



SUSTAINABILITY REPORT 2014

SUSTAINABILITY REPORT

COMMITMENT AND LEADERSHIP

Burckhardt Compression has made a long-term commitment to the economy, society and the environment. Our aim is to create all the right conditions to preserve and continue the company's more than 170-year tradition of success. This can only be achieved if a balance is found between the different and sometimes opposing interests of the individual stakeholders.

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

ECONOMIC SUSTAINABILITY

Objective

Our company's primary objective is to achieve our financial goals, since failure to meet these goals could have a profound impact on the future of our company. The continued existence of Burckhardt Compression over the long term is ensured only if we manage to achieve financial results that at least average those of our direct competitors.

Investors

We maintain an open and transparent dialogue with our investors and interested parties. The aim of our Investor Relations is to accurately portray our company to enable a fair valuation of Burckhardt Compression stock. Our Investor Relations are evaluated by independent firms and receive consistently very good ratings considering the size of our company.

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

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

In the annual Obermatt rankings, an independent methodology used to measure the performance of listed companies, Burckhardt Compression was one of the top 3 "Gold winners" in Obermatt's "combined performance ranking" of mid-cap companies. In this assessment, operating performance (profit

growth), growth performance (sales/income) and investment performance (share price return) are indexed and measured relative to peers.

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

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

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

Customers

Burckhardt Compression seeks long-term customer relations. Our compressors are in operation on average for 30 to 50 years. Following the project phase, we provide our customers with the necessary services and components they need throughout the entire life cycle of our compressors. Our longest customer relationship, which still exists today, dates back to 1885, when we supplied BASF in Ludwigshafen with one of the first compressors ever built by our company.

The various business activities of Burckhardt Compression also call for a variety of tools for measuring customer satisfaction. Here a distinction is made between direct and indirect key performance indicators (KPI), which are measured and evaluated. The evaluation of customer satisfaction is discussed in customer satisfaction and operation meetings, which are integrated into the management process. Appropriate measures are then introduced and implemented based on the results of the evaluation.

Competition

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

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

Suppliers

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

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

Process improvement

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

Every year, the personal objectives of our executives and employees include implementing continuous improvement projects. These projects are implemented using methods developed by Burckhardt Compression and evaluated by its executives. Burckhardt Compression also works with suppliers, universities, institutions and advisors worldwide to develop and improve products or processes in areas where we do not have the necessary expertise. Collaboration with external experts and specialists fosters new ideas and maximizes creative potential, also within the company.

Future investment spending

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

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

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

Value-oriented management

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

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

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

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

Except for the two aforementioned transactions, Burckhardt Compression did not make any new acquisitions in the year under review. Various other candidates were screened but none of the potential targets met our three specific criteria: 1) The acquired activities must be a good strategic fit for our company; 2) the price must be in accord with our expectations; 3) the corporate culture of the target company must be compatible with our own.

Risk management

As one of the world's leading manufacturers of reciprocating compressors, Burckhardt Compression is exposed to a number of risks. We have developed a comprehensive risk management plan for our company and integrated it into our existing planning and management process.

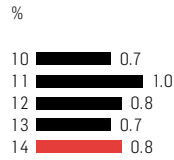
The Executive Board's assessment of risks is discussed with the Audit Committee twice a year. We distinguish between two categories of risk:

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

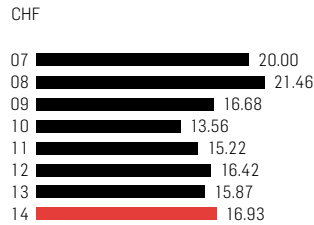
The objectives of our risk management activities are:

- to systematically detect special risks;
- to establish processes for monitoring, reducing and, in a best case, preventing risks;
- achieve a good balance between risks and rewards for our business.

EFFECTIVE WARRANTY COSTS AS A PERCENTAGE OF TURNOVER



NET INCOME PER SHARE



SOCIAL SUSTAINABILITY

Corporate culture

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

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

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

Sustainable HR policy

Only satisfied employees are willing to go that extra mile to meet the needs of our customers. That's why we are committed to a sustainable HR policy. We actively promote the right balance of employees in regard to gender and age. Loyalty and the ability to identify with the company are confirmed by the fact that the average employee has been with the company for nine years.

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

We have a responsibility to ensure the expertise of our employees and promote knowledge transfer. Our systematic orientation programs ensure that new employees are familiarized with their area of work and our corporate culture. Personal development is part of our annual appraisal and performance reviews and it is also financed by Burckhardt Compression. We have developed a modular Corporate Training Program with various focus areas to enhance employee skills and abilities and to ensure that we maintain our technology leadership. Training courses are organized for the entire Burckhardt Compression Group twice a year.

Burckhardt Compression conducts an annual appraisal and performance review of each employee suited to the particular level of hierarchy, comprising personal development goals and

suggestions for continuous improvement. Part of this system involves reviews as to the status of individual objectives, and corresponding measures. Women make up 12.1% of our global work force (13.0% in the previous year) and we aim to raise this percentage to 15% over the coming years. A woman has occupied a seat on the Board of Directors since the Annual General Meeting in 2012, which elected Dr. Monika Krüsi to the Board. This meets one of the recommendations from the Code of Best Practice for Corporate Governance published by *économiesuisse* but, more than that, we are convinced that mixed-gender teams perform better.

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

Promoting new talent and career development

We actively promote and support new talent at all levels. We are committed to the Swiss system of apprentice training. There are currently 52 apprentices in Switzerland and 10 in India receiving vocational training in seven different trades. We are a founding member of the initiative launched under the auspices of the Swiss Federal Office for Professional Education and Technology and the Swiss-Indian Chamber of Commerce to establish an apprenticeship system of learning in India patterned after the Swiss model. Apprentices with a good performance record are generally retained by Burckhardt Compression upon completion of their apprenticeship. Burckhardt Compression spends annually about CHF 1.1 mn for apprenticeship training programs (cash out). Vacant job positions at all levels will also be advertised internally. External and internal candidates go through a proprietary screening process. The systematic evaluation and development of the company's future managers, which we have practiced internally with success for many years, enabled us to fill various management vacancies with internal candidates, as in previous years. If there are no suitable candidates available in-house to succeed a departing executive or to fill a new management-level position, we are in a good position to recruit well-qualified external candidates, not least due to our company profile and image.

Occupational health & safety

Safety at work is very important to Burckhardt Compression. We believe it is important that all employees are informed of the risks involved in their work and aware of the accident prevention measures. Regular training is provided on the topic of

safety at work. Work safety audits and safety inspections are carried out annually by external professionals and the findings are implemented accordingly.

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

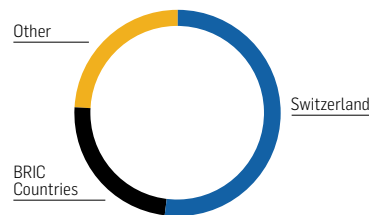
The health and general well-being of our employees are important to us. Physical and mental health are closely linked to performance. An extensive range of physical activities, preventative measures and measures on specific topics help improve employee satisfaction, health and motivation, and reduce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

Social environment

We are well established in our social environment. We actively cooperate with citizens and the authorities at all locations. Our company supports employees who are committed to doing good for the community. Therefore, we support the engagement of our executives and employees in political and charitable aspirations with the aim of alleviating problems facing society. For example, our Board Chairman has presided over the Swiss Employer's Association (honorary office) for four years and the CEO is the honorary chair of the Chamber of Commerce Switzerland-CIS/Georgia. To strengthen local social networks, we run programs at the locations of our biggest companies in Switzerland and India that support local social and cultural projects. In doing so, we specifically encourage our employees to become personally involved in such projects.

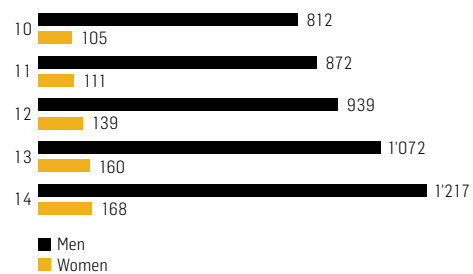
GEOGRAPHIC BREAKDOWN OF THE WORKFORCE, 2014
100% = 1'385

Employees (full-time equivalents)



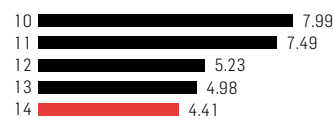
GLOBAL WORKFORCE BY GENDER

Employees (full-time equivalents)



EMPLOYEE TURNOVER RATIO

%



ENVIRONMENTAL SUSTAINABILITY

"We are a company that cares about the environment and that strongly supports responsible and prudent consumption of energy and our planet's finite natural resources. By exercising foresight and prudence, we help to minimize the use of energy, water and chemicals of all kinds while addressing the issue of harmful emissions." ("BC Code").

Innovation

Environmental protection starts with product design and development. Here, the focus is on sustainable and efficient development, taking into account the entire life cycle of a product. Whenever it makes sense, our customers are included early on in the development stage of new products, in order to find joint innovative solutions and verify ideas.

Environmental protection starts with product design and development.

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

Products

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

- Laby®-GI compressors: Designed by MAN Diesel, the ME-GI diesel propulsion system for LNG tankers can also run on environmentally friendly natural gas. The Laby®-GI fuel gas compressors by Burckhardt Compression compress the boil-off gas from the LNG tanks, which is then injected directly into a diesel engine. The ME-GI diesel propulsion system for LNG carriers significantly reduces CO₂ and SO_x emissions when powered by natural gas. In fiscal year 2014 we received several more orders for this application.
- Process Gas Compressors API 618: These compressors are used specifically in industrial processes for the desulphurization of fuels. More orders for compressors in the extended product range were received during fiscal year 2014.

- PROGNOST®-SILver: Systems for monitoring and diagnosing the condition of reciprocating compressors are key tools for increasing operational safety, lengthening service intervals and preventing fault events.

Procurement

We draw on the experience of our suppliers to help us continuously improve our products. Much of the value creation is performed by them. Therefore, we place the same high demands on them as we do on ourselves. They are integrated into our environmental and quality policies. Checks are made on site or when goods arrive to ensure adherence to specifications and verified by reviewing the required audit reports.

Manufacturing and logistics

In our efforts to transfer knowledge and production know-how between our various production and engineering centers, we are also transferring safe, efficient and environmentally friendly production and engineering processes. We are optimizing internal logistics processes and transportation through our "PULL@BCAG" improvement program. We are also reducing the number of transport runs by consolidating deliveries and deploying more container delivery solutions. "PULL@BCAG" is not simply a project but rather a reflection of our basic philosophy about the work we do. Local procurement of machine accessories brings us even closer to our customers and allows us to reduce transport runs.

Buildings and fixtures

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

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

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

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

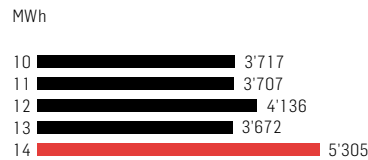
Furthermore, the new hall is equipped with the latest LED technology. The brighter the day, the more the lamps dim automatically until switching off. The lamps consume 60% less energy than conventional lamps. Due to the increased lifetime of 50'000 hours, the cost-intensive replacement of the lamps has also been reduced to a minimum.

We assume that power consumption will be reduced again with the new assembly hall and the associated space consolidation in the current fiscal year. Relative to the number of hours worked, our electricity consumption is at the low level recorded in 2010.

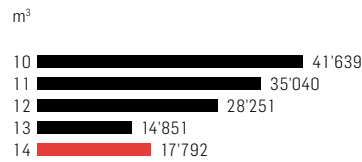
Recycling and waste disposal

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

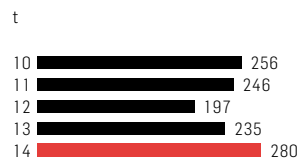
ELECTRICITY CONSUMPTION



WATER CONSUMPTION



WASTE





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