

REVIEW OF THE FISCAL YEAR

FINANCIAL PERFORMANCE

Market trends remain positive

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

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

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

Renewed sales growth thanks to Compressor Systems

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

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

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

Operating profit above prior-year level

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

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

Impact of exchange rates and oil prices

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

The currently low oil price has a limited impact on Burckhardt Compression's business because few of the applications it offers are directly related to oil extraction. In the oil and gas production industry, projects designed to improve oil recovery rates have been postponed due to the reduced cost benefit. Conversely, in the natural gas production and processing industry, there has been little inclination to scale back projects. Business activity also remains high in the gas transport and storage segment. New environmental regulations are encour-

aging the use of natural gas as a source of energy. In recent years natural gas has been substituted for crude oil as an energy source or raw input material in numerous areas. In the petrochemical/chemical industry, LDPE production projects have admittedly passed their cyclical peak but new production facilities are still being planned thanks to the low costs of energy and raw materials.

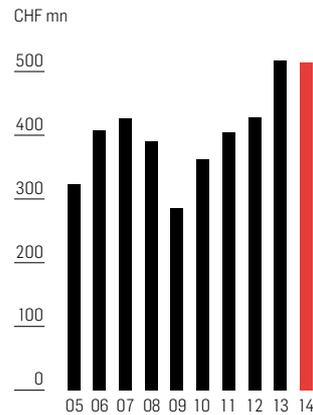
Solid balance sheet

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

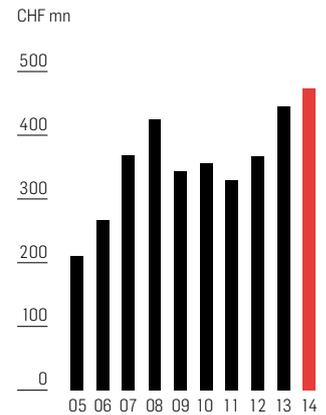
Workforce expanded to accommodate strong growth

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

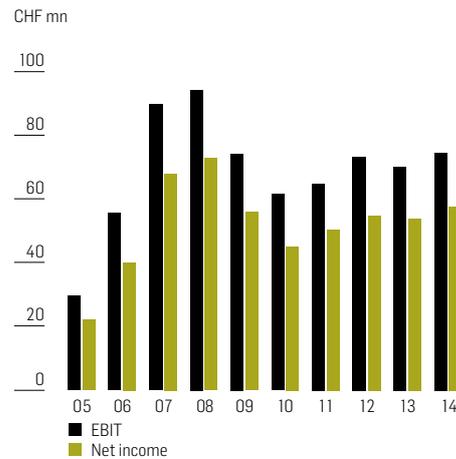
ORDER INTAKE



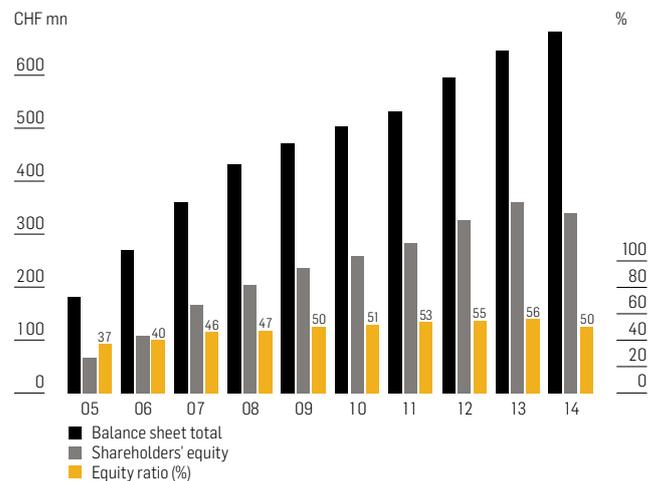
SALES



EBIT AND NET INCOME



EQUITY RATIO



MARKETS

Orders for new compressor systems consolidate at high level

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

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

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

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

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

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

Upstream oil & gas

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

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

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

Gas transport and storage

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

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

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

satisfactory growth in this business, notably in Korea. The technology we have developed in recent years coupled with our long-standing experience in the use of reciprocating compressors in ships gives us an excellent position in the marketplace.

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

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

Petrochemical/Chemical industry

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

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

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

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

Refinery

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

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

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

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

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

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

Industrial gases

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

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

Service and components business

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

The reporting year saw the launch of a new brand called Redura®, Burckhardt Compression's extensive product line comprising rings and packings for reciprocating compressors

made by any manufacturer in the market. The line includes standard rings and sealing systems in addition to custom-made, in-house developed, patented products. Redura® stands for reliable, durable and advanced sealing elements. Based on a heterogeneous combination of various ring types, Redura® sealing systems provide optimal sealing performance and maximum operating lifetime.

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

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

CAPACITY

In September 2014 Burckhardt Compression began constructing an additional manufacturing hall with total floor space of about 2'500 m² (27'000 sqft) that should be ready for use by July 2015. This will enable us to centralize all local manufacturing activities at company headquarters, thus making the lease of external site obsolete. Production capacity in Winterthur, Pune and Shanghai continued to be modernized and expanded with top-of-the-line manufacturing equipment.

ACQUISITIONS

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

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

RESEARCH & DEVELOPMENT

Standardization of LPGM compressors

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

Expansion of development test stand

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

Positive results with stepless flow control system

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

BRAND MANAGEMENT

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

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

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