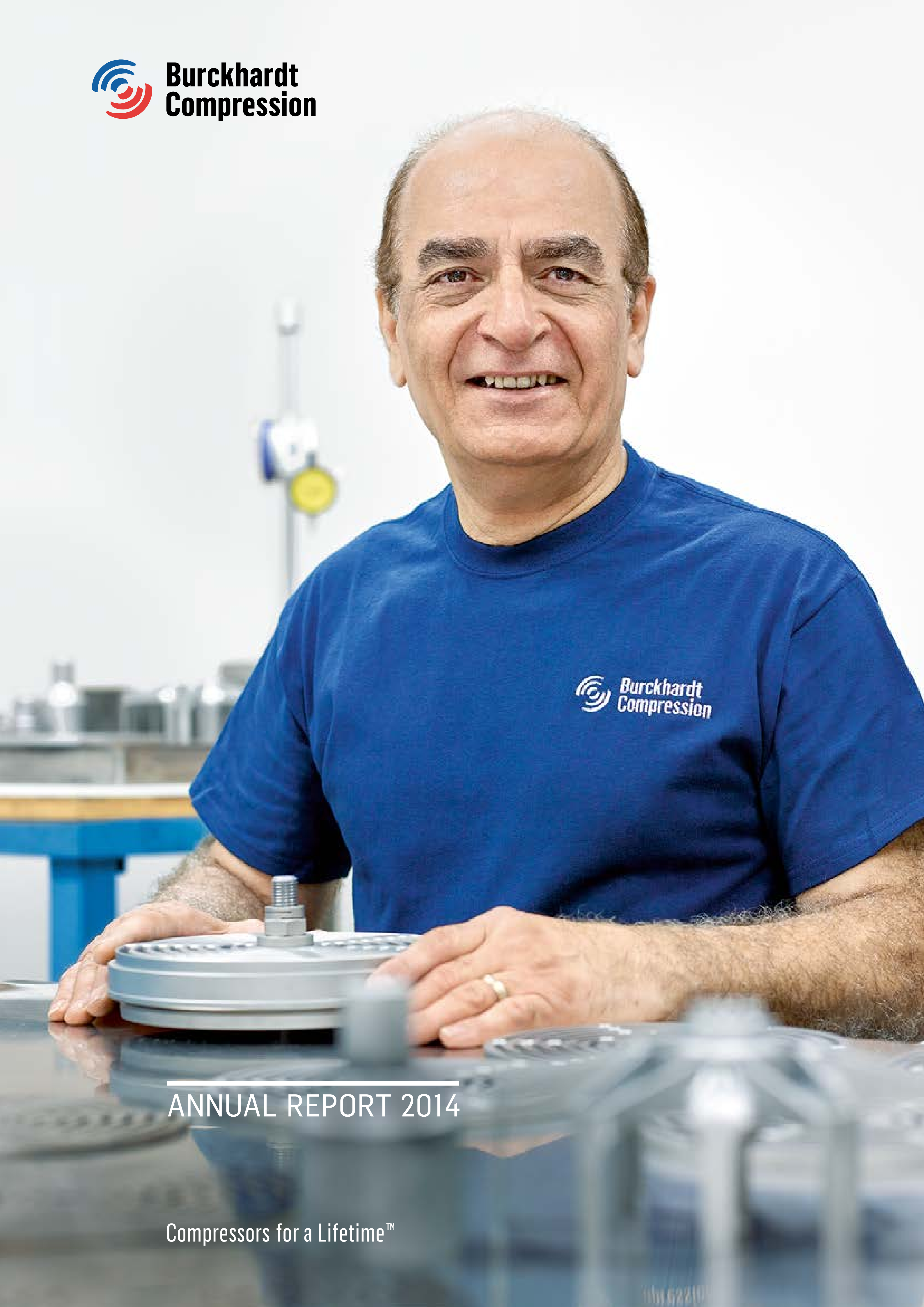
Burckhardt
Compression



ANNUAL REPORT 2014

Compressors for a Lifetime™

ABOUT US

Burckhardt Compression is one of the global market leaders in the field of reciprocating compressors and the only manufacturer that 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. Burckhardt Compression's leading technology, high-quality compressor components and the full range of services help customers to minimize life cycle costs of their reciprocating compressor systems around the world. Since 1844 its highly skilled workforce has crafted superior solutions and set the benchmark in the gas compression industry.

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More than 1'300 employees worldwide give their best every day to meet the needs of our customers. The company owes much of its success to their outstanding support and dedication.

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We continuously optimize our products and services in order to exceed the expectations of our customers. Through decades of experience and the expertise of our specialists in compressor technology we are able to offer products with lowest life cycle costs.

TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

Market trends remain positive Burckhardt Compression Group profited from ongoing positive developments in its markets during the fiscal year 2014, despite global economic uncertainties and geopolitical tension. Overall order intake was held at the high 2013 level. Compressor Systems (CS) received fewer orders compared to the previous fiscal year but order intake of the Components, Services and Support (CSS) business area was sharply higher. The Group's operating profit margin was with 15.7% basically at the same level as last year, despite the decision of the Swiss National Bank to abandon the minimum exchange rate of the Swiss franc to the euro.

Full-year order intake passes the half billion mark again Burckhardt Compression's full-year order intake of CHF 514.1 mn (previous year CHF 517.1 mn) surpassed the CHF 500 million mark for the second time in the company's history. CSS's contribution to overall order inflow was significant as its order intake surged 21.2% from CHF 130.8 mn to CHF 158.5 mn. This growth at CSS was primarily driven by orders for spare parts. The CS business did not quite reach the level of orders reported for the prior year, which, however, was very high. Its order intake declined by 7.9% to CHF 355.6 mn (CHF 386.3 mn) and this is mainly attributable to customer decisions to postpone some large projects.

Renewed sales growth thanks to Compressor Systems At CHF 473.6 mn (plus 6.4%, plus 6.8% at constant exchange rates), Burckhardt Compression's sales hit another all-time high, beating the previous record high set in 2013. Sales at the CSS business area dropped to CHF 146.5 mn, a reduction of 3.7% from CHF 152.1 mn in the previous year primarily because no major revamp and engineering orders had been placed in fiscal years 2013 and 2014. Consequently, the renewed increase in Group sales can be traced to the CS business area (plus 11.7% to CHF 327.1 mn). Gross profit of CHF 152.8 mn surpassed the previous year's figure by 9.8% or CHF 13.6 mn and the resulting gross profit margin edged higher to 32.3% (31.3%). Both business areas increased their gross profit margins compared to prior-year levels.

Operating profit above prior-year level Operating profit increased by 6.3% from CHF 70.2 mn to CHF 74.6 mn. This amount includes significant foreign exchange losses of net CHF –6.4 mn mainly attributable to the negative static currency impact on various items in euro in the balance sheet. This negative impact is a direct consequence of the Swiss National Bank's decision to abandon the EUR/CHF exchange rate floor of CHF 1.20, as announced on January 15, 2015. On the other hand, a positive contribution of CHF 5.9 mn from the adjustment of defined benefit pension plan obligations had to be recognized in the income statement mainly as a result of the decision by the independent board of trustees to gradually adjust the conversion rate. Net income of 57.6 mn was 6.9% above prior-year level which corresponds to a net income margin of 12.2%. Net income per share amounted to CHF 16.93 (previous year CHF 15.87).

Solid balance sheet Total assets on the balance sheet rose by 5.5% to CHF 681.4 mn in fiscal year 2014. The negative adjustment of defined benefit plan obligations to be recognized within the group's consolidated equity amounted to CHF 36.5 mn (net of taxes) in the wake of a significantly lower discount rate. As a result of this negative effect, total equity declined by CHF 19.9 mn during the year under review, which, together with the increase in non-current assets and working capital, led to a lower equity ratio of 49.7% (previous year 55.5%). Expansion projects in several countries, higher working capital and the increase in the dividend resulted in a 8.7% decline in the net financial position to CHF 151.3 mn (previous year CHF 165.8 mn).

Valentin Vogt

Further expansion of market reach Burckhardt Compression has been steadily expanding its global market presence in recent years to improve the local services it offers to customers around the world. After establishing two new subsidiaries with Service Centers in Singapore and South Africa in 2013, another subsidiary with a Service Center was established in Saudi Arabia and construction work on two new assembly facilities in South Korea and the US commenced during the year under review.

Successful entry into new application areas During the past year Burckhardt Compression sold its first-ever compressor for an LNG export terminal in the US. Further significant orders were also received for propulsion systems for LNG tankers, which are increasingly using boil-off gas as fuel for their propulsion systems.

Board of Directors and Executive Board At the Annual General Meeting on July 4, 2014, Dr. Stephan Bross was elected to the Board of Directors. As announced earlier in February, Sandra Pitt will assume the position of Head of Human Resources Management on June 1, 2015 and take a seat on the Executive Board at the same time.

Marcel Pawlicek

Outlook for fiscal year 2015 The markets addressed by Burckhardt Compression continue to show a positive trend, despite some economic uncertainty and geopolitical tension. From today's standpoint, Burckhardt Compression expects order intake for fiscal year 2015 to be around the same level as in the previous year while sales should exceed CHF 500 mn. Operating and net income are expected to be higher compared to the levels of fiscal year 2014 at similar profit margins.

Unchanged dividend The Board of Directors will propose an unchanged dividend of CHF 10.00 per share at the Annual General Meeting. This corresponds to a payout ratio of 59.1% (previous year 63.0%) of net income, which is in the middle of the targeted payout range of 50% to 70%.

A word of thanks The Board of Directors and the Executive Board express their sincere gratitude to the nearly 1'400 employees worldwide who work for Burckhardt Compression. Their outstanding motivation and untiring efforts are greatly appreciated. We thank our shareholders for their trust, which strengthens our determination as we steadfastly implement our corporate strategy. We also wish to thank all our customers and suppliers with whom we share valued and in many cases long-standing partnerships built on mutual respect and trust.

Yours sincerely,

Valentin Vogt
Chairman of the Board of Directors

Marcel Pawlicek
CEO

Winterthur, June 9, 2015

MILESTONES 2014

Solid results despite SNB decision
Although the Swiss National Bank's surprising decision in January 2015 to de-peg the Swiss franc from the euro hurt company profits, Burckhardt Compression nevertheless presented another set of solid results for the fiscal year closing at the end of March 2015. Operating profit was diminished by a one-time charge of more than CHF 6 mn due to the SNB's decision but, at CHF 74.6 mn (plus 6.3% y-o-y), it was even higher than the operating profit reported for the previous fiscal year.

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21% increase in orders for services and components
Order intake at the Components, Services & Support business area (CSS) was particularly pleasing in fiscal year 2014. Incoming orders rose by 21.2% to CHF 158.5 mn, which marks a new record high for Burckhardt Compression in this business. Further strengthening the services and components business through the global expansion of its geographic reach will therefore remain one of the Group's key strategic objectives going forward.

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Admission to the index of top 20 dividend stocks in Switzerland
SIX Swiss Exchange added Burckhardt Compression Holding AG shares to its SPI Select Dividend 20 Index in March 2015. This index comprises 20 out of the more than 200 stocks in the SPI that boast the highest dividend yields, a track record of stable or rising dividends, and solid profitability. To be admitted to the index companies must have also paid out a dividend in at least four of the past five fiscal years. Return on capital (ROC) is also measured to screen out the highest-yielding stocks with sustainable profitability levels. ABB, Nestlé, Swisscom and Roche are among the companies that have been admitted to this index. Admission to this index confirms Burckhardt Compression's attractive positioning in the capital market.

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Delivery of the first module for a dual-fuel engine

The very first module for an environmentally friendly marine dual-fuel propulsion system was delivered to a shipbuilder during the past year. It is based on Burckhardt Compression's Laby®-GI Compressor and enables direct injection of boil-off gas into dual-fuel diesel engines on LNG tankers. This particular application makes both commercial and environmental sense because it reduces emissions to a minimum.

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Redura® compressor components

With the launch of its Redura® product line, Burckhardt Compression has introduced a comprehensive line of rings and packings for reciprocating compressors. These reliable, durable and technologically advanced sealing systems were developed and constructed in-house and are patent-protected. Redura® sealing systems ensure an optimal sealing performance with a maximum operating lifetime thanks to a heterogeneous combination of different types of rings.

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New assemblies in South Korea and the US

Two new assembly facilities are under construction, one in South Korea and the other in the US. The marine market is an important market segment for Burckhardt Compression. Its facility in Busan, South Korea, will supply customers in the marine industry with compressors for dual-fuel engines. The facility under construction in Houston will enable us to supply our American customers with locally manufactured process gas compressors even more quickly and better than before. Both new facilities are tentatively scheduled to commence production during the second half of fiscal year 2015.

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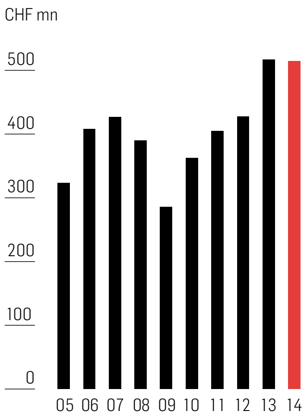
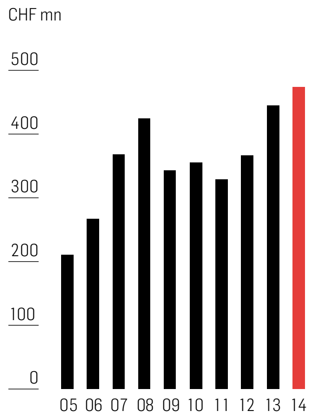
FIGURES AT A GLANCE

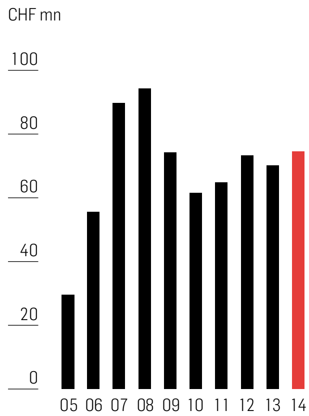
ORDER INTAKE



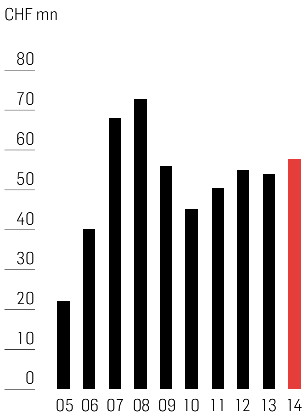
SALES



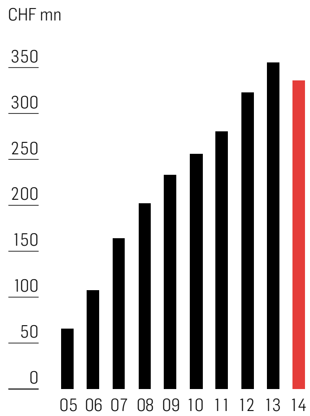
OPERATING INCOME (EBIT)



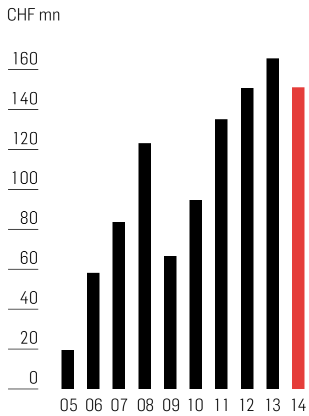
NET INCOME



SHAREHOLDERS' EQUITY

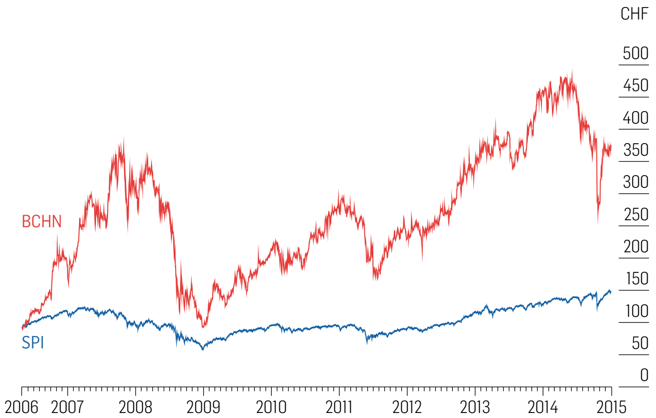


NET FINANCIAL POSITION

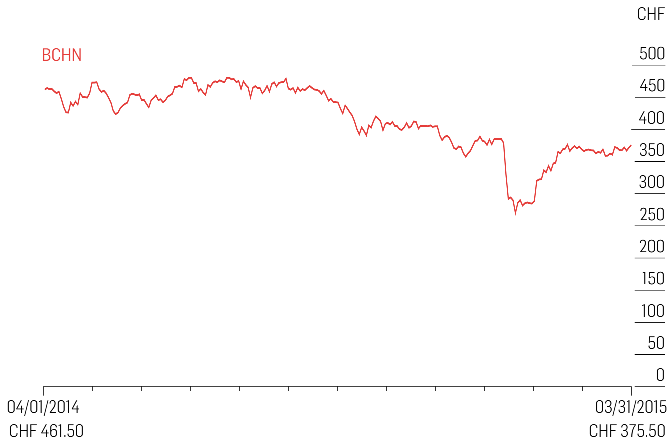


SHARE PRICE

SINCE IPO



FISCAL YEAR 2014



in CHF mn		2012	2013	2014	Change 2013/2014
Order intake:					
– Compressor Systems (CS)		272.7	386.3	355.6	–7.9%
– Components, Services & Support (CSS)		155.1	130.8	158.5	+21.2%
Total		427.8	517.1	514.1	–0.6%
Sales and gross profit:					
– Compressor Systems	Sales	215.7	292.9	327.1	+11.7%
	Gross profit	57.6	68.2	78.2	+14.7%
	in % of sales	26.7%	23.3%	23.9%	
– Components, Services & Support	Sales	151.0	152.1	146.5	–3.7%
	Gross profit	78.4	71.0	74.6	+5.1%
	in % of sales	51.9%	46.7%	50.9%	
Total	Sales	366.7	445.0	473.6	+6.4%
	Gross profit	136.0	139.2	152.8	+9.8%
	in % of sales	37.1%	31.3%	32.3%	
Operating income (EBIT)		73.3	70.2	74.6	+6.3%
in % of sales		20.0%	15.8%	15.7%	
Net income		54.9	53.9	57.6	+6.9%
in % of sales		15.0%	12.1%	12.2%	
Depreciation and amortization		11.1	11.8	14.4	+22.0%
Cash flow:					
– from operating activities		36.3	58.2	46.8	–19.6%
– from investing activities		–19.3	–14.2	–26.6	
– from financing activities (incl. translation differences)		–12.0	–32.0	–43.7	
Total		5.0	12.0	–23.5	
Total balance sheet assets		594.4	645.9	681.4	+5.5%
Non-current assets		167.1	165.9	183.8	+10.8%
Current assets		427.3	480.0	497.5	+3.6%
Shareholders' equity		325.4	358.5	338.6	–5.6%
in % of total balance sheet assets		54.7%	55.5%	49.7%	
Net financial position		150.8	165.8	151.3	–8.7%
Headcount as per end of fiscal year (full-time equivalents)		1'078	1'232	1'385	+12.4%
Total remuneration Board of Directors (5 persons) (in TCHF)		520.1	498.3	504.0	+1.1%
Total remuneration Executive Board (12 persons in FY 2014, 13 persons in FY 2013) (in TCHF)		4'629.5	4'889.0	4'911.0	+0.4%
Share price as per end of fiscal year (in CHF)		355.25	460.0	375.5	–18.4%
Market capitalization (in CHF mn)		1'207.9	1'564.0	1'276.7	–18.4%
Market capitalization/shareholders' equity (ratio)		3.7	4.4	3.8	–13.6%
Net income per share (EPS) (in CHF)		16.42	15.87	16.93	+6.7%
Dividend per share (in CHF)		9.00	10.00	10.00	–

OUR COMPANY

HISTORY

Our company history goes back 170 years. On January 9, 1844, founder Franz Burckhardt laid the foundation for success by purchasing the first company premises in Basle. In its early years, Burckhardt's mechanics workshop manufactured machines for the textile industry. Over the years, Burckhardt expanded his field of activity to general mechanical engineering. In 1856, the company started producing steam engines. In 1878, the first reciprocating compressor was developed and the first sales recorded in 1883. As additional funds were needed to finance the construction of the new factory on Dornacherstrasse in Basle, the "Engineering Works Burckhardt Ltd." was established in Basle in 1890 by August Burckhardt, who had taken over the company from his deceased father Franz.

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

In 2000, Sulzer decided to concentrate its activities on four divisions. As Sulzer-Burckhardt did not fit in with this new strategy, the decision was made to divest Sulzer-Burckhardt. Together with the financial investor Zurmont Finanz AG, five members of management purchased Sulzer-Burckhardt Engineering Works Ltd. on April 30, 2002. In the course of separating from Sulzer, Sulzer-Burckhardt became Burckhardt Compression in May 2002. In 2006, Zurmont decided to divest its shares in Burckhardt Compression by means of an IPO. Our company has been listed on the SIX Swiss Exchange since June 26, 2006. By the end of the reporting period it was one of the 70 largest listed companies in Switzerland (by market capitalization). SIX Swiss Exchange added the shares of Burckhardt Compression Holding AG to its SPI Select Dividend 20 Index in March of 2015. The index comprises 20 out of the more than 200 stocks in the SPI that boast the highest dividend yields, a track record of stable or rising dividends, and solid profitability.

VISION

We are committed to becoming the first choice manufacturer for reciprocating compressors. Through our global organization we provide all of the components and services that are needed throughout the life cycle of a reciprocating compressor.

MISSION

Our mission centers on the sustainable growth of Burckhardt Compression's business. Sustainable means setting up and conducting our business activities in such a way that sustainable and balanced growth is achieved for all stakeholders. Continued development of the reciprocating compressor business and a constant quest for improvement are at the heart of everything we do. Particular attention is being devoted to the expansion of the service and components business, the development of promising new applications and the extension of our geographic reach.

GUIDING PRINCIPLES

The "BC Code" sums up the basic principles of our corporate culture. We believe that our well-established corporate culture is the source of our competitiveness. The reputation enjoyed by Burckhardt Compression, and the trust bestowed upon us, largely depend on the integrity and conduct of each and every one of us. A fair and careful balance in our dealings with others is key – be it with employees, customers, shareholders, suppliers or other business partners. The management of Burckhardt Compression exemplifies the corporate culture in day-to-day business.

STRATEGY AND MID RANGE PLAN

Burckhardt Compression is one of the world's leading providers of reciprocating compressors, operating in the two business areas of Compressor Systems (CS) and Components, Services & Support (CSS). According to our own market research, our company has grown in recent years to become the second-largest supplier of reciprocating compressors and related services.

During fiscal year 2014 we continued to implement the revised strategy and Mid Range Plan announced in 2011. Our basic intention is to strengthen our strategic position in both business areas during the coming years, primarily through organic growth, while also maintaining our better-than-average profitability compared to the sector, thereby ensuring our financial independence. The anticipated growth of the company may also be supported by selective acquisitions. The targeted, purely organic growth rate for sales and order intake is 5% to 8% p.a. over the coming years and the targeted range for the EBIT margin is 15% to 20%.

Management is tasked with the continuing roll-out and implementation of the parent company's well-functioning processes at all Group subsidiaries. Burckhardt Compression will strengthen its geographic reach, particularly in the service and components business, to bring it even closer to its customers. In the compressor systems business we will selectively expand our activities with new applications. We are building new assemblies in South Korea and the US to provide certain market segments with even better local support. Uncompromising quality and lowest life cycle costs will remain one of the overriding aims of Burckhardt Compression. Because we cover all aspects of reciprocating compressor technology in-house, we consistently offer our customers competent advisory services and support they can rely on.

MAIN APPLICATION AREAS

Upstream oil & gas

Growing global demand for energy is spurring efforts to discover new deposits of oil and gas (LPG) as well as new ways of improving recovery from existing wells. The oil and gas business will be shaped by the following trends over a long-term horizon:

- Exploration and development of new deep sea fields;
- better exploitation of existing fields;
- exploration and development of new formations, especially tar sands and shale gas and shale oil.

Moreover, producers must comply with increasingly stringent regulations requiring the environmentally responsible disposal of toxic and non-toxic gases that arise during extraction and production.

Burckhardt Compression offers solutions for a select range of on- and offshore applications. High-quality, low-speed reciprocating compressors (API 618 compliant) 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 often be used in the responsible disposal of unwanted gases too. These gases contain aggressive, sulfuric components and Burckhardt Compression is an expert at building compressors for compressing such gases. In deepwater applications off the coast of Brazil, CO_2 injection is also used for EOR with pressure levels of up to 600 bar. Onsite pre-processing applications in the oil and gas industries offer additional opportunities for Burckhardt Compression. In these applications individual components of extracted gas are separated at the wellhead to facilitate the subsequent gas transport through the gathering lines to centralized points. Thick, viscous tar oil is mixed with naphtha and other diluents to create a fluid capable of transportation by pipeline.

In the US, shale gas production has led to a glut of natural gas in recent years because the country does not yet have the necessary infrastructure to utilize the increased supply. As a result, the price of natural gas there has plummeted, which, in turn, has prompted shale gas producers to hold off temporarily on ramping up production any further and to concentrate instead on producing shale oil.

The low prices for natural gas in the US have made the export of gas to Asia – Japan, China and Korea in particular and possibly even to Europe at some point – an attractive proposition. Infrastructure for marine transport of LNG is rapidly being built to make such exports a reality. Large-scale exports of shale gas should lead to higher natural gas prices in the US again, which, in turn, would stimulate shale gas production activities. These mid- to long-term scenarios are hardly affected by the fluctuating spot prices for crude oil.

Gas transport and storage

Demand for environmentally friendly natural gas as a fossil fuel 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 30%. That fact and more stringent emissions regulations, especially in the maritime shipping industry, are additional incentives to switch to natural gas as a source of fuel. Moreover, coal-fired and nuclear power plants are increasingly being substituted by gas power plants amid widespread efforts to decarbonize growing economies and to diversify energy supply in many regions of the world. The development of new sources of natural gas such as shale gas deposits, which is widening the gap in prices between oil- and gas-producing regions in North America and the Middle East and the gas-importing countries in Asia and Europe, has increased international trade in natural gas, and gas transport and storage volumes are likewise growing. This is especially evident in the non-pipeline mode of gas transportation via LNG (Liquefied Natural Gas) tankers.

More than 40% of total natural gas transport volumes traded and transported worldwide is liquefied, which reduces transport volumes by a factor of 600. The LNG process chain consists of natural gas production, purification and liquefaction, ship loading, transportation and subsequent off-loading, storage, and re-gasification and, ultimately, injection into a gas distribution grid. Burckhardt Compression offers unique, economical solutions for compressing and reliquefying boil-off gas 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 land or offshore installations.

Refinery

Refineries process crude oil into products such as gasoline, kerosene, diesel, liquefied petroleum gas (LPG) as well as solvents and lubricants. Worldwide demand for these products will continue to grow over the long term and most of the growth in demand will stem from non-OECD countries. Additional factors encouraging investment in the refining industry are more stringent environmental regulations, cost reduction considerations, 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 new reserves of crude oil as well as tar sands and shale gas are being developed, requiring additional processing facilities. 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/mixtures).

Petrochemical/Chemical industry

The production of a vast range of petrochemical and chemical products such as polyolefins (polymers), lacquers, synthetic rubbers, adhesives and dyes, solvents, paints, fertilizer, detergents or textiles entails, among other things, the processing of oil, natural gas and even coal. Demand for petrochemical and chemical products, especially for polyolefins, will steadily increase worldwide over the long term. In this application area, too, companies will continue their efforts to reduce costs by replacing smaller scale plants with larger ones, establishing strategic production sites, and extending value-added chains. In China, a country with vast coal reserves, advanced technologies are being used to produce various polyolefins from coal and new production facilities must therefore be built to meet the fast growing local demand. Additional growth is expected over the medium term as the extraction of natural gas from shale formations increases 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 manufacturing, electronics, construction, rubber and plastics processing, and healthcare. Growth drivers are regional growth and industry-specific growth. Companies that supply the energy sector (refineries) with hydrogen are expected to be a particularly strong growth driver. This is another example of an application area where Burckhardt Compression is likely to benefit in the years ahead from the increased extraction of shale gas deposits, especially in the US. Burckhardt Compression's dependable compressors are used in a wide variety of applications to process industrial gases.

CUSTOMERS

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

COMPRESSOR SYSTEMS

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

Laby® – Labyrinth Piston Compressors
The Labyrinth Piston Compressor offers unrivaled reliability and availability thanks to its unique labyrinth sealing system on piston and piston rod gland, which enables oil-free and contact-free compression. The result is an extended MTBO (mean time between overhaul), which has a positive impact on reliability and operating cost. This prevents piston ring debris from contaminating the gas as well as friction-induced hot spots. The Laby® Compressor is designed to compress bone-dry, dirty, abrasive and other gases. The gastight casing reduces gas emissions and losses to the environment to virtually zero. The Laby® Compressor easily manages the compression of LNG boil-off gas at suction temperatures down to 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 mostly used for compression of LNG boil-off gas and it features the proven labyrinth sealing system, widely acknowledged for its extremely high reliability and unexcelled availability. 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 cost. Depending on the operating conditions, Laby®-GI Compressors can feature either lubricated or non-lubricated compression.

Process Gas Compressors API 618
Process Gas Compressors built by Burckhardt Compression are synonymous with unrivalled availability and long operating times. 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 unexcelled reliability and ultralow life cycle costs.

The Process Gas Compressor is built according to individual application specifications in accordance with the API 618 guidelines (5th edition). Burckhardt Compression offers non-lubricated and lubricated Process Gas Compressors, horizontal and vertical. They are especially suited for high-pressure compression of hydrogen, hydrocarbon and corrosive gases.

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 more than 55 years of experience in building Hyper Compressors. These compressors are distinguished by a long operational life and high safety standards, which can be traced to their unique construction design and Burckhardt Compression's global one-stop service.

The most powerful compressor in the world, driven by a 27'500 kW (36'900 HP) electric motor and compressing 160 tons of ethylene per hour, was built by Burckhardt Compression in 2007. Burckhardt Compression is the world market leader for Hyper Compressors.

Standard High Pressure Compressors
Standard High Pressure Compressors from Burckhardt Compression are extremely robust and reliable reciprocating compressors with a compact design and low weight. They are delivered skid-mounted with structural supports that dampen vibrations, so there is no need for a special foundation. Due to the low-pressure conditions per compressor speed range, greater piston displacement can be achieved at lower compression temperatures. The result is high compression efficiency, low wear and less maintenance expense. The air-cooled compressors are used to compress air as well as gases such as hydrogen, nitrogen, helium, argon, natural gas and other non-corrosive gases and gas mixtures.

The Standard High Pressure Compressors are smaller than the other compressors in Burckhardt Compression's portfolio of reciprocating compressors, offering a maximum power of 220 kW and discharge pressure of up to 400 bar with suction volumes of up to 1'600 Nm^3/h.

SERVICE AND COMPONENTS BUSINESS

Burckhardt Compression's Components, Services & Support business area (CSS) is a reliable provider of a full range of services for reciprocating compressors. Various complementary service modules are offered for all reciprocating compressors. Original spare parts backed by Burckhardt Compression's manufacturing guarantees stand for superior quality and ensure both low life cycle costs as well as the optimal operation of compressor systems. In the services business, Burckhardt Compression also differentiates itself from other manufacturers and service providers through its comprehensive offering of in-house expertise. Our internal specialists for every technical field, supported by proprietary, advanced software tools which can be used to model, calculate and optimize reciprocating compressors made by other manufacturers as well, are very proficient in resolving even highly complex technical problems cost-effectively and efficiently. A highly motivated team carries out refurbishment 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.

Reliability, availability and cost-effectiveness are crucial for companies operating reciprocating compressors. Preventive maintenance and service using state-of-the-art diagnostic systems is necessary to optimize these three factors. High quality compressor components tailored to the system-specific requirements are equally important.

Compressor components such as valves or seals 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. Burckhardt Compression is steadfastly expanding its components activities. Together with its full range of services, this strategy offers promising potential for repeat orders from operators of reciprocating compressors.

Condition monitoring and diagnostic systems for reciprocating compressors are valuable instruments for enhancing operating safety and prolonging service intervals. Permanent machine diagnosis detects faults 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 reciprocating compressors as well as with many other types of rotating machines. They are equipped with globally leading technology and offer international corporations in the oil, gas and chemicals industry value for money and operational reliability day after day.

PRODUCT DEVELOPMENT AND INNOVATION

Systematic product development and management serves to strengthen our competitive position and optimally address new applications for reciprocating compressors by providing customer-oriented solutions. Burckhardt Compression's prime objective is to develop reciprocating compressors and components with the lowest life cycle costs and to extend its technology leadership in the market for reciprocating compressors. Quality, technology, materials and design specifications are all geared to provide high operational reliability, long 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 a number of 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 milestones in the stage-gate process must be presented to and accepted by the "Innovation Review Team", which is headed by the members of the Executive Board.

BURCKHARDT COMPRESSION BRAND

Burckhardt Compression and its umbrella brand Burckhardt stand for quality and worldwide leadership in innovative reciprocating compressor technology. The brand image is supported by technology that is distinguished by lowest life cycle costs, Burckhardt Compression's globally recognized specialists in the various technical fields with outstanding problem-solving competencies and an unyielding commitment to premium quality – be it in new compressor systems, compressor components or service and maintenance. Our collaboration with external and internal customers is dedicated, solutions-oriented and distinguished by genuine enthusiasm for our reciprocating compressors, which is plain to see in the execution of all our product solutions and services.

The umbrella brand Burckhardt and corresponding graphic mark in the form of the red-blue, stylized compressor valve plate have been internationally registered for many years. Burckhardt Compression's brand and patent attorneys will vigorously and steadfastly defend the company against any imitations, counterfeiting or patent infringements. There are clear rules governing the use of Burckhardt Compression brands and their perception is developed and promoted through active usage in our corporate and marketing communication activities.


PROCESS GAS COMPRESSOR

SWISS QUALITY
MODULE ASSEMBLY, SWITZERLAND

We are optimizing internal logistics processes through the “PULL@BCAG” efficiency improvement program. For Isaac Shardow, an employee in the module assembly department, this resulted in a more ergonomic workplace layout. The number of tools he uses and their condition were also examined and optimally arranged for the work he does.

RESPONSIBILITY

CAD PLANT DESIGN, ITALY

Matteo Donadoni works as plant designer in Italy. He is responsible for the planning and arrangement of all compressor system parts. Continuous development efforts and years of experience in a wide range of applications allow us to offer our customers the best technical solutions possible.


Burckhardt Compression
BOB
Burckhardt Compression

EXPERIENCE

FIELD SERVICE, CANADA

Our thorough understanding of customer needs and long years of experience make us a reliable partner. With more than 35 years of experience as a reciprocating compressor specialist in Canada, Bob Graham makes sure that custom-made compressor systems are installed to the full satisfaction of our customers.

PROBLEM SOLVER
PROCUREMENT, SWITZERLAND

Barbara Schneider works in Procurement. This department ensures a consistent supply of materials of the required quality. Choosing the right suppliers and maintaining good, close relationships with them is important for the optimal satisfaction of all our requirements.


Burckhardt
Compression

REVIEW OF THE FISCAL YEAR

FINANCIAL PERFORMANCE

Market trends remain positive

Burckhardt Compression Group profited from ongoing positive developments in its markets during the fiscal year 2014, despite the global economic uncertainties and geopolitical tension. Overall order intake was held at the high level reported in 2013. Compressor Systems (CS) took in fewer orders than in the previous fiscal year but order intake at the Components, Services and Support (CSS) business area was significantly higher. Consolidated sales showed renewed growth thanks to the CS business. Sales in the CSS business area were slightly below the level reported for the previous year. Operating profit margins were higher.

Full-year order intake surpasses the half-billion mark again

Burckhardt Compression's full-year order intake of CHF 514.1 mn (previous year CHF 517.1 mn) surpassed the CHF 500 million mark for the second time in the company's history. The CSS business made a significant contribution to overall order inflow as its order intake surged 21.2% from CHF 130.8 mn to CHF 158.5. This growth at CSS was primarily fueled by orders for spare parts. The CS business did not quite reach the level from the prior year, which, however, was very high. Its order intake declined by 7.9% to CHF 355.6 mn (CHF 386.3 mn) and this is mainly attributable to customer decisions to postpone several large projects.

Renewed sales growth thanks to Compressor Systems

At CHF 473.6 mn (plus 6.4%, plus 6.8% at constant exchange rates), Burckhardt Compression's sales hit another all-time high, beating the previous record high set in 2013. As in preceding years, sales were higher in the second half than in the first half due to the compressor systems delivery schedules set by our customers. Sales at the CSS business area were slightly lower at CHF 146.5 mn, down 3.7% from CHF 152.1 mn in the previous year. This is primarily because no major revamp and engineering orders had been placed during fiscal years 2013 and 2014. Consequently, the renewed increase in Group sales can be traced to the CS business area (plus 11.7% to CHF 327.1 mn).

Gross profit of CHF 152.8 mn surpassed the previous year's figure by 9.8% or CHF 13.6 mn and the resulting gross profit margin edged higher to 32.3% (31.3%). Both business areas held their gross profit margins above prior-year levels.

Selling, marketing and general administrative expenses increased by CHF 5.5 mn or 8.6% versus the previous year to CHF 69.3 mn due to the ongoing expansion of both business areas as we strive to better meet customer needs through a stronger market presence.

Operating profit above prior-year level

Operating profit of CHF 74.6 mn was 6.3% above the prior-year figure of CHF 70.2 mn. This amount includes significant foreign exchange losses of net CHF –6.4 mn mainly attributable to the negative static currency impact on various items in euro in the balance sheet. This negative impact is a direct consequence of the Swiss National Bank's decision to abandon the EUR/CHF exchange rate floor of CHF 1.20, as announced on January 15, 2015. On the other hand, a positive contribution of CHF 5.9 mn from the adjustment of defined benefit pension plan obligations had to be recognized in the income statement mainly as a result of the decision by the independent board of trustees to gradually adapt the conversion-rate. Net income was with 57.6 mn 6.9% above prior-year level which corresponds to a net income margin of 12.2% . Net income per share amounted to CHF 16.93 (previous year CHF 15.87).

With sales of 473.6 mn Burckhardt Compression reached an all-time high.

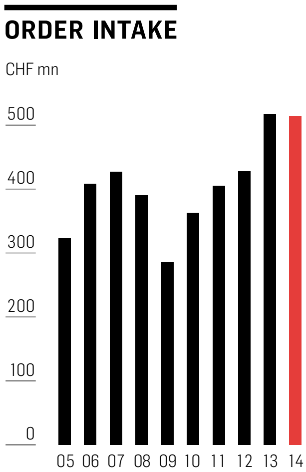
Impact of exchange rates and oil prices

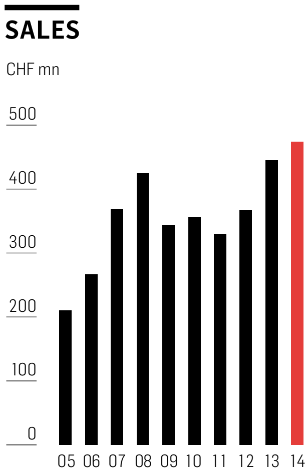
The additional measures Burckhardt Compression has taken since the euro crisis of 2011, which range from productivity improvements to increased sourcing from euro and dollar regions, have proven their value in the current environment. Already today, about 50% of Burckhardt Compression Group's total operating expenses are no longer incurred in Swiss francs. Competing companies from the euro area might have a cost advantage in the short term but past experience has shown that Burckhardt Compression is capable of offsetting such disadvantages over a medium-term horizon. Burckhardt Compression's solutions, products and services offer customers tangible value added in addition to the lowest possible life cycle costs. The new assemblies under construction in South Korea and the US and the further expansion of local services and components operations will reduce the company's exposure to exchange-rate fluctuations even further. Switzerland will still remain vital to the company as a manufacturing base.

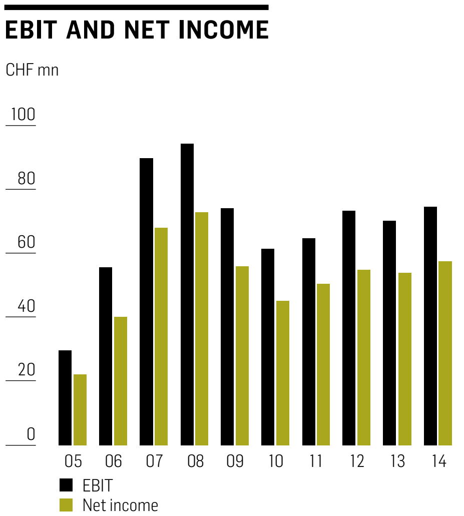
The currently low oil price has a limited impact on Burckhardt Compression's business because few of the applications it offers are directly related to oil extraction. In the oil and gas production industry, projects designed to improve oil recovery rates have been postponed due to the reduced cost benefit. Conversely, in the natural gas production and processing industry, there has been little inclination to scale back projects. Business activity also remains high in the gas transport and storage segment. New environmental regulations are encouraging the use of natural gas as a source of energy. In recent years natural gas has been substituted for crude oil as an energy source or raw input material in numerous areas. In the petrochemical/chemical industry, LDPE production projects have admittedly passed their cyclical peak but new production facilities are still being planned thanks to the low costs of energy and raw materials.

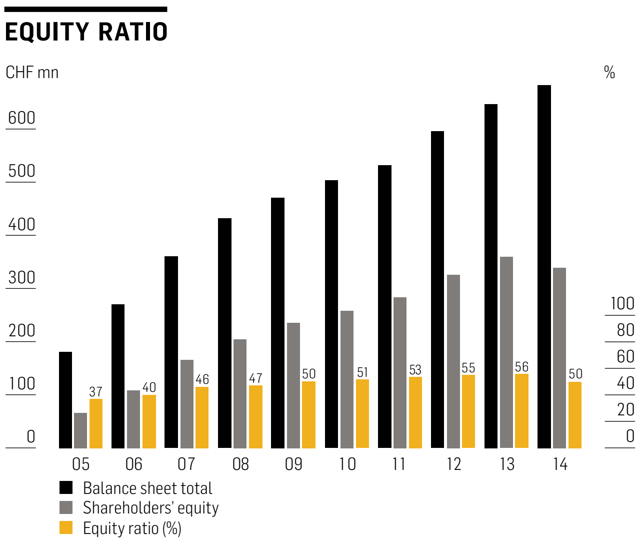
Solid balance sheet
Total assets on the balance sheet rose by 5.5% to CHF 681.4 mn in fiscal year 2014. The negative adjustment of defined benefit plan obligations to be recognized within the group's consolidated equity amounted to CHF 36.5 mn (net of taxes) in the wake of a significantly lower discount rate. As a result of this negative effect, total equity declined by CHF 19.9 mn during the year under review, which, together with the increase in non-current assets and working capital, led to a lower equity ratio of 49.7% (previous year 55.5%). Expansion projects in several countries, higher working capital and the increase in the dividend resulted in a 8.7% decline in the net financial position to CHF 151.3 mn (previous year CHF 165.8 mn).

Workforce expanded to accommodate strong growth
The number of employees rose by 153 or 12.4% to 1'385 full-time equivalents during the reporting year. About two-thirds of the new jobs were created abroad with the objective of further expanding the local services and components business as well as local manufacturing activities. The remaining jobs were created in Winterthur, primarily to increase production capacity. At the end of March 2015, 716 employees (52%) were based in Switzerland, 338 (24%) in BRIC countries and 331 (24%) in other countries.









MARKETS

Orders for new compressor systems consolidate at high level

After surging last year, incoming order volumes consolidated at a high level that was only slightly below the figure from the previous year. Gas transport and storage business clearly profited from the upward market trends and the investments we have made in new products over the past several years. Demand in the petrochemical segment was weaker in China but sharply higher in North America. Incoming orders amounted to CHF 355.6 mn, 7.9% less than in the previous fiscal year.

Burckhardt Compression solutions are mainly designed for the following application areas:

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

Fiscal year 2014 was distinguished by a variety of global events and developments:

– A strengthening US economy, thanks to low operating costs for the petrochemical industry in connection with shale oil and gas production.
– A slowdown in China's growth, mainly caused by the increase in the country's energy and raw materials costs relative to the US and the weakness in product prices (prices for polyolefins are tightly correlated with oil prices). China is also trying hard to boost the production of domestically manufactured products.
– The ongoing efforts of several countries in the Middle East to transition from being a pure supplier of commodity products to a manufacturer of products with higher value added.
– The swift build-up of infrastructure around the world for non-pipeline natural gas transportation.

These basic trends gave a boost to new applications in the gas transport and storage segment and led to a substantial shift in the regional breakdown of our petrochemical applications.

Upstream oil & gas

In some enhanced oil recovery techniques, unwanted gas flowing up through well tubing and gases that arise during the processing of crude oil but that cannot be productively used is re-injected underground. Declining oil fields where oil and gas deposits are difficult to extract can be exploited much more effectively using these techniques. Thanks to its extensive experience in handling demanding gases under high pressure, Burckhardt Compression offers customers substantial value added in these application areas.

While low oil prices represent a temporary setback for applications required in the refinement of Canadian tar sands oil, we are involved in a number of EOR projects and other projects for environmentally safe utilization of demanding gases in the Middle East.

The only segment where Burckhardt Compression was affected by low oil prices was in upstream oil & gas.

Gas transport and storage

The market for natural gas as an inexpensive and clean source of energy was divided along regional or continental lines until just a few short years ago because of the inability to transport large volumes of natural gas by tanker through shipping lanes. That is changing with the buildup of infrastructure for liquefying, transporting and storing natural gas (LNG). Nevertheless, the price differences between the continents are still considerable. The average price of natural gas in Japan is 7 to 8 times higher than in the US and in Europe gas is 4 to 5 times more expensive than in the US. That offers some potential for price equalization once sufficient transport infrastructure is in place. For these one requires LNG export and receiving terminals as well as LNG carriers with cryogenic storage tanks that can store LNG at atmospheric pressure and at –160 °C (–250 °F).

LNG accounts for more than 40% of all natural gas volumes traded worldwide today and this share is rapidly increasing. Transportation capacities from the United States Gulf Coast to Asia via the Panama Canal are expanding significantly as a result of the projected doubling of the canal's capacity by 2016. The main target markets are China, Japan, Korea and, increasingly (taking the direct route across the Atlantic), Europe. In addition to the US, Middle Eastern countries are significantly expanding their LNG export capacities.

In the reporting year, Burckhardt Compression sold compressors for LNG receiving terminals in the US – and, for the first time, for an export terminal too – as alternatives to the turbine compressors that have tended to be the first choice in that country until now. LNG tankers are increasingly using boil-off gas (BOG) for propulsion. The first module for dual-fuel ship engines sold in fiscal year 2013 was delivered to the shipyard in the course of the past fiscal year. Modules of this type, which are based on Laby®-GI Compressors, inject boil-off gas directly into the diesel engine of LNG tankers, enabling the use of greener natural gas or heavy fuel oil to power ships. Tougher environmental regulations are boosting demand for new propulsion solutions of this kind. Further deliveries of pre-ordered modules are to follow by the end of 2015. This technology makes economic and environmental sense. Burckhardt Compression has partnered with ship builders to develop solutions that allow BOG to be injected directly into a ship's engine as fuel or re-liquefied for storage. The reporting year saw highly satisfactory growth in this business, notably in Korea. The technology we have developed in recent years coupled with our long-standing experience in the use of reciprocating compressors in ships gives us an excellent position in the marketplace.

For the first time we sold compressors for a LNG export terminal.

Global use of LNG as a high-energy clean fuel for truck, rail and inland ship transportation is on the rise, creating a new sustainable market for Burckhardt Compression in which our technology and expertise give us significant competitive edge.

Petrochemical/Chemical industry
Petrochemical investment activity in China slackened considerably in the reporting year, with a marked downturn in orders for new LDPE systems. This noticeable reticence is attributable to the competitive disadvantage of Chinese plants versus those in the USA and Middle East, relatively high raw material costs and a global decline in product prices.

Conversely, low prices in the USA have resulted in the planning and construction of several large plants with capacities of 400'000 to 600'000 tons per year. In addition to American companies, multinational corporations from Brazil, Taiwan and China are also investing in new production assets.

Investments to build up a petrochemicals industry in the Middle East continued during the reporting year, especially in Saudi Arabia.

The reporting year was highlighted by two orders for Hyper Compressors for low density polyethylene production, which confirms our leading position in the LDPE business.

Refinery
New extraction methods and ever stricter environmental regulations for gasoline and diesel pose various challenges with regard to refining capacity and quality, and these challenges also vary depending on the region. In the US sour shale oil and tar sand oil are increasingly displacing sour crude imports from Venezuela, and even some sweet crude imported from the Middle East and Alaska. Many US refineries are still operating with technology from the 1970s, so the need for upgrades is immense. In China the focus is on further capacity expansion to meet its fast growing domestic demand. Additional capacity is also being built in Southeast Asia, the Middle East and Russia with the aim of capturing a greater share of value creation across the entire process chain for the respective national oil companies.

Increasing demand for clean fuel is leading to increasing demand for hydrogen. The required production assets are either being built by the refineries themselves or sourced from industrial gas suppliers.

Burckhardt Compression was able to further expand its position in North America during the year under review. We are building a new manufacturing plant for API 618 Process Gas Compressors in Houston that should be completed in 2015 and, as a US-based manufacturer, we expect to further strengthen our presence in this market.

In China, virtually all refineries source domestic reciprocating compressor manufacturers.

Burckhardt Compression sold a number of compressors to North America and Russia in the reporting year for hydrocracking/hydrotreating applications in the refinery business. These applications involve compressing hydrogen to end pressures of up to 200 bar, typically using Process Gas Compressors in the upper performance range.

Burckhardt Compression hence maintained its very good position in catalytic cracking and fuel desulfurization applications in a highly competitive market.

Industrial gases
While large-volume air separation plants use rotating compressors to produce industrial oxygen, smaller plants use reciprocating compressors. For cost reasons, these are supplied as fully operational, skid-mounted standard packages with all the necessary peripherals.

In the reporting year, Burckhardt Compression achieved considerable success with products manufactured in India (Standard High Pressure Compressors and Laby® Standard Packages) in a competitive environment. These products in combination with our high global quality standard enable us to consolidate our good position in the marketplace.

Service and components business
We optimized the customer acquisition process in our service and components business in the reporting year and aligned our global organization more closely to this end. Our constantly growing customer base is prompting us to continue expanding our presence in the most economically and strategically important regions. We are replacing agents with our own locally based sales experts, for example in Poland and Hungary in the reporting year. To continue meeting market needs now and in future, the Burckhardt Education Campus provides training and continuing professional education for our service engineers and salespeople.

The reporting year saw the launch of a new brand called Redura®, Burckhardt Compression's extensive product line comprising rings and packings for reciprocating compressors made by any manufacturer in the market. The line includes standard rings and sealing systems in addition to custom-made, in-house developed, patented products. Redura® stands for reliable, durable and advanced sealing elements. Based on a heterogeneous combination of various ring types, Redura® sealing systems provide optimal sealing performance and maximum operating lifetime.

With Redura® we offer an extensive product line for optimal sealing performance and maximum lifetime.

In the equipment monitoring and diagnostics business, order intake for diagnostic services increased significantly. Newly developed and launched consulting services attracted new customers. A strategic acquisition added new technologies and expanded the product portfolio and customer base in the rotating machines segment, an important market for Burckhardt Compression alongside the reciprocating compressor business. PROGNOST Systems will now be able to offer a broader product and service portfolio to the chemical industry in particular while further consolidating its market and technology leadership. This acquisition is an important step on the way to successful expansion of our market position as a systems provider for all types of rotating machines. As a result of geopolitical and economic trends in the course of the reporting year, order intake in core markets fell short of the previous year's high levels.

CAPACITY

In September 2014 Burckhardt Compression began constructing an additional manufacturing hall with total floor space of about 2'500 m^2 (27'000 sqft) that should be ready for use by July 2015. This will enable us to centralize all local manufacturing activities at company headquarters, thus making the lease of external site obsolete. Production capacity in Winterthur, Pune and Shanghai continued to be modernized and expanded with top-of-the-line manufacturing equipment.

ACQUISITIONS

In December Burckhardt Compression acquired the French sliding bearing manufacturer SAMR Société d'Application du Métal Rouge © SAS. SAMR is located southeast of Paris and is internationally active as a developer and manufacturer of premium sliding bearings for reciprocating compressors, turbo compressors, turbines, combustion engines, gears and pumps. The transaction marks another step forward in the implementation of its strategy to offer customers comprehensive, flexible services and high-quality, advanced technology compressor components to ensure the longest operational lifetimes and lowest life cycle costs for their reciprocating compressors.

In June our subsidiary PROGNOST Systems GmbH purchased Monitoring Technology LLC in Fairfax, Virginia, as well as part of its "Espresso" vibration monitoring business and related technology. The "Espresso" monitoring system is used in the petrochemical, cement and paper industries and offers a wide range of specialized frequency analysis and automated diagnosis tools. PROGNOST Systems GmbH is a leading supplier of condition monitoring and diagnostics systems and services and this acquisition represents an ideal addition to its current portfolio of activities.

RESEARCH & DEVELOPMENT

Standardization of LPGM compressors
The entire line of compressors used primarily aboard ships to reliquefy liquid hydrocarbons that have evaporated during transport was standardized and integrated into the latest construction designs and concepts.

Expansion of development test stand
An additional compressor was added to the development test stand in Winterthur. This broadens the range of tests that can be run, especially in the development of sealing systems and mechatronic solutions.

Positive results with stepless flow control system
We gathered further data from our stepless flow control project for reciprocating compressors over the past year, also during operation with new compressor systems, and optimized the service software for configuring and installing the system for the customer deployment.

BRAND MANAGEMENT

Burckhardt Compression continuously strives to hone and strengthen the "Burckhardt Compression" brand's position internationally. Our corporate identity and long-term brand strategy communicates the organization's values and principles and identifies Burckhardt Compression as a unique long-term partner with a strong Swiss tradition.

We launched our new brand movie in the reporting year on the company's YouTube channel. The high-paced three-minute clip highlights the company's service ethos, technology leadership and brand promise, "Compressors for a Lifetime™."

Following the launch of the new "Redura®" (for reliable, durable, advanced) product line brand, Burckhardt Compression now offers leading-edge technology solutions in the field of compressor components for piston and piston rod sealing systems.

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 all the right conditions to preserve and continue the company's more than 170-year tradition of success. This can only be achieved if a balance is found between the different and sometimes opposing interests of the individual stakeholders.

We are committed to transparency. Only by knowing exactly where things stand can appropriate goals be set and the right measures initiated to achieve them. Regular management reviews and appropriate controlling instruments ensure that we achieve the goals we set. Burckhardt Compression's sustainability credentials are evaluated by an external specialist on a regular basis. At the last assessment in 2012 we achieved our goal of exceeding the average rating for a selected group of comparable Swiss companies. The next assessment and renewal of the credential will take place in June 2015.

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.

Investors
We maintain an open and transparent dialogue 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 stock. Our Investor Relations are evaluated by independent firms and receive consistently very good ratings considering the size of our company.

The leading Swiss business newspaper "Finanz und Wirtschaft" gives us an A- rating (A being the highest rating) for Investor Relations and transparency.

In the annual ranking of annual reports conducted by HarbourClub and the business magazine "Bilanz" our 2013 annual report maintained its very high ranking of 24 (out of a total of 234 companies) in the category Value Reporting (Print).

In the annual Obermatt rankings, an independent methodology used to measure the performance of listed companies, Burckhardt Compression was one of the top 3 "Gold winners" in Obermatt's "combined performance ranking" of mid-cap companies. In this assessment, operating performance (profit growth), growth performance (sales/income) and investment performance (share price return) are indexed and measured relative to peers.

zRating ranked our Group 97 (previous year 76) out of the 150 Swiss companies surveyed in its 2014 corporate governance ranking. Given the fact that we do not intend to remove the restrictions on shareholder voting rights, this ranking is not likely to improve.

In March 2015 the shares of Burckhardt Compression Holding were added to the SPI Select Dividend 20 Index.

Burckhardt Compression Holding AG shares were added to the SPI Select Dividend 20 Index in March 2015. This index comprises 20 of the more than 200 stocks in the SPI that boast the highest dividend yields, stable dividend track records and solid profitability. To be admitted to the index companies must have also paid out a dividend in at least four of the past five fiscal years. Return on capital (ROC) is also measured to screen out the highest-yielding stocks with sustainable profitability levels. ABB, Nestlé, Swisscom and Roche are among the companies that have been admitted to this index. Admission to this index confirms Burckhardt Compression's attractive positioning in the capital market.

Customers
Burckhardt Compression seeks long-term customer relations. Our compressors are in operation on average for 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 our compressors. Our longest customer relationship, which still exists today, 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. The evaluation of customer satisfaction is discussed in customer satisfaction and operation meetings, which are integrated into the management process. Appropriate measures are then introduced and implemented based on the results of the evaluation.

Competition

Lower life cycle costs distinguish us from our competitors in our sales markets. The investment required for our products is offset against significantly lower operating expenses over the entire product life cycle.

We are committed to fair competition, in which there is no room for price fixing, cartels or other activities that distort competition. We value our corporate and business know-how, especially our technical and commercial know-how, and are constantly safeguarding it against loss or unauthorized access.

Suppliers

A well-functioning supply chain ensures our continual product development and manufacturing activities. Burckhardt Compression buys its products from various global and regional suppliers. We cooperate closely with them as early as the development stage and aspire to establish long-lasting partnerships. We continuously apply the principles set out in the "BC Code" (Burckhardt Compression's Code of Conduct) in our dealings with our suppliers. We systematically test their suitability and annually assess their performance by means of visits and audits, and by measuring key performance indicators.

The topic of procurement is an integral part of Burckhardt Compression's management cycle. Those responsible for procurement report regularly on key changes. Decisions are made together with management to ensure a smooth-running supply chain. Every year, we reward the best suppliers in the various categories, to encourage them to achieve even more.

Process improvement

The quest for continuous improvement by Burckhardt Compression's executives and employees forms the foundation on which the company is based. Operational progress, which is reflected in above-average profitability, is fostered on the one hand by a structured improvement and sustainability process for employees and executives and, on the other, through systematic application of operating methods and procedures. We consider our successful, constructive approach to interfaces, where the greatest potential for improvement can usually be found, as one of our company's core capabilities.

Every year, the personal objectives of our executives and employees include implementing continuous improvement projects. These projects are implemented using methods developed by Burckhardt Compression and evaluated by its executives. Burckhardt Compression also works 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.

Future investment spending

Over the past five years Burckhardt Compression has invested CHF 82.9 mn. Substantial investments were made for the extention of the production capacity as well as for productivity improvements. Furthermore, investments in new subsidiaries with Service Centers were made.

Investments in plant and equipment (excl. real estate) for the current mid-term plan period (2012–2016) are at a similar level as in preceding years and they are concentrated in the following four areas:

- Buildup of compressor assembly facilities in South Korea and the US and an extension in China;
- further expansion of the global service network;
- efficiency gains and the gradual replacement of machinery at the Winterthur and Pune sites;
- purchase/updating of software and IT infrastructure as part of the ongoing globalization of the company's business processes.

Value-oriented management

We measure the value added we generate for shareholders in two ways:

- Market capitalization as a percentage of equity;
- change in earnings per share.

Market cap divided by shareholder equity at the end of the reporting year resulted in a quotient of 3.8 (previous year 4.4). This clearly shows that we create substantial value for our shareholders with the equity. Net income per share increased to CHF 16.93 (prior year level CHF 15.87). We expect EPS to increase in the current fiscal year.

With a high market cap/equity ratio we create substantial value for our shareholders.

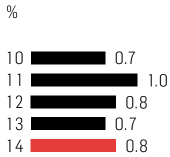
Except for the two aforementioned transactions, Burckhardt Compression did not make any new acquisitions in the year under review. Various other candidates were screened but none of the potential targets met our three specific criteria: 1) The acquired activities must be a good strategic fit for our 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 one of the world's leading manufacturers 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 existing planning and management process.
The Executive Board's assessment of risks is discussed with the Audit Committee twice a year. We distinguish between two categories of risk:

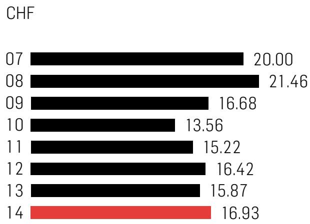
1. Internal: Risks that Burckhardt Compression can directly influence.
2. External: Risks over which Burckhardt Compression has little or no influence.

The objectives of our risk management activities are:
– to systematically detect special risks;
– to establish processes for monitoring, reducing and, in a best case, preventing risks;
– achieve a good balance between risks and rewards for our business.

EFFECTIVE WARRANTY COSTS AS A PERCENTAGE OF TURNOVER



NET INCOME PER SHARE



SOCIAL SUSTAINABILITY

Corporate culture

"We believe that a well-founded and sound corporate culture is a key factor, if not the original source, of a company's competitiveness. The reputation that precedes our company, and the trust bestowed upon us, depend to a great extent on the integrity and conduct of each and every one of us. A fair and careful balance in our dealings with others – be it with customers, suppliers, co-workers, shareholders or other business partners – is just as important as the sustainable conduct of our business." (Extract from the "BC Code")

All employees are taught the values set out in our global Code of Conduct, the "BC Code." This helps us ensure that all employees are familiar with our corporate culture and act in accordance with our beliefs and values. Our executives in particular are expected to set an example, also when it comes to corporate culture, in their daily work.

The BC Code was written in 2001 and is currently under revision. Our corporate values and rules of conduct are being updated to reflect current standards and requirements with the objective of helping all employees overcome current and future challenges in the performance of their duties.

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 a sustainable HR policy. We actively promote the right balance of employees in regard to gender and age. Loyalty and the ability to identify with the company are confirmed by the fact that the average employee has been with the company for nine years.

We participate in the largest national survey of employees on a regular basis with the twin objective of gathering input for further improvement and verifying the results of past measures.

We have a responsibility to ensure the expertise of our employees and promote knowledge transfer. Our systematic orientation programs ensure that new employees 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 also financed by Burckhardt Compression. We have developed a modular Corporate Training Program with various focus areas to enhance employee skills and abilities and to ensure that we maintain our technology leadership. Training courses are organized for the entire Burckhardt Compression Group twice a year.

Burckhardt Compression conducts an annual appraisal and performance review of each employee suited to the particular level of hierarchy, comprising personal development goals and suggestions for continuous improvement. Part of this system involves reviews as to the status of individual objectives, and corresponding measures. Women make up 12.1% of our global work force (13.0% in the previous year) and we aim to raise this percentage to 15% over the coming years. A woman has occupied a seat on the Board of Directors since the Annual General Meeting in 2012, which elected Dr. Monika Krüsi to the Board. 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.

Our employees are regularly informed about the course of business and other corporate developments by their superiors, Burckhardt Compression employees in Switzerland every quarter by the CEO himself. Additional information is provided through the employee magazine BC-Xpress, which is written by employees for employees and distributed worldwide. These efforts are one reason why Burckhardt Compression has a low employee turnover ratio of 4.41% (4.98% in the previous year).

Promoting new talent and career development

We actively promote and support new talent at all levels. We are committed to the Swiss system of apprentice training. There are currently 52 apprentices in Switzerland and 10 in India receiving vocational training in seven 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. Apprentices with a good performance record are generally retained by Burckhardt Compression upon completion of their apprenticeship. Burckhardt Compression spends annually about CHF 1.1 mn for apprenticeship training programs (cash out). Vacant job positions at all levels will also be advertised internally. External and internal candidates 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 fill various management vacancies with internal candidates, as in previous years. 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.

Occupational health & safety

Safety at work is very important to Burckhardt Compression. We believe it is important that all employees are informed of the risks involved in their work and aware of the accident prevention measures. Regular training is provided on the topic of safety at work. Work safety audits and safety inspections are carried out annually by external professionals and the findings are implemented accordingly.

After recording an increase in the number of working days lost due to work-related accidents in Winterthur to 378 during the period from 2008 to 2010 we launched an initiative comprising various measures at the beginning of 2011 with the objective of at least halving the number of lost working days due to workplace accidents. In fiscal year 2013 this goal was exceeded as the number of lost working days dropped to 152 but it rose back up to 287 days during the year under review. This is primarily attributable to the prolonged absence of two employees.

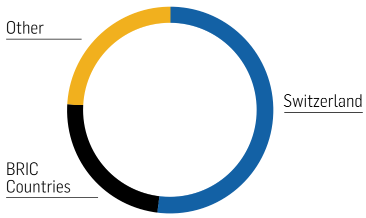
The health and general well-being of our employees are important to us. Physical and mental health are closely linked to performance. An extensive range of physical activities, preventative measures and measures on specific topics help improve employee satisfaction, health and motivation, and reduce absences. We have systematically reduced the average number of working days lost because of illness in recent years. In the year under review the average number of days off per employee was 7.1 (7.9 in the previous year). Our aim is to bring this down to less than 6.0 days. Measures have been introduced to help us achieve this goal.

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 presided over the Swiss Employer's Association (honorary office) for four years and the CEO is the honorary chair of the Chamber of Commerce Switzerland-CIS/Georgia. To strengthen local social networks, we run programs at the locations of our biggest companies in Switzerland and India that support local social and cultural projects. In doing so, we specifically encourage our employees to become personally involved in such projects.

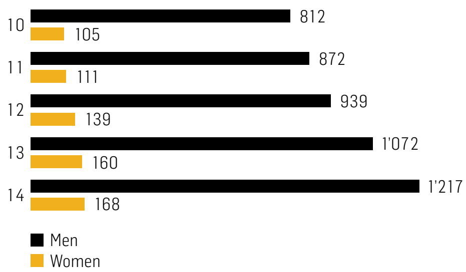
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2014
100% = 1'385

Employees (full-time equivalents)



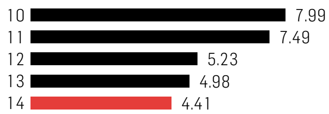
GLOBAL WORKFORCE BY GENDER

Employees (full-time equivalents)



EMPLOYEE TURNOVER RATIO

%



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." ("BC Code").

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. 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.

Environmental protection starts with product design and development.

Lower life cycle costs distinguish Burckhardt Compression from the competition in its markets. We make a conscious effort to lengthen service intervals. We set great store by this when developing our compressors and we use compressor components – wherever possible, from our own product portfolio – to optimize maintenance cycles. "Compressors for a Lifetime™" is not just a saying but a philosophy we live by. Around 75% of the compressors we have manufactured since 1883 are still in use.

Products

Highly functional products enable our compressor systems to run optimally. The following newly developed products and solutions promise to offer customers greater benefits while improving our environmental footprint:

- Laby®-GI compressors: Designed by MAN Diesel, the ME-GI diesel propulsion system for LNG tankers can also run on environmentally friendly natural gas. 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 ME-GI diesel propulsion system for LNG carriers significantly reduces CO_2 and SO_X emissions when powered by natural gas. In fiscal year 2014 we received several more orders for this application.
- Process Gas Compressors API 618: These compressors are used specifically in industrial processes for the desulphurization of fuels. More orders for compressors in the extended product range were received during fiscal year 2014.
- PROGNOST®-SILver: Systems for monitoring and diagnosing the condition of reciprocating compressors are key tools for increasing operational safety, lengthening service intervals and preventing fault events.

Procurement

We draw on the experience of our suppliers to help us continuously improve our products. Much of the value creation is performed by them. Therefore, we place the same high demands on them as we do on ourselves. They are integrated into our environmental and quality policies. Checks are made on site or when goods arrive to ensure adherence to specifications and 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 are optimizing internal logistics processes and transportation through our "PULL@BCAG" improvement 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

To handle the increased order intake, additional space had to be rented. At the same time we changed the production on multi-shift operation. Both actions led to significantly higher power consumption.

The energy needed to heat the offices and production areas in Winterthur comes from the heat generated by a neighboring waste incineration plant. During conversions of company premises acquired in 2009 in Winterthur, we put great emphasis on environmental protection and energy efficiency.

Over the last few years our machine tool equipment has been gradually renewed. The new machinery is much more powerful yet uses much less energy. During the construction of the additional assembly hall in Winterthur we put great emphasis on environmental protection and energy efficiency. For example, the waste heat generated in the painting shop and the test bed is captured and stored by the hall ceiling. The stored heat can be returned directly into the floor heating system. This solution reduces the need for district heating by up to 60%.

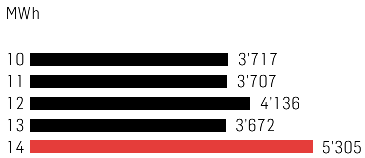
Both the ventilation and drying system in the painting shop also have their own integrated heat recovery system. These heat exchangers provide 77% of the heat required by the cabins.

Furthermore, the new hall is equipped with the latest LED technology. The brighter the day, the more the lamps dim automatically until switching off. The lamps consume 60% less energy than conventional lamps. Due to the increased lifetime of 50'000 hours, the cost-intensive replacement of the lamps has also been reduced to a minimum.
We assume that power consumption will be reduced again with the new assembly hall and the associated space consolidation in the current fiscal year. Relative to the number of hours worked, our electricity consumption is at the low level recorded in 2010.

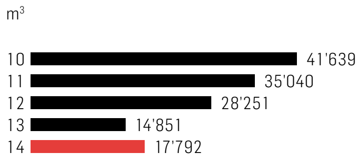
Recycling and waste disposal

We dispose of our waste in such a way that as much as possible is recycled. Internal collection points ensure that employees sort and dispose of waste in the correct manner. By implementing such measures, most of our waste can be recycled. The rest is sent to the neighboring waste incineration plant, where district heating is generated for warm water and room heating. Specialized companies are hired to recycle certain materials (e.g. metals), in order to ensure the materials are recycled in the most appropriate and environmentally friendly manner. Launched with an external consultant in the reporting year, the disposal concept involves an even more consistent separation of waste. Concrete results will be shown in the current financial year. The higher order intake, the multi-shift operation and the additional rented space led to an increase in water consumption and waste materials in the reporting year.

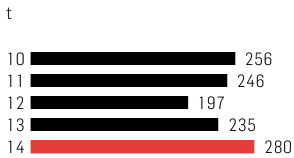
ELECTRICITY CONSUMPTION



WATER CONSUMPTION



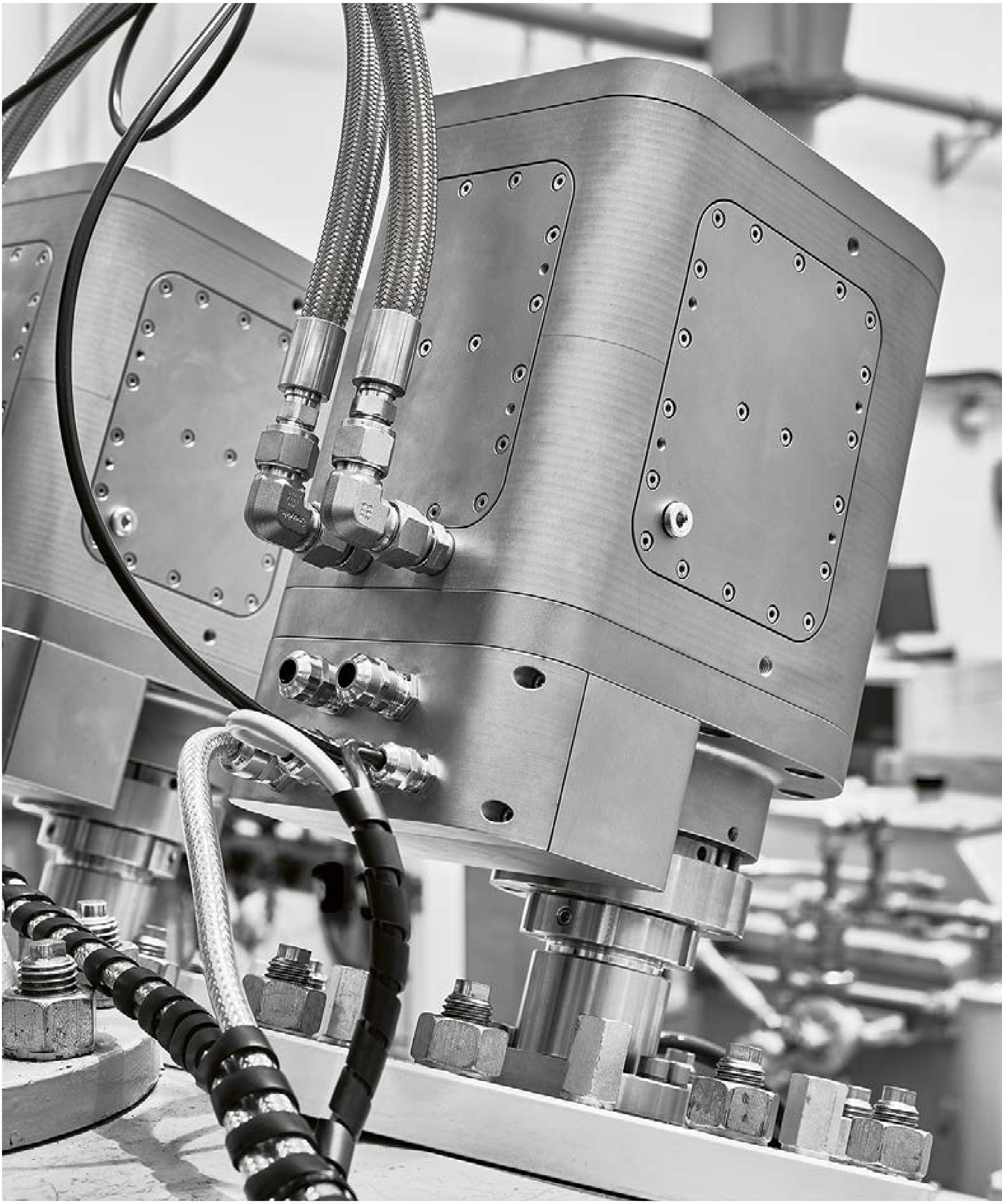
WASTE



INNOVATION

RESEARCH & DEVELOPMENT, SWITZERLAND

Systematic product development strengthens our competitive position. Growing demand for solutions that reduce the energy consumption and emissions of reciprocating compressors operating at partial load led us to develop a mechatronic system that offers advanced power control and maximum energy savings.

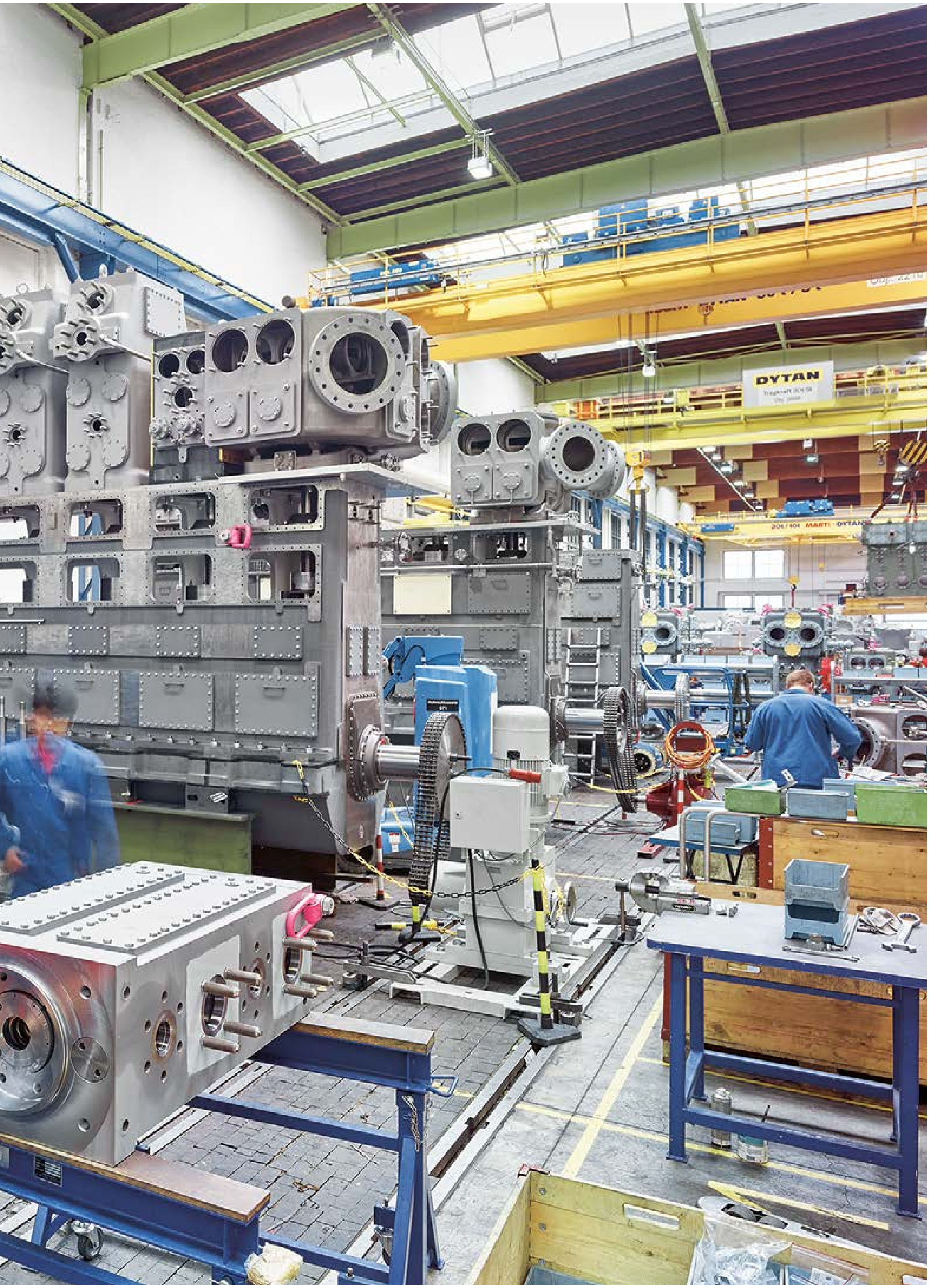


RELIABILITY

MANUFACTURING, SWITZERLAND

Efficient machining of top-quality compressor components is a demanding task and that is why almost all of our component production lines use modern CNC machining centers. These multifunctional machines combine several steps in one operation, thus enabling a reduction of throughput time and an increase in dimensional stability.

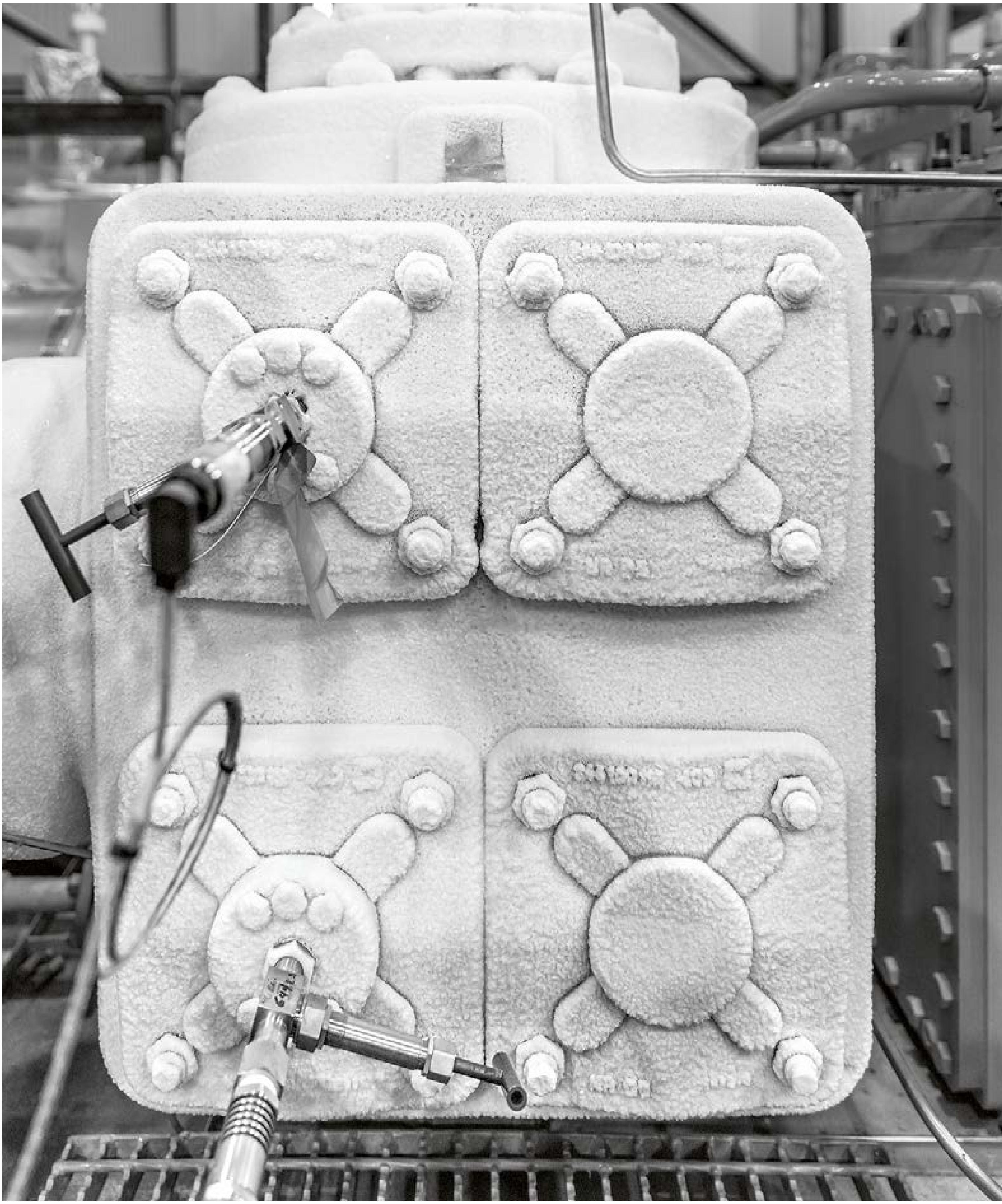

MULTUS B400II


DYTAN

SAFETY

LNG RECEIVING TERMINAL, CANADA

These terminals receive liquid gas at temperatures as low as –160 °C (–250 °F). Laby® Compressors are used to reliquefy the gas vapors because their compressor cylinders are non-lubricated. Thanks to the design without piston rings and gas-tight casing, these compressors offer the highest availability, maximum operating safety and minimal gas leakage.



RELIABILITY AND ENDURANCE

REDURA® COMPRESSOR COMPONENTS

The Redura® product line consists of rings and packings for reciprocating compressors. These reliable, robust sealing elements were developed and designed in-house and are patent-protected. The heterogeneous combination of different ring types Redura® sealing systems ensure an ideal sealing performance and maximum service life.


SUPRA PLUS 4000 KG
SUPRA PLUS

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.

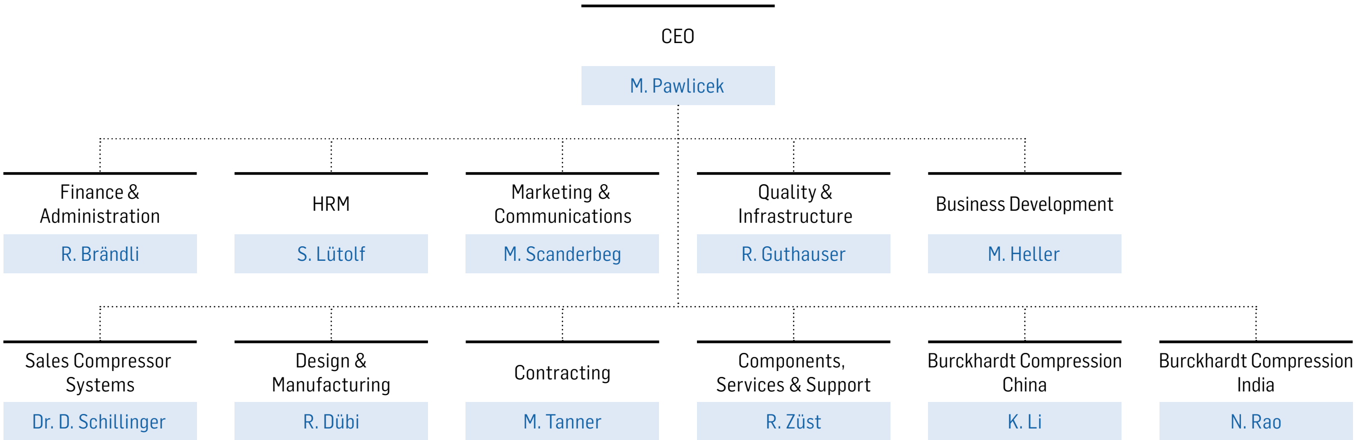
This report is structured in accordance with the DCG's outline and numbering. Unless otherwise noted, the information presented reflects the situation on March 31, 2015.

1. GROUP STRUCTURE AND SHAREHOLDERS

1.1. Group structure

1.1.1. Management structure

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 Stock Exchange in Zurich (ISN: CH0025536027; security number 002553602). Its market capitalization as per March 31, 2015 amounted to CHF 1'276'700'000.

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 under the section "Investments as per March 31, 2015."

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 following shareholders reported shareholdings of at least 3% of the voting rights as per March 31, 2015. In accordance with the company's Bylaws, the voting rights of ING Groep N.V., TIAA-CREF Investment Management and Mondrian Investment Partners are limited in each case to 5% of the total number of BCHN registered shares recorded in the commercial register:

Name	Country	% of shares
MBO Aktionärsgruppe	CH	12.4
ING Groep N.V.	NL	6.2
TIAA-CREF Investment Management	US	5.4
Mondrian Investment Partners	UK	5.0
Allianz SE	DE	5.0
J O Hambro Capital Management Limited	UK	3.7
Ameriprise Financial Inc.	US	3.2
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 (http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.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 2, 2015 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 shall 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 subscription rights have been granted but not exercised will be allotted by the Board of Directors at its own discretion. Apart from the above, Burckhardt Compression Holding AG has no other authorized and/or conditional share capital.

2.3. Changes in capital

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

2.4. Shares and participation certificates

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

2.5. Dividend-right certificates

The company has not issued any dividend-right certificates.

2.6. Limitations on transferability and nominee registrations

No person will be registered in the Share Register as shareholder with voting rights with respect to more than 5% of the issued share capital. This entry restriction is also applicable to persons whose shares are totally or partly held 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 two percent of the issued shares will be entered in the Share Register with voting rights without having signed 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 rights. Above this two percent cap, the Board of Directors may have Nominees entered in the Share Register with voting rights if they disclose the names, addresses, nationalities and shareholdings of the persons for whom they hold more than two percent of the issued share capital. As of March 31, 2015, one nominee holding 20'197 shares had signed such a declaration; all shares held by this Nominee have been entered in the Share Register with full voting rights.

2.7. Convertible bonds and options

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

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

3. BOARD OF DIRECTORS

3.1. Members and
3.2. Other activities and commitments

The Bylaws stipulate that the Board of Directors consists of a minimum of three and a maximum of seven members. At present, the composition of the Board of Directors is as follows:

Name	Nationality	Function	First elected	Term expires
Valentin Vogt	CH	Chairman, non-executive, Chairman SC	2002	2015
Hans Hess	CH	Deputy Chairman, non-executive, Chairman NCC	2006	2015
Dr. Monika Krüsi	CH/IT	Member, non-executive, member SC, member AC	2012	2015
Urs Leinhäuser	CH	Member, non-executive, Chairman AC	2007	2015
Dr. Stephan Bross	DE	Member, non-executive, member NCC[1]	2014	2015

[1] as of July 4, 2014 (AGM 2014)

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.

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 Division, 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
– Board member, Bucher Industries AG, Switzerland
– Board member, Kistler Holding AG, Switzerland
– Board member, Ernst Göhner Foundation Investment AG, Switzerland
– Chairman of the Swiss Employers' Confederation, Switzerland
– Member of Executive Committee of economiesuisse, Switzerland
– Member of the Economic Advisory Board, Swiss National Bank

HANS HESS (1955)

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

Professional background
Since 2006 self-employed, Hanesco AG, Switzerland
1996–2005 Delegate of the Board of Directors and CEO, Leica Geosystems AG, Switzerland
1993–1996 President, Leica Optronics Group, Switzerland
1989–1993 Vice President, Leica Microscopy Group, Switzerland
1983–1988 Head of Polyurethane Division, Huber & Suhner AG, Switzerland
1981–1983 Development Engineer, Sulzer AG, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG
– Deputy Chairman of the Board of Directors
– Chairman of the Nomination and Compensation Committee

Other activities and commitments
– Chairman of the Board, COMET Holding AG, Switzerland
– Chairman of the Board, Reichle & DeMassari AG, Switzerland
– Board member, Kaba AG, Switzerland
– Chairman Swissmem, Switzerland
– Vice President, economiesuisse, Switzerland
– Trustee, Vontobel Foundation, Switzerland
– Trustee, Swisscontact, Switzerland
– Trustee, Technorama, Switzerland

DR. MONIKA KRÜSI (1962)

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

Professional background
Since 2003 MKP Consulting AG, Partner, Switzerland
2001–2003 Venture Incubator Partners AG, Partner, Switzerland
1991–2001 McKinsey & Co., Inc., Associated Partner, Switzerland
1986–1990 Credit Suisse, Switzerland

Duties and responsibilities as a director of Burckhardt Compression Holding AG
– Member of the Board of Directors
– Member of the Strategy Committee
– Member of the Audit Committee

Other activities and commitments
– Board member, ACP, Switzerland
– Board member, Emch AG, Switzerland
– Board member, CP Pumpen AG, Switzerland
– Board member, Technopark Luzern, Switzerland

URS LEINHÄUSER (1959)

Education
Degree in Business Administration, University of Applied Sciences, Zurich, Switzerland
IMD Lausanne (SSE)

Professional background
Since 2014 self-employed, Switzerland
2011–2014 CFO and Deputy CEO, Member of Group 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, Mövenpick Holding, Member of Group Executive Committee, 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
1988–1994 Group Controller, Cerberus AG, Switzerland
1992 Managing Director, Cerberus, Denmark
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
– Board member, Ammann Group Holding AG, Switzerland
– Board member, Liechtensteinische Landesbank AG, Liechtenstein

DR. STEPHAN BROSS (1962)

Education
Engineering degree, University of Braunschweig, Germany

Professional background
Since 2014 Senior Vice President, Pumps, KSB AG, Germany
2007–2013 Senior Vice President, Service, KSB AG, Germany
2002–2007 Head Product Management and Development Engineered Pumps, KSB AG, Germany
1997–2001 Head Development and Services Fluid Flow Technical Systems, KSB AG, Germany
1996–1997 Head of Fluid Mechanics Research, KSB AG, Germany
1993–1996 R&D Engineer, KSB AG, Germany

Duties and responsibilities as a director of Burckhardt Compression Holding AG
– Member of the Board of Directors
– Member of the Nomination and Compensation Committee

3.3. Rules in the articles of association on the number of permitted activities

In the course of the implementation of the Swiss Federal Ordinance Against Excessive Compensation in listed companies (OAEC) the Board of Directors proposes to the Annual General Meeting on July 4, 2015 to amend article 28 of the articles of association of the company. According to this amendment the members of the Board are not allowed to take on more than ten (10) additional board memberships, whereof not more than five (5) in stock listed companies.

3.4. Election and term of office

Effective from the 2014 Annual General Meeting, Swiss law requires the annual and individual election of each member of the Board of Directors, of the Board Chairman, as well as of each member of the Nomination and Compensation Committee 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; currently the CFO of the company acts as secretary.

The Board of Directors meets as often as business requires, but at least four times per year. In fiscal year 2014 the Board of Directors held six meetings, with each meeting lasting half a day to one day. Furthermore, the Board of Directors held three telephone conferences during fiscal year 2014, each one lasting one to two hours. 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 VPs of Sales Compressor Systems, Components, Services & Support (CSS), Design & Manufacturing, Contracting, Burckhardt Components AG and the CFO, who also acts as secretary, are regularly invited to Board meetings to report on the activities in their fields. 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. In fiscal year 2014, the Audit Committee held two half-day meetings. The CEO, the CFO and two representatives of the auditors participated in those meetings. Members are Urs Leinhäuser (Chairman) and Dr. Monika Krüsi.

Nomination and Compensation Committee This committee advises and assists the Board of Directors on appointments and dismissals to and from the Executive Board and draws up proposals for the appointment, assessment 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 Board members and the Executive Board. The Nomination and Compensation Committee held two meetings in fiscal year 2014. The meetings lasted half a day each. The CEO and the Head of Human Resources Management participated in those meetings as well. Members are Hans Hess (Chairman) and Dr. Stephan Bross – both were elected at the AGM (July 4, 2014 – July 4, 2015).

Strategy Committee The Strategy Committee supports the CEO in developing corporate strategy and advises the Board of Directors in strategic matters such as acquisitions and divestments. It evaluates the implementation of company strategy on a regular basis and submits proposals to the Board of Directors if adjustments or other measures are deemed necessary. The Strategic Committee held three meetings and one telephone conference in fiscal year 2014. The meetings lasted half a day each. Several members of the Executive Board also attended this meeting. Members are Valentin Vogt (Chairman) and Dr. Monika Krüsi.

3.6. Definition of areas of authority

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 business policies and strategy of the group;
- 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 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;
- decisions on new subsidiaries, major capital expenditure projects, acquisitions, financing transactions, insurance concepts and the provision of guarantees if such decisions exceed the powers conferred on the CEO.

The powers of the Executive Board and of the group company executives are listed in detail in the delegation of authority.

3.7. Information and control instruments relating to the Executive Board

Order intake, liquidity and liquidity planning are reported and consolidated on a monthly basis. The income statement, balance sheet, cash flow, headcount, personnel costs and capital expenditures are consolidated and annotated on an annual basis. A rolling forecast for the coming 12 months is prepared and annotated four times a year (April, July, September and January). These rolling forecasts are part of a management model based on the principles of the so-called "beyond budgeting" model. Instead of an annual budget with fixed targets, this model sets relative targets. The financial report and the forecasts are distributed to the members of the Executive Board and the Managing Directors of the Burckhardt Compression subsidiaries as well as to all members of the Board of Directors. At every Board meeting, the CEO, the CFO and other Executive Board members report on the course of business and on all issues of relevance to the Group. 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.

The internal audit reports to the Chairman of the Audit Committee of the Board of Directors. Technical management responsibility has been delegated to the CFO, who is also responsible for coordination and practical performance of the audits. The internal audit team consists of qualified staff from the finance and controlling departments of Burckhardt Compression AG and selected financial specialists from the larger subsidiaries. These employees perform the internal audit duties assigned to them in addition to their regular duties in the area of finance and controlling and they report directly to the Chairman of the Audit Committee of the Board of Directors in their capacity as internal auditors. This efficient organization is tailored to the needs and size of Burckhardt Compression Group and fosters an active exchange of information and best practices with the objective of creating sustained value added for Burckhardt Compression Group by means of continual process improvement. The internal auditors undergo regular training for the performance of their tasks. The schedule for internal audits is determined by the Audit Committee of the Board of Directors on an annual basis and may be changed or expanded by the Audit Committee as and when required. Six internal audits were carried out in fiscal year 2014. The internal auditors' reports were distributed to the members of the Audit Committee of the Board of Directors, the management of the audited company, the Executive Board member responsible for the group company and to the external company auditors.

The management of risks is integrated into the existing planning and management processes. The CEO reports on the assessment of operational and financial risks to the Audit Committee and the Board of Directors twice a year. The Board of Directors assesses strategic risks on a regular basis.

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
Rainer Dübi	CH	VP Design & Manufacturing
René Guthauser	CH	VP Quality & Infrastructure
Martin Heller	DE	VP Business Development
Keven Li	CN	MD Burckhardt Compression (Shanghai) Co., Ltd.
Susan Lütolf	CH	VP Human Resources Management
Narasimha Rao	IN	MD Burckhardt Compression (India) Pvt. Ltd.
Marco Scanderbeg	CH	VP Marketing & Communications
Dr. Daniel Schillinger	CH	VP Sales Compressor Systems
Matthias Tanner	CH	VP Contracting
Robert Züst	CH	VP Components, Services & Support

Biographical details and information on other activities and commitments of the individual members of the Executive Board are given below:

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 of 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 Joint Chamber of Commerce Switzerland-CIS/Georgia

ROLF BRÄNDLI (1968)

Education
Degree in Business Administration, HWV Zurich, Switzerland

Professional background
Since 2008 CFO, Burckhardt Compression AG, Switzerland
2001–2008 Head of Finance & Administration, Sulzer Brasil S.A., 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

RAINER DÜBI (1969)

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

Professional background
Since 2012 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

RENÉ GUTHAUSER (1965)

Education
Engineer TS, Switzerland, Quality System Manager SAQ, Switzerland

Professional background
Since 2005 Head of Quality & Infrastructure, Burckhardt Compression AG, Switzerland
2002–2005 Team Leader Contracting, Burckhardt Compression AG, Switzerland
1998–2002 Sales Engineer, Sulzer-Burckhardt AG, Switzerland
1989–1998 Project and Construction Engineer, Sulzer-Burckhardt AG, Switzerland and Sulzer Inc., USA

Other activities and commitments
– Vice President Chamber of Commerce and Employer's Federation Winterthur HAW

MARTIN HELLER (1954)

Education
Degree in Mechanical Engineering, HTL Winterthur, Switzerland

Professional background
Since 2012 Head of Business Development, Burckhardt Compression AG, Switzerland
2000–2012 Head of Sales Compressor Systems, Burckhardt Compression AG, Switzerland
1997–2000 Head of Sales and Contracting, Petrochemical Division, Sulzer-Burckhardt AG, Switzerland
1989–1997 Sales Manager, Industrial Gas Division, Sulzer-Burckhardt AG, Switzerland
1985–1988 Sales Engineer, Sulzer-Burckhardt AG, Switzerland
1981–1984 Design and Project Engineer, Georg Fischer AG, Sulzer-Burckhardt AG and Sulzer Inc., USA

KEVEN LI (1970)

Education
Degree in Machinery Engineering, Shanghai Engineering Technology University, China, EMBA, Olin Business School, Washington University, USA

Professional background
Since 2007 Managing Director Burckhardt Compression (Shanghai) Co. Ltd., China
2003–2007 Business Manager Industrial Products, General Manager BOC Huangyang CO2 JV BOC (China) Holding Company, China
2002–2003 Marketing and Sales Manager, Praxair (China) Investment Co. Ltd., China
2001–2002 General Manager, TAIHASE (China) Co. Ltd., China
1997–2001 Marketing Manager, Exxon-Mobil (China) Investment Co. Ltd., China
1995–1997 Sales Manager Machinery Dept., DAEWOO Corp., Shanghai

SUSAN LÜTOLF (1957)

Education
Diploma in Commerce and Human Resources (SKP), Switzerland

Professional background
Since 2012 Head of Human Resources Management, Burckhardt Compression AG, Switzerland
1998–2012 Head of Human Resources Management, Sulzer Management AG, Switzerland
1990–1998 Area Personnel Manager/HR Assistant, Sulzer International AG, Switzerland

NARASIMHA RAO (1962)

Education
Degree in Mechanical Engineering, Jawaharlal Nehru Technological University, Hyderabad, India, Master's degree in Industrial Engineering, NITIE, Mumbai, India

Professional background
Since 2005 Managing Director, Burckhardt Compression (India) Pvt. Ltd., India
1999–2004 General Manager Manufacturing and Vice President Compressor Division, Sulzer India Ltd., India
1995–1998 Assistant Director, Venture Capital, Pathfinder Investment Co. Ltd., India
1993–1995 Materials Manager, Marico Industries Ltd., India
1986–1993 Planning, Manufacturing and QA Manager, Sulzer India Ltd., India
1985–1986 Management Trainee, Ceat Tyres of India Ltd., India

Other activities and commitments
– Member of the Board of Directors, Swiss-Indian Chamber of Commerce, Zurich

MARCO SCANDERBEG (1966)

Education
Degree in Mechanical Engineering, HTL Winterthur, Switzerland
Federal Diploma for Marketing Directors, Switzerland

Professional background
Since 2006 Head of Marketing & Communications, Burckhardt Compression AG, Switzerland
2003–2006 Marketing Manager, Burckhardt Compression AG, Switzerland
2002–2003 Business Development Manager, Bühler AG, Switzerland
2000–2002 Market Segment Manager, Bühler AG, Switzerland
1999–2000 Executive Director Sales, Telsonic AG, Switzerland
1992–1999 Project and Sales Engineer, Sulzer Chemtech AG, Switzerland

DR. DANIEL SCHILLINGER (1959)

Education
Degree in Electrical Engineering Ph.D., Federal Institute of Technology, Zurich, Switzerland

Professional background
Since 2012 Head of Sales Compressor Systems, Burckhardt Compression AG, Switzerland
2009–2012 Head of Sales and Marketing, EAO AG, Switzerland
2002–2009 Head of Marketing, Business Area Direct Fastening, Hilti AG, Liechtenstein
2000–2002 Head of Laboratory Division, Mettler Toledo AG, Switzerland
1995–1999 General Manager, Sales Germany/Region Central Europe, Grundfos, Germany
1993–1995 General Manager, Energy Management Germany, Landis & Gyr, Germany
1991–1993 General Manager, Building Control Systems Denmark, Landis & Gyr, Denmark
1987–1990 R&D Manager, Process Control Systems, ABB, Switzerland

MATTHIAS TANNER (1964)

Education
Degree in Mechanical Engineering, HTL Muttenz, Switzerland

Professional background
Since 2007 Head of Contracting, Burckhardt Compression AG, Switzerland
2002–2007 Head of Sizing, Burckhardt Compression AG, Switzerland
1998–2002 Head of Technology Process and Hyper Compressors, Sulzer-Burckhardt AG, Switzerland
1995–1998 Sales Engineer, Sulzer-Burckhardt AG, Switzerland

ROBERT ZÜST (1963)

Education
Federal Diploma in Logistics, Switzerland

Professional background
Since 2008 Head of Components, Services & Support, Burckhardt Compression AG, Switzerland
2001–2008 Head of Production Logistics, Burckhardt Compression AG, Switzerland
1996–2001 Head of Planning, Ferag AG, Switzerland
1993–1995 Team Leader Logistics, ABB Verkehrssysteme AG, Switzerland
1991–1993 Team Leader Production Control, Ascom Zelcom AG, Switzerland
1986–1991 Material Planning and Subcontracting, Ascom Zelcom AG, Switzerland
1983–1986 Assembly Mechanic, G & W Maschinen AG, Switzerland

4.3. Rules in the articles of association on the number of permitted activities

In the course of the implementation of the Swiss Federal Ordinance Against Excessive Compensation in listed companies (OAEC) the Board of Directors proposes to the Annual General Meeting on July 4, 2015 to amend article 28 of the articles of association of the company. The amendment also implies that members of the Executive Board are not allowed to take on more than five (5) additional board memberships, whereof not more than two (2) in stock 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 65 to 73. The shareholdings of the members of the Board of Directors and the Executive Board in Burckhardt Compression Holding AG are listed in the Compensation Report on pages 65 to 73 and in the financial report, note 27 "Transactions with the Board of Directors, the Executive Board and related parties" on page 111.

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 2014 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 company will be registered as a shareholder in the Share Register for more than 5% of the registered share capital. This limitation applies also to persons who hold shares wholly or partly through Nominees. This restriction also applies 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 his/her legal representative, another shareholder with the right to vote, or the independent proxy holder. All shares held by a shareholder may be represented by only 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 regulations deviate from the law.

6.4. Inclusion of an item on the agenda

Shareholders who together represent at least 10% of the share capital or shares with a nominal value of at least CHF 1.0 mn can ask for an item to be included on the agenda of the General Meeting. The Board of Directors must receive written proposals for items to be included on the agenda, specifying the issue to be discussed and the shareholders' proposals, at least 60 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 DEFENSE 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 changes 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. 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 2014 amounted to TCHF 256 (previous year TCHF 296).

8.3. Additional fees

The additional fees for services provided by PwC worldwide during fiscal year 2014 amounted to TCHF 224 (previous year TCHF 354), TCHF 149 of which for services related to due diligence for two acquisition projects, TCHF 51 for tax consulting, TCHF 16 for internal audit trainings and other consulting services and TCHF 8 for legal advice. The services rendered by PwC beyond the auditing tasks are compatible with its auditing responsibilities.

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 half-day meetings during the 2014 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 share-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 share price-sensitive information to all interested parties via an e-mail distribution list. Financial reports are available on our website (www.burckhardtcompression.com) and will be delivered to interested parties on request.

Key dates for 2015 and 2016:
July 4, 2015
Annual General Meeting
November 3, 2015
Results for the first half of fiscal year 2015
(as per September 30, 2015)
June 7, 2016
2015 Annual Report (as per March 31, 2016)
July 1, 2016
Annual General Meeting

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

COMPENSATION REPORT

1. BASIS

This Compensation Report describes the policies and system in place for the compensation of the Board of Directors and the Executive Board of Burckhardt Compression and it contains information on their annual compensation. This report was prepared in accordance with the provisions of the Swiss Federal Ordinance Against Excessive Compensation in Listed Companies (OAEC), the Directive on Information relating to Corporate Governance (DCG) issued by the SIX Swiss Exchange and in effect since December 31, 2014, and the Bylaws of Burckhardt Compression Holding AG, the latter subject to approval by shareholders at the Annual General Meeting on July 4, 2015.

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) consists 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 4, 2014 elected Hans Hess and Dr. Stephan Bross to the Nomination and Compensation Committee. The Board of Directors appointed Hans Hess Chairman of the Nomination and Compensation Committee.

The NCC meets at least twice a year. The CEO and Head of HRM attend these meetings in an advisory capacity, except during deliberation of meeting topics that pertain to themselves. The Nomination and Compensation Committee held two meetings during the year under review.

The duties and powers of the NCC are set forth in the Bylaws and in the Organizational Regulations of the Company. 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 listed below:

Topic	Proposal/Recommendation by	Approval authority
Compensation principles and guidelines	NCC	Board of Directors
Compensation Report	NCC	Board of Directors
Compensation of Board of Directors	NCC	Board of Directors
Compensation of CEO	NCC	Board of Directors
Aggregate compensation of Executive Board	NCC	Board of Directors
Compensation per member of Executive Board (excl. CEO)	CEO	NCC
Loans and additional pension benefits for Executive Board	CEO	NCC

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 and individual vote on the maximum aggregate amount of fixed compensation for the Board of Directors and the Executive Board for the annual reporting period following the Annual General Meeting;
- a retrospective and individual vote on the maximum aggregate amount of variable compensation for the Board of Directors and the Executive Board for the annual reporting period preceding the Annual General Meeting.

Furthermore, the Annual General Meeting casts a consultative vote on the Compensation Report.

4. COMPENSATION SYSTEM

Burckhardt Compression Holding AG'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.

4.1. Compensation system for the Board of Directors

Compensation paid comprises a fixed cash component, an additional cash payment for directors serving on a formal Board committee, and a variable profit-related component distributed as shares (free shares).

The fixed cash component amounts to CHF 55'000 for members of the Board of Directors and CHF 110'000 for the Chairman. The additional cash payment for directors serving on a formal Board committee amounts to CHF 10'000 a year.

As of fiscal year 2013, variable compensation is based on the attainment of the net income targets as specified in the Mid Range Plan for the fiscal years 2013 to 2016 and will be calculated in two allotments as a percentage of cumulative net income for the fiscal years 2013 and 2014 and for the fiscal years 2015 and 2016, respectively. The percentage rate used for the members of the Board of Directors is 0.04% of net income; a percentage rate of 0.06% of net income is used for the Chairman of the Board of Directors. A maximum amount in absolute terms has been set as an upper limit on the awardable variable compensation for each allotment. For members of the Board of Directors the maximum amount for each two-year period is CHF 65'000; for the Chairman of the Board of Directors the maximum amount for each two-year period is CHF 100'000. If the minimum absolute amount of net income for a two-year period (CHF 90 mn) is not attained, entitlement to the variable compensation for the corresponding two-period will lapse. The amount calculated based on the defined percentage of net income will be paid out in the form of free shares. 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 2014 and 2016, respectively. The number of shares awarded will be derived from the calculated amount of the variable pay component divided by the average share price for the period. The free shares for the fiscal years 2013 and 2014 will be distributed at the end of July 2015; the free shares for the fiscal years 2015 and 2016 will be distributed at the end of July 2017, subject to approval by the Annual General Meeting. All shares received will not be subject to any restrictions upon the date of transfer.

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;
- variable performance- and profit-related long-term incentive pay 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 executive grading system (Towers Watson Global Grading System). Country-specific market data for each Global Grade and the results of annual executive performance appraisals are taken into consideration when determining the fixed base salary of the members of the Executive Board.

Annual bonus The members of the Executive Board receive a variable performance- and profit-related bonus in addition to their base salaries. The annual bonus is calculated based on a predefined percentage of net income generated by the Burckhardt Compression Group and is contingent on the attainment of minimum financial targets. If the minimum financial target with regard to the net income margin (7.5%) is not achieved, entitlement to the variable pay component for the corresponding business year will lapse. If the financial target is at least reached and the net income margin (7.5%) is equal to or higher than the returns achieved by the benchmark group, entitlement to the full variable pay will be granted; if not, the variable pay will be reduced by 50%.

The benchmark group consists of two direct competitors for compressor systems, one direct competitor for compressor components, and one company that sells products in the same market as Burckhardt Compression Group. Specifically, the benchmark group consists of the following four companies or corporate units:
- Dresser-Rand
- Sulzer Chemtech
- Neuman & Esser
- EnPro Industries, Engineered Products Division

Long-term incentive pay Members of the Executive Board additionally receive long-term incentive pay awarded in the form of free shares. Long-term incentive pay is based on the attainment of the Mid Range Plan targets set for the fiscal years 2013 to 2016 (organic sales growth and net income of Burckhardt Compression Group).

The basis upon which the long-term incentive pay is calculated consists of a fixed, predefined amount per Global Grade and country group (purchasing power adjusted). If the sales and net income targets set in the Mid Range Plan are attained by the end of the fiscal year 2016, 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). 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. If 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 two years. Provided the employment contracts for the corresponding members of the Executive Board have not been terminated as of July 31, 2015, the fixed allotment of free shares for the fiscal years 2013 and 2014 will then be made. The factors used for the multiplication of the fixed amount in the interim evaluation are limited to 0.25 each (total 0.5). The second allotment of free shares for the fiscal years 2015 and 2016 will be awarded and distributed at the end of July 2017, subject to approval by the Annual General Meeting and provided that 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-time 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 2014 and 2016, respectively.

All shares received will not be subject to any restrictions upon the date of transfer.

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 2014 and 2013:

in CHF 1'000								**2014**
Name	Function	Fees	Social insurance contributions and other benefits	Total fixed compensation (gross)	Share-based payments[1]	Social insurance contributions and other benefits	Total variable compensation (gross)	**Total**
Members of the Board of Directors								
Valentin Vogt	Chairman	120	8	128	31	4	35	163
Hans Hess	Deputy Chairman	65	0	65	20	0	20	85
Dr. Stephan Bross[2]	Member	44	3	47	14	2	16	63
Dr. Monika Krüsi	Member	75	5	80	20	2	22	102
Urs Leinhäuser	Member	65	4	69	20	2	22	91
Total		**369**	**20**	**389**	**105**	**10**	**115**	**504**
Approved for fiscal year 2014 by Annual General Meeting in consultative vote		**400**		**N/A**				

in CHF 1'000								**2013**
Name	Function	Fees	Social insurance contributions and other benefits	Total fixed compensation (gross)	Share-based payments[1]	Social insurance contributions and other benefits	Total variable compensation (gross)	**Total**
Members of the Board of Directors								
Valentin Vogt	Chairman	120	8	128	26	3	29	157
Hans Hess	Deputy Chairman	65	0	65	18	0	18	83
Urs Fankhauser[3]	Member	75	5	80	0	0	0	80
Dr. Monika Krüsi	Member	65	4	69	18	2	20	89
Urs Leinhäuser	Member	65	4	69	18	2	20	89
Total		**390**	**21**	**411**	**80**	**7**	**87**	**498**

[1] Variable compensation paid to members of the Board of Directors (free shares).
[2] From July 4, 2014
[3] Until February 27, 2014

The aggregate amount of fixed compensation for the period under review is CHF 21'000 less than in the previous period. This is because the compensation of Dr. Stephan Bross for the year under review was paid on a pro rata basis only following his election to the Board of Directors at the Annual General Meeting on July 4, 2014. The Annual General Meeting of July 4, 2014 approved in a consultative vote aggregate fixed compensation in the amount of CHF 400'000 (net, excl. social insurance contributions) for the Board of Directors (five persons) for fiscal year 2014. The amount approved in the consultative vote was not fully expended, primarily due to the pro rata compensation of the new director Dr. Stephan Bross, who joined the Board on July 4.

5.2 Compensation paid to the Executive Board

The following compensation was paid to the members of the Executive Board for the fiscal years 2014 and 2013:

in CHF 1'000									2014
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	414	99	513	182	85	54	321	834
Members of the Executive Board (12 persons)		2'206	455	2'661	749	468	199	1'416	4'077
Total		**2'620**	**554**	**3'174**	**931**	**553**	**253**	**1'737**	**4'911**
Approved for fiscal year 2014 by Annual General Meeting in consultative vote		**2'730 +250**[1]		**N/A**					

in CHF 1'000									2013
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	379	90	469	155	120	52	327	796
Members of the Executive Board (13 persons)		2'235	459	2'694	598	603	198	1'399	4'093
Total		**2'614**	**549**	**3'163**	**753**	**723**	**250**	**1'726**	**4'889**

[1] For possibly additional members of the Executive Board

After an adjustment of the base salary the fixed compensation of the CEO for the period under review is above the level of the preceding fiscal year. The aggregate amount of fixed compensation of the other members of the Executive Board is 1.2% less than in the prior fiscal year, although it must be noted that there was one less person on the Executive Board in fiscal year 2014 (VP Burckhardt Components AG). The Annual General Meeting of July 4, 2014 approved the aggregate fixed compensation in the amount of CHF 2'730'000 (net, excl. social insurance contributions) for the entire Executive Board (13 persons including the CEO) for fiscal year 2014. An amount of CHF 250'000 was approved in a consultative vote for any subsequently appointed Executive Board member. The compensation actually paid out (net, before deduction of social security contributions) was CHF 110'000 less than the aggregate amount approved in the consultative vote. The additional amount for any subsequently appointed member of the Executive Board was not utilized in the current organization structure.

6. OVERVIEW OF SHAREHOLDINGS AND ALLOCATED/DISTRIBUTED SHARES

6.1 Detailed overview of allocated and distributed shares

No shares were allocated or distributed during fiscal year 2014.

Name	Function	Shares allocated in FY 2013	Shares distributed in FY 2013	**Shares distributed in FY 2014**	**Shares distributed in FY 2014**
Members of the Board of Directors					
Valentin Vogt	Chairman	0	216	0	0
Hans Hess	Deputy Chairman	0	108	0	0
Dr. Stephan Bross[1]	Member	0	0	0	0
Urs Fankhauser[2]	Member	0	108	0	0
Dr. Monika Krüsi	Member	0	47	0	0
Urs Leinhäuser	Member	0	108	0	0
Total		**0**	**587**	**0**	**0**
Executive Board					
Members of the Executive Board[3]		0	2'508	0	0
Total		**0**	**3'095**	**0**	**0**

[1] From July 4, 2014
[2] Until February 27, 2014
[3] FY 2014: 12 persons, FY 2013: 13 persons

6.2 Detailed overview of shareholdings

As per March 31, 2015, the members of the Executive Board and the Board of Directors (and related persons) owned the following numbers of shares of Burckhardt Compression Holding AG:

		03/31/2015	03/31/2014
Name	Function	Total shares	Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	202'849	202'849
Hans Hess	Deputy Chairman	10'375	10'375
Dr. Stephan Bross	Member	0	N/A
Dr. Monika Krüsi	Member	697	577
Urs Leinhäuser	Member	592	592
Total		**214'513**	**214'393**
Executive Board			
Marcel Pawlicek	CEO	44'045	44'045
Rolf Brändli	CFO	1'054	1'054
Rainer Dübi	VP Design & Manufacturing	202	202
René Guthauser	VP Quality & Infrastructure	603	603
Martin Heller	VP Business Development	54'500	54'500
Hans Keist[1]	MD Burckhardt Components AG	N/A	0
Keven Li	MD Burckhardt Compression (Shanghai) Co., Ltd.	765	765
Susan Lütolf	VP Human Resources Management	78	78
Narasimha Rao	MD Burckhardt Compression (India) Pvt. Ltd.	150	150
Marco Scanderbeg	VP Marketing & Communications	700	1'000
Dr. Daniel Schillinger	VP Sales Compressor Systems	157	157
Matthias Tanner	VP Contracting	637	637
Robert Züst	VP Components, Services & Support	872	872
Total		**103'763**	**104'063**
Total		**318'276**	**318'456**
As a % of all outstanding shares		9.4%	9.4%

[1] Member of Executive Board until December 31, 2014

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 2014. There are no loans, credit lines or social insurance contributions and other benefits outside the regular pension plan contributions to the Executive Board.

8. MOTIONS FOR THE ANNUAL GENERAL MEETING

8.1. Approval of aggregate amount of variable compensation for the Board of Directors

The Board of Directors proposes that an aggregate amount of CHF 115'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Board of Directors for fiscal year 2014.

8.2. Approval of aggregate amount of variable compensation for the Executive Board

The Board of Directors proposes that an aggregate amount of CHF 1'737'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Board for fiscal year 2014.

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

The Board of Directors proposes that a maximum aggregate amount of CHF 425'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the members of the Board of Directors for fiscal year 2015. The fixed compensation is 9% above the previous year as Dr. Stephan Bross was only compensated for nine months after his election to the Board by the Annual General Meeting on July 4, 2014. The fixed compensation of CHF 425'000 contains a reserve in the amount of CHF 10'000.

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

The Board of Directors proposes that a maximum aggregate amount of CHF 425'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the members of the Board of Directors for fiscal year 2016. As in the previous year, the fixed compensation of CHF 425'000 contains a reserve in the amount of CHF 10'000.

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

The Board of Directors proposes that a maximum aggregate amount of CHF 3'430'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the members of the Executive Board for fiscal year 2015. The fixed compensation is 8% above the previous year including a planned salary increase in the range of 1% as well as a reserve in the amount of CHF 250'000.

8.6. Approval of maximum aggregate amount of fixed compensation for the members of the Executive Board

The Board of Directors proposes that a maximum aggregate amount of CHF 3'470'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the members of the Executive Board for fiscal year 2016. The fixed compensation is 1% above the previous year due to a planned salary increase in the range of 1%.

8.7. Consultative vote on the compensation report for fiscal year 2014

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2014 in a consultative vote.

9. EVALUATION OF THE COMPENSATION SYSTEM

In 2010 Burckhardt Compression took part in a survey performed by the University of St. Gallen. Several compensation systems were compared under the direction of Prof. Dr. Martin Hilb. The compensation system of Burckhardt Compression was awarded best-in-class of the participating companies, followed by Nestlé, Straumann, SIKA and Hilti. Burckhardt Compression was also rated among the top 30 of 150 analyzed companies for its compensation model and stock-award plan by zRating, an independent asset management firm, in a corporate governance study performed in 2013. These awards confirm that Burckhardt Compression introduced a simple, transparent, fair and integrated compensation system in 2008.

The material difference arising from the modification of the performance- and profit-related long-term incentive pay plan in fiscal year 2013 compared to the previous program stems from the inclusion of an additional component based on the attainment of the targets (organic growth) set in the Mid Range Plan. All other aspects of the overall compensation system were basically unchanged.

pwc

Report of the statutory auditor
to the General Meeting
Burckhardt Compression Holding AG
Winterthur

We have audited chapter 5 to 7 (pages 67 to 71) of the accompanying remuneration report dated 19 May 2015 of Burckhardt Compression Holding AG for the year ended 31 March 2015.

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 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen	Andreas Fontanive
Audit expert Auditor in charge	Audit expert

Winterthur, 19 May 2015

PricewaterhouseCoopers AG, Zürcherstrasse 46, Postfach, CH-8401 Winterthur, Switzerland
Telefon: +41 58 792 71 00, Telefax: +41 58 792 71 10, www.pwc.ch

FINANCIAL REPORT

Burckhardt Compression Holding AG's fiscal year 2014 comprises the period from April 1, 2014 to March 31, 2015.

COMMENTS ON FINANCIAL REPORT

Summary

in CHF 1'000	2014	2013
Order intake	514'140	517'081
Sales	473'644	444'962
Gross profit	152'819	139'242
Operating income	74'592	70'186
Net income	57'555	53'926
Balance sheet total	681'359	645'942
Shareholders' equity	338'554	358'485
Net income per share (in CHF)	16.93	15.87
Headcount as per end of fiscal year	1'385	1'232

SALES AND GROSS PROFIT

Total sales in fiscal year 2014 increased by CHF 28.6 mn (+6.4%) compared to last year to CHF 473.6 mn. Adjusted for currency translation and consolidation effects, the increase amounted to CHF 30.2 mn (+6.8%). Invoiced sales of Compressor Systems (CS) rose by CHF 34.2 mn (+11.7%) year-over-year to CHF 327.1 mn, somewhat less than expected earlier this fiscal year since a handful of CS projects did not qualify for revenue recognition within the reporting period as originally scheduled and had to be carried over in the order backlog (Burckhardt Compression does not apply the percentage of completion method). Sales in Components, Services & Support (CSS) ended up CHF 5.6 mn (–3.7%) below the year-ago level mainly due to the lower sales volume in engineering, revamp and repair, which contained a larger single project back in fiscal year 2013. Increased sales were reported in the spare parts and service business, including a further increasing share in other brand compressor (OBC) Services. Region-wise the strongest growth was achieved in Europe, followed by North America. Asia, Australia, Middle East could not reach the very high previous year level but still remained the strongest region in fiscal year 2014.

Total gross profit margin for fiscal year 2014 amounted to 32.3%, 1.0 percentage point above fiscal year 2013. The CS business generated a gross margin of 23.9%, 0.6 percentage points above the prior-year level, while CSS performed with a gross margin of 50.9%, which is 4.2 percentage points ahead of the year-ago figure.

OPERATING INCOME

Fiscal year 2014 closed with an EBIT of CHF 74.6 mn, CHF 4.4 mn or 6.3% above the prior-year period, yielding an EBIT margin 15.7%, which almost equals last year's performance. On the one hand operating income was negatively affected by significant foreign exchange losses mainly on balance sheet positions in EUR (net CHF –6.4 mn, reported under other operating income/expenses). These exchange rate losses were mainly a consequence of the significant appreciation of the Swiss Franc after the Swiss National Bank abandoned the minimum exchange rate to the EUR on January 15, 2015. On the other hand an amount of CHF 5.9 mn was charged to other operating income at the end of the period under review as a result of pension funds adjustments (in line with IAS 19 accounting rules), mainly as a consequence of the decision of the independent board of trustees to further gradually reduce the conversion rate for new retirees. Also reported under other operating income is a profit of CHF 3.2 mn (same amount as in the prior year) from the real estate company (Burckhardt Compression Immobilien AG). Selling, marketing and general administrative expenses increased by CHF 5.5 mn and corresponded to 14.6% of sales (prior year 14.3%). This position included for the first time the expenses of the newly incorporated assembly subsidiary in South Korea and three months of expenses of Société Anonyme Metal Rouge (SAMR), which was acquired in December 2014. The expenses for research and development during the period under review amounted to to CHF 10.8 mn compared to CHF 8.8 mn in the prior fiscal year.

FINANCIAL INCOME AND TAX EXPENSES

The further reduction of mortgage loans on the real estate in Winterthur led to slightly lower financial expenses of CHF –0.8 mn compared to the previous fiscal year (CHF –1.0 mn). Income tax expenses increased by CHF 1.0 mn to CHF 16.2 mn and represented a tax rate of 22.0%, same as in fiscal year 2013.

NET INCOME

The net income of the Burckhardt Group increased by CHF 3.6 mn to CHF 57.6 mn in the period under review and represented a profit margin of 12.2%, which is marginally above FY 2013 (12.1%). The resulting net income per share for fiscal year 2014 stood at CHF 16.94, 6.7% above the previous year figure.

BALANCE SHEET

The total balance sheet assets as per March 31, 2015 rose by CHF 35.4 mn to CHF 681.4 mn. Property, plant and equipment increased by CHF 4.3 mn compared to prior-year, including CHF 3.8 mn assets under construction for the building expansion in Winterthur and new assets from the acquisition of SAMR. The increase in intangible assets by CHF 5.4 mn is attributable to goodwill, customer lists and IT licenses mainly in the context with two smaller acquisitions (SAMR and Espresso). Inventories (mainly work in progress) increased by CHF 26.5 mn compared to last year – in line with the high workload and order backlog. Trade accounts receivable increased by 8.1% compared to year-end 2013 following a very high invoicing volume towards the end of the reported fiscal year. The maturity profile of trade receivables improved in terms of long term overdue positions (overdue more than 90 days), which amounted to 10.3% of total accounts receivable (last year 17.8%). The percentage of accounts receivable not due decreased by 4.2 percentage points to 64.3%.

Work in progress and advance payments to suppliers as per fiscal year end 2014 were fully financed by advance payments from customers, leaving a positive balance of CHF 10.0 mn (prior year –1.3 mn). Shareholders' equity declined by CHF 19.9 mn to CHF 338.6 mn, mainly as a result of the defined benefit costs for the Swiss and German pension funds in the amount of CHF 36.5 mn (net of taxes) that had to be charged to the other comprehensive income under IAS 19 accounting rules. This significant amount is a consequence of the very low discount rates applied for actuarial calculation of defined benefit plans as a consequence of the interest environment in Switzerland (negative prime interest rate). The resulting equity ratio subsided to 49.7% (FY 2013: 55.5%), whereby the aforementioned IAS 19 impact alone accounted for 5.4 percentage points in the reduction of the equity ratio.

CASH FLOW

Cash and cash equivalents decreased by CHF 23.5 mn and short- and long-term borrowings were reduced by CHF 9.1 mn. The resulting net financial position per end of FY 2014 amounted to CHF 151.3 mn (FY 2013: CHF 165.8 mn). Cash flow from operating activities decreased in FY 2014 by CHF 11.4 mn to CHF 46.8 mn, mainly due to the change in other net current assets as a result of the high production workload. The cash outflow from investing activities during the period under review amounted to CHF –26.6 mn (prior year –14.2 mn) and included the cash-out for the addition of intangible and tangible assets in the context with two smaller acquisitions (SAMR and Espresso). Financing activities generated a cash-out of CHF –43.0 mn (FY 2013: –30.5 mn) mainly comprising 8.0 mn repayment of mortgage loans on the building in Winterthur and CHF 34.0 mn dividend payment (last year CHF 30.6 mn).

CONSOLIDATED INCOME STATEMENT

in CHF 1'000	Notes	2014	2013
Sales	3	**473'644**	**444'962**
Cost of goods sold		–320'825	–305'720
Gross Profit	4	**152'819**	**139'242**
Selling and marketing expenses		–48'602	–43'947
General and administrative expenses		–20'678	–19'835
Research and development expenses	6	–10'752	–8'809
Other operating income	7	26'540	21'133
Other operating expenses	7	–24'735	–17'598
Operating income		**74'592**	**70'186**
Finance costs	8	–866	–1'088
Other financial income/expenses	8	61	72
Profit before income tax		**73'787**	**69'170**
Income tax expenses	9	–16'232	–15'244
Net income		**57'555**	**53'926**
Earnings per share for profit attributable to shareholders of Burckhardt Compression Holding AG (in CHF)			
– Basic	17	16.93	15.87
– Diluted	17	16.93	15.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1'000	2014	2013
Net income	**57'555**	**53'926**
Adjustments for cash flow hedges	–8'688	5'935
Tax effect on adjustments of cash flow hedges	1'955	–1'250
Currency translation differences	–1'475	–4'301
Total of items that may be reclassified to the income statement	**–8'208**	**384**
Defined benefit cost recognized in other comprehensive income	–46'187	9'050
Tax effect on defined benefit cost recognized in other comprehensive income	9'699	–1'900
Total of items that will not be reclassified to the income statement	**–36'488**	**7'150**
Total comprehensive income for the period	**12'859**	**61'460**

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

CONSOLIDATED BALANCE SHEET

in CHF 1'000	Notes	03/31/2015	03/31/2014
Non-current assets			
Intangible assets	10	32'825	27'472
Property, plant and equipment	11	138'343	134'015
Derivative financial instruments	21	12	1'135
Other receivables	13	1'233	1'156
Deferred tax assets	9	11'401	2'157
Total		**183'814**	**165'935**
Current assets			
Inventories	12	175'034	148'570
Trade and other receivables	13	140'039	126'106
Derivative financial instruments	21	3'993	3'344
Cash and cash equivalents	15	178'479	201'987
Total		**497'545**	**480'007**
Total assets		**681'359**	**645'942**
Equity			
Share capital	17	8'500	8'500
Retained earnings and other reserves		351'124	362'899
Treasury shares		–161	–213
Cash flow hedging reserve		–3'868	2'865
Currency translation differences		–17'041	–15'566
Total		**338'554**	**358'485**
Liabilities			
Non-current liabilities			
Borrowings	18	23'500	24'891
Derivative financial instruments	21	878	1
Deferred tax liabilities	9	13'378	14'533
Retirement benefit obligations	5	45'915	5'834
Provisions	19	11'010	8'939
Total		**94'681**	**54'198**
Current liabilities			
Borrowings	18	3'661	11'321
Trade accounts payable		35'043	52'453
Current income tax liabilities		14'113	14'035
Customers' advance payments		135'886	102'071
Derivative financial instruments	21	9'093	468
Other current and accrued liabilities	20	42'759	44'990
Provisions	19	7'569	7'921
Total		**248'124**	**233'259**
Total		**342'805**	**287'457**
Total equity and liabilities		**681'359**	**645'942**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to shareholders of Burckhardt Compression Holding AG							
in CHF 1'000	Notes	Share capital	Retained earings and other reserves	Treasury shares	Cash flow hedging reserve	Currency translation differences	IAS 19 revaluation	Net income	**Total**
Balance at 04/01/2013	17	**8'500**	**281'310**	**–3'230**	**–1'820**	**–11'265**	**–2'925**	**54'856**	**325'426**
Total comprehensive income					4'685	–4'301	7'150	53'926	61'460
Changes in treasury shares			–435	3'017					2'582
Share-based payments	26 / 27		–390						–390
Dividends								–30'593	–30'593
Allocation of net income			24'263					–24'263	0
Balance at 03/31/2014		**8'500**	**304'748**	**–213**	**2'865**	**–15'566**	**4'225**	**53'926**	**358'485**
Balance at 04/01/2014	17	**8'500**	**304'748**	**–213**	**2'865**	**–15'566**	**4'225**	**53'926**	**358'485**
Total comprehensive income					–6'733	–1'475	–36'488	57'555	12'859
Changes in treasury shares			–269	52					–217
Share-based payments	26 / 27		1'421						1'421
Dividends								–33'994	–33'994
Allocation of net income			19'932					–19'932	0
Balance at 03/31/2015		**8'500**	**325'832**	**–161**	**–3'868**	**–17'041**	**–32'263**	**57'555**	**338'554**

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

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1'000	Notes	2014	2013
Cash flow from operating activities			
Net income		**57'555**	**53'926**
Income tax expenses		16'232	15'244
Other financial income/expenses		–61	–72
Finance costs		866	1'088
Operating income		**74'592**	**70'186**
Depreciation	11	10'808	9'507
Amortization	10	3'577	2'290
Change in inventories		–27'086	–32'011
Change in trade receivables		–11'172	–9'281
Change in other net current assets		13'503	37'487
Change in retirement benefit obligations		–5'947	–680
Change in provisions		2'612	–7'521
Other non-monetary items		2'990	706
Interest received		129	80
Interest paid		–872	–907
Income tax paid		–16'292	–11'606
Total		**46'842**	**58'250**
Cash flow from investing activities			
Purchase of property, plant and equipment	11	–17'176	–12'370
Sale of property plant and equipment		–272	0
Purchase of intangible assets	10	–6'207	–1'863
Acquistion of subsidiaries net of cash acquired	25	–2'934	0
Sale of marketable securities	14	0	0
Purchase of marketable securities		0	0
Total		**–26'589**	**–14'233**
Cash flow from financing activities			
Increase in borrowings		0	298
Repayment of borrowings	18	–9'051	–3'239
Sales of treasury shares		52	3'017
Dividends paid	17	–33'994	–30'593
Total		**–42'993**	**–30'517**
Currency translation differences on cash and cash equivalents		–768	–1'507
Net change in cash and cash equivalents		**–23'508**	**11'993**
Cash and cash equivalents at 04/01/2014 / 04/01/2013	15	201'987	189'994
Cash and cash equivalents at 03/31/2015 / 03/31/2014	15	178'479	201'987
Net change in cash and cash equivalents		**–23'508**	**11'993**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Burckhardt Compression is one of the market leaders worldwide in the field of reciprocating compressors and the only manufacturer that offers a complete range of Laby® (labyrinth piston), Process Gas, and Hyper Compressors. The compressors are used to compress, cool or liquefy gases. Burckhardt Compression's customers include multinational companies active in the chemical, petrochemical, refinery, industrial gas and gas transport and storage industries. With the leading compressor technology, the high-quality compressor components and the comprehensive range of services Burckhardt Compression supports its customers in their effort to minimize the life cycle costs of their reciprocating compressor systems.

Burckhardt Compression Holding AG is a limited liability company incorporated and domiciled in Switzerland. The address of its registered office is: Im Link 5, 8404 Winterthur/Switzerland. Burckhardt Compression registered shares (BCHN) are listed on the SIX Swiss Stock Exchange in Zurich (ISN: CH0025536027; Security No. 2553602).

Burckhardt Compression Holding AG's fiscal year 2014 comprises the period from April 1, 2014 to March 31, 2015. These consolidated financial statements were authorized for issue by the Board of Directors on May 19, 2015 and will be submitted to shareholders for approval at the annual general meeting scheduled for July 4, 2015.

2. ACCOUNTING PRINCIPLES

2.1. Basis of presentation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, the policies described have been consistently applied to all the reporting periods presented.

The 2014 consolidated financial statements of Burckhardt Compression Holding AG were prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of International Accounting Standards Board (IASB) and are based on the individual financial statements of the group companies as per March 31, 2015. The consolidated financial statements are prepared on a historical cost basis with the exception of available-for-sale financial assets measured at fair value and financial assets and financial liabilities including derivative financial instruments measured at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain estimates. It also requires management to exercise its judgment in the process of applying the company-wide accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in section 4, "Critical accounting estimates and judgments".

2.2. Changes in accounting policies

As per the closing date of March 31, 2015, the following standards, interpretations and amendments to issued standards were applied by Burckhardt Compression for the first time:

IAS 32 (amended) "Offsetting financial assets and financial liabilities". The amendment to the application guidance in IAS 32 clarifies some of the requirements for offsetting financial assets and liabilities. Offsetting financial assets and liabilities in the statement of financial position still is only required, when the entity has a legally enforceable right to set-off and intends either to settle the asset and liability on a net bases or to realize the asset and settle the liability simultaneously. Clarification, that the right to set-off must be available today (and not contingent on a future event). Further, the right to set-off must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy.

IAS 36 (amended) "Recoverable Amount Disclosures for Non-Financial Assets". This limited scope amendment corrects an amendment to IAS 36 when IFRS 13 was issued and introduced additional disclosures for measurements based on fair value less costs of disposal in case of an impairment or reversal of an impairment. The IASB has subsequently amended IAS 36 as follows:
- No requirement to disclose recoverable amount when a CGU contains goodwill or indefinite lived intangible if there was no impairment
- Disclosure of the recoverable amount when an impairment loss has been recognized or reversed
- Detailed disclosure of how fair value less costs of disposal has been measured when impairment loss is recognized or reversed

IAS 39 (amended) "Novation of Derivatives and Continuation of Hedge Accounting". These narrow-scope amendments to IAS 39, "Financial instruments: Recognition and measurement", will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

IFRSs 10, 12 and IAS 27 (amended) "Investment entities". The amendment provides an exception to the consolidation requirement for entities that meet the specific requirements of an investment entity as defined in the amendment. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" or IAS 39 "Financial Instruments". The exception is not available on consolidation level unless the parent company also meets the definition of an investment entity.

IFRIC 21 "Levies". This IFRIC focuses on accounting for an obligation to pay a levy that is not income tax. In scope are liabilities to pay a levy recognized in accordance with IAS 37 "Provisions" and liabilities to pay a levy whose timing and amount is certain. The obligating event to recognize a liability is the event identified by the legislation that triggers the obligation to pay a levy. The liability might be recognized at a point in time or progressively over time. An obligation to pay a levy that is triggered by a minimum threshold is not recognized before the threshold is met, even if it is certain it will be met. The same recognition principles apply in interim and annual financial statements.

The adaption of these amended standards had no material impact on the consolidated financial statements.

The following new standards, interpretations and amendments to already issued standards will be applicable for annual reporting periods commencing on or after April 1, 2015:

IAS 1 (amended) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2016, prospective application, earlier application permitted). The amendments clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

IAS 16 and IAS 38 (amended) "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective for annual periods beginning on or after 1 January 2016, prospective application, earlier application permitted). IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The objective of the amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.

IAS 19 (amended) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 July 2014, retrospective application, early application permitted). The amendment clarifies the application of IAS 19R to post-employment benefit plans that require employees or third parties to contribute towards the cost of benefits. The amendment allows (but does not require) contributions that are linked to service, and do not vary with length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided; e.g. contributions dependent on the employee's age or contributions that are a fixed percentage of the employee's salary. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the gross benefits. The amendment allows many entities to continue accounting for employee contributions using their accounting policy prior to IAS 19R.

IFRS 9 (amended) "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018, retrospective application, earlier application permitted). The complete version of IFRS 9 "Financial Instruments" includes requirements on the classification and measurement of financial assets and liabilities; it defines three classification categories for debt instruments: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cash flows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 also contains a new impairment model which will result in earlier recognition of losses. The expected credit losses (ECL) model is a "three-stage" model for impairment based on changes in credit quality since initial recognition. In addition, the new standard contains amendments to general hedge accounting that will enable entities to better reflect their risk management activities in their financial statements.

IFRS 10 and IAS 28 (amended) "Consolidated financial statements" respectively "Investments in associates and joint ventures" (effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a "business". Full gain or loss will be recognized by the investor where the nonmonetary assets constitute a "business". If the assets do not meet the definition of a business, the gain or loss is recognized by the investor to the extent of the other investors' interests, even if these assets are housed in a subsidiary. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation. These amendments shall be applied prospectively, earlier application is permitted.

IFRS 15 (new) "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017, retrospective application, earlier application permitted). The new standard on the recognition of revenue from contracts with customers applies to all contracts with customers except those that are financial instruments, leases or insurance contracts. IFRS 15 is based on a five step approach:

1) Identify the contract with the customer
2) Identify the separate performance obligations in the contract
3) Determine the transaction price
4) Allocate the transaction price to separate performance obligations
5) Recognize revenue when a performance obligation is satisfied

The new standard will require entities to redefine their revenue recognition, and consider adjustments to the invoicing and accounting systems and consider renegotiating contracts with their clients. Entities currently using industry-specific guidance may be more significantly affected. In addition, the amount of revenue-related disclosures will increase.

Burckhardt Compression has not opted for early adoption of these new standards, interpretations and amendments. Management will assess and adopt them at the specified time provided they are relevant to the Burckhardt Compression Group.

2.3. Principles in 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 owning more than 50% of the voting rights. New group companies are fully consolidated from the date on which control passes to Burckhardt Compression and deconsolidated from the date on which control ceases. Assets and liabilities, income and expenses, are recognized in full. Minority interests are presented separately in the balance sheet and income statement. All material intercompany transactions and balances, including unrealized gains and losses of transactions between group companies, are eliminated. The group companies are listed in the section "Investments as per March 31, 2015". As per March 31, 2015, there are no minority interests.

2.4. Foreign currency translation

Items included in the financial statements of each group company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are prepared in Swiss francs (CHF), which is the functional and the reporting currency of Burckhardt Compression Holding AG as most of the labor and material expenses arise in that currency.

In the single-entity financial statements of group companies, foreign-currency income and expenses are translated at the rates prevailing at the transaction date and foreign-currency assets and liabilities at year-end rates. The resulting foreign exchange gains or losses are recognized as profit or loss. Also foreign currency exchange gains/losses can arise on settlement of transactions and is recognized in the income statement. Only foreign currency exchange gains/losses on monetary assets and liabilities affect the income statement, except if they refer to cash flow hedges and qualifying net investment hedges.

For consolidation purposes, items in the balance sheets of foreign group companies are translated at year-end rates, while income statement items are translated at average rates for the period. The resulting currency translation differences are recognized in other comprehensive income (OCI) and, in the event of an entity's deconsolidation, transferred to the income statement as part of the gain or loss on the entity's disposal or liquidation.

2.5. Intangible fixed assets

Intangible assets include material customer lists, licenses, patents, trademarks and similar rights acquired from third parties. They are amortized on a straight-line basis over their expected useful lives, over a period not exceeding 10 years. Immaterial purchased patents, licenses or trademarks and any internally generated intangible assets are expensed as incurred. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful life (three to five years). Internal costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of the acquisition. Goodwill arising on acquisitions is recognized under intangible assets. Goodwill recognized is tested annually for impairment and carried at cost less accumulated impairment losses. If there is objective evidence of a possible impairment, an additional impairment test will be performed immediately. Gains and losses arising on an entity's disposal comprise the carrying amount of the goodwill allocated to the entity being disposed of. Goodwill is allocated to cash-generating units for the purpose of the impairment test. It is allocated to those cash-generating units that are expected to benefit from the business combination on which the goodwill arose. The goodwill resulting from purchasing minority interests is recognized directly in equity according to the Economic Entity Method.

2.6. Property, plant and equipment

Items of property, plant and equipment are stated at cost less depreciation and write-downs for impairment, if required. They are depreciated on a straight-line basis over their estimated useful lives. Plots of land are carried at cost and only written down when impaired. The estimated useful lives are as follows:

Buildings	20 to 50 years
Mechanical engineering	5 to 15 years
Equipment	5 to 10 years
Tools, patterns and IT hardware	max. 5 years

2.7. Impairment of non financial assets

Goodwill and other intangible assets with an indefinite life are tested annually for impairment. Fixed assets and other non-current assets, including intangible assets with an identifiable useful life, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is calculated based on the estimated future cash flows, usually over a period of five years, and the projections for subsequent years. The results are discounted at an appropriate long-term interest rate. For the purpose of the impairment test, assets are grouped at the lowest level for which there are separately identifiable cash flows (so called "cash-generating units").

2.8. Inventories

Raw materials, supplies and consumables are stated at the lower of cost or net realizable value. Finished products and work in progress are stated at the lower of manufacturing cost or net realizable value. The cost of finished products and work in progress comprises material costs, direct and indirect production costs and other order-related production costs. Inventories are stated at weighted average costs based on their type and use. Valuation allowances are recognized for slow-moving and excess inventory items.

2.9. Trade and other accounts receivable

Trade and other accounts receivable are non-interest-bearing and stated at their nominal amount less valuation allowances for doubtful amounts. Impairments are assessed case by case. An impairment loss is recognized when there is objective evidence that the Group will not be able to collect the full amount due. Impairment losses are recognized in the income statement. The carrying amounts thus determined correspond to an approximation of fair value.

2.10. Financial assets

Financial assets are divided into the following categories:

– **Financial assets "at fair value through profit or loss"** This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is assigned to this category if acquired principally for the purpose of selling in the short-term or if designated as such by management. Derivatives are also assigned to this category unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realized within 12 months after the balance sheet date. As per March 31, 2015 Burckhardt Compression Group did not hold any investments in this category.

– **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets unless the maturity date is more than 12 months after the balance sheet date, in which case they are presented as non-current assets. Loans and receivables are carried in the balance sheet under trade and other receivables.

– **Held-to-maturity investments** are non-derivative financial assets with fixed or determinable payments and fixed maturities that management intends to hold to maturity. As per March 31, 2015 Burckhardt Compression Group did not hold any investments in this category.

– **Available-for-sale financial assets** are non-derivative financial assets that are either classified as such or not assigned to any of the other categories. They are included in non-current assets unless management intends to dispose them within 12 months after the balance sheet date. As per March 31, 2015 Burckhardt Compression Group did not hold any investments in this category.

Regular purchases and sales of financial assets are recognized on trade date, on which Burckhardt Compression commits to purchase or sell the asset. Financial assets not classified as at fair value through profit or loss are initially stated at fair value plus transaction costs. Financial assets classified as at fair value through profit or loss are initially stated at fair value, with the related transaction costs recognized in the income statement. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or been transferred and Burckhardt Compression has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and assets classified as at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Gains or losses arising on financial assets measured at fair value through profit or loss, including interest and dividend income, are presented in the income statement on a net basis within other financial income/expenses in the period in which they arise.

In the event of changes in the fair value of monetary items that are classified as available for sale, currency translation differences resulting from changes in amortized cost are recognized in the income statement and other changes in carrying amount are recognized directly in equity.

Changes in the fair value of non-monetary assets classified as available-for-sale are taken to the balance sheet. If available-for-sale assets are sold or impaired, the accumulated fair value changes previously carried in the balance sheet are taken to the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the right to receive payment is established.

The fair value of quoted investments (fair value hierachy 1) is based on current bid prices. If there is no active market for a financial asset or if the asset is not quoted, (fair value hierachy 2) fair value is determined using suitable valuation methods. These include the use of recent arm's length transactions, reference to other instruments that are essentially the same, discounted cash flow analysis and option pricing models based as far as possible on market data and as little as possible on company-specific data.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence that an available-for-sale asset is impaired, the cumulative loss (measured as the difference between the acquisition cost and current fair value less any impairment loss on that asset previously recognized in the income statement) is eliminated from equity and recognized in the income statement.

– **Derivative financial instruments** Burckhardt Compression 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 documents the hedging relationship between the hedging instrument and the hedged item, its risk management objective and the underlying strategy for undertaking the hedge. At inception of the hedge and on an ongoing basis, it also documents its assessment of whether the derivatives used in the hedging relationship are highly effective in offsetting changes in the fair value or cash flows of the hedged item. The fair values of the various derivative financial instruments used for hedging purposes are listed in note 21 "Derivative financial instruments". The full fair value of derivative financial instruments designated as hedging instruments is presented as a non-current asset or non-current liability if, as of the balance sheet date, the remaining term of the hedged item exceeds 12 months and as a current asset or current liability if the remaining term is shorter. Derivative financial instruments held for trading are presented as current assets or current liabilities.

  The effective portion of changes in the fair value of derivatives qualifying as cash flow hedges is recognized in other comprehensive income. The ineffective portion of such fair value changes is recognized in the income statement net, within other operating income/expenses. Amounts recognized directly in equity are reclassified into profit or loss and recognized as income or expense in the same period in which the hedged item affects profit or loss (e.g. on the date on which a hedged future sale takes place).

  When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss existing in equity at that time remains in equity and is only taken to the income statement when the hedged future transaction occurs. When a future transaction is no longer expected to occur, the cumulative gain or loss recognized directly in equity is immediately transferred to the income statement.

2.11. Cash and cash equivalents
In the consolidated cash flow statement, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.12. Trade accounts payable, customers' advance payments and other liabilities
These are stated at face value.

2.13. Borrowings
Bank and other financial debts are initially recognized at fair value, net of any transaction cost incurred. In subsequent periods, they are measured at amortized cost. Any difference between the amount borrowed (after deduction of transaction cost) and the repayment amount is reported in the income statement over the period of the financial debt, using the effective interest method. Liabilities under financial debts are classified as current liabilities unless Burckhardt Compression has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

2.14. Provisions
Provisions are recognized for warranty obligations, 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. The amount of the provisions is based on the expected cash outflow required to cover all obligations and liabilities. Provisions for which the expected outflow is not expected to take place within the next 24 months are discounted to their present value. No provisions are recognized for future operating losses.

2.15. Employee benefits
– **Employee benefits** The Burckhardt Compression Group operates various pension plans based on the local conditions in the respective countries. Burckhardt Compression operates defined benefit plans in Switzerland and Germany and defined contribution plans in the other countries. Whereas the Swiss pension plan's assets and liabilities are held by entities legally separate from the Burckhardt Compression Group, the pension plan of Burckhardt Compression (Deutschland) GmbH is unfunded. Defined benefit plans typically define the amount of the pension benefits an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation, while, under defined contribution plans, fixed amounts are paid to an entity not belonging to the Burckhardt Compression Group (insurance companies or funds).

The provision recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of the plan assets, adjusted for cumulative unrecognized actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets and the effect on the asset ceiling, are recognized immediately in OCI. The corporation determines the net interest expense (income on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expenses and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The corporation recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs. In the case of the defined contribution plans, Burckhardt Compression contributes to public or private pension plans either due to a legal or contractual obligation or voluntarily. Above and beyond paying contributions, Burckhardt Compression does not have any further payment obligations. The contributions are recognized as employee benefit expense at the due date. Pre-paid contributions are recognized as assets to the extent that a right to receive a repayment or a reduction in future payments has been established.

– **Termination benefits** are paid if a group company terminates an employee's employment prior to the normal retirement date or if an employee accepts voluntary redundancy in exchange for termination benefits. Burckhardt Compression recognizes termination benefits if it is demonstrably committed to either terminate the employment of current employees in accordance with a detailed formal plan that cannot be withdrawn or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

– **Variable compensation plans** The Group recognizes a liability and an expense for variable compensation plans based on a formula that takes into consideration the achievement of financial objectives. A provision is recognized in the consolidated financial statements in cases where the Group has a contractual obligation or where past practice has resulted in a constructive obligation.

– **Share-based payments with compensation through equity instruments (equity settled)** Share-based payments with compensation through equity instruments are recognized at fair value as of the allocation date in the income statement. The expenses are distributed over the vesting periods. Such instruments which have been issued or allocated before that date do not constitute expenses in the income statement.

Since the 2008 fiscal year Burckhardt Compression has maintained share-based compensation plans that are settled with equity instruments. Further information is given in "Remuneration of the Board of Directors and Executive Board" and in the compensation report.

2.16. Revenue recognition
Burckhardt Compression supplies compressor systems that are built into large, complex installations and provides compressor components and spare parts as well as services that are essential for consistent compressor performance. The compressor systems consist of modular compressors, supplemented with drive units, gas dampers and control and monitoring systems tailored to the customer's specifications. The majority of the costs to design and manufacture such compressor systems accrue during the last four to six months prior to delivery to the customer.

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 and after elimination of intra-group sales. Under this method, 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 and the flow of future revenues is probable. The following conditions must be met in this regard:
– A good has been delivered or a contractually agreed service rendered
– The basic items of a delivery have been accepted by the customer
– The amount of revenues, or the contractually agreed selling price, can be reliably measured
– The costs (including those yet to be incurred) can be reliably measured

The Group recognizes provisions for anticipated losses on contracts.

2.17. Research and development expenses

Research costs are recognized as expenses in the period in which they arise. Development costs are recognized as intangible assets if it is highly probable that the project in question will be commercially successful is technically feasible and the related costs can be reliably measured. All other research and development costs are recognized as expenses as incurred.

2.18. Deferred taxes

Using the liability method, deferred tax is provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements prepared in accordance with IFRS. However, if the deferred tax arises from initial recognition of an asset or a liability in a transaction other than a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss), it is not accounted for. Deferred taxes are measured using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent of the probability that future taxable profit will be available, against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for temporary differences associated with investments in subsidiaries and associates, except where Burckhardt Compression is able to control the timing of the reversal of the temporary differences and when it is probable that the temporary differences will not reverse in the foreseeable future.

2.19. Leasing

Lease agreements in which a substantial portion of the risks and rewards associated with ownership of the leased asset remain with the lessor are classified as operating leases. Payments under operating leases are debited to the income statement on a straight-line basis over the duration of the lease.

2.20. Dividend distribution

Dividends distributed to the shareholders of Burckhardt Compression Holding AG are recognized as a liability in the period in which they are approved by the company's shareholders.

2.21. Treasury shares

If a Group company acquires treasury shares, the value of the paid consideration, including directly attributable additional costs (net of taxes) is subtracted from the shareholders' equity until the shares are redeemed, reissued or sold. If such shares are subsequently reissued or sold, the consideration received, after subtracting directly attributable additional transaction costs and associated taxes, is recognized as shareholders' equity. With the exception of Burckhardt Compression Holding AG, none of the companies included in the scope of consolidation hold any BCHN shares.

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.

Burckhardt Compression follows the principle of security before return in the investment of financial resources. The liquidity is invested mainly on current accounts and occasionally in the money market (time deposits with first class financial institutions).

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.

Cash and cash equivalents held by Burckhardt Compression and free credit facilities as per the balance sheet date were as follows:

in CHF 1'000	03/31/2015	03/31/2014
Cash and cash equivalents	178'479	201'987
Free credit facilities	95'000	20'000
Total	**273'479**	**221'987**

The increase in free cash facilities resulted from the renegotiation of free-of-charge umbrella credit lines and includes the facilities from a third house bank that was taken on board in fiscal year 2014.

The following table shows the open financial liabilities according to their due dates:

Financial liabilities as per 03/31/2015	**Total balance sheet**	**Maturity**				
in CHF 1'000		less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total cash flow**
Current and non-current financial borrowings	27'161	3'961	10'560	14'845	0	29'366
Liabilities from supply and services	35'043	35'043				35'043
Other current liabilities	8'252	8'252				8'252
Total	**70'456**	**47'256**	**10'560**	**14'845**	**0**	**72'661**

Financial liabilities as per 03/31/2014	**Total balance sheet**	**Maturity**				
in CHF 1'000		less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total cash flow**
Current and non-current financial borrowings	36'212	11'662	2'618	15'504	9'120	38'904
Trade accounts payable	52'453	52'453				52'453
Other current liabilities	3'877	3'877				3'877
Total	**92'542**	**67'992**	**2'618**	**15'504**	**9'120**	**95'234**

The table below discloses cash flows of the forward foreign exchange contracts as per the balance sheet date. The amounts disclosed correspond to the contractual non-discounted cash flows.

Forward foreign exchange contracts as per March 31, 2015			**Cash flow**		
in CHF 1'000	less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total**
Cash flow hedge outflow	127'262	35'322	11'662	0	**174'246**
Cash flow hedge inflow	130'417	35'293	11'373	0	**177'083**

Forward foreign exchange contracts as per March 31, 2014			**Cash flow**		
in CHF 1'000	less than 1 year	in 2nd year	in 3rd to 5th year	more than 5 years	**Total**
Cash flow hedge outflow	118'509	55'675	712	0	**174'896**
Cash flow hedge inflow	121'016	56'289	694	0	**177'999**

– **Currency risks** Burckhardt Compression hedges all major USD-denominated sales transactions of its Swiss entity (Burckhardt Compression AG). 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 decision of the Swiss national bank announced on January 15, 2015 to abandon the minimum exchange rate EUR/CHF effective immediately, had a significant negative one-time impact on EUR-denominated positions on the group's balance sheet that could not be avoided by the existing natural hedge policy. Given the unique character of this historic decision there is no need to adapt the existing policy. 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 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. Based on income and invested capital, the following currencies are primarily relevant: EUR, USD, CNY and INR. Burckhardt Compression Holding AG does not hedge these translation risks.

As per balance sheet date, the following hypothetical foreign currency exchange rate risks existed:

03/31/2015

Exchange rate	EUR/CHF	INR/CHF	USD/CHF	CNY/CHF
Change of exchange rate (hypothetical)[1]	20%	20%	20%	20%

in CHF 1'000				
Effect on result				
– with increase of exchange rate against CHF	3'032	170	885	122
– with decrease of exchange rate against CHF	–3'032	–170	–885	–122
Effect on equity[2]				
– with increase of exchange rate against CHF	0	0	26'625	0
– with decrease of exchange rate against CHF	0	0	–26'625	0

03/31/2014

Exchange rate	EUR/CHF	INR/CHF	USD/CHF	CNY/CHF
Change of exchange rate (hypothetical)[1]	20%	20%	20%	10%

in CHF 1'000				
Effect on result				
– with increase of exchange rate against CHF	1'942	224	6'263	42
– with decrease of exchange rate against CHF	–1'942	–224	–6'263	–42
Effect on equity[2]				
– with increase of exchange rate against CHF	0	0	25'410	0
– with decrease of exchange rate against CHF	0	0	–25'410	0

[1] The hypothetical fluctuations in exchange rates expressed in percent were based on fluctuation scenarios of the respective foreign currencies against the Swiss franc as observed during recent reporting periods.

[2] The hypothetical effect on equity is a result of fair value changes of derivative financial instruments designated as hedges of future cash flow in foreign currency.

– **Risks from customer contracts** Financial risks due to the execution of major and critical customer contracts are minimized through the established project control tools and processes.

– **Credit risk** 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 accounts 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 due to customer risks.

Financial instruments are exclusively concluded with first-class banks (mainly four institutes with short-term credit ratings of AAA, AA-, A and A respectively, from S&P). The maximum credit risk is the market value of the available financial assets as per the balance sheet date. Burckhardt Compression invests its cash mainly on current accounts with institutions with a high credit rating and occasionally in the money market, which shows a lower interest risk.

– **Interest rate risk** Burckhardt Compression had mortgage loans of CHF 23.5 mn as per March 31, 2015. The mortgage loans have fixed terms of 1 to 7 years and fixed interest rates. The funds borrowed from local banks, mainly by the Indian subsidiary, amounted to total CHF 2.3 mn as of March 31, 2015. These bank loans have variable interest rates and averaged 12.25% during the period under review (previous year 6.0% for the Indian subsidiary only). The lower prior-year interest rate was a result of the higher utilization of incentivized export related loans. Burckhardt Compression does not have any other major borrowings. Liquid assets not required for operational purposes are deposited in current accounts or occasionally in short-term money market instruments and therefore are only exposed to the fluctuations of short-term interest rates. For this reason Burckhardt Compression has not performed a sensitivity analysis.

On December 18, 2014 the Swiss National Bank (SNB) imposed negative interest rates on sight deposit account balances at the SNB. Following that decision by the SNB, Burckhardt Compressions' house banks started to set maximum limits for interest free cash deposits. As of March 31, 2015 there are no cash deposits bearing negative interest rates.

– **Capital risk** 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.

Burckhardt Compression monitors and manages its capital and capital returns based on the following ratios:

Ratio	Definition
Equity base	Equity as percentage of balance sheet total (equity ratio)
Net financial position	Marketable securities, cash and cash equivalents less short- and long-term bank loans and leasing commitments

As a long-term oriented industrial company exposed to cyclical market developments, Burckhardt Compression aims to keep a strong equity base and a solid net financial position. As per the balance sheet date those ratios showed the following values:

	03/31/2015	03/31/2014
Equity ratio	49.7%	55.5%
Net financial position (CHF 1'000)	151'318	165'775

Overview of financial assets and liabilities
Carrying amount and fair value of financial assets and liabilities (carrying amount corresponds mainly to fair value)

in CHF 1'000	Fair value hierarchy	Notes	03/31/2015	03/31/2014
Cash and cash equivalents	N/A	15	**178'479**	**201'987**
Loans and receivables				
Trade receivables	N/A	13	124'906	115'989
Other receivables	N/A	13	12'654	10'003
Total			**137'560**	**125'992**
Derivative financial instruments from hedge accounting (assets)	2	21	**4'005**	**4'479**
Liabilities stated at amortised cost				
Trade accounts payables	N/A		35'043	52'453
Other current liabilities	N/A	20	8'252	3'877
Current financial liabilities	N/A	18	3'661	11'321
Non-current financial liabilities	2	18	23'500	24'891
Total			**70'456**	**92'542**
Derivative financial instruments from hedge accounting (liabilities)	2	21	**9'971**	**469**

Fair value hierarchy:
Level 1 Quoted prices (unadjusted) and active markets for this instrument.
Level 2 Quoted prices for comparable assets or liabilities in active markets, or the instrument can be valued using other methods based on observable market data.
Level 3 Valuation methods use inputs that are not based on observable market data.

The general valuation method is outlined in point 2.10. Accounting Principles.

As per the end of fiscal years 2014 and 2013, Burckhardt Compression had no financial assets in the fair value category 3.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Burckhardt Compression makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below:

- **Impairment of goodwill** Burckhardt Compression tests goodwill for impairment on an annual basis in accordance with the accounting policy outlined under "Impairment of non-financial assets". The recoverable amounts of cash-generating units (CGU) are determined based on value-in-use calculations. These calculations require the use of assumptions. The group management defines budgeted gross margins based on developments in the past and on expectations for future market development. The weighted average growth rates correspond to the predictions contained in industry reports. The discount rates applied are pre-tax interest rates and reflect the specific risks of the respective segments. Further details to the impairment test are stated in the note 10.

- **Provisions** Provisions contain the anticipated cash outflows, at their present value at the balance sheet date, for warranty and other claims, onerous contracts and long-term employee benefits. Every year the provisions set aside for warranties and guarantees are compared with the actual guarantee-related expenses incurred during the reporting period and adjusted accordingly in the event of sustained deviation. Depending on the outcome of the respective transactions, actual payments may differ from these estimates.

- **Accruals** Income and expenses are accounted for on an accruals basis so that they are recognized in the periods to which they relate. Accruals include items for any additional expenses relating to outstanding commissioning costs and potential liquidated damages on contracts already billed. As the actual work involved is difficult to estimate, actual costs may differ from the accrued liabilities recognized for the work.

- **Income taxes** Burckhardt Compression is obliged to pay income taxes in various countries and is therefore required to make significant assumptions in order to calculate its worldwide tax provision. In the case of a number of transactions and calculations, the final tax liability cannot be ultimately determined during the normal course of business. Where the final tax liability arising from these transactions differs from the initial assumption, this will affect current and deferred taxes in the period in which the tax liability is ultimately determined.

- **Pension liabilities** Pension liabilities are calculated on the balance sheet date using an actuarial-based procedure. For these projections assumptions must be made regarding interest rates, expected yields from assets, wage rises, staff fluctuations, etc. Changing the assumptions mentioned could lead to significant deviations because of the long-term nature of these calculations.

5. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

01 Significant changes in the scope of consolidation

In March 2015 Burckhardt Compression AG, a wholly owned subsidiary of Burckhardt Compression Holding AG, established Burckhardt Compression (Saudi Arabia) LLC by means of a contribution in cash. This new company employed 1 full time employee at the end of the fiscal year 2014.

In December 2014 Compressor Tech Holding AG, a wholly owned subsidiary of Burckhardt Compression Holding AG, acquired SAMR Société d'Application du Métal Rouge SAS, located in France. SAMR is a specialist enterprise that has designed and manufactured high-end, durable sliding bearings for rotating machinery such as reciprocating compressors, turbo compressors, turbines, combustion engines, gears and pumps since 1947. Its products are used in the chemicals and petrochemicals, power generation, shipping, railroad, steel and cement industries.

In June 2014, PROGNOST Systems GmbH (PSG), a subsidiary of Burckhardt Compression Holding AG, and Monitoring Technology LLC (Fairfax, VA) agreed on the acquisition of certain assets related to the Espresso vibration monitoring business and technology from the company's monitoring portfolio. The Espresso monitoring system is applied by users in the petrochemical, cement and paper industries and offers a wide range of specialized frequency analysis and automatic diagnostic features.

02 Currency exchange rates

	Average rates		Year-end rates	
	2014	2013	**03/31/2015**	03/31/2014
1 EUR	1.18	1.23	1.04	1.22
1 GBP	1.50	1.46	1.42	1.48
1 USD	0.93	0.92	0.96	0.89
1 CAD	0.82	0.87	0.76	0.80
1 AED	0.25	0.25	0.26	0.24
100 BRL	37.90	40.93	29.40	39.20
100 JPY	0.85	0.92	0.80	0.86
100 CNY	15.00	15.02	15.50	14.27
100 INR	1.52	1.52	1.54	1.48
100 KRW	0.09	0.08	0.08	0.08
1 TRY	0.41	0.46	0.37	0.41
1 SGD	0.72	0.73	0.70	0.70
1 ZAR	0.08	0.09	0.08	0.08

03 Segment reporting

Burckhardt Compression is one of the market leaders worldwide in reciprocating compressors and has only one reportable segment (compressor business). The information for this segment is identical to the data in the consolidated financial statements. Management did not identify any other reportable segments to which specific risks and benefits could be allocated or for which there is regular and consistent internal reporting to facilitate management decision-making processes. Furthermore management believes that Group investments cannot be feasibly allocated to product lines, markets or geographic regions. Management has therefore concluded that at the present time segment reporting by product line, market or geographic region would not improve the interpretation of Group results or the company's risks and profitability.

Geographic information

Sales by country of installation in CHF 1'000	2014	2013
Europe:		
– EU	132'418	88'584
– Switzerland	4'051	4'398
– Other European countries	73'453	63'846
Total Europe	**209'922**	**156'828**
North America	33'842	24'972
South America	18'951	20'327
Asia, Australia, Middle East	207'891	239'332
Africa	3'038	3'503
Total	**473'644**	**444'962**

Sales by customer location in CHF 1'000	2014	2013
Europe:		
– EU	146'336	104'518
– Switzerland	24'438	13'531
– Other European countries	59'611	59'306
Total Europe	**230'385**	**177'355**
North America	22'552	24'983
South America	17'888	14'714
Asia, Australia, Middle East	199'760	223'879
Africa	3'059	4'031
Total	**473'644**	**444'962**

Carrying amount of assets by location of assets in CHF 1'000	03/31/2015	03/31/2014
Europe:		
– EU	29'222	28'306
– Switzerland	565'073	553'727
Total Europe	**594'295**	**582'033**
North America	33'824	16'039
South America	1'266	1'536
Asia, Australia, Middle East	51'974	46'334
Total	**681'359**	**645'942**

Capital expenditure for property, plant and equipment in CHF 1'000	2014	2013
Europe:		
– EU	398	357
– Switzerland	13'093	10'193
Total Europe	**13'491**	**10'550**
North America	1'898	257
South America	4	38
Asia, Australia, Middle East	1'783	1'525
Total	**17'176**	**12'370**

04 Additional information regarding the income statement

Sales and gross profit in CHF 1'000		2014	2013
Compressor Systems	Sales	327'194	292'861
	Gross profit	78'219	68'222
Components, Service & Support	Sales	146'450	152'101
	Gross profit	74'600	71'020
Total	**Sales**	**473'644**	**444'962**
	Gross profit	**152'819**	**139'242**

Expenses by nature[1] in CHF 1'000		2014	2013
Raw materials and consumables		**–242'789**	**–218'049**
Personnel expenses	Salaries and wages	–104'739	–92'523
	Defined benefit plans	–1'485	–6'678
	Defined contribution plans	–10'344	–4'267
	Other social benefits	–6'828	–5'378
	Other personnel costs	–15'574	–12'694
Total personnel expenses		**–138'970**	**–121'540**
Depreciation		–10'808	–9'507
Amortization		–3'577	–2'290

[1] The amounts shown under expenses by nature are related to the costs of goods manufactured (not cost of goods sold) during the respective fiscal year. The higher level in raw materials and consumables is in line with the increase in workload. The increase in salaries and wages is attributable to the increase in the headcount to 1'385 as per March 31, 2015 compared to 1'232 as per March 31, 2014.

05 Employee benefit plans

Burckhardt Compression operates defined benefit pension plans in Switzerland and Germany.

The plans in Switzerland consist of two independent pension funds ("Sulzer Vorsorgeeinrichtung", a base plan for all employees and "Johann Jakob Sulzer Stiftung" 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 employee and ten employer representatives of the contributing companies and is responsible for the investment of the assets and the risk management. The insurance plans of the "Sulzer Vorsorgeeinrichtung" and of the "Johann Jakob Sulzer Stiftung" are contribution-based and are classified as defined benefit plans according to IAS 19. The 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 a fixed annuity at the rates defined in the rules of the pension funds. These plans are funded through a legally separate trustee administered pension fund ("Sulzer Vorsorgeeinrichtung" and "Johann Jakob Sulzer Stiftung"). The pension funds are able to adapt the contribution and benefits at any time. In case of underfunding, this may involve special payments from the employer. In the course of reporting period the pension Board decided to gradually reduce the conversion rate for new retirees.

The disclosed sensitivities have been determined by changing the discount rate and the rate of salary increase by +/–0.25% resp. making an adjustment to the mortality rates so that the longevity increased/decreased by one year. The cash funding of these plans is designed to ensure that present and future contributions should be sufficient to meet future liabilities. Employer and employee contributions are defined in terms of an age related sliding scale of percentages of the insured salary.

The financing of pension plans in Germany is made by means of provisions accrued in the accounting records of the companies affected.

in CHF 1'000	Funded plans	Unfunded plans	2014	2013
Reconciliation of the amount recognized in the balance sheet				
Present value of funded defined benefit obligation	–269'722	0	–269'722	–208'589
Fair value of plan assets	226'094	0	226'094	206'105
Overfunding (+) / underfunding (–)	**–43'628**	**0**	**–43'628**	**–2'484**
Present value of unfunded defined benefit obligation	0	–2'287	–2'287	–2'227
Adjustment to asset ceiling[1]	0	0	0	–1'123
Asset (+) / liability (–) recognized in the balance sheet	**–43'628**	**–2'287**	**–45'915**	**–5'834**
– thereof as liabilities under non-current provisions	–43'628	–2'287	–45'915	–5'834
– thereof as prepaid expenses	0	0	0	0
– thereof as liabilities held for sale	0	0	0	0
Reconciliation of effect of asset ceiling				
Adjustment to asset ceiling at April 1			1'123	602
Interest expense/(income) on effect of asset ceiling			26	11
Change in effect of asset ceiling excl. interest expense/(income)			–1'149	510
Adjustment to asset ceiling at March 31			**0**	**1'123**
Reconciliation of asset (+) / liability (–) recognized in the balance sheet				
Asset (+) / liability (–) recognized at April 1			–5'834	–14'206
Defined Benefit cost recognized in profit or loss			–1'485	–6'678
Defined Benefit cost recognized in OCI			–46'187	9'051
Contributions by the employer/benefits paid directly by the employer			7'052	5'998
Currency translation differences			539	1
Asset (+) / liability (–) recognized at March 31			**–45'915**	**–5'834**
Components of defined benefit cost in profit or loss				
Current service cost (employer)			–6'737	–6'366
Interest cost			–4'977	–3'544
Interest income on plan assets			4'884	3'267
Past service cost			5'397	0
Interest expense/(income) on effect of asset ceiling			–26	–12
Other administrative cost			–26	–23
Expense recognized in profit or loss			**–1'485**	**–6'678**
– thereof charged to personnel expenses			–1'366	–6'389
– thereof charged to financial income			–119	–289
Components of defined benefit cost in OCI				
Actuarial (loss) / gain on defined benefit obligation			–49'807	1'917
Return on plan assets excl. interest income			2'630	6'099
Change in effect of asset ceiling excl. interest expense/income			1'149	–510
Other			0	1'545
Cost recognized in OCI			**–46'028**	**9'051**

[1] Legal requirements, particularly those in Switzerland, restrict the utilization of overfunded amounts in separate legal benefit plans. Only amounts for which the future economic benefit to the employer is imminent are capitalized in the consolidated balance sheet.

in CHF 1'000	2014	2013
Reconciliation of defined benefit obligation		
Defined benefit obligation as of April 1	210'816	121'323
Interest cost	4'977	3'544
Current service cost (employer)	6'737	6'366
Contributions by plan participants	4'878	4'117
Past service cost	–5'397	0
Benefits paid (deposited)	545	–25
Change in consolidation scope (2013: first inclusion of retirees)	0	77'385
Other administrative cost	26	23
Actuarial loss (–) / gain (+) on obligation	49'807	–1'917
Currency translation differences	–380	0
Defined benefit obligation as of March 31	**272'009**	**210'816**
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of April 1	206'105	107'719
Interest income on plan assets	4'884	3'267
Contributions by the employer/benefits paid directly by the employer	7'052	5'998
Contributions by plan participants	4'878	4'117
Benefits paid (deposited)	545	–25
Change in consolidation scope (2013: first inclusion of retirees)	0	78'930
Return on plan assets excl. interest income	2'630	6'099
Fair value of plan assets as of March 31	**226'094**	**206'105**
Total plan assets at fair value – Quoted market price		
Cash and cash equivalents	19'748	9'585
Equity instruments third parties	49'265	47'168
Debt instruments third parties	96'274	92'750
Real Estate funds	3'732	5'170
Other	4'287	3'625
Total assets at fair value – Quoted market price as of March 31	**173'306**	**158'298**
Total plan assets at fair value – Non-quoted market price		
Properties occupied by or used by third-parties (Real Estate)	46'595	42'187
Other	6'193	5'620
Total assets at fair value – Non-quoted market price as of March 31	**52'788**	**47'807**

in CHF 1'000	2014	2013
Best estimate of contributions for upcoming financial year		
Contributions by the employer/benefits paid directly by the employer	7'149	6'176
Contributions by plan participants	4'977	4'248
Components of Defined Benefit Obligation, split (§137)		
Defined Benefit Obligation at March 31 for active members	162'376	125'571
Defined Benefit Obligation at March 31 for pensioners	109'633	85'245
Total Defined Benefit Obligation at March 31	**272'009**	**210'816**
Components of actuarial (gain) / losses on obligations (§141 lit. c)		
Actuarial (gain) / loss arising from changes in financial assumptions	57'108	–9'810
Actuarial (gain) / loss arising from changes in demogr. assumptions	–5'435	–
Actuarial (gain) / loss arising from experience adjustments	–1'866	7'893
Actuarial (gain) / loss on defined benefit obligation	**49'807**	**–1'917**
Maturity profile of defined benefit obligation (§147 lit. c)		
Weighted average duration of defined benefit obligation in years	16.0	14.3
Sensitivity analysis of Defined Benefit Obligation		
Discount rate (decrease 0.25%)	283'652	218'517
Discount rate (increase 0.25%)	261'423	203'594
Future salary growth (decrease 0.25%)	270'808	210'042
Future salary growth (increase 0.25%)	273'264	211'586
Life expectance (decrease 1 year)	264'936	205'862
Life expectance (increase 1 year)	278'960	215'530
Principal actuarial assumptions as of March 31		
Discount rate	0.72%	2.31%
Future salary increases	1.00%	1.51%
Future pension increases	0.00%	0.01%
Expected average remaining working lives in years	9.8	9.8
Life expectance at retirement age (male/female) in years	21.5 / 24.0	21.4 / 23.9

Changes in assets (+) / liabilities (–) recognized in balance sheet (Retirement benefit obligations)

in CHF 1'000	2014	2013
Balance as per per 04/01/2014 / 04/01/2013	5'834	14'206
Defined benefit cost in other comprehensive income (OCI)	46'028	–9051
Other operating income (–) / expenses (+)[1]	–5'947	679
Total as per 03/31/2015 / 03/31/2014	**45'915**	**5'834**

[1] Employer contribution incl. currency differences

The change in net retirement benefit obligations through the other comprehensive income (OCI) was mainly caused by the very low discount rates applied for actuarial calculation of defined benefit plans as a consequence of the low interest environment. The change in net retirement benefit obligations through other operating income was mainly a result of the reduced conversion rate.

06 Research and development expenses

Research and development activities in the fiscal year 2014 centered on enhancing certain types of compressors, developing mechatronic and non-metallic products, product standardization and the standardization of operational procedures as well as research in the field of tribology. No research and development expenses were capitalized in the fiscal years 2014 and 2013.

07 Other operating income and expenses

in CHF 1'000	2014	2013
Currency exchange gains	13'561	12'365
Other operating income	12'979	8'768
Total other operating income	26'540	21'133
Currency exchange losses	–19'917	–13'141
Other operating expenses	–4'818	–4'457
Total other operating expenses	–24'735	–17'598
Total	**1'805**	**3'535**

Other operating income was negatively affected by significant foreign exchange losses mainly on balance sheet positions in EUR (net CHF –6.4 mn). These exchange rate losses were mainly a consequence of the heavy valuation of the Swiss Franc after the Swiss National Bank abandoned the minimum exchange rate to the EUR on January 15, 2015. Other essential positions contained in other operating income and expenses is a positive amount of CHF 5.9 mn resulting from pension funds adjustments (as disclosed in note 05) and an operating profit of CHF 3.2 mn (same amount as in the prior year) from the real estate company (Burckhardt Compression Immobilien AG).

08 Financial result
Miscellaneous financial income

in CHF 1'000	2014	2013
Finance costs	–866	–1'088
Interest income	75	84
Other financial income (+) and expenses (–)	–14	–12
Total	**–805**	**–1'016**

Finance costs Most of the finance costs are attributable to mortgage for the commercial real estate in Winterthur and in Rheine (PROGNOST) and to a minor extent the local bank funding secured by the Indian subsidiary. The decrease in finance costs in fiscal year 2014 is mainly achieved through the further reduction of local bank borrowings by the Indian subsidiary and the partial repayment of the mortgage for the real estate in Winterthur.

As a result of the persisting low level of interest rates, interest income basically remained at the low prior year level.

09 Taxes
Income taxes

in CHF 1'000	2014	2013
Current income taxes	–14'977	–15'089
Deferred taxes	–1'255	–155
Total	**–16'232**	**–15'244**

Reconciliation of income tax expense

in CHF 1'000	2014	2013
Profit before income taxes	73'787	69'170
Income tax expenses at the local tax rates in the respective countries	–15'496	–15'212
Tax losses for which no deferred income tax was recognized	–354	–443
Adjustment in respect of prior years	–382	0
Other	0	411
Total income tax expenses	**–16'232**	**–15'244**
as % of profit before income taxes	22.0%	22.0%

The expected tax rate of Burckhardt Compression Group corresponds to the weighted average tax rate based on the income (loss) before taxes and the tax rate of each Group company. The tax rate in the period under review is at 22.0%, same level as in the prior year and in line with the average of the last four years (21.9%).

Deferred taxes

in CHF 1'000	03/31/2015	03/31/2014
Deferred tax assets:		
– which can be used within 12 months	–483	–279
– which can be used after 12 months	–10'918	–1'878
Subtotal	–11'401	–2'157
Deferred tax liabilities:		
– which can be used within 12 months	6'170	7'084
– which can be used after 12 months	7'208	7'449
Subtotal	13'378	14'533
Total	**1'977**	**12'376**
	2014	**2013**
Total changes in deferred taxes:		
Balance as per 04/01/2014 / 04/01/2013	12'376	9'071
Charged to the income statement	1'255	155
Deferred taxes recognised in equity	–9'699	1'900
Taxes charged to equity for hedging reserves	–1'955	1'250
Balance as per 03/31/2015 / 03/31/2014	**1'977**	**12'376**

The deferred tax liabilities (net) decreased by CHF 10.4 mn mainly due to the corresponding recognition of the liability for the retirement benefit obligations from the defined pension plans in Switzerland and Germany.

Breakdown of deferred taxes in the balance sheet

	03/31/2015		03/31/2014	
in CHF 1'000	Assets	Liabilities	Assets	Liabilities
Intangible assets	0	1'357	0	1'522
Property, plant and equipment	4	5'889	4	5'772
Inventories	34	2'753	21	2'667
Trade and other receivables	0	3'973	150	4'287
Financial assets	0	11	0	258
Derivative financial instruments (assets)	0	0	0	0
Derivative financial instruments (liabilities)	201	0	0	0
Non-current provisions	9'950	1'560	1'454	1'280
Trade accounts payable	646	0	361	616
Other current and accrued liabilities	359	0	231	0
Tax loss carry forward	2'372	0	1'805	0
Total deferred taxes (gross)	**13'566**	**15'543**	**4'026**	**16'402**
Offset	–2'165	–2'165	–1'869	–1'869
Total deferred taxes (net)	**11'401**	**13'378**	**2'157**	**14'533**

In accordance with the exemption in IAS 12 the Group does not provide for deferred income tax on investments in group companies.

Tax loss carry forwards

in CHF 1'000	03/31/2015	03/31/2014
Expiring in the next 3 years	646	848
Expiring in 4 to 7 years	13'826	10'284
Total tax loss carry forwards	**14'472**	**11'132**
Potential tax assets calculated	3'035	2'844
Valuation allowance	–663	–1'039
Deferred tax assets	**2'372**	**1'805**

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which they can be utilized.

10 Intangible assets

Acquisition costs

in CHF 1'000	Goodwill	Trademarks incl. IT licenses	Customer lists	2014 Total	Goodwill	Trademarks incl. IT licenses	Customer lists	2013 Total
Balance as per 04/01/2014 / 04/01/2013	19'785	13'728	7'661	41'174	21'163	10'864	7'742	39'769
Changes in the consolidation scope	1'932	50		1'982				
Additions		5'691	516	6'207		1'863		1'863
Disposals		–1'219		–1'219				
Reclassifications		1'870		1'870		1'100		1'100
Currency translation differences	–723	–529	–438	–1'690	–1'378	–99	–81	–1'558
Balance as per 03/31/2015 / 03/31/2014	**20'994**	**19'591**	**7'739**	**48'324**	**19'785**	**13'728**	**7'661**	**41'174**

Accumulated amortisation

in CHF 1'000	Goodwill	Trademarks incl. IT licenses	Customer lists	2014 Total	Goodwill	Trademarks incl. IT licenses	Customer lists	2013 Total
Balance as per 04/01/2014 / 04/01/2013	0	–7'885	–5'817	–13'702	0	–6'343	–5'208	–11'551
Changes in the consolidation scope		–38		–38				
Additions		–2'562	–1'015	–3'577		–1'616	–674	–2'290
Disposals		1'218		1'218				
Reclassifications								
Currency translation differences		222	378	600		74	65	139
Balance as per 03/31/2015 / 03/31/2014	**0**	**–9'045**	**–6'454**	**–15'499**	**0**	**–7'885**	**–5'817**	**–13'702**

Net book value

As per 04/01/2014 / 04/01/2013	19'785	5'843	1'844	27'472	21'163	4'521	2'534	28'218
As per 03/31/2015 / 03/31/2014	**20'994**	**10'546**	**1'285**	**32'825**	**19'785**	**5'843**	**1'844**	**27'472**

Impairment tests for goodwill Goodwill is allocated to the identifiable cash-generating units of the Burckhardt Compression Group (Crosshead piston compressors and Standard High Pressure Compressors). The recoverable amount of a cash-generating unit is determined by calculating its value in use. These calculations are based on cash flows projection. For this purpose five planning years are taken into consideration, applying the parameters listed below as well as a terminal value with no growth at all. Management estimated the planned gross profit margin based on past developments and the expectations regarding future market developments. Growth rates were adjusted where necessary. Historical data were used to make cautious assumptions. The assumptions listed below were used in the analysis of each cash-generating unit. No impairment losses were recognized for fiscal years 2014 and 2013. Sensitivity analyses were done using parameters such as growth rate and pre-tax discount rate.

For the cash-generating unit "Crosshead piston compressors" the sensitivity analysis indicated that an impairment can be reasonably considered unlikely. For the cash-generating unit "Standard High Pressure Compressors" an increase of the pre-tax discount rate from 9.9% to 11.3% or a reduction of the growth rate from 3.2% to –1.7% would result in a value in use that would be equal to the goodwill amount.

in CHF 1'000	**Crosshead piston compressors**	**Standard High Pressure Compressors**	**Total**
Goodwill as per 03/31/2015	17'405	3'589	20'994
The test is based on the following assumptions:			
– Growth rate for sales	3.2%	1.5%	
– Gross margin as % of sales	30.5%	26.9%	
– Pre-tax discount rate	9.9%	9.9%	
Goodwill as per 03/31/2014	16'336	3'449	19'785
The test is based on the following assumptions:			
– Growth rate for sales	5.8%	4.8%	
– Gross margin as % of sales	30.0%	23.5%	
– Pre-tax discount rate	9.5%	9.5%	

The discount rate for discounting projected cash flows equals the rate which is used for similar purposes in the day-to-day business. The discount rate applied in the previous fiscal year for discounting projected cash flows was 9.5%.

11 Property, plant and equipment

in CHF 1'000	Land and buildings	Machinery and equipment	Other assets	Assets under construction	2014 Total	Land and buildings	Machinery and equipment	Other assets	Assets under construction	2013 Total
Acquisition costs										
Balance as per 04/01/2014 / 04/01/2013	96'796	76'373	18'491	5'746	197'406	94'635	75'173	18'138	3'253	191'199
Changes in the consolidation scope	300	1'627	144		2'071					
Additions	48	5'545	2'070	9'513	17'176	1'544	3'391	1'407	6'028	12'370
Disposals	–61	–5'719	–2'048		–7'828	–325	–1'966	–373	–273	–2'937
Reclassifications	735	2'952	109	–5'666	–1'870	1'454	577	88	–3'219	–1'100
Currency translation differences	–655	–184	–263	39	–1'063	–512	–802	–769	–43	–2'126
Balance as per 03/31/2015 / 03/31/2014	**97'163**	**80'594**	**18'503**	**9'632**	**205'892**	**96'796**	**76'373**	**18'491**	**5'746**	**197'406**
Accumulated depreciation										
Balance as per 04/01/2014 / 04/01/2013	–9'626	–42'271	–11'494		–63'391	–7'883	–39'062	–9'958		–56'903
Changes in the consolidation scope	–228	–1'212	–97		–1'537					
Additions	–2'388	–5'945	–2'475		–10'808	–2'086	–5'416	–2'005		–9'507
Disposals		5'704	2'029		7'733	254	1'913	150		2'317
Reclassifications		–11	11							
Currency translation differences	54	188	212		454	89	294	319		702
Balance as per 03/31/2015 / 03/31/2014	**–12'188**	**–43'547**	**11'814**	**0**	**–67'549**	**–9'626**	**–42'271**	**–11'494**	**0**	**–63'391**
Net book value										
As per 04/01/2014 / 04/01/2013	87'170	34'102	6'997	5'746	134'015	86'752	36'111	8'180	3'253	134'296
As per 03/31/2015 / 03/31/2014	**84'975**	**37'047**	**6'689**	**9'632**	**138'343**	**87'170**	**34'102**	**6'997**	**5'746**	**134'015**
Fire insurance values	**160'589**	**91'684**	**12'467**	**10'790**	**275'530**	**160'870**	**90'036**	**7'145**	**13'233**	**271'284**

The additions recorded in category “Assets under construction” during fiscal year 2014 contains the building extension in Winterthur, the ongoing construction of assembly plants in the USA and in South Korea as well as software investments and the replacement of machining tools. The additions recorded during fiscal year 2014 in the categories “Machinery and equipment” can primarily be traced to the modernization and replacement of machining tools both for compressor equipment and components production capacity. In the fiscal years 2014 and 2013 no traded assets are capitalized.

12 Inventories

in CHF 1'000	03/31/2015	03/31/2014
Acquisition costs		
Raw materials, supplies and consumables	17'408	16'374
Work in progress	115'150	84'990
Finished products and trade merchandise	40'976	37'953
Advance payments to suppliers	10'696	18'357
Valuation allowances	–9'196	–9'104
Total	**175'034**	**148'570**

in CHF 1'000	2014	2013
Valuation allowances		
Balance as per 04/01/2014 / 04/01/2013	–9'104	–8'963
Utilized due to disposals	875	41
Additions	–970	–312
Currency translation differences	3	130
Balance as per 03/31/2015 / 03/31/2014	**–9'196**	**–9'104**

The high order backlog as of March 31, 2015, led to an increase in work in progress of CHF 30.2 mn compared to the prior year. The capital invested in work in progress and advance payments to suppliers is fully financed by advance payments from customers, leaving a positive balance as of March 31, 2015 of CHF 10.0 mn (previous year CHF –1.3 mn).

13 Trade and other receivables

in CHF 1'000	03/31/2015	03/31/2014
Trade receivables	125'376	115'989
Allowance for bad debts	–470	–416
Other receivables	11'421	8'847
Prepaid expenses	3'712	1'686
Total current receivables	**140'039**	**126'106**
Other receivables	1'233	1'156
Total non-current receivables	**1'233**	**1'156**
Total	**141'272**	**127'262**

in CHF 1'000	2014	2013
Allowance for bad debts		
Balance as per 04/01/2014 / 04/01/2013	–416	–660
Additions	–302	–38
Released	28	263
Utilization	220	0
Currency translation differences	0	19
Balance as per 03/31/2015 / 03/31/2014	**–470**	**–416**

The allowance for bad debts at the end of the 2014 and 2013 fiscal years was entirely related to accounts receivable which were more than 90 days overdue as per the closing date.

in CHF 1'000	03/31/2015		03/31/2014	
Age profile of trade receivables				
Not due	80'294	64.3%	79'167	68.5%
Overdue 1–30 days	18'985	15.2%	7'272	6.3%
Overdue 31–60 day	11'282	9.0%	7'244	6.3%
Overdue 61–90 days	1'461	1.2%	1'301	1.1%
Overdue more than 90 days	12'884	10.3%	20'589	17.8%
Balance as per 03/31/2015 / 03/31/2014	**124'906**	**100.0%**	**115'573**	**100.0%**

in CHF 1'000	03/31/2015	03/31/2014
Trade receivables broken down into currencies		
CHF	46'699	27'000
EUR	19'346	29'547
USD	44'299	44'077
GBP	1'066	1'490
JPY	360	808
INR	5'875	2'908
BRL	208	453
KRW	7	52
CAD	696	853
CNY	4'742	6'469
Other	1'608	1'916
Total (after allowance for bad debts)	**124'906**	**115'573**

Burckhardt Compression is not exposed to major credit risks as it has a large and globally diverse customer base. The single largest account receivable represents 10% (prior year 13%) of total trade and other receivables. The risk of default among Burckhardt Compression customers is limited; a high share of the accounts receivable are secured by letters of credit. Trade account receivables increased by 8.1% compared to year-end 2013 following a very high invoicing volume towards the end of the reported fiscal year. Long term overdue positions (overdue more than 90 days) were amounting to 10.3% of total account receivables (last year 17.8%). The percentage of accounts receivables not due decreased by 4.2 percentage points to 64.3%.

14 Marketable securities

There were no holdings of marketable securities as of the balance sheet date.

15 Cash and cash equivalents

Cash was primarily held in current accounts. Most of the cash and cash equivalents were held in Swiss francs to reduce currency exchange risk.

in CHF 1'000	03/31/2015	03/31/2014
Cash	991	600
Bank deposits	177'210	198'097
Short-term deposits	278	3'290
Total cash and cash equivalents	**178'479**	**201'987**

16 Pledged assets

Burckhardt Compression Immobilien AG granted a Swiss bank a senior mortgage lien on the commercial property in Winterthur, which was valued at CHF 72.4 mn (prior year CHF 73.3 mn) in the balance sheet at the end of the reporting period. PROGNOST System GmbH, granted a German bank a senior mortgage lien on the commercial property in Rheine, Germany, which was valued at CHF 3.7 mn (prior year CHF 4.3 mn) in the balance sheet at the end of the reporting period. Furthermore PROGNOST has pledged cash in the amount of CHF 0.5 mn as collateral for guarantees provided by a local bank. Burckhardt Compression (India) Private Ltd. has pledged property, inventories and receivables in the amount of CHF 4.1 mn (previous year CHF 5.4 mn) as collateral for the credit lines and guarantee facilities provided by local banks. No other assets were pledged as collateral in the fiscal year 2014.

17 Share capital

	03/31/2015	03/31/2014
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 2, 2015 by issuing a maximum of 510'000 fully paid registered shares with a nominal value of CHF 2.50 each (authorized capital).

	03/31/2015	03/31/2014
Number of treasury shares	490	648

All treasury shares held at the end of fiscal year 2014 were used for the share based long-term incentive program within the Burckhardt Compression Group.

Earnings per share

in CHF 1'000	2014	2013
Net income attributable to shareholders of Burckhardt Compression Holding AG[1]	57'555	53'926
Average number of outstanding shares	3'399'396	3'397'851
Average number of outstanding shares for the calculation of earnings per share	3'399'396	3'397'851
Earnings per share (in CHF)	16.93	15.87
Diluted earnings per share (in CHF)	16.93	15.87
Dividend per share (in CHF)[1]	10.00	10.00

[1] The Board of Directors will propose to the Annual General Meeting a dividend of CHF 10.00 per share, to be paid in July 2015.

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 or option rights outstanding; therefore there is no potential dilution of earnings per share.

18 Borrowings

in CHF 1'000	Current	Non-current	Total 03/31/2015	Total 03/31/2014
Bank Loans and leasing commitments	3'661	23'500	27'161	36'212
Other	0	0	0	0
Total	**3'661**	**23'500**	**27'161**	**36'212**
Thereof due in less than 1 year	3'661	0	3'661	11'321
Thereof due in 1 to 5 years	0	23'500	23'500	24'891

The bank loans as per March 31, 2015 included mortgage loans of CHF 24.5 mn, of which CHF 0.2 mn is due in less than 12 months. The rest is primarily in Indian rupees. The average effective interest rate amounted to 3.3% in fiscal year 2014 and 2.9% in the previous fiscal year.

As per March 31, 2015, Burckhardt Compression AG has committed bank facilities totaling CHF 227.6 mn (excluding mortgage loans), thereof CHF 107.6 mn in cash credit lines (previous year total bank facilities amounted to CHF 212.0 mn, thereof CHF 23.0 mn in cash credit lines).

Operating leases are disclosed in note 24 (Other financial commitments).

19 Provisions

in CHF 1'000	Employee benefits	Warranties, penalties, unprofitable contracts	Other	2014 Total	Employee benefits	Warranties, penalties, unprofitable contracts	Other	2013 Total
Balance as per 04/01/2014 / 04/01/2013	5'331	10'452	1'077	16'860	5'377	18'025	1'593	24'995
Additions	2'724	6'255	1'076	10'055	1'912	1'414	800	4'126
Released as not longer required	–615	–943	–84	–1'642	–750	–3'267	–702	–4'719
Released for utilization	–3'204	–2'046	–800	–6'050	–1'083	–5'567	–470	–7'120
Currency translation differences	–531	–47	–66	–644	–125	–153	–144	–422
Total as per 03/31/2015 / 03/31/2014	**3'705**	**13'671**	**1'203**	**18'579**	**5'331**	**10'452**	**1'077**	**16'860**
Thereof current	1'011	5'355	1'203	7'569	2'385	4'459	1'077	7'921
Thereof non-current	2'694	8'316	0	11'010	2'946	5'993	0	8'939

The employee benefits category includes mainly provisions for loan service awards for employees at Burckhardt Compression Switzerland and ordinary termination benefits. Retirement benefit obligations are no longer reported under provisions, but on a separate line "Retirement benefit obligations" on the balance sheet (see note 05). The "Warranties, penalties, unprofitable contracts" category comprises provisions based on historical experience for work performed under warranties, as well as penalties and losses arising from new machine projects at the expense of Burckhardt Compression. The amount reported under "additions" is related to a number of unprofitable strategic projects.

20 Other current and accrued liabilities

in CHF 1'000	03/31/2015	03/31/2014
Other current liabilities		
Social security institutions	1'896	1'005
Tax liabilities (excl. income taxes)	4'890	2'091
Miscellaneous	1'466	781
Total	**8'252**	**3'877**
Accrued liabilities		
Vacation and overtime	3'785	3'324
Salaries, wages and bonus payments	7'994	5'854
Contract related liabilities	20'918	30'257
Miscellaneous	1'810	1'678
Total	**34'507**	**41'113**
Total other current and accrued liabilities	**42'759**	**44'990**

The accrued contract-related liabilities decreased by CHF 9.3 mn compared to the previous year, mainly as a result of the lower volume of pending invoices from suppliers on invoiced compressor systems projects.

21 Derivative financial instruments

	03/31/2015		03/31/2014	
in CHF 1'000	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Forward foreign exchange contracts (Cash flow hedges)	**4'005**	**9'971**	**4'479**	**469**
Thereof current	3'993	9'093	3'344	468
Thereof non-current	12	878	1'135	1

The fair value of the derivative assets quantifies the maximum loss that would occur if the counterparties failed to meet their obligations. The counterparties consist solely of prime-rated financial institutions. There is no excessive concentration of risk.

As per March 31, 2015 the contract value of the open derivative financial instruments amounted to TCHF 183'062; as per March 31, 2014 it totaled TCHF 177'999. The increase in the fiscal year 2014 resulted from the higher volume of business transactions to be hedged as of the closing date.

In the fiscal years 2014 and 2013 no significant ineffective portions of cash flow hedges were recognized in the income statement.

22 Outstanding guarantees

in CHF 1'000	Limited maturity	Unlimited maturity	Total 03/31/2015	Total 03/31/2014
Total pending guarantees	116'104	978	117'082	138'355
Thereof from Swiss banks	106'081	978	107'059	136'916
Thereof from foreign banks	10'023	0	10'023	1'439

Burckhardt Compression issues guarantees essentially for securing customer advance payments and for eventual warranty claims from customers. Outstanding bank guarantees as of March 31, 2015 decreased from the previous year mainly due to the increased amount in advance customer payments secured by Holding guarantees.

23 Contingent liabilities

Burckhardt Compression did not have any contingent liabilities as per March 31, 2015 and as per March 31, 2014.

24 Other financial commitments

Liabilities from operating leases

in CHF 1'000	Thereof due in less than 1 year	Thereof due in 1 to 5 years	Thereof due in more than 5 years	Total 03/31/2015	Total 03/31/2014
Buildings	810	1'222	274	2'306	2'430
Cars	275	526	0	801	804
Other	25	34	0	59	258
Total	1'110	1'782	274	3'166	3'492

The consolidated income statement includes leasing expenses for buildings of TCHF 2'306 for the fiscal year 2014. These expenses amounted to TCHF 2'430 in the previous year. The company has no financial leases.

Other financial obligations The most significant capital expenditure projects approved during the fiscal year 2014 and for which there are purchase commitments as per March 31, 2015 comprise in the US TCHF 9'512 for a new assembly plant, in South Korea TCHF 7'696 for a new assembly plant, in Switzerland TCHF 5'700 for a building expansion in Winterthur, TCHF 4'136 for a machining center, TCHF 1'667 for multifunction painting cabins and TCHF 1'272 for IT infrastructure.

25 Business combinations

During the fiscal year 2014, Burckhardt Compression companies made the following acquisitions:

Société d'Application du Metal Rouge SAS (SAMR)

in CHF 1'000	2014
	Fair value of aquired net assets
Intangible assets	12
Property, plant and equipment	549
Inventories	653
Account receivables	662
Cash and cash equivalents	635
Total Assets	**2'511**
Non-current liabilities	430
Current liabilities	492
Total liabilities	**922**
Net assets	1'588
Goodwill	1'981
Purchase price	**3'569**
Purchase considerations in cash	3'569
Cash and cash equivalents in subsidiary acquired	635
Cash outflow on acquisition	2'934

On December 19, 2014 Compressor Tech Holding AG, a wholly owned subsidiary of Burckhardt Compression Holding AG, acquired 100% of the shares of the French sliding bearing manufacturer SAMR Société d'Application du Métal Rouge SAS. SAMR is located southeast of Paris and is internationally active as a developer and manufacturer of premium sliding bearings for reciprocating compressors, turbo compressors, turbines, combustion engines, gears and pumps.

Because of this acquisition sales of Burckhardt Compression in fiscal year 2014 increased by TCHF 951 and profit for the period increased by TCHF 155.

If the acquisition of SAMR, Société d'Application du Métal Rouge SAS, had occurred as per April 1, 2014 instead of as per December 19, 2014, sales and profit for the period of Burckhardt Compression would have amounted to TCHF 2'703 and to TCHF 211 respectively.

Espresso vibration monitoring business and technology from Monitoring Technology LLC (Fairfax, VA)

in CHF 1'000	2014
	Fair value of aquired net assets
Intangible assets	3'395
Property, plant and equipment	6
Inventories	141
Account receivables	0
Cash and cash equivalents	0
Total Assets	**3'542**
Non-current liabilities	0
Current liabilities	86
Total liabilities	**86**
Net assets	3'456
Goodwill	0
Purchase price	**3'456**
Purchase considerations in cash	3'456
Cash and cash equivalents in subsidiary acquired	0
Cash outflow on acquisition	3'456

On June 26, 2014, Prognost Systems GmbH (PSG), a subsidiary of Burckhardt Compression Holding AG, and Monitoring Technology LLC (Fairfax, VA) agreed on the acquisition of certain assets related to the Espresso vibration monitoring business and technology from the company's monitoring portfolio. The Espresso monitoring system is applied by users in the petrochemical, cement and paper industries and offers a wide range of specialized frequency analysis and automatic diagnostic features.

Espresso's four employees as well as the acquired technology have been integrated into PROGNOST Systems GmbH, the center of competence for condition monitoring and diagnostic systems of Burckhardt Compression Holding AG.

Burckhardt Compression did not acquire any companies in the 2013 reporting period.

26 Remuneration of the Board of Directors and the Executive Board

The principles and basic elements of the compensation policy for members of the Board of Directors and Executive Board are explained in the compensation report on pages 65 to 73.

The following remuneration was paid to the members of the Board of Directors and the Executive Board for the 2014 and 2013 fiscal years:

in CHF 1'000										**2014**
Name	Function	Fees	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Annual bonus variable in cash	Share-based payments[1]	Social insurance contributions and other benefits	Total variable compensation (gross)	**Total**
Members of the Board of Directors										
Valentin Vogt	Chairman	120		8	128		31	4	35	163
Hans Hess	Deputy Chairman	65		0	65		20	0	20	85
Dr. Stephan Bross[2]	Member	44		3	47		14	2	16	63
Dr. Monika Krüsi	Member	75		5	80		20	2	22	102
Urs Leinhäuser	Member	65		4	69		20	2	22	91
Total		**369**		**20**	**389**		**105**	**10**	**115**	**504**
Executive Board										
Marcel Pawlicek	CEO		414	99	513	182	85	54	321	834
Members of the Executive Board (12 persons)			2'206	455	2'661	749	468	199	1'416	4'077
Total			**2'620**	**554**	**3'174**	**931**	**553**	**253**	**1'737**	**4'911**

[1] Long-term bonus pay to the eligible members of the Executive Board and variable pay for the members of the Board of Directors (free shares)
[2] As of July 4, 2014

in CHF 1'000										**2013**
Name	Function	Fees	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Annual bonus variable in cash	Share-based payments[1]	Social insurance contributions and other benefits	Total variable compensation (gross)	**Total**
Members of the Board of Directors										
Valentin Vogt	Chairman	120		8	128		26	3	29	157
Hans Hess	Deputy Chairman	65		0	65		18	0	18	83
Urs Fankhauser[2]	Member	75		5	80		0	0	0	80
Dr. Monika Krüsi	Member	65		4	69		18	2	20	89
Urs Leinhäuser	Member	65		4	69		18	2	20	89
Total		**390**		**21**	**411**		**80**	**7**	**87**	**498**
Executive Board										
Marcel Pawlicek	CEO		379	90	469	155	120	52	327	796
Members of the Executive Board (13 persons)			2'235	459	2'694	598	603	198	1'399	4'093
Total			**2'614**	**549**	**3'163**	**753**	**723**	**250**	**1'726**	**4'889**

[1] Long-term bonus pay to the eligible members of the Executive Board and variable pay for the members of the Board of Directors (free shares)
[2] Until February 27, 2014

The total fix compensation for the Board of Directors in fiscal year 2014 was TCHF 22 below prior year, as the election of the new Board member Dr. Stephan Bross took place on July 4, 2014, only with an according pro-rata remuneration.

The fix compensation in fiscal year 2014 for the CEO increased 9.4% compared to last year following a salary revision.

The total fix compensation for the other members of the Executive Board was 1.2% below prior year, whereas the executive Board was reduced by one member (VP Burckhardt Components AG) in the course of fiscal year 2014.

Allocated and distributed free shares In the fiscal year 2014 no shares were vested or allocated. In fiscal year 2013 a total of 587 shares were vested to five eligible members of the Board of Directors and a total of 2'508 shares to eleven eligible members of the Executive Board.

Name	Function	Allocated shares FY 2013	Shares vested during FY 2013	Allocated shares FY 2014	Shares vested during FY 2014
Members of the Board of Directors					
Valentin Vogt	Chairman	0	216	0	0
Hans Hess	Deputy Chairman	0	108	0	0
Dr. Stephan Bross[1]	Member	0	0	0	0
Urs Fankhauser[2]	Member	0	108	0	0
Dr. Monika Krüsi	Member	0	47	0	0
Urs Leinhäuser	Member	0	108	0	0
Total		**0**	**587**	**0**	**0**
Executive Board					
Members of the Executive Board[3]		0	2'508	0	0
Total		**0**	**3'095**	**0**	**0**

[1] As of July 4, 2014
[2] Until February 27, 2014
[3] FY 2014: 12 persons; FY 2013: 13 persons

27 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 2014. There are no pending loans in favor of the members of the Board of Directors and Executive Board as per March 31, 2015.

As per March 31, 2015 the members of the Executive Board and the non-executive members of the Board of Directors (and related persons), owned the following numbers of shares of Burckhardt Compression Holding AG:

Name	Function	03/31/2015 Total shares	03/31/2014 Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	202'849	202'849
Hans Hess	Deputy Chairman	10'375	10'375
Dr. Stephan Bross	Member	0	N/A
Dr. Monika Krüsi	Member	697	577
Urs Leinhäuser	Member	592	592
Total		**214'513**	**214'393**
Executive Board			
Marcel Pawlicek	CEO	44'045	44'045
Rolf Brändli	CFO	1'054	1'054
Rainer Dübi	VP Design & Manufacturing	202	202
René Guthauser	VP Quality & Infrastructure	603	603
Martin Heller	VP Business Development	54'500	54'500
Hans Keist[1]	MD Burckhardt Components AG	N/A	0
Keven Li	MD Burckhardt Compression (Shanghai) Co., Ltd.	765	765
Susan Lütolf	VP Human Resources Management	78	78
Narasimha Rao	MD Burckhardt Compression (India) Pvt. Ltd.	150	150
Marco Scanderbeg	VP Marketing & Communications	700	1'000
Dr. Daniel Schillinger	VP Sales Compressor Systems	157	157
Matthias Tanner	VP Contracting	637	637
Robert Züst	VP Components, Services & Support	872	872
Total		**103'763**	**104'063**
Total		**318'276**	**318'456**
In % of total shares		9.4%	9.4%

[1] until December 31, 2014 member of the Executive Board

28 Risk management

Burckhardt Compression has an integrated risk management policy. In a two steps process, the Board of Directors identifies key risks in an early stage and assigns them into categories of strategic, financial and operational risks. The risks are then assessed and processed and consistently monitored, avoided or reduced through adequate risk management measures. The first step consists of a continuous risk management process where risks are systematically identified and assessed in a periodic leadership cycle at the larger locations of the Burckhardt Compression Group in order to define and monitor the necessary measures with responsible people and deadlines for the according implementation. The second step consists of a periodic management review which takes place as part of the semi-annual meeting of the Audit Committee of the Board of Directors. For this purpose the CEO prepares an overview of the key risks the Burckhardt Compression Group is exposed to and presents an assessment of the probability of such risks actually occurring and the impact they could have on the Group. The presentation is given to the Audit Committee of the Board of Directors together with recommended measures and the designated persons responsible for implementing them by a given deadline. The Audit Committee then informs the full Board about the findings of the risk management review.

29 Events after the balance sheet date

The Board of Directors and the Executive Board were not aware of any significant events occurring after the balance sheet date when the consolidated financial statements were approved on May 19, 2015.

Investments as per March 31, 2015

Group companies of
Burckhardt Compression Holding AG
Winterthur, Switzerland

Listed on SIX Swiss Exchange
Security no. 0025536027
Share capital CHF 8'500'000
Market capitalization CHF 1'276'700'000

	Subsidiary of	Abbreviation	Research and development	Engineering & manufacturing	Contracting	Sales	Service	Share capital participation
Burckhardt Compression AG Winterthur, Switzerland CEO Marcel Pawlicek	1	BCAG	•	•	•	•	•	CHF 2'000'000 100%
Compressor Tech Holding AG Zug, Switzerland Managing Director Rolf Brändli	1	CTH						CHF 200'000 100%
Burckhardt Compression Immobilien AG Winterthur, Switzerland Managing Director Rolf Brändli	1	BCOW						CHF 5'000'000 100%
Burckhardt Components AG (formerly MT Sealing Technology Inc) Winterthur, Switzerland Managing Director a.i. Claudio Nold	2	BCCO	•	•		•	•	CHF 100'000 100%
Burckhardt Compression (Deutschland) GmbH Neuss, Germany Managing Director Holger Korn	2	BCDE				•	•	EUR 30'000 100%
PROGNOST Systems GmbH Rheine, Germany Managing Director Eike Drewes	3	PSG	•	•	•	•	•	EUR 200'000 100%
Burckhardt Compression (Italia) S.r.l. Milan, Italy Managing Director Emiliano Maianti	2	BCIT			•	•	•	EUR 400'000 100%
Burckhardt Compression (France) S.A.S. Cergy Saint Christophe, France Managing Director François Bouziguet	2	BCFR				•	•	EUR 300'000 100%
Burckhardt Compression (España) S.A. Madrid, Spain Managing Director Javier Cuevas Martin	2	BCES				•	•	EUR 550'000 100%
Burckhardt Compression (UK) Ltd. Bicester, United Kingdom Managing Director Colin Webb	2	BCGB				•	•	GBP 250'000 100%
Burckhardt Compression (US) Inc. Houston, USA Managing Director Dave Curtin	2	BCUS			•	•	•	USD 250'000 100%
PROGNOST Systems Inc. Houston, USA Managing Director Edward D. Morrison Jr.	4	PSI				•	•	USD 240'000 100%

1 = subsidiary of Burckhardt Compression Holding AG
2 = subsidiary of Burckhardt Compression AG
3 = subsidiary of Compressor Tech Holding AG
4 = subsidiary of PROGNOST Systems GmbH
5 = subsidiary of Burckhardt Compression (US) Inc

	Subsidiary of	Abbreviation	Research & development	Engineering & manufacturing	Contracting	Sales	Service	Share capital Participation
Burckhardt Compression (Canada) Inc. Brampton, Canada Managing Director Peter Tim Lillak	2	BCCA				•	•	CAD 200'000 100%
Burckhardt Compression (Japan) Ltd. Tokyo, Japan Managing Director Kazuki Suzuki	2	BCJP				•	•	JPY 50'000'000 100%
Burckhardt Compression (Shanghai) Co. Ltd. Shanghai, People's Republic of China Managing Director Keven Li	2	BCCN		•	•	•	•	CNY 14'198'000 100%
Burckhardt Compression (India) Private Ltd. Pune, India Managing Director Narasimha Rao	2	BCIN	•	•	•	•	•	INR 331'140'000 100%
Burckhardt Compression (Brasil) Ltda. São Paulo, Brazil Managing Director a.i. Martin Valentin	2	BCBR			•	•	•	BRL 5'818'000 100%
Burckhardt Compression (US/Ca) Inc. Valencia, USA Managing Director Dave Curtin	5	SET				•	•	USD 10'000 100%
Burckhardt Compression (Middle East) FZE Dubai, United Arab Emirates Managing Director Beat Jäggi	2	BCAE				•	•	AED 2'000'000 100%
Burckhardt Compression Korea Ltd. Seoul, South Korea Managing Director Min-Sung Yoo	2	BCKR				•	•	KRW 250'000 100%
Burckhardt Kompresör San. ve Tic. Ltd. Istanbul, Turkey Managing Director Sakir Cakin	2	BCTR				•	•	TRY 800'000 100%
Burckhardt Compression Singapore Pte Ltd. Singapore, Singapore Managing Director Patrick Chong	2	BCSG				•	•	SGD 700'000 100%
Burckhardt Compression South Africa (Pty) Ltd. Sunnyrock, South Africa Managing Director René Müller	2	BCZA				•	•	ZAR 3'000'000 100%
Burckhardt Compression Korea Busan Ltd. Busan, South Korea Managing Director Alexandros Pirounakis	2	BCKB		•	•			KRW 4'500'000 100%
Burckhardt Compression (Saudi Arabia) LLC Dammam, Saudi Arabia Managing Director Beat Jäggi	2	BCSA				•	•	SAR 1'000'000 100%
Société d'Application du Metal Rouge SAS Pont Sainte Marie Cedex, France Managing Director Lionel Pellevoisin	3	SAMR	•	•		•	•	EUR 501'000 100%

Report of the statutory auditor
to the General Meeting of
Burckhardt Compression Holding AG
Winterthur

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Burckhardt Compression Holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 76 to 113), for the year ended 31 March 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

PricewaterhouseCoopers AG, Zürcherstrasse 46, Postfach, CH-8401 Winterthur, Switzerland
Telefon: +41 58 792 71 00, Telefax: +41 58 792 71 10, www.pwc.ch

pwc

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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	Andreas Fontanive
Audit expert Auditor in charge	Audit expert

Winterthur, 19 May 2015

FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

BALANCE SHEET

in CHF 1'000	Notes	03/31/2015	03/31/2014
Non-current assets			
Investments in subsidiaries	102	36'876	36'876
Loans to subsidiaries		169'925	195'925
Total		**206'801**	**232'801**
Current assets			
Trade receivables against group companies	104	0	309
Other receivables against third parties	104	9	59
Marketable securities	103	161	214
Cash and cash equivalents		32'146	15'274
Total		**32'316**	**15'856**
Total assets		**239'117**	**248'657**
Equity			
Share capital	105	8'500	8'500
General reserve		1'700	1'700
Treasury shares		161	214
Retained earnings		201'911	191'805
Net income		25'659	44'047
Total		**237'931**	**246'266**
Liabilities			
Current liabilities			
Trade and other payables		0	7
Accrued liabilities		1'186	2'384
Total		**1'186**	**2'391**
Total equity and liabilities		**239'117**	**248'657**

INCOME STATEMENT

in CHF 1'000	Notes	2014	2013
Income	106		
Income from investments		20'000	40'000
Financial income		6'677	6'434
Other income		192	192
Total		26'869	46'626
Expenses			
Personnel expenses		–442	–234
Tax expenses		33	–593
Other operating expenses		–801	–1'752
Total		–1'210	**–2'579**
Net income		**25'659**	**44'047**

NOTES TO THE FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

101 Accounting policies

The financial statements as per March 31, 2015 are in compliance with the requirements of Swiss corporate law. For the purpose of including Burckhardt Compression Holding AG in the consolidated financial statements, the corporate accounting principles remain fully applicable.

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until December 31, 2012.

Burckhardt Compression Holding AG's fiscal year 2014 comprises the period from April 1, 2014 to March 31, 2015.

102 Investments in subsidiaries

The equity interests held directly and indirectly by Burckhardt Compression Holding AG are shown in the section "Investments as per March 31, 2015".

103 Marketable securities

As per March 31, 2015 Burckhardt Compression Holding AG held the following number of treasury shares:

	03/31/2015	03/31/2014
Number of treasury shares	490	648

104 Receivables

in CHF 1'000	03/31/2015	03/31/2014
Trade receivables against group companies	0	309
Other receivables against third parties	9	59
Total	**9**	**368**

105 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 2, 2015 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 share holdings of the persons for whom they hold more than two percent of the issued shares.

As of March 31, 2015, one nominee holding 9'470 shares had signed such a declaration; all shares held by this nominee have been entered in the share register with full voting rights.

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, 2015 (according to the statutory bylaws the voting rights of ING Groep N.V, TIAA-CREF Investment Management and Mondrian Investment Partners are limited to 5% of the total number of the registered BCHN shares recorded in the commercial register):

Shareholders		03/31/2015	03/31/2014
	Country	as % of total shares	as % of total shares
MBO Aktionärsgruppe	CH	12.4	12.4
ING Groep N.V.	NL	6.2	6.2
TIAA-CREF Investment Management	US	5.4	5.0
Mondrian Investment Partners	UK	5.0	3.1
Allianz SE	DE	5.0	5.1
J O Hambro Capital Management Limited	UK	3.7	0.0
Ameriprise Financial Inc.	US	3.2	3.2
UBS Fund Management (Switzerland) AG	CH	3.0	3.0

106 Income

in CHF 1'000	2014	2013
Income from investments		
Dividends	20'000	40'000
Financial income		
Interest income	6'677	6'087
Securities' income	0	347
Other income		
Income from services provided to group companies	192	192
Total	**26'869**	**46'626**

Further disclosures pursuant to Article 663b of the Swiss Code of Obligations:

Risk management

Burckhardt Compression Holding AG is the parent company of the Burckhardt Compression group. The key risks of the Burckhardt Compression Holding AG are identical to those of the group and they are covered by the risk management policy that is explained in note 28 of the Explanatory notes to the consolidated financial statements.

Guarantees

in CHF 1'000	03/31/2015	03/31/2014
Guarantees	73'502	83'506
Total	**73'502**	**83'506**

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 total limit for all guarantees amounted to CHF 150 mn as of March 31, 2015 (previous year CHF 100 mn).

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 number of shares of Burckhardt Compression Holding AG which the members of the Board of Directors and the Executive Board owned as per March 31, 2015 are disclosed in Note 26 "Remuneration of the Board of Directors and the Executive Board" and in Note 27 "Transactions with the Board of Directors, the Executive Board and related parties". The principles and basic elements of the company's compensation policy are explained in the compensation report on pages 65 to 73.

Carry-forward and appropriation of earnings

in CHF 1'000	2014	2013
Prior year retained earnings	201'852	188'781
Undistributed dividend on treasury shares	6	7
Appropriation to reserves for treasury shares	53	3'017
Net income of the year	25'659	44'047
Retained earnings at the disposal of the Annual General Meeting	**227'570**	**235'852**
The Board of Directors proposes the following appropriation		
– Gross dividend	–34'000	–34'000
Retained earnings carried forward	**193'570**	**201'852**

The Board of Directors will propose payment of a gross dividend of CHF 10.00 per registered share at the Annual General Meeting of Shareholders on July 4, 2015.

	2014	2013	2012
Gross dividend	10.00	10.00	9.00
Less 35% withholding tax	–3.50	–3.50	–3.15
Net dividend	**6.5**	**6.50**	**5.85**

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will take place at 09:30 a.m. on Saturday, July 4, 2015 at the Park Arena, Barbara-Reinhart-Strasse 24, 8404 Winterthur, Switzerland.

Report of the statutory auditor
to the General Meeting of
Burckhardt Compression Holding AG
Winterthur

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Burckhardt Compression Holding AG, which comprise the balance sheet, income statement and notes (pages 116 to 120), for the year ended 31 March 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2015 comply with Swiss law and the company's articles of incorporation.

PricewaterhouseCoopers AG, Zürcherstrasse 46, Postfach, CH-8401 Winterthur, Switzerland
Telefon: +41 58 792 71 00, Telefax: +41 58 792 71 10, www.pwc.ch

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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	Andreas Fontanive
Audit expert Auditor in charge	Audit expert

Winterthur, 19 May 2015

IMPRINT

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

This Annual Report is published in German and English and is also available on the internet under www.burckhardtcompression.com/financial-reports as an online version. The printed German version is binding. The financial report is available in English only.

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Overview key figures

OVERVIEW KEY FIGURES

in CHF mn	2005	2006	2007	2008	2009
Order intake:					
– Compressor Systems (CS)	242.8	311.3	326.5	296.8	171.3
– Components, Services & Support (CSS)	80.7	96.9	100.2	93.1	114.6
Total	323.5	408.2	426.7	389.9	285.9
Sales and gross profit:					
– Compressor Systems					
Sales	131.6	173.6	260.8	308.7	241.5
Gross profit	27.6	52.7	85.9	87.6	80.7
in % of sales	21.0%	30.4%	32.9%	28.4%	33.4%
– Components, Services & Support					
Sales	78.8	93.1	107.2	115.8	101.7
Gross profit	38.4	46.5	50.7	58.6	46.2
in % of sales	48.7%	49.9%	47.3%	50.6%	45.4%
Total					
Sales	210.4	266.7	368.0	424.5	343.2
Gross profit	66.0	99.2	136.6	146.2	126.9
in % of sales	31.4%	37.2%	37.1%	34.4%	37.0%
Operating income (EBIT)	29.6	55.6	89.8	94.3	74.2
in % of sales	14.1%	20.8%	24.4%	22.2%	21.6%
Net income	22.1	40.1	68.0	72.8	56.0
in % of sales	10.5%	15.0%	18.5%	17.1%	16.3%
Depreciation and amortization	4.7	5.2	5.4	6.9	9.5
Cash flow:					
– from operating activities	33.8	47.7	66.9	82.5	58.8
– from investing activities	–6.6	–11.5	–57.7	6.5	–88.8
– from financing activities (incl. translation differences)	–16.9	–10.7	–5.3	–22.4	18.1
Total	10.3	25.5	3.9	66.6	–11.8
Total balance sheet assets	181.0	270.1	359.7	431.0	470.0
Non-current assets	48.3	50.7	71.3	79.1	157.3
Current assets	132.7	219.3	288.5	351.9	312.7
Shareholders' equity	66.1	108.3	165.5	203.9	234.9
in % of total balance sheet assets	36.5%	40.1%	46.0%	47.3%	50.0%
Net financial position	19.4	58.2	83.7	123.3	66.5
Headcount as per end of fiscal year (full-time equivalents)	638	712	819	916	891
Total remuneration Board of Directors (in TCHF)	89.0	167.0	230.0	306.0	373.0
Total remuneration Executive Board (in TCHF)	2'789.0	4'591.0	3'231.0	3'696.0	3'345.0
Share price as per end of fiscal year (in CHF)	N/A	199.50	317.00	106.00	208.00
Market capitalization (in CHF mn)	N/A	678.3	1'077.8	360.4	707.2
Market capitalization/shareholders' equity (ratio)	N/A	6.3	6.5	1.8	3.0
Net income per share (EPS) (in CHF)	6.50	11.80	20.00	21.46	16.68
Dividend per share (in CHF)	0.25	3.00	6.00	6.00	5.00

in CHF mn	2010	2011	2012	2013	2014
Order intake:					
– Compressor Systems (CS)	235.9	259.3	272.7	386.3	355.6
– Components, Services & Support (CSS)	126.6	145.6	155.1	130.8	158.5
Total	362.5	404.9	427.8	517.1	514.1
Sales and gross profit:					
– Compressor Systems					
Sales	222.5	206.0	215.7	292.9	327.1
Gross profit	51.9	59.2	57.6	68.2	78.2
in % of sales	23.3%	28.7%	26.7%	23.3%	23.9%
– Components, Services & Support					
Sales	133.1	122.9	151.0	152.1	146.5
Gross profit	63.7	63.1	78.4	71.0	74.6
in % of sales	47.9%	51.3%	51.9%	46.7%	50.9%
Total					
Sales	355.6	328.9	366.7	445.0	473.6
Gross profit	115.6	122.3	136.0	139.2	152.8
in % of sales	32.5%	37.2%	37.1%	31.3%	32.3%
Operating income (EBIT)	61.5	64.8	73.3	70.2	74.6
in % of sales	17.3%	19.7%	20.0%	15.8%	15.7%
Net income	45.1	50.5	54.9	53.9	57.6
in % of sales	12.7%	15.4%	15.0%	12.1%	12.2%
Depreciation and amortization	9.9	10.6	11.1	11.8	14.4
Cash flow:					
– from operating activities	61.6	74.5	36.3	58.2	46.8
– from investing activities	–12.9	–9.2	–19.3	–14.2	–26.6
– from financing activities (incl. translation differences)	–18.6	–24.2	–12.0	–32.0	–43.7
Total	30.1	41.1	5.0	12.0	–23.5
Total balance sheet assets	502.4	530.7	594.4	645.9	681.4
Non-current assets	156.2	156.6	167.1	165.9	183.8
Current assets	346.2	374.1	427.3	480.0	497.5
Shareholders' equity	258.0	282.8	325.4	358.5	338.6
in % of total balance sheet assets	51.3%	53.3%	54.7%	55.5%	49.7%
Net financial position	95.0	135.4	150.8	165.8	151.3
Headcount as per end of fiscal year (full-time equivalents)	917	983	1'078	1'232	1'385
Total remuneration Board of Directors (in TCHF)	435.0	422.0	520.1	498.3	504.0
Total remuneration Executive Board (in TCHF)	3'949.0	3'466.0	4'629.5	4'889.0	4'911.0
Share price as per end of fiscal year (in CHF)	289.25	247.50	355.25	460.00	375.50
Market capitalization (in CHF mn)	983.5	841.5	1'207.9	1'564.0	1'276.7
Market capitalization/shareholders' equity (ratio)	3.8	3.0	3.7	4.4	3.8
Net income per share (EPS) (in CHF)	13.56	15.22	16.42	15.87	16.93
Dividend per share (in CHF)	5.00	7.00	9.00	10.00	10.00

Burckhardt Compression

Burckhardt Compression Holding AG
CH-8404 Winterthur, Switzerland
Tel. +41 (0)52 262 55 00
Fax +41 (0)52 262 00 51
info@burckhardtcompression.com
www.burckhardtcompression.com