



ANNUAL REPORT 2019

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 skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.

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TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

Our full-year results for 2019 are largely in line with the guidance we gave during the presentation of our half-year report. Incoming orders did not match the record-high figure from the previous fiscal year. Sales were in line with our expectations. Operating and net income showed another improvement, but are still not yet at the levels we have targeted in our Mid-Range Plan.

Order intake lower versus previous year Consolidated order intake amounted to CHF 607.3 mn, 7.8% below the figure for the previous fiscal year, which was the highest ever recorded in the history of Burckhardt Compression. Excluding the effects of currency translation and acquisition activity, incoming orders declined by 8.8% y-o-y. Both divisions experienced order deferrals during the final quarter of the fiscal year (January to March 2020) due to the global coronavirus outbreak. New orders at the Systems Division amounted to CHF 361.2 mn, 15.6% less than in the previous fiscal year. The Services Division increased its order intake by 6.7% to CHF 246.1 mn, of which Arkos contributed CHF 17.6 mn following the full acquisition of this company in late November 2019.

Higher sales Sales rose by 5.1% to CHF 629.6 mn; excluding the effects of currency translation and acquisitions, year-on-year sales growth was 3.9%. Sales at the Services Division rose by 7.8% to CHF 241.3 mn, while the Systems Division reported a 3.4% increase to CHF 388.3 mn. Services now account for almost 40% of Group sales.

Renewed increase in operating and net income Gross profit of CHF 149.8 mn topped the prior-year figure of CHF 135.7 mn by 10.4% and the resulting gross profit margin was 23.8% (previous year: 22.6%). The gross margin at the Systems Division improved to 11.0% (previous year: 8.1%), despite the recognition of the remaining cost overruns in connection with the LNGM business, which amounted to approximately CHF 10 mn in the fiscal year under review. Gross profit at the Services Division rose by 1.7% to CHF 107.0 mn, resulting in a gross profit margin of 44.3%. This is well below the prior-year gross margin of 47.0%, primarily because the gross margin at Arkos Field Services is much lower than the average margin of the Group's other services operations. Excluding acquisition activity, the gross profit margin of the Services business stood at 47.8%.

Consolidated operating income increased by CHF 10.3 mn to CHF 54.8 mn, which corresponds to 8.7% of sales (previous year: 7.4%). Operating income at the Services Division declined to CHF 54.7 mn from CHF 58.2 mn in the previous fiscal year. The Systems Division returned to profitability, contributing a positive CHF 6.4 mn in operating income compared to a loss of CHF -8.7 mn in the previous year.

Consolidated net income rose by 23.8% y-o-y to CHF 39.9 mn or 6.3% of sales (previous year: 5.4%). Due to the substantial positive contribution of Shenyang Yuanda Compressor (whose

founder still holds a 40% stake in the company) to the Group's bottom line, earnings per share attributable to Burckhardt Compression shareholders showed a proportionally smaller increase of 17.3% to CHF 9.56.

Solid balance sheet Total assets at the end of March 2020 amounted to CHF 883.0 mn, an increase of CHF 34.3 mn or 4.0% compared to the prior-year figure. Arkos Field Services is included in this figure as a fully consolidated subsidiary. The equity ratio at year-end was 36.0% (previous year: 40.7%).

The entire goodwill from the various acquisitions Burckhardt Compression has made in recent years was taken directly to equity in accordance with Swiss GAAP FER. This resulted in a deterioration of the equity ratio in the short term, but eliminated the risk of goodwill impairments in future reporting periods.

The net financial position at the end of the fiscal year amounted to CHF -91.7 mn (previous year: CHF -49.4 mn), which primarily reflects the increase in net working capital, the acquisition of the remaining 60% interest in Arkos Field Services and fixed investment at the new factory in Shenyang.

Continued implementation of projects within the scope of the Mid-Range Plan for 2018–2022 Various projects initiated under the current Mid-Range Plan were successfully completed during the past fiscal year. A global procurement organization was established and expanded, for example, resulting in another CHF 7 mn in cost savings. "Best-cost areas" for the sourced products were identified and products were standardized. We launched a platform that we use together with our global suppliers for tracking and communication purposes and also introduced a four-stage gate process for our interaction with suppliers as well as an e-auction system. These projects marked a big step forward for our procurement operations in terms of digitalization and increased their efficiency. R&D collaborated with colleagues in Sales on the further modularization of new compressor systems, which led to a more efficient quote preparation process and simplified compressor development and manufacturing processes.

The upturn in sales at the Systems Division held the division's leading market position and the Services Division continued to grow thanks to the full acquisition of Arkos Field Services. Burckhardt Compression's growing knowledge and skills in the OBC business are leading to new growth opportunities in the US.

New factory in Shenyang on track Construction of the new factory in Shenyang, China, is well on track despite an interrupt of six weeks because of the coronavirus outbreak and the new factory will be able to commence operations in autumn 2020 as planned.

Acquisition of the compressor business of JSW In March 2020, we signed an agreement (closing April 2020) with The Japan Steel Works Ltd., or JSW in short, to purchase its global compressor business. This transaction with JSW clearly strength-

ens Burckhardt Compression's market presence in Japan and bolsters the company's global leadership.

Change in the Board of Directors After serving as a director for 18 years, nine of them as chairman, Valentin Vogt, the current chair of the Board of Directors, will not be standing for re-election at the Annual General Meeting on July 3, 2020. Ton Büchner has been nominated for election as a new member of the Board of Directors and as its new chairman. He served as CEO and President of AkzoNobel from 2012 to 2017 and worked for Sulzer for 18 years before that, ultimately serving as CEO from 2007 to 2011.

Outlook We are guiding for more than CHF 650 mn in sales for fiscal year 2020. The challenges encountered in the LNGM business over recent years were successfully overcome in fiscal year 2019, so no other according additional costs are expected on this front in fiscal year 2020. On the other hand, we expect consequences due to the current global uncertainties. From today's perspective, we expect stable profit margins for the 2020 financial year.

The longer-term effects of the global corona situation on Burckhardt Compression's business cannot be estimated at this time. Order intake for our products and services in the first two months of the new fiscal year was lower than in the comparable prior-year period.

Dividend proposal 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 62.8% of net income per share (previous year: 73.6%), which is in the targeted range of 50% to 70%.

Thank you We thank our approximately 2'600 employees around the world for their untiring efforts during the past fiscal year and our shareholders for their continued trust in our company. Special thanks are also given to our many, often long-standing, customers and suppliers.

Yours sincerely,



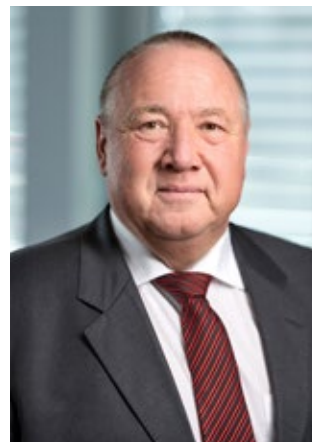
Valentin Vogt
Chairman of the Board of Directors



Marcel Pawlicek
CEO



Valentin Vogt



Marcel Pawlicek

Winterthur, June 2, 2020

175 YEARS BURCKHARDT COMPRESSION

Burckhardt Compression celebrated its 175-year anniversary during the past fiscal year. This special anniversary was celebrated at the company's various locations by all employees and their families in a series of regionally organized events. On January 9, 2019, the exact date of the company's establishment 175 years earlier, an anniversary celebration was held in Winterthur with about 100 invited guests.

SWITZERLAND, JANUARY 9, 2019

The street in front of the company's headquarters is renamed Franz-Burckhardt-Strasse in honor of the company's founder. An official anniversary celebration was held in the evening at the Casinotheater Winterthur, with more than 100 guests.



APRIL 18, 2019

A celebration with employees at the Winterthur site, a private performance by Circus Knie followed by a street food festival



BRAZIL, JUNE 28, 2019

An open house day for all employee families and a barbecue

175 175 175 YEARS



SOUTH AFRICA, **APRIL 13, 2019**

A circus show, magicians and balloon artists, topped off with a celebration dinner



INDIA, APRIL 18, 2019

Traditional lamps light up an evening of entertainment for young and old



CHINA, APRIL 20, 2019

A big celebration with a traditional dinner for all employees

MILESTONES 2019



Full takeover of Arkos Field Services

Burckhardt Compression acquires the remaining 60% of Arkos Group LLC on November 25, 2019. Arkos Field Services thus becomes a wholly-owned subsidiary of Burckhardt Compression and is fully consolidated as of this date. Through this transaction, Burckhardt Compression, with Arkos Field Services, is unique in its ability to provide its US customers with compressors as well as with compressor services for every segment of the market – upstream, midstream and downstream. The US is the country with the highest number of reciprocating compressor installations in the world.



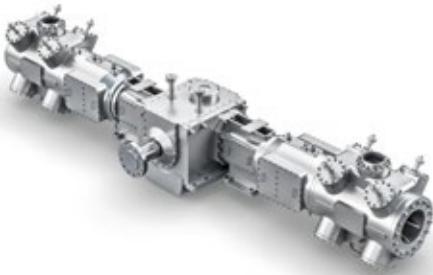
First compressor for an underground gas storage facility in Europe

Burckhardt Compression is supplying Ganzair, a Hungarian company, with a high-speed compressor that will inject natural gas from a pipeline into an underground storage facility. This compressor will be compliant with ISO 13631 and will be the first high-speed compressor made by Burckhardt Compression to be used for this purpose in Europe. Burckhardt Compression offers customers worldwide a line of high-speed compressors with a wide power range from 100 kW to 7.5 MW, covering a wide variety of applications in the upstream and midstream segments.



Long-term agreement to service nine LNG carriers

Burckhardt Compression has signed a five-year service agreement with a leading transporter of liquefied natural gas (LNG) to service the Laby®-GI compressors installed on nine of the company's LNG carriers. The long-term service agreement covers all compressors and compressor system parts requiring maintenance, customer support, remote diagnostics for preventive maintenance, on-site field services, and overall project management. Maintenance will be performed while the carriers are in operation in the open sea for maximum efficiency. All nine LNG carriers are ME-GI-powered and equipped with Laby®-GI compressors for handling BOG.



New customers thanks to capex-optimized API 618 compressor

Burckhardt Compression receives its very first order for its recently launched capex-optimized API 618-compliant compressors in January 2020. The compressors ordered by Hyundai Engineering Company from this new product line will be used in propane dehydrogenation and propylene production applications at a petrochemical plant in Poland. Burckhardt Compression makes the most of its global manufacturing footprint, cost-efficient engineering capabilities and global supply chain by launching this new product line.



Service Center in Qatar opened

Burckhardt Compression strengthens its services operations in the Middle East by opening a new service center in Doha, Qatar, in collaboration with Oriental Trading Company (OTC). This "Authorized Service Center" offers maintenance, repair, and engineering services for Burckhardt Compression compressors as well as other brand compressors. The new center brings Burckhardt Compression even closer to its customers in this region and guarantees quick response times.

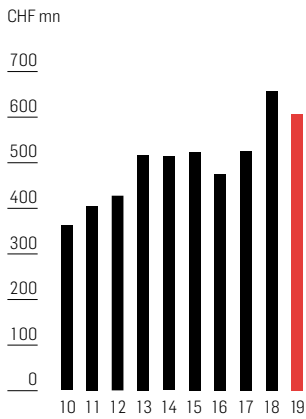


Cooperating with GRZ to develop a new hydrogen technology

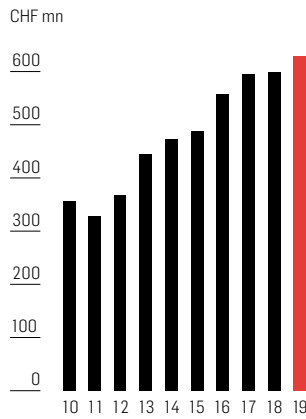
Burckhardt Compression has joined forces with GRZ Technologies, a spin-off of ETH Lausanne, Switzerland, to develop a new hydrogen compression technology for applications ranging from hydrogen fuel stations to hydrogen energy storage systems. The new technology involves thermal active metal hydrides. Burckhardt Compression has developed a static hydrogen compressor with no moving parts that uses thermal active metal hydrides to compress the hydrogen. Hydrogen is one of several promising sources of carbon-neutral energy for industrial and mobility applications.

FIGURES AT A GLANCE

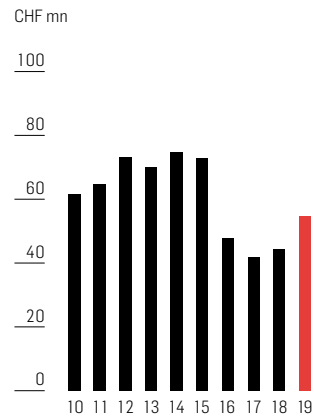
ORDER INTAKE



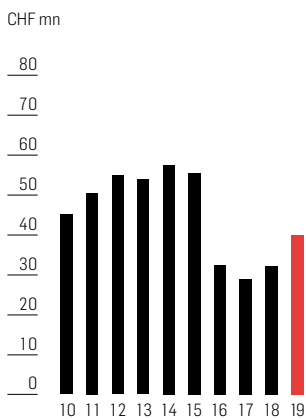
SALES



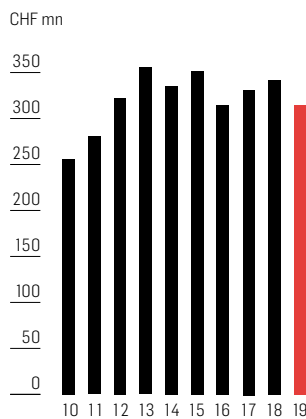
OPERATING INCOME (EBIT)



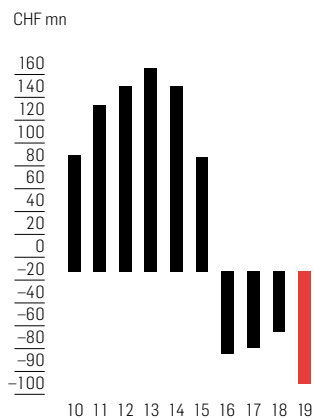
NET INCOME



SHAREHOLDERS' EQUITY

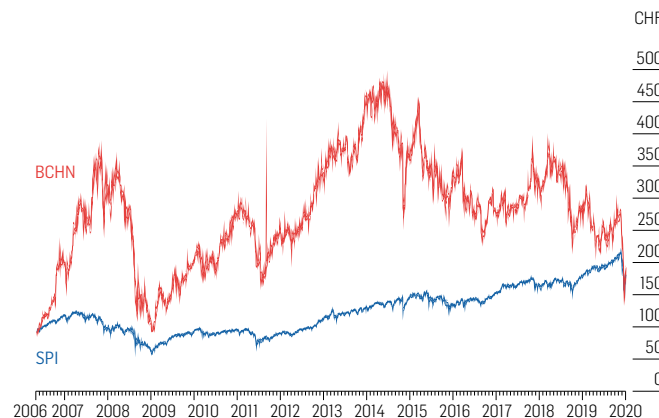


NET FINANCIAL POSITION

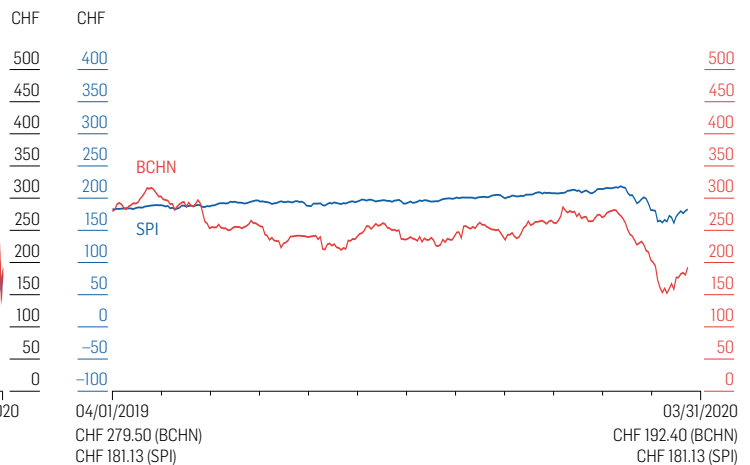


SHARE PRICE

SINCE IPO



FISCAL YEAR 2019



in CHF mn		2018	2019	Change 2018/2019
Order intake:				
– Systems Division		428.0	361.2	–15.6%
– Services Division		230.7	246.1	6.7%
Total		658.7	607.3	–7.8%
Sales and gross profit:				
– Systems Division	Sales	375.4	388.3	3.4%
	Gross profit	30.5	42.8	40.3%
	in % of sales	8.1%	11.0%	
– Services Division	Sales	223.9	241.3	7.8%
	Gross profit	105.2	107.0	1.7%
	in % of sales	47.0%	44.3%	
Total	Sales	599.3	629.6	5.1%
	Gross profit	135.7	149.8	10.4%
	in % of sales	22.6%	23.8%	
Operating income (EBIT):				
– Systems Division	Operating income (EBIT)	–8.7	6.4	
	in % of sales	–2.3%	1.7%	
– Services Division	Operating income (EBIT)	58.2	54.7	–6.0%
	in % of sales	26.0%	22.7%	
– Others	Operating income (EBIT)	–5.0	–6.3	
Total	Operating income (EBIT)	44.5	54.8	23.1%
	in % of sales	7.4%	8.7%	
Net income		32.2	39.9	23.8%
in % of sales		5.4%	6.3%	
Depreciation and amortization		21.8	20.5	–5.9%
Cash flow:				
– from operating activities		41.8	50.7	21.3%
– from investing activities		–7.8	–49.7	
– from financing activities (incl. translation differences)		–26.1	6.3	
Total		7.9	7.3	
Total balance sheet assets		848.7	883.0	4.0%
Non-current assets		250.8	234.1	–6.7%
Current assets		597.9	648.9	8.5%
Shareholders' equity		345.0	317.5	–8.0%
in % of total balance sheet assets		40.7%	36.0%	
Net financial position (in CHF mn)		–49.4	–91.7	
Headcount as per end of fiscal year (full-time equivalents)		2'346	2'621	11.7%
Total remuneration Board of Directors (in TCHF)		569	573	0.7%
Total remuneration Executive Board (in TCHF)		2'558	2'893	13.5%
Share price as per end of fiscal year (in CHF)		271.00	192.40	–29.0%
Market capitalization (in CHF mn)		921.4	654.2	–29.0%
Market capitalization/shareholders' equity (ratio)		2.7	2.1	–22.8%
Net income per share (EPS) (in CHF)		8.15	9.56	17.3%
Dividend per share (in CHF)		6.00	6.00¹	0.0%
Number of issued shares		3'400'000	3'400'000	

¹ Motion to the Annual General Meeting

OUR COMPANY

HISTORY

The history of our company begins 176 years ago. Company founder Franz Burckhardt lays the cornerstone of Burckhardt Compression's success on January 9, 1844 with the purchase of a commercial site for the company in Basel. During the founding years, his mechanical workshop makes machines for the textile industry. As the years go by, Franz Burckhardt expands the scope of the company's operations, becoming a general builder of machinery. In 1856, the company starts producing steam-powered machines. Its first reciprocating compressor is designed in 1878 and enters the market in 1883. In 1890, August Burckhardt, the son of the now-deceased company father Franz Burckhardt, establishes "Maschinenfabrik Burckhardt" as a joint stock company to raise capital for the construction of a new factory on Dornacherstrasse in Basel.

Another milestone is achieved in 1913 with the sale of the company's first compressor for producing ammonia synthesis gas. This compressor has a discharge pressure of 300 bar and is delivered to BASF in Ludwigshafen, Germany – a customer that purchased one of Burckhardt's first compressors back in 1885. In 1935, the Swiss company Sulzer delivers its first Sulzer Labyrinth Piston Compressor to the Hürlimann Brewery in Zurich and in 1951 the company receives an order from Imperial Chemical Industries (ICI) for 11 ultra-high-pressure compressors with a discharge pressure of 1'500 bar that will be used to produce low-density polyethylene (LDPE). After years of collaboration between Burckhardt and Sulzer, Maschinenfabrik Burckhardt is acquired by Sulzer on May 8, 1969 and becomes a subsidiary of Sulzer Group. In 1982, in the wake of their greater collaboration, the reciprocating compressor activities of the Sulzer Group are transferred to a single legal entity called Maschinenfabrik Sulzer-Burckhardt AG. In 1994, the merged entity celebrates its 150th anniversary. In 1999, as part of a Group-wide restructuring program, Sulzer decides to consolidate Sulzer-Burckhardt's Swiss activities at the site in Winterthur. The operations in Basel are moved to Winterthur and the building on Dornacherstrasse in Basel is sold.

In 2000, Sulzer decides to focus its activities on four divisions. Sulzer-Burckhardt is put up for sale because it does not fit with the new strategy. Together with the financial investor Zurmont Finanz AG, five members of the Executive Board of Maschinenfabrik Sulzer-Burckhardt AG buy out the company on April 30, 2002. In the wake of the management buyout, Sulzer-Burckhardt's name is changed to Burckhardt Compression in May 2002. In 2006, Zurmont decides to sell its shares in Burckhardt Compression by means of an IPO. The company is listed on the SIX Swiss Exchange on June 26, 2006 and it ranks among the 100 largest listed companies in Switzerland by market capitalization at the end of 2019.

In May 2016, the Group acquires a 60% majority interest in Shenyang Yuanda Compressor, the number one manufacturer of reciprocating compressor systems in China. In June 2016, Burckhardt Compression introduces a divisional organizational structure with two divisions, Systems and Services, with the aim of addressing customer needs even better than before. In December 2017, Burckhardt Compression adopts a Mid-Range Plan for fiscal years 2018 to 2022. It serves as a strategic road map over the five-year period and lays out the company's goals. On January 9, 2019, Burckhardt Compression celebrates its 175th anniversary with guests from the worlds of business and politics as well as science and technology. Special events are organized at Burckhardt Compression's sites around the world during the 2019 fiscal year to thank employees for their dedication and commitment. All employees and their families join in the anniversary celebrations.

After its initial purchase of a 40% interest in Arkos Field Services, a provider of compressor services in the US, in 2015, Burckhardt Compression acquires the remaining shares in November 2019. This transaction makes Burckhardt Compression the only independent provider of compressor systems and compressor services serving customers in every segment of the US market – upstream, midstream and downstream.

In March 2020, Burckhardt Compression announces the purchase of the compressor business of The Japan Steel Works (JSW) to further strengthen its global market reach, especially in Japan.

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 are totally committed to providing services that make a difference. We get the job done.

BURCKHARDT COMPRESSION BRAND

Burckhardt Compression and its umbrella brand stand for quality and worldwide leadership in innovative reciprocating compressor systems and technologies. 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.

When making acquisitions, Burckhardt Compression decides during the integration process whether a brand is retained or integrated into an existing house brand.

Other brands that belong to Burckhardt Compression Group are:

- **Shenyang Yuanda Compression**, one of the largest manufacturers of reciprocating compressors in China, whose products are mostly sold in its domestic market
- **Arkos Field Services**, our exclusive services provider in the US
- **CSM**, together with Burckhardt Compression Canada, our services provider in Canada
- **Prognost**, the world's leader in compressor monitoring and diagnostic systems
- **SAMR**, a French manufacturer of sliding bearings
- **BCS Compression**, products made by Shenyang Yuanda Compressor for export markets that leverage Burckhardt Compression's global processes, supply chains and service organization, and cost-effective engineering capabilities

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 to the growing collaborative interaction and increasingly virtual collaboration between the Group's subsidiaries and sites across the world. In this context, it is vital that all company 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. In the year under review, Burckhardt Compression acquired the remaining 60% of Arkos Field Services, a provider of compressor services in the US, and announced the purchase of the compressor business of The Japan Steel Works, or JSW for short.

Mid-Range Plan for fiscal years 2018 to 2022

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

The Systems Division is aiming 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 new applications will be launched.

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 global processing and the continued 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 lead-

ership 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 in the long run spurring on 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 handling 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 methods (EOR). EOR is a technique where pressurized gas is injected into productive fields either directly through existing well bores (gas lift) or through separate well bores (gas injection), resulting in significantly higher recovery rates. Recovery rates are typically around 30% using conventional production methods and 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, 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. Preprocessing applications at the point of production in the oil and gas industries offer additional opportunities for Burckhardt Compression and its new high-speed com-

pressors are particularly suited for these applications. 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 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 carriers, merchant ships, and cruise ships. The importance of natural gas will further grow with the 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 carriers, 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 storage and re-gasification, 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, heating oil, liquefied petroleum gas (LPG), as well as solvents and lubricants. Worldwide demand for these products will continue to grow over the medium term and most of the growth in demand will come from non-OECD countries, especially in Asia. 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 and textiles entails, among other things, the processing of oil, natural gas and even coal. Demand for petrochemical and chemical products, especially for polyolefins, will steadily increase worldwide over the long term. In this application area, too, companies will continue their efforts to reduce costs by replacing smaller scale plants with larger ones, establishing strategic production sites, and extending value-added chains. An additional source of growth is the growing production of natural gas from shale formations worldwide. In terms of potential, the US is the leading market in this segment. Burckhardt Compression offers several product lines with individual, reliable and benchmark-setting reciprocating compressor solutions for a broad spectrum of applications.

Industrial gases

Industrial gases such as argon, helium, carbon dioxide, carbon monoxide, oxygen, nitrogen, and hydrogen are produced in air separation or hydrogen generation plants. The end market for industrial gases is quite broad, encompassing industries as diverse as metalworking and metallurgy, chemical companies, energy technology, food manufacturing, green technology, glass, 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 a particularly fast-growing section of this market. Demand for ultra-pure compressed hydrogen gas for fuel cells is surging and this represents a prime opportunity for Burckhardt Compression to leverage its tremendous experience and its wide range of oil-free compressors.

CUSTOMERS

Our customer base includes some of the largest, most famous, and most innovative companies in the world. We serve

- energy companies,
- natural gas transportation and storage companies (onshore and offshore),
- petrochemical/chemical companies,
- industrial gas companies and
- general engineering companies that design and construct production lines or entire plants 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- and friction-induced hot spots. The Laby® Compressor is suitable for bone-dry, dirty, abrasive and other gases. The gastight casing reduces gas emissions and losses to the environment to virtually zero. Laby® Compressors can be relied on to compress 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 be engineered for lubricated or non-lubricated compression applications.

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 to customer-specific application requirements 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 to the 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. Burckhardt Compression has global engineering and service organizations and the Group's own centers of excellence leverage those resources to offer comprehensive solutions that are entirely focused on the needs of the customer.

We have many years of experience with hydrogen gas compression systems for the refining industry and are now also offering hydrogen compression solutions for the mobility marketplace. These Process Gas Compressors with lubricated or non-lubricated designs can be operated at the typical fuel pressures of up to 500 bar.

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 nearly 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 back 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

Burckhardt Compression's Standard High Pressure Compressors 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.

High-Speed Compressors

High-speed compressors are basically process gas processors with shorter stroke diameters and very high rotational speeds (1000–1800 RPM). These compressor systems are used for standardized natural gas production and transport applications, and they are often powered by gas engines instead of electric motors. Due to the short-term nature of planning decisions in this industry, there is a strong desire to keep initial investment costs at a minimum. With this in mind, Shenyang Yuanda Compressor launched a compressor especially for natural gas production and transport companies several years ago that it is now marketing to selected other industries through Burckhardt Compression's distribution channels. Initial project wins in Europe attest to this product's great potential.

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 and 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 intervention guided by online diagnostic data and analyses are vital for optimal 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 optimizing 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 chemicals 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, giving it a strong regional reach and extensive field service capabilities. It will continue to expand this service network going forward.

Customer training

The objective of our ever-growing range of customer training and learning programs is to foster a frequent technical exchange with our customers on compressors and its operation. Theoretical and practical training programs for various types of compressors and for our own and third-party components are offered at the modern training center 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.

MID-RANGE PLAN 2018–2022

MORE PROJECTS SUCCESSFULLY COMPLETED WITHIN THE SCOPE
OF THE MID-RANGE PLAN

The Services Division acquired the remaining 60% of Arkos Field Services, a US company headquartered in Houston, Texas, during the year under review. This transaction gave it full ownership of the company and will help it to expand its business servicing compressors made by other manufacturers – one of the goals of the current Mid-Range Plan.

The Systems Division also achieved an important Mid-Range Plan milestone returning to profitability.







REVIEW OF THE FISCAL YEAR

FINANCIAL PERFORMANCE

Order intake lower versus previous year

Consolidated order intake amounted to CHF 607.3 mn, 7.8% below the figure for the previous fiscal year, which was the highest ever recorded in the history of Burckhardt Compression. Excluding the effects of currency translation and acquisition activity, incoming orders declined by 8.8% y-o-y. Both divisions experienced order deferrals during the final quarter of the fiscal year (January to March 2020) due to the global coronavirus outbreak. New orders at the Systems Division amounted to CHF 361.2 mn, 15.6% less than in the previous fiscal year. The Services Division increased its order intake by 6.7% to CHF 246.1 mn, of which Arkos contributed CHF 17.6 mn following the full acquisition of this company in late November 2019.

Higher sales

Sales rose by 5.1% to CHF 629.6 mn; excluding the effects of currency translation and acquisitions, year-on-year sales growth was 3.9%. Sales at the Services Division rose by 7.8% to CHF 241.3 mn, while the Systems Division reported a 3.4% increase to CHF 388.3 mn. Services now account for almost 40% of Group sales.

Renewed increase in operating and net income

Gross profit of CHF 149.8 mn topped the prior-year figure of CHF 135.7 mn by 10.4% and the resulting gross profit margin was 23.8% (previous year: 22.6%). The gross margin at the Systems Division improved to 11.0% (previous year: 8.1%), despite the recognition of the remaining cost overruns in connection with the LNGM business, which amounted to approximately CHF 10 mn in the fiscal year under review. Gross profit at the Services Division rose by 1.7% to CHF 107.0 mn, resulting in a gross profit margin of 44.3%. This is well below the prior-year gross margin of 47.0%, primarily because the gross margin at Arkos Field Services is much lower than the average margin of the Group's other services operations. Excluding acquisition activity, the gross profit margin of the Services business stood at 47.8%.

Consolidated operating income increased by CHF 10.3 mn to CHF 54.8 mn, which corresponds to 8.7% of sales (previous year: 7.4%). Operating income at the Services Division declined to CHF 54.7 mn from CHF 58.2 mn in the previous fiscal year. The Systems Division returned to profitability, contributing a positive CHF 6.4 mn in operating income compared to a loss of CHF -8.7 mn in the previous year.

Consolidated net income rose by 23.8% y-o-y to CHF 39.9 mn or 6.3% of sales (previous year: 5.4%). Due to the substantial positive contribution of Shenyang Yuanda Compressor (whose founder still holds a 40% stake in the company) to the Group's

bottom line, earnings per share attributable to Burckhardt Compression shareholders showed a proportionally smaller increase of 17.3% to CHF 9.56.

Solid balance sheet

Total assets at the end of March 2020 amounted to CHF 883.0 mn, an increase of CHF 34.3 mn or 4.0% compared to the prior-year figure. Arkos Field Services is included in this figure as a fully consolidated subsidiary. The equity ratio at year-end was 36.0% (previous year: 40.7%).

The entire goodwill from the various acquisitions Burckhardt Compression has made in recent years was taken directly to equity in accordance with Swiss GAAP FER. This resulted in a deterioration of the equity ratio in the short term, but eliminated the risk of goodwill impairments in future reporting periods.

The net financial position at the end of the fiscal year amounted to CHF -91.7 mn (previous year: CHF -49.4 mn), which primarily reflects the increase in net working capital, the acquisition of the remaining 60% interest in Arkos Field Services and fixed investment at the new factory in Shenyang.

Continued implementation of projects within the scope of the Mid-Range Plan for 2018–2022

Various projects initiated under the current Mid-Range Plan were successfully completed during the past fiscal year. A global procurement organization was established and expanded, for example, resulting in another CHF 7 mn in cost savings. "Best-cost areas" for the sourced products were identified and products were standardized. We launched a platform that we use together with our global suppliers for tracking and communication purposes and also introduced a four-stage gate process for our interaction with suppliers as well as an e-auction system. These projects marked a big step forward for our procurement operations in terms of digitalization and increased their efficiency. R&D collaborated with colleagues in Sales on the further modularization of new compressor systems, which led to a more efficient quote preparation process and simplified compressor development and manufacturing processes.

The upturn in sales at the Systems Division held the division's leading market position and the Services Division continued to grow thanks to the full acquisition of Arkos Field Services. Burckhardt Compression's growing knowledge and skills in the OBC business are leading to new growth opportunities in the US.

New factory in Shenyang on track

Construction of the new factory in Shenyang, China, is well on track despite an interrupt of six weeks because of the coronavirus outbreak and the new factory will be able to commence operations in autumn 2020 as planned.

Acquisition of the compressor business of JSW

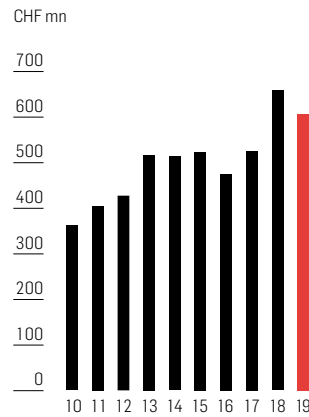
In March 2020, we signed an agreement (closing April 2020) with The Japan Steel Works Ltd., or JSW in short, to purchase its global compressor business. This transaction with JSW clearly strengthens Burckhardt Compression's market presence in Japan and bolsters the company's global leadership.

Workforce growth

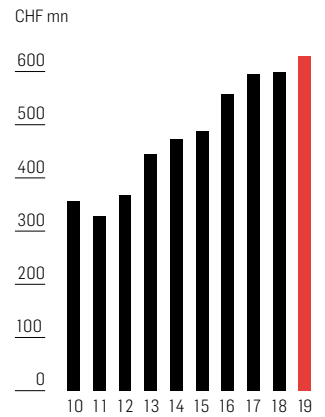
The number of employees at the end of the fiscal year stood at 2'621, an increase of 275 from the previous year's figure of 2'346 (full-time equivalents). This number includes 213 employees of Arkos Field Services.

At the end of March 2020, 782 employees (30%) were based in Switzerland, 1'161 (44%) in BRIC countries and 678 (26%) in other countries.

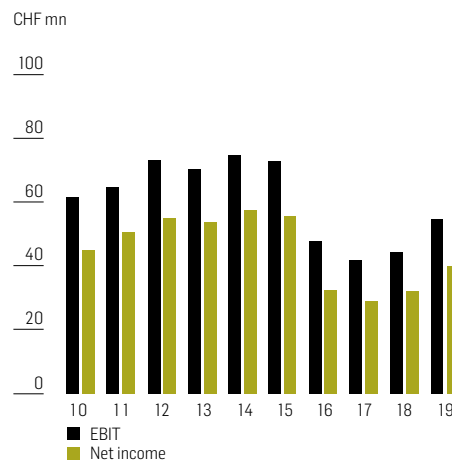
ORDER INTAKE



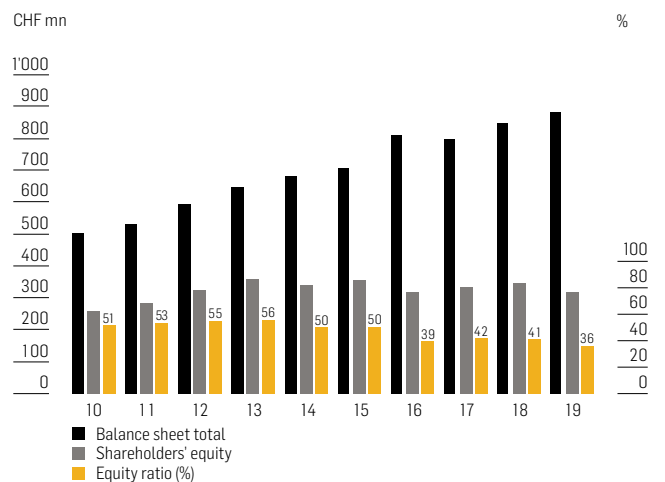
SALES



EBIT AND NET INCOME



EQUITY RATIO



CAPACITY

The Services Division opened a new service center in Guwahati, India, during the year under review. New service centers were also opened in Malaysia in cooperation with Petroteam/IPS Australia and in Doha, Qatar, in cooperation with OTC.

ACQUISITIONS

Burckhardt Compression acquired the remaining 60% of Arkos Field Services in the US in November 2019. Arkos Field Services is our exclusive services provider in the US. In March 2020 Burckhardt Compression announced the acquisition of the global compressor business of The Japan Steel Works, or JSW for short. Burckhardt Compression's market presence has grown through these transactions.

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 into the new plan.

RESEARCH AND DEVELOPMENT

Compressor systems for marine applications

We conducted a thorough design review of our successful Laby®-GI compressor for use aboard large LNG carriers. This resulted in efficiency gains and greater customer benefit, for example by eliminating the need for cylinder lubricants. Compressor manufacturing costs were introduced through the introduction of a structured value-engineering process.

Meanwhile, our engineers optimized the sealing systems used in Laby®-GI compressors that are already in operation aboard LNG carriers, so these customers can have their compressors retrofitted with non-lubricated sealing systems too. The performance advantages are significant, because a complex system of cylinder lubrication is no longer needed, which improves the cost efficiency of the retrofitted systems.

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 manufactured in-house in accordance with our quality management system.

**This reengineered solution does not
require cylinder lubrication, which
lowers maintenance costs and increases
value for money.**

New sealing rings for pistons and packings

Innovative ring geometries enable process gas compressors to be operated without oil lubricants in fueling applications for hydrogen-powered trains, trucks or buses, with pressures of up to 500 bar. The technological advantages of reciprocating compressors for this market are unrivaled efficiency and long running times. Thanks to this new sealing technologies, Burckhardt Compression can offer compressors for this promising application area.

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.

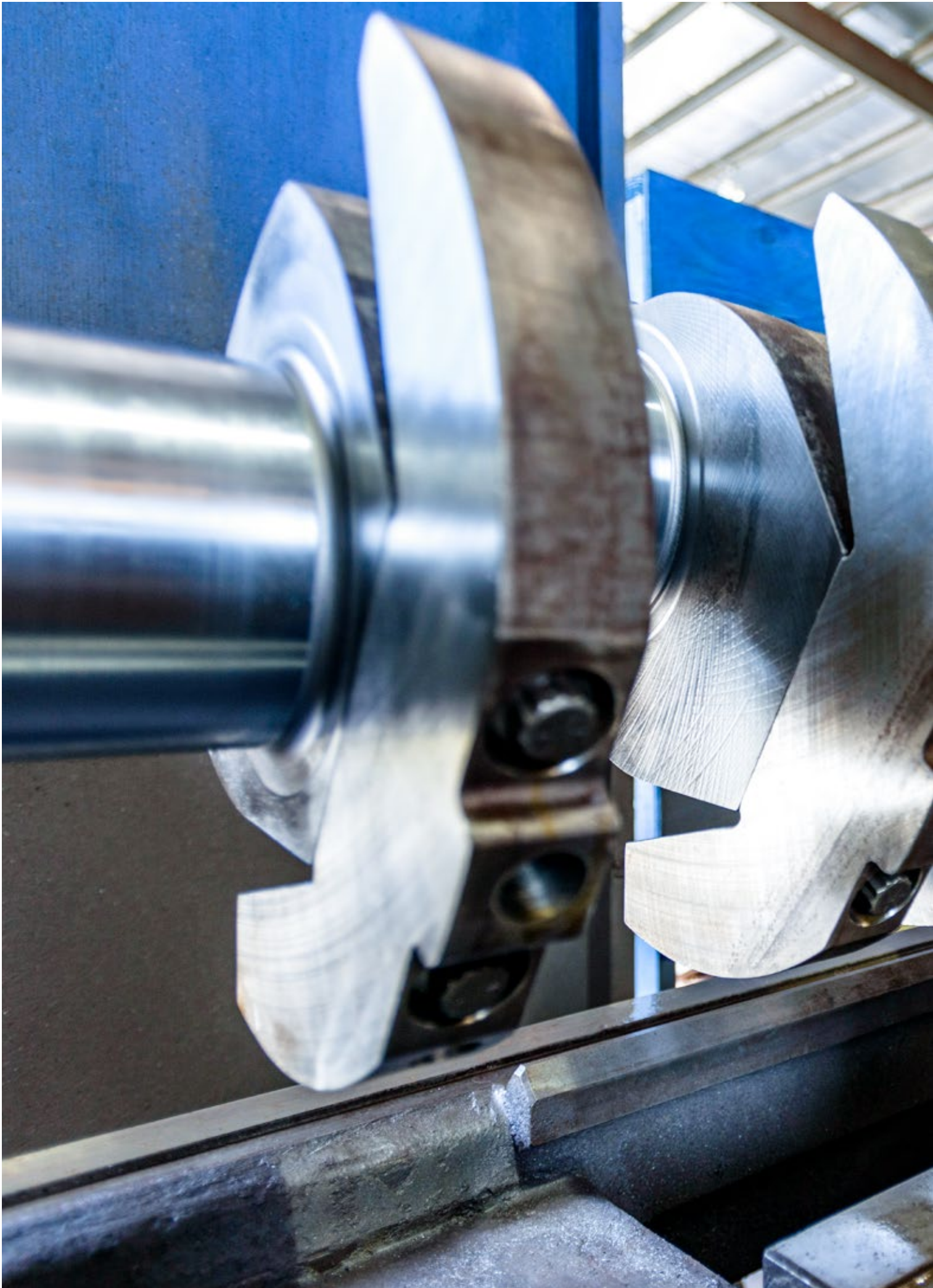
In the period under review, various print and online communications tools were introduced for both divisions and Burckhardt Compression's trade show visuals were improved.





SYSTEMS DIVISION

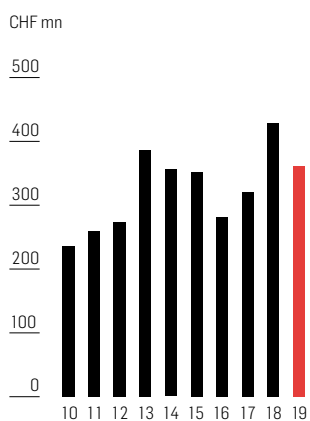
The Systems Division kept its market position in the face of strong competition. Shenyang Yuanda Compressor sold process gas compressors to customers outside China for the first time and Burckhardt Compression received orders for compressors that will be used at a hydrogen fuel plant and at an underground gas storage facility in Europe.



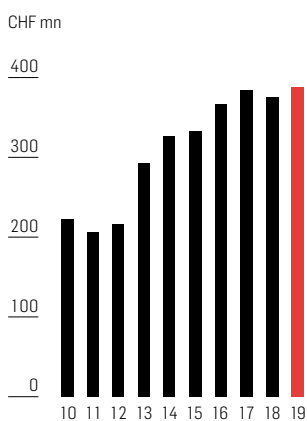


REVIEW OF THE FISCAL YEAR SYSTEMS DIVISION

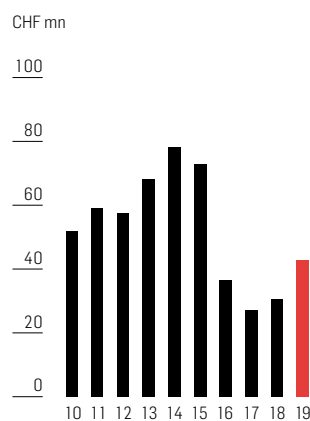
ORDER INTAKE



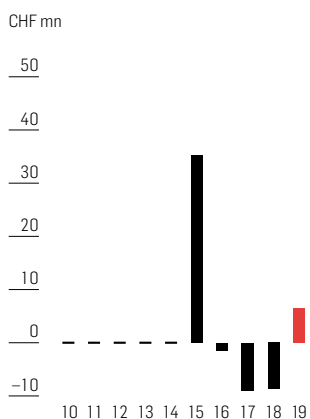
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)¹



FIGURES

	2017	2018	2019	Change 2018/2019
in CHF mn				
Order intake	319.8	428.0	361.2	-15.6%
Sales and gross profit				
Sales	384.4	375.4	388.3	3.4%
Gross profit	27.2	30.5	42.8	40.3%
in % of sales	7.1%	8.1%	11.0%	
Operating income (EBIT)	-9.0	-8.7	+6.4	
in % of sales	-2.3%	-2.3%	+1.7%	
Headcount as per end of fiscal year (full-time equivalents)	1'425	1'506	1'517	0.7%

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

FINANCIAL PERFORMANCE

Back in the black

Orders received by the Systems Division in fiscal year 2019 amounted to CHF 361.2 mn, a decline of 15.6% compared to the record-high figure from the previous fiscal year. Order intake was still trending higher in the first half, but customer order activity tapered off afterwards, particularly during the final quarter of the year, which is partly a reflection of the coronavirus outbreak. Meanwhile, divisional sales advanced 3.4% y-o-y to CHF 388.3 mn thanks to the high order intake from the previous fiscal year and strong growth in China. Gross profit for the year of CHF 42.8 mn topped the prior-year figure by 40.3%, despite the recognition of the remaining cost overruns in the LNGM business, which amounted to approximately CHF 10 mn. The gross profit margin improved to 11.0% (previous year: 8.1%). Operating income improved by CHF 15.1 mn versus the previous fiscal year to a positive CHF 6.4, bringing the Systems Division back to profitability.

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

Burckhardt Compression won several contracts for large LDPE production lines in South Korea and China during the year under review.

Burckhardt Compression kept its market position during the year under review despite strong competitive pressure, as evidenced by the various orders it received for large LDPE lines in South Korea and China and for other projects. A major petrochemical project was successfully completed in Canada.

The very first large order for process gas compressors built by Shenyang Yuanda Compressor for a customer beyond its domestic market was received during the fiscal year under review. Besides this, Burckhardt Compression received an order

for a Hydrogen production facility in the US that produces Hydrogen for fuel. The first high-speed compressor for an underground gas storage facility in Europe was delivered to a Hungarian customer. It will inject natural gas from a pipeline into the underground storage facility. Initial sales of the new and optimized line of API 618 compressors were also booked.

Oil and gas production

The drop in capital spending in the upstream oil & gas industry in the US had a negative effect on this application area during the year under review. This is the only application area targeted by Burckhardt Compression that is exposed directly to changes in crude oil prices.

Gas transport and storage

2019 was another positive year for the LNG market (liquefied natural gas) targeted by Burckhardt Compression. Numerous new LNG terminals are under construction, especially in Asia. The growing importance of large LNG carriers reflects increasing global demand for cleaner and lower-cost sources of energy. Container liner and cruise ship operators must meet increasingly stringent environmental regulations. Most recently, the global limits on sulfur dioxide and nitrogen oxide emissions from ships were significantly tightened on January 1, 2020. Burckhardt Compression has claimed a large share of the market for LNG-powered vessels in recent years. Besides solutions for ME-GI diesel propulsion systems, we can now also offer solutions for the X-DF engines moving in parallel into the market. Regardless which system is used, ship operators can conveniently switch from marine diesel to the naturally forming boil-off gas and vice versa during engine operation. We provided Laby® compressors for a ship powered by an X-DF engine during the year under review.

Refinery

Business momentum in this segment remained positive during the period under review, fueled by the double-digit growth of the global market. Pressure on refinery margins sustained the trend towards integrated production concepts throughout the value chain. Countries with substantial refinery capacity are aiming to increase the domestic share of the added value to reduce their dependency on imported refinery products. Our compressor business is benefiting from these efforts. Large production plants are currently under construction in China and Southeast Asia. India completed its transition to the stricter BS6 emission standard last year, which has boosted demand for hydrogen gas and compressors at the country's refineries.

Petrochemical and chemical industry

The petrochemical and chemical industry has long witnessed increasing global demand for plastic products. Production capacity has grown as a result and efforts are being made across the industry to increase the local share of added value. This is particularly evident in China, where the share of imported products by value is still relatively high despite the substantial investments in local production capacity that have been made in recent years. Although the orders for LDPE production lines received during the year under review were fewer and smaller in scope than in the previous year, we still expect order inflow from this industry to increase in the coming years.

Industrial gases

Historically, the various industries in this application area have grown at roughly the same pace as world GDP. Hydrogen gas is attracting increasing attention as a source of fuel for trains and commercial vehicles and, looking further into the future, for cars as well. Hydrogen could become a more economical and greener source of energy for vehicles than electricity. Some states in the US are actively supporting this alternative trend and have begun investing in hydrogen production assets. Producers of industrial gases are challenging the conventional energy companies by developing technologies for hydrogen-powered vehicles. M&A activity has picked up in an effort to achieve scale in the current market environment.

SALES/DISTRIBUTION

In fiscal year 2018, 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 regional offices for preparing and processing technical proposals and quotes (application engineering) were set up. This organizational change delivered the expected results in the year under review and enabled further improvements in our sales and project execution capabilities.

Collaboration with external sales agents in countries where Burckhardt Compression does not employ its own sales staff was intensified in the fiscal year under review. New agents were signed in Abu Dhabi and Malaysia.

INFRASTRUCTURE

Construction of Shenyang Yuanda's new plant continued as planned during the past fiscal year despite an interrupt of six weeks because of the coronavirus outbreak, so commissioning and startup will take place as scheduled in autumn 2020. This new plant is an investment in the future development of the systems business. The two existing factories will be moved to the new, larger site, where workflows and processes will reflect the latest standards and best practices, further improving overall operating efficiency. We continued to expand our Global Support Center in India.

COMPLETION OF "PULLING SYSTEMS TOGETHER" PROGRAM FOR IMPROVEMENT

This large-scale initiative launched in 2016 to optimize the System Division's processes and costs was completed at the end of the 2018 fiscal year. Some 30 different projects were launched as part of the "Pulling Systems Together" program and they covered practically every area of the division, from design, procurement, production workflows and project management to logistics and capacity management. This program helped the division to effectively respond to temporary fluctuations in order volumes and to improve its operational excellence so as to bring about a significant and lasting improvement in its competitiveness over the medium term.

OUTLOOK

As already pointed out, the precise impact of the global coronavirus outbreak on our operations in fiscal year 2020 cannot be determined at the present time. The Systems Division began the year with a full order book. Supply chains are still intact, despite some complications as a result of the virus. Customers continue to take delivery of the products and services they've ordered from us and invoices are being paid.

**Achieving a further improvement
in profitability while at the same
time keeping its global market
leadership remains the number one goal
for the Systems Division.**

Further improving profitability while defending its global market leadership remains the top priority for the Systems Division. Under the current Mid-Range Plan for 2018 to 2022, sales of CHF 340 mn and an EBIT margin of 0% to 5% are targeted for fiscal year 2022. This sales target was already reached in fiscal year 2018 and then clearly exceeded during the year under review. The Systems Division also managed to return to profitability in 2019 after three consecutive years in the red with an EBIT margin of 1.7%, thanks to a host of measures affecting nearly every aspect of its business. This turnaround was achieved despite the recognition of the remaining substantial cost overruns in the LNGM business. The division will continue to make every effort to further improve its profitability.

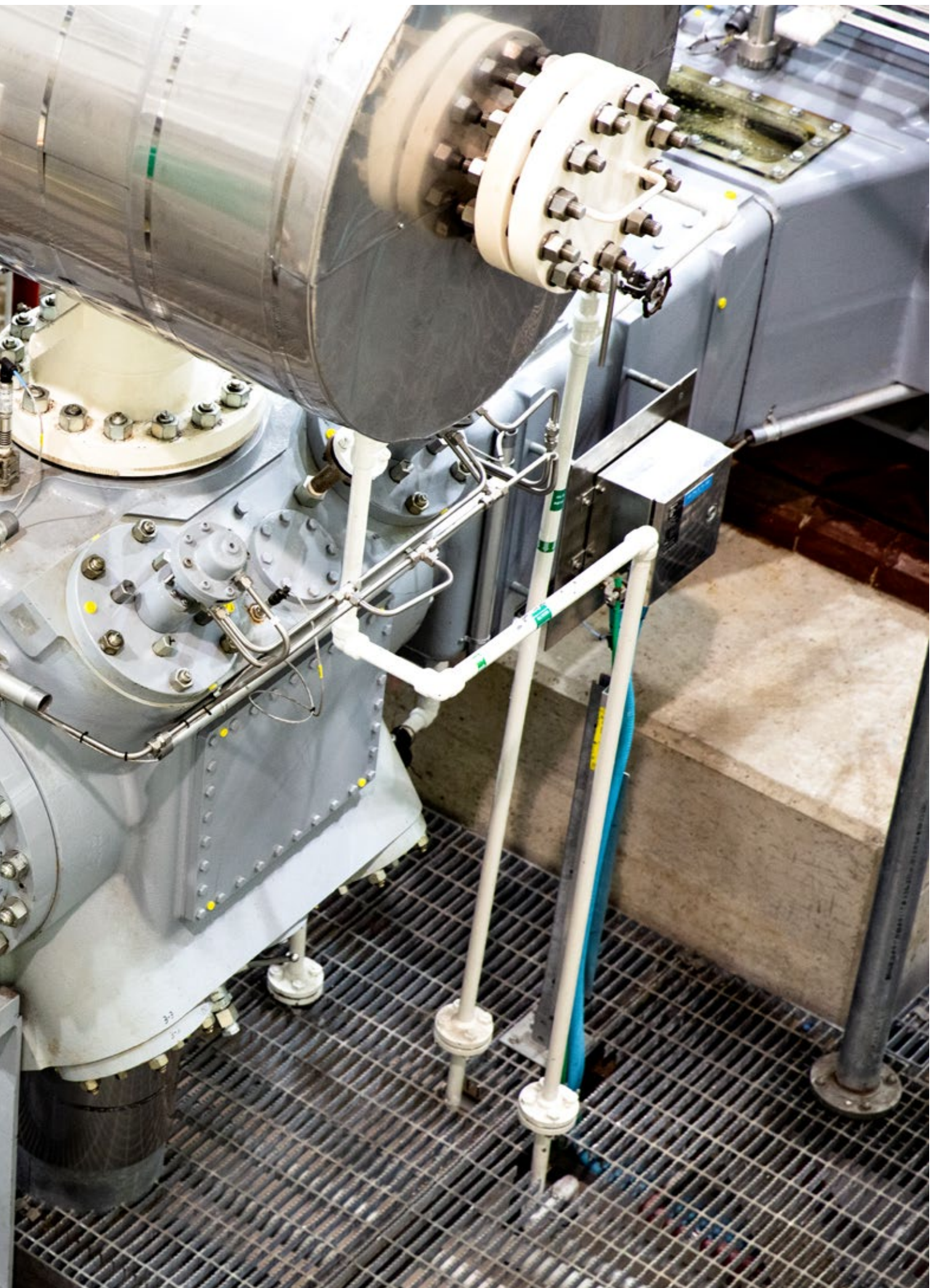


SERVICES DIVISION

After acquiring all outstanding shares in Arkos Field Services, the Services Division became a one-stop shop in the US for downstream, midstream and upstream compressor services. The division also signed long-term service agreements for marine compressors. Its Hyper Compressor services business showed pleasing growth in China, Japan and South Korea.

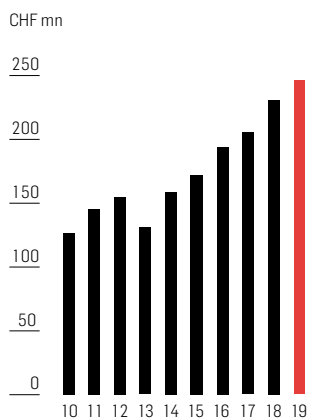




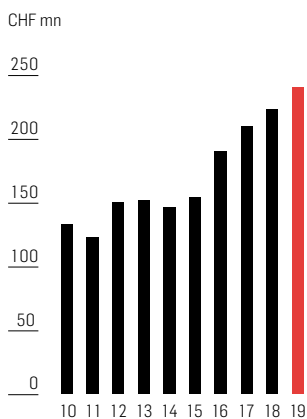


REVIEW OF THE FISCAL YEAR SERVICES DIVISION

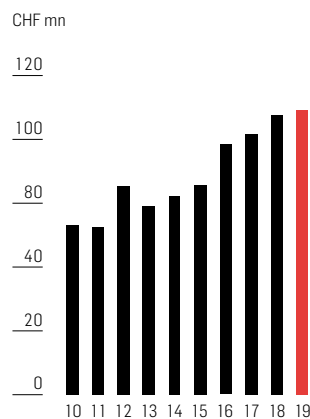
ORDER INTAKE



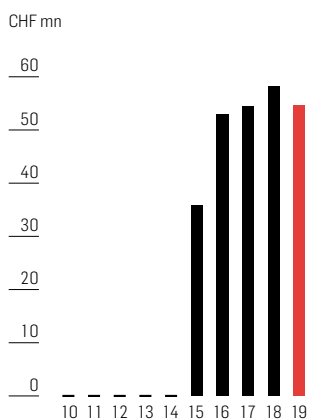
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)¹



FIGURES

	2017	2018	2019	Change 2018/2019
in CHF mn				
Order intake	205.4	230.7	246.1	6.7%
Sales and gross profit				
Sales	210.2	223.9	241.3	7.8%
Gross profit	97.9	105.2	107.0	1.7%
in % of sales	46.6%	47.0%	44.3%	
Operating income (EBIT)	54.4	58.2	54.7	-6.0%
in % of sales	25.9%	26.0%	22.7%	
Headcount as per end of fiscal year (full-time equivalents)				
	778	830	1'093	31.7%

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

FINANCIAL PERFORMANCE

Continued growth

The Services Division continued its multi-year growth trajectory in 2019. Order intake rose by 6.7% (excluding acquisition effects –0.9%) to CHF 246.1 mn. Divisional sales grew 7.8% (excluding acquisition effects 0.1%) to CHF 241.3 mn, and now account for 38% of consolidated sales (previous year: 37%). Gross profit edged 1.7% higher to CHF 107.0 mn, resulting in a margin of 44.3%. This is well below the prior-year margin of 47.0%, mainly due to the clearly sub-par gross profit margin of Arkos Field Services. Excluding acquisition activity, the divisional gross profit margin was 47.7%. Operating income declined by 6% from CHF 58.2 mn to CHF 54.7 mn in the fiscal year under review, which is mainly attributable to the additional costs related to the further expansion of the divisional sales network as well as the dilutive effect of the EBIT from Arkos Field Services.

Burckhardt Compression won several long-term services agreements in the marine business, including a five-year agreement to service the compressors on nine LNG carriers.

MARKETS

In late November, Burckhardt Compression acquired the remaining 60% of Arkos Field Services, a provider of compressor services in the US. Arkos Field Services is now a wholly-owned subsidiary of Burckhardt Compression and serves our customers in the US as the country's only one-stop compressor manufacturer and services provider for every segment of the market – upstream, midstream and downstream. The US has the world's largest installed base of reciprocating compressors.

In March 2020, we signed an agreement with The Japan Steel Works Ltd., or JSW in short, to purchase its global compressor business. JSW is a conglomerate with operations in the steel, energy, and machinery manufacturing industries and the acquired compressor business accounts for 1% to 2% of its annual sales of CHF 1.9 bn. This transaction with JSW clearly strengthens Burckhardt Compression's market presence in Japan and bolsters the company's global leadership.

New long-term service agreements for marine assets were signed, mostly with customers in the Middle East, but this will not be reflected in reported sales until fiscal year 2020 and beyond. These long-term projects enhance the reliability and accuracy of our planning processes. As an example, a five-year

agreement was signed with a leading player in the LNG transport industry to service the Laby®-GI compressors aboard nine of its LNG carriers with the aim of forging a close and long-term partnership.

The Hyper Compressor services business in China, Japan and Korea also showed pleasing trends. Improvements in our key account management processes over the past year will likely lead to more service agreements going forward. On the innovation front, cloud applications were used for the first time for compressor monitoring purposes. Sealing and rider rings made of the engineering plastic material Persisto® for use in a wide variety of applications were also well received by customers.

Spare Parts

New orders for parts showed a slight decline in the year under review after the strong growth witnessed in the 2018 fiscal year. Customers are increasingly ordering spare parts for compressors made by Burckhardt Compression and other manufacturers in connection with the services we provide them. Customers continue to appreciate our multi-year efforts to build up the range of products and services we offer for other brand compressors.

Engineering/Revamp/Repair

The decline in the Spare Parts business was more than offset by the rapid growth of the Engineering/Revamp/Repair business. Long-term service agreements in this particular area help to fuel the continued expansion of the services business in general. We won major revamp contracts in Singapore, Germany and elsewhere. Repair processes and guidelines were standardized across the Group to ensure uniformity and enhance customer satisfaction.

Field Services

Our Field Services operations maintained the pleasing momentum from the previous year. With the full acquisition of Arkos Field Services, Burckhardt Compression has significantly increased its presence in the US market and advanced the global expansion of its services organization. Thanks to this transaction, we were also able to manage several major projects (offshore and onshore) with our own field service technicians.

Monitoring/Diagnostics

New system sales declined as customers were hesitant to invest in monitoring solutions during the year under review. Monitoring and diagnostics services showed renewed growth, however. Demand for leasing solutions also increased, reflecting an ongoing trend. We launched our first cloud-based moni-

toring solutions based on the Prognost system during the past year and they were very well received by the market.

CONTINUED EXPANSION OF SALES ORGANIZATION

The centralized quote management system introduced in 2017 and the new service engineering solutions continue to deliver the expected benefits. In the year under review we took further action to improve the efficiency of our sales processes by expanding our regional sales structures. Staff received special training in connection with the global sales development program initiated for both divisions. We increased our sales support operations in India for Prognost.

Our highly qualified field service representatives around the world are responsible for managing customer relationships and developing additional market opportunities. Under our new partnership model we are profiling ourselves as a local services provider, especially for customers in smaller but fast-growing markets with limited investment.

NEW SERVICE CENTERS

A new service center was opened in Slovakia in May 2019, from which Burckhardt Compression can 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. A new service center was also opened in Guwahati, India, and new service centers were opened in Malaysia in partnership with Petroteam/IPS Australia and in Doha, Qatar, in partnership with OTC. The project to expand our component manufacturing capacity in Shanghai initiated in fiscal year 2018 continued throughout fiscal year 2019.

OUTLOOK

As already pointed out, we cannot yet determine the precise impact the global coronavirus outbreak will have on our operations in fiscal year 2020. We have not observed any major slow-down in demand for the products and services offered by the Services Division. Its supply chains are likewise still intact, despite some complications as a result of the coronavirus outbreak. Customers continue to take delivery of the products and services they have ordered from us and invoices are being paid.

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.
- Predictive maintenance in conjunction with the continuous condition monitoring of compressor systems is growing in importance.

Therefore we believe that demand for a full range compressor services from a single source will grow more strongly than the spare parts business alone. Customers are increasingly expecting engineering solutions, competent on-site advisory services and tailor-made maintenance concepts, especially for installations at an advanced stage of their life cycle.

Customers are increasingly expecting engineering solutions, competent field advisory services and tailor-made maintenance concepts, especially for older installations.

In our Mid-Range Plan for 2018 to 2022, we expect the Services Division to achieve annual organic sales growth of 6% to 8%. Including the 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. Our ser-

vices capabilities will be expanded in the coming fiscal year, primarily in Latin America, Southeast Asia and Japan. Other measures include the expansion of its engineering and project management resources in the Services Division and the introduction of uniform processes and guidelines for all service center locations.

A large number of LNGM vessels were commissioned in recent years and the maintenance and spare parts needed are becoming business potential for Burckhardt Compression. This represents a new business opportunity for Burckhardt Compression. Long-term service agreements covering the entire life cycle of the compressor installations are particularly interesting here. From a geographic perspective, the Asia-Pacific region offers the most opportunities for growth, given the many new systems that have been installed in the region during recent years. In North America, we will benefit from our increased service capabilities following the integration of Arkos Field Services. Looking further into the future, we believe that preventive maintenance services in connection with compressor monitoring solutions will be an attractive growth driver. Service support for CNG fueling stations (CNG: compressed natural gas) and hydrogen gas solutions have also emerged as new pockets of growth for our company. We will make systematic use of digitalization to launch new services and applications. The main aims here are to improve our ability to access and mine company and customer data and improve our communication and optimize our business processes. Our online customer platform will be upgraded during the current fiscal year and a mobile solution will be introduced for our field service technicians.

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. Our engineering capabilities were clearly expanded. We also broadened the range of training courses for our own employees and our customers' service and maintenance technicians.

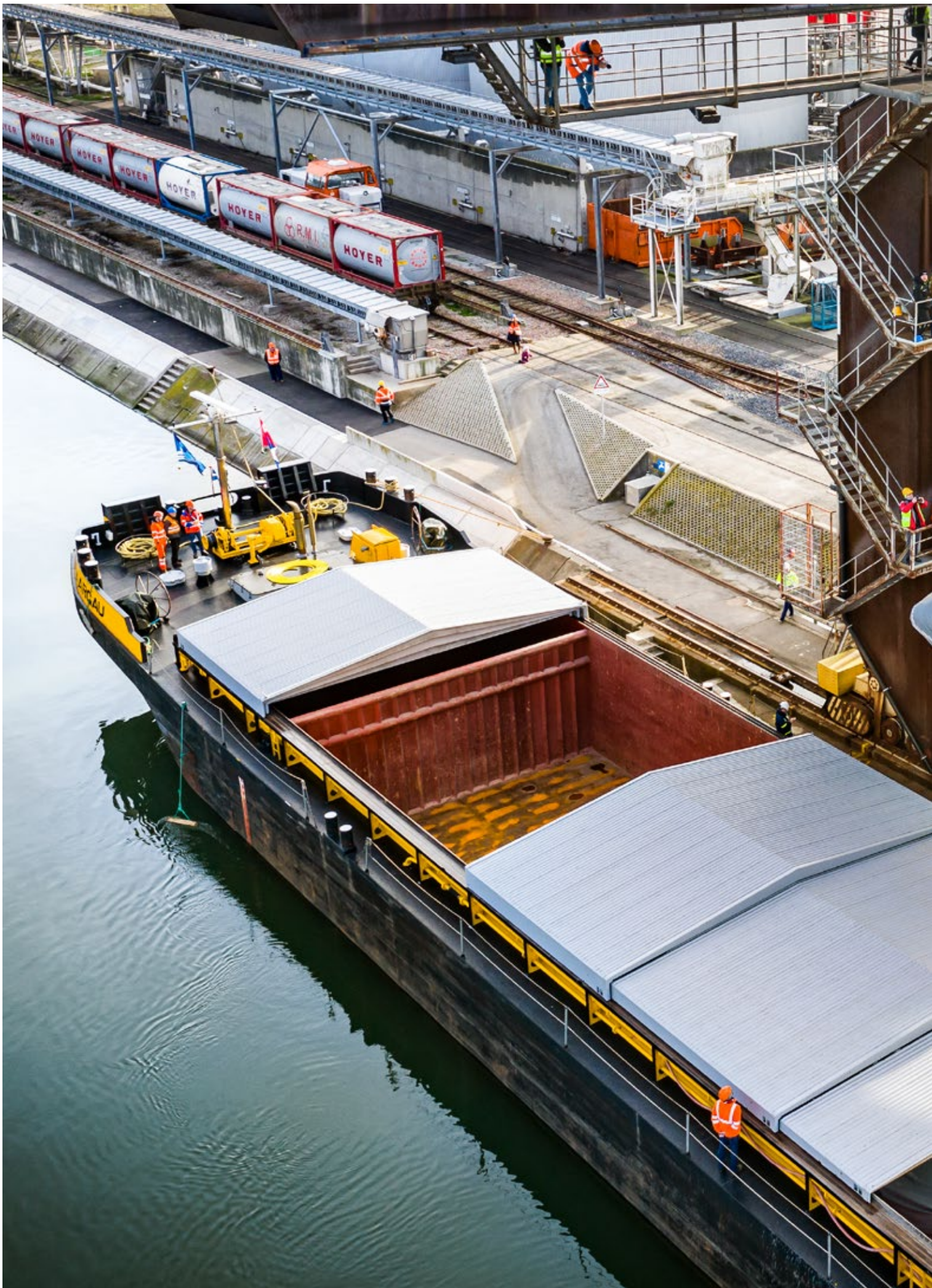
The detailed customer satisfaction survey conducted for the first time two years ago was repeated during the fiscal year under review. The results of this survey confirmed that our strategic initiatives are producing the intended results. The target groups of this survey were our customers' service and 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; appropriate corrective measures were taken where necessary.

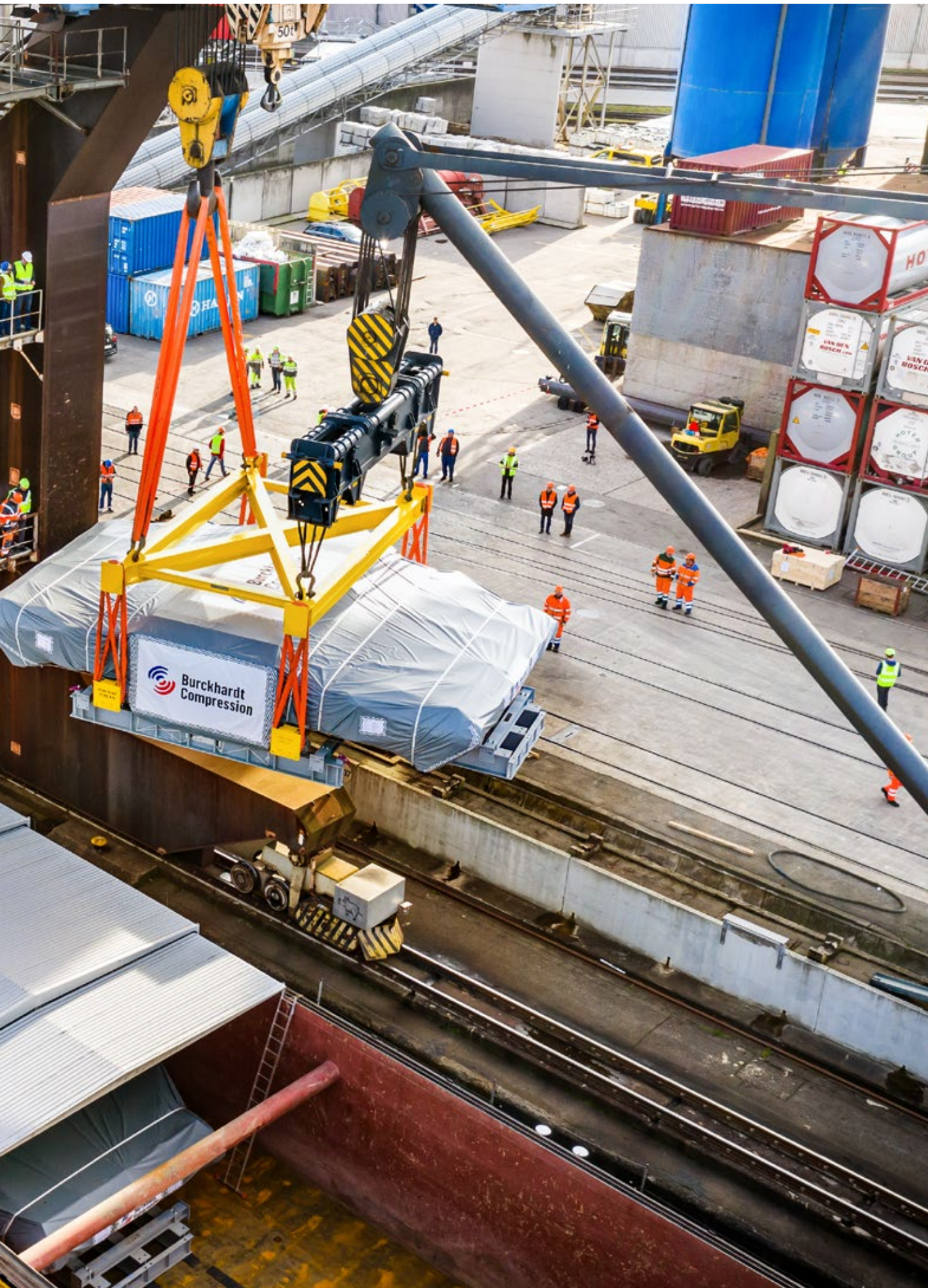


BURCKHARDT COMPRESSION GROUP

The delivery of two Hyper Compressors during the past year deserves special mention. They were first transported by water from Basel to Shanghai and from there to their final destination by a heavy haul trucking specialist. Burckhardt Compression also won several contracts to supply compressors for large LDPE production lines in South Korea and China during the reporting year.







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 176-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. A firm understanding of the current status is needed to set the right goals and take the measures that will help 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 continued to adapt its occupational health and safety management system and its environmental management system over the course of the past year to maintain compliance with the requirements of OHSAS 18001 and ISO 14001, respectively.

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. We organize an Investor Day to that end. The latest Investor Day was held 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. The next Investor Day is scheduled in autumn 2020 and will again take place at the company's headquarters in Winterthur.

Our investor relations activities are evaluated by independent firms and they 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 as well as transparency and a B- rating for growth.

In the yearly ranking of annual reports conducted by HarbourClub and the business magazine "Bilanz", our 2018 annual report scored a very high 34th (out of a total of 238 companies) in the "Value Reporting Print" category. A significant improvement was achieved in the "Value Reporting Online" category, where Burckhardt Compression jumped 69 places to number 34.

In the 2019 survey of company boards carried out by zRating in collaboration with the newspaper "Finanz und Wirtschaft," Burckhardt Compression scored 24 points and ranked 39th among the 174 Swiss listed companies covered by the survey. This ranking is based on 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 team. 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 and have zero tolerance for price fixing, cartels or any other activities that distort competition. This is also clearly stated in our Code of Conduct. We value our corporate and business know-how, especially our technical and commercial expertise, 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.

Strategic 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 the previous fiscal year. 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 in fiscal year 2017. 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 of our company.

Every year, the personal objectives of our executives and employees include implementing continuous improvement projects. These projects are implemented using a method 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 136.8 mn over the past five years (excluding acquisitions). Most of its capital expenditure during the period under review was spent 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 capitalization divided by shareholder equity at the end of the reporting year resulted in a quotient of 2.1 (previous year 2.7). This clearly shows that we continue to generate substantial value with the capital of our shareholders (shareholders' equity) even in times with a coronavirus outbreak. Net income per share attributable to the shareholders of Burckhardt Compression for the period under review amounted to CHF 9.56 (previous year: CHF 8.15). 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 and the Board of Directors 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.

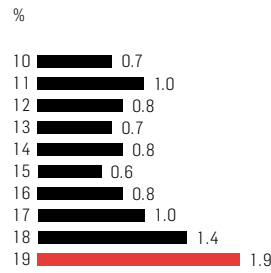
The objectives of our risk management activities are:

- to systematically detect special risks;
- to establish processes for monitoring, reducing and, ideally, preventing risks;
- achieving a balance between risks and rewards for our business.

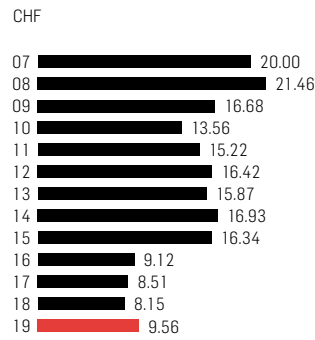
Warranty costs

The significant increase in warranty costs over the past three fiscal years 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 trained on the company's values and behaviours 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 8.5 years.

Toward the end of the year under review, Burckhardt Compression conducted another survey of its employees around the world. The exceptionally high participation rate of 89% in the previous employee survey rose to an even higher 91% in the latest survey. Virtually every group-wide topic surveyed showed a very pleasing improvement, which indicates that the workshops, initiatives and projects initiated based on the results of the previous survey have produced the desired outcomes. Employee feedback regarding collaboration, supervisors, and employee focus and information policies showed the greatest improvement. The overall pleasing results reinforce Burckhardt Compression's plans and intentions to pursue further such initiatives worldwide. This employee survey is conducted every two years to measure changes in employee satisfaction. The next employee survey is planned for fiscal year 2021.

We have a responsibility to ensure the expertise of our employees and promote the exchange of knowledge. Our employee orientation programs ensure 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 program with various technical, product-specific and management training modules to ensure the continual development of our technical and leadership compe-

tencies. 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 also part of our evaluation system.

Women make up 14.5% of our global work force (13.8% in the previous year) and we aim to steadily raise this percentage to 20% over the coming years. Both men and women sit on the Board of Directors and the Executive Board of our company. This meets one of the recommendations from the Code of Best Practice for Corporate Governance published by *economiesuisse*, but, more than that, we are convinced that mixed-gender teams perform better.

Burckhardt Compression conducted another global survey of its employees around the world. The remarkably high response rate of 91% reflects a high level of employee dedication.

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 employee turnover rate of 9.5% in the period under review (previous year: 9.8%) includes all persons leaving as well as all expired temporary labor agreements and is attributed to the good state of the global economy. The rate of voluntary departures within overall employee turnover for the year under review stood at 5.8%, below the defined upper threshold of 6%.

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 58 apprentices in Switzerland and 31 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. An internal talent review process is in place to identify potential new managers and specialists at an early stage and guide them through 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 departing executive or to fill a new management-level position, we are in a good position to recruit well-qualified external candidates, not least due to our company profile and image.

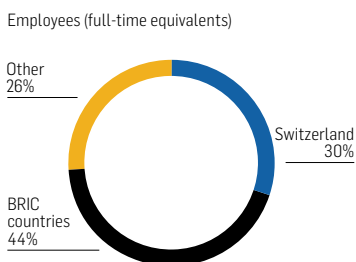
Another Internal Management Development Program, or IMDP for short, was organized during the past fiscal year. Promising mid- and upper-management talents from around the world receive training through this program. The IMDP consists of several modules that go beyond the functional roles of each participant and is intended to give them a better understanding of the company as a whole. Participants also work on multinational project teams with a strategic focus on the Mid-Range Plan as part the program.

Occupational health and safety

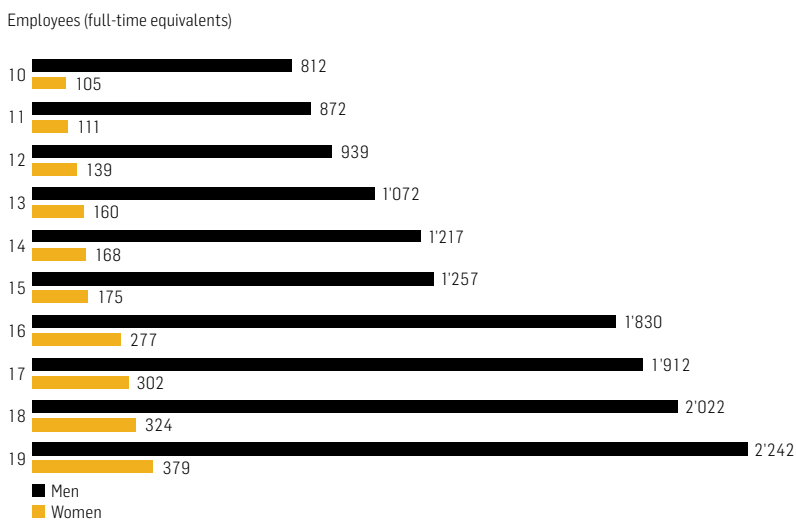
Workplace safety is very important to Burckhardt Compression. We go to great lengths to ensure that every employee is aware of potential workplace risks and accident prevention measures. Regular training is provided on work safety topics. Work safety audits are carried out annually by external professionals. Internal safety inspections are performed to identify and mitigate hazards. The subsequent recommendations will be duly implemented.

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. For this reason, Burckhardt Compression launched in this fiscal year the program Dr BeWell. It contains an extensive range of physical activities, preventative measures and theme-specific campaigns help improve employee satisfaction, health and motivation, and to reduce absences. In fiscal year 2018 the occupational health and safety management system of every Burckhardt Compression site received OHSAS 18001 certification and we intend to upgrade our certification to ISO 45001 in the 2020 fiscal year. Numerous measures ranging from detailed risk assessments and safety inspections accompanied by management to workplace safety

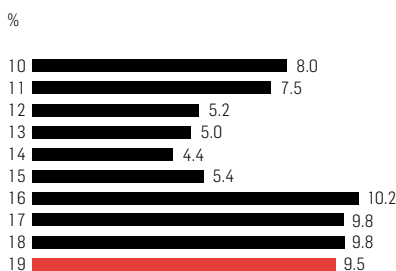
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2019
100% = 2'621



GLOBAL WORKFORCE BY GENDER



EMPLOYEE TURNOVER RATIO¹



¹ 2016 onwards: contains all leaves

training and mandatory protective footwear requirements for certain employees have led to a further improvement in the relevant key performance indicators.

With 6.8 days (previous year: 6.1 days) the average number of working days lost per employee remained on a low level. We aim to bring this down to less than 6.0 days. Further action has been taken to achieve this goal.

Environmental management

Every Burckhardt Compression site received ISO 14001 certification in the fiscal year 2018. 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.

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 seeks to reduce youth unemployment, since 2014. Our CEO also serves as the honorary chair of the Swiss, Eastern Europe (non-EU), Central Asia and South Caucasus Joint Chamber of Commerce. To strengthen our 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.

Employees in India have helped to build small man-made lakes in Kondhapuri and Vadner that will retain rainwater which can then be used by the surrounding communities for agricultural purposes.

ENVIRONMENTAL SUSTAINABILITY

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

Innovation

Environmental protection starts with product design and development. Here, the focus is on sustainable and efficient development, taking into account the entire life cycle of a product. This is indispensable since our compressor systems have an average service life 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:

- Compressor systems for marine applications: 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, SO_x and NO_x emissions up to 30% when powered by natural gas.
- Process gas compressors per API 618: These compressors are used specifically in industrial processes for the desulfurization of fuels.
- Process gas compressors for hydrogen fueling applications: Innovative ring geometries enable process gas compressors to be operated without oil lubricants in fueling applications for hydrogen-powered trains, trucks or buses, with pressures of up to 500 bar. The technological advantages of reciprocating compressors for this market are unrivaled efficiency and long service lives.
- 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 save energy in our offices and workshops is underway.

Our plant in Pune reduced its energy consumption by 21% versus the 2015/16 base year and its freshwater consumption by 33%.

Shenyang Yuanda Compressor's new plant in Shenyang will draw more of its energy needs from district heating systems. The insulation concept for the exterior walls also deserves special mention. The insulated sandwich wall panels used will reduce the amount of energy required for heating purposes. Furthermore, when the new plant is operational, employee workwear and protective clothing will be washed at a central laundromat instead of the current system where every department has its own washing machine. The new concept will save both water and energy.

A new sand mixer has been installed for Shenyang Yuanda Compressor's foundry. The sand that is used for the casting molds can now be reprocessed and reused. The main building has also been renovated to improve energy efficiency.

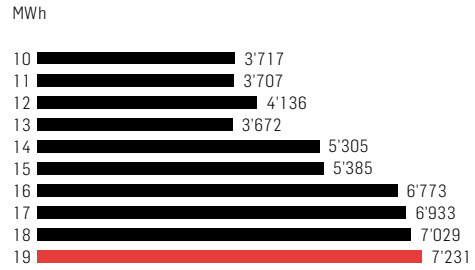
Our plant in Pune received the GreenCo STAR Performer Award during the year under review. GreenCo is an environmental rating system introduced by the Confederation of Indian Industry (CII) that takes a holistic approach to measuring the effectiveness of a company's environmental policies. Our plant in Pune received this award for achieving a 21% reduction in its energy consumption versus the 2015/16 base year and a 33% reduction in its freshwater consumption thanks to a rain-water harvesting system. Washing rather than disposing of oily cotton cleaning rags used in manufacturing processes saved 772 kg of cotton.

Environmental management, recycling and waste disposal

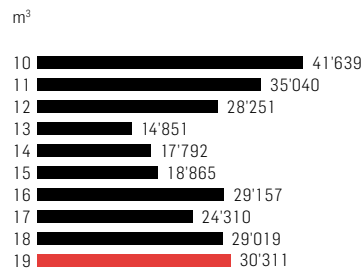
Hazardous goods and chemicals are transported, stored and disposed of in accordance with applicable laws and regulations. Internal collection points help our employees sort and dispose of waste correctly and allow us to recycle most of our waste. The rest is sent to a nearby waste incineration plant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

The waste management concept introduced in collaboration with external consultants was continued and expanded and will lead to even greater separation of waste in the future. Conventional lighting in Winterthur continued to be replaced with LEDs during the past year. Burckhardt Compression optimized the 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 are harmful for the environment. These and other measures are part of the EOHS system that has been introduced at all Group sites in compliance with ISO 14001 and OHSAS 18001 standards. Official certification was obtained in 2018.

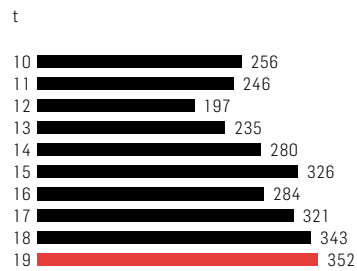
ELECTRICITY CONSUMPTION



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*.

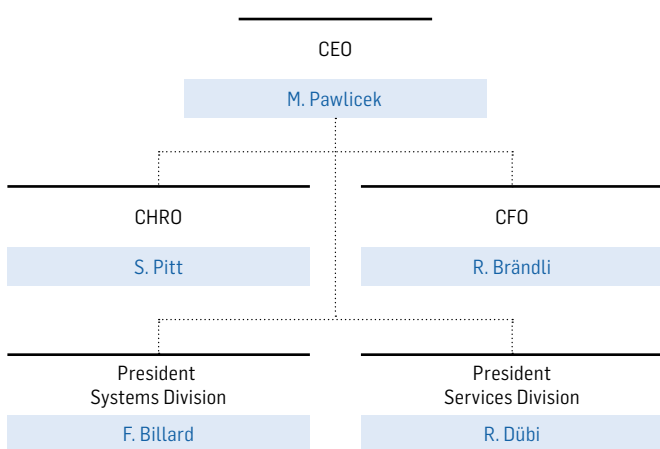
This report is structured in accordance with the DCG's outline and numbering. Unless otherwise noted, the information presented reflects the situation on March 31, 2020.

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, 2020 amounted to CHF 654'160'000.

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 106, Note 102, "Subsidiaries".

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

1.2. Significant shareholders

According to information available to the company from the disclosure notifications of the SIX Swiss Exchange AG, the shareholders listed in the following table reported shareholdings of at least 3% of the voting rights as per March 31, 2020. In accordance with the company's Bylaws, the voting rights of NN Group N.V. 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 (Valentin Vogt, Harry Otz, Leonhard Keller, Martin Heller, Ursula Heller, Marcel Pawlicek)	CH	12.4
NN Group N.V.	NL	10.3
Atlantic Value General Partner Limited (Mondrian)	UK	5.0
Ameriprise Financial Inc.	US	3.5
Credit Suisse Funds AG	CH	3.2
Vontobel Fonds Services AG	CH	3.1
BlackRock, Inc.	US	3.0
UBS Fund Management (Switzerland) AG	CH	3.0

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

1.3. Cross-shareholdings

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

2. CAPITAL STRUCTURE

2.1. Capital

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

2.2. Details on authorized and conditional capital

The Board of Directors is empowered to increase the company's share capital by a maximum of CHF 1'275'000 at any time until July 6, 2021 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) to finance the purchase of companies in whole or part. The Board of Directors is also authorized to exclude subscription rights of shareholders if the newly created shares are issued by means of a public offering. Shares for which subscriptions rights have been granted but not exercised will be allotted by the Board of Directors at its own discretion. Apart from the above, Burckhardt Compression Holding AG has no other authorized and/or conditional share capital.

2.3. Changes in capital

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

2.4. Shares and participation certificates

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

2.5. Dividend-right certificates

The company has not issued any dividend-right certificates.

2.6. Limitations on transferability and nominee registrations

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

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

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

2.7. Convertible bonds and options

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

3. BOARD OF DIRECTORS



From left: David Dean, Dr. Stephan Bross, Valentin Vogt, Dr. Monika Krüsi, Urs Leinhäuser

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. 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	2020
Urs Leinhäuser	CH	Member, non-executive; Chairman AC	2007	2020
Dr. Monika Krüsi	CH/IT	Member, non-executive; member SC, member AC ² , Chair NCC ¹	2012	2020
Dr. Stephan Bross	DE	Member, non-executive; member NCC	2014	2020
David Dean ¹	CH	Member, non-executive; member AC	2019	2020
Hans Hess ²	CH	Deputy Chairman, non-executive; Chairman NCC	2006	2019

¹From July 7, 2019

²Until July 6, 2019

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	Urs Leinhäuser	Monika Krüsi	Stephan Bross	David Dean	Hans Hess
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 are given below:

VALENTIN VOGT (1960)

Education

Lic. oec. HSG St. Gallen, Switzerland

Professional background

Since 2011 Self-employed, Switzerland

2000–2011 CEO, Burckhardt

Compression Group, Switzerland

1992–2000 General Manager,

Sulzer Metco AG, Switzerland

1989–1992 CFO, Sulzer Metco AG,

Switzerland

1986–1989 CFO, Alloy Metals, USA

1985–1986 Controller, Sulzer AG,

Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG

- Chairman of the Board of Directors
- Chairman of the Strategy Committee

Other activities and commitments

- Chairman of the Board, Kistler Holding AG, Switzerland
- Board member, Bucher Holding AG, Switzerland
- Board member, Ernst Göhner Stiftung Beteiligungen AG, Switzerland
- Chairman of the Swiss Employers' Association, Switzerland

URS LEINHÄUSER (1959)

Education

Degree in Business Administration, University of Applied Sciences, Zurich, Switzerland

IMD Lausanne (SSE)

Professional background

Since 2016 Partner/Consultant

ADULCO GmbH, Switzerland

2014–2016 Self-employed, Switzerland

2011–2014 CFO and Deputy CEO,

Member of Executive Board, Autoneum Holding AG, Switzerland

2003–2011 CFO and Head Corporate

Center, Member of Group Executive Committee, Rieter Holding AG, Switzerland

1999–2003 CFO, Member of Group

Executive Committee, Mövenpick

Holding, Switzerland

1997–1999 Head of Finance and

Controlling, Piping Systems Division,

Georg Fischer AG, Switzerland

1995–1997 Head of Corporate

Controlling, Georg Fischer AG,

Switzerland

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
- Board member, PENSADOR Partner AG, Zurich

DR. MONIKA KRÜSI (1962)

Education

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

Professional background

Since 2003 Partner, MKP

Consulting AG, Switzerland

2001–2003 Partner, Venture

Incubator Partners AG, Switzerland

1991–2001 Associated Partner,

McKinsey & Co., Inc., Switzerland

1986–1990 Credit Suisse, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG

- Member of the Board of Directors
- Chair of the Nomination and Compensation Committee
- Member of the Strategy Committee

Other activities and commitments

- Chair of the Board of Directors, Repower AG, Switzerland
- Board member, 360°, Switzerland
- Board member, Otto Suhner AG, Switzerland
- Board member, Signal AG, Switzerland
- Board member, BGRB Holding AG, Switzerland
- Board member, Technopark Luzern, Switzerland

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

Engineering degree, University of Braunschweig, 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

DAVID DEAN (1959)**Education**

Swiss certified expert for accounting and controlling

Swiss certified accountant

Completed executive education programs at Harvard Business School, Boston, USA, and at the IMD, Lausanne, Switzerland

Professional background

Since 2019 Self-employed, Switzerland

2004–2019 CEO, Bossard Group, Switzerland

1998–2004 CFO, Bossard Group, Switzerland

1993–1998 Deputy CFO and Corporate Controller, Bossard Group, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG

- Member of the Board of Directors
- Member of the Audit Committee

Other activities and commitments

- Board member, Bossard Group, Switzerland
- Board member, Komax Group, Switzerland
- Board member, Brugg Group, Switzerland
- Board member, Haag-Streit Group, Switzerland (a division of Metall Zug Group)
- Board member, Agta Record AG, Switzerland

HANS HESS (1955)

All data until July 6, 2019

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
- Vice President of the Board, dormakaba Holding AG, Switzerland
- Chairman, Swissmem, Switzerland
- Vice President, economiesuisse, Switzerland
- Trustee, Swisscontact, Switzerland
- Trustee, Technorama, Switzerland

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 2019, 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. The members are Urs Leinhäuser (Chairman) and David Dean.

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. The members are Dr. Monika Krüsi (Chair) and Dr. Stephan Bross.

Meetings	Governing body	Duration	Valentin Vogt	Urs Leinhäuser	Monika Krüsi	Stephan Bross	David Dean	Hans Hess
05/23/2019, NCC meeting	NCC	2 hours				•		•
05/23/2019, AC meeting	AC	3 hours		•	•			
05/23/2019, BOD meeting	BOD	6 hours	•	•	•	•		•
08/27/2019, e.o. NCC meeting	NCC	2 hours			•	•		
08/27/2019, BOD meeting	BOD	5 hours	•	•	•	•	•	
10/31/2019, AC meeting	AC	2 hours		•			•	
10/31/2019, NCC meeting	NCC	3 hours			•	•		
10/31/2019, BOD meeting	BOD	5 hours	•	•	•	•	•	
10/04/2019, Board telephone conference	BOD	1 hour	•	•	•	•	•	
10/17/2019, Board telephone conference	BOD	1 hour	•	•	•	•	•	
12/13/2019, BOD meeting	BOD	4.5 hours	•	•	•	•	•	
01/13/2020, Board telephone conference	BOD	0.5 hours	•	•	•	•	•	
01/15/2020, Board strategy day	BOD	10 hours	•	•	•	•	•	
03/03/2020, BOD meeting	BOD	4.5 hours	•	•	•	•	•	
03/30/2020, Board telephone conference	BOD	1.5 hours	•	•	•	•	•	

BOD = Board of Directors

AC = Audit Committee

NCC = Nomination and Compensation Committee

Strategy Committee The Strategy Committee supports the CEO in developing corporate strategy and advises the Board of Directors on strategic matters such as acquisitions and divestments. It evaluates the implementation of company strategy on a regular basis and submits proposals to the Board of Directors if adjustments or other measures are deemed necessary. The members are Valentin Vogt (Chairman) and Dr. Monika Krüsi. In addition, the Strategy Committee organizes and prepares the annual strategy day in collaboration with the CEO.

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 organization regulation (www.burckhardtcompression.com/corporate-governance).

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 audit reports to the Chairman of the Audit Committee of the Board of Directors. Management responsibility for the unit has been delegated to the Chief Accounting Officer 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 the

Internal Group Audit. The Internal Group Audit team consists of qualified staff from the Finance and Controlling departments of Burckhardt Compression AG and several selected financial specialists from the Group's subsidiaries. Qualified subject matter experts from other fields (e.g. IT, Legal or Human Resources) may be consulted, depending on the auditing assignment. These employees perform the internal audit duties assigned to them in addition to their regular duties 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 the Burckhardt Compression Group and fosters an active exchange of information and best practices with the objective of creating sustained added value for the Burckhardt Compression Group by means of continual process improvement. The internal auditors undergo regular training for the performance of their tasks. The training received is coordinated by the head of the internal Group audit. The schedule for internal audits is determined by the Audit Committee of the Board of Directors on an annual basis and may be changed or expanded by the Audit Committee as and when required. Eight internal audits were carried out in fiscal year 2019. 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 continuous risk management conducted by the two divisions and the major subsidiaries of Burckhardt Compression Group within the scope of a periodic leadership cycle. In this process, potential risks are systematically identified and assessed and the appropriate risk control measures as well as the corresponding duties, 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 that 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 respon-

sible 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/CH	CHRO
Fabrice Billard	FR	President Systems Division
Rainer Dübi	CH	President Services Division



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
Compression Group, Switzerland

2013–2015 Head Corporate HR, AFG
Management AG, Switzerland

2012–2013 Head of HR Central Europe,
Holcim (Schweiz) AG,
Switzerland

2010–2012 Head of HR, Holcim
(Schweiz) AG, Switzerland

2007–2009 Head of HR, BASF
Group Switzerland, BASF Schweiz AG,
Switzerland

2006–2007 HR Specialist Region
Europe, BASF AG, Germany

2003–2006 Internal Consultant
Performance Management, BASF AG,
Germany

2002–2003 HR Coordinator Europe,
BASF AG, 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, Swit-
zerland

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, Swit-
zerland

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 2019 President
Services Division, Burckhardt
Compression Group, Switzerland

2012–2019 Head of Design &
Manufacturing, 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 (5) additional board memberships, whereof not more than two (2) additional may be 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 75.

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 75 and in the financial statements, note 103, "Share capital and shareholders" on page 106.

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 2019 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 in 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 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 the latest 40 days before the date of the General Meeting.

6.5. Entries in the Share Register

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

7. CHANGES OF CONTROL AND DEFENSIVE MEASURES

7.1. Obligation to make an offer

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

7.2. Clauses on change of control

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

8. AUDITORS

8.1. Duration of mandate and term of office of the auditor in charge

PricewaterhouseCoopers AG (PwC) has been the statutory auditor of Burckhardt Compression Holding AG since 2002 and is also in charge of the audit of the consolidated financial statements. The statutory auditor is elected by the General Meeting of Shareholders for one year at a time. 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 2019 amounted to TCHF 343 (previous year: TCHF 327).

8.3. Additional fees

The additional fees for services provided by PwC worldwide during fiscal year 2019 are in the amount of TCHF 0 (previous year: TCHF 80). 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 semi-annual financial statements. Once a year, the members of the Audit Committee receive from the statutory auditor a summary of the audit findings and suggested improvements. The Audit Committee held two ordinary meetings lasting 2, respectively 3 hours each during the 2019 reporting period, in which the auditor in charge and another representative of the auditor took part.

9. INFORMATION POLICY

Burckhardt Compression Holding AG reports order intake, sales, operating results, balance sheet, cash flow, and changes in shareholders' equity on a semi-annual basis, together with comments on the trend of business and the outlook for the future. Burckhardt Compression Holding AG provides 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 email distribution list. Financial reports are available on our website (www.burckhardtcompression.com) and will be delivered to interested parties on request.

Key dates for 2020 and 2021**July 3, 2020**

Annual General Meeting

November 4, 2020

Results for the first half of 2020 (closing September 30, 2020)

November 4, 2020

Investor Day

June 1, 2021

2020 Annual Report (closing March 31, 2021)

July 3, 2021

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 email 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, together with 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 6, 2019 elected Dr. Monika Krüsi and Dr. Stephan Bross to the Nomination and Compensation Committee. The Board of Directors appointed Dr. Monika Krüsi Chair 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 on meeting topics that pertain to themselves. The Nomination and Compensation Committee held three meetings during the year under review.

The duties and powers of the NCC are set forth in the company's Bylaws and Organizational Regulations (www.burckhardtcompression.com/corporate-governance). 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 Executive Board	NCC	BOD
Loans to members of the Executive Board	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 based on Willis Towers Watson's Global 50 Remuneration Planning Report and the results of annual executive performance appraisals are taken into consideration when determining the base salary of the members of the Executive Board.

Annual Bonus The members of the Executive Board receive a variable performance- and profit-related bonus in addition to their base salaries. A new annual bonus plan for the Executive Board went into effect in fiscal year 2018. The annual bonus is calculated as the mathematical product of three values: the consolidated net income of Burckhardt Compression Group, a percentage rate based on the Global Grade and a goal attainment factor. 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 0.12% to 0.16%. The goal attainment factor for the CEO, the CFO and the CHRO is based on the achievement of a goal for the Return On Net Operating Assets (RONOA) of Burckhardt Compression Group. For the heads of the two divisions the factor is based on the achievement of a goal for divisional operating profit. The goal attainment factor ranges from 0 to 1.5. If the defined goal is achieved, the goal achievement factor 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 450'000 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 number of free shares for the fiscal years 2017, 2018, and 2019, depending on the attainment of the goals. These free shares will be distributed at the end of July 2020. The second distribution 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 2019 and 2018:

in CHF 1'000				2019
Name	Function	Fees	Social insurance contributions and other benefits	Total
Members of the Board of Directors				
Valentin Vogt	Chairman	144	18	162
Urs Leinhäuser	Member	91	10	101
Dr. Monika Krüsi	Member	101	11	112
Dr. Stephan Bross	Member	91	4	95
David Dean ¹	Member	68	9	77
Hans Hess ²	Deputy Chairman	23	3	26
Total		518	55	573
Approved by the 2018 AGM for fiscal year 2019				580³

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
Urs Leinhäuser	Member	91	10	101
Dr. Monika Krüsi	Member	101	10	111
Dr. Stephan Bross	Member	91	4	95
Hans Hess	Deputy Chairman	91	10	101
Total		518	51	569
Approved by the 2017 AGM for fiscal year 2018				580⁴

¹From July 7, 2019

²Until July 6, 2019

³This amount includes a contingency reserve of CHF 11'000.

⁴This amount includes a contingency reserve of CHF 9'000.

The total fixed compensation in the fiscal year under review is almost unchanged from the previous fiscal year. The Annual General Meeting of July 6, 2018 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 2019. The amount of compensation actually paid was CHF 7'000 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 2019 and 2018:

in CHF 1'000									2019
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	431	111	542	107	98	45	250	792
Other members of the Executive Board		1'210	271	1'481	285	231	104	620	2'101 ¹
Total		1'641	382	2'023	392	329	149	870	2'893
Approved by the 2018 AGM for fiscal year 2019				2'120²					

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 ³
Total		1'542	384	1'926	245	282	105	632	2'558
Approved by the 2017 AGM for fiscal year 2018				2'120⁴					

¹ This amount includes Rainer Dübi's compensation for the 2019 fiscal year and pro rata compensation for Martin Wendel until August 31, 2019.

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

³ This amount includes Martin Wendel's compensation for the 2018 fiscal year as well as pro rata compensation for Rainer Dübi from February 15, 2019.

⁴ This amount includes a contingency reserve of CHF 250'000.

The CEO's fixed compensation for the period under review is comparable to the level from the previous fiscal year. The total amount of fixed compensation for the other members of the Executive Board is CHF 96'000 more than in the prior-year period. This is because fixed compensation was paid to 6 persons during the first 5 months of the reporting period. The Annual General Meeting of July 6, 2018 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 2019. The amount of fixed compensation actually paid (gross, including social insurance contributions) was CHF 97'000 less than the approved amount.

The annual bonus for the Executive Board in fiscal year 2019 was CHF 147'000 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, because the targets set in conjunction with the Group and divisional factors described above were exceeded and because 6 persons were drawing a base salary during the first 5 months of the reporting period. Personnel expenses for the Executive Board's long-term incentive pay rose by CHF 47'000 from the previous year. The provision made for the long-term incentive pay 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.

The total variable compensation for the individual members of the Executive Board for the period under review ranged from 28% to 33% of total compensation.

6. OVERVIEW OF SHAREHOLDINGS AND DISTRIBUTED SHARES

6.1. Detailed overview of distributed shares

In the fiscal years 2018 and 2019 the following shares were distributed:

Name	Function	Shares distributed in FY 2018	Shares distributed in FY 2019
Members of the Board of Directors			
Valentin Vogt	Chairman	75	104
Urs Leinhäuser	Member	45	63
Dr. Monika Krüsi	Member	45	63
Dr. Stephan Bross	Member	45	63
David Dean ¹	Member	0	0
Hans Hess ²	Deputy Chairman	45	15
Total		255	308
Executive Board			
Marcel Pawlicek	CEO	0	0
Other members of the Executive Board		0	0
Total³		0	0
Total		255	308

¹From July 7, 2019

²Until July 6, 2019

³Shares are not allocated or are not distributed under the long-term incentive pay program every year.

6.2. Detailed overview of shareholdings

As per March 31, 2020, 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:

Name	Function	03/31/2020 Total shares	03/31/2019 Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'392	203'288
Urs Leinhäuser	Member	1'643	1'080
Dr. Monika Krüsi	Member	1'048	985
Dr. Stephan Bross	Member	278	215
David Dean ¹	Member	355	NA
Hans Hess ²	Deputy Chairman	NA	5'663
Total		206'716	211'231
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	600	400
Rainer Dübi ³	President Services Division	600	600
Total		45'291	45'091
Total Board of Directors and Executive Board		252'007	256'322
As a % of all outstanding shares		7.4%	7.5%

¹ From July 7, 2019

² Until July 6, 2019

³ Executive Board member as of 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 2019. No signing bonuses were paid during the fiscal year 2019. 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 for fiscal year 2019

The Board of Directors proposes that an aggregate amount of CHF 870'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Board for fiscal year 2019.

8.2. Consultative vote on the Compensation Report for fiscal year 2019

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2019 in a consultative vote.

8.3. Approval of the maximum aggregate amount of fixed compensation for the members of the Board of Directors for fiscal year 2020

The Board of Directors proposes that a maximum aggregate amount of CHF 640'000 (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 15'000.

8.4. Approval of the maximum aggregate amount of fixed compensation for the members of the Board of Directors for fiscal year 2021

The Board of Directors proposes that a maximum aggregate amount of CHF 650'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Board of Directors for fiscal year 2021. The proposed amount includes a contingency reserve of CHF 11'000.

8.5. Approval of the maximum aggregate amount of fixed compensation for members of the Executive Board for fiscal year 2021

The Board of Directors proposes that a maximum aggregate amount of CHF 2'200'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the Executive Board for fiscal year 2021. 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.

The Nomination and Compensation Committee benchmarked independently market levels of board compensation and benefits during the year under review. Thirteen listed Swiss machinery manufacturers¹ were selected for the benchmarking purposes. The compensation received by the Chairman of the Board of Directors of Burckhardt Compression was well below the benchmark level. In order to adjust the compensation received by the Chairman of the Board, a proposal adjusting the total amount of fixed compensation for the Board of Directors will therefore be submitted to the pending Annual General Meeting.

A compensation benchmark based on external salary surveys compiled by Willis Towers Watson and presented in its Global 50 Remuneration Planning Report is one element of the integrated compensation system for the Executive Board.

In the year under review, Willis Towers Watson was retained by the Nomination and Compensation Committee to review the global grades of the Executive Board functions and to conduct a compensation benchmark review. This benchmark review was based on a selection of 13 listed Swiss machinery manufacturers¹. Willis Towers Watson was given no other mandates in the year under review.

The Board of Directors decided in fiscal year 2019 to adjust the annual bonus system for the Executive Board beginning in fiscal year 2020.

Annual bonus amounts will be calculated from fiscal year 2020 on by multiplying the net profit of the Burckhardt Compression Group by the fixed percentage of the global grade of each Executive Board member. Group and divisional factors will no longer be used in the calculations of compensation.

¹ The 13 companies are: Starrag, Meyer Burger, Gurit, Komax, Burkhalter, Interroll, Belimo, Zehnder, Feintool, Phoenix Mecano, Bossard, Huber & Suhner and Schweiter.

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 2020. 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 to 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 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Beat Inauen
Audit expert
Auditor in charge



Oliver Illa
Audit expert

Winterthur, 27 May 2020

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FINANCIAL REPORT

Burckhardt Compression Holding AG's fiscal year 2019 comprises the period from April 1, 2019 to March 31, 2020.

COMMENTS ON FINANCIAL REPORT

Summary

in CHF 1'000	2019	2018	Change 2018/2019
Order intake	607'303	658'675	-7.8%
Sales	629'585	599'280	5.1%
Gross profit	149'785	135'677	10.4%
Operating income (EBIT)	54'795	44'507	23.1%
in % of sales	8.7%	7.4%	
Net income	39'871	32'201	23.8%
Total assets	883'002	848'732	4.0%
Total equity	317'506	345'034	-8.0%
Earnings per share attributable to shareholders of Burckhardt Compression Holding AG (in CHF)	9.56	8.15	17.3%
FTEs as per end of fiscal year	2'621	2'346	11.7%

SALES AND GROSS PROFIT

Sales in the 2019 fiscal year increased by 5.1% to CHF 629.6 mn. Excluding the effects of currency translation and acquisitions, year-on-year sales growth was 3.9%. Sales at the Service Division rose by 7.8% to CHF 241.3 mn (excl. acquisitions +0.1%), while the Systems Division reported a 3.4% increase to CHF 388.3 mn on the back of a high order backlog entering the year and strong growth in China. Sales grew mainly across the regions China, other Asia & Australia and North America.

Gross profit of CHF 149.8 mn topped the prior-year figure of CHF 135.7 mn by 10.4% and the resulting gross profit margin was 23.8% (previous year: 22.6%). The gross margin at the Systems Division improved to 11.0% (previous year: 8.1%), despite the recognition of the remaining cost overruns in connection with the LNGM business, which amounted to approximately CHF 10 mn in the fiscal year under review. Gross profit at the Services Division rose by 1.7% to CHF 107.0 mn, resulting in a gross profit margin of 44.3% (prior year: 47.0%). The lower gross margin is mainly resulting from the lower margin contribution from Arkos Field Services.

OPERATING INCOME

Operating income increased by CHF 10.3 mn to CHF 54.8 mn, yielding an EBIT-margin of 8.7% of sales (previous year: 7.4%). Selling and marketing expenses together with general administrative expenses were amounting to 14.8% of sales (prior year: 14.4%), including several one-off expenses such as consulting and legal fees in the context with the acquisition of the remaining 60% of Arkos and the acquisition of the compressor business of JSW. Other operating income was amounting to CHF 8.7 mn, mainly with contributions from the real estate company in Winterthur (Burckhardt Compression Immobilien AG) and from government grants to Shenyang Yuanda Compressor in China. Research and development expenses were amounting to CHF 10.5 mn (last year: CHF 8.7 mn).

FINANCIAL INCOME AND TAX EXPENSES CASH FLOW

The share of results in associates is fully related to Arkos Field Services, of which Burckhardt Compression held a 40% minority interest only until the end of November 2019. Despite the reduced period of eight months, the negative contribution doubled compared to last year to CHF –2.5 mn due to a large extent to significant expenses and lawyer's fees in the context with the legal dispute around the execution of the call option. Financial expenses rose to CHF 4.7 mn (prior year: CHF 2.2 mn), mainly as a result of the slightly higher average interest rate on financial liabilities (1.8% vs. 1.6% in the prior year) and foreign exchange losses on intercompany loans. Income tax expenses lowered to CHF 7.7 mn compared to CHF 8.9 mn the year before. The resulting tax rate declined to 16.2% (previous year: 21.6%), as an effect of the one-off reduction of income tax expenses in Switzerland due to an according tax reform and some other positive tax effects such as the higher share of taxable income in locations with tax exemptions.

Cash and cash equivalents totaled CHF 90.3 mn by the end of fiscal year 2019, CHF 7.3 mn above the prior year. Cash flow from operating activities increased by CHF 8.9 mn to CHF 50.7 mn. The net cash outflow from investing activities was with CHF 49.7 mn, CHF 41.9 mn above the prior-year period (CHF –7.8 mn), including CHF 15.8 mn for the acquisition of the 60% stake in Arkos Field Services and the cash out for the assets under construction in the context with the relocation project of Shenyang Yuanda Compressor in China. Dividends paid were amounting to CHF 22.3 mn, CHF 1.9 mn more than last year. The net financial position (net debt) lowered to CHF –91.7 mn (prior year: CHF –49.4 mn), mainly due to the higher net working capital, the relocation project at SYCC, for which the main part of the Government subsidies will be paid upon completion only, and the acquisition of the remaining 60% of Arkos.

NET INCOME

Net income in fiscal year 2019 rose by 23.8% y-o-y to CHF 39.9 mn or 6.3% of sales (previous year: 5.4%). Due to the substantial positive contribution of Shenyang Yuanda Compressor (whose founder still holds a 40% stake in the company) to the Group's net income, earnings per share attributable to shareholders of Burckhardt Compression noted a proportionally lower increase of 17.3% to CHF 9.56 (previous year: CHF 8.15).

BALANCE SHEET

The balance sheet total grew by 4.0% to CHF 883.0 mn. Property plant and equipment were totaling CHF 202.6 mn, mainly due to the higher amount of assets under construction related to the physical relocation project at Shenyang Yuanda Compressor in China and the full consolidation of Arkos Field Services. Inventories increased by CHF 42.4 mn to CHF 264.5 mn. Trade accounts receivables ended the fiscal year at CHF 256.1 mn, slightly below the prior year. 37.2% of the accounts receivables were overdue more than 60 days as per year-end (prior year: 38.0%). 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 –47.0 mn (previous year: CHF –39.2 mn). The negative balance is also related primarily to projects in China with unfavorable payment terms. The equity ratio lowered to 36.0% (prior year: 40.7%), mainly as an effect of the acquisition of the remaining 60% of Arkos. As a result of the very high workload at year-end, total net working capital was amounting to CHF 230.6 mn (prior year: CHF 201.7 mn).

CONSOLIDATED INCOME STATEMENT

	Notes	2019	2018
in CHF 1'000			
Sales		629'585	599'280
Cost of goods sold		-479'800	-463'603
Gross Profit		149'785	135'677
Selling and marketing expenses		-50'455	-48'952
General and administrative expenses		-42'753	-37'589
Research and development expenses	7	-10'513	-8'711
Other operating income	8	41'955	28'651
Other operating expenses	8	-33'224	-24'569
Operating income		54'795	44'507
Share of results of associates	14	-2'494	-1'208
Financial income and expenses	9	-4'741	-2'238
Earnings before taxes		47'560	41'061
Income tax expenses	10	-7'689	-8'860
Net income		39'871	32'201
Share of net income attributable to shareholders of Burckhardt Compression Holding AG		32'390	27'644
Share of net income attributable to non-controlling interests		7'481	4'557
Basic earnings per share (in CHF)	11	9.56	8.15
Diluted earnings per share (in CHF)	11	9.56	8.15

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

CONSOLIDATED BALANCE SHEET

in CHF 1'000	Notes	03/31/2020	03/31/2019
Non-current assets			
Intangible assets	12	12'943	11'369
Property, plant and equipment	13	202'632	191'188
Investment in associates	14	–	11'539
Deferred tax assets	10	14'513	9'061
Other financial assets	15	4'034	27'689
Total non-current assets		234'122	250'846
Current assets			
Inventories	16	264'479	222'045
Trade receivables	17	256'121	261'113
Other current receivables	18	33'377	28'482
Prepaid expenses and accrued income		4'584	3'236
Cash and cash equivalents		90'319	83'010
Total current assets		648'880	597'886
Total assets		883'002	848'732
Equity			
Share capital	19	8'500	8'500
Capital reserves		435	446
Treasury shares	19	–5'216	–1'582
Retained earnings and other reserves		269'763	295'100
Equity attributable to shareholders of Burckhardt Compression Holding AG		273'482	302'464
Non-controlling interests		44'024	42'570
Total equity		317'506	345'034
Liabilities			
Non-current liabilities			
Non-current financial liabilities	20	88'713	64'742
Deferred tax liabilities	10	13'620	15'348
Non-current provisions	21	14'311	14'074
Other non-current liabilities	22	7'616	7'401
Total non-current liabilities		124'260	101'565
Current liabilities			
Current financial liabilities	20	93'259	67'666
Trade payables		91'337	86'731
Customers' advance payments		145'297	129'233
Other current liabilities	23	13'895	36'510
Accrued liabilities and deferred income	24	77'122	60'881
Current provisions	21	20'326	21'112
Total current liabilities		441'236	402'133
Total liabilities		565'496	503'698
Total equity and liabilities		883'002	848'732

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

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2019	2018
in CHF 1'000			
Cash flow from operating activities			
Net income		39'871	32'201
Income tax expenses	10	7'689	8'860
Financial income and expenses	9	4'741	2'238
Share of results of associates	14	2'494	1'208
Depreciation	13	17'416	17'667
Amortization	12	3'133	4'170
Change in inventories		-36'129	-13'736
Change in trade receivables		5'331	-37'991
Change in other current assets		-6'544	317
Change in trade payables		1'180	22'730
Change in customers' advance payments		23'494	10'298
Change in provisions		-70	1'160
Change in other liabilities		1'947	4'767
Adjustment for non-cash items		2'455	2'093
Interest received		227	568
Interest paid		-2'865	-1'883
Income taxes paid	10	-13'627	-12'872
Total cash flow from operating activities		50'743	41'795
Cash flow from investing activities			
Purchase of property, plant and equipment	13	-29'484	-22'384
Sale of property, plant and equipment		2'555	18'490
Purchase of intangible assets	12	-4'851	-2'546
Increase in Financial Assets		-2'100	-1'485
Acquisition of group companies net of cash acquired	4	-15'783	-
Disposal of group companies		-	144
Total cash flow from investing activities		-49'663	-7'781
Cash flow from financing activities			
Increase in financial liabilities		43'010	367
Decrease in financial liabilities		-5'710	-5'096
Purchase of treasury shares		-3'735	-
Dividends paid		-22'289	-20'361
Total cash flow from financing activities		11'276	-25'090
Currency translation differences on cash and cash equivalents		-5'047	-991
Net change in cash and cash equivalents		7'309	7'933
Cash and cash equivalents at beginning of period		83'010	75'077
Cash and cash equivalents at end of period		90'319	83'010
Net change in cash and cash equivalents		7'309	7'933

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF 1'000										
	Share capital	Capital reserves	Treasury shares	Hedge reserve	Translation reserve	Goodwill offset	Other retained earnings	Equity attributable to shareholders of Burckhardt Compression Holding AG	Non-controlling interests	Total equity
Balance at 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
Balance at 04/01/2019	8'500	446	-1'582	-1'405	367	-103'830	399'968	302'464	42'570	345'034
Result for the period							32'390	32'390	7'481	39'871
Currency translation differences					-13'682			-13'682	-4'101	-17'783
Changes of cash flow hedges				789				789		789
Dividends paid							-20'363	-20'363	-1'926	-22'289
Changes in treasury shares			-3'735					-3'735		-3'735
Share-based payments (distributed)		-11	101				-90	-		-
Share-based payments (allocated)							2'948	2'948		2'948
Revaluation of 40% Investment Arkos ¹							-9'324	-9'324		-9'324
Goodwill on acquisition						-18'005		-18'005		-18'005
Balance at 03/31/2020	8'500	435	-5'216	-616	-13'315	-121'835	405'529	273'482	44'024	317'506

¹ See note 4 "Business Combinations and Other Changes in the Scope of Consolidation"

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 2019 comprises the period from April 1, 2019 to March 31, 2020. These consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2020 and will be submitted to shareholders for approval at the annual general meeting scheduled for July 3, 2020.

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. When a company is acquired in a step up acquisition, the existing interest is revalued at the time when the company is first consolidated. The revaluation of shares previously owned is offset against retained earnings. 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	
	2019	2018	03/31/2020	03/31/2019
1 EUR	1.10	1.15	1.06	1.12
1 USD	0.99	0.99	0.96	1.00
100 CNY	14.16	14.77	13.44	14.77

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 com-

prises 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 nominal 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 are deferred and recognized as income over the period necessary to match them with the related costs which they are intended to compensate. Government grants related to assets are deducted directly from the carrying amount of the asset 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 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

Arkos Group LLC (USA)

On November 25, 2019, Burckhardt Compression acquired the remaining 60% shares of Arkos Group LLC, a well-established U.S. compression and equipment service provider in the field of gas compression. Together with the already existing interest of 40%, Burckhardt Compression now holds 100% of the US Company. With the acquisition of the remaining ownership of Arkos, Burckhardt Compression together with Arkos Field Services will be the only independent one-stop provider for equipment and service in the upstream, midstream and downstream business.

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	
Property, plant and equipment	15'263
Inventories	16'842
Deferred Tax Asset	2'861
Trade receivables & Prepaid expenses	16'571
Cash and cash equivalents	1'766
Current liabilities	-11'901
Non-current liabilities	-14'009
Net assets acquired at fair value (excluding pre-existing relationships)	27'393
Trade receivables & Prepaid expenses with BC	244
Current liabilities with BC	-2'664
Non-current liabilities with BC	-25'733
Net assets acquired at fair value (including pre-existing relationships)	-760
Shares previously owned (40%)	-9'020
Goodwill	18'005
Revaluation of shares previously owned	9'324
Total	17'549
Less cash and cash equivalents acquired	-1'766
Net cash outflow on acquisition	15'783

The purchase price allocation for the acquisition of Arkos Group LLC is preliminary for up to 12 months after the acquisition date.

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. In fiscal year 2018 the effect on net income from the divestment amounted to CHF -0.6 mn.

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.

in CHF 1'000	Systems Division		Services Division		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales	388'256	375'400	241'329	223'880	–	–	629'585	599'280
Cost of goods sold	–345'482	–344'906	–134'318	–118'697	–	–	–479'800	–463'603
Gross profit	42'774	30'494	107'011	105'183	–	–	149'785	135'677
Gross profit as % of sales	11.0%	8.1%	44.3%	47.0%	–	–	23.8%	22.6%
Operating income	6'443	–8'669	54'692	58'185	–6'340	–5'009	54'795	44'507
Operating income as % of sales	1.7%	–2.3%	22.7%	26.0%	–	–	8.7%	7.4%

Geographic information

Sales by customer location in CHF 1'000	2019	2018
Europe	135'434	155'346
Africa	4'121	19'052
North America	66'609	43'843
South America	5'691	5'175
Middle East	20'215	34'484
China	240'251	208'969
Other Asia & Australia	157'264	132'411
Total	629'585	599'280

Capital expenditure for property, plant and equipment in CHF 1'000	2019	2018
Europe	5'228	9'279
Africa	6	4
North America	1'997	161
South America	11	4
Middle East	282	106
China	21'117	11'875
Other Asia & Australia	843	955
Total	29'484	22'384

6. PERSONNEL EXPENSES

	2019	2018
in CHF 1'000		
Wages and salaries	-151'390	-131'986
Social security and pension expenses	-28'908	-24'253
Other personnel expenses	-16'188	-13'533
Total personnel expenses	-196'486	-169'772

7. RESEARCH AND DEVELOPMENT EXPENSES

Research and development activities in the fiscal year 2019 focused on the improvement of our marine solutions for new installations as well as for our service activities. Furthermore, we centered our activities on enhancing our compressor solutions for the hydrogen economy as well as our readiness to benefit from digital opportunities.

8. OTHER OPERATING INCOME AND EXPENSES

	2019	2018
in CHF 1'000		
Currency exchange gains	26'016	14'271
Other operating income	15'939	14'380
Total other operating income	41'955	28'651
Currency exchange losses	-24'863	-15'487
Other operating expenses	-8'361	-9'082
Total other operating expenses	-33'224	-24'569
Total other operating income and expenses	8'731	4'082

Other operating income includes the operating income of CHF 6.8 mn (prior year: CHF 6.6 mn) of the real estate company (Burckhardt Compression Immobilien AG).

Other operating expenses include expenses amounting to CHF 3.3 mn (prior year: CHF 3.2 mn) of the real estate company (Burckhardt Compression Immobilien AG).

9. FINANCIAL INCOME AND EXPENSES

	2019	2018
in CHF 1'000		
Interest expenses	-3'760	-2'186
Interest income	614	863
Other financial income (+) and expenses (-)	-1'595	-915
Total financial income and expenses	-4'741	-2'238

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

10. INCOME TAXES

Income Tax Expenses

	2019	2018
in CHF 1'000		
Current income tax expenses	-13'468	-9'418
Deferred income tax income (+) and expenses (-)	5'779	558
Total income tax expenses	-7'689	-8'860

Reconciliation of Income Tax Expenses

	2019	2018
in CHF 1'000		
Earnings before taxes	47'560	41'061
Expected income tax expenses	-8'333	-8'489
Effect of non-recognition of tax loss carry forwards	-2'654	-161
Effect of income tax of prior periods	85	36
Effect of changes in tax rates	1'058	-99
Effect of non-deductible expenses/income not subject to tax	2'155	-147
Total income tax expenses	-7'689	-8'860
as % of earnings before taxes	16.2%	21.6%

The effective tax rate of Burckhardt Compression Group of 16.2% (prior year: 21.6%) 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 and the tax reform in Switzerland.

Current Income Taxes

	2019	2018
Net current income tax liabilities		
in CHF 1'000		
Balance as per 04/01/2019 / 04/01/2018	2'091	5'594
Changes in the consolidation scope	166	–
Recognized in the income statement	13'468	9'418
Income taxes paid	–13'627	–12'872
Translation differences	–154	–49
Balance as per 03/31/2020 / 03/31/2019	1'944	2'091
thereof current tax assets	829	678
thereof current tax liabilities	2'773	2'769

Deferred Income Taxes

	2019	2018
Net deferred income tax liabilities		
in CHF 1'000		
Balance as per 04/01/2019 / 04/01/2018	6'287	6'728
Changes in the consolidation scope	–2'861	–
Recognized in the income statement	–5'779	–558
Recognized in equity	419	–265
Translation differences	1'041	382
Balance as per 03/31/2020 / 03/31/2019	–893	6'287
thereof deferred tax assets	14'513	9'061
thereof deferred tax liabilities	13'620	15'348

Tax Loss Carry-Forwards

	03/31/2020	03/31/2019
in CHF 1'000		
Expiring in the next 3 years	595	635
Expiring in 4 years or later	36'049	17'782
Total tax loss carry forwards	36'644	18'417
Potential deferred tax assets from tax loss carry forwards	7'690	4'087
Effect of non-recognized tax loss carry forwards	–2'718	–257
Effective deferred tax assets from tax loss carry forwards	4'972	3'830

11. EARNINGS PER SHARE

	2019	2018
in CHF 1'000		
Net income attributable to the shareholders of Burckhardt Compression Holding AG	32'390	27'644
Average number of outstanding shares	3'386'838	3'393'911
Earnings per share (CHF)	9.56	8.15

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

in CHF 1'000	Software	Other intangible assets	Intangible assets under construction	2019 Total	Software	Other intangible assets	Intangible assets under construction	2018 Total
Balance as per 04/01/2019 / 04/01/2018	29'630	754	2'495	32'879	30'091	770	2'072	32'933
Changes in the consolidation scope	–	–	–	–	–	–2	–	–2
Additions	1'540	6	3'305	4'851	1'552	18	976	2'546
Disposals	–2'473	–36	–	–2'509	–2'321	–	–	–2'321
Reclassifications	3'698	–15	–3'683	–	546	–	–546	–
Currency translation differences	–403	–77	–11	–491	–238	–32	–7	–277
Balance as per 03/31/2020 / 03/31/2019	31'992	632	2'106	34'730	29'630	754	2'495	32'879

Accumulated Amortization

in CHF 1'000	Software	Other intangible assets	Intangible assets under construction	2019 Total	Software	Other intangible assets	Intangible assets under construction	2018 Total
Balance as per 04/01/2019 / 04/01/2018	–20'993	–517	–	–21'510	–19'308	–425	–	–19'733
Changes in the consolidation scope	–	–	–	–	–	–	–	–
Additions	–3'050	–83	–	–3'133	–4'058	–112	–	–4'170
Disposals	2'470	36	–	2'506	2'221	–	–	2'221
Reclassifications	–15	15	–	–	–	–	–	–
Currency translation differences	291	59	–	350	152	20	–	172
Balance as per 03/31/2020 / 03/31/2019	–21'297	–490	–	–21'787	–20'993	–517	–	–21'510

Net Book Value

in CHF 1'000	Software	Other intangible assets	Intangible assets under construction	2019 Total	Software	Other intangible assets	Intangible assets under construction	2018 Total
As per 04/01/2019 / 04/01/2018	8'637	237	2'495	11'369	10'783	345	2'072	13'200
As per 03/31/2020 / 03/31/2019	10'695	142	2'106	12'943	8'637	237	2'495	11'369

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. 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.

	2019	2018
in CHF 1'000		
Acquisition costs		
Balance as per 04/01/2019 / 04/01/2018	103'830	103'830
Additions from acquisitions	18'005	–
Balance as per 03/31/2020 / 03/31/2019	121'835	103'830

	2019	2018
in CHF 1'000		
Accumulated amortization		
Balance as per 04/01/2019 / 04/01/2018	–68'290	–51'128
Amortization expense	–18'216	–17'162
Balance as per 03/31/2020 / 03/31/2019	–86'506	–68'290

	2019	2018
in CHF 1'000		
Net book value		
Theoretical net book value as per 04/01/2019 / 04/01/2018	35'540	52'702
Theoretical net book value as per 03/31/2020 / 03/31/2019	35'329	35'540

	03/31/2020	03/31/2019
in CHF 1'000		
Theoretical impact on equity		
Equity as per balance sheet	317'506	345'034
Theoretical capitalization of goodwill	35'329	35'540
Theoretical equity including net book value of goodwill	352'835	380'574

	2019	2018
in CHF 1'000		
Theoretical impact on net income		
Net income as per income statement	39'871	32'201
Amortization of goodwill	–18'216	–17'162
Theoretical net income after goodwill amortization	21'655	15'039

13. PROPERTY, PLANT & EQUIPMENT

Acquisition Costs

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2019 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2018 Total
Balance as per 04/01/2019 / 04/01/2018	165'526	128'508	28'568	8'145	330'748	164'158	122'172	27'317	4'895	318'542
Changes in the consolidation scope	11'285	–	3'234	745	15'263	–	–253	–87	–	–340
Additions	–	3'919	3'367	15'982	23'268	8'055	5'399	2'157	6'773	22'384
Disposals	–4'439	–1'079	–3'584	–44	–9'146	–5'932	–668	–573	–	–7'173
Reclassifications	1'185	1'493	262	–3'156	–216	338	2'918	150	–3'406	–
Currency translation differences	–4'851	–3'834	–1'648	–1'484	–11'817	–1'093	–1'060	–396	–117	–2'665
Balance as per 03/31/2020 / 03/31/2019	168'706	129'007	30'199	20'188	348'100	165'526	128'508	28'568	8'145	330'748

Accumulated Depreciation

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2019 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2018 Total
Balance as per 04/01/2019 / 04/01/2018	–34'340	–84'374	–20'846	–	–139'560	–30'992	–75'622	–18'758	–	–125'372
Changes in the consolidation scope	–	–	–	–	–	–	35	12	–	47
Additions	–4'751	–9'717	–2'948	–	–17'416	–4'938	–9'849	–2'880	–	–17'667
Disposals	2'387	1'014	3'190	–	6'591	1'249	491	438	–	2'178
Reclassifications	216	–	–	–	216	–2	–63	65	–	–
Currency translation differences	1'262	2'350	1'089	–	4'701	343	634	277	–	1'254
Balance as per 03/31/2020 / 03/31/2019	–35'226	–90'727	–19'515	–	–145'468	–34'340	–84'374	–20'846	–	–139'560

Net Book Value

in CHF 1'000	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2019 Total	Land and buildings	Machinery and equipment	Other business assets	Assets under construction	2018 Total
As per 04/01/2019 / 04/01/2018	131'186	44'134	7'722	8'145	191'188	133'166	46'550	8'559	4'895	193'170
As per 03/31/2020 / 03/31/2019	133'480	38'280	10'684	20'188	202'632	131'186	44'134	7'722	8'145	191'188

Relocation Shenyang Yuanda Compressor Co. Ltd (SYCC)

Back 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 has been purchasing and building new PPE and at the same time giving back existing PPE to the Chinese government. The whole transaction is subsidized by the Chinese Government. In fiscal year 2019, SYCC invested more than CHF 17 mn for this project. Overall SYCC in the period 2018 to 2020 will invest more than CHF 30 mn for this project. Once the relocation project is completed land use rights, buildings and machinery that were built or acquired in the course of the relocation project will be offset with the subsidies received by the government (Netting of assets and liabilities).

14. INVESTMENTS IN ASSOCIATES

	2019	2018
in CHF 1'000		
Balance as per 04/01/2019 / 04/01/2018	11'539	12'249
Changes in the consolidation scope	-9'020	-
Share of net results	-2'494	-1'208
Currency translation differences	-25	498
Balance as per 03/31/2020 / 03/31/2019	-	11'539

15. OTHER FINANCIAL ASSETS

Other financial assets mainly include time deposits. In the prior year other financial assets included a promissory note from Arkos Group companies amounting to CHF 18.3 mn and loans to Arkos Group companies amounting to CHF 6.0 mn.

16. INVENTORIES

	03/31/2020	03/31/2019
in CHF 1'000		
Raw materials, supplies and consumables	33'608	24'033
Work in progress	164'648	139'565
Finished products and trade merchandise	55'017	42'249
Advance payments to suppliers	27'607	28'894
Valuation allowance	-16'401	-12'696
Total inventories	264'479	222'045

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, 2020 of CHF -47.0 mn (prior year: CHF -39.2 mn).

17. TRADE RECEIVABLES

in CHF 1'000	03/31/2020	03/31/2019
Trade receivables, gross	265'032	269'456
Allowance for bad debts	-8'911	-8'343
Trade receivables, net	256'121	261'113

in CHF 1'000	2019	2018
Allowance for bad debts		
Balance as per 04/01/2019 / 04/01/2018	-8'343	-9'977
Changes in the consolidation scope	-	-
Additions	-3'195	-2'655
Release	1'614	2'658
Utilization	252	1'391
Currency translation adjustments	761	240
Balance as per 03/31/2020 / 03/31/2019	-8'911	-8'343

The allowance for bad debts at the end of the 2019 and 2018 fiscal years was entirely related to accounts receivables which were more than 90 days overdue as per closing date.

in CHF 1'000	03/31/2020		03/31/2019	
Maturity profile of trade receivables				
Not due	129'255	50.5%	124'311	47.6%
Overdue 1-30 days	17'170	6.7%	19'853	7.6%
Overdue 31-60 days	14'410	5.6%	17'766	6.8%
Overdue 61-90 days	9'348	3.6%	16'984	6.5%
Overdue more than 90 days	85'938	33.6%	82'199	31.5%
Balance as per 03/31/2020 / 03/31/2019	256'121	100.0%	261'113	100.0%

Trade receivables overdue more than 90 days are mainly related to projects in China.

18. OTHER CURRENT RECEIVABLES

	03/31/2020	03/31/2019
in CHF 1'000		
Notes receivable	15'497	4'811
VAT receivables	7'483	8'550
Derivative financial instruments	620	2'198
Current tax assets	829	678
Other current receivables	8'948	12'245
Total other current receivables	33'377	28'482

19. SHARE CAPITAL AND TREASURY SHARES

	03/31/2020	03/31/2019
Number of shares issued	3'400'000	3'400'000

The nominal value per share amounts to CHF 2.50. All shares are registered shares and are paid in full. The breakdown of equity into its individual components is shown in the statement of changes in equity. The Board of Directors is empowered to increase the company's share capital by a maximum of CHF 1'275'000 at any time until July 6, 2021 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 3, 2020, the Board of Directors of Burckhardt Compression Holding AG will propose a dividend for the 2019 fiscal year of CHF 6.00 (prior year: CHF 6.00).

As of March 31, 2020, non-distributable reserves amounted to CHF 1.7 mn (prior year: CHF 1.7 mn).

	03/31/2020	03/31/2019
Number of treasury shares	21'616	5'999

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

20. FINANCIAL LIABILITIES

	03/31/2020	03/31/2019
in CHF 1'000		
Non-current financial liabilities	88'713	64'742
Current financial liabilities	93'259	67'666
Total financial liabilities	181'972	132'408

The average effective interest rate amounted to 1.8% in fiscal year 2019 (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 2019 (same as prior year).

Currencies of Financial Liabilities

	03/31/2020	03/31/2019
in CHF 1'000		
Financial liabilities in CHF	129'350	60'650
Financial liabilities in USD	33'554	62'716
Financial liabilities in other currencies	19'068	9'042
Total financial liabilities	181'972	132'408

Burckhardt Compression's real estate company (Burckhardt Compression Immobilien AG), which uses the Swiss franc as functional currency, switched a mortgage loan from USD into CHF.

Maturities of Non-Current Financial Liabilities

	03/31/2020	03/31/2019
in CHF 1'000		
Due within 2 years	15'693	13'252
Due within 3 years	16'267	7'958
Due within 4 years	2'395	206
Due within 5 years	2'106	86
Due beyond 5 years	52'252	43'240
Total non-current financial liabilities	88'713	64'742

21. PROVISIONS

in CHF 1'000	Employee-related	Warranties, penalties, unprofitable contracts	Other	2019 Total	Employee-related	Warranties, penalties, unprofitable contracts	Other	2018 Total
Balance as per 04/01/2019 / 04/01/2018	7'369	24'061	3'756	35'186	7'434	24'774	1'890	34'098
Changes in the consolidation scope	772	302	–	1'074	–	–	–	–
Additions	3'666	6'155	693	10'514	1'064	5'055	2'872	8'991
Release	–3'000	–1'314	–2'379	–6'693	–270	–3'349	–975	–4'594
Utilization	–308	–3'502	–81	–3'891	–727	–2'503	–7	–3'237
Currency translation differences	–427	–910	–216	–1'553	–132	84	–24	–72
Balance as per 03/31/2020 / 03/31/2019	8'072	24'792	1'773	34'637	7'369	24'061	3'756	35'186
Thereof non-current	4'984	9'164	163	14'311	5'225	8'696	153	14'074
Thereof current	3'088	15'628	1'610	20'326	2'144	15'365	3'603	21'112

Employee-related provisions include employee benefit obligations (see 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 project (see note 13).

23. OTHER CURRENT LIABILITIES

in CHF 1'000	03/31/2020	03/31/2019
Notes payable	2'471	11'321
VAT payables	1'148	2'410
Derivative financial instruments	421	2'330
Current tax liabilities	2'773	2'769
Other current liabilities	7'082	17'680
Total other current liabilities	13'895	36'510

Other current liabilities mainly consist of various social securities payables as well as various taxes payables such as VAT or withholding taxes. In the previous year other current liabilities mainly consisted of various government grants in China in the context of the relocation process (see note 13).

24. ACCRUED LIABILITIES AND DEFERRED INCOME

in CHF 1'000	03/31/2020	03/31/2019
Contract-related liabilities	57'033	44'504
Vacation and overtime	3'478	3'585
Salary and bonus payments	10'272	8'045
Miscellaneous	6'339	4'747
Total accrued liabilities and deferred income	77'122	60'881

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	03/31/2020	03/31/2019
Contract value	85'803	178'319
Positive fair values	620	2'198
Negative fair values	421	2'330

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.

	03/31/2020	03/31/2019
in CHF 1'000		
Guarantees issued by banks for Burckhardt Compression	178'904	169'666
Guarantees issued by Burckhardt Compression Holding AG	331'635	106'928
Total guarantees	510'539	276'594

Other Contingent Liabilities

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. 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

	03/31/2020	03/31/2019
in CHF 1'000		
Operating leases due in less than 1 year	2'930	2'739
Operating leases due in 1 to 5 years	11'467	7'956
Operating leases due in more than 5 years	5'831	1'710
Total operating lease commitments	20'228	12'405

Purchase commitments

Purchase commitments for capital expenditure as per March 31, 2020 amounted to CHF 11.1 mn (prior year: CHF 10.5 mn). The purchase commitments are mainly connected to the relocation activities in Shenyang (see note 13).

28. PLEDGED ASSETS

As per March 31, 2020, Burckhardt Compression had pledged assets with a carrying amount of CHF 135.5 mn (prior year: CHF 119.5 mn) to secure mortgage loans and guarantees. The pledged assets consisted mainly of land and buildings, and to a lesser degree of inventories and trade 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 in place. 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 2019, 383 shares at a fair value of CHF 235 were granted to participants of the long-term incentive plan. In 2018, participants of the long-term incentive plan were granted 268 shares at a fair value of CHF 358.

Personnel expenses in 2019 for share-based payments amounted to CHF 2.9 mn (prior year: CHF 1.9 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 2019 and 2018 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 until November 25, 2019).

	2019	2018
in CHF 1'000		
Sales of goods and services	3'285	3'290
Purchase of goods and services	317	591

The following balances with associated companies (mainly Arkos Group companies until November 25, 2019) were outstanding as of the balance sheet date.

	03/31/2020	03/31/2019
in CHF 1'000		
Receivables	–	25'348
Payables	–	65

In the prior year receivables included a promissory note from Arkos Group companies with a carrying amount of CHF 18.3 mn and loans to Arkos Group companies with a carrying amount of CHF 6.0 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, 2019 amounted to 117.1% (SVE; prior year: 109.6%) and 116.2% (JJS; prior year: 105.6%). 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

On April 17, 2020, Burckhardt Compression acquired the global compressor business from the Japan Steel Works Ltd. (JSW), a Japanese business based in Tokyo.

With the acquisition of the global compressor business from JSW Burckhardt Compression is strengthening its market presence in Japan.

The purchase price for the acquisition was CHF 23.5 mn and settled in cash. At the time of approval of the consolidated financial statements, the process to determine the fair values of identifiable assets and liabilities of JSW was not yet completed.

Economic Benefits/Economic Obligations and Pension Benefit Expenses

in CHF 1'000	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	
	03/31/2020	03/31/2019				2019	2019
Pension plans with surplus	–	–	–	–	–7'987	–7'987	–7'230
Unfunded pension plans	–1'927	–2'121	83	111	–	83	3
Total	–1'927	–2'121	83	111	–7'987	–7'904	–7'227

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. ²	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%		•		•	•
PROGNOST Machinery Diagnostics Equipment and Services LLC	Abu Dhabi, United Arab Emirates	AED 300'000	100%				•	•
Société d'Application du Métal Rouge SAS	Pont Sainte Marie Cedex, France	EUR 501'000	100%	•	•		•	•
Arkos Group LLC	Houston, USA	USD 26'250'000	100%					
Arkos Field Services, LP	Houston, USA	-	100%	•	•	•	•	•
Arkos Realty & Investments, LP	Houston, USA	-	100%					

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 2020, the Consolidated Balance Sheet as at 31 March 2020, 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 December 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.

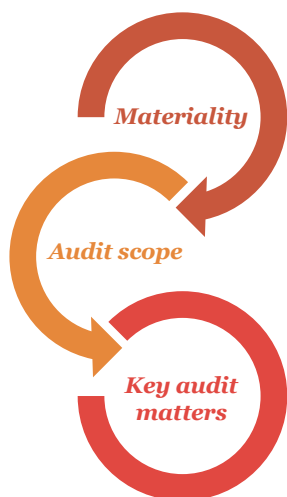
Basis for opinion

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 2'450'000

We concluded full scope audit work at five reporting units in four countries. Our audit scope addressed over 68% of the Group's sales.

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

Accounting for work in progress of the systems division

Acquisition of Arkos Group

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

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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.

Overall Group materiality	CHF 2'450'000
How we determined it	5% of average earnings before tax over the past five years
Rationale for the materiality benchmark applied	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 245'000 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	How our audit addressed the key audit matter
<p>Burckhardt Compression Group has projects in the systems division, which are accounted for as work in progress in accordance with Swiss GAAP FER. As at 31 March 2020, work in progress from systems division projects in the amount of CHF 164.6 million was recognised in the balance sheet.</p> <p>Management estimates the costs to be incurred until their completion, possible penalties as well as net realisable value. This involves significant scope for judgement and an</p>	<p>Our audit procedures regarding the accounting for work in progress of systems division projects included in particular the following:</p> <ul style="list-style-type: none"> We assessed the design and the existence of the key controls regarding the systems division projects and tested the effectiveness of selected controls. We selected a sample of systems division projects, based on the contract volumes, the contribution margin and changes in the margin compared to the

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.

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 2019 consolidated financial statements.

Acquisition Arkos Group

Key audit matter

On 25 November 2019, Burckhardt Compression Group acquired the remaining 60% of the shares of Arkos Group, headquartered in Waller, USA.

The assessment of the acquisition of the Arkos Group was deemed a key audit matter because of the critical estimates made by Management concerning the purchase price allocation in the opening balance sheet.

Please refer to page 85 (Business combinations and other Changes in the Scope of Consolidation)

How our audit addressed the key audit matter

We assessed whether the amounts reported on the opening balance sheet as at 25 November 2019 had been identified in line with the share purchase agreement and recognised in line with the provisions of Swiss GAAP FER 30 "Consolidated financial statements". We performed procedures including the following:

- We identified significant components within the Arkos Group and performed procedures in order to assess the existence, completeness and valuation of the net assets. Furthermore, we assessed the adjustments between the book values determined under the accounting framework previously applied by Arkos Group and those in accordance with Swiss GAAP FER.
- We assessed the appropriateness of the method used to reflect the acquisition.
- We assessed the qualification and independence of the expert engaged by Burckhardt Compression Group to determine the value of the properties owned by the Arkos Group.
- In addition, we assessed whether the transaction was accounted for and disclosed in the financial statements in accordance with the provision of Swiss GAAP FER 30 "Consolidated financial statements".

Our audit procedures are appropriate to corroborate Management's allocation of the purchase price to the identifiable assets and liabilities measured at fair value and Management's disclosure of the purchase of the Arkos Group in the 2019 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, 27 May 2020

FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG, WINTERTHUR

BALANCE SHEET

	Notes	03/31/2020	03/31/2019
in CHF 1'000			
Current assets			
Cash and cash equivalents		664	363
Other current receivables due from third parties		7	12
Total current assets		671	375
Non-current assets			
Financial assets			
– Long-term loans to group companies		32'500	26'000
– Investments in subsidiaries	102	171'781	171'781
Total non-current assets		204'281	197'781
Total assets		204'952	198'156
Current liabilities			
Trade payables due to third parties		2	2
Other current liabilities due to third parties		4	4
Accrued liabilities and deferred income		167	120
Current provisions		155	165
Short-term loans from group companies		300	–
Total current liabilities		628	291
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		168'883	166'691
– Net income		30'457	22'556
Treasury shares	104	–5'216	–1'582
Total equity		204'324	197'865
Total equity and liabilities		204'952	198'156

INCOME STATEMENT

		2019	2018
in CHF 1'000			
Income			
Dividend income from group companies		31'293	23'280
Interest income from group companies		294	249
Income from services provided to group companies		192	192
Total income		31'779	23'721
Expenses			
Operating expenses		–1'262	–1'103
Direct Taxes		–60	–62
Total expenses		–1'322	–1'165
Net income		30'457	22'556

NOTES TO THE FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

101 Accounting policies

The financial statements as per March 31, 2020 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 2019 comprises the period from April 1, 2019 to March 31, 2020.

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 July 6, 2021 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, 2020, 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, 2020 (according to the statutory bylaws the voting rights of NN Group N.V., 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		03/31/2020	03/31/2019
Name	Country	% of shares	% of shares
MBO shareholder pool (Valentin Vogt, Harry Otz, Leonhard Keller, Martin Heller, Ursula Heller, Marcel Pawlicek)	CH	12.40	12.40
NN Group N.V.	NL	10.31	6.93
Atlantic Value General Partner Limited (Mondrian)	GB	5.03	5.03
Ameriprise Financial Inc.	US	3.49	3.49
Credit Suisse Funds AG	CH	3.24	3.03
Vontobel Fonds Services AG	CH	3.05	< 3.00
BlackRock, Inc.	US	3.04	< 3.00
UBS Fund Management (Switzerland) AG	CH	3.01	3.01
J O Hambro Capital Management Limited	US	< 3.00	6.13

The number of shares held by the members of the Executive Board and the non-executive members of the Board of Directors (and related persons) as per March 31, 2020 are shown under point 6.2 within the compensation report.

104 Treasury shares

	2019	2018
Number at the beginning of the period	5'999	6'267
Purchases	16'000	0
Sales	-383	-268
Number at the end of the period	21'616	5'999

The average selling price did amount to CHF 263.63.

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

	03/31/2020	03/31/2019
in CHF 1'000		
Total liabilities to pension funds	0	0

Net release of undisclosed reserves

	03/31/2020	03/31/2019
in CHF 1'000		
Net release of undisclosed reserves	0	0

Derivative financial instruments

	03/31/2020	03/31/2019
in CHF 1'000		
Forward foreign exchange contracts (negative current fair value on cash flow hedge)	0	0

Guarantees

	03/31/2020	03/31/2019
in CHF 1'000		
Guarantees	236'662	106'927

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 75.

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

	2019	2018
in CHF 1'000		
Retained earnings at the beginning of the period	189'247	187'053
Distributed dividend	-20'364	-20'362
Net income	30'457	22'556
Retained earnings at the disposal of the Annual General Meeting	199'340	189'247
The Board of Directors proposes the following appropriation		
- Gross dividend	-20'400	-20'400
Retained earnings carried forward	178'940	168'847

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 3, 2020.

	2019	2018	2017
Gross dividend	6.00	6.00	6.00
Less 35% withholding tax	-2.10	-2.10	-2.10
Net dividend	3.90	3.90	3.90

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 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 105 to 109) as at 31 March 2020 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 1'500'000

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

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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 financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Overall materiality	CHF 1'500'000
How we determined it	0.73% of total assets
Rationale for the materiality benchmark applied	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 150'000 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

Key audit matter	How our audit addressed the key audit matter
<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.</p> <p>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 predefined impairment testing process.</p> <p>Please refer to page 106 (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 2020.</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, 27 May 2020

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

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