Burckhardt
Compression

ANNUAL REPORT 2013

Compressors for a Lifetime™

ABOUT US

Burckhardt Compression is one of the worldwide 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 1'200 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

The key markets addressed by Burckhardt Compression exhibited positive developments during the past year despite the many challenges the world economy was faced with. Order intake and sales were significantly higher in fiscal year 2013 compared to the prior year. With exceptionally high growth in the Compressor Systems (CS) business area. Incoming orders at the Components, Services & Support (CSS) business area fell short of expectations. As forecasted during the reporting of half-year results, the operating profit margin for 2013 of 15.8% was in the lower third of the long-term target range of 15% to 20%.

Annual order intake exceeds half a billion for the first time Orders received amounted to CHF 517.1 mn, surpassing the record high from the previous year (CHF 427.8 mn) by a substantial 20.9% (22.8% at constant exchange rates). 2013 marked the first time in the history of Burckhardt Compression that annual order intake passed the CHF 500 mn mark. This result was achieved thanks to the surge in business at Compressor Systems, which reported a 41.7% increase in orders received from CHF 272.7 mn to CHF 386.3 mn. The Components, Services & Support business area was unable to repeat its strong performance from the previous year. Its order intake of CHF 130.8 mn was 15.7% lower y-o-y (CHF 155.1 mn), mainly due to the absence of new contracts for major revamp/engineering projects.

Strong sales growth thanks to Compressor Systems – lower margins Full-year sales of CHF 445.0 mn (plus 21.3%; at constant exchange rates plus 22.4%) marked the highest full-year sales figure Burckhardt Compression has ever achieved in its entire history. As in the preceding two 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 Components, Services & Support business area increased slightly by 0.7% from CHF 151.0 mn to CHF 152.1 mn. The substantial increase in sales is largely attributable to the Compressor Systems business (plus 35.8% to CHF 292.9 mn). Gross profit of CHF 139.2 mn was 2.4% or CHF 3.2 mn higher compared to the previous fiscal year. This resulted in a gross profit margin of 31.3% (37.1% in the previous year). A shift in product mix and two larger compressor systems projects that closed with a negative margin prevented both the CS and CSS business areas from maintaining their high gross profit margins from the previous year. Operating profit of CHF 70.2 mn was slightly less (–4.3%) than in the previous year, mainly because of the corresponding slight increase in gross profit. The operating profit margin therefore slipped to 15.8% (20.0% in the previous year). Net income declined by 1.8% from CHF 54.9 mn to CHF 53.9 mn. Net income per share amounted to CHF 15.87 (previous year CHF 16.42).

Balance sheet remains strong Total balance sheet assets increased 8.7% to CHF 645.9 mn in the fiscal year 2013 (CHF 594.4 mn in 2012). The equity ratio rose once again, reaching a high 55.5% at the end of the reporting period (54.7% in the previous year). The net financial position increased by CHF 15.0 mn to CHF 165.8 mn (March 31, 2014).

Expansion of market presence intensified The company's global footprint was further expanded in the fiscal year 2013 with the aim of enhancing local business relations and providing customers with first-class service capabilities. The new subsidiaries with Service Centers in Singapore and South Africa and soon in Saudi Arabia plus the new Service Center in Calcutta, India, bring us even closer to where our customers are and allow us to provide even more efficient support for the operation and maintenance of our compressors as well as those made by other manufacturers.

Further market success in new application areas In the year under review Burckhardt Compression sold a large number of Laby®-GI boil-off gas compressor systems for use on LNG carriers. Orders were also received for a smaller version of Laby®-GI for use on smaller-sized LNG tankers, a new product that allows us to now cover the entire size range of LNG carriers. Our subsidiary in Korea is being expanded to enhance our ability to provide that country's shipbuilders with technical expertise. Further growth was achieved in the oil and gas production industry with orders for sour gas compressors that are used to improve oil recovery.

Valentin Vogt

Board of Directors Our director Urs Fankhauser succumbed to a serious illness and passed away on February 27, 2014 at the age of 54. Mr. Fankhauser had served on the board since 2006 and contributed to the company's positive development in many ways. The process to fill the vacancy on the Board of Directors was initiated in March 2014. A corresponding proposal will be submitted to the Annual General Meeting on July 4, 2014 with the pending proposals to re-elect the current members of the Board of Directors.

Positive outlook for fiscal year 2014 Most of the markets Burckhardt Compression is active in continue to show positive developments, especially the application areas petrochemical industry and gas transport and storage. From today's standpoint, Burckhardt Compression expects both the CS and CSS business areas to increase their order intake. We also expect a renewed substantial increase in sales compared to the year under review. Operating and net profit are likewise expected to be clearly higher. The second half year will be clearly stronger than the first half year in terms of sales, opearating and net profit.

Marcel Pawlicek

Increased dividend The Board of Directors will propose a dividend of CHF 10.00 (previous year CHF 9.00) per share at the upcoming annual general meeting. That corresponds to a payout ratio of 63.0% (previous year 54.8%) of net income, which is in the middle of the targeted range of 50%–70%.

A word of thanks On behalf of the Board of Directors and the Executive Board we thank the more than 1'200 employees for their extraordinary drive and strong commitment. We thank our shareholders for their ongoing trust and confidence, which strengthens our resolve to steadfastly implement our long-term strategy. Lastly, we wish to thank our customers and our suppliers for the long-standing partnerships we have built on the basis of mutual respect and trust.

Yours sincerely,

Valentin Vogt
Chairman of the Board of Directors

Marcel Pawlicek
CEO

Winterthur, May 20, 2014

MILESTONES 2013

Half a billion mark passed for the first time
With orders received at CHF 517.1 mn for fiscal year 2013, an increase of 20.9% over fiscal year 2012, Burckhardt Compression orders exceeded the half-billion mark for the first time ever. This growth was fueled by Compressor Systems, which reported an impressive 41.7% increase in order intake.

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Service Centers opened in Singapore, South Africa and India
In accordance with the medium-term goal of strengthening our geographic presence, two new subsidiaries with Service Centers were established in Singapore and South Africa, which allows us to provide even better support to our customers in Southeast Asia and Africa. A second Service Center was inaugurated in Calcutta, India, in March. An additional subsidiary with Service Center will be established in Saudi Arabia during the course of the fiscal year 2014.

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Burckhardt Education Campus
Significant resources were invested in processes and training to meet customer demands in the service business regarding response times and delivery performance. Training modules were standardized and improved and, the highlight of the year for our internal education activities, the Burckhardt Education Campus opened its doors. Excellence in employee education helps us to meet or exceed customer expectations regarding quality and further expand our technology leadership.

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Success in the area of upstream oil & gas
In 2013 we recorded big wins with sour gas injection systems. This is a method used in oil production where gas flowing out of the well is re-injected into the underlying reservoir. Increased pressure leads to a significant enhancement in oil recovery rates. Oil fields with declining production can be exploited much more effectively using this method. Thanks to its long experience in handling demanding gases under high pressure, Burckhardt Compression offers customers substantial value added in these application areas.

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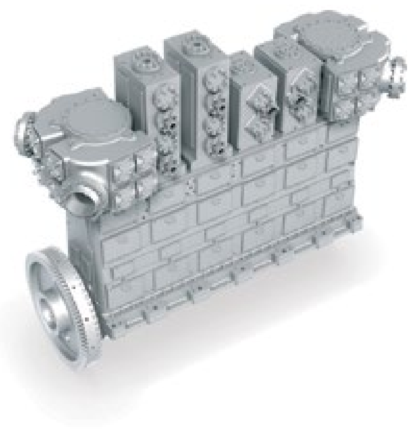

Further orders in dual-fuel engine systems
In the year under review Burckhardt Compression sold a large number of Laby®-GI fuel gas compressor systems. The use of boil-off gas as a propulsion fuel for LNG carriers is expected to continue increasing at a fast rate. This technology saves costs and makes 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 number of such projects is likewise increasing rapidly.

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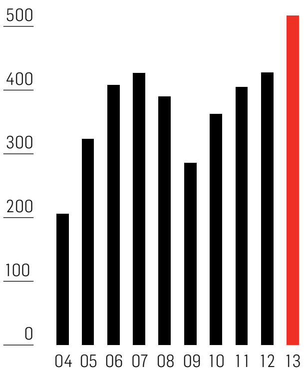
Successful revamp of third-party Hyper Compressors
We successfully completed the revamp of three Hyper Compressors originally built by a third-party manufacturer. These compressors represent a crucial part of a low density polyethylene (LDPE) plant in Mexico. Our internal analysis indicated that re-engineering the compressors would improve overall plant performance and increase output for the plant operator. As an OEM (Original equipment manufacturing) manufacturer, Burckhardt Compression has vast know-how to model, calculate and re-engineer reciprocating compressors no matter who manufactured them.

FIGURES AT A GLANCE

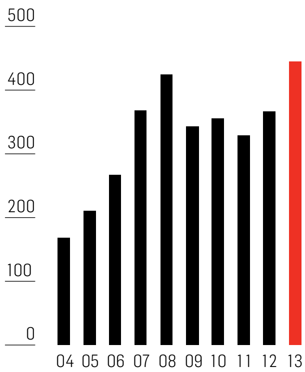
ORDER INTAKE

CHF mn



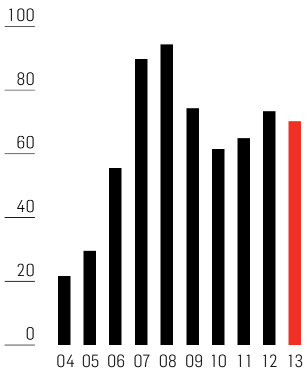
SALES

CHF mn



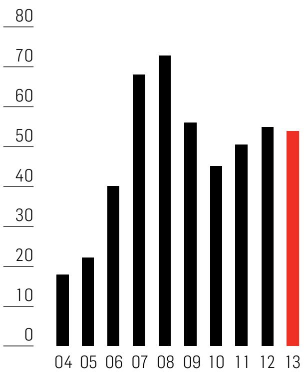
OPERATING INCOME (EBIT)

CHF mn



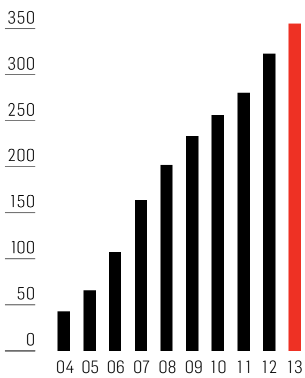
NET INCOME

CHF mn



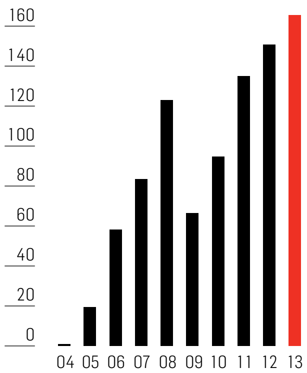
SHAREHOLDERS' EQUITY

CHF mn



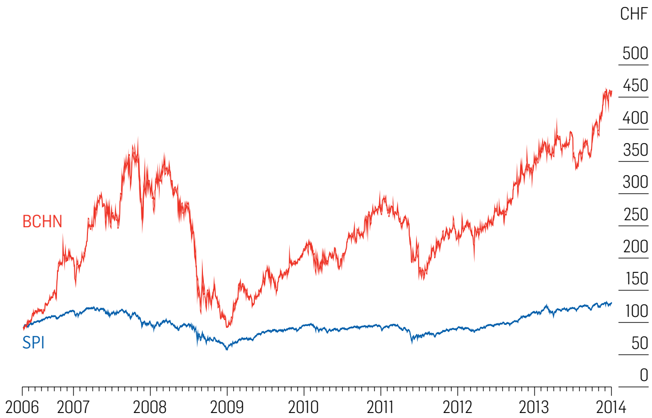
NET FINANCIAL POSITION

CHF mn

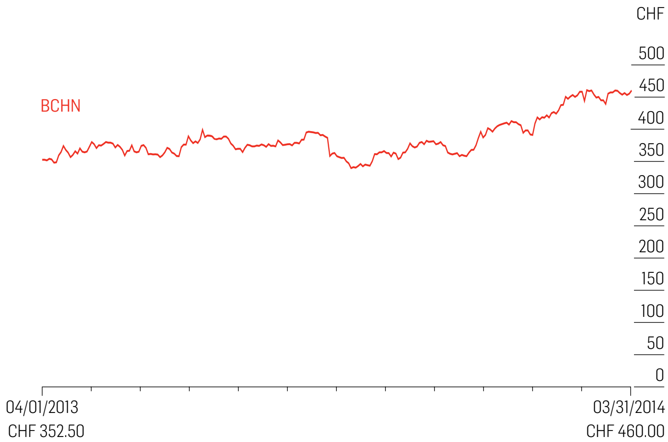


SHARE PRICE

SINCE IPO



FISCAL YEAR 2013



in CHF mn		2011	2012	2013	Change 2012/2013
Order intake:					
– Compressor Systems (CS)		259.3	272.7	386.3	+41.7%
– Components, Services & Support (CSS)		145.6	155.1	130.8	–15.7%
Total		404.9	427.8	517.1	+20.9%
Sales and gross profit:					
– Compressor Systems	Sales	206.0	215.7	292.9	+35.8%
	Gross profit	59.2	57.6	68.2	+18.4%
	in % of sales	28.7%	26.7%	23.3%	
– Components, Services & Support	Sales	122.9	151.0	152.1	+0.7%
	Gross profit	63.1	78.4	71.0	–9.4%
	in % of sales	51.3%	51.9%	46.7%	
Total	Sales	328.9	366.7	445.0	+21.3%
	Gross profit	122.3	136.0	139.2	+2.4%
	in % of sales	37.2%	37.1%	31.3%	
Operating income (EBIT)		64.8	73.3[1]	70.2	–4.3%
in % of sales		19.7%	20.0%[1]	15.8%	
Net income		50.5	54.9[1]	53.9	–1.8%
in % of sales		15.4%	15.0%[1]	12.1%	
Depreciation and amortization		10.6	11.1	11.8	+6.3%
Cash flow:					
– from operating activities		74.5	36.3	58.2	+60.5%
– from investing activities		–9.2	–19.3	–14.2	
– from financing activities (incl. translation differences)		–24.2	–12.0	–32.0	
Total		41.1	5.0	12.0	
Balance sheet total		530.7	594.4[1]	645.9	+8.7%
Non-current assets		156.6	167.1[1]	165.9	–0.7%
Current assets		374.1	427.3[1]	480.0	+12.3%
Shareholders' equity		282.8	325.4[1]	358.5	+10.2%
in % of balance sheet total		53.3%	54.7%[1]	55.5%	
Net financial position		135.4	150.8	165.8	+9.9%
Headcount as per end of fiscal year (full-time equivalents)		983	1'078	1'232	+14.3%
Total remuneration non-executive members of the Board of Directors (5 persons) (in TCHF)		422.0	520.1	498.3	–4.2%
Total remuneration Executive Board (11 persons in FY 2011, 12 persons in FY 2012 and 13 persons in FY 2013) (in TCHF)		3'466.0	4'629.5	4'889.0	+5.6%
Share price as per end of fiscal year (in CHF)		247.50	355.25	460.0	
Market capitalization (in CHF mn)		841.5	1'207.9	1'564.0	
Market capitalization/shareholders' equity (ratio)		3.0	3.7[1]	4.4	
Net income per share (EPS) (in CHF)		15.22	16.42[1]	15.87	–3.3%
Dividend per share (in CHF)		7.00	9.00	10.00	+11.1%

[1] Restatement of prior year figures, see accounting policies 2.2. (IAS 19), page 77.

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, and is now one of the 60 largest listed companies in Switzerland (by market capitalization). In 2009, commercial property was purchased in Winterthur to secure the longer term future of our operational activities in Switzerland.

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 the 2013 fiscal year 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%.

One of management's tasks in the coming years will be the ongoing roll-out of the parent company's smoothly functioning processes throughout the group. Burckhardt Compression will strengthen its geographic reach, particularly in the service and components business, giving it even closer contact with its customers. In the compressor system business we will selectively expand our activities with new applications. 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

Global demand for energy continues to grow and that is spurring efforts to discover new deposits of oil and gas 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 aging fields with declining production
- Exploration and development of new reserves, especially tar sands and shale gas and shale oil.

Burckhardt Compression offers skid-mounted 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 exploited fields either directly through existing well bores (gas injection) or through separate well bores (gas lift), resulting in significantly higher recovery rates. Recovery rates, which are typically around 30% using conventional production methods, 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. In deepwater fields, especially in the pre-salt fields off the coast of Brazil, CO_2 injection is also used, at a pressure of up to 600 bar. Gas processing is an additional application area of relevance to Burckhardt Compression. Here individual components of extracted gas are separated at the wellhead to facilitate gas transport through the gathering lines to centralized points.

In the US, the widespread success of shale gas production in recent years has led to a large oversupply of natural gas, because the US does not yet have the necessary infrastructure to consume the increased supply. As a result the price of natural gas has declined dramatically, which, in turn, has prompted production companies to hold off on ramping up shale gas production and concentrate instead on producing shale oil.

Low prices for natural gas in the US have made exported gas to Asia – Japan, China and Korea in particular and possibly even to Europe at some point – an attractive proposition. The infrastructure for maritime transport of LNG is rapidly being built up 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.

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 sector, are additional triggers for the switch to natural gas as fuel supply. Moreover, coal and nuclear energy are increasingly being substituted by natural gas amid widespread efforts to decarbonize growing economies and to diversify energy supply in many regions of the world. The extraction of new sources of natural gas such as shale gas deposits and the resulting price pressure are increasing international trade in natural gas, so transport and storage volumes are likewise rising.

Over 40% of total natural gas transport volumes traded worldwide is liquefied (abbreviated as LNG or Liquified Natural Gas), 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 reliquifying 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 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 USA is the leading market in this area. 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 USA. 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® 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 –170 °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 off-shore vessels and installations. Strict guidelines for off-shore 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 for 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 (5^{th} 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 service arena, Burckhardt Compression differentiates itself from other manufacturers and service providers by offering comprehensive, in-house expertise. Internal specialists for every technical field supported by our own custom-built, cutting-edge software tools, with which reciprocating compressors of other manufacturers can be modeled, calculated and optimized, are very proficient in resolving even highly complex technical problems cost-effectively and efficiently. A highly motivated team executes 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, which means service intervals, and hence the operational availability and, ultimately, the overall life cycle costs of reciprocating compressors, are largely determined by these parts. 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, prolonging service intervals, ensuring early diagnosis and avoiding equipment downtime and damage, as well as for optimizing operating parameters. Furthermore, these systems allow customers to monitor compressors at different sites simultaneously with fewer specialists. The diagnostic systems made by our subsidiary PROGNOST Systems GmbH are equipped with world leading technology and boast an impressive list of references projects commissioned by large international corporations in the oil, gas and chemicals industries.

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 which 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.


Burckhar
Compress

EXPERIENCE

COMPONENTS, SERVICES & SUPPORT

Burckhardt Compression's Service Center in Busan, South Korea has been in operation since 2013. Manager Jung-Soo Yoo serves customers and compressor operators throughout the region. Cutting-edge machinery is used to perform maintenance and other services, such as the repair of high-pressure packings for Hyper Compressors.

RESPONSIBILITY
PRODUCTION LOGISTICS

Burckhardt Compression is providing career and technical education to 38 apprentices in Switzerland and India. Lora Berov is one of them. She is enrolled in a 3-year apprenticeship program to become a production logistics specialist. Lora was delegated responsibility right from the start, which will be a defining element of her future career path.


Burckhardt
Compression

SWISS QUALITY
COMPONENT MANUFACTURING

Dieter Nänni has been working at our company for more than 25 years. A CNC technician, Dieter produces sealing elements such as packing rings at our site in Winterthur. These critical key components must meet exacting standards across a wide range of operating conditions.

INNOVATION
ELECTRICAL ENGINEERING DEPARTMENT

Barbara Kürsteiner's responsibilities as the head of the Electrical Engineering Department include evaluation, designing and project execution for high-performance electric motors that serve as the main drive system of a compressor. Control cabinets undergo testing in special test bays at our dedicated testing facility, which reduces commissioning costs in the field to a minimum.


F

REVIEW OF THE FISCAL YEAR

FINANCIAL PERFORMANCE

Positive market developments
Burckhardt Compression Group profited from the positive developments in its key markets during the past fiscal year. Order intake and sales were significantly higher, driven by the Compressor Systems (CS) business area. As already noted in the interim report, margins were lower than in the previous fiscal year but they are still at high levels both in absolute terms and compared to other manufacturers.

Annual order intake exceeds half a billion francs for the first time
Orders received amounted to CHF 517.1 mn, surpassing the record high from the previous year (CHF 427.8 mn) by a substantial 20.9% (22.8 % at constant exchange rates). 2013 marked the first time in the history of Burckhardt Compression that annual order intake passed the CHF 500 mn mark. This result was achieved thanks to the surge in business at Compressor Systems, which reported a 41.7% increase in orders received from CHF 272.7 mn to CHF 386.3 mn. This growth was driven primarily by orders for petrochemicals and gas transport and storage applications. The Components, Services & Support business area was unable to repeat its strong performance from the previous year. Its order intake of CHF 130.8 mn was 15.7% lower y-o-y (CHF 155.1 mn), mainly due to the absence of new contracts for major revamp/engineering projects.

Strong sales growth thanks to Compressor Systems – lower margin
Full-year sales of CHF 445.0 mn (plus 21.3%, at constant exchange rates plus 22.4%) marked the highest full-year sales figure Burckhardt Compression has ever achieved in its entire history. As in the preceding two 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 Components, Services & Support business area increased slightly by 0.7% from CHF 151.0 mn to CHF 152.1 mn. The substantial increase in sales is largely attributable to the Compressor Systems business (plus 35.8% to CHF 292.9 mn).

Gross profit of CHF 139.2 mn was 2.4% or CHF 3.2 mn higher compared to the previous fiscal year. This resulted in a gross profit margin of 31.3% (37.1% in the previous year). A shift in product mix prevented both the CS and CSS business areas from maintaining their high gross profit margins from the previous year. The lower gross margins in the CS business were furthermore influenced by two large compressor systems projects which closed with a negative gross profit, while the CSS business contained some revamp/engineering projects which did not match the same high gross margins as achieved in the prior year.

Administrative and selling expenses rose by CHF 5.6 mn or 9.6% versus the previous year to CHF 63.8 mn due to the ongoing expansion of both business areas as we strive to better meet customer needs through a stronger market presence.

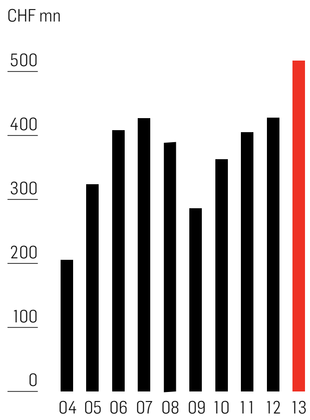
Sales of CHF 445.0 mn marked the highest full-year sales figure ever achieved.

Operating profit of CHF 70.2 mn was slightly less (–4.3%) than in the previous year, mainly because of the under proportional development of gross profit. The operating profit margin therefore slipped to 15.8% (20.0% in the previous year). Net income declined by 1.8% from CHF 54.9 mn to CHF 53.9 mn, which corresponds to 12.1% of sales. Net income per share amounted to CHF 15.87 (previous year CHF 16.42).

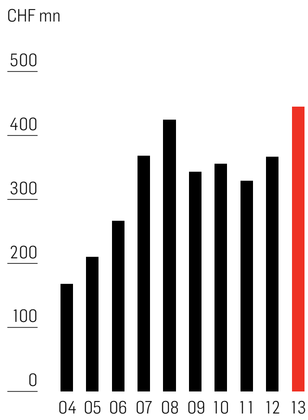
Balance sheet remains strong
Total balance sheet assets increased 8.7% to CHF 645.9 mn in fiscal year 2013 (CHF 594.4 mn in 2012). The equity ratio rose once again, reaching a high 55.5% at the end of the reporting period (54.7% in the previous year). The net financial position increased by CHF 15.0 mn to CHF 165.8 mn. This asset growth is primarily attributable to the increase in working capital. Work in progress, finished products and trade merchandise were higher due to the substantial order backlog. Accounts receivable were likewise higher due to the proportionately greater share of sales booked in the fourth quarter of the year.

Workforce increase in line with organic growth
The number of employees rose by another 154 or 14.3% to 1'232 full-time equivalents during the reporting year. About half of the new jobs were created abroad with the objective of further expanding the local service and components business. The remaining jobs were created in Winterthur, primarily to increase production capacity. At the end of March 2014, 656 employees (53.3%) were based in Switzerland, 329 (26.7%) in BRIC countries and 247 (20.0%) in other countries.

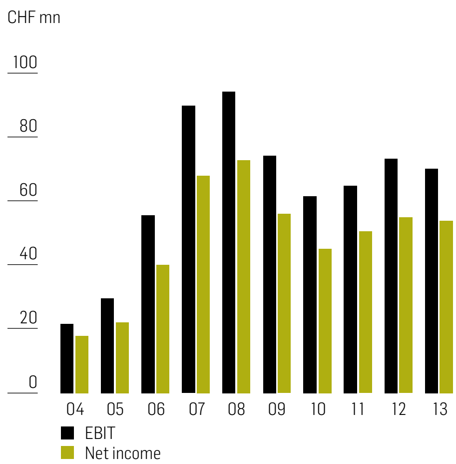
ORDER INTAKE



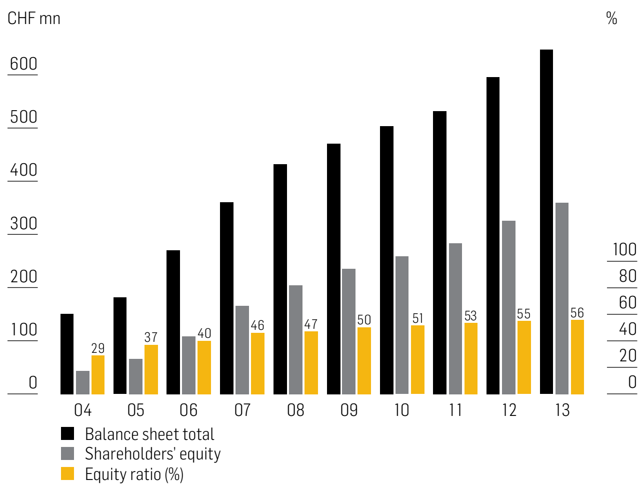
SALES



EBIT AND NET INCOME



EQUITY RATIO



MARKETS

Surge in orders for compressor systems

After pleasing growth in previous years, incoming order volumes surged during the year under review, leading to an increase in market share. Amid a generally favorable market environment and largely stable exchange rates, order intake at the Compressor Systems business jumped 41.7% to CHF 386.3 mn (CHF 272.7 mn in the previous year). With this number the business area not only re-attained the levels reported before the currency and economic crisis in 2009, it actually exceeded them by a substantial margin.

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

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

Recoverable oil and gas reserves utilizing conventional production methods are limited, therefore new production methods are also being pursued. The use of fracking to extract oil and gas from shale formations, a method that has been widely adopted in the US and increased the country's oil and gas production to unexpectedly high levels, has given the industry additional momentum in the past year and helped the US economy emerge from its recession. The new dynamics unleashed by fracking will have a considerable impact not only on the global economy but also on geopolitical developments over the medium term. Fracking itself does not present any direct business opportunities for Burckhardt Compression, but downstream processing and utilization of shale gas and shale oil do.

Upstream oil & gas

The first major breakthroughs in the field of sour gas injection systems were achieved during the year under review. This is a method where unwanted gas flowing up through well tubing is re-injected into the reservoir. Increased pressure leads to significant enhancement in oil recovery. Oil fields with declining production can be exploited much more effectively using this method. Thanks to its long experience in handling demanding gases under high pressure, Burckhardt Compression offers customers substantial value added in these application areas.

Gas transport and storage

The market for natural gas as an inexpensive and relatively clean fossil fuel 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 channels. 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, in Europe it is 4 to 5 times higher than in the US. That offers some potential for price equalization once sufficient transport infrastructure is in place. LNG export and import terminals with cryogenic storage tanks that can store LNG at atmospheric pressure and at –160° C are required, as are specially designed LNG tank ships.

LNG accounts for over 40% of all natural gas volumes traded worldwide today and this share is rapidly increasing. LNG transport capacity from the US Gulf Coast to Asia will increase significantly with the pending completion of the Panama Canal expansion project. The major targeted markets are China and Japan. In addition to the US, countries in the Middle East are also adding considerable LNG export capacity, primarily to supply Asian markets.

LNG accounts for over 40% of all natural gas volumes traded worldwide.

Burckhardt Compression sold compressors for LNG import terminals to customers on every continent during fiscal year 2013. The use of boil-off gas as a propulsion fuel for LNG carriers is expected to continue increasing at a fast rate. This technology saves costs and makes 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. A considerable number of such solutions were sold during the past year. The number of such projects continues to increase rapidly.

Utilization of LNG as a high-energy clean transportation fuel for transcontinental truck fleets as well as for railways and riverboats is being promoted, particularly in the US and China, and this is creating a sustained market opportunity for Burckhardt Compression. Burckhardt Compression's strong position is underpinned by its worldwide unique solutions, products, and experience.

Burckhardt Compression's sales of BOG compressors for use on LPG carriers (Liquefied Petroleum Gas) were very pleasing last year.

Petrochemical/chemical industry

China's steady and strong economic growth is fueling the constant growth in demand for petrochemical products. Several new LDPE lines were ordered by Chinese customers during the period under review. Business in the Middle East also remains on a growth track. Saudi Arabia is in the process of building up its own petrochemicals industry as it seeks to branch off from being only a supplier of crude oil. The same applies in Southeast Asia, where national oil and gas companies also want to reap some of the profits from downstream processes that have so far been the sole domain of multinational companies. In the US a number of major petrochemical projects have been initiated directly on the large shale gas formations in Texas, Louisiana and Virginia (Marcellus).

Burckhardt Compression is the market leader in this segment and offers cutting-edge technology with its Laby® technology for low pressure applications and Hyper Compressors for the manufacture of high pressure polyethylene. Orders received during the past year were accordingly high. The prospects of good margins for polyethylene and polypropylene producers, cheap feedstock in the form of shale gas, and low energy prices have led to a rebirth in petrochemical plant construction activity in the US.

Refinery

New production 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 transportation fuel is leading to increasing demand for hydrogen. The required production plants are either being built by the refineries themselves or, increasingly, by so-called "over the fence" suppliers who operate hydrogen production facilities at the refineries' own sites and sell them the required volumes.

During the year under review Burckhardt Compression again profited from its ability to offer the full range of API 618 compressors and won additional key projects for Process Gas Compressors at the high and low ends of the performance spectrum. Products at the low end of the performance range are manufactured at our plant in India and have proven to be very competitive in the marketplace.

Industrial gases

The markets and applications addressed by Burckhardt Compression in the field of industrial gases are rather fragmented. During the past year business with over-the-fence suppliers of hydrogen to refineries was once again very brisk.

While centrifugal compressors are used at large-volume air separation plants to produce industrial oxygen, reciprocating compressors are used at smaller plants. These are supplied as a fully operational, skid-mounted standard package with all the necessary peripherals for cost reasons. Burckhardt Compression was not active in this market before and it achieved a pleasing breakthrough with its new Laby® Standard Package. Orders for the Standard High Pressure Compressors, which are manufactured at its plant in India, were received from customers in Japan and the US during the fiscal year 2013.

Service and components business

Significant resources were invested in processes and training to meet customer demands in the service business regarding response times and delivery performance. A highlight of 2013 was the inauguration of the Burckhardt Education Campus, which guarantees a structured educational program for all employees worldwide. Excellence in employee education helps us to meet or exceed the standard of quality our customers demand and to further expand our technology leadership.

In accordance with the medium-term goal of strengthening our geographic presence, two new subsidiaries with Service Centers were established in Singapore and South Africa. We can now provide even better support to our customers and compressor operators in the Southeast Asia region and Africa. A second Service Center was inaugurated in Calcutta, India, in March. An additional subsidiary with Service Center will be established in Saudi Arabia during the course of the current fiscal year.

Mainly due to the absence of orders for major engineering/revamps projects overall order intake was less than the high figure achieved in the previous year.

The monitoring and diagnostics business performed very well again. A large number of rotating machinery and reciprocating compressor operators were added to the steadily growing group of PROGNOST users worldwide. Operators are attracted by the cutting-edge technology and the diagnostic capabilities, which can be utilized both onsite and remotely. Sales and new orders in both customer segments (operators and machinery/equipment manufacturers) increased from the already good levels achieved in the previous year.

CAPACITY

In September 2013 Burckhardt Compression began using a leased 4'000 m^2 warehouse in the vicinity of Winterthur. An additional assembly hall for the Winterthur site had to be found to accommodate the high order intake in fiscal year 2013. All Hyper Compressors will be assembled for the time being at this warehouse in the future. Production capacity in Winterthur, Pune and Shanghai continued to be modernized and expanded with top-of-the-line manufacturing equipment.

RESEARCH & DEVELOPMENT

Development of a new size of Laby®-GI Compressor
A new frame size for the Laby®-GI Compressor, which is primarily used for compressing natural gas in on- and offshore applications, was developed during the past fiscal year. This gives customers an even broader range of operating possibilities. This latest development allows us to cover the entire spectrum of LNG carrier sizes available today.

Successful field tests for stepless flow control system
During the year under review we continued to build our knowledge of stepless flow control for reciprocating compressors in an ongoing field test, including in application areas involving explosive gases. The process control advantages and energy savings versus conventional control systems were confirmed in field tests. These field tests and long-term testing will set the stage for the subsequent market launch of this new product.

BRAND MANAGEMENT

Burckhardt Compression published a new company brochure during the past fiscal year to firmly anchor its brand in an international setting. Drawing on the revised corporate design and long-term branding strategy, this brochure details Burckhardt Compression's values and highlights its position as a unique, long-term partner operating from a strong base in Switzerland.

SUSTAINABILITY REPORT

COMMITMENT AND LEADERSHIP

Burckhardt Compression has made a long-term commitment to the economy, society and the environment. Our aim is to create the framework for continuing the company's 170-year history of success on all levels. This can only be achieved if a balance is found between the different and sometimes opposing interests of the individual stakeholders.

We are committed to transparency. Only by knowing exactly where things stand can appropriate goals be set and the right measures initiated to achieve them. Our leadership schedule and appropriate controlling instruments and practices are in use to make sure we achieve the goals we set. Burckhardt Compression's sustainability credentials are evaluated by an external specialist on a regular basis. Our goal is to exceed the average rating for a selected group of comparable Swiss companies and we achieved that goal based on the latest assessment conducted in 2012.

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, in order to enable a fair valuation of Burckhardt Compression stock.

Our Investor Relations are evaluated by independent firms and, perhaps somewhat surprisingly considering the size of our company, we regularly receive very good ratings.

The aim of our Investor Relations is to enable a fair valuation of our stock.

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

The Harbour Club, which in cooperation with the business magazine "Bilanz" evaluates the annual reports of Swiss companies, ranked the design of our annual report for the 2012 fiscal year 43 (previous year 41) out of the more than 200 annual reports evaluated. Our ranking for Value Reporting improved significantly once again, rising from rank 40 to rank 24.

In an analysis of 164 companies based on the value they generated in 2013 for shareholders conducted by "Bilanz", Burckhardt Compression was ranked 59 (previous year 47). This ranking was based on the performance of company shares and the SPI as well as on volatility.

In the 2013 survey conducted by zCapital, an independent asset manager, our company's Corporate Governance ranked 76 (previous year 51) out of the 150 Swiss companies assessed. Given the fact that we do not intend to remove the restrictions on shareholder voting rights, a further improvement in this ranking is not likely.

Customers

Burckhardt Compression is geared towards 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 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 in the management process. Appropriate measures are 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 the development and manufacture of our products. 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 through Burckhardt Compression's executives and employees forms the foundations 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.

Procurement decisions to ensure a smooth-running supply chain are made together with management.

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

In the past five years Burckhardt Compression has invested CHF 142.0 mn on plant, property and equipment, mainly at its European sites and the factory in India. The largest single investment with a cost of CHF 77.0 mn was the purchase of commercial property in Winterthur. The remaining investments can be grouped into three categories:

- Consolidation of the compressor valves and sealing elements at our building in Winterthur
- Improving the productivity of the manufacturing activities at the plants in Winterthur and in Pune
- Construction of a new building in Rheine (DE) for PROGNOST Systems GmbH

Annual investments in plant and equipment (excl. real estate) for the current plan period will be at a similar level as in the preceding five-year period and they will be concentrated in the following four areas:

- Expansion of local compressor manufacturing operations in China and Korea
- 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 as a percentage of equity amounted to a factor of 4.4 at the end of the reporting year (previous year 3.7). This clearly indicates that we generated substantial value for our shareholders with the capital employed (equity). Net income per share amounted to CHF 15.87 (previous year CHF 16.42), which represents a decrease of 3.3%. We expect EPS will increase significantly during the current fiscal year.

Burckhardt Compression did not make any acquisitions in the past fiscal year. Various candidates were screened but none of the potential transactions 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.

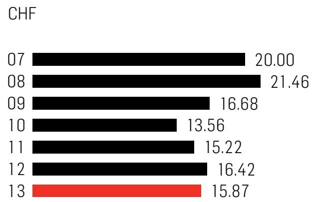
Risk management

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, with the aim of

- systematically identifying particular risks,
- establishing processes to monitor, reduce and, at best, prevent risks and
- striking a good balance between risks and opportunities.

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.

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 typical employee has been with the company for 9 years.

Every other year we participate in the largest national survey of employees in Switzerland, the latest being in 2013. Unlike in the previous surveys, we did not rank among the top 25 Swiss employers overall in this survey, but we achieved better-than-average marks in the areas of job content, technical tools and equipment, teamwork, customer focus and the assignment of objectives. The main goal for participating in the employee survey is to obtain suggestions for further improvement and to check the success of previously introduced measures. We will participate again in the 2015 survey.

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 the corporate culture. Personal development is part of our annual appraisal and performance review of each employee 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. 13.0% of our employees worldwide are women (12.9% in 2012). We aim to steadily raise this percentage to 15%. With the election of Dr. Monika Krüsi at the 2012 General Meeting, a woman was added to the company's Board of Directors for the very first time.

Our employees are regularly informed by their superiors – at Burckhardt Compression in Switzerland quarterly by the CEO – about the course of business and other corporate developments. 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's employee turnover ratio is at a low 4.98% (5.23% in the previous year).

A woman took seat on the company's Board of Directors as of the 2012 general meeting.

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 38 apprentices at Burckhardt Compression receiving vocational training in six different trades in Switzerland and India. 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 after their apprenticeship. Burckhardt Compression's annual spending on apprenticeship training programs (cash out) amounts to about CHF 0.8 mn. All new vacancies at all levels are also 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 or replace an executive, we are in a position to recruit very good 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. We are pleased to have surpassed that goal – the number of working days lost in 2013 dropped to 152.

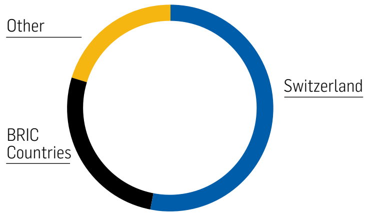
The health and general well-being of our employees are important to us. Physical and mental health are closely linked to performance. An extensive range of physical activities, preventative measures and measures on specific topics help improve employee satisfaction, health and motivation, and reduce 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 7.9 (7.6 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 the past three years. 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.

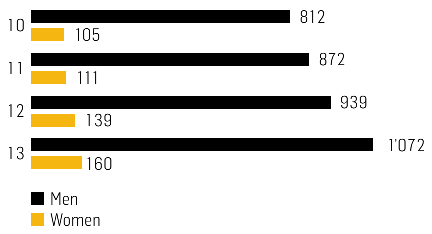
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2013
100% = 1'232

Employees (full-time equivalents)



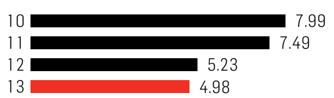
GLOBAL WORKFORCE BY GENDER

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.

Through local procurement of accessories, we are closer to our customers and shorten transport routes.

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 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 natural gas tanks, which is then injected directly into a diesel engine. This economical and environmentally friendly propulsion system produces significantly lower CO_2 and SO_X emissions when vessels are running on natural gas. Additional orders for this application were received during the past fiscal year.
- Process Gas Compressors API 618: In recent years Burckhardt Compression expanded its range of compressors to include Process Gas Compressors, which now cover applications with rod loads of up to 1'500 kN. These compressors are used specifically in industrial processes for the desulphurization of fuels. In fiscal year 2013 several more orders for compressors in the extended product range were received.
- PROGNOST®-SILver: Systems for monitoring and diagnosing the condition of reciprocating compressors are key tools for increasing operational safety, lengthening service intervals and preventing damage. In 2008, PROGNOST Systems launched PROGNOST®-SILver onto the market. The world's first SIL-certified industrial machine protection tool has a hardware-based safety shutdown feature for reciprocating compressors. The products from PROGNOST are continually refined and optimized to cover all customer needs with regard to monitoring and diagnosis.

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 checking 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 able to cut transportation with consolidated transports and container consolidations. PULL@BCAG is not simply a project but rather a reflection of our basic philosophy about the work we do. Thanks to local procurement of accessories, we are now closer to our customers and are also able to shorten transport routes.

Buildings and fixtures
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. We have been optimizing the lighting installations of the Winterthur buildings since 2012, which will eventually lead to a significant reduction in our energy consumption. We aim to keep our electricity consumption at the current level despite the targeted growth of the business. Due to lower utilization of manufacturing assets in India the electricity consumption in 2013 amounted for the Burckhardt Compression Group 3'672 MWh, as in fiscal year 2010 (4'136 MWh in the previous year). Consumption at all other locations remained constant, despite significant higher utilization of manufacturing assets.

A new more efficient cooling system has significantly reduced our water consumption in Winterthur. Burckhardt Compression India has taken several measures to lower their water consumption. An "Effluent Treatment Plant" has been installed in order to use the waste water for other purposes. Further, a new rain water collector system supplies water for different machining centers. We aim to keep our water consumption at the current level despite the higher output.

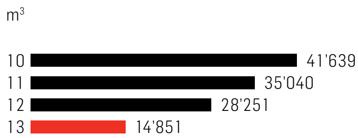
In the new building of PROGNOST Systems GmbH in Rheine (DE) a highly efficient heating and cooling system is installed. Electric heat pumps are used to provide heating. Heat is extracted from the surrounding environment, raised to a higher temperature level and then used for heating purposes. The same principle works in reverse to cool the building during warm weather. Powered by electricity (25%) and renewable energy (75%), the air-source heat pump system meets all of the building's heating needs.

Recycling and waste disposal

We dispose of our waste in such a way that as much as possible is recycled and as little as possible is wasted. 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 appropriate and environmentally friendliest manner. Waste management practices were further improved. friendliest manner. In 2012 the disposal of packing material and wood was significantly improved. As a result the total waste declined from 2011 to 2012 from 246 tonnes to 197 tonnes. In the year under review the total amount of waste proportionally rose with the sales increase of 21.3%. We aim to keep the amount of waste at the current level despite the higher output.

ELECTRICITY CONSUMPTION

WATER CONSUMPTION



WASTE

PROBLEM SOLVER

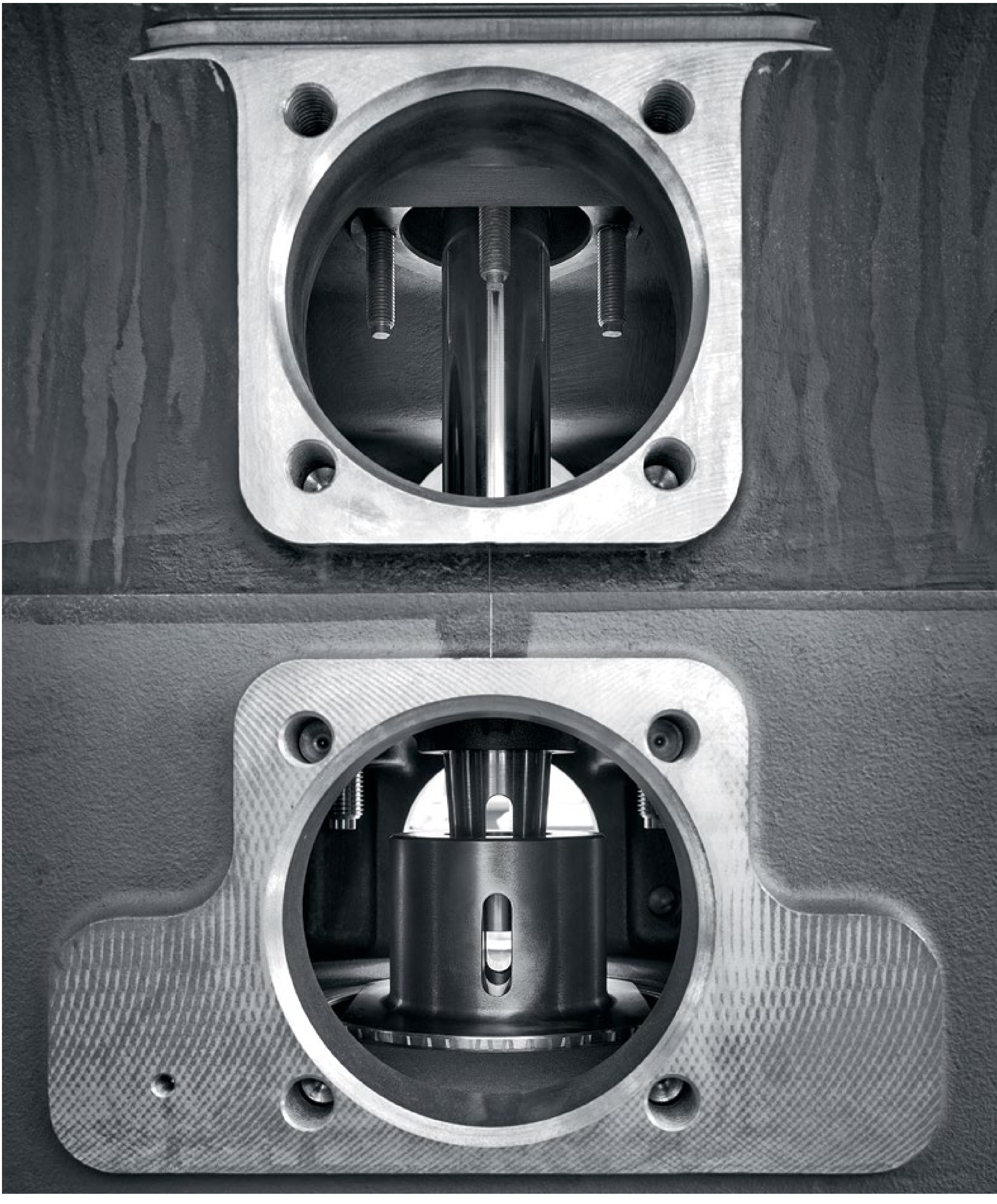
MEASURING VIBRATIONS AND COMPRESSOR PERFORMANCE AT A COMPRESSION STATION FOR ETHYLENE

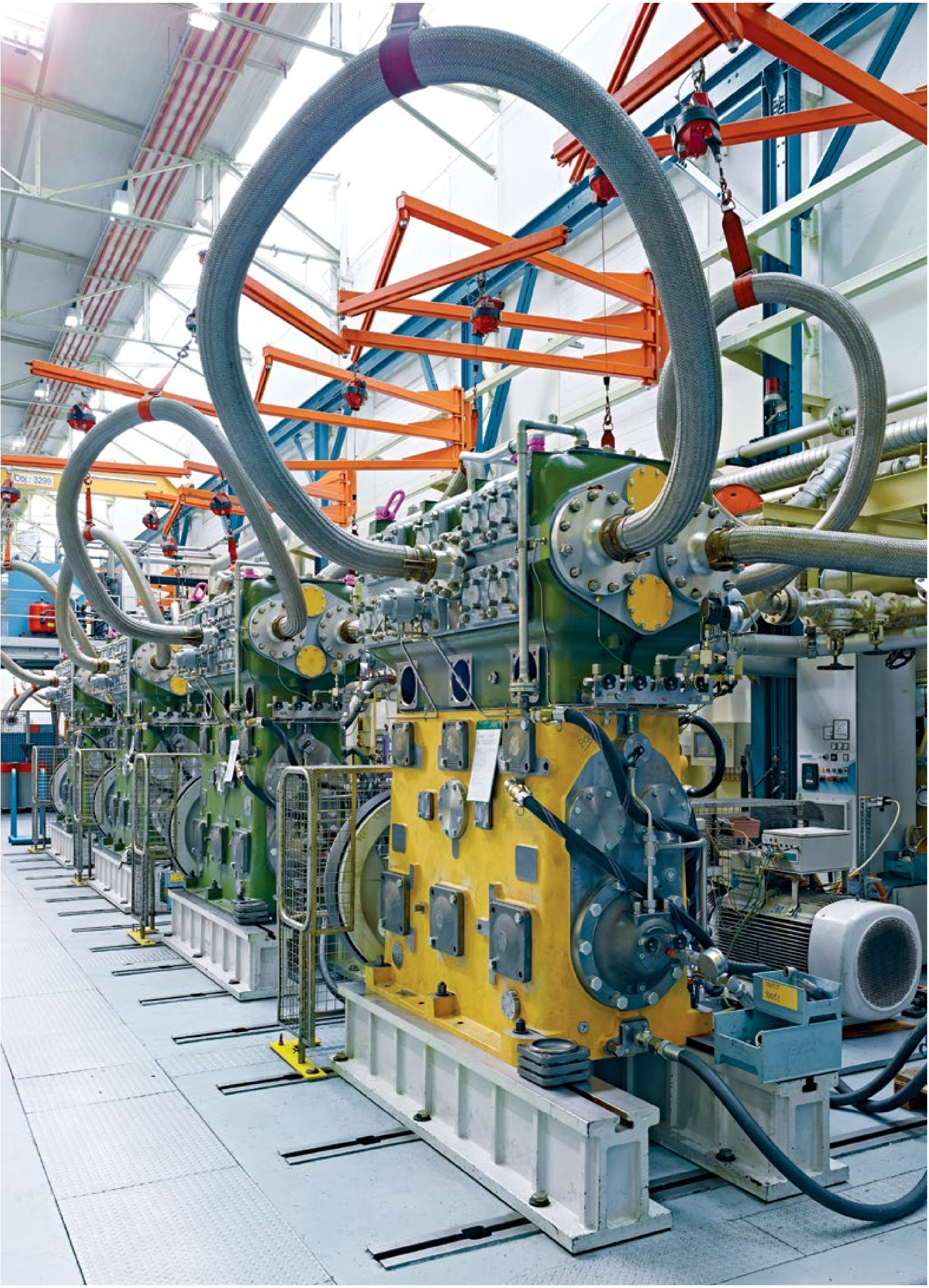
Compressor specialists from our Sizing and Service units measure vibrations and performance data at reciprocating compressor installations – in the field at customer premises during final inspection and acceptance and in the event of any deviations while in normal operation. We analyze all measurements in-house and initiate corrective action when necessary.


KV 153

RELIABILITY
TESTING FACILITY

Before our labyrinth piston compressors are delivered to customers around the world they are brought to our testing facility for elaborate testing. Thorough inspection of the compressor interior ensures adherence to high standards of quality and workmanship. The long periods between service intervals are proof of the Laby® Compressor's durability and reliability.

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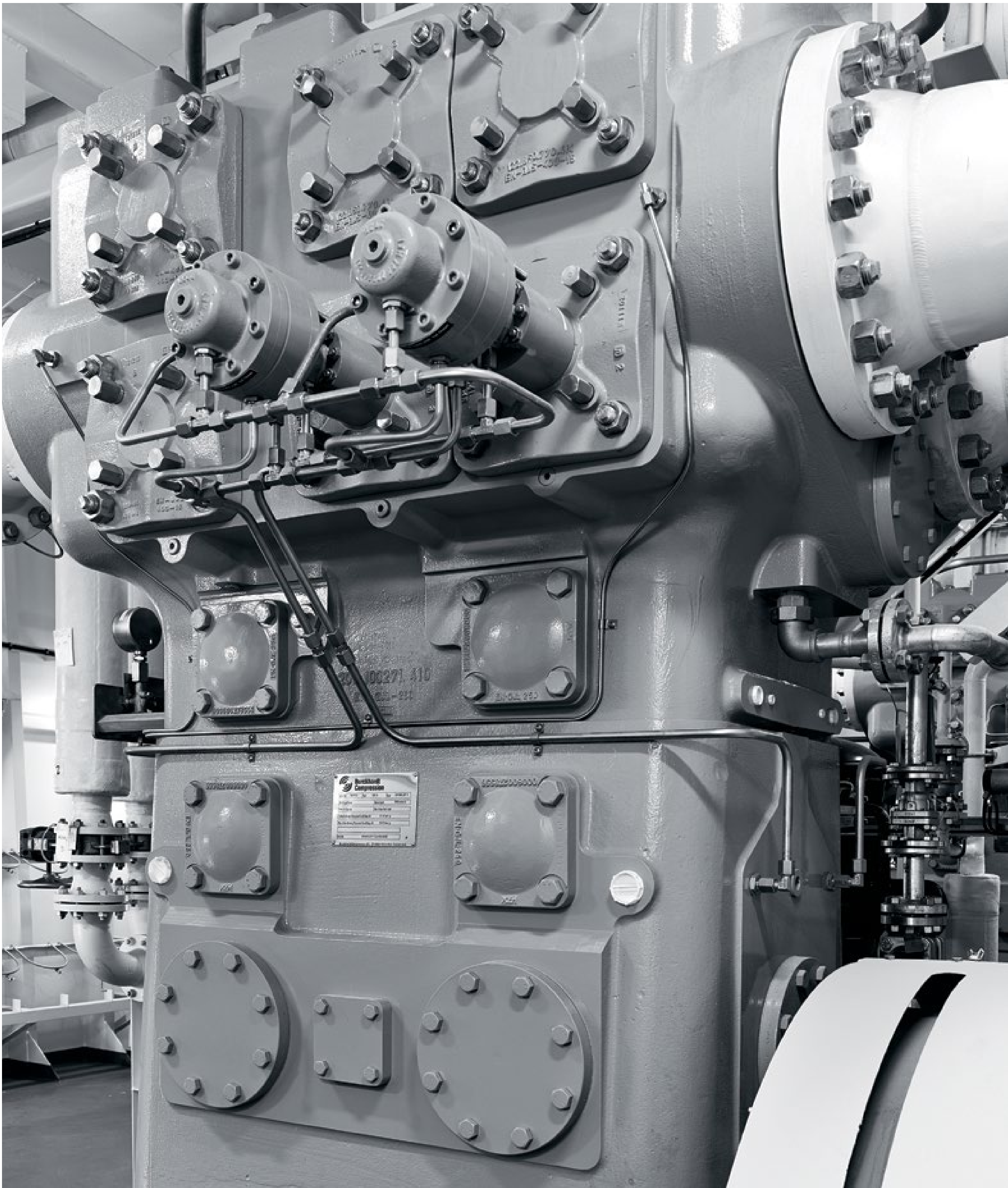
PERTAMINA LPG


PERTAMINA GAS 2
PANAMA

SAFETY

ON-BOARD RELIQUEFACTION SYSTEMS FOR LPG CARRIERS

Burckhardt Compression has produced Laby® Compressors for reliquefaction systems on LGP carriers for more than 50 years. These compressors can be used with a wide variety of gases, depending on whatever cargo a carrier is carrying. A gas-tight compressor housing prevents emissions from escaping into the environment in accordance with strict maritime safety standards.



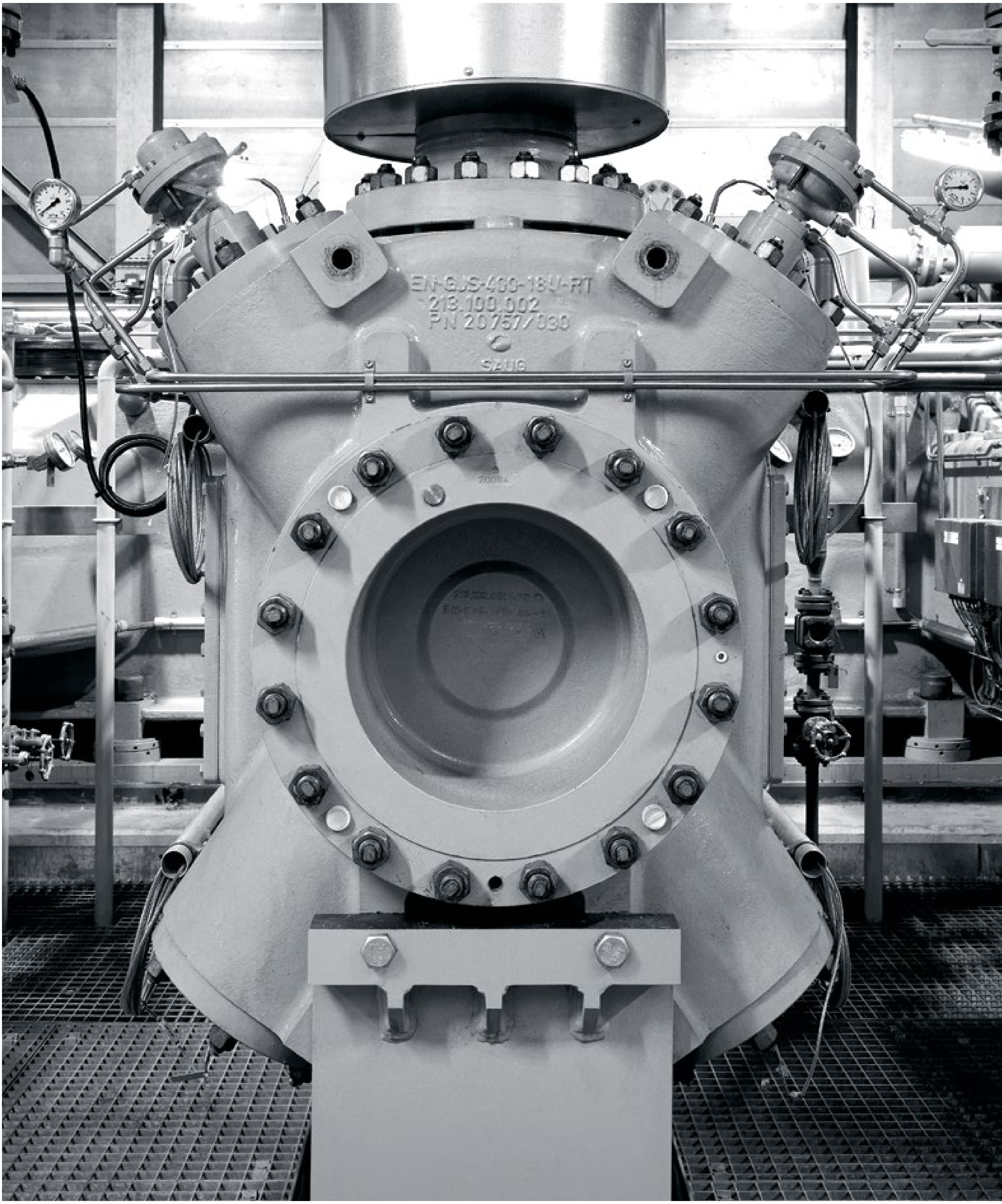

C2


C1
C2

RELIABILITY AND ENDURANCE

PROCESS GAS COMPRESSORS AT A HYDROGEN PRODUCTION PLANT

This highly demanding application requires extensive tribological experience. Burckhardt Compression is a leader in the field of sealing material research. Its expertise helps to maximize the service lives of reciprocating compressors handling even the most difficult gases while ensuring that life cycle cost is kept at the lowest possible level.



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.

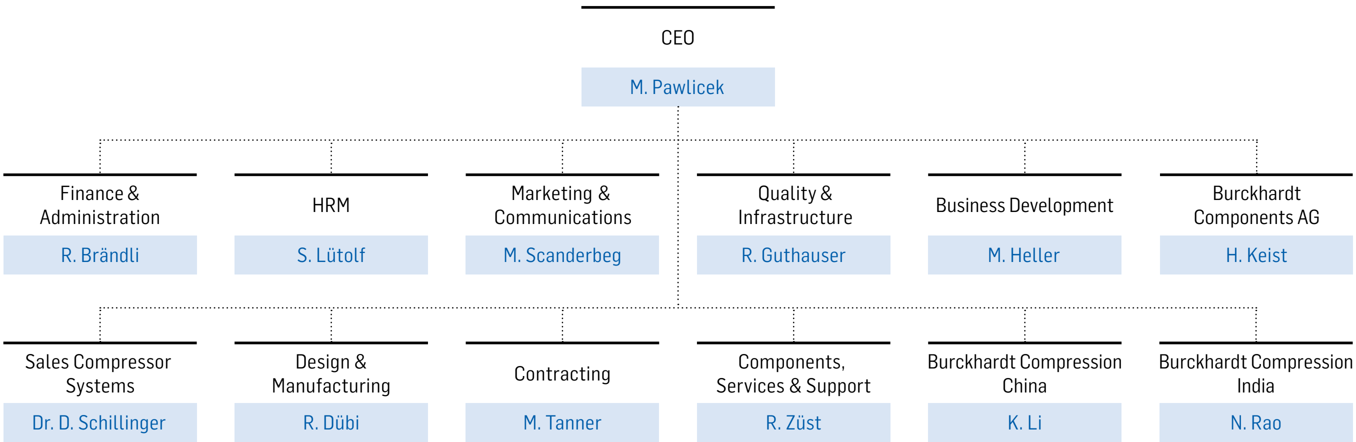
This following section is set out using the according sequence and numbering of the DCG. Unless otherwise noted, the information presented reflects the situation on March 31, 2014.

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 (ISIN: CH0025536027; security number 002553602). Its market capitalization as per March 31, 2014 amounted to CHF 1'564'000'000.

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, 2014".

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

As per March 31, 2014 the following groups of shareholders were registered:

Shareholders	Number of shares	%
Individuals	551'405	16
Legal entities	1'083'925	32
Shares in the process of transfer	1'128'508	33
Other	626'360	19
Treasury shares	9'802	0
Total	**3'400'000**	**100**

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, 2014 (according to the statutory bylaws the voting rights of ING Groep N.V and Allianz Global Investors is limited to 5% of the total number of the registered BCHN shares recorded in the commercial register):

Name	Country	% of shares
MBO Shareholders	CH	12.4
ING Groep N.V.	NL	6.2
Allianz Global Investors	DE	5.1
TIAA-CREF Investment Management	US	5.0
Ameriprise Financial Inc.	US	3.2
Mondrian Investment Partners	GB	3.1
UBS Fund Management (Switzerland) AG	CH	3.0

More detailed information on the according disclosure notifications is available on the website of the Disclosure Office of the SIX Swiss Exchange Ltd. (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. Authorized and conditional capital in particular

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). The date and amount of the issuance, the time of dividend entitlement and, if applicable, the type of contribution will be determined by the Board of Directors. Partial increases in capital are permitted. The transferability of the shares shall be subject to the registration requirements set forth in the Bylaws. 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 that, Burckhardt Compression Holding AG has no further authorized capital and/or conditional capital.

2.3. Changes in capital

There has been no change in the share capital since 2002. There was a four-for-one share split before 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. The voting rights per shareholder is 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 Burckhardt 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 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 rights. 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, 2014, 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. Monika Krüsi, Valentin Vogt, Hans Hess, Urs Leinhäuser

3. BOARD OF DIRECTORS

3.1. Members of the Board of Directors and
3.2. Other activities and vested interests

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	Position	Year of first appointment	Elected until
Valentin Vogt	CH	Chairman, non-executive; Chairman SC, member NCC[1]	2002	2014
Hans Hess	CH	Deputy Chairman, non-executive; Chairman NCC[2]	2006	2014
Dr. Monika Krüsi	CH/IT	Member, non-executive; member SC, member AC[3]	2012	2014
Urs Leinhäuser	CH	Member, non-executive; Chairman AC	2007	2014[4]

[1] as of February 28, 2014
[2] as of February 28, 2014 (until then member NCC)
[3] as of February 28, 2014
[4] Limitation of current term of office, as approved by the general annual meeting on June 29, 2012 from 2015 to 2014, due to the constitutional amendment (Minder-Initiative) ratified by the Swiss electorate.

AC = Audit Committee
NCC = Nomination and Compensation Committee
SC = Strategy Committee

Valentin Vogt was in charge as CEO of the Burckhardt Compression Group from the year 2000 until March 31, 2011. None of the other Board members was a member of the Executive Board of a Burckhardt Compression Group company. None of the members of the Board has material business relationships with a Burckhardt Compression Group company.

Personal details and other activities and vested interests of the individual members of the Board of Directors are as follows:

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
– Member of the Nomination and Compensation Comittee

Other activities and commitments:
– 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:
Masters 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 President 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 of Vontobel Foundation, Switzerland
– Trustee of Swisscontact, Switzerland
– Trustee of Technorama, Switzerland

DR. MONIKA KRÜSI (1962)

Education:
Dr. inform., lic. oec. publ., University 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 of ACP, Switzerland
– Board member of Emch AG, Switzerland
– Board member of CP Pumpen AG, Switzerland
– Member of the Board Technopark Luzern, Switzerland

URS LEINHÄUSER (1959)

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

Professional background:
Since 2011 CFO and Deputy CEO, Member of the Group Executive Board, Autoneum Holding Ltd., Switzerland
2003–2011 CFO and Head Corporate Center, Member of the Group Executive Committee,
Rieter Holding Ltd., Switzerland
1999–2003 CFO, Mövenpick Holding, Member of the 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
1994–1995 Head Controlling, Deputy Chief Financial Officer, Gretag AG, Switzerland
1988–1993 Group Controller, Cerberus Ltd., 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 of Ammann Group Holding AG, Switzerland

3.3. Election and term of office

According to the Bylaws, Art. 14 para 1, the members of the Board of Directors are elected for a term of no more than three years. The members of the Board of Directors shall be automatically retired from the Board of Directors during the year in which they reach the age of 70. Effective from the Annual General Meeting 2014, the annual individual election of all members of the Board of Directors, the election of the Chairman as well as the election of all members of the Nomination and Compensation Committee by the General Meeting of Shareholders is required by law.

3.4. 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. 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 2013 the Board of Directors held eight meetings, with each meeting lasting half a day to one day. Furthermore the Board of Directors has held eight telephone conferences during fiscal year 2013, each one lasting one to two hours. The Board of Directors has a quorum when the majority of the members is 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, 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 2013, the Audit Committee held two half-day meetings. The CEO, the CFO and representatives of the external 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 2013. 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 Valentin Vogt (February 28, 2014 until July 4, 2014).

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 Strategy Committee held one meeting in fiscal year 2013. The meeting lasted half a day. These meetings were also attended by several members of the Executive Board. Members are Valentin Vogt (Chairman) and Dr. Monika Krüsi.

3.5. Definition of areas of responsibility

The Board of Directors has delegated the executive management of the company and the group to the CEO, 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
– Definition of salary guidelines and compensation of members of the Executive Board
– 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.

3.6. Information and control instruments relating to the Executive Board

Order intake, liquidity and liquidity planning are consolidated and reported monthly. Income statement, balance sheet, cash flow, headcount, personnel costs and capital expenditures are consolidated and commented nine times a year. A rolling forecast for the coming 12 months is prepared and commented 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 reports as well as the forecasts are distributed to all members of the Board of Directors, as well as to the members of the Executive Board and the Managing Directors of the Burckhardt Compression subsidiaries. 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 and reports on the effectiveness of the internal control system (ICS) to the Audit Committee and to the Board of Directors once a year.

The internal audit is under the authority of the Chairman of the Audit Committee of the Board of Directors. Technical 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 the Burckhardt Compression Group and fosters an active exchange of information and best practices with the objective of creating sustained value added for the 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 2013. 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 in the existing planning and management processes. The CEO reports on the assessment of the operational and financial risks to the Audit Committee and the Board of Directors twice a year. The Board of Directors regularly assesses the strategic risks.

4. EXECUTIVE BOARD

4.1. Members of the Executive Board and 4.2. Other activities and vested interests

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
Hans Keist	CH	MD Burckhardt Components AG
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

Personal details and other activities and vested interests of the individual members of the Executive Board are as follows:

MARCEL PAWLICEK (1963)

Education:
Degree in Mechanical Engineering, HTL Winterthur, Switzerland, MBA Marketing and International Business, Fordham University, N.Y., USA

Professional background:
Since 2011 CEO, Burckhardt Compression Group, Switzerland
2008–2011 Head of Design & Manufacturing, Burckhardt Compression AG, Switzerland
2001–2008 Head of CSS, Burckhardt Compression AG, Switzerland
1999–2001 Head of 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

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., São Paulo, Brazil and Regional Controller Sulzer Pumps South America & South Africa
1997–2001 Regional Controller Asia/Pacific, Sulzer International Ltd. and 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, Switzerland, 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

HANS KEIST (1970)

Education:
Degree in Mechanical Engineering, HTL Luzern, Switzerland, EMBA, Strathclyde University Glasgow, UK

Professional background:
Since 2012 Managing Director, Burckhardt Components AG, Switzerland (former MT Sealing Technology Inc)
2011–2012 Head of Management Buy-Out, Sulzer Chemtech AG, Switzerland
2010–2011 Global Head of "Mixing and Reaction", Sulzer Chemtech AG, Switzerland
2009–2010 Global Head of "Polymer Production Technology", Sulzer Chemtech AG, Switzerland
2008–2009 Head of Sales "Mixing and Reaction", Sulzer Chemtech AG, Switzerland
2005–2007 Regional Manager Asia "Mixing and Reaction", Sulzer Chemtech Ltd Pte, Singapore
2000–2004 Global Head of "Polymer Production Technology", Sulzer Chemtech AG, Switzerland
1998–2000 Sales Engineer, Sulzer Chemtech AG, Switzerland

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 Representative Office, China

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, Masters 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 of Sulzer India Ltd., India

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, 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 Technical Department for 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. 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 64 to 69. In accordance with the provisions of the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c para. 3 OR the remunerations paid in the fiscal year 2013 are also disclosed in the financial report, note 26 (page 104 et seqq.) "Remuneration of the Board of Directors and Executive Board".

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 64 to 69 and in the financial report, note 27 "Transactions with the Board of Directors, the Executive Board and related parties" on page 106.

Burckhardt Compression Group did not grant any loans, credit or collateral to any of the members of the Board of Directors or the Executive Board in fiscal year 2013 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 with voting rights 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 nominee agreements. This limitation also applies if shares are acquired by exercising 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 of Shareholders 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 closing date before the Annual General Meeting for registered shareholders to be entered in the share register will be given each time in the invitation to the Annual General Meeting.

7. CHANGE OF CONTROL AND DEFENSE MEASURES

7.1. Obligation to make an offer

Once a shareholder acquires 33⅓% of the 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 the mandate and term of office of the auditor in charge

PricewaterhouseCoopers AG (PwC) has been the statutory auditor of the 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

The total fees for auditing services provided by PwC worldwide during fiscal year 2013 amounted to TCHF 296 (previous year TCHF 313).

8.3. Additional fees

The additional fees for services provided by PwC worldwide during fiscal year 2013 amounted to TCHF 354 (previous year TCHF 31), thereof TCHF 330 for consulting services related to a due diligence in a larger acquisition project. TCHF 24 for tax consulting. 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 fiscal year 2013, 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 laid down 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 2014 and 2015
July 4, 2014
Annual General Meeting
November 4, 2014
Results for the first half of fiscal year 2014
(as per September 30, 2014)
June 9, 2015
Results for fiscal year 2014 (as per March 31, 2015)
July 4, 2015
Annual General Meeting

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

COMPENSATION REPORT

GUIDELINES

Burckhardt Compression has a transparent and long-term oriented compensation system, the objective of which is to ensure that the compensation paid to company executives is market competitive and that shareholder interests are aligned with management interests. Market competitive pay is a basic prerequisite for attracting qualified business managers and ensuring that company executives remain with the company for the long run.

The explanations below follow para. 5 of the Corporate Governance Directive (CGD) of the SIX Swiss Exchange. In accordance with the provisions of the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c para. 3 OR, the remunerations paid in the fiscal year 2013 are also disclosed in the financial report, note 26 (page 104 et seqq.) "Remuneration of the Board of Directors and Executive Board".

BOARD OF DIRECTORS

The Nomination and Compensation Committee (NCC) determines director compensation guidelines. The compensation paid to the directors and adjustments thereto are determined by the full Board of Directors pursuant to the proposals of the NCC.

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

Up to an including fiscal year 2012 the variable compensation was based on a percentage of net profit after minorities generated by the Burckhardt Compression Group and converted into a specific number of shares using the closing price of BCHN shares at the end of the respective fiscal year. If a minimum financial target with regard to EBIT margin was not achieved, entitlement to the variable compensation for the corresponding fiscal year lapsed. If the financial target was at least reached and the EBIT margin was equal to or higher than the returns achieved by the benchmark, entitlement to the full variable compensation component was granted; if not, the variable component was reduced by 50%. The benchmark consisted of one direct competitor and two companies selling products in the same market as Burckhardt Compression Group. The free shares for the fiscal years 2011 and 2012 were distributed at the end of June 2013.

Effective as of the fiscal year 2013, adjustments were made to the variable performance- and profit-related components of compensation. Variable compensation is now based on the attainment of the net income targets as specified in the Mid Range Plan for fiscal years 2013 to 2016 and will be calculated in two allotments as a percentage of the cumulative net income for the fiscal years 2013 and 2016 and for the fiscal years 2015 and 2016, respectively. A maximum amount in absolute terms will be set as the upper limit on the awardable variable compensation for each allotment. If a defined minimum amount in absolute terms at net income level is not attained, entitlement to the variable compensation for the corresponding period will lapse. The percentage of net income or the maximum amount will be paid out in the form of free shares as before. 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 is derived from the calculated amount of the variable pay component divided by the average share price.

The free shares for the fiscal years 2013 and 2014 will be distributed at the end of July 2015 after the approval of the general meeting. The free shares for the fiscal years 2015 and 2016 will be distributed at the end of July 2017 after the approval of the general meeting. All shares received will not be subject to any restrictions upon the date of transfer. The following total remuneration was paid to the members of the Board of Directors in the fiscal years 2013 and 2012:

in CHF 1'000					2013
Name	Position	Fees and remuneration	Share-based payments[1]	Social benefits and other compensation	Total
Non-executive members of the Board of Directors					
Valentin Vogt	Chairman	120	26	11	157
Hans Hess	Deputy Chairman	65	18	0	83
Urs Fankhauser[2]	Member	75	0	5	80
Dr. Monika Krüsi	Member	65	18	6	89
Urs Leinhäuser	Member	65	18	6	89
Total		**390**	**80**	**28**	**498**

in CHF 1'000					2012
Name	Position	Fees and remuneration	Share-based payments[1]	Social benefits and other compensation	Total
Non-executive members of the Board of Directors					
Valentin Vogt	Chairman	110	43	10	163
Hans Hess	Deputy Chairman[3]	60	21	0	81
Heinz Bachmann[4]	Deputy Chairman	15	15	2	32
Urs Fankhauser	Member	70	21	5	96
Dr. Monika Krüsi[5]	Member	45	14	4	63
Urs Leinhäuser	Member	60	21	4	85
Total		**360**	**135**	**25**	**520**

[1] Variable pay to the eligible members of the Board of Directors (free shares). The personnel expense for the variable pay is accounted for on a pro rata basis over the entire award period. The accounting on a pro rata basis causes an accumulation of personal expense portions from previous periods in the course of the award period.

[2] until March 31, 2014

[3] as of June 29, 2012, until then member

[4] until June 29, 2012

[5] as of June 29, 2012

EXECUTIVE BOARD

The Nomination and Compensation Committee reviews the compensation system on a regular basis and submits a proposal to the full Board of Directors for the total compensation paid to the Executive Board. Changes to the compensation system must be adopted by resolution of the full Board of Directors. The members of the Executive Board receive variable performance- and profit-related pay in addition to their base salaries. The variable pay comprises a percentage of the 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 EBIT margin is not achieved, entitlement to variable pay for the corresponding business year will lapse. If the financial target is at least reached and the EBIT margin is equal to or higher than the returns achieved by the benchmark, entitlement to the full variable pay will be granted; if not, the variable pay will be reduced by 50%. Up to an including fiscal year 2012 the benchmark consisted of one direct competitor and two companies selling products in the same market as Burckhardt Compression Group.

In view of the increasing business with compressor components, the benchmark was expanded with effect from the fiscal year 2013 and now consists of two direct competitors for compressor systems, one direct competitor for compressor components and one company that sells products in the same markets as Burckhardt Compression Group.

Members of the Executive Board additionally receive a long-term incentive in the form of shares (free shares). Up to an including fiscal year 2012 the long-term incentive was based on a percentage of net profit generated by the Burckhardt Compression Group and converted into a specific number of shares using the closing price of BCHN shares at the end of the respective fiscal year. If a minimum financial target with regard to EBIT margin was not achieved, entitlement to the long-term incentive for the corresponding fiscal year lapsed. If the financial target was at least reached and the EBIT margin was equal to or higher than the returns achieved by the benchmark, entitlement to the full long-term incentive was granted; if not, the long-term incentive was reduced by 50%. In line with the variable pay the benchmark thereby consisted of one direct competitor and two companies selling products in the same market as Burckhardt Compression Group. The free shares for the fiscal years 2011 and 2012 were distributed at the end of June 2013. Members of the Executive Board who had participated in the management buy-out in 2002 did not receive any long-term incentive awards.

As of the fiscal year 2013, the long-term incentive pay is based on the attainment of the Mid Range Plan targets set for the fiscal years 2013 to 2016 (organic growth and net income of Burckhardt Compression Group). The basis for the calculation of long-term incentive pay comprises a fixed sum per Global Grade (Towers Watson Global Grading System) 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 sum will be multiplied by a factor of 1.0 (0.5 each for sales and net income) and paid out 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 were 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, whereby an upper limit of 0.6 each (1.2 in total) has been set. After two years an interim evaluation of the attained targets will be conducted. Provided the employment contracts for the corresponding members of the Executive Board as of July 31, 2015 have not been terminated, the allotment of free shares for the fiscal years 2013 and 2014 will be fixed at this time but not distributed after given the approval of the general meeting. 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 after given the approval of the general meeting and provided the employment contract for the respective Executive Board members has not been terminated. Persons named to the Executive Board will be entitled to the long-time incentive award 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.

The contracts of the Executive Board members may be cancelled with a notice period of six months and make no provision for severance payments. The following remuneration was paid to the members of the Executive Board in the fiscal years 2013 and 2012:

in CHF 1'000						**2013**
Name	Position	Salary fix in cash	Salary variable in cash	Share-based payments	Social benefits and other compensation	**Total**
Executive Board						
Marcel Pawlicek	CEO	379	155	120	142	796
Members of the Executive Board (13 persons)		2'235	598	603	657	4'093
Total		**2'614**	**753**	**723**	**799**	**4'889**

in CHF 1'000						**2012**
Name	Position	Salary fix in cash	Salary variable in cash	Share-based payments	Social benefits and other compensation	**Total**
Executive Board						
Marcel Pawlicek	CEO	350	129	0	110	589
Members of the Executive Board (12 persons)		2'328	493	599	620	4'040
Total		**2'678**	**622**	**599**	**730**	**4'629**

Compensation was paid to a total of 13 persons sitting on the Executive Board in fiscal year 2013 (FY 2012: 12 persons).

The increase in fixed cash compensation in the previous year (FY 2012) is attributable to the overlap of personnel expenses by four months each during the transition of the functions of the VP Design & Manufacturing and the MD Burckhardt Components AG.

The increase in variable cash compensation is attributable to the additional person sitting on the Executive Board and to the adjustments made during the course of a realignment of the total compensation package offered to the Executive Board members with respect to the percentages of net income generated by Burckhardt Compression Group that are used to calculate variable compensation. The CEO did not receive any share-based compensation in the fiscal years prior to 2012.

SHARE ALLOCATION AND DISTRIBUTION

In the 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. No shares were allocated in the 2013 fiscal year.

Detailed overview of the numbers of shares allocated and distributed

Name	Position	Allocated shares 2011	Allocated shares 2012	Shares vested during FY 2013
Non-executive members of the Board of Directors				
Valentin Vogt	Chairman	122	94	216
Hans Hess	Deputy Chairman[1]	61	47	108
Urs Fankhauser	Member	61	47	108
Dr. Monika Krüsi[2]	Member	0	47	47
Urs Leinhäuser	Member	61	47	108
Total		**305**	**282**	**587**
Executive Board				
Members of the Executive Board[3]		1'239	1'269	2'508
Total		**1'544**	**1'551**	**3'095**

[1] as of June 29, 2012; until then member
[2] until June 29, 2012
[4] FY 2011: 8 persons; FY 2012: 11 persons

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 2013. There are no pending loans in favor of the members of the Board of Directors and Executive Board as per March 31, 2014.

As per March 31, 2014 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	Position	03/31/2014 Total shares	03/31/2013 Total shares
Non-executive members of the Board of Directors			
Valentin Vogt	Chairman	202'849	202'633
Hans Hess	Deputy Chairman	10'375	10'267
Dr. Monika Krüsi	Member	577	530
Urs Leinhäuser	Member	592	484
Total		**214'393**	**213'914**
Executive Board			
Marcel Pawlicek	CEO	44'045	47'045
Rolf Brändli	CFO	1'054	894
Rainer Dübi	VP Design & Manufacturing	202	53
René Guthauser	VP Quality & Infrastructure	603	485
Martin Heller	VP Business Development	54'500	57'500
Hans Keist	MD Burckhardt Components AG	0	0
Keven Li[1]	MD Burckhardt Compression (Shanghai) Co., Ltd.	765	n.a.
Susan Lütolf	VP Human Resources Management	78	0
Narasimha Rao	MD Burckhardt Compression (India) Pvt. Ltd.	150	225
Marco Scanderbeg	VP Marketing & Communications	1'000	1'300
Dr. Daniel Schillinger	VP Sales Compressor Systems	157	0
Matthias Tanner	VP Contracting	637	447
Robert Züst	VP Components, Services & Support	872	1'112
Total		**104'063**	**109'061**
Total		**318'456**	**322'975**
In % of total shares		9.4%	9.5%

[1] Member of Executive Board as of April 1, 2013

SEVERANCE PAYMENTS

No severance payments were made to former directors or members of the Executive Board in fiscal year 2013.

ADVISORY VOTE

Since 2011 Burckhardt Compression carries out advisory votes on the compensation report. Shareholders will again be asked to cast an advisory vote on this compensation report at the general meeting on July 4, 2014. For the first time a consultative vote on the fixed compensation paid to members of the Board of Directors and the Executive Board for the current fiscal year 2014 will also be conducted. Due to the constitutional amendment approved by the Swiss electorate (Minder initiative), the votes on the fixed and variable compensation paid to members of the Board of Directors and the Executive Board will be binding as of the 2015 general meeting.

COMPARISON WITH OTHER COMPANIES

In 2010 Burckhardt Compression took part in a survey performed by the University of St. Gallen. Several remuneration 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 35 of 130 analyzed companies for its compensation and participation model by zCapital, an independent asset management firm, in a corporate governance study performed in 2012. These awards confirm that Burckhardt Compression had 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 policies in fiscal 2013 compared to the previous policies 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.

FINANCIAL REPORT

Burckhardt Compression Holding AG's fiscal year 2013 comprises the period from April 1, 2013 to March 31, 2014.

COMMENTS ON FINANCIAL REPORT

Summary

in CHF 1'000	2013	2012
Order intake	517'081	427'785
Sales	444'962	366'677
Gross profit	139'242	135'981
Operating income[1]	70'186	73'345
Net income[1]	53'926	54'856
Balance sheet total[1]	645'942	594'429
Shareholders' equity[1]	358'485	325'426
Net income per share (in CHF)[1]	15.87	16.42
Headcount as per end of fiscal year	1'232	1'078

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

SALES AND GROSS PROFIT

Burckhardt Compression recorded sales of CHF 445.0 mn in fiscal year 2013, 21.3% or CHF 78.3 mn more than in the prior year period. Adjusted for currency translation consolidation effects, sales rose by CHF 82.3 mn or 22.4%. While the main share of the growth was related to sales of Compressor Systems (CS), reporting an increase of 35.8% or CHF 77.2 mn, the high prior year level in Components, Services & Support (CSS) was only slightly topped by 0.7% or CHF 1.1 mn. From a regional perspective, sales particularly grew in the areas "Europe" (mainly EU countries), "Asia" and to some extent in "South America", while the area "North America" still remained on the prior year level in terms of sales.

Total gross profit margin amounted to 31.3% in fiscal year 2013, 5.8 percentage points below the year-ago level.

The CS gross profit margin contraction to 23.3%, 3.4 percentage points less compared to fiscal year 2012, was mainly attributable to two large compressor systems projects which closed with negative margins. The CSS business generated a gross profit margin of 46.7% (prior year: 51.9%). The reduced gross profit margin in CSS business is basically the result of a less favorable product mix and the content of some engineering projects which did not match the same high level of gross profit margins as achieved in fiscal year 2012.

OPERATING INCOME

The operating income (EBIT) generated in the period under review amounted to CHF 70.2 mn, a decrease of CHF 3.2 mn or 4.3% compared to fiscal year 2012. The resulting EBIT margin of 15.8% was 4.2 percentage points below the comparable year-ago figure, mainly as a consequence of the decline in gross profit. Selling, marketing and general administrative expenses increased by CHF 5.6 mn and corresponded to 14.3% of sales (FY 2012: 15.9% of sales). Included under this position are the expenses for the two new subsidiaries in Singapore and South Africa which started operation in the course of fiscal year 2013. Research and development outlays were at CHF 8.8 mn, which is CHF 1.1 mn above prior year level. Other operating income was reported at CHF 3.5 mn (FY 2012: CHF 3.3 mn) and largely consists of the contribution of CHF 3.2 mn (previous year: CHF 2.1 mn) from the real estate company (Burckhardt Compression Immobilien AG), realized and unrealized exchange losses as well as the expenses from the adjustment to the Swiss pension scheme in accordance with IAS 19.

FINANCIAL INCOME AND TAX EXPENSES

Financial expenses in fiscal year 2013 were slightly reduced by CHF 0.2 mn to CHF 1.0 mn compared to prior year mainly due to the further reduction of local borrowings at our subsidiary in India. Income tax expenses declined by CHF 2.0 mn to CHF 15.2 mn in fiscal year 2013 as a direct consequence of the lower level of taxable income. The tax rate amounted to 22.0%, 1.9 percentage points below the prior-year tax rate of 23.9%.

NET INCOME

Burckhardt Compression's net income in the period under review decreased by CHF 0.9 mn to CHF 53.9 mn, yielding a margin of 12.1% (FY 2012: 15.0%). The reasons for the disproportionate decrease in net income compared to operating income are the lower tax rate and the slightly lower financial expenses. The net income per share for fiscal year 2013 amounted to CHF 15.87 compared to CHF 16.42 in the previous year.

BALANCE SHEET

The total balance sheet increased by CHF 51.5 mn to CHF 645.9 mn. Inventories grew by CHF 30.4 mn, mainly in work in progress and to some extent also in finished products and trade merchandise as well as advance payments to suppliers, all related to the higher workload compared to the previous year. Trade receivables increased by 6% compared to last year following a high invoicing volume towards the end of the period under review. The aging structure of trade receivables improved with a non-due content of 68.5% as per closing date (previous year: 64.1%). The percentage of receivables overdue for more than 90 days decreased from 23.8% last year to 17.8% as per the end of FY 2013. Burckhardt Compression did not incur any significant losses on trade receivables in fiscal year 2013. Cash and cash equivalents increased by CHF 12.0 mn while short- and long-term borrowings were reduced by CHF 2.9 mn. Customers' advance payments increased by CHF 6.0 mn, but with a negative balance of customers' advance payments versus work in progress and advance payments to suppliers of CHF –1.3 mn, as a result of less favourable payment conditions in a few large CS projects. The according balance in FY 2012 was positive by CHF 13.9 mn. Shareholders' equity rose by 10.2% to CHF 358.5 mn in fiscal year 2013 and the equity ratio rose to 55.5% (last year: 54.7%).

CASH FLOW

The net financial position increased by CHF 15.0 mn in FY 2013. Cash flow from operating activities in fiscal year 2013 amounted to CHF 58.2 mn, an increase of CHF 22.0 mn compared to the prior fiscal year. Cash outflow from investing activities stood at CHF 14.2 mn, CHF 5.0 mn less than in fiscal year 2012, which at that time contained a large single CAPEX item for a new manufacturing and administration building for Prognost Systems GmbH in Germany. CAPEX for the period under review mainly comprised modernization and replacement of machine tools and some building modifications in the context with capacity optimization. Cash outflow from financing activities amounted to CHF 30.5 mn and included CHF 30.6 mn for dividends paid in fiscal year 2013 (dividends paid in prior year: CHF 23.3 mn).

CONSOLIDATED INCOME STATEMENT

in CHF 1'000	Notes	2013	2012
Sales	3	**444'962**	**366'677**
Cost of goods sold		–305'720	–230'696
Gross Profit	4	**139'242**	**135'981**
Selling and marketing expenses		–43'947	–39'448
General and administrative expenses		–19'835	–18'740
Research and development expenses	6	–8'809	–7'731
Other operating income[1]	7	21'133	25'586
Other operating expenses[1]	7	–17'598	–22'303
Operating income[1]		**70'186**	**73'345**
Finance costs	8	–1'088	–1'419
Other financial income/expenses	8	72	157
Profit before income tax[1]		**69'170**	**72'083**
Income tax expenses[1]	9	–15'244	–17'227
Net income[1]		**53'926**	**54'856**
Earnings per share for profit attributable to shareholders of Burckhardt Compression Holding AG (in CHF)[1]			
– Basic[1]	17	15.87	16.42
– Diluted[1]	17	15.87	16.42

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1'000	2013	2012
Net income[1]	**53'926**	**54'856**
Adjustments for cash flow hedges	5'935	560
Tax effect on adjustments of cash flow hedges	–1'250	–143
Currency translation differences	–4'301	274
Total of items that may be reclassified to the income statement[1]	**54'310**	**55'547**
Defined benefit cost recognized in other comprehensive income[1]	9'050	–3'921
Tax effect on defined benefit cost recognized in other comprehensive income[1]	–1'900	996
Total of items that will not be reclassified to the income statement[1]	**7'150**	**–2'925**
Total comprehensive income for the period[1]	**61'460**	**52'622**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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

CONSOLIDATED BALANCE SHEET

in CHF 1'000	Notes	03/31/2014	03/31/2013
Non-current assets			
Intangible assets	10	27'472	28'218
Property, plant and equipment	11	134'015	134'296
Derivative financial instruments	21	1'135	13
Other receivables	13	1'156	848
Deferred tax assets[1]	9	2'157	3'770
Total		**165'935**	**167'145**
Current assets			
Inventories	12	148'570	118'189
Trade and other receivables[1]	13	126'106	119'011
Derivative financial instruments	21	3'344	90
Cash and cash equivalents	15	201'987	189'994
Total		**480'007**	**427'284**
Total assets		**645'942**	**594'429**
Equity			
Share capital	17	8'500	8'500
Retained earnings and other reserves[1]		362'899	333'241
Treasury shares		–213	–3'230
Cash flow hedging reserve		2'865	–1'820
Currency translation differences		–15'566	–11'265
Total		**358'485**	**325'426**
Liabilities			
Non-current liabilities			
Borrowings	18	24'891	34'971
Derivative financial instruments	21	1	814
Deferred tax liabilities[1]	9	14'533	12'841
Provisions[1]	19	14'773	25'524
Total		**54'198**	**74'150**
Current liabilities			
Borrowings	18	11'321	4'186
Trade accounts payable		52'453	24'302
Current income tax liabilities		14'035	14'570
Customers' advance payments		102'071	96'009
Derivative financial instruments	21	468	3'277
Other current and accrued liabilities	20	44'990	38'833
Provisions[1]	19	7'921	13'676
Total		**233'259**	**194'853**
Total		**287'457**	**269'003**
Total equity and liabilities[1]		**645'942**	**594'429**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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 04/01/2012 (as previously reported)	17	**8'500**	**251'678**	**–14'130**	**–2'237**	**–11'539**		**50'527**	**282'799**
Restatement due to IAS 19 revised[1]			–9'875						
Balance at 04/01/2012 (restated)	17	**8'500**	**241'803**	**–14'130**	**–2'237**	**–11'539**	**0**	**50'527**	**272'924**
Total comprehensive income[1]					417	274	–2'925	54'856	52'622
Changes in treasury shares			10'532	10'900					21'432
Share-based payments	26/27		1'714						1'714
Dividends								–23'266	–23'266
Allocation of net income			27'261					–27'261	
Balance at 03/31/2013 (restated)		**8'500**	**281'310**	**–3'230**	**–1'820**	**–11'265**	**–2'925**	**54'856**	**325'426**
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 for the period					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	
Balance at 03/31/2014 (restated)		**8'500**	**304'748**	**–213**	**2'865**	**–15'566**	**4'225**	**53'926**	**358'485**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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	2013	2012
Cash flow from operating activities			
Net income[1]		**53'926**	**54'856**
Income tax expenses[1]		15'244	17'227
Other financial income/expenses		–72	–157
Finance costs		1'088	1'419
Operating income[1]		**70'186**	**73'345**
Depreciation	11	9'507	8'960
Amortization	10	2'290	2'115
Change in inventories		–32'011	–26'322
Change in trade receivables		–9'281	–25'795
Change in other net current assets		37'487	17'919
Change in provisions		–8'201	1'031
Other non-monetary items[1]		706	1'434
Interest received		80	171
Interest paid		–907	–1'316
Income tax paid		–11'606	–15'255
Total		**58'250**	**36'287**
Cash flow from investing activities			
Purchase of property, plant and equipment	11	–12'370	–16'474
Sale of property plant and equipment	11	0	0
Purchase of intangible assets		–1'863	–2'820
Sale of marketable securities	14	0	27
Purchase of marketable securities		0	0
Total		**–14'233**	**–19'267**
Cash flow from financing activities			
Increase in borrowings		298	1'832
Repayment of borrowings		–3'239	–12'479
Sales of treasury shares		3'017	21'605
Purchase of treasury shares		0	0
Dividends paid	17	–30'593	–23'266
Total		**–30'517**	**–12'308**
Currency translation differences on cash and cash equivalents		–1'507	317
Net change in cash and cash equivalents		**11'993**	**5'029**
Cash and cash equivalents at 04/01/2013 / 04/01/2012	15	189'994	184'965
Cash and cash equivalents at 03/31/2014 / 03/31/2013	15	201'987	189'994
Net change in cash and cash equivalents		**11'993**	**5'029**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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

NOTES TO THE 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 2013 comprises the period from April 1, 2013 to March 31, 2014. These consolidated financial statements were authorized for issue by the Board of Directors on May 20, 2014 and will be submitted to shareholders for approval at the annual general meeting scheduled for July 4, 2014.

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 2013 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, 2014. 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, 2014, the following standards, interpretations and amendments to issued standards were applied by Burckhardt Compression for the first time:

IAS 1 (amended) "Presentation of items of other comprehensive income" (effective for annual periods beginning on or after July 1, 2012, retrospective application) requires that the items listed under other comprehensive income be split into two categories, according to whether or not they will be recognized in the income statement in future periods (recycling).

IAS 19 (amended) "Employee Benefits" (effective for annual periods beginning on or after January 1, 2013) requires recognition of the annual cost of defined benefit plans as net interest expense (income), based on the funded status and applying the discount rate used for defined benefit obligations. Furthermore, future actuarial gains and losses (renamed "remeasurements") must be recognized in other comprehensive income when they occur; the corridor method or immediate recognition in profit and loss are no longer allowed. The new disclosure requirements are designed to show the characteristics and risks of defined-benefit plans and the impact they have on the current financial statements as well as on future cash flows. The definition of termination benefits was also amended: Termination benefits are now recognized when an entity no longer has the ability to withdraw an offer of such benefits or when such costs in connection with restructuring are booked. The impact for the fiscal year 2013 of IAS 19 revised on the operating expenses amounted to CHF 0.7 mn.

Restatement of consolidated balance sheet

	03/31/2013				03/31/2012		
in CHF 1'000	As reported March 31, 2013	Restatement April 1, 2012	Restatement April 1, 2012–March 31, 2013	Restated March 31, 2013	As reported March 31, 2012	Restatement IAS 19 March 31, 2012	Restated March 31, 2012
Deferred income taxes							
Deferred income tax assets on increase of benefit obligations	384	2'245	406	3'035	588	2'245	2'832
Deferred income tax liabilities on decrease of benefit obligations	–1'035	434	601	0	–434	434	0
Amounts recognized in the balance sheet from employee benefit plans							
Overfunding of employee benefit plans Thereof non-current	4'943	–2'094	–2'849	0	2'094	–2'094	0
Employee benefit plans	–1'818	–10'460	–1'926	–14'204	–1'836	–10'460	–12'296
Equity	**339'069**	**–9'875**	**–3'767**	**325'426**	**282'799**	**–9'875**	**272'924**

Restatement of consolidated income statement

	April 2012–March 2013		
in CHF 1'000	As reported	Restatement IAS 19	Restated
Other operating expenses	–21'455	–848	–22'303
Operating income	74'193	–848	73'345
Financial income	–1'419		–1'419
Other financial income/expenses	157		157
Income before tax expenses	72'931	–848	72'083
Income tax expenses	–17'404	177	–17'227
Net income	**55'527**	–671	**54'856**
Attributable to shareholders of Burckhardt Compression Holding AG (in CHF)			
Basic	16.62	–0.20	16.42
Diluted	16.62	–0.20	16.42

IAS 27 (amended) "Separate Financial Statements" (effective for annual periods beginning on or after January 1, 2013) sets new guidelines in accounting for investments in subsidiaries, joint ventures and associated companies for which separate financial statements that comply with IFRS are prepared.

IAS 28 (amended) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after January 1, 2013) contains standards on accounting for investments in associated companies and defines the application of the equity method in accounting for investments in associated companies and joint ventures.

IFRS 7 (amended) "Disclosures – offsetting financial assets and financial liabilities" (effective for annual periods beginning on or after January 1, 2013, retrospective application). The amendment will require more extensive disclosures. The disclosures focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after January 1, 2013) replaced the consolidation requirements in IAS 27 and SIC-12. IAS 27 was renamed and now only pertains to separate financial statements. The key changes concern the definition of "control", explicit guidelines regarding de facto control, additional factors for assessing the principal-agent relationships and guidance on potential voting rights.

IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after January 1, 2013) introduces new guidance under the definition of joint control and makes a distinction between "joint operations" and "joint venture". Regardless of the legal setup, the classification is to be made based on the rights and obligations of the parties to the arrangement. The right to select the proportional consolidation method when accounting for jointly controlled entities was eliminated; now only the equity method may be used. The accounting rules for joint arrangements are comparable to the currently applicable disclosure standards for jointly controlled assets or joint operations.

IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after January 1, 2013) provides disclosure rules for companies that have adopted the new IFRS 10 and IFRS 11 and replaces the disclosure requirements in IAS 28 "Investments in associates." IFRS 12 requires that entities provide information on the nature, risk and financial effects of their interests in subsidiaries, associated companies, joint arrangements and unconsolidated structured entities.

IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after January 1, 2013) contains guidelines for reporting and disclosing fair value but does not establish new requirements for when fair value is required. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an "exit price"). The fair value of a liability thus includes default risk (i.e., an entity's own credit risk).

The following new standards, interpretations and amendments to already issued standards will be applicable for annual reporting periods commencing on or after April 1, 2014:

IAS 19 (amended) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after July 1, 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.

IAS 32 (amended) "Offsetting financial assets and financial liabilities" (effective for annual periods beginning on or after January 1, 2014, earlier application permitted, retrospective application). 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" (effective for annual periods beginning on or after January 1, 2014, retrospective application, earlier adoption permitted). 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" (effective for annual periods beginning on or after January 1, 2014, retrospective application, earlier adoption permitted). 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. Similar relief will be included in IFRS 9, "Financial instruments".

IFRS 9 (amended) "Financial Instruments" (effective for annual periods beginning on or after January 1, 2015) divides all financial assets into two measurement categories: amortized cost and fair value. Equity instruments are to be measured at fair value. Entities have a choice of disclosing realized equity instruments in other comprehensive income. A financial asset is measured at amortized cost if the objective of an entity's business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that solely represent payments of principal and interest on the principal amount outstanding. Otherwise the financial instrument must be measured at fair value and a gain or loss recognized in profit or loss. The current guidelines of IAS 39 were followed in accounting for and presenting the financial liabilities and the de-recognition of financial instruments. This does not include financial liabilities that are designated as at fair value through profit or loss at the date of initial recognition. For these liabilities, any changes in value caused by a change in an entity's own credit risk are recognized in other comprehensive income. These changes are subsequently carried to retained earnings in shareholders' equity (no recycling).

IFRSs 10, 12 and IAS 27 (amended) "Investment entities" (effective for annual periods beginning on or after January 1, 2014, retrospective application, earlier adoption permitted). 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" (effective for annual periods beginning on or after January 1, 2014, retrospective application, earlier adoption permitted). 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.

Burckhardt Compression has not opted for early adoption of these new standards, interpretations and amendments. Management will 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, 2014". As per March 31, 2014, 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, 2014 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, 2014 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, 2014 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 compreise 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 reconginzed 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 principle** 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 risk** 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 banks 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 as per the balance sheet date were as follows:

in CHF 1'000	03/31/2014	03/31/2013
Cash and cash equivalents	201'987	189'994
Free credit facilities	20'000	25'000
Total	**221'987**	**214'994**

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

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**

Financial liabilities as per 03/31/2013	**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	39'157	4'186	9'920	14'970	10'081	39'157
Trade accounts payable	24'302	24'302				24'302
Other current liabilities	7'494	7'494				7'494
Total	**70'953**	**35'982**	**9'920**	**14'970**	**10'081**	**70'953**

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, 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**

Forward foreign exchange contracts as per March 31, 2013			**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	115'013	34'796	1'535	0	**151'344**
Cash flow hedge inflow	111'402	33'646	1'455	0	**146'503**

- **Currency risk** 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 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 foreign currency exchange rate risks existed:

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

03/31/2013

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	5'096	353	5'289	29
– with decrease of exchange rate against CHF	–5'096	–353	–5'289	–29
Effect on equity[2]				
– with increase of exchange rate against CHF	0	0	20'573	0
– with decrease of exchange rate against CHF	0	0	–20'573	0

[1] The hypothetical fluctuations in exchange rates expressed in percent were based on fluctuation szenarios 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 flows 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 three institutes with short-term credit ratings of AAA, A and A-1 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 34.2 mn as per March 31, 2014. The mortgage loans have fixed terms of 1 to 8 years and fixed interest rates. The funds borrowed from local banks by the Indian and Brazilian subsidiary amounted to total CHF 2.4 mn as of March 31, 2014. These bank loans have variable interest rates and averaged 6.0% respectively 14.9% during the period under review (previous year 10.8% for the Indian subsidiary only). The reduction in interest rate in our Indian subsidiary was a result of the higher utilization of incentived 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 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.

– **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:

	03/31/2014	03/31/2013
Equity base[1]	55.5%	54.7%
Net financial position (CHF 1'000)	165'775	150'837

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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	03/31/2014	03/31/2013
Cash and cash equivalents	n.a.	15	**201'987**	**189'994**
Loans and receivables				
Trade receivables	n.a.	13	115'989	108'890
Other receivables[1]	n.a.	13	10'003	9'881
Total			**125'992**	**118'771**
Derivative financial instruments from hedge accounting (assets)	2	21		**103**
Liabilities at amortized cost				
Trade accounts payables	n.a.		52'453	24'302
Other current liabilities	n.a.	20	3'877	7'494
Current financial liabilities	n.a.	18	11'321	4'186
Non-current financial liabilities	2	18	24'891	34'971
Total			**92'542**	**70'953**
Derivative financial instruments from hedge accounting (liabilities)	2	21	**469**	**4'091**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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 2013 and 2012, 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. Details 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 January 2014 Burckhardt Compression AG, a wholly owned subsidiary of Burckhardt Compression Holding AG, established Burckhardt Compression Singapore Pte Ltd by means of a contribution in cash. This new company employed 3 full time employees at the end of the fiscal year 2013.

In February 2014 Burckhardt Compression AG, a wholly owned subsidiary of Burckhardt Compression Holding AG, established Burckhardt Compression South Africa (Pty) Ltd. by means of contribution in cash. Burckhardt Compression South Africa (Pty) Ltd. employed 1 full time employee at the end of the fiscal year 2013.

02 Currency exchange rates

	Average rates		Year-end rates	
	2013	2012	**03/31/2014**	03/31/2013
1 EUR	1.23	1.21	1.22	1.22
1 GBP	1.46	1.49	1.48	1.44
1 USD	0.92	0.94	0.89	0.95
1 CAD	0.87	0.94	0.80	0.93
1 AED	0.25	0.26	0.24	0.26
100 BRL	40.93	46.80	39.20	47.25
100 JPY	0.92	1.14	0.86	1.01
100 CNY	15.02	14.95	14.27	15.30
100 INR	1.52	1.73	1.48	1.75
100 KRW	0.08	0.09	0.08	0.09
1 TRY	0.46	0.52	0.41	0.52
1 SGD	0.73	–	0.70	–
1 ZAR	0.09	–	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	2013	2012
Europe:		
– EU	88'584	57'796
– Switzerland	4'398	4'436
– Other European countries	63'846	52'733
Total Europe	**156'828**	**114'965**
North America	24'972	24'854
South America	20'327	8'908
Asia, Australia, Middle East	239'332	214'073
Africa	3'503	3'877
Total	**444'962**	**366'677**

Sales by customer location in CHF 1'000	2013	2012
Europe:		
– EU	104'518	73'836
– Switzerland	13'531	8'026
– Other European countries	59'306	56'847
Total Europe	**177'355**	**138'709**
North America	24'983	43'935
South America	14'714	6'034
Asia, Australia, Middle East	223'879	174'138
Africa	4'031	3'861
Total	**444'962**	**366'677**

Carrying amount of assets by location of assets in CHF 1'000	03/31/2014	03/31/2013
Europe:		
– EU	28'306	26'107
– Switzerland	553'727	510'638
Total Europe	**582'033**	**536'745**
North America	16'039	15'224
South America	1'536	2'271
Asia, Australia, Middle East	46'334	42'481
Total	**645'942**	**596'721**

Capital expenditure in CHF 1'000	2013	2012
Europe:		
– EU	357	4'828
– Switzerland	10'193	11'611
Total Europe	**10'550**	**16'439**
North America	257	546
South America	38	11
Asia, Australia, Middle East	1'525	889
Total	**12'370**	**17'885**

04 Additional information regarding the income statement

Sales and gross profit in CHF 1'000		2013	2012
Compressor Systems	Sales	292'861	215'684
	Gross profit	68'222	57'627
Components, Services & Support	Sales	152'101	150'993
	Gross profit	71'020	78'354
Total	**Sales**	**444'962**	**366'677**
	Gross profit	**139'242**	**135'981**

Expenses by nature[1] in CHF 1'000		2013	2012
Raw materials and consumables		**–218'049**	**–169'729**
Personnel expenses	Salaries and wages	–92'523	–84'948
	Defined benefit plans[2]	–6'678	–3'229
	Defined contribution plans	–4'267	–579
	Other social benefits	–5'378	–7'950
	Other personnel costs	–12'694	–5'314
Total personnel expenses[2]		**–121'540**	**–102'020**
Depreciation		–9'507	–8'960
Amortization		–2'290	–2'115

[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 1'232 as per March 31, 2014 compared to 1'078 as per March 31, 2013.

[2] Restatement of prior year figures, see accounting policies 2.2., page 77.

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. There are no special events, e. g. plan amendments, curtailments or settlements during the reporting period. During the period under review, the board of trustees has decided, that in the case of a partial liquidation of the pension fund, the retirees related to the partial liquidation are to be transferred to the new employer. As a consequence of this decision, the defined benefit obligation for members of the plan who retired at Burckhardt Compression AG on May 1, 2002 (date when Burckhardt Compression AG was separated from Sulzer AG in a management buyout) or later were included in the calculation of defined benefit obligations for the first time in FY 2013 (see page 93, line "Inclusion of 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	2013	2012[1]
Reconciliation of the amount recognized in the balance sheet			
Present value of funded defined benefit obligation	–208'589	–208'589	–119'054
Fair value of plan assets	206'105	206'105	107'719
Overfund (+) / underfund (–)	**–2'484**	**–2'484**	**–11'335**
Present value of unfunded defined benefit obligation		–2'227	–2'269
Adjustment to asset ceiling[2]	–1'123	–1'123	–602
Asset (+) / Liability (–) recognized in balance sheet	**–3'607**	**–5'834**	**–14'206**
– thereof as liabilities under non-current provisions	–3'607	–5'834	–14'206
– thereof as prepaid expenses			
– thereof as liabilities held for sale			
Reconciliation of effect of asset ceiling			
Adjustment to asset ceiling at April 1		602	234
Interest expense/(income) on effect of asset ceiling		11	6
Change in effect of asset ceiling excl. interest expense/(income)		510	362
Adjustment to asset ceiling at March 31		**1'123**	**602**
Reconciliation of asset (+) / liability (–) recognized in the balance sheet			
Asset (+) / liability (–) recognized at April 1		–14'206	–12'296
Defined Benefit cost recognised in profit or loss		–6'678	–3'229
Defined Benefit cost recognised in OCI		9'051	–3'927
Contributions by the employer/benefits paid directly by the employer		5'998	5'282
Currency translation differences		1	–36
Asset (+) / liability (–) recognized at March 31		**–5'834**	**–14'206**
Components of defined benefit cost in profit or loss			
Current service cost (employer)		–6'366	–5'376
Interest cost		–3'544	–2'677
Interest income on plan assets		3'267	2'342
Past service cost		0	2'510
Interest expense/(income) on effect of asset ceiling		–12	–6
Other administrative cost		–23	–22
Expense recognized in profit or loss		**–6'678**	**–3'229**
– thereof charged to personnel expenses		–6'389	–2'888
– thereof charged to financial income		–289	–341
Components of defined benefit cost in OCI			
Actuarial gain/(loss) on defined benefit obligation		1'917	–5'627
Return on plan assets excl. interest income		6'099	2'062
Change in effect of asset ceiling excl. interest expense/income		–510	–362
Others		1'545	0
Cost recognized in OCI		**9'051**	**–3'927**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

[2] 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	2013	2012[1]
Reconciliation of defined benefit obligation		
Defined benefit obligation as of April 1	121'323	112'422
Interest cost	3'544	2'677
Current service cost (employer)	6'366	5'376
Contributions by plan participants	4'117	3'218
Past service cost	0	–2'510
Benefits paid/deposited	–25	–5'544
Inclusion of retirees	77'385	0
Other administrative cost	23	22
Actuarial gain (–) / loss (+) on obligation	–1'917	5'627
Currency translation differences	0	35
Defined benefit obligation as of March 31	**210'816**	**121'323**
Reconciliation of the fair value of plan assets		
Fair value of plan assets as of April 1	107'719	100'359
Interest income on plan assets	3'267	2'342
Contributions by the employer/benefits paid directly by the employer	5'998	5'282
Contributions by plan participants	4'117	3'218
Benefits paid/deposited	–25	–5'544
Inclusion of retirees	78'930	0
Return on plan assets excl. interest income	6'099	2'062
Fair value of plan assets as of March 31	**206'105**	**107'719**
Total plan assets at fair value – Quoted market price		
Cash and Cash Equivalents	9'585	7'434
Equity instruments third parties	47'168	22'655
Debt instruments third parties	92'750	48'033
Real Estate funds	5'170	2'637
Others	3'625	2'649
Total assets at fair value – Quoted market price as of March 31	**158'298**	**83'408**
Total plan assets at fair value – Non-quoted market price		
Properties occupied by or used by third-parties (Real Estate)	42'187	22'007
Others	5'620	2'304
Total assets at fair value – Non-quoted market price as of March 31	**47'807**	**24'311**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

in CHF 1'000	2013	2012[1]
Best estimate of contributions for upcoming financial year		
Contributions by the employer/benefits paid directly by the employer	6'176	5'357
Contributions by plan participants	4'248	3'646
Components of Defined Benefit Obligation, split		
Defined Benefit Obligation at March 31 for active members	125'571	119'054
Defined Benefit Obligation at March 31 for pensioners	85'245	2'269
Defined Benefit Obligation at March 31 for deferred members	0	0
Total Defined Benefit Obligation at March 31	**210'816**	**121'323**
Components of actuarial (gain)/losses on obligations		
Actuarial (gain)/loss arising from changes in financial assumptions	–9'810	4'910
Actuarial (gain)/loss arising from experience adjustments	7'893	717
Actuarial (gain)/loss on defined benefit obligation	**–1'917**	**5'627**
Maturity profile of defined benefit obligation		
Weighted average duration of defined benefit obligation in years	14.3	n.a.
Sensitivity analysis of Defined Benefit Obligation		
Discount rate (decrease 0.25%)	218'517	n.a.
Discount rate (increase 0.25%)	203'594	n.a.
Future salary growth (decrease 0.25%)	210'042	n.a.
Future salary growth (increase 0.25%)	211'586	n.a.
Life expectance (decrease 1 year)	205'862	n.a.
Life expectance (increase 1 year)	215'530	n.a.
Principal actuarial assumptions as of March 31		
Discount rate	2.31%	1.93%
Future salary increases	1.51%	1.51%
Future pension increases	0.01%	0.02%
Expected average remaining working lives in years	9.8	n.a.
Life expectance at retirement age (male/female) in years	21.4 / 23.9	21.3 / 23.8

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

06 Research and development expenses

Research and development activities in the fiscal year 2013 centered on enhancing certain types of compressors, developing mechatronic 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 2013 and 2012.

07 Other operating income and expenses

in CHF 1'000	2013	2012
Currency exchange gains	12'365	13635
Other operating income	8'768	11'951
Total other operating income	21'133	25'586
Currency exchange losses	–13'141	–14'787
Other operating expenses[1]	–4'457	–7'516
Total other operating expenses[1]	–17'598	–22'303
Total	**3'535**	**3'283**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

The two largest single items between other operating income and expenses (net) were the operating income generated by Burckhardt Compression Immobilien AG, which contributed CHF 3.2 mn in fiscal year 2013 (previous year: CHF 2.1 mn), and the negative effect of CHF –0.7 mn from the adjustment to the Swiss pension scheme in accordance with IAS 19.

08 Financial result

in CHF 1'000	2013	2012
Finance costs	–1'088	–1'419
Interest income	84	181
Other financial income (+) and expenses (–)	–12	–24
Total	**–1'016**	**–1'262**

Finance costs Most of the finance costs are attributable to mortgage for the commercial real estate in Winterthur and to a smaller extent the local bank funding secured by the Indian subsidiary. The decrease in finance costs in fiscal year 2013 is mainly achieved through the further reduction of local bank borrowings by the Indian subsidiary and to a smaller extent to 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 further dropped from the low prior year level.

09 Taxes

Income taxes

in CHF 1'000	2013	2012
Current income taxes	–15'089	–14'866
Deferred taxes[1]	–155	–2'361
Total[1]	**–15'244**	**–17'227**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

Reconciliation of income tax expense

in CHF 1'000	2013	2012
Profit before income taxes[1]	69'170	72'083
Income tax expenses at the local tax rates in the respective countries	–15'212	–17'613
Tax losses for which no deferred income tax was recognized	–443	–609
Adjustment previous year	0	669
Others[1]	411	326
Total income tax expenses[1]	**–15'244**	**–17'227**
as % of profit before income taxes	22.0%	23.9%

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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 change of the expected income tax rate is the result of the changes in the earnings of the various subsidiaries at their respective local tax rates. The tax rate in the period under review lowered to 22.0%, which is 1.9 percentage points below the prior year level and slightly below the average of the last four years (22.9%).

Deferred taxes

in CHF 1'000	03/31/2014	03/31/2013
Deferred tax assets:		
– which can be used within 12 months	–279	–243
– which can be used after 12 months[1]	–1'878	–3527
Subtotal	–2'157	–3'770
Deferred tax liabilities:		
– which can be used within 12 months	7'084	5'605
– which can be used after 12 months[1]	7'449	7'236
Subtotal[1]	14'533	12'841
Total[1]	**12'376**	**9'071**
	2013	**2012**
Total changes in deferred taxes:		
Balance as per 04/01/2013 / 04/01/2012	9'071	10'076
Charged to the income statement	155	2'538
Taxes charged to other comprehensive income for defined benefits costs[1]	1'900	–3'686
Taxes charged to OCI for hedging reserves	1'250	143
Balance as per 03/31/2014 / 03/31/2013	**12'376**	**9'071**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

Breakdown of deferred taxes in the balance sheet

	03/31/2014		03/31/2013	
in CHF 1'000	Assets	Liabilities	Assets	Liabilities
Intangible assets	0	1'522	0	2'203
Property, plant and equipment	4	5'772	3	5'362
Inventories	21	2'667	31	2'026
Trade and other receivables[1]	150	4'287	248	2'302
Financial assets	0	258	29	1'043
Non-current provisions[1]	1'454	1'280	3'277	1'044
Trade accounts payable	361	616	233	640
Other current and accrued liabilities	231	0	303	0
Tax loss carry forward	1'805	0	1'425	0
Total deferred taxes (gross)[1]	**4'026**	**16'402**	**5'549**	**14'620**
Offset	–1'869	–1'869	–1'779	–1'779
Total deferred taxes (net)[1]	**2'157**	**14'533**	**3'770**	**12'841**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

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	03/31/2014	03/31/2013
Expiring in the next 3 years	848	601
Expiring in 4 to 7 years	10'284	7'407
Total tax loss carry forwards	**11'132**	**8'008**
Potential tax assets calculated	2'844	2'029
Valuation allowance	–1'039	–604
Deferred tax assets	**1'805**	**1'425**

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	2013 Total	Goodwill	Trademarks incl. IT licenses	Customer lists	2012 Total
Balance as per 04/01/2013 / 04/01/2012	21'163	10'864	7'742	39'769	21'303	8'297	7'622	37'222
Additions		1'863		1'863		1'409		1'409
Disposals						–267		–267
Reclassifications		1'100		1'100		1'411		1'411
Currency translation differences	–1'378	–99	–81	–1'558	–140	14	120	–6
Balance as per 03/31/2014 / 03/31/2013	**19'785**	**13'728**	**7'661**	**41'174**	**21'163**	**10'864**	**7'742**	**39'769**

Accumulated amortization

in CHF 1'000	Goodwill	Trademarks incl. IT licenses	Customer lists	2013 Total	Goodwill	Trademarks incl. IT licenses	Customer lists	2012 Total
Balance as per 04/01/2013 / 04/01/2012		–6'343	–5'208	–11'551		–5'150	–4'452	–9'602
Additions		–1'616	–674	–2'290		–1'446	–669	–2'115
Disposals						267		267
Reclassifications								
Currency translation differences		74	65	139		–14	–87	–101
Balance as per 03/31/2014 / 03/31/2013	**0**	**–7'885**	**–5'817**	**–13'702**	**0**	**–6'343**	**–5'208**	**–11'551**

Net book value

As per 04/01/2013 / 04/01/2012	21'163	4'521	2'534	28'218	21'303	3'147	3'170	27'620
As per 03/31/2014 / 03/31/2013	**19'785**	**5'843**	**1'844**	**27'472**	**21'163**	**4'521**	**2'534**	**28'218**

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 projections, which, in turn, are based on a conservative scenario of the mid-term plans approved by management. 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 2013 and 2012. Sensivity analysis 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 9.5% to 10.4% or a reduction of the growth rate from 4.8% to 1.5% 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 03/31/2014	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%	
Goodwill as per 03/31/2013	17'085	4'078	21'163
The test is based on the following assumptions:			
– Growth rate for sales	6.7%	4.8%	
– Gross margin as % of sales	32.1%	20.7%	
– Pre-tax discount rate	8.0%	8.0%	

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 8.0%.

11 Property, plant and equipment

in CHF 1'000	Land and buildings	Machinery and equipment	Other assets	Assets under construction	2013 Total	Land and buildings	Machinery and equipment	Other assets	Assets under construction	2012 Total
Acquisition costs										
Balance as per 04/01/2013 / 04/01/2012	94'635	75'173	18'138	3'253	191'199	86'155	69'304	16'550	5'656	177'665
Additions	1'544	3'391	1'407	6'028	12'370	5'758	4'207	3'525	4'395	17'885
Disposals	–325	–1'966	–373	–273	–2'937	–20	–543	–2'473	–70	–3'106
Reclassifications	1'454	577	88	–3'219	–1'100	2'743	2'126	459	–6'739	–1'411
Currency translation differences	–512	–802	–769	–43	–2'126	–1	79	77	11	166
Balance as per 03/31/2014 / 03/31/2013	**96'796**	**76'373**	**18'491**	**5'746**	**197'406**	**94'635**	**75'173**	**18'138**	**3'253**	**191'199**
Accumulated depreciation										
Balance as per 04/01/2013 / 04/01/2012	–7'883	–39'062	–9'958		–56'903	–5'851	–34'353	–10'553		–50'757
Additions	–2'086	–5'416	–2'005		–9'507	–2'051	–5'120	–1'789		–8'960
Disposals	254	1'913	150		2'317	14	453	2'437		2'904
Reclassifications										
Currency translation differences	89	294	319		702	5	–42	–53		–90
Balance as per 03/31/2014 / 03/31/2013	**–9'626**	**–42'271**	**–11'494**	**0**	**–63'391**	**–7'883**	**–39'062**	**–9'958**	**0**	**–56'903**
Net book value										
As per 04/01/2013 / 04/01/2012	86'752	36'111	8'180	3'253	134'296	80'304	34'951	5'997	5'656	126'908
As per 03/31/2014 / 03/31/2013	**87'170**	**34'102**	**6'997**	**5'746**	**134'015**	**86'752**	**36'111**	**8'180**	**3'253**	**134'296**
Fire insurance values	**160'870**	**90'036**	**7'145**	**13'233**	**271'284**	**157'816**	**89'538**	**13'229**	**4'025**	**264'608**

The additions recorded in category “Assets under construction” during fiscal year 2013 contains the replacement in machining centers, software investments and several modifications of the building in Winterthur by Burckhardt Compression AG. The additions recorded during fiscal year 2013 in the categories “Machinery and equipment” can primarily be traced to the modernization of the stock of machinery mainly in the manufacturing center in Winterthur. In the fiscal years 2012 and 2013 no traded assets are capitalized.

12 Inventories

in CHF 1'000	03/31/2014	03/31/2013
Acquisition costs		
Raw materials, supplies and consumables	16'374	14'855
Work in progress	84'990	68'891
Finished products and trade merchandise	37'953	30'197
Advance payments to suppliers	18'357	13'209
Valuation allowances	–9'104	–8'963
Total	**148'570**	**118'189**

in CHF 1'000	2013	2012
Valuation allowances		
Balance as per 04/01/2013 / 04/01/2012	–8'963	–7'244
Utilized due to disposals	41	80
Additions	–312	–1'796
Currency translation differences	130	–3
Balance as per 03/31/2014 / 03/31/2013	**–9'104**	**–8'963**

The higher order intake for compressor systems in fiscal year 2013 led to an increase in work in progress of CHF 16.1 mn compared to the prior year. Work in progress and advance payments to suppliers reported at the end of fiscal year 2013 amounting to CHF 103.3 mn (prior year CHF 82.1 mn) were almost completed financed by customers' advance payments in the amount of CHF 102.1 mn (prior year CHF 96.0 mn).

13 Trade and other receivables

in CHF 1'000	03/31/2014	03/31/2013
Trade receivables	115'989	108'890
Allowance for bad debts	–416	–660
Other receivables[1]	8'847	9'033
Prepaid expenses	1'686	1'748
Total current receivables[1]	**126'106**	**119'011**
Other receivables	1'156	848
Total non-current receivables	**1'156**	**848**
Total[1]	**127'262**	**119'859**

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

in CHF 1'000	2013	2012
Allowance for bad debts		
Balance as per 04/01/2013 / 04/01/2012	–660	–1'874
Additions	–38	–220
Released as no longer required	263	615
Utilization	0	797
Currency translation differences	19	22
Balance as per 03/31/2014 / 03/31/2013	**–416**	**–660**

The allowance for bad debts at the end of the 2013 and 2012 fiscal years was entirely related to accounts receivable which were more than 90 days overdue as per the closing date.

in CHF 1'000	03/31/2014		03/31/2013	
Age profile of trade receivables				
Not due	79'167	68.5%	69'393	64.1%
Overdue 1–30 days	7'272	6.3%	8'908	8.2%
Overdue 31–60 day	7'244	6.3%	3'107	2.9%
Overdue 61–90 days	1'301	1.1%	1'064	1.0%
Overdue more than 90 days	20'589	17.8%	25'758	23.8%
Balance as per 03/31/2014 / 03/31/2013	**115'573**	**100.0%**	**108'230**	**100.0%**

in CHF 1'000	03/31/2014	03/31/2013
Trade receivables broken down into currencies		
CHF	27'000	25'684
EUR	29'547	39'489
USD	44'077	29'466
GBP	1'490	1'335
JPY	808	414
INR	2'908	3'438
BRL	453	380
KRW	52	0
CAD	853	136
CNY	6'469	5'570
Other	1'916	2'318
Total (after allowance for bad debts)	**115'573**	**108'230**

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 13% (prior year: 16%) 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. A single position in the amount of TCHF 14'368 with a renowned European contracting company that was contained in the prior year position "overdue more than 90 days" could be materialized in the course of the reported period. The same position contains accounts receivables from several larger projects with minor documentary or similar pending deliverables, scheduled to materialize within the next one to three months.

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 was held in Swiss francs to reduce currency exchange risk.

in CHF 1'000	03/31/2014	03/31/2013
Cash	600	477
Bank deposits	198'097	186'045
Short-term deposits	3'290	3'472
Total cash and cash equivalents	**201'987**	**189'994**

16 Pledged assets

Burckhardt Compression Immobilien AG granted a Swiss bank a senior mortgage lien on the commercial property in Oberwinterthur, which was valued at CHF 73.3 mn in the balance sheet at the end of the reporting period. PROGNOST System GmbH, Germany, granted a German bank a senior mortage lien on the commercial property in Rheine, which was valued at CHF 4.3 mn in the balance sheet at the end of the reporting period.

Burckhardt Compression (India) Private Ltd. has pledged property, inventories and receivables in the amount of CHF 5.4 mn as collateral for the credit lines and guarantee facilities provided by local banks and PROGNOST Systems GmbH, Germany, has pledged TCHF 610 of current financial assets as collateral for guarantees provided by a local bank. No other assets were pledged as collateral in the fiscal year 2013. In the previous fiscal year the pledged assets in India amounted to CHF 9.0 mn, the current financial assets pledged by PROGNOST were TCHF 610 and the amount pledged by the real estate company was CHF 74.4 mn.

17 Share capital

	03/31/2014	03/31/2013
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).

Treasury shares

	03/31/2014	03/31/2013
Treasury shares	648	9'802

Most of treasury shares held at the end of fiscal year 2012 were used for the share based long-term incentive program within the Burckhardt Compression Group (vested in fiscal year 2013).

Earnings per share

in CHF 1'000	2013	2012
Net income attributable to shareholders of Burckhardt Compression Holding AG[1]	53'926	54'856
Average number of outstanding shares	3'397'851	3'341'766
Average number of outstanding shares for the calculation of earnings per share	3'397'851	3'341'766
Earnings per share (in CHF)[1]	15.87	16.42
Diluted earnings per share (in CHF)[1]	15.87	16.42
Dividend per share (in CHF)[1]	10.00	9.00

[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 2014.

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 03/31/2014	Total 03/31/2013
Bank loans	11'321	24'891	36'212	39'153
Others	0	0	0	4
Total	**11'321**	**24'891**	**36'212**	**39'157**
Thereof due in less than 1 year	11'321	0	11'321	4'186
Thereof due in 1 to 5 years	0	24'891	24'891	34'971

Burckhardt Compression AG has bank and guarantee facilities totaling CHF 212 mn, thereof CHF 23 mn in credit limits as per March 31, 2014 (previous year total bank and guarantee facilities amounted to CHF 177 mn).

The bank loans as per March 31, 2014 included mortgage loans of CHF 33.9 mn, of which CHF 8.5 mn is due in less than 12 months. The rest is primarily in Indian rupees and Brazilian reals. The average effective interest rate amounted to 2.9% in fiscal year 2013 and 3.2% in the previous fiscal year.

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

19 Provisions

in CHF 1'000	Employee benefits	Other personnel expenses	Warranties, penalties, unprofitable contracts	Other	2013 Total	Employee benefits	Other personnel expenses	Warranties, penalties, unprofitable contracts	Other	2012 Total
Balance as per 04/01/2013 / 04/01/2012	18'144	1'438	18'025	1'593	39'200	5'264	1'216	14'853	972	22'305
Additions[1]	2'089	1'531	1'414	800	5'834	13'993[1]	1'239	11'068	1'190	27'490
Released as no longer required	–91	–659	–3'267	–702	–4'719	0	–351	–1'822	–79	–2'252
Released for utilization	–10'470	–633	–5'567	–470	–17'140	–1'165	–653	–6'059	–512	–8'389
Currency translation differences	–75	–109	–153	–144	–481	52	–13	–15	22	46
Total as per 03/31/2014 / 03/31/2013[1]	**9'597**	**1'568**	**10'452**	**1'077**	**22'694**	**18'144[1]**	**1'438**	**18'025**	**1'593**	**39'200**
Thereof current	962	1'423	4'459	1'077	7'921	1'017	1'282	9'784	1'593	13'676
Thereof non-current	8'635	145	5'993	0	14'773	17'127	156	8'241	0	25'524

[1] Restatement of prior year figures, see accounting policies 2.2., page 77.

The employee benefits category includes provisions for the employee benefit plans of the Burckhardt Compression company in Germany and provisions for long service awards for employees at the Burckhardt Compression company in Switzerland. The change in provision is mainly related to the adjustment of the Swiss pension scheme in accordance with IAS 19. 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 "released as no longer required" is related to an according decrease of actual warranty cost as a percentage of sales. The release for utilization is related to unprofitable contracts invoiced in FY 2013.

20 Other current and accrued liabilities

in CHF 1'000	03/31/2014	03/31/2013
Other current liabilities		
Social security institutions	1'005	1'078
Tax liabilities (excl. income taxes)	2'091	5'344
Miscellaneous	781	1'072
Total	**3'877**	**7'494**
Accrued liabilities		
Vacation and overtime	3'324	2'950
Salaries, wages and bonus payments	5'854	4'917
Contract related liabilities	30'257	21'711
Miscellaneous	1'678	1'761
Total	**41'113**	**31'339**
Total other current and accrued liabilities	**44'990**	**38'833**

The accrued contract-related liabilities increased by CHF 8.5 mn compared to the previous year, mainly as a result of the increased workload and the accordingly higher volume of pending invoices from suppliers on invoiced new machine projects.

21 Derivative financial instruments

	03/31/2014		03/31/2013	
in CHF 1'000	Positive fair values	Negative fair values	Positive fair values	Negative fair values
Forward foreign exchange contracts (Cash flow hedges)	**4'479**	**469**	**103**	**4'091**
Thereof current	3'344	468	90	3'277
Thereof non-current	1'135	1	13	814

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

As per March 31, 2014 the contract value of the open derivative financial instruments amounted to TCHF 177'999; as per March 31, 2013 it totaled TCHF 150'815. The increase in the fiscal year 2013 resulted from the higher volume of business transactions to be hedged as of the closing date.

In the fiscal years 2013 and 2012 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 03/31/2014	Total 03/31/2013
Total pending guarantees	137'994	361	138'355	144'582
Thereof from Swiss banks	136'555	361	136'916	140'686
Thereof from foreign banks	1'439	0	1'439	3'846

Burckhardt Compression issues guarantees essentially for securing customer advance payments and for eventual warranty claims from customers. Outstanding bank guarantees as of March 31, 2014 slightly 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, 2014 and as per March 31, 2013.

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 03/31/2014**	**Total 03/31/2013**
Buildings	836	1'571	23	2'430	2'451
Cars	327	477	0	804	739
Other	245	13	0	258	1'023
Total	1'408	2'061	23	3'492	4'213

The consolidated income statement includes leasing expenses for buildings of TCHF 2'430 for the fiscal year 2013. These expenses amounted to TCHF 3'624 in the previous year. The reduction of leasing expenses for buildings was caused by the relocation of the sealing and monitoring & diagnostic business activities into buildings owned by the Burckhardt Compression Group. The company has no financial leases.

Other financial obligations The most significant capital expenditure projects approved during the fiscal year 2013 and for which there are purchase commitments as per March 31, 2014 comprise for Burckhardt Compression AG contracting software modules totaling TCHF 1'473, a test compressor for TCHF 322, IT infrastructure TCHF 445, TCHF 368 for heavy duty lifting platforms and SAP software TCHF 658.

25 Business combinations

Burckhardt Compression did not acquire any companies in the 2013 and 2012 reporting periods

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 64 to 69.

The following remuneration was paid to the members of the Board of Directors and the Executive Board for the 2013 and 2012 fiscal years:

in CHF 1'000							**2013**
Name	Position	Fees and remuneration	Salary fix in cash	Salary variable in cash	Share-based payments[1]	Social benefits and other compensation	**Total**
Non-executive members of the Board of Directors							
Valentin Vogt	Chairman	120			26	11	157
Hans Hess	Deputy Chairman	65			18	0	83
Urs Fankhauser[2]	Member	75			0	5	80
Dr. Monika Krüsi	Member	65			18	6	89
Urs Leinhäuser	Member	65			18	6	89
Total		**390**			**80**	**28**	**498**
Executive Board							
Marcel Pawlicek	CEO		379	155	120	142	796
Members of the Executive Board (13 persons)			2'235	598	603	657	4'093
Total			**2'614**	**753**	**723**	**799**	**4'889**

[1] Long-term incentive pay to the eligible members of the Executive Board and variable pay for the non-executive members of the Board of Directors (free shares).

[2] until February 27, 2014

in CHF 1'000							2012
Name	Position	Fees and remuneration	Salary fix in cash	Salary variable in cash	Share-based payments[1]	Social benefits and other compensation	Total
Non-executive members of the Board of Directors							
Valentin Vogt	Chairman	110			43	10	163
Hans Hess	Deputy Chairman[2]	60			21	0	81
Heinz Bachmann[3]	Deputy Chairman	15			15	2	32
Urs Fankhauser	Member	70			21	5	96
Dr. Monika Krüsi[4]	Member	45			14	4	63
Urs Leinhäuser	Member	60			21	4	85
Total		**360**			**135**	**25**	**520**
Executive Board							
Marcel Pawlicek	CEO		350	129	0	110	589
Members of the Executive Board (12 persons)			2'328	493	599	620	4'040
Total			**2'678**	**622**	**599**	**730**	**4'629**

[1] Long-term incentive pay to the eligible members of the Executive Board and variable pay for the non-executive members of the Board of Directors (free shares).
[2] as of June 29, 2012, until then member
[3] until June 29, 2012
[4] as of June 29, 2012

The fixed salary in cash in the prior year period included the overlap of personnel expenses during the transition of the functions of the VP Design & Manufacturing and the MD Burckhardt Components AG. Until fiscal year 2012, the CEO was not eligible to share based long-term incentive pay.

Allocated and distributed free shares In the 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. No shares were allocated in the 2013 fiscal year.

Name	Position	Allocated shares 2011	Allocated shares 2012	Shares vested during FY 2013
Non-executive members of the Board of Directors				
Valentin Vogt	Chairman	122	94	216
Hans Hess	Deputy Chairman[1]	61	47	108
Urs Fankhauser	Member	61	47	108
Dr. Monika Krüsi[2]	Member	0	47	47
Urs Leinhäuser	Member	61	47	108
Total		**305**	**282**	**587**
Executive Board				
Members of the Executive Board[3]		1'239	1'269	2'508
Total		**1'544**	**1'551**	**3'095**

[1] as of June 29, 2012; until then member
[2] as of June 29, 2012
[3] FY 2011: 8 persons; FY 2012: 11 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 2013. There are no pending loans in favor of the members of the Board of Directors and Executive Board as per March 31, 2014.

As per March 31, 2014 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:

		03/31/2014	03/31/2013
Name	Position	Total shares	Total shares
Non-executive members of the Board of Directors			
Valentin Vogt	Chairman	202'849	202'633
Hans Hess	Deputy Chairman	10'375	10'267
Dr. Monika Krüsi	Member	577	530
Urs Leinhäuser	Member	592	484
Total		**214'393**	**213'914**
Executive Board			
Marcel Pawlicek	CEO	44'045	47'045
Rolf Brändli	CFO	1'054	894
Rainer Dübi	VP Design & Manufacturing	202	53
René Guthauser	VP Quality & Infrastructure	603	485
Martin Heller	VP Business Development	54'500	57'500
Hans Keist	MD Burckhardt Components AG	0	0
Keven Li[1]	VP Valves	765	n.a.
Susan Lütolf	VP Human Resources Management	78	0
Narasimha Rao	MD Burckhardt Compression (India) Pvt. Ltd.	150	225
Marco Scanderbeg	VP Marketing & Communications	1'000	1'300
Dr. Daniel Schillinger	VP Sales Compressor Systems	157	0
Matthias Tanner	VP Contracting	637	447
Robert Züst	VP Components, Services & Support	872	1'112
Total		**104'063**	**109'061**
Total		**318'456**	**322'975**
In % of total shares		9.4%	9.5%

[1] as of April 2013 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 to happen and the impact they could have on the Group. The presentation is given to the Audit Committee of the Board of Directors together with adequate measures and responsible people and deadlines to implement these measures. 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 20, 2014.

Investments as per March 31, 2014

Group companies of
Burckhardt Compression Holding AG
Winterthur, Switzerland

Listed on SIX Swiss Exchange
Security no. 002553602
Share capital CHF 8'500'000
Market capitalization CHF 1'564'000'000

	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 Hans Keist	3	BCCO	•	•		•	•	CHF 100'000 100%
Burckhardt Compression (Deutschland) GmbH Neuss, Germany Managing Director Olaf Görres	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 Tullio Buonocore	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 Gamboa	2	BCES				•	•	EUR 550'000 100%
Burckhardt Compression (UK) Ltd. Bicester, United Kingdom Managing Director Colin Webb	2	BCGB				•	•	GBP 250'000 100%

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 (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%
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 3'202'000 100%
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 Tolga Saygi	2	BCTR				•	•	TRY 800'000 100%
Burckhardt Compression Singapore Pte Ltd. Singapore, Singapore Managing Director Patrick Chong	2	BCSG				•	•	SGD 300'000 100%
Burckhardt Compression South Africa (Pty) Ltd. Sunnyrock, South Africa Managing Director René Müller	2	BCZA				•	•	ZAR 3'000'000 100%

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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 72 to 109), for the year ended 31 March 2014.

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 2014 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

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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

Audit expert
Auditor in charge

Andreas Fontanive

Audit expert

Winterthur, 20 May 2014

FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

BALANCE SHEET

in CHF 1'000	Notes	03/31/2014	03/31/2013
Non-current assets			
Investments in subsidiaries	102	36'876	36'876
Loans to subsidiaries		195'925	151'425
Total		**232'801**	**188'301**
Current assets			
Trade receivables against group companies	104	309	0
Other receivables against third parties	104	59	22
Marketable securities	103	214	3'230
Cash and cash equivalents		15'274	43'462
Total		**15'856**	**46'715**
Total assets		**248'657**	**235'016**
Equity			
Share capital	105	8'500	8'500
General reserve		1'700	1'700
Treasury shares		214	3'230
Retained earnings		191'805	166'292
Net income		44'047	53'089
Total		**246'266**	**232'811**
Liabilities			
Current liabilities			
Trade and other payables		7	28
Accrued liabilities		2'384	2'177
Total		**2'391**	**2'205**
Total equity and liabilities		**248'657**	**235'016**

INCOME STATEMENT

in CHF 1'000	Notes	2013	2012
Income	106		
Income from investments		40'000	40'000
Financial income		6'434	15'263
Other income		192	192
Total		46'626	**55'455**
Expenses			
Personnel expenses		–234	–155
Tax expenses		–593	–1'251
Other operating expenses		–1'752	–960
Total		**–2'579**	**–2'366**
Net income		**44'047**	**53'089**

NOTES TO THE FINANCIAL STATEMENTS OF BURCKHARDT COMPRESSION HOLDING AG

101 Accounting policies

The financial statements as per March 31, 2014 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 2013 comprises the period from April 1, 2013 to March 31, 2014.

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, 2014".

103 Marketable securities

As per March 31, 2014 Burckhardt Compression Holding AG held the following number of treasury shares:

	03/31/2014	03/31/2013
Number of treasury shares[1]	648	9'802[1]

[1] 9'154 of the treasury shares held at the end of fiscal year 2012 were used for the share based long-term incentive program within the Burckhardt Compression Group (vested in fiscal year 2013).

104 Receivables

in CHF 1'000	03/31/2014	03/31/2013
Trade receivables against group companies	309	0
Other receivables against third parties	59	22
Total	**368**	**22**

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, 2014, 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.

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, 2014 (according to the statutory bylaws the voting right of ING Groep N.V and Allianz Global Investors is limited to 5% of the total number of the registered BCHN shares recorded in the commercial register):

Shareholders		03/31/2014	03/31/2013
	Country	in %	in %
MBO Aktionärsgruppe	CH	12.4	12.6
ING Groep N.V.	NL	6.2	7.1
Allianz Global Investors	DE	5.1	5.0
TIAA-CREF Investment Management	US	5.0	5.2
Ameriprise Financial Inc.	US	3.2	3.2
Mondrian Investment Partners	GB	3.1	–
UBS Fund Management (Switzerland) AG	CH	3.0	3.0

106 Income

in CHF 1'000	2013	2012
Income from investments		
Dividends	40'000	40'000
Financial income		
Interest income	6'087	4'558
Securities' income	347	10'705
Other income		
Income from services provided to group companies	192	192
Total	**46'626**	**55'455**

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	03/31/2014	03/31/2013
Guarantees	83'506	54'957
Total	**83'506**	**54'957**

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 fiscal year 2009 Burckhardt Compression Holding AG also issued a guarantee in the amount of CHF 11.2 mn in favor of a Swiss bank as collateral for a second mortgage on commercial property in Winterthur. 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 100 mn as of March 31, 2014.

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, 2014 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 64 to 69.

Carry-forward and appropriation of earnings

in CHF 1'000	2013	2012
Prior year retained earnings	188'781	154'858
Undistributed dividend on treasury shares	7	534
Appropriation to reserves for treasury shares	3'017	10'900
Net income of the year	44'047	53'089
Retained earnings at the disposal of the Annual General Meeting	**235'852**	**219'381**
The Board of Directors proposes the following appropriation		
– Gross dividend	–34'000	–30'600
Retained earnings carried forward	**201'852**	**188'781**

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, 2014.

in CHF 1'000	2013	2012	2011
Gross dividend	10.00	9.00	7.00
Less 35% withholding tax	–3.50	–3.15	–2.45
Net dividend	6.50	5.85	4.55

Annual General Meeting of Shareholders

The Annual General Meeting of Shareholders will take place at 04:00 p.m. on Friday, July 4, 2014 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 112 to 116), for the year ended 31 March 2014.

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 2014 comply with Swiss law and the company's articles of incorporation.

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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 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, 20 May 2014

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

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.

Publisher:
Burckhardt Compression Holding AG, Winterthur

Concept/Layout:
Source Associates AG, Zurich

Photography:
SCANDERBEG SAUER PHOTOGRAPHY, Zurich

PR consultant:
PEPR, Oetwil am See

Printing:
Schellenbergdruck, Pfäffikon ZH

MIX
Paper from responsible sources
FSC® C007631
www.fsc.org

OVERVIEW KEY FIGURES

in CHF mn	2006	2007	2008	2009	2010	2011	2012	2013
Order intake:								
– Compressor Systems (CS)	311.3	326.5	296.8	171.3	235.9	259.3	272.7	386.3
– Components, Services & Support (CSS)	96.9	100.2	93.1	114.6	126.6	145.6	155.1	130.8
Total	408.2	426.7	389.9	285.9	362.5	404.9	427.8	517.1
Sales and gross profit:								
– Compressor Systems								
Sales	173.6	260.8	308.7	241.5	222.5	206.0	215.7	292.9
Gross profit	52.7	85.9	87.6	80.7	51.9	59.2	57.6	68.2
in % of sales	30.4%	32.9%	28.4%	33.4%	23.3%	28.7%	26.7%	23.3%
– Components, Services & Support								
Sales	93.1	107.2	115.8	101.7	133.1	122.9	151.0	152.1
Gross profit	46.5	50.7	58.6	46.2	63.7	63.1	78.4	71.0
in % of sales	49.9%	47.3%	50.6%	45.4%	47.9%	51.3%	51.9%	46.7%
Total								
Sales	266.7	368.0	424.5	343.2	355.6	328.9	366.7	445.0
Gross profit	99.2	136.6	146.2	126.9	115.6	122.3	136.0	139.2
in % of sales	37.2%	37.1%	34.4%	37.0%	32.5%	37.2%	37.1%	31.3%
Operating income (EBIT)	55.6	89.8	94.3	74.2	61.5	64.8	73.3[1]	70.2
in % of sales	20.8%	24.4%	22.2%	21.6%	17.3%	19.7%	20.0%[1]	15.8%
Net income	40.1	68.0	72.8	56.0	45.1	50.5	54.9[1]	53.9
in % of sales	15.0%	18.5%	17.1%	16.3%	12.7%	15.4%	15.0%[1]	12.1%
Depreciation and amortization	5.2	5.4	6.9	9.5	9.9	10.6	11.1	11.8
Cash flow:								
– from operating activities	47.7	66.9	82.5	58.8	61.6	74.5	36.3	58.2
– from investing activities	–11.5	–57.7	6.5	–88.8	–12.9	–9.2	–19.3	–14.2
– from financing activities (incl. translation differences)	–10.7	–5.3	–22.4	18.1	–18.6	–24.2	–12.0	–32.0
Total	25.5	3.9	66.6	–11.8	30.1	41.1	5.0	12.0
Balance sheet total	270.1	359.7	431.0	470.0	502.4	530.7	594.4[1]	645.9
Non-current assets	50.7	71.3	79.1	157.3	156.2	156.6	167.1[1]	165.9
Current assets	219.3	288.5	351.9	312.7	346.2	374.1	427.3[1]	480.0
Shareholders' equity	108.3	165.5	203.9	234.9	258.0	282.8	325.4[1]	358.5
in % of balance sheet total	40.1%	46.0%	47.3%	50.0%	51.3%	53.3%	54.7%[1]	55.5%
Net financial position	58.2	83.7	123.3	66.5	95.0	135.4	150.8	165.8
Headcount as per end of fiscal year (full-time equivalents)	712	819	916	891	917	983	1'078	1'232
Total remuneration non-executive members of the Board of Directors (in TCHF)	167.0	230.0	306.0	373.0	435.0	422.0	520.1	498.3
Total remuneration Executive Board (in TCHF)	4'591.0	3'231.0	3'696.0	3'345.0	3'949.0	3'466.0	4'629.5	4'889.0
Share price as per end of fiscal year (in CHF)	199.50	317.00	106.00	208.00	289.25	247.50	355.25	460.00
Market capitalization (in CHF mn)	678.3	1'077.8	360.4	707.2	983.5	841.5	1'207.9	1'564.0
Market capitalization/shareholders' equity (ratio)	6.3	6.5	1.8	3.0	3.8	3.0	3.6	4.4
Net income per share (EPS) (in CHF)	11.80	20.00	21.46	16.68	13.56	15.22	16.42[1]	15.87
Dividend per share (in CHF)	3.00	6.00	6.00	5.00	5.00	7.00	9.00	10.00

[1] Restatement of prior year figures, see accounting policies 2.2. (IAS 19), page 77.

Burckhardt
Compression

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