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

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.

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).

CASH FLOW

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.

CONSOLIDATED INCOME STATEMENT

in CHF 1'000	Notes	2019	2018
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

in CHF 1'000	Notes	2019	2018
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 share-holders 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-controlling interests are presented separately in the balance sheet and the income statement. Intercompany transactions, balances and unrealized gains or losses on transactions between group companies are eliminated. Group companies are disclosed in note 33.

Acquired companies are fully consolidated from the date on which control was effectively transferred. 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 comprises material costs, direct and indirect production costs and other order-related production costs. Inventories are stated at weighted average costs or standard costs based on their type and use. Valuation allowances are recognized for slow-moving and excess inventory items.

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

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

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

2.13. Provisions
Provisions are recognized for warranty obligations, unprofitable contracts, personnel expenses and various commercial risks where Burckhardt Compression has an obligation towards third parties arising from past events, the amount of the liability can be reliably measured and it is probable that the settlement will result in an outflow of resources. The amount of the provisions is based on the expected expenditures required to cover all obligations and liabilities.

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

2.15. Government Grants
Grants from governments or similar organizations are recognized at their 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.

	Systems Division		Services Division		Others		Total	
in CHF 1'000	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

in CHF 1'000	2019	2018
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

in CHF 1'000	2019	2018
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

in CHF 1'000	2019	2018
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

in CHF 1'000	2019	2018
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

in CHF 1'000	2019	2018
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

Net current income tax liabilities in CHF 1'000	**2019**	**2018**
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

Net deferred income tax liabilities in CHF 1'000	**2019**	**2018**
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

in CHF 1'000	**03/31/2020**	**03/31/2019**
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

in CHF 1'000	**2019**	**2018**
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.

in CHF 1'000	2019	2018
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

in CHF 1'000	2019	2018
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

in CHF 1'000	2019	2018
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

in CHF 1'000	03/31/2020	03/31/2019
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

in CHF 1'000	2019	2018
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

in CHF 1'000	2019	2018
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

in CHF 1'000	03/31/2020	03/31/2019
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

in CHF 1'000	03/31/2020	03/31/2019
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

in CHF 1'000	03/31/2020	03/31/2019
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

in CHF 1'000	03/31/2020	03/31/2019
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

in CHF 1'000	03/31/2020	03/31/2019
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.

in CHF 1'000	03/31/2020	03/31/2019
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

in CHF 1'000	03/31/2020	03/31/2019
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).

in CHF 1'000	2019	2018
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.

in CHF 1'000	03/31/2020	03/31/2019
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

	Economic portion of the organization		Change to prior year period recognized in the current result of the period	Currency translation differences	Contributions of the fiscal year	Pension benefit expenses	
in CHF 1'000	03/31/2020	03/31/2019	2019	2019	2019	2019	2018
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 Paolo, 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 (Liaoing) 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.

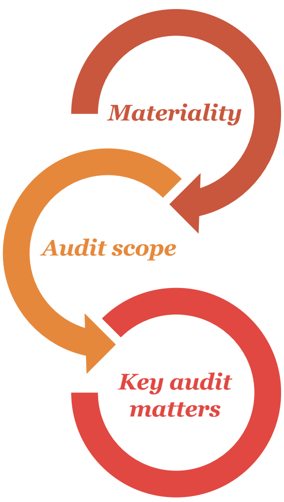
Basis for opinion

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 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***
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. 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	Our audit procedures regarding the accounting for work in progress of systems division projects included in particular the following: • We assessed the design and the existence of the key controls regarding the systems division projects and tested the effectiveness of selected controls. • We selected a sample of systems division projects, based on the contract volumes, the contribution margin and changes in the margin compared to the

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	*How our audit addressed the 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 (Busines combinations and other Changes in the Scope of Consolidation)	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