



COMPENSATION REPORT 2014

COMPENSATION REPORT

1. BASIS

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

2. COMPENSATION POLICY

Burckhardt Compression has established a transparent and long-term-oriented compensation system. The objectives pursued with this system are to ensure that the compensation of the Board of Directors and the company executives is market competitive and to achieve a good balance between the interests of the shareholders, the directors and executive management. Market-competitive pay is a basic prerequisite for attracting well qualified directors and executives and ensuring that they remain with the company for the long run.

3. ORGANIZATION, DUTIES AND POWERS

The Nomination and Compensation Committee (NCC) consists of at least two members of the Board of Directors. The members of the NCC are elected individually and annually by the Annual General Meeting and their term of office shall expire at the end of the next Annual General Meeting. The Annual General Meeting of July 4, 2014 elected Hans Hess and Dr. Stephan Bross to the Nomination and Compensation Committee. The Board of Directors appointed Hans Hess Chairman of the Nomination and Compensation Committee.

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

The duties and powers of the NCC are set forth in the Bylaws and in the Organizational Regulations of the Company. The NCC supports the Board of Directors in the performance of its duties pertaining to the compensation and personnel policies of the Company and the entire Group as prescribed by law or the Company's Bylaws. The most important duties and powers of the NCC with regard to compensation are listed below:

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

The Annual General Meeting of Burckhardt Compression Holding AG casts the following votes in relation to the compensation of the Board of Directors and Executive Board:

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

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

4. COMPENSATION SYSTEM

Burckhardt Compression Holding AG's compensation system consists of a mix of fixed and variable components. In accordance with the Bylaws of Burckhardt Compression Holding AG, variable compensation can be paid in whole or part in the form of shares, conditional rights to receive shares, or in comparable instruments of the Company.

4.1. Compensation system for the Board of Directors

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

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

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

4.2. Compensation system for the Executive Board

Compensation of the Executive Board consists of three components:

- A fixed base salary;
- a variable performance- and profit-related annual bonus paid in cash;
- variable performance- and profit-related long-term incentive pay awarded in the form of free shares.

Base salary The members of the Executive Board are assigned to so-called Global Grades as defined by a global executive grading system (Towers Watson Global Grading System). Country-specific market data for each Global Grade and the results of annual executive performance appraisals are taken into consideration when determining the fixed base salary of the members of the Executive Board.

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

The benchmark group consists of two direct competitors for compressor systems, one direct competitor for compressor components, and one company that sells products in the same market as Burckhardt Compression Group. Specifically, the benchmark group consists of the following four companies or corporate units:

- Dresser-Rand
- Sulzer Chemtech
- Neuman & Esser
- EnPro Industries, Engineered Products Division

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

The basis upon which the long-term incentive pay is calculated consists of a fixed, predefined amount per Global Grade and country group (purchasing power adjusted). If the sales and net income targets set in the Mid Range Plan are attained by the end of the fiscal year 2016, this fixed amount will be multiplied by a factor of 1.0 (0.5 each for sales and net income) and awarded in the form of shares (free shares). If the targets are only partially achieved, the factors will be reduced by a corre-

sponding amount. Minimum financial targets have been defined for both cumulative sales and for cumulative net income. If sales or net income fall short of these minimum thresholds, the corresponding factor will be reduced to zero. If the Mid Range Plan targets for sales or net income are exceeded, the corresponding factors will be increased up to a maximum amount of 0.6 each (1.2 in total).

An interim evaluation of the attained targets will be conducted after two years. Provided the employment contracts for the corresponding members of the Executive Board have not been terminated as of July 31, 2015, the fixed allotment of free shares for the fiscal years 2013 and 2014 will then be made. The factors used for the multiplication of the fixed amount in the interim evaluation are limited to 0.25 each (total 0.5). The second allotment of free shares for the fiscal years 2015 and 2016 will be awarded and distributed at the end of July 2017, subject to approval by the Annual General Meeting and provided that the employment contract for the respective Executive Board

members has not been terminated. Persons subsequently appointed to the Executive Board will be entitled to long-time incentive pay on a pro rata basis. The number of shares awarded will be based on the average share price for the periods from the announcement of the full-year results to the Annual General Meetings for the fiscal years 2014 and 2016, respectively.

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

5. COMPENSATION PAID WITH COMPARATIVE FIGURES FOR THE PREVIOUS YEAR

5.1. Compensation paid to the Board of Directors

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

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

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

¹ Variable compensation paid to members of the Board of Directors (free shares).

² From July 4, 2014

³ Until February 27, 2014

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

5.2 Compensation paid to the Executive Board

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

in CHF 1'000									2014
Name	Function	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Variable annual bonus, cash	Share-based long-term incentive pay	Social insurance contributions and other benefits	Total variable compensation (gross)	Total
Executive Board									
Marcel Pawlicek	CEO	414	99	513	182	85	54	321	834
Members of the Executive Board (12 persons)		2'206	455	2'661	749	468	199	1'416	4'077
Total		2'620	554	3'174	931	553	253	1'737	4'911
Approved for fiscal year 2014 by Annual General Meeting in consultative vote		2'730		N/A					
		+250¹							

in CHF 1'000									2013
Name	Function	Fixed base salary, cash	Social insurance contributions and other benefits	Total fixed compensation (gross)	Variable annual bonus, cash	Share-based long-term incentive pay	Social insurance contributions and other benefits	Total variable compensation (gross)	Total
Executive Board									
Marcel Pawlicek	CEO	379	90	469	155	120	52	327	796
Members of the Executive Board (13 persons)		2'235	459	2'694	598	603	198	1'399	4'093
Total		2'614	549	3'163	753	723	250	1'726	4'889

¹ For possibly additional members of the Executive Board

After an adjustment of the base salary the fixed compensation of the CEO for the period under review is above the level of the preceding fiscal year. The aggregate amount of fixed compensation of the other members of the Executive Board is 1.2% less than in the prior fiscal year, although it must be noted that there was one less person on the Executive Board in fiscal year 2014 (VP Burckhardt Components AG). The Annual General Meeting of July 4, 2014 approved the aggregate fixed compensation in the amount of CHF 2'730'000 (net, excl. social insurance contributions) for the entire Executive Board (13 persons including the CEO) for fiscal year 2014. An amount of CHF 250'000 was approved in a consultative vote for any sub-

sequently appointed Executive Board member. The compensation actually paid out (net, before deduction of social security contributions) was CHF 110'000 less than the aggregate amount approved in the consultative vote. The additional amount for any subsequently appointed member of the Executive Board was not utilized in the current organization structure.

6. OVERVIEW OF SHAREHOLDINGS AND ALLOCATED/DISTRIBUTED SHARES

6.1 Detailed overview of allocated and distributed shares

No shares were allocated or distributed during fiscal year 2014.

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

¹ From July 4, 2014

² Until February 27, 2014

³ FY 2014: 12 persons, FY 2013: 13 persons

6.2 Detailed overview of shareholdings

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

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

¹Member of Executive Board until December 31, 2014

7. TRANSACTIONS WITH THE BOARD OF DIRECTORS, THE EXECUTIVE BOARD AND RELATED PARTIES

No other payments or fees for additional services were paid to the members of the Board of Directors or the Executive Board or to related parties during the fiscal year 2014. There are no loans, credit lines or social insurance contributions and other benefits outside the regular pension plan contributions to the Executive Board.

8. MOTIONS FOR THE ANNUAL GENERAL MEETING

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

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

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

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

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

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

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

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

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

The Board of Directors proposes that a maximum aggregate amount of CHF 3'430'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation

for the members of the Executive Board for fiscal year 2015. The fixed compensation is 8% above the previous year including a planned salary increase in the range of 1% as well as a reserve in the amount of CHF 250'000.

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

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

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

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

9. EVALUATION OF THE COMPENSATION SYSTEM

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

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



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

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

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Burckhardt Compression Holding AG for the year ended 31 March 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Andreas Fontanive
Audit expert

Winterthur, 19 May 2015



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