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 strengthens 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

Winterthur, June 2, 2020

Valentin Vogt

Marcel Pawlicek