization projects started some time ago, such as Value Engineering and Best-Cost Countries. Overall costs for compressors were reduced as a result.

Mid-Range Plan for 2018–2022 approved The Mid-Range Plan adopted in December 2017 sets different priorities for the two divisions for the next five fiscal years. The Systems Division is focusing mainly on improving profitability while maintaining global market leadership, whereas the Services Division is aiming for significant growth. The first priority for growth is service business involving compressors made by other manufacturers. This will be built up with the help of operational initiatives, including the implementation of a global ERP platform, the further expansion of our local and regional presence, and the expansion of service structures for the marine business. Ongoing digitalization will be used for new services and applications in both divisions. The Systems Division is aiming for sales of CHF 340 mn by 2022, with an EBIT margin of 0% to 5%, while the Services Division is targeting sales of CHF 360 mn and an EBIT margin of 20% to 25%. This strategy is based mainly on organic growth, which includes the complete takeover of Shenyang Yuanda Compressor and Arkos Field Services.

Outlook for fiscal 2018 We believe that key sales markets will continue to recover in fiscal year 2018, making customers more willing to invest. With sales expected to match the 2017 level, we expect a slight increase in operating income and net profit.

Dividend The Board of Directors will propose a dividend of CHF 6.00 per share (CHF 7.00 in the previous year) at the annual general meeting. This corresponds to a payout ratio of 70.5% of net income (previous year according to Swiss GAAP FER 76.8%), which is at the upper end of the targeted range of 50% to 70%.


First annual accounts according to Swiss GAAP FER Standard The annual financial statements contained in this report are the first to be based on the Swiss GAAP FER accounting standard. Prior-year figures (fiscal year 2016) have been recalculated on the basis of this standard to provide proper comparability between this year and last.

Thank you The Board of Directors and Executive Board would like to thank our approximately 2'200 employees around the world for their exceptionally motivated and greatly valued work during the year under review. We would like to thank our over 4'000 shareholders for the confidence they have shown in us, even in times that have not been easy for the company. Special thanks also to our customers and suppliers for the long-term relationship, in a spirit of mutual respect.

Yours sincerely,



Valentin Vogt
Chairman of the Board of Directors



Marcel Pawlicek
CEO

Winterthur, May 29, 2018



Valentin Vogt



Marcel Pawlicek

MILESTONES 2017



New Mid-Range Plan launched

At the start of January 2018, Burckhardt Compression presented investors its new Mid-Range Plan for fiscal years 2018 to 2022. The main objectives are to improve profitability while maintaining global market leadership in the Systems Division, and to secure significant growth in the Services Division. The latter is to be achieved through the ongoing expansion of our local and regional presence, as well as by creating service structures for the marine business.

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New sales office in Argentina

Burckhardt Compression opened a sales office in Buenos Aires, Argentina, at the start of 2018. In addition to Argentina, the new South American office covers Chile, Uruguay, Paraguay and Bolivia.

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Opening of the Global Support Center in India

Burckhardt Compression opened its new Global Support Center in Pune, India, in August 2017. The center provides the company with support in IT, engineering, contracting and sales, helping to lower costs and extended response times.

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Service Center Nordics

The new Service Center opened in Kungälv near Gothenburg, Sweden, in collaboration with Kompressor-teknik ML AB, repairs and services reciprocating compressors made by Burckhardt Compression and other manufacturers. This brings the company closer to customers in the Nordic countries, allowing it to be more responsive to their needs.

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Stronger presence in Canada

Burckhardt Compression took over Canadian company CSM Compressor Supplies & Machine Work Ltd., which is based in Edmonton and Drumheller, Alberta, in June 2017. This acquisition expands our service infrastructure in Western Canada. CSM can look back on 35 years of experience in the spare parts and repair business. The acquisition allows further development of our presence in the market for servicing compressors in Canadian upstream business.

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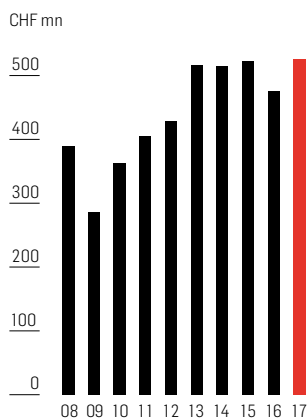
First service contracts for ships with remote diagnostics

During the year under review, Burckhardt Compression signed multiyear service agreements with several operators of LNG tankers; these agreements include remote diagnosis of Laby®-GI Compressors with PROGNOST-NT systems. PROGNOST remote diagnostics systems provide seamless monitoring of the mechanical condition of the equipment, as well as of the gas compression in all cylinders. If there are any irregularities in the operation of the compressors, it will be displayed on the ship and the PROGNOST Systems Customer Support phone line can be called around the clock.

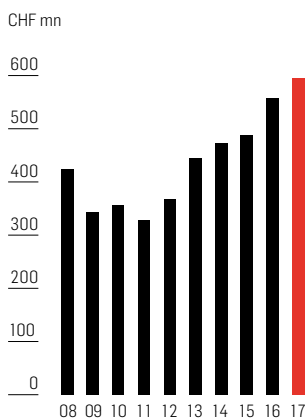
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FIGURES AT A GLANCE¹

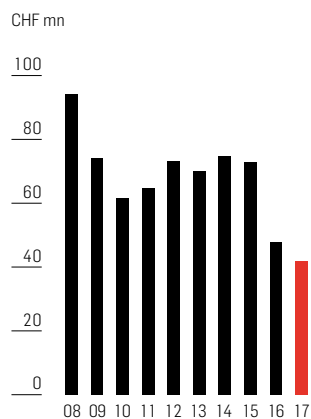
ORDER INTAKE



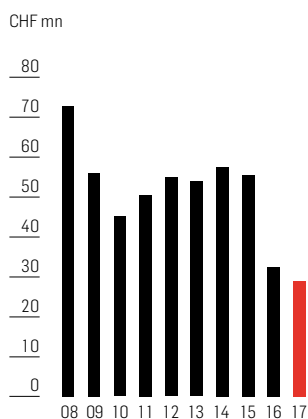
SALES



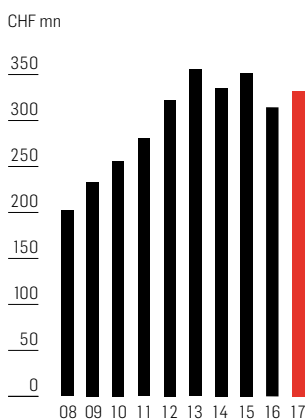
OPERATING INCOME (EBIT)



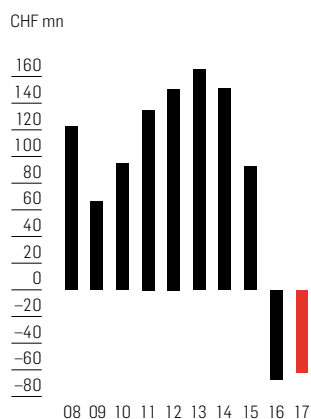
NET INCOME



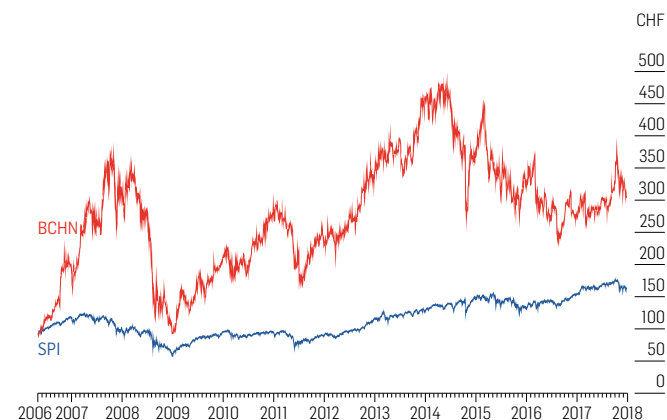
SHAREHOLDERS' EQUITY



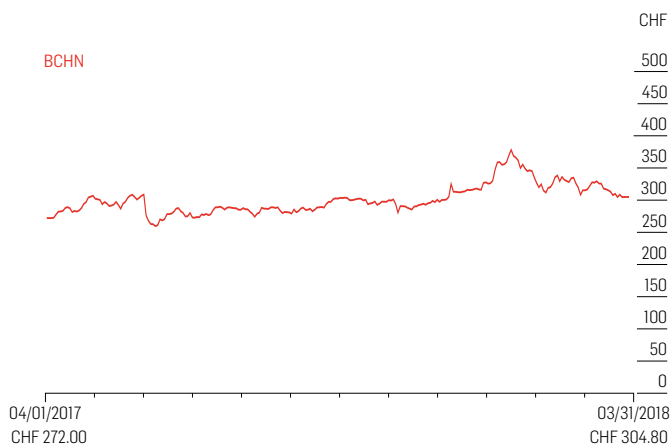
NET FINANCIAL POSITION



SHARE PRICE SINCE IPO



FISCAL YEAR 2017



¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017. The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under preview.

		2015	2016 ¹	2017 ¹	Change 2016/2017
in CHF mn					
Order intake:					
– Systems Division		351.4	280.6	319.8	14.0%
– Services Division		171.8	194.3	205.4	5.7%
Total		523.2	474.9	525.2	10.6%
Sales and gross profit:					
– Systems Division	Sales	332.4	367.2	384.4	4.7%
	Gross profit	73.0	36.5	27.2	–25.5%
	in % of sales	22.0%	9.9%	7.1%	
– Services Division	Sales	154.8	190.5	210.2	10.3%
	Gross profit	78.7	94.0	97.9	4.1%
	in % of sales	50.8%	49.4%	46.6%	
Total	Sales	487.2	557.7	594.6	6.6%
	Gross profit	151.7	130.5	125.1	–4.2%
	in % of sales	31.1%	23.4%	21.0%	
Operating income (EBIT)		73.0	47.7	41.7	–12.7%
in % of sales		15.0%	8.6%	7.0%	
Net income		55.5	32.5	29.0	–10.6%
in % of sales		11.4%	5.8%	4.9%	
Depreciation and amortization		15.3	20.4	21.3	4.4%
Cash flow:					
– from operating activities		40.7	45.9	44.4	–3.3%
– from investing activities		–63.1	–146.8	–17.2	
– from financing activities (incl. translation differences)		–30.8	50.5	–27.0	
Total		–53.2	–50.4	0.2	
Total balance sheet assets		708.0	811.0	797.6	–1.7%
Non-current assets		247.2	257.6	251.8	–2.2%
Current assets		460.8	553.4	545.8	–1.4%
Shareholders' equity		355.1	317.1	335.2	5.7%
in % of total balance sheet assets		50.2%	39.1%	42.0%	
Net financial position (in CHF mn)		93.2	–67.2	–62.1	
Headcount as per end of fiscal year (full-time equivalents)		1'432	2'107	2'214	5.1%
Total remuneration Board of Directors (in TCHF)		513.0	492.0	569.0	15.7%
Total remuneration Executive Board (in TCHF)		4'499.0	2'461.0	2'378.0	–3.4%
Share price as per end of fiscal year (in CHF)		329.75	271.25	304.80	12.4%
Market capitalization (in CHF mn)		1'121.2	922.3	1'036.3	12.4%
Market capitalization/shareholders' equity (ratio)		3.2	2.9	3.1	6.3%
Net income per share (EPS) (in CHF)		16.34	9.12	8.51	–6.7%
Dividend per share (in CHF)		10.00	7.00	6.00	–14.3%
Number of issued shares		3'400'000	3'400'000	3'400'000	

¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017.

The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under preview.

OUR COMPANY

HISTORY

Our company history began 174 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. The company celebrated its 150th anniversary in 1994. 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 at the end of the year under review it was one of the 90 largest listed companies in Switzerland by market capitalization.

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. In December 2017, Burckhardt Compression signed off its Mid-Range Plan for fiscal years 2018 to 2022. This sets the company's strategic direction for the next five years and defines its targets.

VISION AND MISSION

While developing its 2018–2022 Mid-Range Plan, Burckhardt Compression formulated a new vision for the whole group as well as a specific mission for each division.

Vision

We are our customers' first choice for gas compression solutions across the entire product life cycle.

Mission

Systems Division: We deliver the optimum gas compression solution for each customer.

Services Division: We create customer convenience and trust while ensuring the reliability and efficiency of our customers' compressors across the entire product cycle.

BURCKHARDT COMPRESSION BRAND

Burckhardt Compression and its umbrella brand 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 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" in the previous fiscal year and issued the revised policy document as "Values and Behaviors". This sets out the basic principles of our corporate culture and takes into account the intensified and increasingly virtual way that our various global companies and locations collaborate with each other. In this context it is vital that all our employees share a common understanding of the values and principles that guide our actions.

STRATEGY AND MID-RANGE TARGETS

Burckhardt Compression is the world's leading manufacturer of reciprocating compressors, with two divisions, Systems and Services. A new Mid-Range Plan for the next five fiscal years (2018 to 2022) was developed during the year under review. This states that Burckhardt Compression will continue to expand its market position through organic growth and selective acquisitions, with the ultimate objective of strengthening its market leadership. In the service business in particular, geographic presence and proximity to customers are the keys to success, which is why the Group acquired Canadian company CSM Compressor Supplies & Machine Work Ltd. during the year under review. In the compressor systems business, the Mid-Range Plan includes a selective expansion of activities to new applications. For example, Shenyang Yuanda Compressor, the company in which a 60% interest was acquired in 2015, enhances the Group's offering of compressors for coal-to-chemical and fertilizer applications in China.

Mid-Range Plan for 2018 to 2022

The new Mid-Range Plan was signed off by the Board of Directors at the beginning of December 2017 and presented to investors on January 9, 2018. It targets overall sales of around CHF 700 mn for fiscal 2022, with a more or less even split between the two divisions, and an EBIT margin of 10% to 15%.

The Systems Division, which will focus on improving profitability while maintaining its global market leadership, is targeting sales for 2022 of CHF 340 mn, with an EBIT margin of 0% to 5%. Global sourcing will be intensified and cost-cutting pro-

grams will be continued. The division will also diversify its presence in the various market segments and introduce new applications.

The Services Division intends to grow its sales, including sales by Arkos Field Services, to CHF 360 mn by 2022. It has targeted a range of 20% to 25% for its EBIT margin. The division's growth priorities lie in service business for compressors made by other manufacturers. To ensure continued success in this area, Burckhardt Compression will launch further operational initiatives, implementing a global ERP platform, for example, expanding its local and regional footprints, and further improve service structures geared to the marine business.

In both divisions, digitalization will be used to support new business models, applications and optimized production.

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 technological 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 Board", which is headed by the members of the Executive Board.

MAIN APPLICATIONS

Upstream oil & gas

Despite increasing energy efficiency, global demand for energy is growing, spurring efforts to discover new deposits of oil and gas as well as new ways of improving recovery from existing wells. 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 provides onshore and offshore solutions for several 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 burnt off, polluting the surrounding environment and atmosphere. These gases often contain aggressive, sulfuric components and Burckhardt Compression is an expert at building compressors for compressing such gases. In deepwater applications, CO₂ 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.

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 marine 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 diversify energy supply in many regions of the world. The development of new sources of natural gas, such as shale gas deposits, 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 gas transport volumes by a factor of 600. The process chain consists of natural gas production, purification and liquefaction, ship loading, transportation and subsequent off-loading, storage, and regasification and, ultimately, injection into a gas distribution grid. Burckhardt Compression offers unique 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, especially China and India. Additional factors encouraging investment in the refining industry are more stringent environmental regulations, the need for cost reductions, 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 processing facilities are required. 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 USA 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, pulp and paper 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 USA. 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, gas transportation, 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 unrivalled reliability and availability thanks to the unique labyrinth sealing system on its 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 -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 on maximum allowable vibration levels on deck structures must be observed for such applications. The Laby®-GI Compressor is mainly used for the 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 guarantees maximum efficiency and lowest life cycle costs. 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 excellent reliability and very low 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.

In order to satisfy the demanding processes in refineries, Burckhardt Compression has extended its range and now offers a complete portfolio of Process Gas Compressors for refineries. In addition to our premium product line, which focuses on lowering operating costs through optimized design and high-quality components, we now also offer a robust, modular and CAPEX-optimized product line. Thanks to Burckhardt Compression's worldwide engineering and service organization, we can take advantage of the Group's own competence centers all over the world, offering a complete solution that is focused fully on the needs of the customer.

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 delivered 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 differential pressure per stage, greater cylinder utilization and lower temperature can be achieved. The result is high compression efficiency, low wear and less maintenance costs. The air- and water-cooled compressors are used to compress air, hydrogen, nitrogen, helium, argon, natural gas and other non-corrosive gases and gas mixtures at land facilities and on ships. 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 and suction volumes of up to 1'500 Nm³/h.

SERVICE AND COMPONENTS BUSINESS

The Services Division operates as a holistic provider of service expertise for reciprocating compressors and the associated system technology. As well as a comprehensive portfolio of services, the division offers a high level of availability of original spare parts and a wide range of engineering know-how, from simple modification to large conversions and revamps, to turn-key solutions. Experienced field service representatives ensure close customer interaction and speedy responses. Depending on the size of the project and site, Burckhardt Compression also offers a 24/7 shift operation, so the systems can be put into operation even faster. We also provide reliable, expert monitoring and diagnostic solutions as well as advisory services, all from a single source.

Comprehensive engineering, revamp and repair 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, even if made by another manufacturer. 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 revamp 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. This business is being methodically expanded 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 irregularities 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 other types of rotating machinery. They are globally the technology leader and assure day after day in the oil, gas and chemicals industry the value for money and operational reliability.

Field Service – being 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 50 Service Centers around the world and boasts a strong regional reach. This service network will continue to expand going forward.

NEW HORIZONS

GOING FORWARD WITH CLEAR GOALS

With the 2018–2022 Mid-Range Plan, the Systems Division aims to improve its profitability while consolidating its market leadership. The Services Division intends to secure significant growth, especially in services for reciprocating compressors made by other manufacturers. Both divisions will use digitalization to support new business models, applications and optimized production.



REVIEW OF THE FISCAL YEAR

FINANCIAL PERFORMANCE

Order intake: growth in both divisions

Consolidated order intake amounted to CHF 525.2 mn, which is 10.6% higher than a year previously. Excluding currency translation effects, there was a rise of 10.3%. The Systems Division accounted for CHF 319.8 mn of total order intake, or 14.0% more than in the previous year. This increase is explained primarily by the strong petrochemical and refinery business. Meanwhile, orders received in the Services Division rose by 5.7% to CHF 205.4 mn thanks mainly to good growth in the engineering business.

Another increase in sales

Burckhardt Compression Group achieved further growth in fiscal year 2017, booking CHF 594.6 mn in sales (plus 6.6%). The Services Division (plus 10.3%) as well as the Systems Division (plus 4.7%) contributed. Excluding currency translation effects, sales increased by 6.4%.

Operating income within guidance

Gross profit of CHF 125.1 mn was 4.2% below the figure reported for the previous year (CHF 130.5 mn). This resulted in a gross margin of 21.0% (previous year: 23.4%). The decline in the Systems Division's gross margin from 9.9% to 7.1% was mainly due to one-time costs in the LNGM business and the sharp rise in material prices, especially in China. Gross profit at the Services Division went up again to CHF 97.9 mn, which is CHF 3.9 mn higher than in the previous year; the gross profit margin was 46.6% lower than in 2016 (49.4%), primarily because of the change in the product mix.

Operating income amounted to CHF 41.7 mn, or 7.0 percent of sales, down CHF 6.0 mn on the prior-year figure. The Systems Division reported a substantially higher operating loss of CHF -9.0 mn, compared with CHF -1.5 mn in 2016. The Services Division achieved operating income of CHF 54.4 mn, compared with CHF 53.0 mn a year previously.

Consolidated net income amounted to CHF 29.0 mn, 10.6% less than in the previous fiscal year. Net income per share amounted to CHF 8.51 (previous year CHF 9.12).

Equity base even stronger

Total assets at the end of the reporting period amounted to CHF 797.6 mn, which represents a reduction of 1.7%, or CHF 13.4 mn, on the year-back figure. Current and non-current assets both decreased. The equity ratio increased from the previous year's 39.1% to 42.0%. The net financial position at the end of the fiscal year came to CHF -62.1 mn, a slight improvement of CHF 5.2 mn compared to end-March 2017.

Market position maintained, further cost savings realized

Despite the very competitive environment, Burckhardt Compression successfully defended its market leadership position in the reciprocating compressor systems market. The Services Division continued to expand its market position and achieved largely organic sales growth of 10.3%. It also moved further into additional markets, including Argentina and the Nordic countries. Further progress was made on the cost-saving and optimization projects started some time ago, such as Value Engineering and Best-Cost Countries. Overall costs for compressors were reduced as a result.

Mid-Range Plan for 2018–2022 approved

The Mid-Range Plan adopted in December 2017 sets different priorities for the two divisions for the next five fiscal years. The Systems Division is focusing mainly on improving profitability while maintaining global market leadership, whereas the Services Division is aiming for significant growth. The first priority for growth is service business involving compressors made by other manufacturers. This will be built up with the help of operational initiatives, including the implementation of a global ERP platform, the further expansion of our local and regional presence, and the expansion of service structures for the marine business. Ongoing digitalization will be used for new services and applications in both divisions. The Systems Division is aiming for sales of CHF 340 mn by 2022, with an EBIT margin of 0% to 5%, while the Services Division is targeting sales of CHF 360 mn and an EBIT margin of 20% to 25%. This strategy is based mainly on organic growth, which includes the complete takeover of Shenyang Yuanda Compressor and Arkos Field Services.

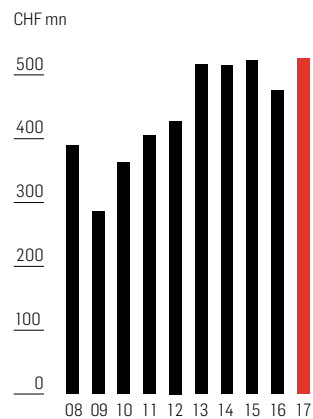
First annual accounts according to Swiss GAAP FER Standard

The annual financial statements contained in this report are the first to be based on the Swiss GAAP FER accounting standard. Prior-year figures (fiscal year 2016) have been recalculated on the basis of this standard to provide proper comparability between this year and last.

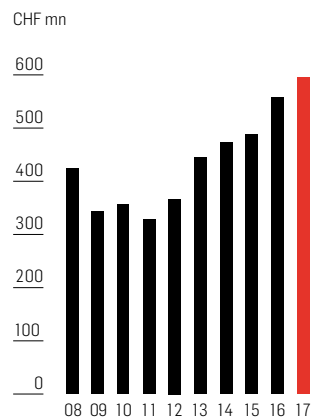
Stable headcount

The size of the workforce remained more or less the same as in the previous year at 2'214 employees (2016: 2'107). At the end of March 2018, 674 employees (30.0%) were based in Switzerland, 1'079 (49.2%) in BRIC countries and 461 (20.8%) in other countries.

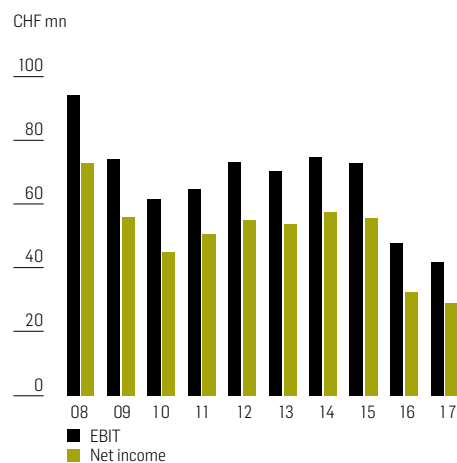
ORDER INTAKE



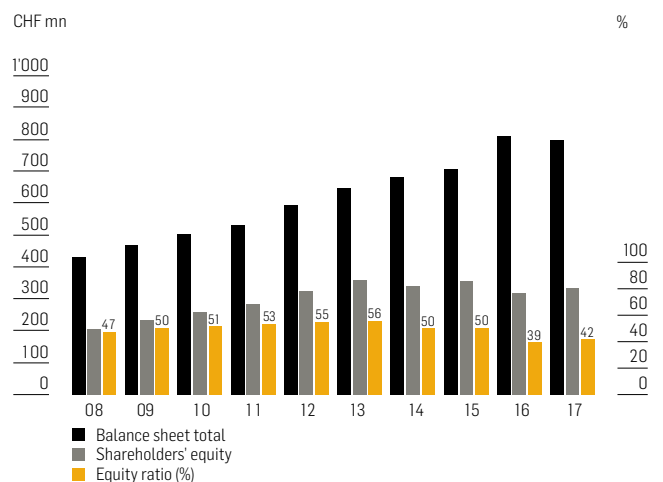
SALES



EBIT AND NET INCOME¹



EQUITY RATIO¹



¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017. The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under preview.

CAPACITY

During the year under review, the Services Division opened a Service Center in Sweden where repair and service work can be carried out close to the customer, saving time and transport costs. The cooperation with Kompressortechnik ML AB has greatly strengthened Burckhardt Compression's market presence in Sweden, Norway, Denmark, Finland and Iceland. Burckhardt Compression also reinforced its market activities in the South American region with the opening of a sales office in Argentina.

ACQUISITIONS

In June 2017, Burckhardt Compression acquired Canadian company CSM Compressor Supplies & Machine Work Ltd., which is based in Edmonton and Drumheller, Alberta. This acquisition expands Burckhardt Compression's service infrastructure in Western Canada. CSM can look back on 35 years of experience in the spare parts and repair business, with a focus on the upstream market. The acquisition allows Burckhardt Compression Canada to build up its presence in the upstream compressor servicing business. At the same time, downstream customers will benefit from a comprehensive service portfolio that combines servicing and engineering know-how.

CUSTOMERS

Burckhardt Compression works hard to nurture a relationship with its customers based on partnership. Both divisions regularly conduct customer surveys in a bid to understand customer needs even better, and surveys were carried out during the development of the Mid-Range Plan. The findings and the resulting projects and initiatives are part of the new plan.

RESEARCH AND DEVELOPMENT

Persisto® products added to materials portfolio

Two important compounds, marketed under the brand name Persisto®, were added to our portfolio of materials for compressor sealing systems during the year under review. These PTFE-based materials have superior tribological qualities and lead to much greater durability for oil-free compression of hydrocarbons and hydrogen. Persisto® is the brand name we use for our premium sealing materials. Many of these materials were developed in-house by Burckhardt Compression, and we are also responsible for production and quality assurance.

Optimization of our valve portfolio

We also optimized our valve portfolio during the year under review. We developed more energy-efficient valves, and introduced new materials with the aim of extending the lifetime of compressor valves.

Portfolio of compressors for refineries and industrial gases enlarged

As well as constantly optimizing our portfolio of process gas compressors, we have added a smaller compressor to the range, specially adapted to the needs of refinery customers. This is a commercially very interesting product that meets all current specifications and so increases our chances in the fiercely competitive refinery market.

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.

**Burckhardt Compression is constantly
striving to optimize and strengthen
the international positioning of its brand.**

In the period under review, various print and online communications tools were introduced for both divisions and Burckhardt Compression's exhibition concept was upgraded.

SYSTEMS DIVISION

"To maintain our market leadership successfully in future, well-tuned production processes and continuous quality control has to be top priority. That is why we have set ourselves a deadline of 24 hours to sort out production problems."



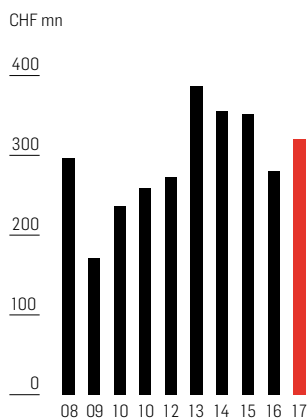




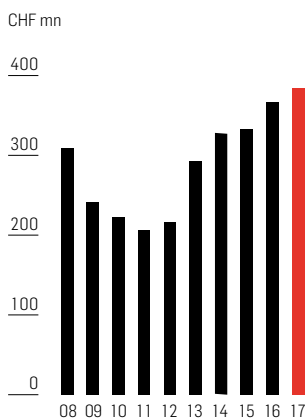


REVIEW OF THE FISCAL YEAR SYSTEMS DIVISION¹

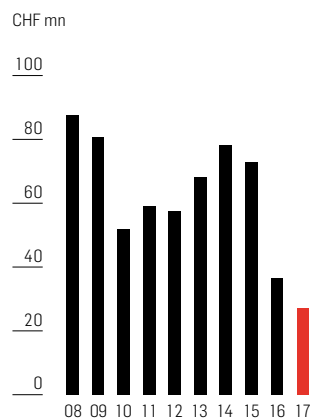
ORDER INTAKE



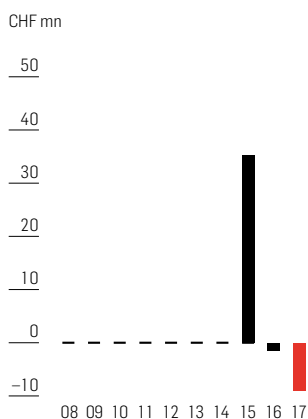
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)



FIGURES

	2015	2016 ¹	2017 ¹	Change 2016/2017
in CHF mn				
Order intake	351.4	280.6	319.8	14.0%
Sales and gross profit				
Sales	332.4	367.2	384.4	4.7%
Gross profit	73.0	36.5	27.2	-25.5%
in % of sales	22.0%	9.9%	7.1%	
Operating income (EBIT)	35.3	-1.5	-9.0	
in % of sales	10.6%	-0.4%	-2.3%	
Headcount as per end of fiscal year (full-time equivalents)		1'446	1'425	-1.6%

¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017.

The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under preview.

FINANCIAL PERFORMANCE

Markets still highly competitive

Incoming orders at the Systems Division amounted to CHF 319.8 mn, which is 14.0% higher than in the previous year. Thanks to an improved market environment, increased capacity utilization and rising oil and gas prices, our customers invested significantly more during the year under review. The sales figure of CHF 384.4 mn was 4.7% up on the previous year, thus setting a new record. Gross profit, by contrast, stood at an unsatisfactory CHF 27.2 mn, which is 25.5% down on the year, leaving a lower gross margin of 7.1% (previous year 9.9%). The main reasons for the significant decline in gross profit were the global increase in material prices, especially in the second half of the year in China, as well as much lower sales in the LPGM marine business and one-time costs incurred while building up the LNGM business. These factors were only partially offset by our improvement program. As a consequence, operating income declined sharply from CHF –1.5 mn in the previous year to CHF –9.0 mn during the year under review.

MARKETS

Burckhardt Compression offers compressor system solutions in the following application areas:

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

Burckhardt Compression achieved some important successes and signed several major contracts in the reinvigorated LDPE market.

Burckhardt Compression achieved some important successes in a highly competitive market environment. These included several major contracts signed in the reinvigorated LDPE (low density polyethylene) market in China. Further significant orders were won in Japan, the USA and India.

Upstream oil & gas

A substantial recovery in oil prices during the year under review and productivity improvements in extraction technologies stimulated investments in production capacities. This is the only application area in which Burckhardt Compression's business is influenced by movements in the oil price.

Gas transport and storage

Within the LNG (liquefied natural gas) application area, there was a slight recovery in the LNG tanker business after several years of stagnation. Efforts to diversify energy supply are leading various countries to buy more liquid gas, and to build the requisite import terminals. The use of LNG for new applications, such as fueling vehicles, also offers medium-term growth opportunities. Projected additional capacity for natural gas liquefaction will boost demand for LNG tankers in the years to come.

After a phase of overcapacities, the use of LPG (liquefied petroleum gas) is undergoing a period of consolidation. With energy generated from regional coal deposits increasingly being replaced by liquefied gas from other regions, this market is set to become more attractive in the future. Initial signs of recovery in this market have been evident for some months now.

Refinery

The positive business trend is a result of capacity building in various regions, particularly in the Middle East, India, China and Southeast Asia. This reflects a continuing trend that has seen these countries trying to increase their local share of added value and reduce dependency on imports of refined products. This is also helping the compressor business.

Petrochemical and chemical industry

This application area performed positively again. In the petrochemical sector, Hyper Compressor projects, including booster-primary compressors, were acquired for the first time in a long time. Due to growing worldwide demand for products made of plastic, the petrochemical industry is increasing its production capacity significantly. In emerging markets in particular, demand is being driven in part by a higher proportion of local value creation. China, which accounts for more than 30% of the global market for reciprocating compressors used in petrochemical applications, is performing especially well.

Industrial gases

The industrial gases business also put in a good performance, thanks not least to the extremely broad range of applications. It can be assumed that various user industries will grow at least in step with global GDP growth, if not faster, so we can expect to see a corresponding increase demand for compressors.

INTEGRATION

The integration of Shenyang Yuanda Compressor, acquired in 2016, was completed on schedule at the end of 2017, and the first joint projects have already been carried out. Thanks to this acquisition Burckhardt Compression reinforced its leading position in China and gained new, cost-efficient suppliers.

"PULLING SYSTEMS TOGETHER" FOR POSITIVE CHANGE

At the end of 2016, the Systems Division initiated an extensive process- and cost-optimization program as a short-term response to the reduced volume of incoming orders, while striving to improve its competitive edge significantly in the medium term. The cost-optimization program, the primary aim of which is to improve operational excellence, consists of 30 projects affecting all units, including design, procurement, production processes, project management, logistics and capacity management.

Substantial progress was made on various fronts during the year under review. Capacities were adjusted to lower volumes, for example, and the procurement organization was realigned, resulting in significant cost savings. Another step was taken to improve competitiveness when a Global Support Center was opened in India to support the Group worldwide, especially in the areas of engineering, IT and contracting.

OUTLOOK

Overall, we expect further market growth in 2018 and 2019. Over the next few years, the markets in China and India in particular will continue to flourish, while markets in Southeast Asia and the Middle East gain further in importance. The increasing use of plastics in China and Southeast Asia should help keep the petrochemical market strong. The refinery business will continue to grow, and we are seeing positive signals from the industrial gases application area as well. The marine business is beginning to show the first signs of a recovery in 2018. Raw materials prices will continue to increase globally over the next few months, but especially in China.

Overall, we expect further market growth in 2018 and 2019.

The Systems Division is focusing on improving profitability while maintaining its global market leadership. Our 2018–2022 Mid-Range Plan forecasts annual sales of CHF 340 mn by 2022, with an EBIT margin of 0% to 5%. Global procurement is being strengthened, and we are continuing measures to increase competitiveness. The measures implemented so far have produced some first successes, which is encouraging. Initial implementation of the Value Engineering approach identified a 20% reduction in manufacturing costs for a first compressor line. Innovations and a more widely diversified presence in the different market segments will continue to bolster Burckhardt Compression's market leadership. In the year under review, for example, a new product line was developed for the highly competitive process gas compressor market. This robust, modular compressor line is optimized for CAPEX. As such it is a perfect complement to Burckhardt Compression's traditional premium products with their low product life cycle costs. Further innovations in compressing and reliquefying boil-off gas (BOG) from liquid gases in the marine sector are equally promising.



SERVICES DIVISION

"We want to grow substantially in the coming years. Our engineering expertise and professional project management skills play a key role here. We already secured significant growth during the year under review by converting and modernizing entire plants."

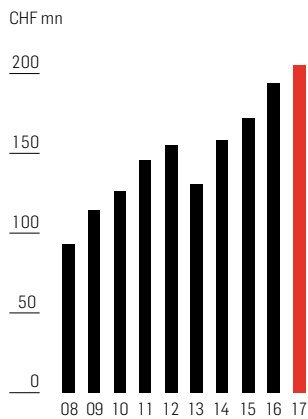




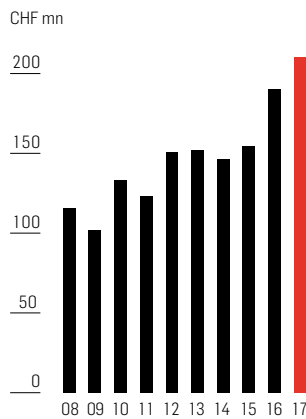


REVIEW OF THE FISCAL YEAR SERVICES DIVISION¹

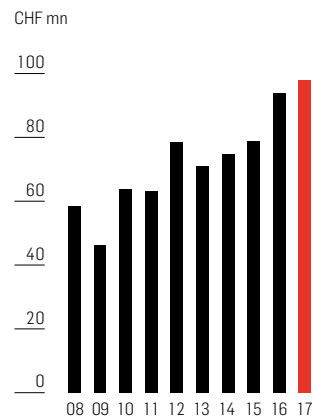
ORDER INTAKE



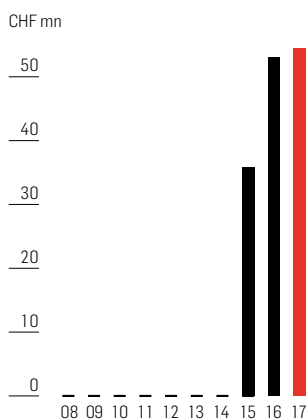
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)



FIGURES

	2015	2016 ¹	2017 ¹	Change 2016/2017
in CHF mn				
Order intake	171.8	194.3	205.4	5.7%
Sales and gross profit				
Sales	154.8	190.5	210.2	10.3%
Gross profit	78.7	94.0	97.9	4.1%
in % of sales	50.8%	49.4%	46.6%	
Operating income (EBIT)	35.8	53.0	54.4	2.5%
in % of sales	23.2%	27.8%	25.9%	
Headcount as per end of fiscal year (full-time equivalents)		649	778	19.9%

¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017.
The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under preview.

FINANCIAL PERFORMANCE

Further increase in order intake and sales

Order intake rose 5.7% to CHF 205.4 mn, a new high, in large part thanks to services for third-party products. Divisional sales were likewise sharply higher, rising by 10.3% to CHF 210.2 mn. The division now accounts for 35.4%, more than one-third, of total Group sales. Strong organic growth and acquisitions both helped fuel the rise. Gross profit was 4.1% up on the prior year at CHF 97.9 mn. The gross margin fell to 46.6% (2016: 49.4%), because of the changed product mix. Operating income came to CHF 54.4 mn, which is CHF 1.3 mn up on the previous year's CHF 53.0 mn. The increase was kept from being greater by the shift from spare parts business to service offerings such as maintenance and spare parts for third-party products.

Order intake rose 5.7% to CHF 205.4 mn, a new high, in large part thanks to services for third-party products.

MARKETS

Burckhardt Compression offers service solutions in the following application areas:

- Spare Parts
- Engineering/Revamp/Repair
- Field Service
- Monitoring/Diagnostics

Burckhardt Compression signed several long-term service contracts during the year under review for Laby®-GI fuel gas supply compressors in the marine sector. It also brought important innovations to market, including upgrades to the portfolio of sealing materials for piston rings and packings.

Spare Parts

More spare parts for third-party products were ordered by customers during the year under review. Customers are increasingly purchasing spare parts in combination with services. The market is responding positively to our strategy of expanding our business with other companies' products.

Engineering/Revamp/Repair

Expertise in the key areas of engineering and project management was strengthened significantly in the year under review. There was a clear rise in the number of large-scale projects involving the conversion and modernization of complete systems. More local consulting services were offered as well. This gives the division a distinct competitive advantage over smaller, local service providers.

Field Service

Field Service reported gratifying growth thanks to preventive and corrective maintenance work on our own and third-party equipment. In addition, more and more long-term service agreements are being signed. The growth in commissioning business was mainly attributable to Laby®-GI Compressors on natural gas tankers.

Monitoring/Diagnostics

Monitoring/Diagnostics also recorded sustained growth, especially in the USA. PROGNOST Systems further expanded and optimized its range of products for monitoring additional rotating equipment. Ongoing digitalization during the year under review saw the launch of a new mobile application offering a simpler way for customers to access monitoring data.

FURTHER STRENGTHENING OF SALES STRUCTURES

As part of the ongoing development of its sales strategy, Burckhardt Compression further professionalized the offer and execution of service engineering solutions with the introduction of central management during the year under review. This has greatly accelerated process times for requests, offers and implementation. At the same time, regional sales structures have been strengthened. As local Field Service Representatives, our highly qualified engineers are responsible both for customer care and for evaluating local market opportunities. The greater skill-set required by these employees is reflected in the training they are now receiving.

A partnership model was developed and implemented to expand our local service presence. This allows us to offer service capabilities close to our customers, especially in small but fast-growing markets, while limiting the amount of investment required.

ACQUISITIONS AND ALLIANCES

Burckhardt Compression took over Canadian company CSM Compressor Supplies & Machine Work Ltd., based in Edmonton and Drumheller, Alberta, in June 2017, thus strengthening its service business for reciprocating compressors in Canada. Downstream customers in the region will now benefit from a comprehensive local service portfolio that combines servicing and engineering expertise. Importantly, the acquisition also allows the division to build up its presence in local upstream service business.

In the year under review, Burckhardt Compression also entered into a strategic cooperation with Swedish company Kompressorteknik ML AB. This will strengthen Burckhardt Compression's presence in Sweden, Norway, Denmark, Finland and Iceland. This partner company has many years of experience and expertise in servicing oil-free compressors, and offers customers tailor-made service packages. The partnership provides customers with the added value of a wider product range and locally available repair skills.

Thanks to the partnership with Arkos Field Services, in which Burckhardt Compression has a 40% stake, the US company's existing upstream network of 15 branches across the USA can also be used as a platform for service provision in the downstream sector.

NEW SERVICE CENTERS

To further strengthen its geographical presence, Burckhardt Compression opened a sales office in Argentina. In collaboration with Kompressorteknik ML AB, which entered into a strategic partnership with us in July 2017, we have begun to develop a local Service Center. To meet growing local requirements, the subsidiaries in Spain and Korea were relocated to new locations during the year under review. A targeted increase in headcount was carried out in Korea to strengthen the provision of services to the marine sector. Investments were also made in developing the Field Service team in India.

OUTLOOK

Interesting growth prospects will be opening up for the service business in the coming years for various reasons:

- More and more customers are outsourcing service-related operations.
- The inventory of installed equipment continues to grow.
- Customers are seeking efficiency gains to sharpen their competitive profile, and this requires retrofitting and conversions.
- Preventive maintenance in conjunction with continuous monitoring of systems is growing in importance.

We believe, therefore, that the demand for comprehensive services from a single source will grow more strongly than direct business with spare parts.

Innovation plans are focusing on the development and production of specific plastics for sealing systems on reciprocating compressors, as well as on the further development of solutions for simple, cost-effective condition monitoring and diagnosis of operational compressor systems.

According to our 2018–2022 Mid-Range Plan, the Services Division will increase sales by between 6% and 8% a year to reach CHF 360 mn by 2022. Our target range for the EBIT margin is 20% to 25%. Our growth priorities are service business for compressors made by other manufacturers, and personal services. To ensure success here, Burckhardt Compression is taking further operational initiatives, such as strengthening customer care and further developing local and regional service competence. Further measures include the expansion of engineering and project management structures in the division, as well as the implementation of a global ERP platform for all service locations. The growing number of natural gas tankers using Laby®-GI fuel gas supply compressors calls for the creation of a service structure tailored to the specific requirements of marine business. In addition, digitalization should be used for new services and applications. The main aims here are to further increase the availability and use of operational and customer data, to make communication more transparent, and to optimize business processes. At the same time, cost control is being implemented more rigorously.

The successes achieved in the year under review confirm that we are on the right course. Customers warmly welcomed the expansion of our service presence, our engineering and project management skills, for example. The effectiveness of the above-mentioned initiatives is regularly evaluated using customer satisfaction surveys involving over 400 key customers worldwide.

BURCKHARDT COMPRESSION GROUP

"Good customer relations are at the heart of everything, which is why Burckhardt Compression is committed to open communication and high transparency. We see our customers as partners, and we want to find the best solution with them. We regularly conduct customer surveys to ensure this is happening."







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 174-year tradition of success. This can only be achieved if a balance is found between the different and sometimes opposing interests of individual stakeholders.

We are committed to transparency. Only by knowing exactly where things stand can appropriate goals be set and the right measures be 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 regularly assessed by an external specialist (GAM). During the latest assessment in 2015 we again achieved our goal of exceeding the average rating for a selected group of comparable Swiss companies.

Burckhardt Compression adapted its quality management systems during the year under review in accordance with the requirements of ISO9001:2015 and received the corresponding new certification.

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.

As part of the effort to maintain economic sustainability, Burckhardt Compression regularly produces a Mid-Range Plan, usually covering a period of five fiscal years. This is periodically reviewed and adjusted in line with the economic, political and technological environment.

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 held our second Investor Day at the company's headquarters in Winterthur in January 2018, where we presented investors with our new Mid-Range Plan for 2018 to 2022.

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 yearly ranking of annual reports conducted by HarbourClub and the business magazine "Bilanz," our 2016 annual report improved its ranking in the Value Reporting (Print) category from 31st out of more than 220 companies in the previous year to 24th. We came 61st in the Design (Print) category, and 105th in the Online category.

The annual Obermatt survey measures the performance of listed companies relative to peers. It rated Burckhardt Compression 5th in the "growth performance ranking" of mid-cap companies for 2017 (previous year: 14th).

In the 2017 survey of company boards carried out by zRating in collaboration with the "Finanz und Wirtschaft," Burckhardt Compression achieved an excellent 14th place among the 165 Swiss listed companies covered by the survey. This survey comprised 26 criteria based on the principles of good corporate governance, statutory requirements and self-regulatory instruments.

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 the compressor systems. 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. In the year under review, customer surveys were carried out with a focus on the Systems Division.

Competition

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 our suppliers' suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators.

Burckhardt Compression was named as world market leader for reciprocating compressor systems during the year under review.

Strategic procurement is a regular component of the management schedule at Burckhardt Compression Group. Responsible managers report at regular intervals on the most important changes in the global procurement market, such as price trends for raw materials and finished products. 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.

Innovation

Burckhardt Compression was named as world market leader for reciprocating compressor systems during the year under review. The Global Market Leaders Index was developed by the Business School of the University of St. Gallen in collaboration with the Akademie Deutscher Weltmarktführer. The index lists companies that offer leading technology and outstanding products and services.

Process improvement

The quest for continuous improvement by Burckhardt Compression's executives and employees forms the foundation on which the company is based.

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 115.2 mn (excluding acquisitions). In the year under review, most of it was invested in Winterthur and at Shenyang Yuanda Compressor.

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 3.1 (previous year according to Swiss GAAP FER 2.9). 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 8.51 (previous year CHF 9.12). We aim to increase this figure further.

During the year under review, Burckhardt Compression acquired and fully integrated CSM Compressor Supplies & Machine Work Ltd., based in Edmonton and Drumheller, Canada.

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.

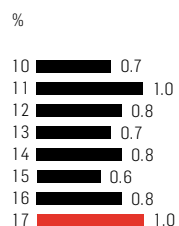
The Executive Board's assessment of risks is discussed with the Audit Committee twice a year. We distinguish between two categories of risk:

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

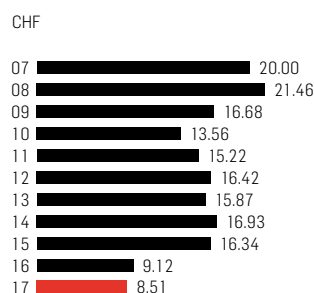
The objectives of our risk management activities are:

- 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 SHARE¹



¹ The consolidated accounts have been prepared in accordance with Swiss GAAP FER since April 1, 2017. The previous period (fiscal year 2016) has been restated accordingly to enable comparison with the year under preview.

SOCIAL SUSTAINABILITY

Corporate culture

A well-established corporate culture is crucial to a company's competitiveness. Our comprehensive value program, called "Values and Behaviors", ensures that employees in our Group's different locations and companies share the same corporate values and principles. This shared understanding makes collaboration between teams and across borders much easier.

All employees are trained in our corporate values and our 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 corporate values in the "BC Live Report" e-newsletter, which is published three times a year. 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 a 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.

Toward the end of the year under review, Burckhardt Compression carried out a worldwide employee survey. The results are expected at the start of the coming fiscal year. Once it has these, Burckhardt Compression will launch initiatives and projects designed to further improve employee satisfaction.

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, modularly 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 skill-sets 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.

13.6% of our employees worldwide are women (13.0% in the previous fiscal year). Having nearly reached our interim target of 15%, we aim to raise this percentage steadily over the coming years to 20%. Both men and women sit on the Board of Directors and the Executive Board of our company. This meets one of the recommendations of 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 in person by the CEO and Division heads. The still high employee turnover rate of 9.8% (previous year 10.2%) is caused by the worldwide good economic cycle. We are aiming for a further significant reduction in employee turnover.

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 60 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 vocational educational 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 1.4 mn. Based on the internal talent review process, potential new managers and specialists are identified at an early stage and carefully developed. Vacant job positions at all levels are also 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. During the year under review an initiative was launched at the workshop in Winterthur to prevent slips and trips. Burckhardt Compression knows that physical and mental health is 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.

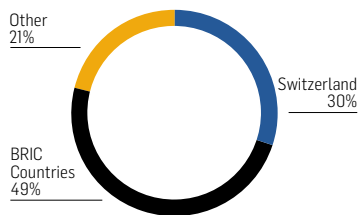
We have systematically reduced the average number of working days lost because of illness over the last 13 years. During the year under review, this figure went up again for the first time to 7.5 days (previous year 6.3 days). The requisite measures were initiated to achieve our target of under 6 days. 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 ISO 14001 and OHSAS 18001 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 been president of the Swiss Employers' Association for the past seven years, and of "Check your Chance", a Swiss association that fights youth unemployment, since 2014. Our 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.

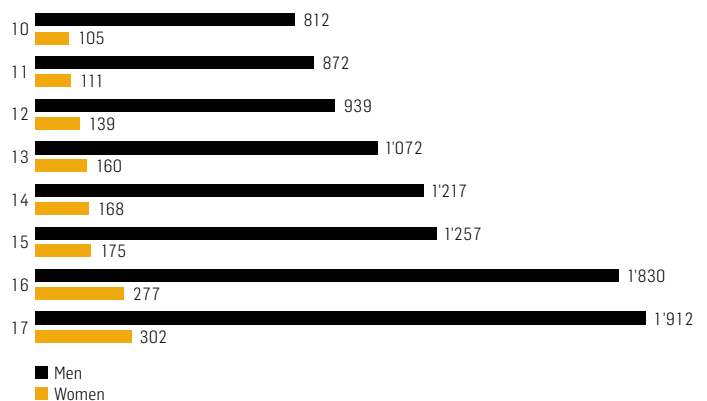
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2017 100% = 2'214

Employees (full-time equivalents)

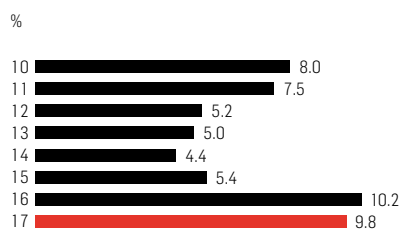


GLOBAL WORKFORCE BY GENDER

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; the average lifetime of our compressors is 30 to 50 years. 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.

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 CO₂ and SO_x emissions when powered by natural gas.
- Process Gas Compressors API 618: These compressors are used specifically in industrial processes for the desulfurization 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@BCAG" 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.

The small parts finishing shop's heat recovery solutions for the heating and ventilation systems achieve a high efficiency rate of 77%.

Buildings and fixtures

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. 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 in 2016, a waste air filtration system was installed to treat gases released during casting operations; various other investments were made in the casting preparation and casting process.

Our factory in Pune, India, received a GreenCo Gold 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. One of the reasons why we won this award is that the Pune factory has reduced its energy consumption by 32% in just two years. This was made possible by the consistent use of LED light bulbs, motion sensors and solar panels, and by careful monitoring of energy consumption. In addition, fresh water consumption at Pune fell by 30% thanks to rainwater harvesting, while waste per productive hour of work decreased by 23%.

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

Environmental management, recycling and waste disposal

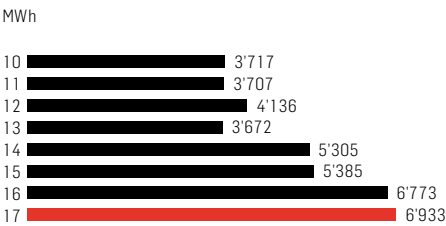
Hazardous goods and chemicals are transported, stored and disposed of in accordance with applicable laws and regulations. We try to recycle as much of our waste as possible. Internal collection points help our employees sort and dispose of waste correctly. This allows most of our waste to be recycled. 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 collaboration with an external consultant was continued and expanded and will lead to even greater separation of waste in the future.

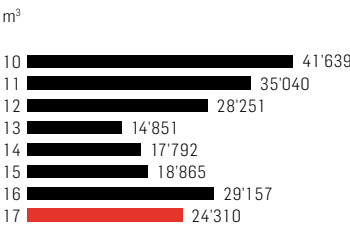
Burckhardt Compression reviewed and adjusted the chemicals concept at its Winterthur site during the year under review. Combustible chemicals were replaced by less combustible ones, and all container labelling was amended. Oil storage was modernized by means of collecting containers and special transport tanks, which helped improve both the safety of the chemicals and the efficiency of our processes.

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.

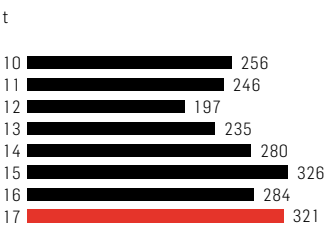
ELECTRICITY CONSUMPTION



WATER CONSUMPTION



WASTE



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*.

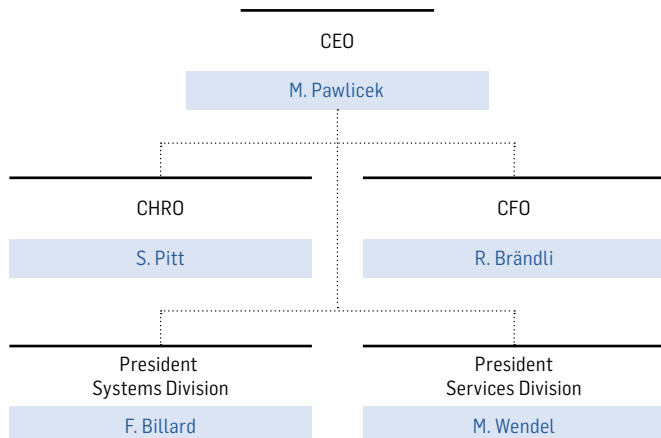
This report is structured in accordance with the DCG's outline and numbering. Unless otherwise noted, the information presented reflects the situation on March 31, 2018.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1. Group structure

1.1.1. Management structure

Burckhardt Compression is managed by a divisional operating structure with 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, 2018 amounted to CHF 1'036'320'000.

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 103, Note 102, "Investments in 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, 2018. In accordance with the company's Bylaws, the voting rights of NN Group 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 Aktionärsgruppe	CH	12.4
NN Group N.V.	NL	6.9
J O Hambro Capital Management Limited	UK	6.9
Atlantic Value General Partner Limited (Mondrian)	UK	5.0
Ameriprise Financial Inc.	US	3.5
Credit Suisse Funds AG	CH	3.0
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 June 30, 2019 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 interests

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	2018
Hans Hess	CH	Deputy Chairman, non-executive, Chairman NCC	2006	2018
Dr. Monika Krüsi	CH/IT	Member, non-executive, member SC, member AC	2012	2018
Urs Leinhäuser	CH	Member, non-executive, Chairman AC	2007	2018
Dr. Stephan Bross	DE	Member, non-executive, member NCC	2014	2018

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 Optonics 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, 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, 360°, Switzerland
- Board member, Otto Suhner AG,
Switzerland
- Board member, Signal AG, Switzerland
- Board member, Technopark Luzern,
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

- Chairman of the Board, Avesco AG,
Switzerland
- Board member, Ammann Group
Holding AG, Switzerland
- Board member, Liechtensteinische
Landesbank AG, Liechtenstein
- Board member, VAT Group AG,
Switzerland

DR. STEPHAN BROSS (1962)**Education**

Degree in Engineering, University of
Braunschweig, Germany

Professional background

Since 2017 Member of the Executive
Board (CTO), KSB SE & Co. KGaA,
Germany

2014–2017 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 terms 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 2017, the Board of Directors held seven meetings, with each meeting lasting from half a day to one day. Furthermore, the Board of Directors held three telephone conferences during fiscal year 2017, 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.

The CEO, the two Presidents of the Systems and Services Divisions, the CFO, the CHRO and the Legal Counsel, in his role as secretary, are regularly invited to attend 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 2017, 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. As part of the switch from the IFRS to the Swiss GAAP FER accounting standard, the Audit Committee also met for an extraordinary session that was attended by the CFO and Group Controller in addition to the members of the Audit Committee.

Nomination and Compensation Committee This committee advises and assists the Board of Directors on appointing, assessing and dismissing members of the Executive Board, and draws up proposals for the appointment 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 half-day meetings in fiscal 2017. 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 meeting in fiscal year 2017. These meetings lasted a half or a whole day. At two of these meetings the entire Board of Directors and the members of the Executive Board were attending. The committee 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 Group's business policies and strategy
- 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 vis-a-vis the Executive Board

Financial reporting and planning 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.

Internal Group Audit and internal control system (ICS) 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 in this function 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. Six internal audits were carried out in fiscal year 2017. 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 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.

Risk management Burckhardt Compression implements a risk management system. In a two-step risk management process, key risks are identified at an early stage and allocated to the categories of strategic, financial and operational risk defined by the Board of Directors. The risks are then evaluated and processed accordingly, and rigorously monitored, prevented, reduced or transferred using the appropriate risk mitigation measures. The first stage of risk management consists of a continuous risk management process, in which the divisions and larger companies at Burckhardt Compression Group systematically identify and assess the risks in a regular rhythm, define the necessary risk mitigation measures together with the responsible persons, and set and monitor deadlines for implementation. Risk assessment takes account of internal and external factors.

The second stage of the risk management process consists of a periodic Risk Management Review, which takes place twice a year at the meetings of the Board of Directors' Audit Committee. To this end, the CEO prepares an overview of the main risks faced by Burckhardt Compression Group, and an assessment of the likelihood of these risks occurring and the effects this would have. This overview is presented to the Audit Committee together with the risk mitigation measures, the people responsible for implementing them, and an implementation timetable. The Audit Committee then reports to the Board of Directors about the findings of the Risk Management Review.

4. EXECUTIVE BOARD

4.1. Members of the Executive Board and

4.2. Other activities and interests

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 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 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 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, Germany

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

Members of the Board of Directors may not hold more than five additional board memberships, whereof not more than two 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 103.

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 2017 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 the independent proxy holder or by another person with legal capacity. All shares held by a shareholder can only be represented by 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 items 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 DEFENSIVE 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 2017 amounted to TCHF 374 (previous year TCHF 380).

8.3. Additional fees

The additional fees for services provided by PwC worldwide during fiscal year 2017 amounted to TCHF 1 (previous year: TCHF 6). This includes consultation fees in connection with the implementation of new accounting policies and other issues.

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 regular half-day meetings during the 2017 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 2018 and 2019

July 6, 2018

Annual General Meeting of Shareholders

October 30, 2018

Results for the first half of 2018 (as per September 30, 2018)

May 28, 2019

2018 Annual Report (as per March 31, 2019)

July 6, 2019

Annual General Meeting of Shareholders

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 contains information on their annual compensation. The 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, 2017 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 vote on the maximum aggregate amount of fixed compensation for the Board of Directors and the Executive Board for the fiscal year following the Annual General Meeting
- a retrospective vote on the maximum aggregate amount of variable compensation for the Executive Board for the fiscal year preceding the Annual General Meeting.

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

4. COMPENSATION SYSTEM

Burckhardt Compression Group'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.

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

4.1. Compensation system for the Board of Directors

New compensation rules for the Board of Directors came into force in the 2017 fiscal year. These were approved through a change in the Bylaws at the Annual General Meeting of July 1, 2017. Compensation for the Board of Directors consists of a fixed component, 80% of which is paid in cash, 20% in shares; a fixed cash supplement for directors who serve on a formal Board committee; and a fixed lump-sum for expenses. The number of shares awarded is based on the average share price (daily closing price on the SIX exchange) for the period between the announcement of the full-year results and the Annual General Meeting.

The fixed cash component amounts to CHF 81'000 for members of the Board of Directors and CHF 134'000 for the Chairman. The fixed supplement for directors serving on a formal Board committee is CHF 10'000 a year. The lump sum for expenses is CHF 4'000 for members of the Board of Directors and CHF 6'000 per year for the Chairman of the Board of Directors.

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
- a variable performance- and profit-related long-term incentive bonus 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 other members of the Executive Board, the predefined fixed percentage rate varies from 0.08% to 0.16% of net income, depending on their Global Grade. The annual bonus is limited to 50% of annual base salary.

Long-term incentive pay Members of the Executive Board additionally receive long-term incentive pay awarded in the form of free shares. The long-term bonus program is valid for a six-year period (fiscal years 2017–2022). 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 for the fiscal years 2018 to 2022 and for the 2017 fiscal year.

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 fiscal year 2022, 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 six-year period is CHF 900'000 for the CEO, and between CHF 405'000 and CHF 600'000 for the members of the Executive Board, depending on their Global Grade. The sales target in the Mid-Range Plan (aggregate) for the six years is CHF 3'819 mn, the net income target is CHF 300 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. The minimum cumulative sales target is set at CHF 3'346 mn, minimum cumulative net income at CHF 195 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 will be conducted after three years. Members of the Executive Board whose employment with the company has not been terminated as of July 31, 2020 will on that date be awarded a fixed number of free shares for the fiscal years 2017, 2018 and 2019. These free shares will be distributed at the end of July 2020. The second allotment of free shares for the fiscal years 2020, 2021 and 2022 will be distributed at the end of July 2023, 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-term 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 2019 and 2022, 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 2017 and 2016:

in CHF 1'000								2017
Name	Function	Fees	Social insurance contributions and other benefits	Total fixed compensation (gross)	Share-based payments	Social insurance contributions and other benefits	Total variable compensation (gross)	Total
Members of the Board of Directors								
Valentin Vogt	Chairman	144	17	161	–	–	–	161
Hans Hess	Deputy Chairman	91	10	101	–	–	–	101
Dr. Stephan Bross	Member	91	4	95	–	–	–	95
Dr. Monika Krüsi	Member	101	10	111	–	–	–	111
Urs Leinhäuser	Member	91	10	101	–	–	–	101
Total		518	51	569	–	–	–	569
Approved by the 2017 AGM for fiscal year 2017				580²				580²

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 by the 2015 AGM for fiscal year 2016				425³				

¹ Variable compensation paid to members of the Board of Directors (free shares)

² This amount includes a contingency reserve of CHF 9'000

³ This amount includes a contingency reserve of CHF 10'000

Total fixed compensation in the fiscal year under review is higher than in the previous year because from fiscal 2017 onwards no variable payments are being made to the Board of Directors, with the corresponding sums directed instead to the fixed payments. The Annual General Meeting of July 1, 2017 approved aggregate fixed compensation in the amount of CHF 580'000 (gross, incl. social insurance contributions) for the Board of Directors (five persons) for fiscal year 2017. The amount of compensation actually paid was CHF 11'000 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 2017 and 2016:

in CHF 1'000									2017
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	116	541	64	75	29	168	709
Other members of the Executive Board		1'066	260	1'326	118	172	53	343	1'669
Total		1'491	376	1'867	182	247	82	511	2'378
Approved by the 2016 AGM for fiscal year 2017				2'130 ¹					

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 ²		1'117	249	1'367	145	192	59	396	1'763
Total		1'542	372	1'915	229	227	90	546	2'461
Approved by the 2015 AGM for fiscal year 2016				3'470					

¹ This amount includes a contingency reserve of CHF 200'000

² As per March 31, 2017: 4 members

The CEO's fixed base salary for the period under review is comparable to the level from the previous year. The total amount of fixed base salary for the other members of the Executive Board is CHF 51'000 less than in the prior-year period. The 2016 amount included the pro rata salaries of former Executive Board members for the months of April and May. The Annual General Meeting of July 1, 2016 approved a total sum of CHF 2'130'000 (gross, including social insurance contributions) for the fixed compensation of the entire Executive Board for the fiscal year 2017. The amount of fixed compensation actually paid (gross, including social insurance contributions) was CHF 263'000 below the approved amount.

Owing to the expected business performance, no minimum financial performance limit was defined for the transitional year of 2017 for the annual bonus at net profit margin level.

The annual bonus for the Executive Board in fiscal 2017 was CHF 47'000 lower than a year earlier. This is because net profit, which serves as the basis for the annual bonus, was lower. Personnel expenses for the Executive Board's long-term bonus were CHF 20'000 more than in the previous year. The provision made for the long-term bonus has been adjusted for two reasons: firstly, on the basis of an assessment of business performance over several years; secondly, the Swiss GAAP FER accounting standard requires expenses over the vesting period to be spread across the duration of the program, which can lead to adjustments within individual business years.

6. OVERVIEW OF SHAREHOLDINGS AND ALLOCATED/DISTRIBUTED SHARES

6.1. Detailed overview of allocated and distributed shares

In the fiscal years 2016 and 2017, the following shares were allocated and distributed:

Name	Function	Shares allocated in FY 2016	Shares allocated in FY 2017	Shares distributed in FY 2016	Shares distributed in FY 2017
Members of the Board of Directors					
Valentin Vogt	Chairman	0	187	0	187
Hans Hess	Deputy Chairman	0	125	0	125
Dr. Stephan Bross	Member	0	125	0	125
Dr. Monika Krüsi	Member	0	125	0	125
Urs Leinhäuser	Member	0	125	0	125
Total		0	687	0	687
Executive Board					
Marcel Pawlicek	CEO	0	673	0	1'295
Other members of the Executive Board		0	859	0	1'170
Total		0	1'532	0	2'465
Total		0	2'219	0	3'152

6.2. Detailed overview of shareholdings

As per March 31, 2018, 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:

		03/31/2018	03/31/2017
Name	Function	Total shares	Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'213	203'026
Hans Hess	Deputy Chairman	5'618	5'493
Dr. Stephan Bross	Member	170	45
Dr. Monika Krüsi	Member	940	815
Urs Leinhäuser	Member	1'035	910
Total		210'976	210'289
Executive Board			
Marcel Pawlicek	CEO	42'111	42'111
Fabrice Billard	President Systems Division	400	220
Rolf Brändli	CFO	1'702	1'054
Sandra Pitt	CHRO	278	0
Martin Wendel	President Services Division	231	100
Total		44'722	43'485
Total Board of Directors and Executive Board		255'698	253'774
As a % of all outstanding shares		7.5%	7.5%

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 2017. No bonuses for accession were paid 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 Executive Board Fiscal year 2017

The Board of Directors proposes that a maximum aggregate amount of CHF 511'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Board for fiscal year 2017.

8.2. Consultative vote on the Compensation Report Fiscal year 2017

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2017 in a consultative vote.

8.3. Approval of the maximum aggregate amount of fixed compensation for members of the Board of Directors Fiscal year 2019

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 2019. The proposed amount includes a contingency reserve of CHF 11'000.

8.4. Approval of the maximum aggregate amount of fixed compensation for members of the Executive Board Fiscal year 2019

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 2019. The proposed sum includes a contingency reserve of CHF 250'000.

9. EVALUATION OF THE COMPENSATION SYSTEM

Burckhardt Compression's compensation system is regularly evaluated by the Nomination and Compensation Committee and the Board of Directors, and adjusted if required. With the introduction of the divisional organization, it was decided to adjust the annual bonus program, starting from fiscal year 2018. The change in the way the annual bonus for the Executive Board is calculated was made to ensure that account is taken not only of Group profitability, but also of the profitability of the two divisions. As before, the percentage specified for the Global Grade of Executive Board functions is multiplied by the Group's net profit. A new feature from the 2018 fiscal year onwards is that this value will be adjusted using a Group factor (return on net operating assets – RONOA) for the CEO, CFO and CHRO, and using a division factor (divisional operating income) for the presidents of the two divisions. This produces the annual bonus for a specific fiscal year. If the defined target value is not met, or if a minimum financial performance threshold of 4% return on sales at the net profit level is not achieved, no annual bonus is paid. The modifications to the compensation system for the Executive Board from fiscal year 2018 are being implemented within the existing rules and require no adjustment to the Bylaws.

One part of the fair and integrated compensation system is the annual benchmarking, which is based on the Global Grading and which uses compensation market data from Willis Towers Watson. This is carried out annually, most recently in the 2017 fiscal year.



Report of the statutory auditor

to the General Meeting of Burckhardt Compression Holding AG

Winterthur

We have audited the remuneration report of Burckhardt Compression Holding AG for the year ended March 31, 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 63 and 64 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.

Opinion

In our opinion, the remuneration report of Burckhardt Compression Holding AG for the year ended March 31, 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Oliver Illa
Audit expert

Winterthur, May 24, 2018

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FINANCIAL REPORT

Burckhardt Compression Holding AG's fiscal year 2017 comprises the period from April 1, 2017 to March 31, 2018.

COMMENTS ON FINANCIAL REPORT

Summary

in CHF 1'000	2017	2016	Change 2016/2017
Order intake	525'229	474'885	10.6%
Sales ¹	594'574	557'725	6.6%
Gross profit ¹	125'060	130'537	-4.2%
Operating income (EBIT) ¹	41'682	47'729	-12.7%
in % of sales	7.0%	8.6%	
Net income ¹	29'023	32'453	-10.6%
Total assets ¹	797'583	810'965	-1.7%
Total equity ¹	335'200	317'103	5.7%
Earnings per share (in CHF) ¹	8.51	9.12	-6.7%
FTEs as per end of fiscal year	2'214	2'107	5.1%

¹ in accordance with Swiss GAAP FER

SALES AND GROSS PROFIT

Total sales rose by 6.6% to CHF 594.6 mn in fiscal year 2017. The Services Division (plus 10.3%) as well as the Systems Division (plus 4.7%) contributed to this increase. The growth in Systems business included a few projects originally scheduled for invoicing in the prior fiscal year. As Burckhardt Compression does not apply the percentage of completion (POC) method, revenue recognition for these projects was fully done in fiscal year 2017. The growth in the Services Division came from all business lines, including monitoring and diagnostics and other brand compressor (OBC) business. Excluding currency translation effects, total sales increased by 6.4%. From a geographic perspective, North America has reported the largest growth, while Europe was significantly lower than in the prior fiscal year. China, other Asian countries and Australia remained strong with further growth. Middle East and Africa stagnated whereas South America experienced a steep growth, but all three regions at relatively low absolute amounts.

Total gross profit was 4.2% below the figure reported for the previous year. This resulted in a gross margin of 21.0% (previous year: 23.4%). The decline in the Systems Division's gross margin from 9.9% to 7.1% was mainly due to one-time costs in the LNGM business and the sharp rise in material prices, especially in China. Gross profit margins at the Services Division stood at 46.6%, 2.8 percentage points below the prior fiscal year, primarily because of changes in the product mix.

OPERATING INCOME

Mainly as a result of the lower gross profit, the operating income declined by CHF 6.0 mn to CHF 41.7 mn, yielding an EBIT margin of 7.0%. Selling and marketing together with general and administrative expenses rose by 4.1% or CHF 3.2 mn, including a first full year of Shenyang Yuanda Compressor (fiscal year 2016: eleven months only) as well as six months of CSM Compressor Inc. (Canada), acquired in June 2017, within the consolidation scope. Also the new organizational structure of the Group with two Divisions was in place for a first full year versus six months only in fiscal year 2016. Research and development expenses ended the year CHF 0.8 mn below the prior year period at CHF 8.0 mn. Other operating income (net), was amounting to CHF 5.1 mn. Main contributor to this line in fiscal year 2017 was the real estate company (Burckhardt Compression Immobilien AG) with an operating result of CHF 3.6 mn, while the remaining amount was largely the result of currency translation gains.

FINANCIAL INCOME AND TAX EXPENSES CASH FLOW

The share of results of associates is all related to the 40% interest in Arkos Field Services and was amounting to CHF –1.9 mn (prior year: CHF –2.6 mn). Despite the slight improvement compared to last year and a positive momentum towards the end of the fiscal year, the result remained negative for one more year, mainly due to the still compressed US oil & gas market, especially during the first half of fiscal year 2017, as well as the temporary interruption of business at most customer's sites in the aftermath of hurricane "Harvey". The Group's tax rate stood at 23.5% which is 1.6 percentage points below the previous year (25.1%). The negative impact from the US tax reform on deferred tax assets was more than compensated by a more favorable mix of the weighted average tax rates for each group companies where the fiscal year 2017 earnings were generated.

Net change in cash and cash equivalents was amounting to CHF 0.2 mn (last year: CHF –50.4 mn). The cash flow from operating activities was amounting to CHF 44.4 mn, slightly below prior year (CHF 46.0 mn). Cash outflow for investing activities, including the acquisition of CSM Compressor Inc., Canada, was amounting to CHF –17.2 mn. This was significantly less than in the prior year (CHF –146.8 mn), which at that time included the cash out for the acquisition of a 60% stake in Shenyang Yuanda Compressor. The cash paid for dividends was CHF 23.9 mn and financial liabilities were reduced by CHF 4.6 mn during the period under review.

NET INCOME

The resulting net income declined by 10.6% or CHF 3.4 mn to CHF 29.0 mn (prior year: CHF 32.5 mn), resulting in a net income margin of 4.9%, which was 0.9 percentage points below last year. The net income per share was amounting to CHF 8.51 (fiscal year 2016: CHF 9.12).

BALANCE SHEET

Total assets as per the end of fiscal year 2017 amounted to CHF 797.6 mn, which represents a reduction of 1.7%, or CHF 13.4 mn year-over-year. Current and non-current assets both decreased. The large volume of projects shipped and invoiced in the last quarter of fiscal year 2017 was resulting in lower inventory levels as per the balance sheet closing date. On the other hand, trade accounts receivables remained with CHF 227.7 mn at a high level. 28.1% of the accounts receivables were overdue more than 90 days as per closing date (last year: 30.4%). Most of the related project are located in China. The balance between advance payments from customers compared to work in progress and advance payments to suppliers closed the year at CHF –42.5 mn (prior year: CHF –42.1 mn). The still negative balance is mainly the result of a number of projects in China with either unfavorable payment terms or delayed project schedules. The equity ratio increased from the previous year's 39.1% to 42.0%. Cash and cash equivalents were reported at CHF 75.1 mn, virtually unchanged since last year (CHF 74.9 mn). The net financial position at the end of the fiscal year slightly improved by CHF 5.2 mn compared to last year to CHF –62.1 mn.

CONSOLIDATED INCOME STATEMENT

	Notes	2017	2016
in CHF 1'000			
Sales		594'574	557'725
Cost of goods sold		-469'514	-427'188
Gross Profit		125'060	130'537
Selling and marketing expenses		-45'341	-44'774
General and administrative expenses		-35'127	-32'512
Research and development expenses	7	-8'004	-8'795
Other operating income	8	25'158	27'221
Other operating expenses	8	-20'064	-23'948
Operating income		41'682	47'729
Share of results of associates	14	-1'888	-2'551
Financial income and expenses	9	-1'867	-1'842
Earnings before taxes		37'927	43'336
Income tax expenses	10	-8'904	-10'883
Net income		29'023	32'453
Share of net income attributable to shareholders of Burckhardt Compression Holding AG		28'837	30'905
Share of net income attributable to non-controlling interests		186	1'548
Basic earnings per share in CHF	11	8.51	9.12
Diluted earnings per share in CHF	11	8.51	9.12

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of fiscal year 2017. Prior period figures have been restated accordingly (see note 2.2).

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

CONSOLIDATED BALANCE SHEET

	Notes	03/31/2018	03/31/2017
in CHF 1'000			
Non-current assets			
Intangible assets	12	13'200	11'767
Property, plant and equipment	13	193'170	200'379
Investment in associates	14	12'249	14'704
Deferred tax assets	10	7'871	6'622
Other financial assets	15	25'313	24'083
Total non-current assets		251'803	257'555
Current assets			
Inventories	16	210'703	250'232
Trade receivables	17	227'699	209'782
Other current receivables	18	29'546	15'326
Prepaid expenses and accrued income		2'755	3'178
Cash and cash equivalents		75'077	74'892
Total current assets		545'780	553'410
Total assets		797'583	810'965
Equity			
Share capital	19	8'500	8'500
Capital reserves		421	–
Treasury shares	19	–1'652	–6'582
Retained earnings and other reserves		288'798	278'129
Equity attributable to shareholders of Burckhardt Compression Holding AG		296'067	280'047
Non-controlling interests		39'133	37'056
Total equity		335'200	317'103
Liabilities			
Non-current liabilities			
Non-current financial liabilities	20	65'599	71'825
Deferred tax liabilities	10	14'599	16'365
Non-current provisions	21	14'249	13'000
Other non-current liabilities	22	5'900	6'707
Total non-current liabilities		100'347	107'897
Current liabilities			
Current financial liabilities	20	71'538	70'310
Trade payables		65'294	59'980
Customers' advance payments		120'642	164'669
Other current liabilities	23	21'373	21'741
Accrued liabilities and deferred income	24	63'340	49'340
Current provisions	21	19'849	19'925
Total current liabilities		362'036	385'965
Total liabilities		462'383	493'862
Total equity and liabilities		797'583	810'965

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of fiscal year 2017. Prior period figures have been restated accordingly (see note 2.2).

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2017	2016
in CHF 1'000			
Cash flow from operating activities			
Net income		29'023	32'453
Income tax expenses	10	8'904	10'883
Financial income and expenses	9	1'867	1'842
Share of results of associates	14	1'888	2'551
Depreciation	13	17'411	16'471
Amortization	12	3'897	3'945
Change in inventories		42'029	12'829
Change in trade receivables		-10'412	-7'610
Change in other current assets		-10'627	11'155
Change in trade payables		3'452	-18'137
Change in customers' advance payments		-46'169	14'222
Change in provisions		2'037	-778
Change in other current liabilities		19'119	-10'940
Adjustment for non-cash items		1'082	-6'609
Interest received		578	302
Interest paid		-1'743	-2'068
Income taxes paid	10	-17'977	-14'545
Total cash flow from operating activities		44'359	45'966
Cash flow from investing activities			
Purchase of property, plant and equipment		-8'730	-14'489
Sale of property, plant and equipment		810	774
Purchase of intangible assets		-5'101	-1'513
Sale of intangible assets		-	65
Acquisition of group companies net of cash acquired	4	-4'197	-131'677
Total cash flow from investing activities		-17'218	-146'840
Cash flow from financing activities			
Increase in financial liabilities		2'322	99'424
Decrease in financial liabilities		-6'961	-9'648
Purchase of treasury shares		-	-4'917
Dividends paid		-23'859	-33'950
Transactions with non-controlling interests		299	-
Total cash flow from financing activities		-28'199	50'909
Currency translation differences on cash and cash equivalents		1'243	-419
Net change in cash and cash equivalents		185	-50'384
Cash and cash equivalents at beginning of period		74'892	125'276
Cash and cash equivalents at end of period		75'077	74'892
Net change in cash and cash equivalents		185	-50'384

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of fiscal year 2017. Prior period figures have been restated accordingly (see note 2.2).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF 1'000	Share capital	Capital reserves	Treasury shares	Hedge reserve	Translation reserve	Goodwill offset	Other retained earnings	Equity attributable to shareholders of Burckhardt Compression Holding AG	Non-controlling interests	Total equity
Balance at 03/31/2016 (IFRS)	8'500	–	–1'639	–4'671	–18'920	–	371'822	355'092	–	355'092
Swiss GAAP FER Adjustments					18'920	–20'460	19'161	17'621		17'621
Balance at 04/01/2016 (Swiss GAAP FER)	8'500	–	–1'639	–4'671	–	–20'460	390'983	372'713	–	372'713
Result for the period							30'905	30'905	1'548	32'453
Additions from acquisitions of subsidiaries								–	37'037	37'037
Currency translation differences					–993			–993	–1'529	–2'522
Changes of cash flow hedges				–1'117				–1'117		–1'117
Dividends paid							–33'950	–33'950		–33'950
Changes in treasury shares			–4'943					–4'943		–4'943
Share-based payments (allocated)							239	239		239
Goodwill on acquisition						–82'807		–82'807		–82'807
Balance at 03/31/2017 (Swiss GAAP FER)	8'500	–	–6'582	–5'788	–993	–103'267	388'177	280'047	37'056	317'103
Balance at 03/31/2017 (IFRS)	8'500	–	–6'582	–5'788	–23'057	–	338'779	311'852	45'337	357'189
Swiss GAAP FER Adjustments	–	–	–	–	22'064	–103'267	49'398	–31'805	–8'281	–40'086
Balance at 04/01/2017 (Swiss GAAP FER)	8'500	–	–6'582	–5'788	–993	–103'267	388'177	280'047	37'056	317'103
Result for the period							28'837	28'837	186	29'023
Currency translation differences					3'138			3'138	1'827	4'965
Changes of cash flow hedges				5'354				5'354		5'354
Dividends paid							–23'624	–23'624	–235	–23'859
Transactions with non-controlling interests								–	299	299
Share-based payments (distributed)		421	4'930				–5'351	–		–
Share-based payments (allocated)							2'878	2'878		2'878
Goodwill on acquisition						–563		–563		–563
Balance at 03/31/2018 (Swiss GAAP FER)	8'500	421	–1'652	–434	2'145	–103'830	390'917	296'067	39'133	335'200

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER since the beginning of fiscal year 2017. Prior period figures have been restated accordingly (see note 2.2).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Burckhardt Compression is a manufacturer and service provider for a full range of reciprocating compressor technologies and services. Its customized compressor systems are used in the upstream oil & gas, gas transport and storage, refinery, chemical, petrochemical and industrial gas sectors. Burckhardt Compression's leading technology, broad portfolio of compressor components and the full range of services help customers around the world to find their optimized solution for 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 2017 comprises the period from April 1, 2017 to March 31, 2018. These consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2018 and will be submitted to shareholders for approval at the annual general meeting scheduled for July 6, 2018.

2. ACCOUNTING POLICIES

2.1. Basis of Preparation

The consolidated financial statements of Burckhardt Compression Holding AG have been prepared in accordance with the entire Swiss GAAP FER accounting and reporting standards. In addition, the provisions of the Listing Rules of the SIX Swiss Exchange and Swiss accounting law were complied with. The consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in the following consolidation and accounting policies.

2.2. Change in Accounting Principles

The 2017 consolidated financial statements were prepared using the Swiss GAAP FER accounting and reporting standards for the first time. Swiss GAAP FER is a generally accepted, understandable and comprehensive accounting standard providing a true and fair view of the financial position, the cash flows and the results of its operations. The accounting and valuation principles applied for the Annual Report 2017 differ from the Annual Report 2016, prepared in accordance with IFRS, as detailed below.

Goodwill and intangible assets from acquisitions Goodwill from acquisitions is directly offset, as at the acquisition date, with retained earnings in equity in accordance with the allowed treatment under Swiss GAAP FER 30 "Consolidated Financial Statements". Under IFRS, goodwill was capitalized and tested for impairment annually. Furthermore, under IFRS, all identifiable intangible assets (such as customer relationships, technologies and brands) were separately capitalized and amortized over their estimated economic useful lives. Under Swiss GAAP FER, Burckhardt Compression has decided not to separate and identify any unrecognized intangible assets as per acquisition date. They are therefore allocated to goodwill.

Goodwill included in associated companies Under IFRS, goodwill included in the purchase price of associated companies was part of the carrying amount of the associated companies. Burckhardt Compression has decided to offset such goodwill directly in equity as at the acquisition date under Swiss GAAP FER.

Pension benefit obligations and provisions Pursuant to Swiss GAAP FER 16 "Pension Benefit Obligations", an economic obligation or benefit from Swiss pension schemes is determined based on the financial statements of such pension schemes prepared in accordance with Swiss GAAP FER 26 "Accounting of Pension Plans". The economic impact from pension schemes of foreign subsidiaries is determined in accordance with accepted valuation methods. Under IFRS, pension benefit obligations were calculated in accordance with the projected unit credit method and recognized in accordance with IAS 19.

Provisions previously calculated under IAS 19 which are not retirement benefits in the narrower sense have been restated in accordance with Swiss GAAP FER 16, paragraph 6.

Development costs Under IFRS, development costs needed to be capitalized if the criteria of the standards were met. Burckhardt Compression has chosen to expense all internal development costs as incurred under Swiss GAAP FER.

Financial liability from Shenyang Yuanda put option As part of the agreement regarding the acquisition of 60% of the shares of Shenyang Yuanda Compressor Co. Ltd. (SYCC) in May 2016, Burckhardt Compression issued a put option on the remaining 40% of the shares of SYCC. In accordance with IFRS, the present value of the exercise price of the put option was accounted for as financial liability on Burckhardt Compression's balance sheet. Changes in the present value were accounted for as financial expense. Under Swiss GAAP FER, no such financial liability is recognized on Burckhardt Compression's balance sheet as this commitment does not meet the recognition criteria for a liability.

Deferred income taxes The above-mentioned valuation and balance sheet adjustments have effects on the deferred taxes in the balance sheet and in the income statement.

Translation differences As part of the changeover to Swiss GAAP FER, accumulated translation differences were offset against other retained earnings as of April 1, 2016.

The presentation and structure of income statement, balance sheet, cash flow statement and statement of changes in equity have been adjusted to meet the requirements of Swiss GAAP FER. Prior period figures have been restated to conform to the presentation for the reporting period to ensure comparability.

The effects of the above-mentioned adjustments on equity and on net income are shown in the tables below.

Equity adjustments

	04/01/2016	03/31/2017
in CHF 1'000		
Equity according to IFRS	355'092	357'189
Swiss GAAP FER adjustments		
Offset goodwill from acquisitions	-19'802	-85'191
Offset intangible assets from acquisitions	-552	-25'391
Offset goodwill from associates	-272	-283
Adjustment pension benefit obligations and provisions	49'257	16'855
Offset capitalized development costs	-1'124	-2'109
Offset present value of exercise price of put option	-	54'669
Adjustment deferred tax assets and liabilities	-9'886	1'364
Total adjustments	17'621	-40'086
Equity according to Swiss GAAP FER	372'713	317'103

Net income adjustments

	2016
in CHF 1'000	
Net income according to IFRS	38'488
Swiss GAAP FER adjustments	
Adjustment amortization intangible assets from acquisitions	3'032
Adjustment pension benefit obligations and provisions	-15'212
Adjustment capitalized development costs	-1'015
Adjustment present value of exercise price of put option	3'976
Adjustment deferred tax income and expenses	3'184
Total adjustments	-6'035
Net income according to Swiss GAAP FER	32'453

2.3. Use of Judgments and Estimates

These consolidated financial statements include estimates and assumptions that affect the reported figures and related disclosures. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

2.4. Principles of Consolidation

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 directly or indirectly owning more than 50% of the voting rights. All of the assets and liabilities as well as the income and expenses of these companies are fully included. Non-controlling interests are presented separately in the balance sheet and the income statement. Intercompany transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. Group companies are disclosed in note 33.

Acquired companies are fully consolidated from the date on which control was effectively transferred. Companies which have been divested are included in the consolidated financial statements until the date on which control ceased. Capital consolidation is based on the acquisition method (purchase method). At the time of the acquisition, all previously recognized assets and liabilities of the company are initially valued at fair value. Acquisition-related costs are expensed as incurred. The net assets acquired are compared with the purchase price, and any resulting goodwill is directly offset against equity. In the notes to the financial statements, the effects of a theoretical capitalization and any impairment are shown using an amortization period of five years. In the event of a possible subsequent sale, the goodwill offset against shareholders' equity at the time of the acquisition is recognized in the income statement against the proceeds of the sale.

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. The proportionate share of net income is shown in the consolidated income statement. Associates are disclosed in note 33.

2.5. Foreign Currency Translation

The consolidated financial statements of Burckhardt Compression are prepared in Swiss francs (CHF).

Foreign Currency Translation at Company Level Foreign currency transactions are recorded at the exchange rate of the transaction date. Monetary assets and liabilities which are denominated in foreign currencies are translated at period-end exchange rates. Resulting translation differences are recorded in the income statement.

Foreign Currency Translation for Consolidation Purposes

Assets and liabilities of foreign subsidiaries are translated into CHF using period-end exchange rates. Average exchange rates are used for the translation of the income statements. Translation differences arising from the consolidation of financial statements are recorded as a separate component of equity. Likewise, exchange differences arising on inter-company loans with equity character are directly recorded in equity.

Major Foreign Currency Exchange Rates

	Average rates		Period-end rates	
	2017	2016	03/31/2018	03/31/2017
1 EUR	1.13	1.08	1.18	1.07
1 USD	0.97	0.99	0.96	1.00
100 CNY	14.66	14.69	15.21	14.50

2.6. Impairment of Assets

All non-current assets are tested for impairment when indicators exist that the carrying amount of the asset might exceed its recoverable amount. Where the carrying amount of an asset is higher than the recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Impairment tests are performed based on discounted cash flows at the level of the corresponding cash-generating units, representing the lowest level at which such assets are evaluated for recoverability.

2.7. Intangible Assets and Goodwill

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. The estimated useful life for software generally amounts to three to five years. Internal costs associated with developing or maintaining software are recognized as an expense as incurred.

Other intangible assets are recorded at acquisition or production costs less accumulated amortization. The amortization expense is calculated on a straight-line basis over the estimated useful life of the asset.

Goodwill resulting from acquisitions is offset against equity at the date of acquisition. The consequences of a theoretical capitalization and amortization of goodwill (using an amortization period of five years) are disclosed in note 12.

2.8. Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. They are depreciated on a straight-line basis over their estimated useful lives. Land is stated at cost and is not depreciated, except land use rights in China, which are depreciated over their useful lives. 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: maximum 5 years

2.9. Other Financial Assets

Other financial assets include loans and long-term rental deposits. They are stated at cost less appropriate impairment losses.

2.10. Inventories

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

2.11. Trade and Other Current Receivables

Trade receivables and other current receivables are stated at nominal value less valuation allowances for doubtful amounts. Impairments are assessed case by case. An impairment loss is recognized when there is objective evidence that Burckhardt Compression will not be able to collect the full amount due, such as substantial financial problems of the customer or a declaration of bankruptcy.

2.12. Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13. Financial Liabilities

Financial liabilities mainly consist of bank debt and are recognized at nominal value.

2.14. Provisions

Provisions are recognized for warranty obligations, unprofitable contracts, 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.

2.15. Treasury Shares

Treasury shares are stated at acquisition cost and deducted from equity. No subsequent valuation is made. If the treasury shares are disposed of, the resulting gain or loss is recognized as an addition to or reduction of capital reserves.

2.16. Government Grants

Grants from governments or similar organizations are recognized at their fair value when there is reasonable assurance that the grant will be received and Burckhardt Compression 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.

2.17. Derivative Financial Instruments

Burckhardt Compression uses derivative financial instruments to mitigate currency risks. The risk management policy is described in note 3. The derivative financial instruments are recognized at fair value. Where such derivative financial instruments are linked to specific projected transactions and cash flows, the hedging is deemed to be effective and documented accordingly, changes in the fair value of the cash flow hedges are recognized in equity as long as the hedged item has not been recognized on the balance sheet. Otherwise, the gain or loss relating to fair value changes of the derivative financial instruments is recognized immediately in the income statement as part of other operating income or other operating expenses.

2.18. Revenue Recognition

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. 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. The following conditions must be met in this regard:

- Deliveries have been made and/or the service as per contract has been performed.
- A contractually-agreed sales price exists or can be reliably estimated.
- Collection of the payment is reasonably assured.
- The costs (including those yet to be incurred) can be reliably measured.

2.19. Research and Development

Research and development costs are expensed as incurred.

2.20. Income Taxes

Income tax expenses include all income tax on the taxable profits of the group. Deferred income tax is recorded in full using the liability method. Deferred income tax assets and liabilities arise on temporary differences between the carrying amounts

of assets and liabilities under Swiss GAAP FER and their related tax values. The tax rates and laws enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. Deferred income tax assets result from tax loss carry-forwards, tax credits as well as temporary valuation differences of assets and liabilities. They are recognized to the extent that realization through future taxable profits is probable.

2.21. Off-Balance-Sheet Transactions

Contingent liabilities and other non-recognizable commitments are valued and disclosed on each balance sheet date.

2.22. Share-Based Payments

Share-based payments with compensation through equity instruments are valued at fair value at the grant date. The corresponding personnel expenses are distributed over the vesting periods.

2.23. Employee Benefits

There are various pension plans within Burckhardt Compression based on local conditions in their respective countries. An economic obligation is recognized as a liability if the requirements for the recognition of a provision are met under Swiss GAAP FER. An economic benefit is capitalized provided that Burckhardt Compression is entitled to such benefit in the future, for example, to offset future pension expenses.

For Swiss pension plans, economic benefits and/or economic obligations are determined on the basis of the annual financial statements of the pension funds prepared in accordance with Swiss GAAP FER 26. Freely available employer contribution reserves are recognized as financial asset. For foreign plans, the economic impact is determined according to country-specific methods.

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.

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.

Currency Risks Burckhardt Compression hedges all major USD-denominated sales transactions of its non-US entities to the extent that such transactions are not fully or partially naturally hedged. 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.

Credit Risks 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 account for a large share of Burckhardt Compression's overall business, vary from one year to the next.

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 Risks 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.

Capital Risks 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.

4. BUSINESS COMBINATIONS AND OTHER CHANGES IN THE SCOPE OF CONSOLIDATION

CSM Compressor Supplies & Machine Work Ltd. (Canada)

On June 23, 2017, Burckhardt Compression acquired CSM Compressor Supplies & Machine Work (CSM), a Canadian business based in Edmonton and Drumheller, in an asset deal. CSM has 35 years of experience in component supply and repair, focused on the upstream market. This acquisition enables Burckhardt Compression Canada to establish a presence in the upstream compressor service market and, in parallel, offer comprehensive service to downstream customers.

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

in CHF 1'000	
Intangible assets	48
Property, plant and equipment	545
Inventories	1'664
Trade receivables	1'495
Prepaid expenses and accrued income	19
Trade payables	-124
Accrued liabilities and deferred income	-13
Net assets acquired at fair value	3'634
Goodwill	563
Total	4'197
Less cash and cash equivalents acquired	-
Net cash outflow on acquisition	4'197

IKS Industrie- und Kompressorenservice GmbH (Germany)

On October 4, 2016, Burckhardt Compression acquired 100% of the shares of IKS Industrie- und Kompressorenservice GmbH (IKS). IKS offers its clients a full range of compressor maintenance services. The acquisition of IKS made 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 following table shows the fair value of assets and liabilities acquired at the acquisition date and the goodwill arising from this transaction (restated under Swiss GAAP FER).

in CHF 1'000	
Intangible assets	22
Property, plant and equipment	170
Inventories	182
Trade receivables and other receivables	615
Non-current liabilities	-268
Current liabilities	-690
Net assets acquired at fair value	31
Goodwill	3'457
Total	3'488
Less cash and cash equivalents acquired	-
Less purchase price not yet paid	-1'396
Net cash outflow on acquisition	2'092

Shenyang Yuanda Compressor Co. Ltd. (China)

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 gained local market reach in additional market segments, expanded its product portfolio to cover the diverse market requirements and got direct access to a well-established local supply chain.

The following table shows the fair value of assets and liabilities acquired at the acquisition date and the goodwill arising from this transaction (restated under Swiss GAAP FER).

in CHF 1'000	
Intangible assets	306
Property, plant and equipment	39'601
Investments in associates	239
Inventories	64'511
Trade receivables and other receivables	100'419
Cash and cash equivalents	5'320
Non-current liabilities	-5'940
Current liabilities	-111'864
Net assets acquired at fair value	92'592
Non-controlling interests	-37'037
Goodwill	79'350
Total	134'905
Less cash and cash equivalents acquired	-5'320
Net cash outflow on acquisition	129'585

5. SEGMENT REPORTING

Systems Division Burckhardt Compression's Systems Division 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. Depending on the customers' needs, Burckhardt Compression offers solutions to minimize life cycle costs of the reciprocating compressor systems or solutions to minimize the capital expenditure.

Services Division Burckhardt Compression's Services Division is a 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 reported in the column "Others". Furthermore, "Others" includes the income and expenses of Burckhardt Compression's real estate company in Switzerland (Burckhardt Compression Immobilien AG).

	Systems Division		Services Division		Others		Total	
in CHF 1'000	2017	2016	2017	2016	2017	2016	2017	2016
Sales	384'392	367'190	210'182	190'535	–	–	594'574	557'725
Cost of goods sold	–357'201	–330'702	–112'313	–96'486	–	–	–469'514	–427'188
Gross profit	27'191	36'488	97'869	94'049	–	–	125'060	130'537
Gross profit as % of sales	7.1%	9.9%	46.6%	49.4%	–	–	21.0%	23.4%
Operating income	–8'974	–1'472	54'352	53'011	–3'696	–3'810	41'682	47'729
Operating income as % of sales	–2.3%	–0.4%	25.9%	27.8%	–	–	7.0%	8.6%

Geographic information

Sales by customer location in CHF 1'000	2017	2016
Europe	123'670	201'196
Africa	3'116	2'751
North America	99'481	44'333
South America	14'017	7'596
Middle East	26'964	31'117
China	155'970	132'757
Other Asia & Australia	171'356	137'975
Total	594'574	557'725

Capital expenditure for property, plant and equipment in CHF 1'000	2017	2016
Europe	2'251	7'947
Africa	47	–
North America	352	1'148
South America	30	166
Middle East	473	879
China	4'222	3'599
Other Asia & Australia	1'355	750
Total	8'730	14'489

6. PERSONNEL EXPENSES

	2017	2016
in CHF 1'000		
Wages and salaries	-118'515	-116'684
Social security and pension expenses	-19'708	-20'125
Other personnel expenses	-11'531	-11'451
Total personnel expenses	-149'754	-148'260

7. RESEARCH AND DEVELOPMENT EXPENSES

Research and development activities in the fiscal year 2017 centered on enhancing certain types of compressors and compressor components for the optimization of Burckhardt Compression's product portfolio as well as research in the field of compressor-related tribology and manufacturing technologies.

8. OTHER OPERATING INCOME AND EXPENSES

	2017	2016
in CHF 1'000		
Currency exchange gains	16'575	19'186
Other operating income	8'583	8'035
Total other operating income	25'158	27'221
Currency exchange losses	-14'861	-19'496
Other operating expenses	-5'203	-4'452
Total other operating expenses	-20'064	-23'948
Total other operating income and expenses	5'094	3'273

Other operating income includes the operating income of CHF 6.6 mn (prior year: CHF 6.5 mn) of the real estate company (Burckhardt Compression Immobilien AG).

Other operating expenses include expenses amounting to CHF 3.0 mn (prior year: CHF 3.3 mn) of the real estate company.

9. FINANCIAL INCOME AND EXPENSES

	2017	2016
in CHF 1'000		
Interest expenses	-2'491	-2'363
Interest income	819	614
Other financial income (+) and expenses (-)	-195	-93
Total financial income and expenses	-1'867	-1'842

10. INCOME TAXES

Income Tax Expenses

	2017	2016
in CHF 1'000		
Current income tax expenses	-12'470	-14'337
Deferred income tax income (+) and expenses (-)	3'566	3'454
Total income tax expenses	-8'904	-10'883

Reconciliation of Income Tax Expenses

	2017	2016
in CHF 1'000		
Earnings before taxes	37'927	43'336
Expected income tax expenses	-8'955	-9'131
Effect of non-recognition of tax loss carry forwards	-362	-859
Effect of recognition and offset of tax loss carry forwards not recognized in prior years	591	-
Effect of income tax of prior periods	468	-626
Effect of changes in tax rates	-530	-
Effect of non-deductible expenses	-116	-267
Total income tax expenses	-8'904	-10'883
as % of earnings before taxes	23.5%	25.1%

The expected tax rate of Burckhardt Compression Group of 23.6% (prior year: 21.1%) corresponds to the weighted average tax rate based on the profit before income taxes and the tax rate of each group company. The effect of changes in tax rates is mainly due to the tax reform in the United States.

Current Income Taxes

Net current income tax liabilities	2017	2016
in CHF 1'000		
Balance as per 04/01/2017 / 04/01/2016	10'935	12'964
Changes in the consolidation scope	–	–1'635
Recognized in the income statement	12'470	14'337
Income taxes paid	–17'977	–14'545
Translation differences	166	–186
Balance as per 03/31/2018 / 03/31/2017	5'594	10'935
thereof current tax assets	371	–
thereof current tax liabilities	5'965	10'935

Deferred Income Taxes

Net deferred income tax liabilities	2017	2016
in CHF 1'000		
Balance as per 04/01/2017 / 04/01/2016	9'743	14'803
Changes in the consolidation scope	–	–1'145
Recognized in the income statement	–3'566	–3'454
Recognized in equity	659	–316
Translation differences	–108	–145
Balance as per 03/31/2018 / 03/31/2017	6'728	9'743
thereof deferred tax assets	7'871	6'622
thereof deferred tax liabilities	14'599	16'365

Loss Carry Forwards

	03/31/2018	03/31/2017
in CHF 1'000		
Expiring in the next 3 years	452	–
Expiring in 4 years or later	11'454	10'249
Total tax loss carry forwards	11'906	10'249
Potential deferred tax assets from tax loss carry forwards	2'705	3'099
Effect of non-recognized tax loss carry forwards	–447	–667
Effective deferred tax assets from tax loss carry forwards	2'258	2'432

11. EARNINGS PER SHARE

	2017	2016
in CHF 1'000		
Net income attributable to the shareholders of Burckhardt Compression Holding AG	28'837	30'905
Average number of outstanding shares	3'387'252	3'388'264
Earnings per share (CHF)	8.51	9.12

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 rights or option rights outstanding; therefore, there is no potential dilution of earnings per share.

12. INTANGIBLE ASSETS

Acquisition Costs

	Software	Other intangible assets	Intangible assets under construction	2017 Total	Software	Other intangible assets	Intangible assets under construction	2016 Total
in CHF 1'000								
Balance as per 04/01/2017 / 04/01/2016	27'157	345	–	27'502	24'648	166	–	24'814
Changes in the consolidation scope	48	–	–	48	553	145	–	698
Additions	1'054	405	3'642	5'101	1'472	41	–	1'513
Disposals	–	–	–	–	–242	–9	–	–251
Reclassifications	1'579	–	–1'579	–	596	–	–	596
Currency translation differences	253	20	9	282	130	2	–	132
Balance as per 03/31/2018 / 03/31/2017	30'091	770	2'072	32'933	27'157	345	–	27'502

Accumulated Amortization

	Software	Other intangible assets	Intangible assets under construction	2017 Total	Software	Other intangible assets	Intangible assets under construction	2016 Total
in CHF 1'000								
Balance as per 04/01/2017 / 04/01/2016	–15'450	–285	–	–15'735	–11'464	–141	–	–11'605
Changes in the consolidation scope	–	–	–	–	–307	–63	–	–370
Additions	–3'763	–134	–	–3'897	–3'858	–87	–	–3'945
Disposals	–	–	–	–	180	6	–	186
Reclassifications	–	–	–	–	–	–	–	–
Currency translation differences	–95	–6	–	–101	–1	–	–	–1
Balance as per 03/31/2018 / 03/31/2017	–19'308	–425	–	–19'733	–15'450	–285	–	–15'735

Net Book Value

	Software	Other intangible assets	Intangible assets under construction	2017 Total	Software	Other intangible assets	Intangible assets under construction	2016 Total
in CHF 1'000								
As per 04/01/2017 / 04/01/2016	11'707	60	–	11'767	13'184	25	–	13'209
As per 03/31/2018 / 03/31/2017	10'783	345	2'072	13'200	11'707	60	–	11'767

Goodwill

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The theoretical amortization of goodwill is based on the straight-line method and an amortization period of five years. The carrying amounts of goodwill existing at conversion from IFRS to Swiss GAAP FER as per April 1, 2016 have been included in the theoretical movement schedule below

using the currency rates as of April 1, 2016. Goodwill from new acquisitions is fixed to Swiss francs using the closing rate at acquisition date. Therefore, there are no exchange rate differences in the movement schedules. The impact of the theoretical capitalization and amortization of goodwill is disclosed below.

	2017	2016
in CHF 1'000		
Acquisition costs		
Balance as per 04/01/2017 / 04/01/2016	103'267	20'460
Additions from acquisitions	563	82'807
Balance as per 03/31/2018 / 03/31/2017	103'830	103'267

	2017	2016
in CHF 1'000		
Accumulated amortization		
Balance as per 04/01/2017 / 04/01/2016	-33'995	-18'613
Amortization expense	-17'133	-15'382
Balance as per 03/31/2018 / 03/31/2017	-51'128	-33'995

	2017	2016
in CHF 1'000		
Net book value		
Theoretical net book value as per 04/01/2017 / 04/01/2016	69'272	1'847
Theoretical net book value as per 03/31/2018 / 03/31/2017	52'702	69'272

	03/31/2018	03/31/2017
in CHF 1'000		
Theoretical impact on equity		
Equity as per balance sheet	335'200	317'103
Theoretical capitalization of goodwill	52'702	69'272
Theoretical equity including net book value of goodwill	387'902	386'375

	2017	2016
in CHF 1'000		
Theoretical impact on net income		
Net income as per income statement	29'023	32'453
Amortization of goodwill	-17'133	-15'382
Theoretical net income after goodwill amortization	11'890	17'071

13. PROPERTY, PLANT & EQUIPMENT

Acquisition Costs

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2017 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2016 Total
Balance as per 04/01/2017 / 04/01/2016	162'185	113'486	26'014	7'758	309'443	117'839	90'612	18'773	12'539	239'763
Changes in the consolidation scope	–	545	–	–	545	34'176	18'808	3'643	2'028	58'655
Additions	122	4'034	1'760	2'814	8'730	1'333	4'135	2'852	6'169	14'489
Disposals	–113	–2'326	–962	–5	–3'406	–370	–847	–441	–596	–2'254
Reclassifications	323	5'324	211	–5'858	–	9'995	942	1'049	–12'582	–596
Currency translation differences	1'641	1'109	294	186	3'230	–788	–164	138	200	–614
Balance as per 03/31/2018 / 03/31/2017	164'158	122'172	27'317	4'895	318'542	162'185	113'486	26'014	7'758	309'443

Accumulated Depreciation

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2017 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2016 Total
Balance as per 04/01/2017 / 04/01/2016	–25'672	–66'915	–16'477	–	–109'064	–14'607	–48'635	–11'988	–	–75'230
Changes in the consolidation scope	–	–	–	–	–	–6'800	–9'996	–2'088	–	–18'884
Additions	–4'945	–9'649	–2'817	–	–17'411	–4'624	–9'039	–2'808	–	–16'471
Disposals	113	1'682	801	–	2'596	291	696	493	–	1'480
Reclassifications	–	–	–	–	–	–	–	–	–	–
Currency translation differences	–488	–740	–265	–	–1'493	68	59	–86	–	41
Balance as per 03/31/2018 / 03/31/2017	–30'992	–75'622	–18'758	–	–125'372	–25'672	–66'915	–16'477	–	–109'064

Net Book Value

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2017 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2016 Total
As per 04/01/2017 / 04/01/2016	136'513	46'571	9'537	7'758	200'379	103'232	41'977	6'785	12'539	164'533
As per 03/31/2018 / 03/31/2017	133'166	46'550	8'559	4'895	193'170	136'513	46'571	9'537	7'758	200'379

14. INVESTMENTS IN ASSOCIATES

in CHF 1'000	2017	2016
Balance as per 04/01/2017 / 04/01/2016	14'704	16'364
Changes in the consolidation scope	–	231
Share of net results	–1'888	–2'551
Currency translation differences	–567	660
Balance as per 03/31/2018 / 03/31/2017	12'249	14'704

15. OTHER FINANCIAL ASSETS

Other financial assets include a promissory note from Arkos Group companies amounting to CHF 17.4 mn (prior year: CHF 18.0 mn) and loans to Arkos Group companies amounting to CHF 4.3 mn (prior year: CHF 4.5 mn).

16. INVENTORIES

in CHF 1'000	03/31/2018	03/31/2017
Raw materials, supplies and consumables	22'580	19'103
Work in progress	133'789	171'404
Finished products and trade merchandise	37'586	35'232
Advance payments to suppliers	29'293	35'323
Valuation allowance	-12'545	-10'830
Total inventories	210'703	250'232

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, 2018 of CHF -42.4 mn (prior year: CHF -42.1 mn).

17. TRADE RECEIVABLES

in CHF 1'000	03/31/2018	03/31/2017
Trade receivables, gross	237'676	219'411
Allowance for bad debts	-9'977	-9'629
Trade receivables, net	227'699	209'782

in CHF 1'000	03/31/2018	03/31/2017
Allowance for bad debts		
Balance as per 04/01/2017 / 04/01/2016	-9'629	-441
Changes in the consolidation scope	-	-10'097
Additions	-1'672	-162
Release	1'206	642
Utilization	486	31
Currency translation adjustments	-368	398
Balance as per 03/31/2018 / 03/31/2017	-9'977	-9'629

The allowance for bad debts at the end of the 2017 and 2016 fiscal years was entirely related to accounts receivables which were more than 90 days overdue as per closing date.

in CHF 1'000	03/31/2018		03/31/2017	
Age profile of trade receivables				
Not due	128'037	56.2%	105'564	50.3%
Overdue 1-30 days	18'567	8.2%	21'882	10.4%
Overdue 31-60 days	11'865	5.2%	10'818	5.2%
Overdue 61-90 days	5'133	2.3%	7'606	3.6%
Overdue more than 90 days	64'097	28.1%	63'912	30.5%
Balance as per 03/31/2018 / 03/31/2017	227'699	100.0%	209'782	100.0%

Trade receivables overdue more than 90 days are to a large extent related to projects in China.

18. OTHER CURRENT RECEIVABLES

	03/31/2018	03/31/2017
in CHF 1'000		
Notes receivable	14'178	3'610
VAT receivables	6'732	5'185
Derivative financial instruments	969	215
Current tax assets	371	–
Other current receivables	7'296	6'316
Total other current receivables	29'546	15'326

19. SHARE CAPITAL AND TREASURY SHARES

	03/31/2018	03/31/2017
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 June 30, 2019 by issuing a maximum of 510'000 fully paid registered shares with a nominal value of CHF 2.50 each (authorized capital).

At the upcoming annual general meeting of shareholders on July 6, 2018, the Board of Directors of Burckhardt Compression Holding AG will propose a dividend for the 2017 fiscal year of CHF 6.00 (prior year: CHF 7.00).

As of March 31, 2018, non-distributable reserves amounted to CHF 1.7 mn (prior year: CHF 1.7 mn).

	03/31/2018	03/31/2017
Number of treasury shares	6'267	24'966

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

20. FINANCIAL LIABILITIES

	03/31/2018	03/31/2017
in CHF 1'000		
Non-current financial liabilities	65'599	71'825
Current financial liabilities	71'538	70'310
Total financial liabilities	137'137	142'135

The average effective interest rate amounted to 1.6% in fiscal year 2017 (prior year: 1.9%). Some credit agreements are subject to financial covenants such as a minimum equity ratio or net financial indebtedness to EBITDA. All covenants were adhered to in fiscal year 2017 (same as prior year).

Currencies of Financial Liabilities

	03/31/2018	03/31/2017
in CHF 1'000		
Financial liabilities in CHF	63'550	107'450
Financial liabilities in USD	60'915	17'761
Financial liabilities in other currencies	12'672	16'924
Total financial liabilities	137'137	142'135

In 2017, Burckhardt Compression's real estate company (Burckhardt Compression Immobilien AG), which uses the Swiss franc as functional currency, replaced a mortgage loan in CHF with a mortgage loan in USD. The currency risk is hedged using a currency swap.

Maturities of Non-Current Financial Liabilities

	03/31/2018	03/31/2017
in CHF 1'000		
Due within 2 years	11'306	5'789
Due within 3 years	747	15'474
Due within 4 years	8'454	2'222
Due within 5 years	3'467	1'756
Due beyond 5 years	41'625	46'584
Total non-current financial liabilities	65'599	71'825

21. PROVISIONS

	Employee- related	Warranties, penalties, unprofitable contracts	Other	2017 Total	Employee- related	Warranties, penalties, unprofitable contracts	Other	2016 Total
in CHF 1'000								
Balance as per 04/01/2017 / 04/01/2016	7'020	24'269	1'636	32'925	6'526	23'565	1'435	31'526
Changes in the consolidation scope	–	–	13	13	–	1'564	–	1'564
Additions	1'460	5'510	859	7'829	928	7'480	492	8'900
Release	–290	–3'571	–405	–4'266	–161	–6'889	–416	–7'466
Utilization	–907	–1'270	–157	–2'334	–339	–1'768	86	–2'021
Currency translation differences	151	–164	–56	–69	66	317	39	422
Balance as per 03/31/2018 / 03/31/2017	7'434	24'774	1'890	34'098	7'020	24'269	1'636	32'925
Thereof non-current	5'385	8'782	82	14'249	5'274	7'726	–	13'000
Thereof current	2'049	15'992	1'808	19'849	1'746	16'543	1'636	19'925

Employee-related provisions include employee benefit obligations (see also note 31), provisions for long-term service awards and ordinary termination benefits.

22. OTHER NON-CURRENT LIABILITIES

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

23. OTHER CURRENT LIABILITIES

	03/31/2018	03/31/2017
in CHF 1'000		
Notes payable	3'588	–
VAT payables	2'799	2'330
Derivative financial instruments	1'298	4'913
Current tax liabilities	5'965	10'935
Other current liabilities	7'723	3'563
Total other current liabilities	21'373	21'741

24. ACCRUED LIABILITIES AND DEFERRED INCOME

	03/31/2018	03/31/2017
in CHF 1'000		
Contract-related liabilities	49'137	36'208
Vacation and overtime	3'227	2'593
Salary and bonus payments	7'050	7'214
Miscellaneous	3'926	3'325
Total accrued liabilities and deferred income	63'340	49'340

25. DERIVATIVE FINANCIAL INSTRUMENTS

	03/31/2018	03/31/2017
in CHF 1'000		
Contract value	102'943	143'393
Positive fair values	969	215
Negative fair values	1'298	4'913

Burckhardt Compression uses derivative financial instruments to mitigate currency risks. The risk management policy is described in note 3. On the balance sheet, derivative financial instruments are shown as "Other Current Receivables" and "Other Current Liabilities".

26. CONTINGENT LIABILITIES

Guarantees

Burckhardt Compression guarantees essentially for securing customer advance payments and for eventual warranty claims from customers. Guarantees are issued by third-party banks or by Burckhardt Compression Holding AG. In addition, standing guarantees have been issued by Burckhardt Compression Holding AG to secure credit lines and guarantee limits granted by foreign banks.

	03/31/2018	03/31/2017
in CHF 1'000		
Guarantees issued by banks for Burckhardt Compression	122'125	111'436
Guarantees issued by Burckhardt Compression Holding AG	109'389	114'818
Total guarantees	231'514	226'254

Other Contingent Liabilities

Burckhardt Compression owns 40% of Arkos Group LLC. Burckhardt Compression has agreed on the conditions of the potential transfer of the remaining 60% stake of Arkos Group LLC with the current owner. On the one hand, Burckhardt Compression has received call options on the remaining 60% stake of Arkos Group LLC. On the other hand, Burckhardt Compression has issued put options on the remaining 60% stake of Arkos Group LLC.

Burckhardt Compression owns 60% of Shenyang Yuanda Compressor Co. Ltd. Burckhardt Compression has agreed on the conditions of the potential transfer of the remaining 40% stake of Shenyang Yuanda Compressor Co. Ltd. with the current owner. On the one hand, Burckhardt Compression has received call options on the remaining 40% stake of Shenyang Yuanda Compressor Co. Ltd. On the other hand, Burckhardt Compression has issued put options on the remaining 40% stake of Shenyang Yuanda Compressor Co. Ltd.

None of the options are currently exercisable. As the options do not meet the recognition criteria for an asset or a liability, they are not recognized on Burckhardt Compression's balance sheet.

27. COMMITMENTS

Operating Leases

	03/31/2018	03/31/2017
in CHF 1'000		
Operating leases due in less than 1 year	2'412	1'449
Operating leases due in 1 to 5 years	6'862	3'351
Operating leases due in more than 5 years	2'836	1'231
Total operating lease commitments	12'110	6'031

Purchase Commitments

Purchase commitments for capital expenditure as per March 31, 2018 amounted to CHF 1.5 mn (prior year: CHF 1.2 mn).

28. PLEDGED ASSETS

As per March 31, 2018, Burckhardt Compression had pledged assets with a carrying amount of CHF 111.5 mn (prior year: CHF 114.5 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.

29. SHARE-BASED PAYMENTS

Until 2016 (with shares being granted in 2017), there was a long-term incentive plan for the members of the Board of Directors, the members of the Executive Board and certain other employees. Since 2017, there is a long-term incentive plan for the members of the Executive Board and certain other employees. Long-term incentive pay is awarded in the form of free shares. None of the shares are subject to any restrictions upon the date of transfer. Further details regarding the long-term incentive plan are disclosed in the Compensation Report section of this Annual Report.

In 2017, 18'699 shares at a fair value of CHF 286 were granted to participants of the long-term incentive plan. In 2016, no shares were granted to participants of the long-term incentive plan.

Personnel expenses in 2017 for share-based payments amounted to CHF 2.9 mn (prior year: CHF 0.2 mn).

30. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and of the Executive Board

Except for the remuneration as disclosed in the Compensation Report section of this Annual Report, no further relations or transactions existed in 2017 and 2016 with the members of the Board of Directors and of the Executive Board.

Associated Companies

The following transactions were carried out with associated companies (mainly Arkos Group companies).

	2017	2016
in CHF 1'000		
Sales of goods and services	4'579	5'114
Purchase of goods and services	912	352

The following balances with associates companies (mainly Arkos Group companies) were outstanding as of the balance sheet date.

	03/31/2018	03/31/2017
in CHF 1'000		
Receivables	23'382	23'463
Payables	270	1'668

Receivables include a promissory note from Arkos Group companies with a carrying amount of CHF 17.4 mn (prior year: CHF 18.0 mn) and loans to Arkos Group companies with a carrying amount of CHF 4.3 mn (prior year: CHF 4.5 mn).

31. EMPLOYEE BENEFIT OBLIGATIONS

Burckhardt Compression has various pension plans to which most of its employees contribute. With the exception of companies in Switzerland and Germany, these pension plans are defined contribution pension arrangements. Under these, as a rule, payments are made into pension funds administered by third parties. Burckhardt Compression has no payment obligations beyond making these defined contributions.

The plans in Switzerland consist of two independent pension funds: "Sulzer Vorsorgeeinrichtung" (SVE), a base plan for all employees, and "Johann Jakob Sulzer Stiftung" (JJS), 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 employer representatives and ten employee representatives of the contributing companies and is responsible for asset allocation and risk management. The pension 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 an annuity. The pension funds may adapt the contribution and benefits at any time. In case of underfunding, this may involve special payments from the employer. The surplus or underfunding cannot be determined per company. The coverage of the collective plans as a whole as of December 31, 2017 amounted to 113.6% (SVE; prior year: 108.8%) and 112.3% (JJS; prior year: 107.4%). The technical interest rate used by both collective plans amounted to 2.0% (prior year: 2.0%).

Employer Contribution Reserves

Burckhardt Compression does not have any employer contribution reserves.

32. EVENTS AFTER THE BALANCE SHEET DATE

There were no events between the balance sheet date and the date these consolidated financial statements were approved by the Board of Directors which would require additional disclosures or changes in the consolidated financial statements.

Economic Benefits/Economic Obligations and Pension Benefit Expenses

	Economic portion of the organization		Change to prior year period recognized in the current result of the period	Currency translation differences	Contributions of the fiscal year	Pension benefit expenses	
in CHF 1'000	03/31/2018	03/31/2017	2017	2017	2017	2017	2016
Pension plans with surplus	–	–	–	–	–6'716	–6'716	–7'146
Unfunded pension plans	–2'238	–2'080	54	–212	–	54	–94
Total	–2'238	–2'080	54	–212	–6'716	–6'662	–7'240

33. GROUP COMPANIES AND ASSOCIATES

Company	Registered office	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 18'250'000	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 Paulo, 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 250'000'000	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%				•	•
CSM Compressor Inc.	Edmonton, Canada	CAD 10'000	100%				•	•

Company	Registered office	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%			•	•	•
Shunyu Resources Recycling Equipment Industry (Liaoning) 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.



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 income statement for the year ended March 31, 2018, the consolidated balance sheet as at March 31, 2018, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 72 to 95) give a true and fair view of the consolidated financial position of the Group as at March 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

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 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 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 3'000'000

We concluded full scope audit work at four reporting units in three countries. Our audit scope addressed over 69% of the Group's sales.

As key audit matters the following areas of focus have been identified:

- Accounting for work in progress of the systems division
- Conversion from IFRS to Swiss GAAP FER

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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 and the component auditors in the PwC network. The Group auditor performed the audit of the consolidation, the disclosures and the presentation of the consolidated financial statements as well as the conversion from IFRS to Swiss GAAP FER. 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 analysing the reporting, taking part in telephone calls with the component auditors, 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 Group 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.

<i>Overall Group materiality</i>	CHF 3'000'000
<i>How we determined it</i>	5% of average earnings before taxes over the past five years
<i>Rationale for the materiality benchmark applied</i>	We chose earnings before taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and it is a generally accepted benchmark for materiality considerations. The five year average takes into account the volatility of the business environment.

We agreed with the Audit Committee that we would report to them misstatements above CHF 200'000 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 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.



Accounting for work in progress of the systems division

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Burckhardt Compression Group has projects in the systems division, which are accounted for as work in progress in accordance with Swiss GAAP FER. As at March 31, 2018, work in progress from systems division projects in the amount of CHF 133.8 million was recognised in the balance sheet.</p> <p>Management estimates the costs to be incurred until their completion, possible penalties as well as net realisable value. This involves significant scope for judgement and an incorrect estimate could have a significant impact on the result for the period.</p> <p>Please refer to page 78 (Accounting policies – Inventories) and page 88 (Inventories) in the notes to the Group financial statements.</p>	<p>Our audit procedures regarding the accounting for work in progress of systems division projects included in particular the following:</p> <ul style="list-style-type: none"> • We assessed the design and the existence of the key controls regarding the systems division projects and tested the effectiveness of selected controls. • We selected a sample of systems division projects, based on the contract volumes, the contribution margin and changes in the margin compared to the planning phase, and focussed our testing on the following: <ul style="list-style-type: none"> – We assessed the contract related calculations to determine whether the contractual terms had been recorded appropriately. – We discussed with the project controllers and project managers the progress of the projects based on the latest project reports, the costs still to be incurred until their completion and changes in the estimated margin. – We obtained written information from the legal representatives of the Group. We inspected this written information with regard to indications of potential quality deficiencies or penalties and assessed whether these matters were presented appropriately in the consolidated financial statements. • During the audit, we conducted on-site inspections of various compressors still under construction. • For the systems division projects completed during the year under review, we compared various final parameters with the estimates made in the planning phase in order to assess, with hindsight, the accuracy of the estimates made by Management.
	<p>The results of our audit support the accounting of work in progress of the systems division in the 2017 consolidated financial statements.</p>



Conversion from IFRS to Swiss GAAP FER

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>With effect as of April 1, 2017, Burckhardt Compression Group changed the accounting framework it uses from International Financial Reporting Standards (IFRS) to Swiss GAAP FER. This change has significant impact on the 2017 consolidated financial statements and the prior year figures. Additionally, the Board of Directors and the Management have exercised various policy choices and implemented for the first time the disclosure requirements in accordance with Swiss GAAP FER.</p> <p>Please refer to page 76 and 77 (Accounting Policies – Changes in Accounting Principles) in the notes to the Group financial statements.</p>	<p>In our audit of the conversion from IFRS to Swiss GAAP FER, we performed in particular the following audit procedures:</p> <ul style="list-style-type: none"> • We requested the Management's assessment of the impact of the change on the opening balance as at April 1, 2016 and on the 2016 income statement, and we then assessed whether <ul style="list-style-type: none"> – all the effects of the change in accounting standards had been identified and recorded by Management; – the goodwill from acquisitions, customer relationships, technologies and brands had been correctly offset against equity; – the requirements of Swiss GAAP FER 16 'Pension benefit obligations' had been correctly implemented; – the capitalised internally generated development costs had been correctly offset against equity; – the financial liability as part of the agreement regarding the acquisition of Shenyang Yuanda Compressor Co. Ltd. (SYCC) had been correctly offset against equity; – deferred taxes had been correctly restated to take into account the effects of the change. • We checked whether the figures prepared according to Swiss GAAP FER in the opening balance as at April 1, 2016 and the 2016 income statement were restated correctly. Additionally, we checked that the reconciliation of the shareholders' equity as at April 1, 2016 and March 31, 2017 and the net income for 2016 were disclosed correctly in the 2017 consolidated financial statements. • We assessed the completeness and the appropriateness of the disclosures according to Swiss GAAP FER in the 2017 consolidated financial statements. <p>The results of our audit are consistent with a correct implementation of the Swiss GAAP FER requirements in the 2017 consolidated financial statements.</p>



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 Swiss GAAP FER 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 either intends 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 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 and Swiss Auditing Standards, we exercise professional judgment 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- 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 responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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 to communicate with 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

A handwritten signature in blue ink, appearing to read 'B Inauen'.

Beat Inauen
Audit expert
Auditor in charge

A handwritten signature in blue ink, appearing to read 'O Illa'.

Oliver Illa
Audit expert

Winterthur, May 24, 2018

FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG, WINTERTHUR

BALANCE SHEET

	Notes	03/31/2018	03/31/2017
in CHF 1'000			
Current assets			
Cash and cash equivalents		1'114	798
Other current receivables due from third parties		23	409
Other current receivables due from group companies		31	0
Total current assets		1'168	1'207
Non-current assets			
Financial assets			
– Long-term loans to group companies		22'966	39'466
– Investments in subsidiaries	102	171'781	171'781
Total non-current assets		194'747	211'247
Total assets		195'915	212'454
Current liabilities			
Trade payables due to third parties		25	2
Other current liabilities due to third parties		3	0
Accrued liabilities and deferred income		103	219
Current provisions		183	0
Total current liabilities		314	221
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		184'990	160'995
– Net income		2'063	47'620
Treasury shares	104	–1'652	–6'582
Total equity		195'601	212'233
Total equity and liabilities		195'915	212'454

INCOME STATEMENT

	2017	2016
in CHF 1'000		
Income		
Dividend income from group companies	3'000	47'800
Interest income from group companies	241	508
Gain on sale of own shares	421	0
Income from services provided to group companies	192	192
Total income	3'854	48'500
Expenses		
Operating expenses	–1'762	–1'328
Direct Taxes	–29	448
Total expenses	–1'791	–880
Net income	2'063	47'620

NOTES TO THE FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

101 Accounting policies

General The financial statements as per March 31, 2018 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 statements pursuant to Art. 961d (1) CO as Burckhardt Compression Holding AG is presenting its consolidated financial statements according to Swiss GAAP FER:

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

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

Burckhardt Compression Holding AG's fiscal year 2017 comprises the period from April 1, 2017 to March 31, 2018.

Investments in subsidiaries Investments in subsidiaries are reported in the balance sheet at the cost of acquisition less appropriate valuation adjustments for impairments that are anticipated to be permanent.

Treasury shares The treasury shares are stated at acquisition cost and deducted from equity. No subsequent valuation is made. If the treasury shares are disposed of, the resulting gain or loss is recognized in the income statement.

Derivative financial instruments 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.

102 Investments in subsidiaries

The equity interests held directly and indirectly by Burckhardt Compression Holding AG are shown in note 33 "Group Companies".

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 June 30, 2019 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, 2018, 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, 2018 (according to the statutory bylaws the voting rights of NN Group N.V. and JO Hambro Capital Management Limited are limited to 5% of the total number of the registered BCHN shares recorded in the commercial register):

Shareholders		03/31/2018	03/31/2017
Name	Country	% of shares	% of shares
MBO Aktionärsgruppe	CH	12.40	12.40
NN Group N.V.	NL	6.93	6.90
J O Hambro Capital Management Limited	GB	6.89	5.10
Atlantic Value General Partner Limited (Mondrian)	GB	4.99	4.99
Ameriprise Financial Inc.	US	3.49	3.10
Credit Suisse Funds AG	CH	3.03	<3.00
UBS Fund Management (Switzerland) AG	CH	3.01	3.01
Oppenheimer Funds	US	3.01	3.00
TIAA-CREF Investment Management	US	<3.00	4.95

As per March 31, 2018 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:

		03/31/2018	03/31/2017
Name	Position	Total shares	Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'213	203'026
Hans Hess	Deputy Chairman	5'618	5'493
Dr. Stephan Bross	Member	170	45
Dr. Monika Krüsi	Member	940	815
Urs Leinhäuser	Member	1'035	910
Total		210'976	210'089
Executive Board			
Marcel Pawlicek	CEO	42'111	42'111
Rolf Brändli	CFO	1'702	1'054
Sandra Pitt	CHRO	278	0
Fabrice Billard ²	COO Systems Division	400	220
Martin Wendel ¹	COO Services Division	231	100
Total		44'722	43'485
Total		255'698	253'774
In % of total shares		7.5%	7.5%

¹Member of the Executive Board as from September 1, 2016

²Member of the Executive Board as from October 1, 2016

104 Treasury shares

	2017	2016
Number at the beginning of the period	24'966	5'016
Purchases	0	20'000
Sales	-18'699	-50
Number at the end of the period	6'267	24'966

The average selling price did amount to CHF 263.64. In the prior fiscal year, the treasury shares were purchased at an average price of CHF 246.70 per share.

105 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

	03/31/2018	03/31/2017
in CHF 1'000		
Total liabilities to pension funds	0	0

Net release of undisclosed reserves

	03/31/2018	03/31/2017
in CHF 1'000		
Net release of undisclosed reserves	0	0

Derivative financial instruments

	03/31/2018	03/31/2017
in CHF 1'000		
Forward foreign exchange contracts (negative current fair value on cash flow hedge)	0	0

Guarantees

	03/31/2018	03/31/2017
in CHF 1'000		
Guarantees	109'389	114'818

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.

Proposal of the Board of Directors for the appropriation of retained earnings

	2017	2016
in CHF 1'000		
Retained earnings at the beginning of the period	208'615	194'945
Distributed dividend	-23'625	-33'950
Net income of the year	2'063	47'620
Retained earnings at the disposal of the Annual General Meeting	187'053	208'615
The Board of Directors proposes the following appropriation		
– Gross dividend	-20'400	-23'800
Retained earnings carried forward	166'653	184'815

The Board of Directors will propose payment of a gross dividend of CHF 6.00 per registered share at the Annual General Meeting of Shareholders on July 6, 2018.

	2017	2016	2015
Gross dividend	6.00	7.00	10.00
Less 35% withholding tax	-2.10	-2.45	-3.50
Net dividend	3.90	4.55	6.50

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will take place at 4.00 pm on Friday, July 6, 2018 at the Park Arena, Barbara-Reinhart-Strasse 24, 8404 Winterthur, Switzerland.



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 March 31, 2018, the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 102 to 106) as at March 31, 2018 comply with Swiss law and the company's 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 1'960'000

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 key audit matter the following area of focus has been identified:

Impairment testing of investments in subsidiaries



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.

<i>Overall materiality</i>	CHF 1'960'000
<i>How we determined it</i>	1.0% of total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because, in our view, it is a relevant benchmark for holding company, and it is a generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 200'000 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.

Impairment testing of investments in subsidiaries

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Investments in subsidiaries is a significant asset category on the balance sheet (CHF 171.8 million). Impairment testing of investments whose book value is greater than the book value of the underlying net assets requires Management to consider capitalised earnings. Doing so involves significant scope for judgement, particularly to determine the assumptions to use concerning future business results.</p> <p>In identifying the potential need for impairment of investments in subsidiaries, Management uses a pre-defined impairment testing process.</p> <p>Please refer to page 103 (Investments in subsidiaries) in the notes to the financial statements.</p>	<p>In our audit of investments in subsidiaries, we performed the following main audit procedures:</p> <ul style="list-style-type: none"> • We compared the book value of the investments in the year under review with their pro-rata share of the respective company's equity or the company's valuation, based on capitalised earnings. • We checked for plausibility the key assumptions applied by Management. <p>We consider the valuation process and the assumptions used to be an appropriate and adequate basis for the impairment testing of the goodwill as at March 31, 2018.</p>



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 either intends 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 judgment 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- 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 with 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 to communicate with 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

A handwritten signature in blue ink, appearing to read 'B Inauen'.

Beat Inauen
Audit expert
Auditor in charge

A handwritten signature in blue ink, appearing to read 'O Illa'.

Oliver Illa
Audit expert

Winterthur, May 24, 2018

IMPRINT

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.

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



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