TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

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

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

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

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

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

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

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

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

Valentin Vogt

Marcel Pawlicek

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

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

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

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

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

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

Yours sincerely,

Valentin Vogt
Chairman of the Board of Directors

Marcel Pawlicek
CEO

Winterthur, May 28, 2019