



ANNUAL REPORT 2018

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, 175 years and counting, its highly skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.

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TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

The results for the fiscal year 2018 met our overall expectation we provided during the course of the year. Order intake rose sharply, sales were slightly above the figure reported for the previous year. Operating income and net income increased but have not yet reached the levels we have targeted for the coming years.

Order intake: Renewed rise at both divisions Group order intake totaled CHF 658.7 mn and exceeded the prior-year figure by a pleasing 25.4%; excluding currency translation effects, incoming orders were up 25.6%. Orders received reached all-time highs at both divisions. The Systems Division accounted for CHF 428.0 mn of the new orders, which represents an increase of 33.8% from the previous year. All targeted market segments contributed to this order growth. Orders received in the Services Division rose by 12.3% to CHF 230.7 mn. Spare parts and engineering services accounted for much of this order growth.

Sales at prior-year level Consolidated sales for fiscal year 2018 edged 0.8% higher to CHF 599.3 mn; excluding currency translation effects, sales were up 0.9% year-on-year. Sales were 6.5% higher in the Services Division and 2.3% lower in the Systems Division.

Operating margin improves Gross profit of CHF 135.7 mn was 8.5% more than the prior-year figure of CHF 125.1 mn and the resulting gross profit margin was 22.6% (previous year: 21.0%). The Systems Division's gross margin improved to 8.1% (previous year: 7.1%). Gross profit at the Services Division rose 7.5% to CHF 105.2 mn, bringing its gross profit margin to 47.0%, slightly above the 46.6% margin reported for the previous fiscal year.

Operating income amounted to CHF 44.5 mn or 7.4 percent of sales (previous year: 7.0%) and exceeded the prior-year figure by CHF 2.8 mn. Because of the substantial additional costs incurred in its LNGM business, the Systems Division closed fiscal year 2018 with an operating loss of CHF -8.7 mn (previous year: CHF -9.0 mn), while the Services Division increased its operating income from CHF 54.4 mn in the previous year to CHF 58.2 mn in fiscal year 2018.

Consolidated net income amounted to CHF 32.2 mn, 10.9% more than in the previous fiscal year. As a result of a strong contribution of Shenyang Yuanda Compressor (40% still owned by the founder) to the Groups result, the net income per share decreased by 4.2% to CHF 8.15.

Equity remains strong Total assets on the balance sheet closing date amounted to CHF 848.7 mn, an increase of CHF 51.1 mn or 6.4% compared to the previous fiscal year. This increase is mainly attributed to invoicing activity in the final quarter of the fiscal year, which led to a considerable increase in accounts receivable. The equity ratio at the end of fiscal year 2018 was 40.7% (previous year: 42.0%). The net financial position at year-end amounted to CHF -49.4 mn, an improvement of CHF 12.7 mn compared to the end of March 2018.

Realization of the projects of the Mid-Range Plan 2018–2022 on track The execution of projects detailed in the Mid-Range Plan that was approved in December 2017 is proceeding as planned. Having achieved growth in all of its targeted market segments, the Systems Division was able to defend its leading market position. It continued to successfully execute projects to lower its operating costs and optimize business processes to bring about the necessary improvement in profitability. The Systems Division replaced its formerly centralized sales organization with a decentralized sales structure so it can process the clearly higher level of inquiries being received by customers more efficiently.

The Services Division continued to successfully pursue its growth strategy and strengthen its market position, especially in engineering and spare parts. We are effectively leveraging our compressor manufacturing expertise in the Services Division through our engineering solutions, which are obviously appreciated by our customers. This valuable know-how is also opening new windows of opportunity in the OBC (Other Brand Compressors) business, where considerable growth potential can be tapped.

New factory in Shenyang Planning for a new manufacturing site for Shenyang Yuanda in China has begun. It is scheduled to be operational in the autumn of 2020 and will replace the company's current site. This relocation project can be traced to a decision by Shenyang city officials to convert the company's existing manufacturing site, which has been completely engulfed by the rapidly growing city of Shenyang, to residential use. Shenyang Yuanda Compressor signed an agreement on the terms of its factory relocation with local government officials during the period under review. The consolidation of two separate sites at the new, larger site and the redesign of business processes in conformity with the latest standards and best practices will further improve Shenyang Yuanda's operating efficiency.

Change in Board of Directors Hans Hess, a member of the Board of Directors of Burckhardt Compression Holding AG since 2006, will not be standing for re-election at the Annual General Meeting of July 6, 2019. Hans Hess became a director immediately after Burckhardt Compression Holding AG went public and was the listed company's first chairman until 2011. We thank Hans Hess for his extraordinary engagement for Burckhardt Compression. The Board of Directors will propose the election of David Dean, member of the Board of Directors of Bossard Group, to the Board of Directors.

Outlook for fiscal year 2019 We expect the general environment in our key markets to remain positive in the current fiscal year as customers maintain high levels of capital expenditure. Full-year sales are forecasted to range between CHF 600 mn and 640 mn. Substantial additional costs associated with the LNGM business are likely to be incurred for the last time in fiscal year 2019. Nevertheless, we expect to report a slight increase in profit margins.

Dividend The Board of Directors will propose an unchanged dividend of CHF 6.00 per share at the Annual General Meeting. This corresponds to a payout ratio of 73.6% of net income per share (previous year: 70.5%), which is slightly above the targeted range of 50% to 70%.

A word of thanks We wish to thank our 2'400 employees around the world for their continued hard work and dedication over the past year and our approximately 4'000 shareholders for their enduring support. We are also grateful for the working partnerships we share with our customers and suppliers, some of which go back many years.

Yours sincerely,



Valentin Vogt
Chairman of the Board of Directors



Marcel Pawlicek
CEO



Valentin Vogt

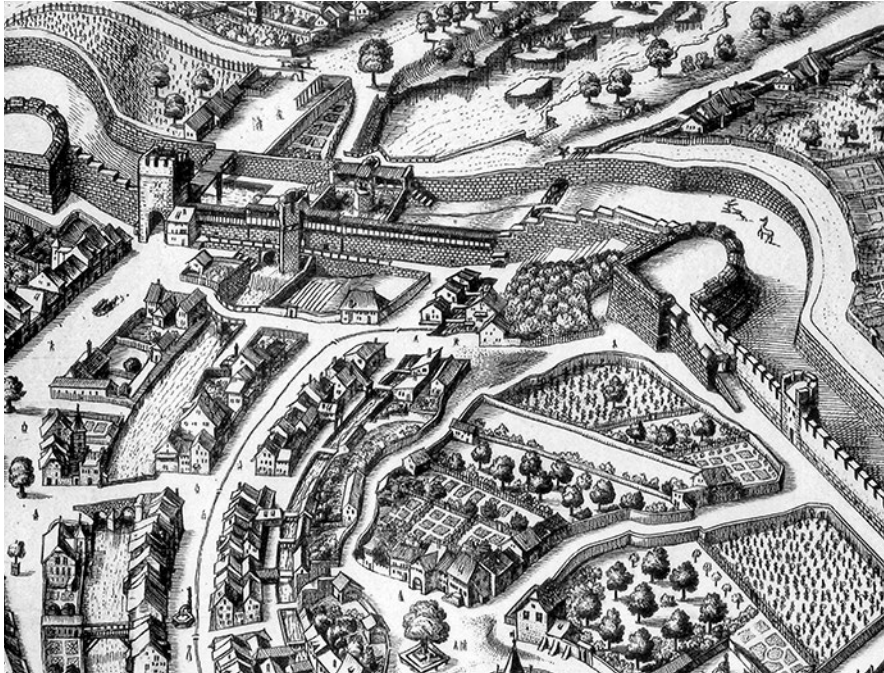


Marcel Pawlicek

Winterthur, May 28, 2019

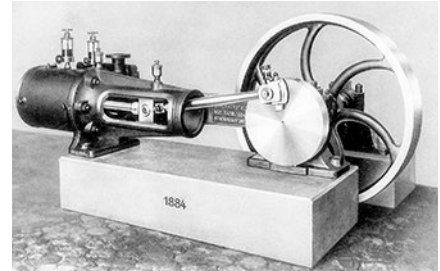
175 YEARS BURCKHARDT COMPRESSION

Burckhardt Compression was established as a mechanic's workshop in 1844 and it is celebrating its 175th anniversary in 2019. Today, Burckhardt Compression is the world's leading manufacturer of reciprocating compressor systems and the only OEM and service provider that can offer the full range of reciprocating compressor technology and services.



1844 COMPANY ESTABLISHED

In 1844, Franz Burckhardt purchases his first three pieces of property along the Rümlibach in Basle and sets up his mechanics workshop. Its first products are rolling and engraving tools used by the city's then flourishing textile industry to weave silk ribbons. Franz later branches out, manufacturing milling machines, gas-powered machinery and even frames and fittings for belfries.



1883 FIRST RECIPROCATING COMPRESSOR

The first single-stage, dry-running reciprocating compressor is developed and sold by the company. The compressor's discharge pressure is 6 bar. Burckhardt Compression has focused on manufacturing reciprocating compressors ever since.

1969 SULZER GROUP

Maschinenfabrik Burckhardt is acquired by Sulzer Group. The company begins operating at two locations in Switzerland, one in Basle and one in Winterthur. A few years later, Maschinenfabrik Burckhardt is renamed Sulzer-Burckhardt AG.



2002 MANAGEMENT BUYOUT

A management buyout by five Executive Board members in April 2002 makes Burckhardt Compression a legally independent company; Sulzer-Burckhardt AG becomes Burckhardt Compression AG.

2006 IPO

Burckhardt Compression Holding AG goes public on SIX Swiss Exchange (BCHN). The five executives hold 20.9% of the shares after the IPO and sign a shareholder agreement that has since been renewed to this day.

2015 STRONG PRESENCE IN THE USA

Burckhardt Compression acquires a minority interest in Arkos Field Services, a US provider of compressor services and components to the natural gas industry. Arkos Field Services has 17 strategically located operating sites in the US. Acquiring this interest gives Burckhardt Compression much better access to the US market.



2016 FURTHER EXPANSION

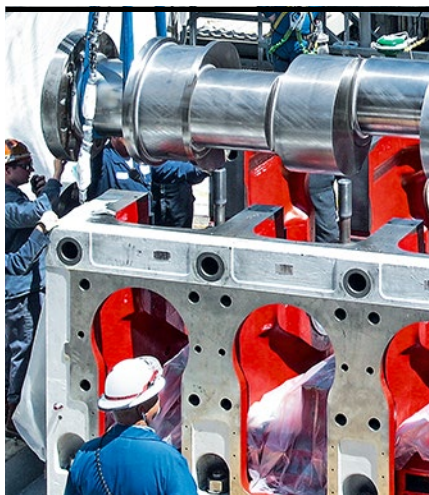
Burckhardt Compression acquires a majority interest in Shenyang Yuanda Compressor, the number one manufacturer of reciprocating compressor systems in China. This acquisition gives Burckhardt Compression a local market footprint in China and broadens its portfolio so it can address a wider range of market needs.

175
175
175
YEARS

2019 BURCKHARDT COMPRESSION CELEBRATES

Burckhardt Compression celebrates its 175th anniversary with guests from the worlds of business and politics as well as science and technology. The street at company's headquarters is renamed to Franz-Burckhardt-Strasse in honor of the company's founder.

MILESTONES 2018



Three major projects won in China

Burckhardt Compression was selected to provide compressors for three LDPE (low-density polyethylene) production lines in China during the year under review. Hyper Compressors and booster/primary compressors were ordered. Annual production output will be 300 and 400 kilotons, respectively. LDPE is used to manufacture products such as foils and films, insulation for electrical wire and cable, and floor coverings. Hyper Compressors are highly specialized high-pressure compressors with a discharge pressure of up to 3'500 bar.

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First standard high-pressure compressors sold to a Canadian customer

Burckhardt Compression sold its first standard high-pressure compressors built by its plant in India to a customer in Canada. Canada's stringent regulations were met despite a tight production schedule. The customer was quite satisfied with the result and more orders have been received from Canada in the meantime.

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First compressor order for cruise ship

Burckhardt Compression received its first compressor order for a cruise ship equipped with an alternative liquid natural gas-powered propulsion system. Natural gas emits virtually no sulfur dioxide and CO₂ emissions are more than 20% lower compared to the equivalent level of engine performance using conventional marine diesel and heavy fuel oil, so many ship operators are transitioning to this innovative propulsion system as they seek to comply with increasingly strict environmental regulations. The Laby® compressor installed for this contract is ideal for boil-off gas applications because of its high operational efficiency. What's more, routine compressor maintenance can be performed by the ship's crew.

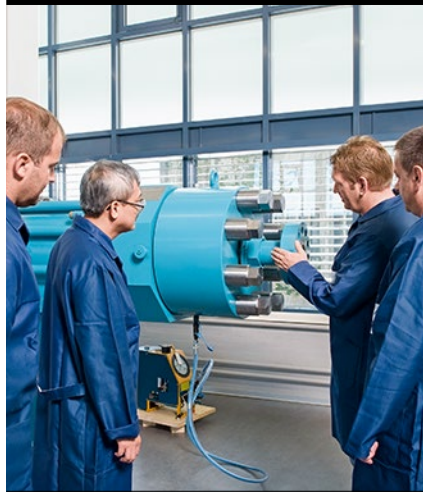
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Compressors built to order in record time

A fire at a facility of one of our customers that produces polysilicon for solar cells using a competitor's compressors caused extensive damage and had to be rebuilt as quickly as possible to keep downtime to a minimum. Burckhardt Compression managed to deliver two compressors in record time. Good coordination and short decision-making pathways, both internally and externally, were instrumental for this successful project outcome.

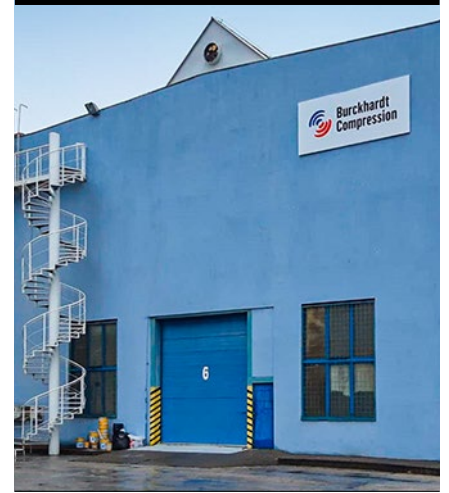
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Training program for customers

The customer training sessions Burckhardt Compression offered last year were very well booked. Our in-house specialists are highly familiar with compressor life cycles and they provided valuable insights into topics that most conventional training courses do not cover. Our training center is equipped with modern technical equipment for theoretical and practical instruction. It is located right next to the compressor manufacturing and testing facilities in Winterthur, which yields further opportunities to deepen our customer relationships.

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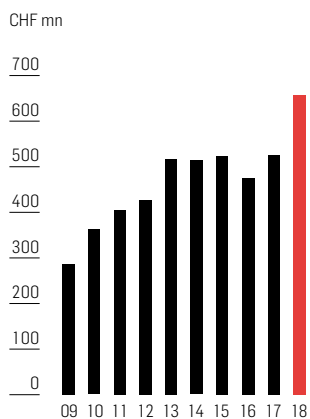
Service center in Slovakia opened

Burckhardt Compression together with its local partner Sultrade opened a service center in Slovakia. Customers in the Czech Republic, Hungary, Poland and Austria are also being served from this new fully equipped and modern service center, which offers a full range of services and repairs for all brands of reciprocating compressors, including hyper compressor services.

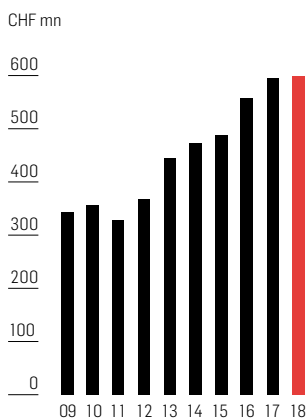
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FIGURES AT A GLANCE

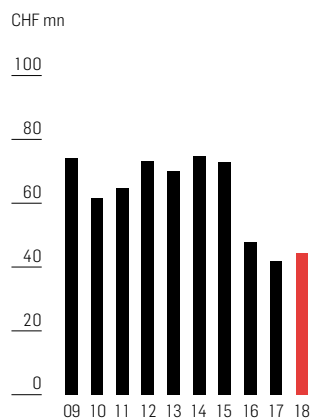
ORDER INTAKE



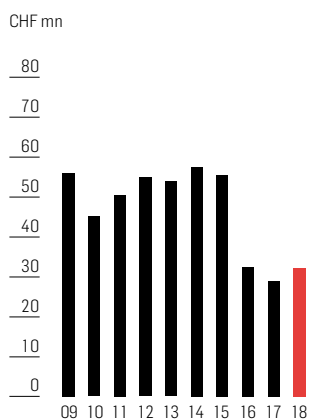
SALES



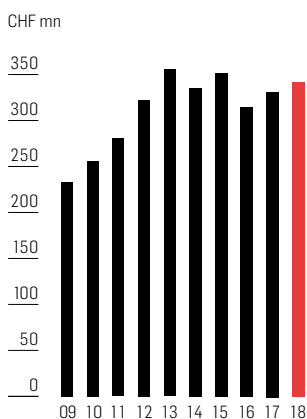
OPERATING INCOME (EBIT)



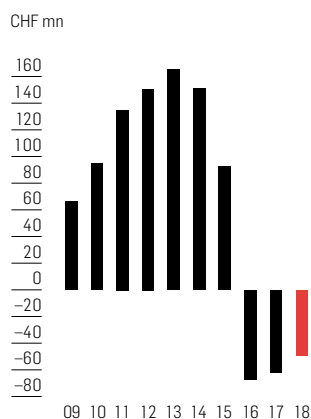
NET INCOME



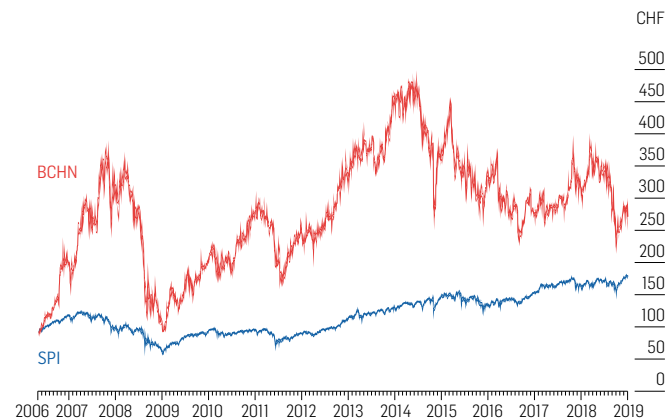
SHAREHOLDERS' EQUITY



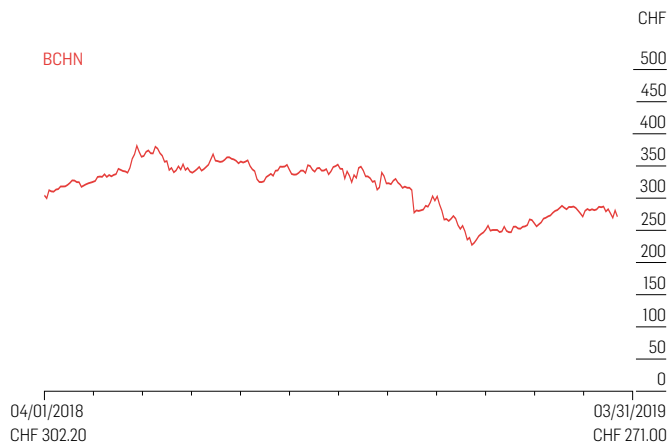
NET FINANCIAL POSITION



SHARE PRICE SINCE IPO



FISCAL YEAR 2018



	2017	2018	Change 2017/2018
in CHF mn			
Order intake:			
– Systems Division	319.8	428.0	33.8%
– Services Division	205.4	230.7	12.3%
Total	525.2	658.7	25.4%
Sales and gross profit:			
– Systems Division			
Sales	384.4	375.4	–2.3%
Gross profit	27.2	30.5	12.1%
in % of sales	7.1%	8.1%	
– Services Division			
Sales	210.2	223.9	6.5%
Gross profit	97.9	105.2	7.5%
in % of sales	46.6%	47.0%	
Total			
Sales	594.6	599.3	0.8%
Gross profit	125.1	135.7	8.5%
in % of sales	21.0%	22.6%	
Operating income (EBIT)	41.7	44.5	6.8%
in % of sales	7.0%	7.4%	
Net income	29.0	32.2	10.9%
in % of sales	4.9%	5.4%	
Depreciation and amortization	21.3	21.8	2.5%
Cash flow:			
– from operating activities	44.4	41.8	–5.9%
– from investing activities	–17.2	–7.8	
– from financing activities (incl. translation differences)	–27.0	–26.1	
Total	0.2	7.9	
Total balance sheet assets	797.6	848.7	6.4%
Non-current assets	251.8	250.8	–0.4%
Current assets	545.8	597.9	9.5%
Shareholders' equity	335.2	345.0	2.9%
in % of total balance sheet assets	42.0%	40.7%	
Net financial position (in CHF mn)	–62.1	–49.4	
Headcount as per end of fiscal year (full-time equivalents)	2'214	2'346	6.0%
Total remuneration Board of Directors (in TCHF)	569	569	0.0%
Total remuneration Executive Board (in TCHF)	2'378	2'557	7.5%
Share price as per end of fiscal year (in CHF)	304.80	271.00	–11.1%
Market capitalization (in CHF mn)	1'036.3	921.4	–11.1%
Market capitalization/shareholders' equity (ratio)	3.1	2.7	–13.6%
Net income per share (EPS) (in CHF)	8.51	8.15	–4.2%
Dividend per share (in CHF)	6.00	6.00 ¹	0.0%
Number of issued shares	3'400'000	3'400'000	

¹ Motion to the Annual General Meeting

OUR COMPANY

HISTORY

Our company history began 175 years ago. On January 9, 1844, founder Franz Burckhardt laid the foundation for success by purchasing the first company premises in Basle. In its early years, Burckhardt's mechanics workshop manufactured machines for the textile industry. Over the years, Burckhardt expanded his field of activity to general mechanical engineering. In 1856, the company started producing steam engines. In 1878, the first reciprocating compressor was developed and the first sales recorded in 1883. As additional capital was needed to finance the construction of the new factory on Dornacherstrasse in Basle, the "Engineering Works Burckhardt Ltd." was established in Basle in 1890 by August Burckhardt, who had taken over the company from his deceased father Franz.

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

In 2000, Sulzer decided to concentrate its activities on four divisions. As Sulzer-Burckhardt did not fit in with this new strategy, the decision was made to divest Sulzer-Burckhardt. Together with the financial investor Zurmont Finanz AG, five members of management purchased Sulzer-Burckhardt Engineering Works Ltd. on April 30, 2002. In the course of separating from Sulzer, Sulzer-Burckhardt became Burckhardt Compression in May 2002. In 2006, Zurmont decided to divest its shares in Burckhardt Compression by means of an IPO. Our company has been listed on the SIX Swiss Exchange since June 26, 2006, and 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 structure with two divisions, Systems and Services, which enables it to address customer needs even better than before. In December 2017, Burckhardt Compression adopted the 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. On January 9, 2019, Burckhardt Compression officially celebrated its 175th corporate anniversary with distinguished guests from the worlds of business and politics as well as science and technology. Burckhardt Compression is also showing its appreciation of the efforts of its employees by organizing internal events that will be held at every company site throughout the year to commemorate this milestone.

VISION AND MISSION

Vision

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

Mission

Systems Division: We provide optimal gas compression solutions for every customer.

Services Division: We build trust with customers and dependable, uncomplicated business relationships while ensuring the reliable, efficient operation of their compressors over 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. Cutting-edge technology, a vast portfolio of compressors and components and a full range of services make Burckhardt Compression an ideal partner for customers around the world who want highly reliable, custom-tailored solutions for their reciprocating compressor systems. Our collaboration with external and internal customers is dedicated, solutions-oriented and distinguished by genuine enthusiasm for our reciprocating compressors. The umbrella brand and corresponding logo 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 ongoing internationalization, Burckhardt Compression issued uniform "Values and Behaviors" that serve as the very foundation of our corporate culture. This document is also pertinent in the increasing collaborative interaction and increasingly virtual collaboration between the Group's subsidiaries and sites across the world. 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. It operates in two divisions, Systems and Services. Burckhardt Compression's Mid-Range Plan for the fiscal years 2018 to 2022 targets the continued expansion of its market position through organic growth and selective acquisitions, with the ultimate objective of strengthening its market leadership. No acquisitions were made during the year under review.

Mid-Range Plan for fiscal years 2018 to 2022

Consolidated sales of around CHF 700 mn in fiscal year 2022 are targeted in the Mid-Range Plan with a fairly balanced sales mix between the two divisions and an EBIT margin of 10% to 15% at Group level.

The Systems Division will aim to improve its profitability while maintaining its global market leadership. Its sales target for 2022 is CHF 340 mn with an EBIT margin of 0% to 5%. A greater emphasis on global procurement and further cost optimization will help it to achieve these targets. The division will also broaden its presence in its targeted market segments and introduce new applications.

The 2022 sales target for the Services Division including Arkos Field Service is CHF 360 mn. The target range for its EBIT margin is 20% to 25%. Servicing the compressors of other manufacturers is an important growth priority for this division. Burckhardt Compression will launch further operational initiatives, ranging from implementing global processes and the

expansion of its local and regional presence to the buildup of its maritime services network, to achieve its targets in the Services Division.

Furthermore, digitalization will help to create new business models and applications in both divisions and optimize production processes.

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 objective is to develop reciprocating compressors and components that optimally address customer needs and ensure its technology leadership in the market for reciprocating compressors. Quality, technology, materials and design specifications are geared towards high operational reliability, optimal 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. All stage-gate milestones are subject to approval by the "Innovation Board," which is headed by members of the Executive Board.

MAIN APPLICATION AREAS

Upstream oil & gas

Despite increasing energy efficiency, global demand for energy continues to grow, 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 offers onshore and offshore solutions for a wide range of applications. High-quality, low-speed reciprocating compressors (compliant with API standard 618) have been developed for these applications, which include enhanced oil recovery (EOR) methods. 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 can 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 flared, thereby polluting the surrounding environment and atmosphere. Burckhardt Compression is an expert at building compressors for compressing these gases, which often contain aggressive sulfuric components. In deepwater applications, CO₂ injection is also used for EOR methods with pressure levels of up to 600 bar. Onsite 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 will continue to increase over the long term. Replacing the liquid fossil fuels of diesel, gasoline and oil with natural gas would reduce global carbon dioxide emissions by about 25%. That fact and more stringent emissions regulations, especially in the maritime industry, are additional incentives to switch to natural gas as a source of fuel. Liquid natural gas is increasingly being used as propulsion fuel for LNG tankers, merchant ships and cruise ships. More coal-fired and nuclear power plants will be replaced with natural gas power plants in many regions of the world over the long run amid widespread efforts to decarbonize growing economies and diversify energy supply. 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 tankers, which offers greater flexibility and avoids the geostrategic risks associated with gas pipeline infrastructure.

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 LNG process chain begins with the extraction, purification and liquefaction of the natural gas, followed by ship loading, transportation and subsequent off-loading, then the 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 onshore 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, cost-cutting pressure, 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 additional processing capacity is needed. 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, fertilizer, detergents or textiles entails, among other things, the processing of oil, natural gas and even coal. Demand for petrochemical and chemical products, especially for polyolefins, will steadily increase worldwide over the long term. In this application area, too, companies will continue their efforts to reduce costs by replacing smaller scale plants with larger ones, establishing strategic production sites, and extending value-added chains.

An additional source of growth is the growing production of natural gas from shale formations worldwide. In terms of potential, the US is the leading market in this segment. Burckhardt Compression offers several product lines with individual, reliable and benchmark-setting reciprocating compressor solutions for a broad spectrum of applications.

Industrial gases

Industrial gases such as argon, helium, carbon dioxide, carbon monoxide, oxygen, nitrogen and hydrogen are produced in air separation or hydrogen generation plants. The end market for industrial gases is quite broad, encompassing industries as diverse as metalworking and metallurgy, chemicals, 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. The production of hydrogen for the energy (refineries) and transportation sectors is expected to be a particularly strong growth driver in this market segment. This serves as another example of an application area where Burckhardt Compression is profiting from the increased extraction of shale gas deposits, especially in the US. Burckhardt Compression's dependable compressors are used in a wide variety of applications to process industrial gases.

CUSTOMERS

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

COMPRESSOR SYSTEMS

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

Laby® – Labyrinth Piston Compressors

The Labyrinth Piston Compressor offers unrivaled reliability and availability thanks to its unique labyrinth sealing system on the piston and piston rod gland, which enables oil-free and contact-free compression.

The result is a longer service life, which has a positive impact on overall reliability and operating costs. 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 of as low as minus 160 °C (-250 °F).

Laby®-GI Compressors

The Laby®-GI Compressor has a fully balanced design that eliminates unbalanced moments and forces, so it can be used on offshore vessels and installations. Strict guidelines for offshore applications regarding maximum allowable vibration levels on deck structures must be observed. The Laby®-GI Compressor is 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 is a guarantee for 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 per API 618

Process Gas Compressors built by Burckhardt Compression are synonymous with unrivaled availability and long operating lives. 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.

Our Process Gas Compressors are 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 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 up to 60 years of experience in building Hyper Compressors. These compressors are distinguished by a long operational life and high safety standards, which can be traced to their unique construction design and Burckhardt Compression's global one-stop maintenance and service capabilities.

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

Standard High Pressure Compressors

Standard High Pressure Compressors from Burckhardt Compression are extremely robust and reliable reciprocating compressors with a compact design and low weight. They are delivered skid-mounted with structural supports that dampen vibrations, so there is no need for a special foundation. Due to the low-pressure conditions per compressor speed range, greater piston displacement can be achieved at lower compression temperatures. The result is high compression efficiency, low wear and less maintenance expense. The air- 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, with a maximum power of 220 kW, maximum discharge pressure of 400 bar and suction volumes of up to 1'500 Nm³/h.

SERVICE AND COMPONENTS BUSINESS

The Services Division is a full-range provider of services for reciprocating compressors and related engineering expertise. Its comprehensive range of services is backed by OEM parts with high supply readiness as well as vast engineering know-how, from simple modifications to extensive retrofit and revamp projects as well as turnkey solutions. Experienced field service technicians ensure close interaction with the customer and rapid response. Depending on the size of the project and site, Burckhardt Compression also offers a 24/7 shift operation, so production systems can be put back 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. A wide range of complementary services are offered for all brands of reciprocating compressors and their auxiliary system, and even for all types of other compressors. 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 full warranty as an OEM stand for superior quality and ensure low life cycle costs as well as the optimal operation of compressor systems. These top-quality compressor components are tailored to specific system requirements. Compressor components such as valves, seals and packings are subject to wear and tear, so these parts largely determine the duration of service intervals and operational availability and, ultimately, the overall life cycle costs of reciprocating compressors. Besides operational availability, Burckhardt Compression stands by its commitment to supply compressor parts and components over a long-term period. Burckhardt Compression is methodically expanding this business in close collaboration with numerous operators of reciprocating compressors.

Diagnosis and monitoring for superior operational reliability

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 operational reliability and for longer service intervals. Continuous machine diagnosis detects potential and actual anomalies 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 all types of reciprocating compressors as well as with many other types of rotating machinery. They are backed by unrivaled technology and reliability and deliver value day after day in the oil, gas and chemical industries.

Field service – close to the customer

Geographic proximity, a local presence and long-lasting customer relationships grounded in trust are another key to our 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. It will continue to expand this service network going forward.

Customer training sessions

The training sessions we have been offering to our customers for many years empower them to make better use of our know-how. Theoretical and practical training courses for various types of compressors and our own and third-party components are offered at our modern training center that we have set up in Winterthur and we also provide on-site training at customer sites with the systems they have. Qualified technical specialists instruct customers on a wide range of maintenance and operational issues over the life cycle of any compressor system.

WE ARE BURCKHARDT COMPRESSION

175TH ANNIVERSARY – AND FIT FOR THE FUTURE

Founded as a mechanics workshop in 1844, Burckhardt Compression is proudly celebrating its 175th anniversary in 2019. This long history would not have been possible without a truly innovative spirit, a steady focus on the customer and an unwavering passion for compressor systems and services. Well-qualified and dedicated employees ensure our successful future.







REVIEW OF THE FISCAL YEAR

FINANCIAL PERFORMANCE

Order intake: Renewed rise at both divisions

Group order intake totaled CHF 658.7 mn and exceeded the prior-year figure by a pleasing 25.4%; excluding currency translation effects, incoming orders were up 25.6%. Orders received reached all-time highs at both divisions. The Systems Division accounted for CHF 428.0 mn of the new orders, which represents an increase of 33.8% from the previous year. All targeted market segments contributed to this order growth. Orders received in the Services Division rose by 12.3% to CHF 230.7 mn. Spare parts and engineering services accounted for much of this order growth.

Sales at prior-year level

Consolidated sales for fiscal year 2018 edged 0.8% higher to CHF 599.3 mn; excluding currency translation effects, sales were up 0.9% year-on-year. Sales were 6.5% higher in the Services Division and 2.3% lower in the Systems Division.

Operating margin improves

Gross profit of CHF 135.7 mn was 8.5% more than the prior-year figure of CHF 125.1 mn and the resulting gross profit margin was 22.6% (previous year: 21.0%). The Systems Division's gross margin improved to 8.1% (previous year: 7.1%). Gross profit at the Services Division rose 7.5% to CHF 105.2 mn, bringing its gross profit margin to 47.0%, slightly above the 46.6% margin reported for the previous fiscal year.

Operating income amounted to CHF 44.5 mn or 7.4 percent of sales (previous year: 7.0%) and exceeded the prior-year figure by CHF 2.8 mn. Because of the substantial additional costs incurred in its LNGM business, the Systems Division closed fiscal year 2018 with an operating loss of CHF –8.7 mn (previous year: CHF –9.0 mn), while the Services Division increased its operating income from CHF 54.4 mn in the previous year to CHF 58.2 mn in fiscal year 2018.

Consolidated net income amounted to CHF 32.2 mn, 10.9% more than in the previous fiscal year. As a result of a strong contribution of Shenyang Yuanda Compressor (40% still owned by the founder) to the Groups result, the net income per share decreased by 4.2% to CHF 8.15.

Equity remains strong

Total assets on the balance sheet closing date amounted to CHF 848.7 mn, an increase of CHF 51.1 mn or 6.4% compared to the previous fiscal year. This increase is mainly attributed to invoicing activity in the final quarter of the fiscal year, which led to a considerable increase in accounts receivable. The equity ratio at the end of fiscal year 2018 was 40.7% (previous year: 42.0%). The net financial position at year-end amounted to CHF –49.4 mn, an improvement of CHF 12.7 mn compared to the end of March 2018.

Realization of the projects of the Mid-Range Plan 2018–2022 on track

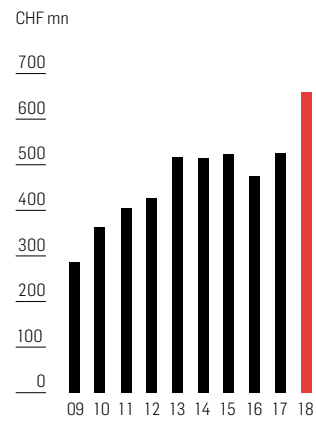
The execution of projects detailed in the Mid-Range Plan that was approved in December 2017 is proceeding as planned. Having achieved growth in all of its targeted market segments, the Systems Division was able to defend its leading market position. It continued to successfully execute projects to lower its operating costs and optimize business processes to bring about the necessary improvement in profitability. The Systems Division replaced its formerly centralized sales organization with a decentralized sales structure so it can process the clearly higher level of inquiries being received by customers more efficiently.

The Services Division continued to successfully pursue its growth strategy and strengthen its market position, especially in engineering and spare parts. We are effectively leveraging our compressor manufacturing expertise in the Services Division through our engineering solutions, which are obviously appreciated by our customers. This valuable know-how is also opening new windows of opportunity in the OBC (Other Brand Compressors) business, where considerable growth potential can be tapped.

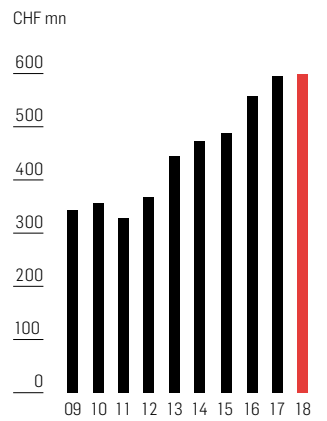
Workforce growth

The number of employees at the end of the fiscal year stood at 2'346, an increase of 132 from the year-ago figure of 2'214. This increase was fairly evenly split between the two divisions. At the end of March 2019, 738 employees (32%) were employed in Switzerland, 1'130 (48%) in BRIC countries and 478 (20%) in other countries.

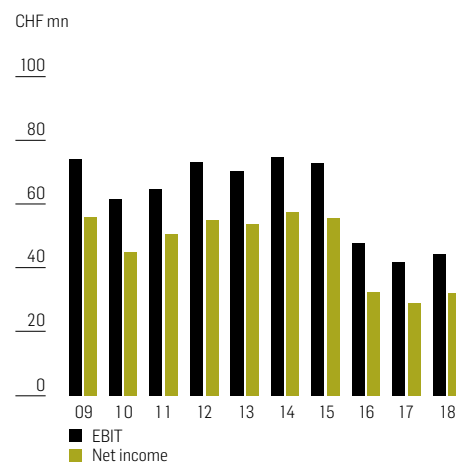
ORDER INTAKE



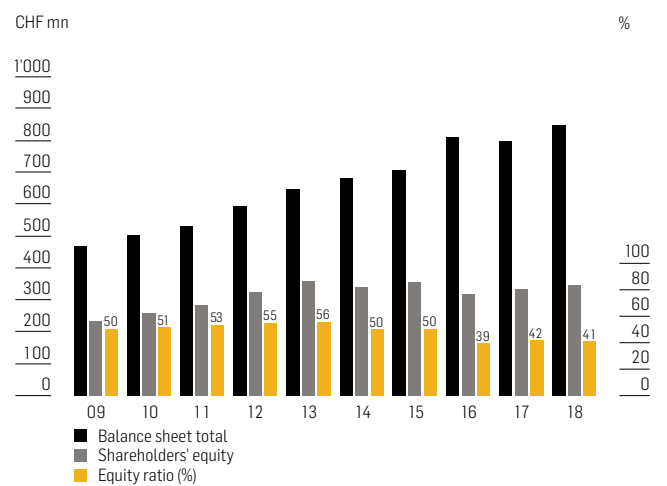
SALES



EBIT AND NET INCOME



EQUITY RATIO



CAPACITY

The Services Division partnered with Sultrade to open a new service center in Slovakia during the year under review. Petrochemical and refinery customers in neighboring countries will also be served from this new location. In Thailand, a service center for compressor valves was opened in partnership with SPAN Maintenance and Service Co. Ltd.

ACQUISITIONS

No acquisitions were made during the past fiscal year.

CUSTOMERS

Working with customers in a spirit of partnership is important to Burckhardt Compression. Both divisions regularly conduct customer surveys in a bid to understand customer needs even better, and such surveys were carried out while preparing the latest Mid-Range Plan. The survey findings and resulting action plans and initiatives were incorporated in the new plan.

RESEARCH AND DEVELOPMENT

Compressor systems for marine applications

We added two new products to our portfolio of compressors for large LNG carriers during the past year. With this portfolio expansion we can offer optimal solutions for all our customers' needs in this segment. We continued to adjust our operations to the developments in this dynamic market during the year under review to meet the needs of our customers going forward.

We also developed new solutions to optimize the operation of the considerable number of already installed marine compressors. These help to sustain the value of our products at customer installations.

New materials for the Persisto® portfolio

We enlarged and optimized our portfolio of Persisto® compressor sealing systems materials during the year under review. These mostly PTFE-based materials have superior tribological qualities and significantly extend the service lives of oil-lubricated and oil-free compressors. Many of these materials were engineered by Burckhardt Compression and are also manufactured in-house in accordance with our quality management system.

**Our portfolio of Persisto® materials
for compressor sealing systems
continued to grow over the year.**

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 service life of compressor valves.

Portfolio of refinery and industrial gas compressors expanded

As well as constantly optimizing our portfolio of process gas compressors, we have added a smaller compressor to the range that specifically addresses the needs of refinery customers. This is a commercially very interesting product that meets standard specifications and creates more business opportunities for us in the highly competitive refinery compressor market.

BRAND MANAGEMENT

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

In the period under review, various print and online communications tools were introduced for both divisions and Burckhardt Compression's trade show visuals were improved.

SYSTEMS DIVISION

“Burckhardt Compression’s order intake during the past fiscal year was higher than ever before and included orders for three LDPE lines with Hyper Compressors and the very first order for handling boil-off gas on a cruise ship. We also sold our first standard high pressure compressors to a customer in Canada, a milestone of which all of us in India are rightfully proud.”

Suraj Ghadge, Plant Maintenance, Burckhardt Compression India

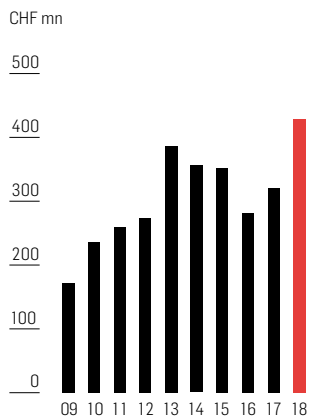




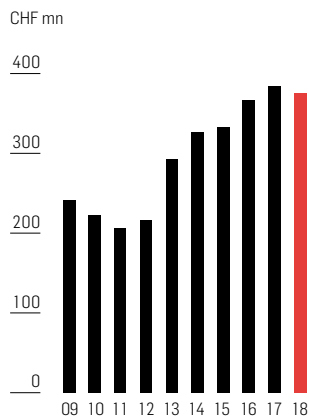


REVIEW OF THE FISCAL YEAR SYSTEMS DIVISION

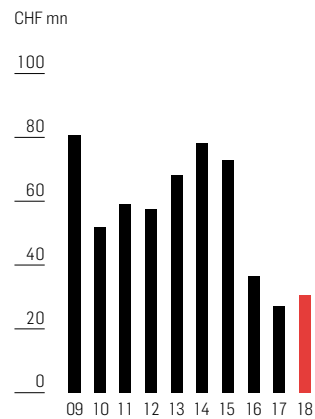
ORDER INTAKE



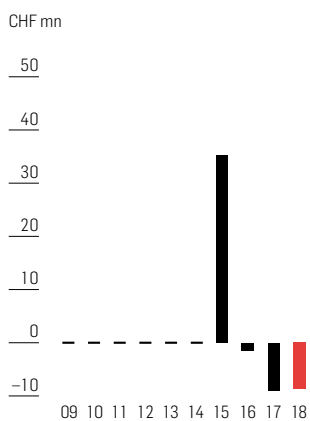
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)¹



FIGURES

	2016	2017	2018	Change 2017/2018
in CHF mn				
Order intake	280.6	319.8	428.0	33.8%
Sales and gross profit				
Sales	367.2	384.4	375.4	-2.3%
Gross profit	36.5	27.2	30.5	12.1%
in % of sales	9.9%	7.1%	8.1%	
Operating income (EBIT)	-1.5	-9.0	-8.7	
in % of sales	-0.4%	-2.3%	-2.3%	
Headcount as per end of fiscal year (full-time equivalents)	1'446	1'425	1'506	5.7%

¹ Before fiscal year 2015, no EBIT was reported at divisional level.

FINANCIAL PERFORMANCE

All-time high order intake

Full-year order intake at the Systems Division reached an all-time high of CHF 428.0 mn, which represents a 33.8% increase year-on-year. This pleasing growth was largely driven by robust market demand, as well as by Burckhardt Compression's leading position in all key applications in the petrochemical, refinery and maritime market segments. Divisional sales of CHF 375.4 mn were slightly lower (–2.3%) than in the previous year. The resulting gross profit was up by 12.1% year-on-year but still unsatisfactory at CHF 30.5 mn, which corresponds to a gross profit margin of 8.1% (previous year: 7.1%). Gross profit was diminished by additional costs related to the ramp-up of the LNGM business, while further progress was made in reducing other cost items. More action plans aimed at improving profitability were devised within the scope of the "Pulling Systems Together" program. The division's full-year operating loss of CHF –8.7 mn was slightly less than in the previous fiscal year (CHF –9.0 mn).

MARKETS

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

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

Order intake at the Systems Division topped the year-ago figure by 34% and set an all-time high.

Burckhardt Compression performed well during the past fiscal year in the face of unrelenting competitive pressure. In China, for example, we won contracts to supply compressors for three LDPE production lines, which comes on the heels of several other large orders placed by Chinese customers in the previous fiscal year. This represents a renewed strengthening of the division's already strong market position in this segment.

Upstream oil & gas

Overdue investments in upstream production were observed during the year under review after several years of suppressed capex caused by low prices for oil and natural gas. This is the only application area targeted by Burckhardt Compression that is impacted by crude oil prices.

Gas transport and storage

The LNG (liquefied natural gas) market clearly gained momentum in 2018 after showing signs of a tepid recovery in the previous fiscal year. The number of new LNG tankers under construction showed pleasing growth and reflects increasing global demand for greener and more cost-effective sources of energy. Operators of both container and cruise ships must comply with increasingly strict environmental regulations; for example, sulfur dioxide and nitrogen oxide emissions will be capped at significantly lower levels beginning in 2020. Technology that enables different types of vessels to be equipped with environmentally cleaner propulsion systems will further develop in the market. Burckhardt Compression introduced more solutions in the year under review to address market demand and won its first order to equip a cruise ship with compressors. A framework agreement was also signed with an important Korean shipyard for large-scale LNG tankers, and Burckhardt Compression is proud to occupy a leading position in this attractive market. New orders for LNG terminals in China were another highlight of the fiscal year and will create significant growth opportunities in years to come.

Refinery

Business momentum in this segment remained positive during the period under review, buoyed by the double-digit growth of the underlying global market volume. Growth has been quality-driven as all classes of fossil fuels must now be virtually sulfur-free in all major world markets. Looking ahead, the two large markets of China and India are expected to generate further quantitative growth. These positive trends in the refinery market have also been driven by the long-term strategies being pursued in major countries to increase domestic value creation, thereby reducing their dependency on imported refinery products. Our compressor business is benefiting from these efforts. Burckhardt Compression received major orders for process gas compressors from customers in the Middle East and, for the first time ever, the US. We also note that Shenyang Yuanda Compressor claims a significant share of the refinery market in China.

Petrochemical and chemical industry

Business in this segment was pleasing. Burckhardt Compression's Laby compressors for low-pressure PCI applications sold well, particularly in China, Southeast Asia, the Middle East and the USA. Orders to supply compressors for three LDPE production lines in China were received. Growing global demand for plastic products represents a long-term growth driver for the petrochemical and chemical industries. The petrochemical industry is adding production capacity at a fast clip due to the strong demand and government policies to increase domestic value creation.

Industrial gases

Given the vast range of applications for industrial gases, this segment also displayed good growth. We expect that the various targeted industries will grow at least in step with global GDP growth, if not slightly faster, so demand for compressors is likewise expected to increase. The very first order for our new diaphragm compressor designed for use in the promising market of hydrogen fuel production was the highlight of the year in this segment.

SALES/DISTRIBUTION

In the year under review, the sales organization for new compressor systems was decentralized. Responsibility for customer relationship management and project negotiations (front sales) was transferred to the respective regions and offices for preparing and processing technical proposals and quotes (application engineering) were set up in each region. This process of decentralization is nearing completion and is already providing a payback in terms of risk management and quality assurance. Furthermore, it has enabled the Systems Division to handle the higher order flows within the required timelines in close collaboration with its customers. The two geographic regions of Southeast Asia and Eastern Europe/Central Asia were established as autonomous sales regions for new compressor systems with the corresponding sales offices in Bangkok and Winterthur. This clear delegation of responsibility gives us a stronger regional presence.

An agreement was reached with our external agents in countries where we do not employ our own sales staff to work on a project-specific basis, which will make our collaboration with externals more efficient and effective.

INFRASTRUCTURE

Planning for a new manufacturing site for Shenyang Yuanda in China began during the period under review. The new site is scheduled to be operational in the autumn of 2020 and will replace the company's current site. This relocation project can be traced to a decision by Shenyang city officials to convert the company's current manufacturing site, which has been completely engulfed by the rapidly growing city of Shenyang, to residential use. Shenyang Yuanda Compressor signed an agreement on the terms of its factory relocation with local government officials during the period under review. The consolidation of two separate sites at the new, larger site and the redesign of business processes in conformity with the latest standards and best practices will further improve Shenyang Yuanda's operating efficiency.

Considerable infrastructure investments were also made at various other sites last year. In India, we concluded a project to expand production capacity for mid-scale process gas compressors. Our Global Support Center in the country was also expanded and, given the increase in order inflow, the headcount in Design & Manufacturing and Contracting was increased at every manufacturing site.

"PULLING SYSTEMS TOGETHER" FOR POSITIVE CHANGE

A sweeping process- and cost-optimization program was initiated in the Systems Division at the end of 2016 to improve its ability to respond to sudden fluctuations in order volumes and to bring about a significant and lasting improvement in its operational excellence over the medium term. Approximately 30 separate projects are being pursued in the "Pulling Systems Together" program and they affect every unit in the division, including its design, procurement, production workflow, project management, logistics and capacity management activities.

Considerable progress was made last year and most of the projects have been completed. Besides the aforementioned expansion of the Global Support Center in India and the decentralization of the divisional sales organization, the changes made in its procurement unit during the previous year yielded further significant cost savings.

OUTLOOK

The Systems Division expects a stable market environment in fiscal year 2019. All of its targeted application areas should benefit from this. The strong growth witnessed in the maritime business during the past fiscal year should continue in the current year. Further growth is expected in the petrochemical market given the growing consumption of plastics in China and across Southeast Asia. Demand for compressors is also expected to continue growing in the refinery segment, primarily fueled by demand for cleaner fossil fuels. In the industrial gases segment, a steady increase in overall demand is expected thanks to the wide range of consuming industries, many of which have historically grown in line with the general economy.

**Our marine business should continue
to grow in 2019.**

The top priority of the Systems Division in the current year remains unchanged: achieving a significant improvement in its profitability while maintaining its global market leadership. Under the current Mid-Range Plan for 2018 to 2022, sales are targeted to reach CHF 340 mn in fiscal year 2022 with an EBIT margin of 0% to 5%. This sales figure has already been realized in the year under review and will further rise in 2019. The measures that have been implemented to improve every process step, including the procurement activities, have already improved the divisional profitability but the operating loss for the year was still clearly unsatisfactory. This is attributed to additional costs that were incurred to expand our presence in the LNGM business.



SERVICES DIVISION

"We are pleased to have continued our growth trajectory and to have achieved record high new orders. We also opened additional service centers during the past year, bringing us closer to the customer, and enlarged our engineering team."

Raimund Arztmann, Technical Support Engineer, Burckhardt Compression Switzerland

A man with glasses and a white hard hat is working in a factory. He is wearing a yellow safety vest over a blue shirt. The hard hat has the Burckhardt Compression logo on it. He is looking towards the camera with a slight smile. The background is a blurred industrial setting with various machinery and equipment.

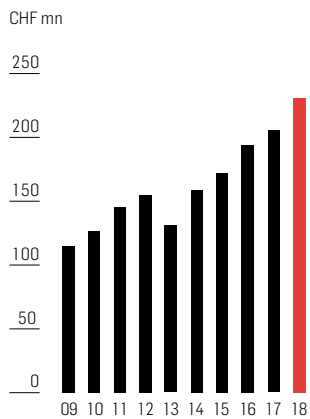
 **Burckhardt
Compression**



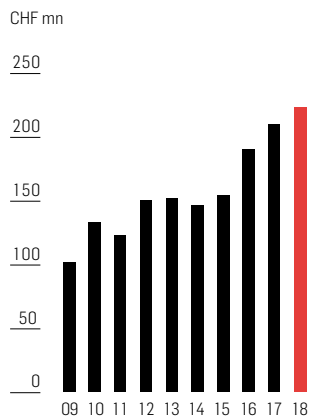


REVIEW OF THE FISCAL YEAR SERVICES DIVISION

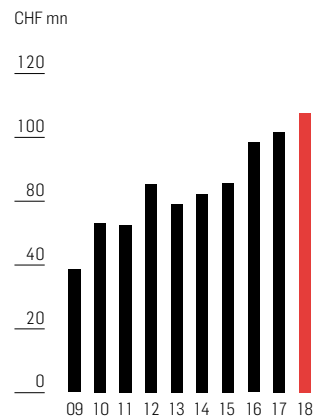
ORDER INTAKE



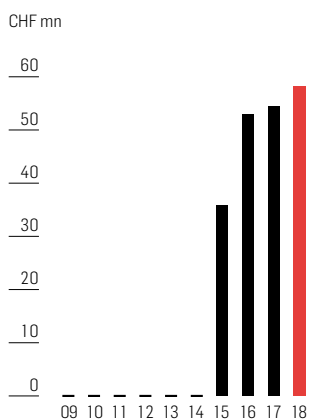
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)¹



FIGURES

	2016	2017	2018	Change 2017/2018
in CHF mn				
Order intake	194.3	205.4	230.7	12.3%
Sales and gross profit				
Sales	190.5	210.2	223.9	6.5%
Gross profit	94.0	97.9	105.2	7.5%
in % of sales	49.4%	46.6%	47.0%	
Operating income (EBIT)	53.0	54.4	58.2	7.0%
in % of sales	27.8%	25.9%	26.0%	
Headcount as per end of fiscal year (full-time equivalents)	649	778	830	6.7%

¹ Before fiscal year 2015, no EBIT was reported at divisional level.

FINANCIAL PERFORMANCE

On track for further growth

The Services Division maintained its growth trajectory in 2018. Orders received amounted to CHF 230.7 mn, which topped the figure for the previous fiscal year by 12.3% and marked a new all-time high for the division. Sales also rose, by a pleasing 6.5% to CHF 223.9 mn, and now account for 37% of the Group's consolidated sales. Canada was a strong growth driver thanks to CSM Compressor Supply & Machine Works Ltd, the services provider acquired during the previous year, as well as countries in the Middle East and Eastern Europe. Gross profit for the Services Division increased by 7.5% to CHF 105.2 mn, resulting in a gross profit margin of 47.0% (46.6% in the prior-year period). Operating income amounted to CHF 58.2 mn, an increase of 7.0% from the prior year (CHF 54.4 mn).

Incoming orders also reached an all-time high at the Services Division and were up by about 12% from the previous year.

MARKETS

Burckhardt Compression's services cover the following areas:

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

Major contracts were received from customers in Singapore, China and elsewhere during the year under review. On the innovation front, new sealing materials for piston rings were added to the portfolio and new diagnostic and analysis tools and technology for older compressor systems were developed, along with guidelines for modernizing, retrofitting and overhauling such systems.

Spare Parts

There was another pleasing increase in orders for spare parts in fiscal year 2018. Customers are increasingly ordering spare parts for compressors made by Burckhardt Compression and other manufacturers with the services we provide. The market response to our strategy of growing this business to include spare parts for other brands remained positive.

Engineering/Revamp/Repair

The growth trend in large-scale compressor overhaul and modernization projects remained intact in fiscal year 2018 but

smaller and mid-scale projects accounted for a larger share of the overall business in this segment than in fiscal year 2017. Long-term service contracts are a sound platform for future growth in the Services Division. Major engineering projects were acquired in the Middle East and Eastern Europe.

Field Service

Burckhardt Compression profited from the commissioning of numerous new systems in the US and China last year and LNGM vessels already in operation were another source of growth. Our preventive maintenance services for Burckhardt Compression and other-brand compressors continued to deliver good growth too.

Monitoring/Diagnostics

Sales of new monitoring and diagnostics systems were slightly lower year-on-year but the services business continued to grow. Demand was particularly high for gas transport & storage and petrochemical applications.

SALES STRUCTURES STRENGTHENED

The centralized management system introduced in the previous year to oversee quote and order processes and the realization of service engineering solutions proved its worth in 2018. Regional sales structures were strengthened too. Our local Field Service Representatives are highly qualified employees who are also responsible for managing customer relationships and assessing local market opportunities. A new partnership model to provide services as a local player close to customers in smaller but fast-growing markets was introduced through a limited investment.

NEW SERVICE CENTERS

We continued to expand our geographic reach during the year under review. In December 2018, Burckhardt Compression opened a new service center in Slovakia with its local partner Sultrade Compressor Services (SCS) for the Central Europe region. This enables it to offer compressor operators in Slovakia, the Czech Republic, Hungary, Poland and Austria a full range of services and repairs for all reciprocating compressor brands as well as Hyper Compressor services. The new location brings Burckhardt Compression closer to its customers in the region and enables it to respond to customer needs and inquiries more quickly.

Another service center was opened in Thailand in collaboration with local partner SPAN Maintenance and Service. It offers compressor valve services and repairs. The new service center in Sweden was officially inaugurated together with our strategic local partner Kompressorteknik ML AB.

In China, Burckhardt Compression expanded its component manufacturing capacity at its existing site in Shanghai. Besides valves, it now manufactures rings and packings to address increasing market demand in China attributable, among other factors, to our cooperation with Shenyang Yuanda – customers are increasingly ordering Burckhardt Compression's spare parts for their other brand compressors.

OUTLOOK

The outlook for growth in our services business remains attractive:

- More and more customers are outsourcing service-related operations.
- The installed base of compressor units continues to grow.
- Compressor operators are seeking efficiency gains to sharpen their competitive profile, which requires retrofit and overhaul services.
- Preventive maintenance in conjunction with the continuous condition monitoring of compressor systems is growing in importance.

Therefore we believe that the demand for a full range of compressor services from a single source will grow more strongly than the spare parts business alone. Customers are increasingly expecting engineering solutions, competent onsite advisory services and tailor-made maintenance concepts.

In view of the growing number of LNG tankers, we established a services organization that addresses the specific needs of the marine business.

In our Mid-Range Plan for 2018 to 2022, we expect the Services Division to achieve annual organic growth of 6% to 8%. Including the expected consolidation of Arkos Field Services, the divisional sales target for 2022 is CHF 360 mn. The target range for its EBIT margin is 20% to 25%. Growth priorities are services for compressors made by other manufacturers and people-driven services. To ensure success in this business, Burckhardt Compression has launched operational initiatives to strengthen customer relationship management, for example, and expand its local and regional service capabilities. Other measures include the expansion of its engineering and project management resources in the Services Division and the implementation of global processes for all service center locations. In view of the growing number of LNG tankers equipped with

Laby®-GI fuel gas supply compressors, we will establish a services organization that addresses the specific needs and requirements of the marine business. Digitalization will also be used to create new services and applications. The main aims here are to improve access to company and customer data and the utilization thereof, foster transparent communication, and optimize business processes. Stricter cost controls will also be imposed.

Last year's achievements indicate that the Services Division is on the right track. The market response to the expansion of our service presence and our engineering and project management resources was very positive. Numerous engineering specialists and sales staff were hired to strengthen this unit. We also offered more training courses and resources, not only for our own employees but also for our customers' service and maintenance technicians.

A large-scale customer satisfaction survey conducted for the first time in 2018 confirmed that we are moving in the right direction with our latest strategic initiatives. The target groups of this survey were our customers' service and maintenance technicians and other employees with a technical background as well as procurement specialists. The survey showed that our customers are very satisfied with the competence of our field service specialists and the quality of the spare parts we make. These findings were evaluated with inputs from all of our country organizations and specialist units and corrective measures were taken where necessary. This survey will now be conducted on a periodical basis.



BURCKHARDT COMPRESSION GROUP

"Sustainability is a high-priority topic for us. We're proud to have won the GreenCo Award for a third consecutive year. We also were honored with an energy efficiency award and an award for the best waste management and recycling project."

Sneha Panse, Associate Manager, Burckhardt Compression India





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 the framework for continuing the company's 175-year history of success on all levels. This can only be achieved if a balance is found between the different and sometimes opposing interests of the individual stakeholders.

We are committed to transparency. Only by knowing exactly where things stand can appropriate goals be set and the right measures initiated to achieve them. Regular management reviews and appropriate controlling instruments ensure that we achieve the goals we set. Burckhardt Compression's sustainability credentials are evaluated by an external specialist (GAM) on a regular basis. During the latest assessment in 2018 we again achieved our goal of exceeding the average rating for a selected group of comparable Swiss companies.

Burckhardt Compression modified its occupational health and safety management systems during the year under review in accordance with OHSAS 18001 requirements and introduced an environmental management system in compliance with ISO 14001, obtaining certification for both standards.

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 modified to reflect the prevailing 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 accurately portray our company to enable a fair valuation of Burckhardt Compression's stock. In an effort to further that dialog, we organize Investor Days, most recently at the company's headquarters in Winterthur in January 2018, where we presented the targets and objectives of our 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 2017 annual report scored a very high 26th (out of a total of 230 companies) in the Value Reporting (Print) category.

In the 2018 survey of company boards carried out by zRating in collaboration with the "Finanz und Wirtschaft," Burckhardt Compression ranked 15th among the 174 Swiss listed companies covered by the survey. This excellent ranking is based on 26 criteria pertaining to board organization, independence, transparency, compensation and sustainability.

Customers

Burckhardt Compression seeks to establish lasting customer relationships, given that the average useful life of our compressors is 30 to 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 designated management teams. Appropriate measures are then introduced and implemented based on the results of the evaluation. In the year under review, customer satisfaction surveys were focused on the Services 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 downloaded at www.burckhardtcompression.com/about-us/vision-mission-values. We systematically test their suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators.

We were honored to receive an SAP Gold Award in the "Fast Delivery" category for our swift and smooth implementation of SAP's Success Factors HR software in fiscal year 2018.

Procurement is an integral part of Burckhardt Compression's strategic management cycle. The relevant procurement 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. In the year under review, we organized a Supplier Day in Switzerland and in India to deepen our contact with our suppliers and inform them about various changes and projects.

We were honored with the SAP Gold Award in the "Fast Delivery" category in connection with the roll-out of SAP's Success Factors HR software in fiscal year 2018. SAP's award is given in recognition of superb project planning and the fast and cost-effective implementation of SAP software solutions, focusing closely on SAP standards.

Innovation

Burckhardt Compression was named 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

Burckhardt Compression has invested CHF 125.9 mn over the past five years (excluding acquisitions). Most of its capital expenditure during the period under review was spent on projects 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 shareholder equity at the end of the reporting year resulted in a quotient of 2.7 (previous year 3.1). This clearly shows that we continue to generate substantial value with the capital of our shareholders (shareholders' equity). Net income per share attributable to the shareholders of Burckhardt Compression for the period under review amounted to CHF 8.15 (previous year: CHF 8.51). We aim to increase this figure going forward.

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 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.

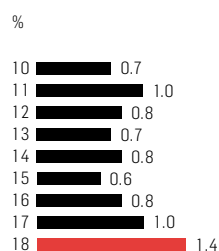
The objectives of our risk management activities are:

- 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.

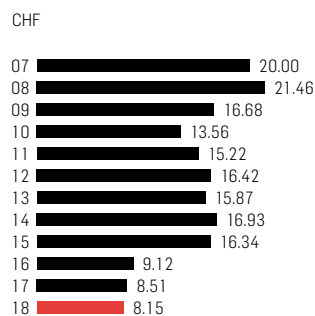
Warranty costs

The significant increase in actual warranty costs in the fiscal year 2018 is mainly due to additional costs incurred in the LNGM business.

ACTUAL WARRANTY COSTS AS A PERCENTAGE OF SALES



NET INCOME PER SHARE



SOCIAL SUSTAINABILITY

Corporate culture

A well-founded and sound corporate culture is the foundation of a company's competitiveness. Our "Values and Behaviors" policy document ensures that all employees at the Group's various sites and subsidiaries share the same corporate values and principles. This shared understanding makes collaboration between teams and across borders much easier.

All employees are briefed on the company's binding values and code of conduct. Members of the Executive Board have also stressed the importance of these common values and behaviors in video podcasts. These measures help 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 sustainable HR policies. We actively promote a good balance of employees in terms of gender and age. High levels of employee loyalty and identification with the company are confirmed by the fact that the typical employee has been with the company for 8.4 years.

Toward the end of the previous fiscal year, Burckhardt Compression conducted an engagement survey with all employees around the world. The high response rate of 89% is another reflection of our employees' commitment. According to GfK, which conducted the global survey, Burckhardt Compression employee views on the quality of management, internal communications and employee focus were better than the average industry scores. Cross-departmental collaboration and change were two areas where our scores were below the industry average. Burckhardt Compression therefore organized Group-wide workshops, action plans and projects to further improve employee satisfaction. This employee survey will be conducted every two years to measure changes in 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 performance reviews and it is financed by Burckhardt Compression. We have developed an internal training program with various technical, product-specific and management modules to ensure the continual development of our technical and leadership competencies. Training courses for specific skill sets are organized for the entire Burckhardt Compression Group several times a year.

Burckhardt Compression conducts an annual appraisal and performance review with every employee (MyPerformance@BC), comprising personal development goals and suggestions for continuous improvement. Periodic reviews of the progress made toward performance goals, formal meetings with employees and goal-setting are part of the (MyPerformance@BC) system.

13.8% of our employees worldwide are women (previous year: 13.6%). 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 from the Code of Best Practice for Corporate Governance published by *economiesuisse* and we are convinced that mixed-gender teams perform better.

Our employees are regularly informed about the course of business and other corporate developments by their managers. Burckhardt Compression employees in Switzerland are informed twice a year by the CEO and the heads of their divisions. The still high employee turnover rate of 9.8% in the period under review (previous year: 9.8%) is attributed to the good state of the global economy. We aim to reduce this rate to a significantly lower level.

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 57 apprentices in Switzerland and 27 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 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 offered selective talent development programs. 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 depart-

ing 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 also important to us. Burckhardt Compression acknowledges that physical and mental health correlates with employee productivity and 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. During the year under review the Occupational Health & Safety System introduced at all of Burckhardt Compression's sites received OHSAS 18001 certification. Various activities such as more frequent or detailed risk assessments, safety tours with managers, and safety training courses for employees have had a positive impact on the relevant KPIs. At the Winterthur site, all workshop employees are now also required to wear protective footwear.

The average number of working days lost because of illness declined to 6.1 days per employee (previous year: 7.5 days). Our aim is to bring this down to less than 6.0 days. Measures were taken to achieve this goal.

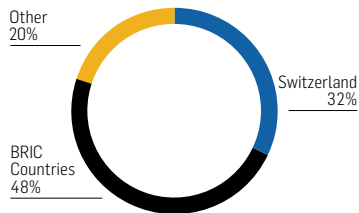
Environmental management

All Burckhardt Compression sites received ISO 14001 certification in the past fiscal year. In addition to compliance with the applicable standards, activities here were primarily focused on environmentally relevant aspects, with the aim of reducing energy consumption. A comprehensive chemicals management concept was also drawn up, hazardous chemicals were replaced with less hazardous ones and our storage practices were optimized.

GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2018

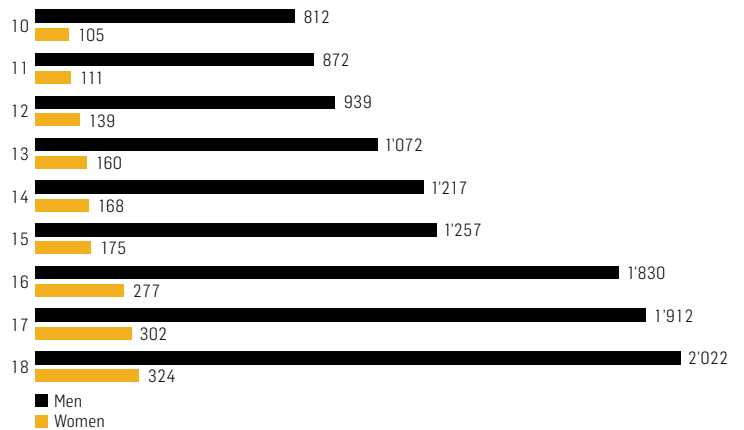
100% = 2'346

Employees (full-time equivalents)

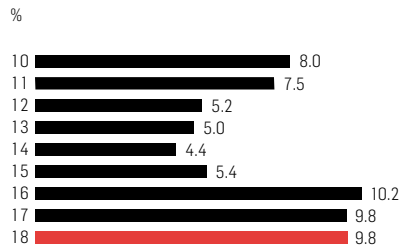


GLOBAL WORKFORCE BY GENDER

Employees (full-time equivalents)



EMPLOYEE TURNOVER RATIO



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 held the unpaid position of chairman of the Swiss Employers' Association since 2011 and of "Check your Chance," a Swiss association that fights youth unemployment, since 2014. Our CEO serves as the honorary chair of the Swiss-CIS/Georgia Joint 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.

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. We focus on sustainable and efficient product development concepts, taking into account the entire life cycle of a product, given that our compressors have an average lifetime of 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 marine diesel oil. 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 SOX emissions when powered by natural gas.
- Process Gas Compressors per 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 reliability, extending service intervals and preventing failures.

Procurement

We draw on the experience of our suppliers to help us continuously improve our products. Much of our value creation is dependent on 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 are 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.

Buildings and fixtures

At the Winterthur site, a multi-year project to replace conventional lighting with LEDs in our offices and workshops is under-way to save energy.

More investments were made to reduce fine respirable dust at our foundry operations in China.

A new sand mixer was installed for Shenyang Yuanda Compressor's foundry. This new machine produces a better sand mixture and thus a more homogenous sand composition, which in turn, reduces the required amounts of sand hardeners. Other green investments were made to reduce fine respirable dust caused by the foundry's operations.

Our factory in Pune, India, received another GreenCo Gold Award during the year under review. GreenCo is an environmental rating system introduced by the Confederation of Indian Industry (CII) that takes a holistic approach to measuring the effectiveness of a company's environmental policies. The Pune factory also received a gold award for its energy-saving activities and an honorable mention for the best waste management and recycling project. It increased the renewables share of its energy mix and installed more roof-top solar panels, and reduced its overall energy consumption.

Environmental management, recycling and waste disposal

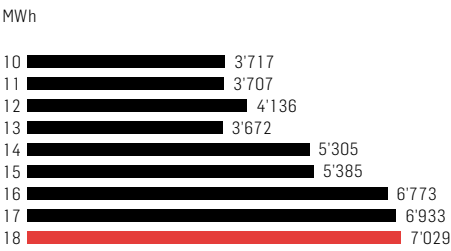
Hazardous goods and chemicals are transported, stored and disposed of in accordance with applicable laws and regulations. We try to recycle as much of our waste as possible. Internal collection points help our employees sort and dispose of waste correctly. This allows most of our waste to be recycled. 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 recycled certain materials (e.g. metals) are recycled in the proper, most environmentally friendly way.

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

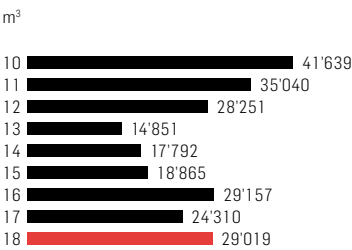
Burckhardt Compression reviewed and modified its chemicals concept at its Winterthur site during the year under review. Combustible chemicals were replaced with less flammable chemicals, and all storage containers were relabeled. Oil storage tanks were retrofitted with spill containment systems and special transport tanks, which improves our chemical safety practices and process efficiency. The substitution of hazardous chemicals further reduced our consumption of VOC gases (Volatile Organic Compounds), which have harmful effects on human health and the environment.

These and other measures are part of the EOHS system that is being introduced at all Group sites in compliance with ISO 14001 and OHSAS 18001 standards. Official certification was obtained in 2018.

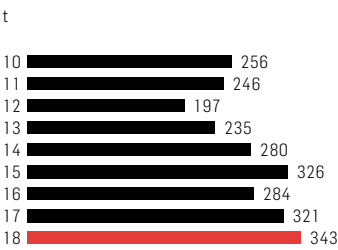
ELECTRICITY CONSUMPTION



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*.

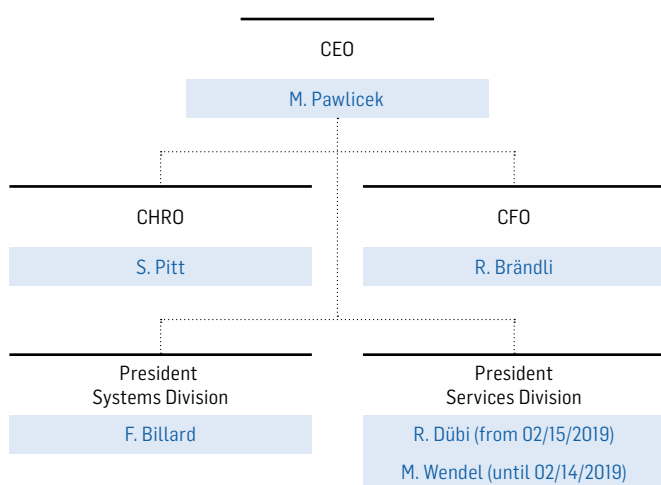
This report is structured in accordance with the DCG's outline and numbering. Unless otherwise noted, the information presented reflects the situation on March 31, 2019.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1. Group structure

1.1.1. Organizational group structure

Burckhardt Compression is managed through a divisional organizational structure consisting of 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, 2019 amounted to CHF 921'400'000.

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 107, 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, 2019. In accordance with the company's Bylaws, the voting rights of NN Group N.V., J O Hambro Capital Management Limited and Atlantic Value General Partner Limited are limited in each case to 5.0% of the total number of BCHN registered shares recorded in the commercial register:

Name	Country	% of shares
MBO shareholder pool	CH	12.4
NN Groep N.V.	NL	6.9
J O Hambro Capital Management Limited	UK	6.1
Atlantic Value General Partner Limited (Mondrian)	UK	5.0
Ameriprise Financial Inc.	US	3.5
Credit Suisse Funds AG	CH	3.0
Massachusetts Mutual Life Insurance Company (Oppenheimer)	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/de/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 will 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) 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 subscription 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/she is subject to supervision by an accredited bank and financial market regulator and if he/she has concluded an agreement with the Board of Directors concerning his/her 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.

3. BOARD OF DIRECTORS



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

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.

The competencies of the Board members are depicted in the following matrix:

	Valentin Vogt	Hans Hess	Urs Leinhäuser	Monika Krüsi	Stephan Bross
Executive competence (>200 FTEs)	•	•			•
Strategic competence	•	•	•	•	•
Competence in non-European cultures	•	•	•	•	•
Supply chain competence		•		•	•
Competence in BC markets	•	•			•
Technological competencies		•		•	•
Financial competencies	•		•		
M&A competence	•	•	•	•	•
Board-level competencies	•	•	•	•	
CEO coaching competencies	•	•			•

The company's Legal Counsel, who serves as Secretary to the Board of Directors, has a degree in law (Dr. iur.).

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

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

- Chairman of the Board, Kistler Holding AG, Switzerland
- Board member, Bucher Industries AG, Switzerland
- Board member, Ernst Göhner Stiftung Beteiligungen AG, Switzerland
- Chairman of the Swiss Employers' Confederation, Switzerland
- Member of Economic Advisory Board, Swiss National Bank, Switzerland

HANS HESS (1955)

Education

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

Professional background

Since 2006 self-employed, Hanesco AG, Switzerland

1996–2005 Delegate of the Board of Directors and CEO, Leica Geosystems AG, Switzerland

1993–1996 President, Leica Optronics Group, Switzerland

1989–1993 Vice President, Leica Microscopy Group, Switzerland

1983–1988 Head of Polyurethane Division, Huber & Suhner AG, Switzerland

1981–1983 Development Engineer, Sulzer AG, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG

- Deputy Chairman of the Board of Directors
- Chairman of the Nomination and Compensation Committee

Other activities and commitments

- Chairman of the Board, COMET Holding AG, Switzerland
- Chairman of the Board, Reichle & De-Massari AG, Switzerland
- Board member, dormakaba Holding AG, Switzerland
- Chairman, Swissmem, Switzerland
- Vice President, economiesuisse, Switzerland
- Trustee, Swisscontact, Switzerland
- Trustee, Technorama, Switzerland

DR. MONIKA KRÜSI (1962)**Education**

PhD 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

- Chair of the Board of Directors,
Repower AG, Switzerland
- Chair of the Board of Directors,
ACP, 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 Control-
ling, Georg Fischer AG, Switzerland

1992 Managing Director, Cerberus,
Denmark

1988–1994 Group Controller, Cerberus
AG, Switzerland

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 of Directors,
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**

Engineering degree, University of Braun-
schweig, Germany

Professional background

Since 2018 Executive Board member
(CTO), KSB SE & Co. KGaA, Germany

2017 Executive Board member,
Technology, KSB AG, 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 term of office

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

3.5. Internal organization

The Board of Directors has the final responsibility for the business strategy and the management of the Burckhardt Compression Group. It has final authority and defines the guidelines regarding strategy, organization, financial planning and accounting for the Burckhardt Compression Group. The Board of Directors has delegated executive management responsibility to the CEO of Burckhardt Compression Group. The Board of Directors appoints a secretary for the Board and for the company. The Secretary does not need to be a member of the Board. This role is currently assigned to the company's Legal Counsel.

The Board of Directors meets as often as business requires, but at least four times per year. In fiscal year 2018, the Board of Directors and Board committees convened the following meetings:

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. The CEO, the CFO, the head of the internal audit unit and representatives of the external auditors also participated in the Audit Committee's ordinary meetings. Members are Urs Leinhäuser (Chairman) and Dr. Monika Krüsi.

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 directors and the Executive Board members. The CEO and the CHRO also attend the ordinary meetings of the NCC. Members are Hans Hess (Chairman) and Dr. Stephan Bross.

Meetings	Governing body	Duration	Valentin Vogt	Hans Hess	Urs Leinhäuser	Monika Krüsi	Stephan Bross
04/27/2018, Board telephone conference	BOD	1.5 hours	•	•	•	•	•
05/23/2018, AC meeting	AC	3.5 hours			•	•	
05/23/2018, NCC meeting	NCC	3 hours		•			•
05/24/2018, BOD meeting	BOD	6 hours	•	•	•	•	•
08/21/2018, e.o. AC meeting	AC	1 hour			•	•	
08/21/2018, BOD meeting	BOD	6 hours	•	•	•	•	•
10/26/2018, AC meeting	AC	3 hours			•	•	
10/26/2018, NCC meeting	NCC	2 hours		•			•
10/26/2018, BOD meeting	BOD	6 hours	•	•	•	•	•
11/23/2018, Strategy Day	BOD	10 hours	•	•	•	•	•
12/07/2018, BOD meeting	BOD	7 hours	•	•	•	•	•
02/13/2019, Board telephone conference	BOD	1.5 hours	•	•	•	•	•
03/04/2019, BOD meeting	BOD	6 hours	•	•	•	•	•

BOD = Board of Directors

AC = Audit Committee

NCC = Nomination and Compensation Committee

SC = Strategy Committee

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. 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, the insurance concept 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 powers and duties policy.

3.7. Information and control instruments relating to 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 Accounting of Burckhardt Compression AG, who is also responsible for planning and conducting the audits. The CFO is responsible for coordination

between the Audit Committee and the Head of 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 departments and in this additional capacity they report directly to the Head of Internal Group Audit, who in turn reports in this function directly to 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 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 2018. 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 has an integrated risk management policy. In a two-stage process, key risks are identified using an anticipatory approach and grouped under one of three risk categories – strategic, financial or operational – that have been defined by the Board of Directors. The risks are then evaluated, managed and stringently monitored, avoided, mitigated or transferred to third-parties through adequate risk management measures. The first stage of the risk management process entails a continuous risk management process conducted by the two divisions and the major subsidiaries of Burckhardt Compression Group within the scope of a periodic leadership cycle through which potential risks are systematically identified and assessed and the appropriate risk control measures as well as the corresponding duties and responsibilities and implementation timelines are established and monitored. Internal and external factors are included in the evaluation of potential risks.

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 they 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 commitments

Name	Nationality	Function
Marcel Pawlicek	CH	CEO
Rolf Brändli	CH	CFO
Sandra Pitt	DE	CHRO
Fabrice Billard	FR	President Systems Division
Rainer Dübi	CH	President Services Division (from 02/15/2019)
Martin Wendel	DE	President Services Division (until 02/14/2019)



From left: Rainer Dübi, Fabrice Billard, Marcel Pawlicek, Sandra Pitt, Rolf Brändli

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

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 Com-
pression 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 Perfor-
mance 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, Sul-
zer, 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 Chem-
tech, Switzerland

2008–2010 Vice President Business
Development, Sulzer Chemtech,
Switzerland

2005–2008 Head Global Customer Ser-
vices, Sulzer Pumps, Switzerland

2004–2005 Strategic Development
Manager, Sulzer Corporate, Switzerland

1999–2004 Principal, The Boston Con-
sulting Group, Switzerland/France

RAINER DÜBI (1969)**Education**

Degree in Mechanical Engineering,
HTL Winterthur, MASBA School of
Management, Switzerland

Professional background

Since February 15, 2019 President
Services Division, Burckhardt Compres-
sion Group, Switzerland

2012–2019 Head of Design & Manufac-
turing, Burckhardt Compression AG,
Switzerland

2010–2012 Senior Sales Manager,
Burckhardt Compression AG,
Switzerland

2007–2010 Manager Sizing, Burckhardt
Compression AG, Switzerland

2003–2007 Sizing Project Engineer,
Burckhardt Compression AG,
Switzerland

2001–2003 Commissioning Lead
Engineer, Alstom, Switzerland

1999–2001 Commissioning Engineer,
ABB, Switzerland

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

Members of the Executive Board 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 67 to 73.

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 67 to 73 and in the financial statements, note 103, "Share capital and shareholders" on page 105.

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 2018 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 as a shareholder in the Share Register 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, they 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. Burckhardt Compression plans to tender its external audit contracts at least every 10 years and examine all bids received. The most recent invitation to tender was issued during the fiscal year 2012. PwC was awarded the contract in March 2013 as decided by the Board of Directors and PwC was reelected as statutory auditor by the General Meeting of Shareholders in 2013. 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 2018 amounted to TCHF 327 (previous year: TCHF 374).

8.3. Additional fees

The additional fees for services provided by PwC worldwide during fiscal year 2018 amounted to TCHF 80 (previous year: TCHF 1). Additional services rendered by PwC pertain to 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 semiannual 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 ordinary half-day meetings during the 2018 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 semiannual basis, together with comments on the trend of business and the outlook for the future. Burckhardt Compression Holding AG provides 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 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 2019 and 2020**July 6, 2019**

Annual General Meeting

November 5, 2019

Results for the first half of 2019 (closing September 30, 2019)

June 2, 2020

2019 Annual Report (closing March 31, 2020)

July 3, 2020

Annual General Meeting

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

COMPENSATION REPORT

1. BASIS

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

2. COMPENSATION POLICY

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

3. ORGANIZATION, DUTIES AND POWERS

The Nomination and Compensation Committee (NCC) is comprised of at least two members of the Board of Directors. The members of the NCC are elected individually and annually by the Annual General Meeting and their term of office shall expire at the end of the next Annual General Meeting. The Annual General Meeting of July 7, 2018 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 CHRO attend these meetings in an advisory capacity, except during deliberation of meeting topics that pertain to themselves. The Nomination and Compensation Committee held two meetings during the year under review.

The duties and powers of the NCC are set forth in the company's Bylaws and Organizational Regulations. 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 given 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	BOD
Compensation Report	NCC	BOD
Compensation of Board of Directors	NCC	BOD
Compensation of CEO	NCC	BOD
Aggregate compensation of Executive Board	NCC	BOD
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

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 cash 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 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 as the mathematical product of Burckhardt Compression's consolidated net income and a percentage rate. The percentage rate applied for the CEO is 0.28%. The percentage rate for other members of the Executive Board – depending on their Global Grade – ranges from 0.08 to 0.16%. In the case of the CEO, the CFO and the CHRO, the percentage rate is multiplied by the goal attainment indicator of the Return On Net Operating Assets (RONOA) of Burckhardt Compression Group, which serves as an indicator of goal attainment. The percentage for the heads of the two divisions is multiplied by the respective divisional operating profit as the goal attainment indicator. The goal attainment indicator ranges from 0 to 1.5. If the defined goal is achieved, the goal attainment indicator is 1.0. The annual bonus is capped at 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 the 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 amounts to 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 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 2018 and 2017:

in CHF 1'000				2018
Name	Function	Fees	Social insurance contributions and other benefits	Total
Members of the Board of Directors				
Valentin Vogt	Chairman	144	17	161
Hans Hess	Deputy Chairman	91	10	101
Dr. Stephan Bross	Member	91	4	95
Dr. Monika Krüsi	Member	101	10	111
Urs Leinhäuser	Member	91	10	101
Total		518	51	569
Approved by the 2017 AGM for fiscal year 2018				580¹

in CHF 1'000				2017
Name	Function	Fees	Social insurance contributions and other benefits	Total
Members of the Board of Directors				
Valentin Vogt	Chairman	144	17	161
Hans Hess	Deputy Chairman	91	10	101
Dr. Stephan Bross	Member	91	4	95
Dr. Monika Krüsi	Member	101	10	111
Urs Leinhäuser	Member	91	10	101
Total		518	51	569
Approved by the 2016 AGM for fiscal year 2017				580¹

¹ This amount includes a contingency reserve of CHF 9'000.

The total fixed compensation in the fiscal year under review is unchanged from the previous fiscal year. 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 (5 persons) for fiscal year 2018. 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 2018 and 2017:

in CHF 1'000									2018
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	84	105	40	229	770
Other members of the Executive Board		1'117	268	1'385	161	177	65	403	1'788 ¹
Total		1'542	384	1'926	245	282	105	632	2'558
Approved by the 2017 AGM for fiscal year 2018				2'120²					

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 ²		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				2'130³					

¹ This amount includes Martin Wendel's compensation for the 2018 fiscal year and Rainer Dübi's pro rata compensation as of February 15, 2019.

² This amount includes a contingency reserve of CHF 250'000.

³ This amount includes a contingency reserve of CHF 200'000.

The CEO's fixed base salary for the period under review is comparable to the level from the previous fiscal year. The total amount of fixed base salary for the other members of the Executive Board is CHF 51'000 more than in the prior-year period. The Annual General Meeting of July 1, 2017 approved a total sum of CHF 2'120'000 (gross, including social insurance contributions) for the fixed compensation of the entire Executive Board for the fiscal year 2018. The amount of fixed compensation actually paid (gross, including social insurance contributions) was CHF 194'000 less than the approved amount.

The annual bonus for the Executive Board in fiscal year 2018 was CHF 63'000 more than in the previous year. This is because of the increase in reported net profit, which serves as the basis for the annual bonus, and because the targets set in conjunction with the Group and Divisional factors described above were exceeded. Personnel expenses for the Executive Board's long-term bonus were CHF 35'000 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 a multi-year period; secondly, in accordance with Swiss GAAP FER, the related expenses must be allocated over the program's vesting period, which can lead to adjustments within individual fiscal years.

6. OVERVIEW OF SHAREHOLDINGS AND ALLOCATED/DISTRIBUTED SHARES

6.1. Detailed overview of allocated and distributed shares

In the fiscal years 2017 and 2018 the following shares were allocated and distributed:

Name	Function	Shares allocated in FY 2017	Shares allocated in FY 2018	Shares distributed in FY 2017	Shares distributed in FY 2018
Members of the Board of Directors					
Valentin Vogt	Chairman	187	75	187	75
Hans Hess	Deputy Chairman	125	45	125	45
Dr. Stephan Bross	Member	125	45	125	45
Dr. Monika Krüsi	Member	125	45	125	45
Urs Leinhäuser	Member	125	45	125	45
Total¹		687	255	687	255
Executive Board					
Marcel Pawlicek	CEO	673	0	1'295	0
Other members of the Executive Board		859	0	1'170	0
Total²		1'532	0	2'465	0
Total		2'219	255	3'152	255

¹ The reduction of the number of shares in fiscal year 2018 is a result of the changes in the compensation system for the Board of Directors.

² The shares from the long-term incentive pay are not annually allocated or distributed.

6.2. Detailed overview of shareholdings

As per March 31, 2019, 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:

		03/31/2019	03/31/2018
Name	Position	Total shares	Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'288	203'213
Hans Hess	Deputy Chairman	5'663	5'618
Dr. Stephan Bross	Member	215	170
Dr. Monika Krüsi	Member	985	940
Urs Leinhäuser	Member	1'080	1'035
Total		211'231	210'976
Executive Board			
Marcel Pawlicek	CEO	42'111	42'111
Rolf Brändli	CFO	1'702	1'702
Sandra Pitt	CHRO	278	278
Fabrice Billard	President Systems Division	400	400
Rainer Dübi ²	President Services Division	600	n/a
Martin Wendel ¹	President Services Division	n/a	231
Total		45'091	44'722
Total		256'553	255'698
In % of total shares		7.5%	7.5%

¹ Member of the Executive Board until February 14, 2019

² Member of the Executive Board as from February 15, 2019

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 2018. No signing bonuses were paid during the fiscal year 2018. At the reporting date no loans, credit lines or pension benefits over and above those provided by mandatory occupational pension plans had been granted 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 2018

The Board of Directors proposes that an aggregate amount of CHF 632'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Board for fiscal year 2018.

8.2. Consultative vote on the Compensation Report

Fiscal year 2018

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2018 in a consultative vote.

8.3 Approval of the maximum aggregate amount of fixed compensation for the members of the Board of Directors

Fiscal year 2020

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 2020. 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 2020

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 2020. The proposed sum includes a contingency reserve of CHF 200'000.

9. EVALUATION OF THE COMPENSATION SYSTEM

Burckhardt Compression's compensation system is regularly reviewed by the Nomination and Compensation Committee and the Board of Directors and may be modified if necessary.

Annual benchmarking reviews based on Willis Towers Watson's Global Grading System and the compensation market data it provides are part of the company's fair and integrated compensation system. These are conducted periodically, most recently in fiscal year 2018.



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 31 March 2019. 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 69 and page 70 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 31 March 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'I Inauen'.

Beat Inauen
Audit expert
Auditor in charge

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

Oliver Illa
Audit expert

Winterthur, 23 May 2019

FINANCIAL REPORT

Burckhardt Compression Holding AG's fiscal year 2018 comprises the period from April 1, 2018 to March 31, 2019.

COMMENTS ON FINANCIAL REPORT

Summary

in CHF 1'000	2018	2017	Change 2017/2018
Order intake	658'675	525'229	25.4%
Sales	599'280	594'574	0.8%
Gross profit	135'677	125'060	8.5%
Operating income (EBIT)	44'507	41'682	6.8%
in % of sales	7.4%	7.0%	
Net income	32'201	29'023	10.9%
Total assets	848'732	797'583	6.4%
Total equity	345'034	335'200	2.9%
Earnings per share attributable to shareholders of Burckhardt Compression Holding AG (in CHF)	8.15	8.51	-4.2%
FTEs as per end of fiscal year	2'346	2'214	6.0%

SALES AND GROSS PROFIT

Sales in the 2018 fiscal year amounted to CHF 599.3 mn, which corresponds to an increase of 0.8% from the previous fiscal year. While the Systems Division closed the fiscal year at CHF 375.4 mn, a decline of 2.3% compared to the strong prior year period, the Services Division grew by 6.5% to CHF 223.9 mn. The growth in services came from basically all business lines, including other brand compressors (OBC). Excluding currency translation effects, total sales increased by 0.9%. From a regional perspective, the growth was mainly driven by China and Europe, while both North- and South America stood below last year's performance.

The total gross profit margin came in at 22.6% (compared to 21.0% in the previous fiscal year). Despite substantial additional costs for LNG applications sold over the last two years, the gross margin in the Systems Division rose by 100 base points to 8.1%. The gross margin reported in the Services Division arrived at 47.0% (46.6% in the previous year).

OPERATING INCOME

Operating income increased by 6.8% to CHF 44.5 mn yielding an EBIT-margin of 7.4% (previous year: 7.0%). Selling and marketing together with general and administrative expenses increased by 7.5% or CHF 6.1 mn due to higher quoting and sales activities as well as some one-off consulting fees. Other operating income amounted to CHF 4.1 mn, whereof CHF 3.4 mn is attributable to the operating result of the real estate company in Winterthur (Burckhardt Compression Immobilien AG). Research and development expenses amounted to CHF 8.7 mn, which is slightly more than reported last year (CHF 8.0 mn).

FINANCIAL INCOME AND TAX EXPENSES CASH FLOW

The share of results of associates is entirely related to the 40% interest which Burckhardt Compression owns in Arkos Field Services. Although the negative impact was reduced compared to the previous year, we still carry a proportional loss in the amount of CHF –1.2 mn (prior year: CHF –1.9 mn), as the local service market in the US picked up only towards the end of the fiscal year. Financial expenses rose by 19.9% to CHF 2.2 mn. While interest expenses remained at a very low level, the overall financial expenses ended up CHF 0.4 mn above the prior-year period due to higher exchange rate losses on intercompany loans. The tax rate for the year was 21.6%, almost two percentage points below the previous year (23.5%), mainly an effect of the higher share of taxable income of countries with lower tax rates.

Cash and cash equivalents totaled CHF 83.0 mn at the balance sheet closing date, CHF 7.9 mn above last year. Cash flow from operating activities decreased by CHF 2.6 mn to CHF 41.8 mn. The net cash outflow from investing activities was with CHF –7.8 mn at a lower level than in the prior-year period (CHF –17.2 mn). Dividends paid amounted to CHF 20.4 mn, CHF 3.5 mn less than last year. The net financial position closed at CHF –49.4 mn (prior year: CHF –62.1 mn).

NET INCOME

The net income rose by 10.9% to CHF 32.2 mn. The corresponding net income margin is 5.4% (previous year: 4.9%). As a result of the strong contribution of Shenyang Yuanda (of which the founder of the company still owns 40%) to the Group's result, the net income per share attributable to shareholders of Burckhardt Compression Holding AG decreased by 4.2% to CHF 8.15 (previous year: CHF 8.51).

BALANCE SHEET

Total assets increased by 6.4% to CHF 848.7 mn. Property plant and equipment totaled CHF 191.2 mn, slightly below the previous year, while inventories increased by CHF 11.3 mn to CHF 222.0 mn. Due to the high volume of projects invoiced towards the fiscal year-end, accounts receivable ended up at CHF 261.1 mn, CHF 33.4 mn above prior year. 31.5% of the accounts receivable were overdue more than 90 days as per year-end (prior year: 28.1%). The majority of overdue positions are related to projects in China. The balance between advance payments from customers compared to work in progress and advance payments to suppliers ended the year at CHF –39.2 mn (previous year: CHF –42.4 mn). The negative balance is also related primarily to projects in China with either unfavorable payment terms from public bids or delayed project schedules. The equity ratio declined slightly to 40.7% (prior year: 42.0%).

CONSOLIDATED INCOME STATEMENT

	Notes	2018	2017
in CHF 1'000			
Sales		599'280	594'574
Cost of goods sold		-463'603	-469'514
Gross Profit		135'677	125'060
Selling and marketing expenses		-48'952	-45'341
General and administrative expenses		-37'589	-35'127
Research and development expenses	7	-8'711	-8'004
Other operating income	8	28'651	25'158
Other operating expenses	8	-24'569	-20'064
Operating income		44'507	41'682
Share of results of associates	14	-1'208	-1'888
Financial income and expenses	9	-2'238	-1'867
Earnings before taxes		41'061	37'927
Income tax expenses	10	-8'860	-8'904
Net income		32'201	29'023
Share of net income attributable to shareholders of Burckhardt Compression Holding AG		27'644	28'837
Share of net income attributable to non-controlling interests		4'557	186
Basic earnings per share in CHF	11	8.15	8.51
Diluted earnings per share in CHF	11	8.15	8.51

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

CONSOLIDATED BALANCE SHEET

	Notes	03/31/2019	03/31/2018
in CHF 1'000			
Non-current assets			
Intangible assets	12	11'369	13'200
Property, plant and equipment	13	191'188	193'170
Investment in associates	14	11'539	12'249
Deferred tax assets	10	9'061	7'871
Other financial assets	15	27'689	25'313
Total non-current assets		250'846	251'803
Current assets			
Inventories	16	222'045	210'703
Trade receivables	17	261'113	227'699
Other current receivables	18	28'482	29'546
Prepaid expenses and accrued income		3'236	2'755
Cash and cash equivalents		83'010	75'077
Total current assets		597'886	545'780
Total assets		848'732	797'583
Equity			
Share capital	19	8'500	8'500
Capital reserves		446	421
Treasury shares	19	-1'582	-1'652
Retained earnings and other reserves		295'100	288'798
Equity attributable to shareholders of Burckhardt Compression Holding AG		302'464	296'067
Non-controlling interests		42'570	39'133
Total equity		345'034	335'200
Liabilities			
Non-current liabilities			
Non-current financial liabilities	20	64'742	65'599
Deferred tax liabilities	10	15'348	14'599
Non-current provisions	21	14'074	14'249
Other non-current liabilities	22	7'401	5'900
Total non-current liabilities		101'565	100'347
Current liabilities			
Current financial liabilities	20	67'666	71'538
Trade payables		86'731	65'294
Customers' advance payments		129'233	120'642
Other current liabilities	23	36'510	21'373
Accrued liabilities and deferred income	24	60'881	63'340
Current provisions	21	21'112	19'849
Total current liabilities		402'133	362'036
Total liabilities		503'698	462'383
Total equity and liabilities		848'732	797'583

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2018	2017
in CHF 1'000			
Cash flow from operating activities			
Net income		32'201	29'023
Income tax expenses	10	8'860	8'904
Financial income and expenses	9	2'238	1'867
Share of results of associates	14	1'208	1'888
Depreciation	13	17'667	17'411
Amortization	12	4'170	3'897
Change in inventories		-13'736	42'029
Change in trade receivables		-37'991	-10'412
Change in other current assets		317	-10'627
Change in trade payables		22'730	3'452
Change in customers' advance payments		10'298	-46'169
Change in provisions		1'160	2'037
Change in other liabilities		4'767	19'119
Adjustment for non-cash items		2'093	1'082
Interest received		568	578
Interest paid		-1'883	-1'743
Income taxes paid	10	-12'872	-17'977
Total cash flow from operating activities		41'795	44'359
Cash flow from investing activities			
Purchase of property, plant and equipment	13	-22'384	-8'730
Sale of property, plant and equipment		18'490	810
Purchase of intangible assets	12	-2'546	-5'101
Increase in Financial Assets		-1'485	-
Acquisition of group companies net of cash acquired	4	-	-4'197
Disposal of group companies		144	-
Total cash flow from investing activities		-7'781	-17'218
Cash flow from financing activities			
Increase in financial liabilities		367	2'322
Decrease in financial liabilities		-5'096	-6'961
Dividends paid		-20'361	-23'859
Transactions with non-controlling interests		-	299
Total cash flow from financing activities		-25'090	-28'199
Currency translation differences on cash and cash equivalents		-991	1'243
Net change in cash and cash equivalents		7'933	185
Cash and cash equivalents at beginning of period		75'077	74'892
Cash and cash equivalents at end of period		83'010	75'077
Net change in cash and cash equivalents		7'933	185

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF 1'000										Total equity
	Share capital	Capital reserves	Treasury shares	Hedge reserve	Translation reserve	Goodwill offset	Other retained earnings	Equity attributable to shareholders of Burckhardt Compression Holding AG	Non-controlling interests	
Balance at 04/01/2017	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	8'500	421	–1'652	–434	2'145	–103'830	390'917	296'067	39'133	335'200
Balance at 04/01/2018	8'500	421	–1'652	–434	2'145	–103'830	390'917	296'067	39'133	335'200
Result for the period							27'644	27'644	4'557	32'201
Currency translation differences					–1'778			–1'778	–1'120	–2'898
Changes of cash flow hedges				–971				–971	–	–971
Dividends paid							–20'361	–20'361	–	–20'361
Share-based payments (distributed)		25	70				–95	–		–
Share-based payments (allocated)							1'863	1'863		1'863
Balance at 03/31/2019	8'500	446	–1'582	–1'405	367	–103'830	399'968	302'464	42'570	345'034

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: Franz-Burckhardt-Strasse 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 2018 comprises the period from April 1, 2018 to March 31, 2019. These consolidated financial statements were authorized for issue by the Board of Directors on May 23, 2019 and will be submitted to shareholders for approval at the annual general meeting scheduled for July 6, 2019.

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. 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.

2.3. 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-control-

ling 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.

2.4. 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	
	2018	2017	03/31/2019	03/31/2018
1 EUR	1.15	1.13	1.12	1.18
1 USD	0.99	0.97	1.00	0.96
100 CNY	14.77	14.66	14.77	15.21

2.5. 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.

2.6. 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.

2.7. 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

2.8. Other Financial Assets

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

2.9. 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.

2.10. 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.

2.11. 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.

2.12. Financial Liabilities

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

2.13. 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.

2.14. 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 a reduction of capital reserves.

2.15. 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.

2.16. 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.

2.17. 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.

2.18. Research and Development

Research and development costs are expensed as incurred.

2.19. 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.

2.20. Off-Balance-Sheet Transactions

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

2.21. 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.

2.22. 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. In past years Burckhardt Compression experienced no major impairments of receivables.

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

Burckhardt Compression Tehran SSK (Iran)

On November 2, 2018, Burckhardt Compression sold its subsidiary Burckhardt Compression Tehran SSK (BCIR), an Iranian subsidiary based in Tehran, in a share deal. BCIR was fully consolidated in the Burckhardt Compression Group until October 31, 2018. The effect on net income from the divestment amounts to CHF –0.6mn.

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

A complete list of all Group companies is shown in note 33.

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) as well as expenses for strategic projects.

	Systems Division		Services Division		Others		Total	
in CHF 1'000	2018	2017	2018	2017	2018	2017	2018	2017
Sales	375'400	384'392	223'880	210'182	–	–	599'280	594'574
Cost of goods sold	–344'906	–357'201	–118'697	–112'313	–	–	–463'603	–469'514
Gross profit	30'494	27'191	105'183	97'869	–	–	135'677	125'060
Gross profit as % of sales	8.1%	7.1%	47.0%	46.6%	–	–	22.6%	21.0%
Operating income	–8'669	–8'974	58'185	54'352	–5'009	–3'696	44'507	41'682
Operating income as % of sales	–2.3%	–2.3%	26.0%	25.9%	–	–	7.4%	7.0%

Geographic information

Sales by customer location in CHF 1'000	2018	2017
Europe	155'346	123'670
Africa	19'052	3'116
North America	43'843	99'481
South America	5'175	14'017
Middle East	34'484	26'964
China	208'969	155'970
Other Asia & Australia	132'411	171'356
Total	599'280	594'574

Capital expenditure for property, plant and equipment in CHF 1'000	2018	2017
Europe	9'279	2'251
Africa	4	47
North America	161	352
South America	4	30
Middle East	106	473
China	11'875	4'222
Other Asia & Australia	955	1'355
Total	22'384	8'730

6. PERSONNEL EXPENSES

	2018	2017
in CHF 1'000		
Wages and salaries	-131'986	-118'515
Social security and pension expenses	-24'253	-19'708
Other personnel expenses	-13'533	-11'531
Total personnel expenses	-169'772	-149'754

7. RESEARCH AND DEVELOPMENT EXPENSES

Research and development activities in the fiscal year 2018 centered on extending our compressor solution portfolio for marine applications including the development of advanced sealing technologies for the lubeless sealing of pistons and piston rods.

8. OTHER OPERATING INCOME AND EXPENSES

	2018	2017
in CHF 1'000		
Currency exchange gains	14'271	16'575
Other operating income	14'380	8'583
Total other operating income	28'651	25'158
Currency exchange losses	-15'487	-14'861
Other operating expenses	-9'082	-5'203
Total other operating expenses	-24'569	-20'064
Total other operating income and expenses	4'082	5'094

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

Other operating expenses include expenses amounting to CHF 3.2 mn (prior year: CHF 3.0 mn) of the real estate company (Burckhardt Compression Immobilien AG).

9. FINANCIAL INCOME AND EXPENSES

	2018	2017
in CHF 1'000		
Interest expenses	-2'186	-2'491
Interest income	863	819
Other financial income (+) and expenses (-)	-915	-195
Total financial income and expenses	-2'238	-1'867

Other financial income and expenses include the exchange rate gains and losses on intercompany loans.

10. INCOME TAXES

Income Tax Expenses

	2018	2017
in CHF 1'000		
Current income tax expenses	-9'418	-12'470
Deferred income tax income (+) and expenses (-)	558	3'566
Total income tax expenses	-8'860	-8'904

Reconciliation of Income Tax Expenses

	2018	2017
in CHF 1'000		
Earnings before taxes	41'061	37'927
Expected income tax expenses	-8'489	-8'955
Effect of non-recognition of tax loss carry forwards	-161	-362
Effect of recognition and offset of tax loss carry forwards not recognized in prior years	-	591
Effect of income tax of prior periods	36	468
Effect of changes in tax rates	-99	-530
Effect of non-deductible expenses	-147	-116
Total income tax expenses	-8'860	-8'904
as % of earnings before taxes	21.6%	23.5%

The expected tax rate of Burckhardt Compression Group of 21.6% (prior year: 23.5%) corresponds to the weighted average tax rate based on the profit before income taxes and the tax rate of each group company. The lower tax rate is mainly an effect of the higher share of taxable income of countries with lower tax rates.

Current Income Taxes

Net current income tax liabilities	2018	2017
in CHF 1'000		
Balance as per 04/01/2018 / 04/01/2017	5'594	10'935
Changes in the consolidation scope	–	–
Recognized in the income statement	9'418	12'470
Income taxes paid	–12'872	–17'977
Translation differences	–49	166
Balance as per 03/31/2019 / 03/31/2018	2'091	5'594
thereof current tax assets	678	371
thereof current tax liabilities	2'769	5'965

Deferred Income Taxes

Net deferred income tax liabilities	2018	2017
in CHF 1'000		
Balance as per 04/01/2018 / 04/01/2017	6'728	9'743
Changes in the consolidation scope	–	–
Recognized in the income statement	–558	–3'566
Recognized in equity	–265	659
Translation differences	382	–108
Balance as per 03/31/2019 / 03/31/2018	6'287	6'728
thereof deferred tax assets	9'061	7'871
thereof deferred tax liabilities	15'348	14'599

Tax Loss Carry-Forwards

	03/31/2019	03/31/2018
in CHF 1'000		
Expiring in the next 3 years	635	452
Expiring in 4 years or later	17'782	11'454
Total tax loss carry forwards	18'417	11'906
Potential deferred tax assets from tax loss carry forwards	4'087	2'705
Effect of non-recognized tax loss carry forwards	–257	–447
Effective deferred tax assets from tax loss carry forwards	3'830	2'258

11. EARNINGS PER SHARE

	2018	2017
in CHF 1'000		
Net income attributable to the shareholders of Burckhardt Compression Holding AG	27'644	28'837
Average number of outstanding shares	3'393'911	3'387'252
Earnings per share (CHF)	8.15	8.51

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	2018 Total	Software	Other intangible assets	Intangible assets under construction	2017 Total
in CHF 1'000								
Balance as per 04/01/2018 / 04/01/2017	30'091	770	2'072	32'933	27'157	345	–	27'502
Changes in the consolidation scope	–	–2	–	–2	48	–	–	48
Additions	1'552	18	976	2'546	1'054	405	3'642	5'101
Disposals	–2'321	–	–	–2'321	–	–	–	–
Reclassifications	546	–	–546	–	1'579	–	–1'579	–
Currency translation differences	–238	–32	–7	–277	253	20	9	282
Balance as per 03/31/2019 / 03/31/2018	29'630	754	2'495	32'879	30'091	770	2'072	32'933

Accumulated Amortization

	Software	Other intangible assets	Intangible assets under construction	2018 Total	Software	Other intangible assets	Intangible assets under construction	2017 Total
in CHF 1'000								
Balance as per 04/01/2018 / 04/01/2017	–19'308	–425	–	–19'733	–15'450	–285	–	–15'735
Changes in the consolidation scope	–	–	–	–	–	–	–	–
Additions	–4'058	–112	–	–4'170	–3'763	–134	–	–3'897
Disposals	2'221	–	–	2'221	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–
Currency translation differences	152	20	–	172	–95	–6	–	–101
Balance as per 03/31/2019 / 03/31/2018	–20'993	–517	–	–21'510	–19'308	–425	–	–19'733

Net Book Value

	Software	Other intangible assets	Intangible assets under construction	2018 Total	Software	Other intangible assets	Intangible assets under construction	2017 Total
in CHF 1'000								
As per 04/01/2018 / 04/01/2017	10'783	345	2'072	13'200	11'707	60	–	11'767
As per 03/31/2019 / 03/31/2018	8'637	237	2'495	11'369	10'783	345	2'072	13'200

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.

	2018	2017
in CHF 1'000		
Acquisition costs		
Balance as per 04/01/2018 / 04/01/2017	103'830	103'267
Additions from acquisitions	–	563
Balance as per 03/31/2019 / 03/31/2018	103'830	103'830

	2018	2017
in CHF 1'000		
Accumulated amortization		
Balance as per 04/01/2018 / 04/01/2017	–51'128	–33'995
Amortization expense	–17'162	–17'133
Balance as per 03/31/2019 / 03/31/2018	–68'290	–51'128

	2018	2017
in CHF 1'000		
Net book value		
Theoretical net book value as per 04/01/2018 / 04/01/2017	52'702	69'272
Theoretical net book value as per 03/31/2019 / 03/31/2018	35'540	52'702

	03/31/2019	03/31/2018
in CHF 1'000		
Theoretical impact on equity		
Equity as per balance sheet	345'034	335'200
Theoretical capitalization of goodwill	35'540	52'702
Theoretical equity including net book value of goodwill	380'574	387'902

	2018	2017
in CHF 1'000		
Theoretical impact on net income		
Net income as per income statement	32'201	29'023
Amortization of goodwill	–17'162	–17'133
Theoretical net income after goodwill amortization	15'039	11'890

13. PROPERTY, PLANT & EQUIPMENT

Acquisition Costs

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2018 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2017 Total
Balance as per 04/01/2018 / 04/01/2017	164'158	122'172	27'317	4'895	318'542	162'185	113'486	26'014	7'758	309'443
Changes in the consolidation scope	–	–253	–87	–	–340	–	545	–	–	545
Additions	8'055	5'399	2'157	6'773	22'384	122	4'034	1'760	2'814	8'730
Disposals	–5'932	–668	–573	–	–7'173	–113	–2'326	–962	–5	–3'406
Reclassifications	338	2'918	150	–3'406	–	323	5'324	211	–5'858	–
Currency translation differences	–1'093	–1'060	–396	–117	–2'665	1'641	1'109	294	186	3'230
Balance as per 03/31/2019 / 03/31/2018	165'526	128'508	28'568	8'145	330'748	164'158	122'172	27'317	4'895	318'542

Accumulated Depreciation

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2018 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2017 Total
Balance as per 04/01/2018 / 04/01/2017	–30'992	–75'622	–18'758	–	–125'372	–25'672	–66'915	–16'477	–	–109'064
Changes in the consolidation scope	–	35	12	–	47	–	–	–	–	–
Additions	–4'938	–9'849	–2'880	–	–17'667	–4'945	–9'649	–2'817	–	–17'411
Disposals	1'249	491	438	–	2'178	113	1'682	801	–	2'596
Reclassifications	–2	–63	65	–	–	–	–	–	–	–
Currency translation differences	343	634	277	–	1'254	–488	–740	–265	–	–1'493
Balance as per 03/31/2019 / 03/31/2018	–34'340	–84'374	–20'846	–	–139'560	–30'992	–75'622	–18'758	–	–125'372

Net Book Value

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2018 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2017 Total
As per 04/01/2018 / 04/01/2017	133'166	46'550	8'559	4'895	193'170	136'513	46'571	9'537	7'758	200'379
As per 03/31/2019 / 03/31/2018	131'186	44'134	7'722	8'145	191'188	133'166	46'550	8'559	4'895	193'170

Relocation Shenyang Yuanda Compressor Co. Ltd (SYCC)

In 2018, SYCC started the relocation of its manufacturing and assembly facility, to the newly established China Germany Equipment Manufacturing Industrial Park, which is also located in the city of Shenyang. The relocation is planned to be completed end of 2020. In the course of this transaction SYCC will purchase and build new PPE and at the same time give back the existing PPE to the Chinese government. The whole transaction is subsidized by the Chinese Government. In fiscal year 2018, SYCC invested more than CHF 8 mn for this project in new PPE and gave back land and buildings in amount of CHF 4.7 mn (net book value).

14. INVESTMENTS IN ASSOCIATES

	2018	2017
in CHF 1'000		
Balance as per 04/01/2018 / 04/01/2017	12'249	14'704
Changes in the consolidation scope	–	–
Share of net results	–1'208	–1'888
Currency translation differences	498	–567
Balance as per 03/31/2019 / 03/31/2018	11'539	12'249

15. OTHER FINANCIAL ASSETS

Other financial assets include a promissory note from Arkos Group companies amounting to CHF 18.3 mn (prior year: CHF 17.4 mn) and loans to Arkos Group companies amounting to CHF 6.0 mn (prior year: CHF 4.3 mn).

16. INVENTORIES

	03/31/2019	03/31/2018
in CHF 1'000		
Raw materials, supplies and consumables	24'033	22'580
Work in progress	139'565	133'789
Finished products and trade merchandise	42'249	37'586
Advance payments to suppliers	28'894	29'293
Valuation allowance	–12'696	–12'545
Total inventories	222'045	210'703

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, 2019 of CHF –39.2 mn (prior year: CHF –42.4 mn).

17. TRADE RECEIVABLES

	03/31/2019	03/31/2018
in CHF 1'000		
Trade receivables, gross	269'456	237'676
Allowance for bad debts	-8'343	-9'977
Trade receivables, net	261'113	227'699

	03/31/2019	03/31/2018
in CHF 1'000		
Allowance for bad debts		
Balance as per 04/01/2018 / 04/01/2017	-9'977	-9'629
Changes in the consolidation scope	-	-
Additions	-2'655	-1'672
Release	2'658	1'206
Utilization	1'391	486
Currency translation adjustments	240	-368
Balance as per 03/31/2019 / 03/31/2018	-8'343	-9'977

The allowance for bad debts at the end of the 2018 and 2017 fiscal years was entirely related to accounts receivables which were more than 90 days overdue as per closing date.

	03/31/2019		03/31/2018	
in CHF 1'000				
Age profile of trade receivables				
Not due	124'311	47.6%	128'037	56.2%
Overdue 1-30 days	19'853	7.6%	18'567	8.2%
Overdue 31-60 days	17'766	6.8%	11'865	5.2%
Overdue 61-90 days	16'984	6.5%	5'133	2.3%
Overdue more than 90 days	82'199	31.5%	64'097	28.1%
Balance as per 03/31/2019 / 03/31/2018	261'113	100.0%	227'699	100.0%

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

18. OTHER CURRENT RECEIVABLES

	03/31/2019	03/31/2018
in CHF 1'000		
Notes receivable	4'811	14'178
VAT receivables	8'550	6'732
Derivative financial instruments	2'198	969
Current tax assets	678	371
Other current receivables	12'245	7'296
Total other current receivables	28'482	29'546

19. SHARE CAPITAL AND TREASURY SHARES

	03/31/2019	03/31/2018
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, 2019, the Board of Directors of Burckhardt Compression Holding AG will propose a dividend for the 2018 fiscal year of CHF 6.00 (prior year: CHF 6.00).

As of March 31, 2019, non-distributable reserves amounted to CHF 1.7 mn (prior year: CHF 1.7 mn).

	03/31/2019	03/31/2018
Number of treasury shares		
	5'999	6'267

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

20. FINANCIAL LIABILITIES

	03/31/2019	03/31/2018
in CHF 1'000		
Non-current financial liabilities	64'742	65'599
Current financial liabilities	67'666	71'538
Total financial liabilities	132'408	137'137

The average effective interest rate amounted to 1.6% in fiscal year 2018 (prior year: 1.6%).

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 2018 (same as prior year).

Currencies of Financial Liabilities

	03/31/2019	03/31/2018
in CHF 1'000		
Financial liabilities in CHF	60'650	63'550
Financial liabilities in USD	62'716	60'915
Financial liabilities in other currencies	9'042	12'672
Total financial liabilities	132'408	137'137

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

Maturities of Non-Current Financial Liabilities

	03/31/2019	03/31/2018
in CHF 1'000		
Due within 2 years	13'252	11'306
Due within 3 years	7'958	747
Due within 4 years	206	8'454
Due within 5 years	86	3'467
Due beyond 5 years	43'240	41'625
Total non-current financial liabilities	64'742	65'599

21. PROVISIONS

in CHF 1'000	Employee-related	Warranties, penalties, unprofitable contracts	Other	2018 Total	Employee-related	Warranties, penalties, unprofitable contracts	Other	2017 Total
Balance as per 04/01/2018 / 04/01/2017	7'434	24'774	1'890	34'098	7'020	24'269	1'636	32'925
Changes in the consolidation scope	–	–	–	–	–	–	13	13
Additions	1'064	5'055	2'872	8'991	1'460	5'510	859	7'829
Release	–270	–3'349	–975	–4'594	–290	–3'571	–405	–4'266
Utilization	–727	–2'503	–7	–3'237	–907	–1'270	–157	–2'334
Currency translation differences	–132	84	–24	–72	151	–164	–56	–69
Balance as per 03/31/2019 / 03/31/2018	7'369	24'061	3'756	35'186	7'434	24'774	1'890	34'098
Thereof non-current	5'225	8'696	153	14'074	5'385	8'782	82	14'249
Thereof current	2'144	15'365	3'603	21'112	2'049	15'992	1'808	19'849

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 in the context of the relocation process (see also note 13).

23. OTHER CURRENT LIABILITIES

in CHF 1'000	03/31/2019	03/31/2018
Notes payable	11'321	3'588
VAT payables	2'410	2'799
Derivative financial instruments	2'330	1'298
Current tax liabilities	2'769	5'965
Other current liabilities	17'680	7'723
Total other current liabilities	36'510	21'373

Other current liabilities mainly consist of various government grants in China in the context of the relocation process (see also note 13).

24. ACCRUED LIABILITIES AND DEFERRED INCOME

in CHF 1'000	03/31/2019	03/31/2018
Contract-related liabilities	44'504	49'137
Vacation and overtime	3'585	3'227
Salary and bonus payments	8'045	7'050
Miscellaneous	4'747	3'926
Total accrued liabilities and deferred income	60'881	63'340

25. DERIVATIVE FINANCIAL INSTRUMENTS

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".

in CHF 1'000	03/31/2019	03/31/2018
Contract value	178'319	102'943
Positive fair values	2'198	969
Negative fair values	2'330	1'298

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.

	03/31/2019	03/31/2018
in CHF 1'000		
Guarantees issued by banks for Burckhardt Compression	169'666	122'125
Guarantees issued by Burckhardt Compression Holding AG	106'928	109'389
Total guarantees	276'594	231'514

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.

The options regarding Shenyang Yuanda Compressor Co. Ltd. are currently not exercisable. The options regarding Arkos Group LLC are de facto partially consumable from fiscal year 2019 at the earliest. 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

	03/31/2019	03/31/2018
in CHF 1'000		
Operating leases due in less than 1 year	2'739	2'412
Operating leases due in 1 to 5 years	7'956	6'862
Operating leases due in more than 5 years	1'710	2'836
Total operating lease commitments	12'405	12'110

Purchase commitments

Purchase commitments for capital expenditure as per March 31, 2019 amounted to CHF 10.5 mn (prior year: CHF 1.5 mn). The increase in purchase commitments is connected to the relocation activities in Shenyang (see also note 13).

28. PLEDGED ASSETS

As per March 31, 2019, Burckhardt Compression had pledged assets with a carrying amount of CHF 119.5 mn (prior year: CHF 111.5 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

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 2018, 268 shares at a fair value of CHF 358 were granted to participants of the long-term incentive plan. In 2017, participants of the long-term incentive plan were granted 18'699 shares at a fair value of CHF 286.

Personnel expenses in 2018 for share-based payments amounted to CHF 1.9 mn (prior year: CHF 2.9 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 2018 and 2017 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).

	2018	2017
in CHF 1'000		
Sales of goods and services	3'290	4'579
Purchase of goods and services	591	912

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

	03/31/2019	03/31/2018
in CHF 1'000		
Receivables	25'348	23'382
Payables	65	270

Receivables include a promissory note from Arkos Group companies with a carrying amount of CHF 18.3 mn (prior year: CHF 17.4 mn) and loans to Arkos Group companies with a carrying amount of CHF 6.0 mn (prior year: CHF 4.3 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.

Burckhardt Compressions pension 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, 2018 amounted to 109.6% (SVE; prior year: 113.6%) and 105.6% (JJS; prior year: 112.3%). 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	03/31/2019	03/31/2018	2018	2018	2018	2018	2017
Pension plans with surplus	–	–	–	–	–7'230	–7'230	–6'716
Unfunded pension plans	–2'121	–2'238	3	114	–	3	54
Total	–2'121	–2'238	3	114	–7'230	–7'227	–6'662

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.	Mississauga, 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%					
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 100'000'000	60%	•	•	•	•	•
Liaoning Yuanyu Industrial Machinery Co. Ltd.	Kaiyuan, China	CNY 39'000'000	60%	•	•			
Shenyang Yuanda Compressor Automatic Control System Co. Ltd.	Shenyang, China	CNY 5'000'000	36%			•	•	•
Shenyang Yuanda Compressor Energy Service Co. Ltd.	Shenyang, China	CNY 1'000'000	60%				•	•
Shenyang Yuanda Compressor Import and Export Co. Ltd.	Shenyang, China	CNY 1'000'000	60%				•	•
Shenyang Yuanda Shengda Turbine Compressor Co. Ltd. ²	Shenyang, China	CNY 100'000'000	24%			•	•	•
Shunyuan Resources Recycling Equipment Industry (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 31 March 2019, the consolidated balance sheet as at 31 March 2019, 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 78 to 99) give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 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 2'740'000

We concluded full scope audit work at four reporting units in three countries. Our audit scope addressed over 74% of the Group's sales.

As key audit matter the following area of focus has been identified:
Accounting for work in progress of the systems division

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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 2'740'000
<i>How we determined it</i>	5% of average earnings before tax 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 270'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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. 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, communication with the component auditors, communicating the risks identified at Group level and determining the materiality thresholds for the audits performed by component auditors.

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

Key audit matter

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 31 March 2019, work in progress from systems division projects in the amount of CHF 139.6 million was recognised in the balance sheet.

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.

Please refer to page 83 (Accounting policies – Inventories) and page 92 (Inventories) in the notes to the Group financial statements.

How our audit addressed the key audit matter

Our audit procedures regarding the accounting for work in progress of systems division projects included in particular the following:

- 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:
 - 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 onsite 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.

The results of our audit support the accounting of work in progress of the systems division in the 2018 consolidated financial statements.



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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Oliver Illa
Audit expert

Winterthur, 23 May 2019

FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG, WINTERTHUR

BALANCE SHEET

	Notes	03/31/2019	03/31/2018
in CHF 1'000			
Current assets			
Cash and cash equivalents		363	1'114
Other current receivables due from third parties		12	23
Other current receivables due from group companies		–	31
Total current assets		375	1'168
Non-current assets			
Financial assets			
– Long-term loans to group companies		26'000	22'966
– Investments in subsidiaries	102	171'781	171'781
Total non-current assets		197'781	194'747
Total assets		198'156	195'915
Current liabilities			
Trade payables due to third parties		2	25
Other current liabilities due to third parties		4	3
Accrued liabilities and deferred income		120	103
Current provisions		165	183
Total current liabilities		291	314
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		166'691	184'990
– Net income		22'556	2'063
Treasury shares	104	–1'582	–1'652
Total equity		197'865	195'601
Total equity and liabilities		198'156	195'915

INCOME STATEMENT

	2018	2017
in CHF 1'000		
Income		
Dividend income from group companies	23'280	3'000
Interest income from group companies	249	241
Gain on sale of own shares	–	421
Income from services provided to group companies	192	192
Total income	23'721	3'854
Expenses		
Operating expenses	–1'103	–1'762
Direct Taxes	–62	–29
Total expenses	–1'165	–1'791
Net income	22'556	2'063

NOTES TO THE FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

101 Accounting policies

The financial statements as per March 31, 2019 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

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 profit and loss statement.

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

The derivative financial instruments are off-balance sheet items.

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

Burckhardt Compression Holding AG's fiscal year 2018 comprises the period from April 1, 2018 to March 31, 2019.

102 Subsidiaries

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

103 Share capital and shareholders

The share capital amounts to CHF 8'500'000 and is composed of 3'400'000 shares, each with a nominal value of CHF 2.50. All shares are registered shares and are paid in full. The Board of Directors is empowered to increase the company's share capital by a maximum of CHF 1'275'000 at any time until 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, 2019, 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, 2019 (according to the statutory bylaws the voting rights of NN Group N.V., JO Hambro Capital Management Limited and Atlantic Value General Partner Ltd. (Mondrian) are limited to 5% of the total number of the registered BCHN shares recorded in the commercial register):

Shareholders		03/31/2019	03/31/2018
Name	Country	% of shares	% of shares
MBO Aktionärsgruppe	CH	12.40	12.40
NN Group N.V.	NL	6.93	6.93
J O Hambro Capital Management Limited	GB	6.13	6.89
Atlantic Value General Partner Limited (Mondrian)	GB	5.03	4.99
Ameriprise Financial Inc.	US	3.49	3.49
Credit Suisse Funds AG	CH	3.03	3.03
UBS Fund Management (Switzerland) AG	CH	3.01	3.01
Oppenheimer Funds	US	3.01	3.01

As per March 31, 2019 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:

		03/31/2019	03/31/2018
Name	Position	Total shares	Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'288	203'213
Hans Hess	Deputy Chairman	5'663	5'618
Dr. Stephan Bross	Member	215	170
Dr. Monika Krüsi	Member	985	940
Urs Leinhäuser	Member	1'080	1'035
Total		211'231	210'976
Executive Board			
Marcel Pawlicek	CEO	42'111	42'111
Rolf Brändli	CFO	1'702	1'702
Sandra Pitt	CHRO	278	278
Fabrice Billard	President Systems Division	400	400
Rainer Dübi ²	President Services Division	600	n/a
Martin Wendel ¹	President Services Division	n/a	231
Total		45'091	44'722
Total		256'553	255'698
In % of total shares		7.5%	7.5%

¹Member of the Executive Board until February 14, 2019

²Member of the Executive Board as from February 15, 2019

104 Treasury shares

	2018	2017
Number at the beginning of the period	6'267	24'966
Purchases	0	0
Sales	-268	-18'699
Number at the end of the period	5'999	6'267

The average selling price did amount to CHF 263.66.

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

	03/31/2019	03/31/2018
in CHF 1'000		
Total liabilities to pension funds	0	0

Net release of undisclosed reserves

	03/31/2019	03/31/2018
in CHF 1'000		
Net release of undisclosed reserves	0	0

Derivative financial instruments

	03/31/2019	03/31/2018
in CHF 1'000		
Forward foreign exchange contracts (negative current fair value on cash flow hedge)	0	0

Guarantees

	03/31/2019	03/31/2018
in CHF 1'000		
Guarantees	106'927	109'389

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 67 to 73.

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 by the Board of Directors for the appropriation of retained earnings

	2018	2017
in CHF 1'000		
Retained earnings at the beginning of the period	187'053	208'615
Distributed dividend	-20'362	-23'625
Net income	22'556	2'063
Retained earnings at the disposal of the Annual General Meeting	189'247	187'053
The Board of Directors proposes the following appropriation		
- Gross dividend	-20'400	-20'400
Retained earnings carried forward	168'847	166'653

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, 2019.

	2018	2017	2016
Gross dividend	6.00	6.00	7.00
Less 35% withholding tax	-2.10	-2.10	-2.45
Net dividend	3.90	3.90	4.55

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will take place at 10.00 am on Saturday, July 6, 2019 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 31 March 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 104 to 108) as at 31 March 2019 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 1'980'000

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



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 1'980'000
<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 198'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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.

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 105 (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 (revenue and margin growth). <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 31 March 2019.</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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Oliver Illa
Audit expert

Winterthur, 23 May 2019

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 report.burckhardtcompression.com as an online version. The German version is binding. The financial report is available in English only.



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