



COMPENSATION REPORT 2015

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 the Bylaws of Burckhardt Compression Holding AG.

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) is comprised 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, 2015 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 three 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 as shown in the table below.

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).

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 (excl. CEO)	CEO	NCC

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. At the time the compensation system for the Board of Directors (2013–2016) was implemented in 2012, variable compensation of the Board of Directors was standard practice. Furthermore, the awardable amount of variable compensation corresponds to less than 25% of total compensation and a maximum amount of variable compensation has been defined in absolute terms. 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 were 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 in cash. 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. The percentage rate applied for the CEO is 0.28%. For the members of the Executive Board, the predefined fixed percentage rate varies from 0.04% to 0.12% of net income, depending on their Global Grade and country classification (based on purchasing power). 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 one direct competitor 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 three companies or corporate units:

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

A maximum amount in absolute terms has not been set for the annual bonus because:

- the annual bonus accounts for less than 20% of the total compensation of the Executive Board;
- in accordance with the current compensation guidelines, the Board of Directors is empowered to adjust the guidelines and the annual bonus entitlements in the event of major change (e.g. mergers, acquisitions, fundamental change in the economic environment). This represents an implied restriction of the annual bonus.

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). The targeted amount of the long-term bonus for the entire 4-year period is CHF 600'000 for the CEO and for the members of the Executive Board, depending on their Global Grade and country group (based on purchasing power), between CHF 135'000 and CHF 300'000. The sales target in the Mid Range Plan (aggregate) for the 4 years amounts to CHF 1'850 mn, the net income target is CHF 250 mn. If the targets are only partially achieved, the factors will be reduced by a corresponding amount. Minimum financial targets have been defined for both cumulative sales and for cumulative net income. If sales or net income fall short of these minimum thresholds, the corresponding factor will be reduced to zero. If the Mid Range Plan targets for sales or net income are exceeded, the corresponding factors will be increased up to a maximum amount of 0.6 each (1.2 in total).

An interim evaluation of the attained targets was conducted after two years. Members of the Executive Board whose employment with the company had not been terminated as of July 31, 2015 were awarded a fixed number of free shares for the fiscal years 2013 and 2014 on that date. These free shares will be distributed at the end of July 2017. 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 2015 and 2014:

in CHF 1'000								2015
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	9	129	25	2	27	156
Hans Hess	Deputy Chairman	65	4	69	17	4	21	90
Dr. Stephan Bross	Member	65	0	65	17	0	17	82
Dr. Monika Krüsi	Member	75	5	80	17	1	18	98
Urs Leinhäuser	Member	65	5	70	17	0	17	87
Total		390	23	413	93	7	100	513
Approved for fiscal year 2015 by the 2015 AGM				425²				

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 ³	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

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

² This amount includes a contingency reserve of CHF 10'000

³ From July 4, 2014

The aggregate amount of fixed compensation for the period under review is CHF 24'000 more than in the previous period. This is because the compensation of Dr. Stephan Bross for the year under review was for the first time for the entire period, and because social insurance contributions are now paid for Hans Hess as of the fiscal year 2015 (as is the practice for the other members of the Board of Directors). The Annual General Meeting of July 4, 2015 has approved aggregate fixed compensation in the amount of CHF 425'000 (gross, including social insurance contributions) for the Board of Directors (5 persons) for fiscal year 2015.

5.2. Compensation paid to the Executive Board

The following compensation was paid to the members of the Executive Board for the fiscal years 2015 and 2014:

in CHF 1'000									2015
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	424	118	542	155	108	54	317	859
Other members of the Executive Board ²		2'084	470	2'554	485	448	153	1'086	3'640
Total		2'508	588	3'096	640	556	207	1'403	4'499
Approved for fiscal year 2015 by the 2015 AGM				3'430¹					

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
Other members of the Executive Board ³		2'206	455	2'661	749	468	199	1'416	4'077
Total		2'620	554	3'174	931	553	253	1'737	4'911

¹ Including an amount of CHF 250'000 for a possible additional appointee to the Executive Board

² 11 persons, including the VP Business Development who left per end of 2015

³ 12 persons, including the MD Burckhardt Components AG who left per end of 2014

Following an adjustment of the base salary in the course of the previous year (pro rata), the CEO's fixed remuneration for the reporting period is slightly higher than the comparable prior-year figure. The total amount of the fixed remuneration of the other members of the Executive Board is slightly lower than in the prior-year period. It should be noted that during the 2015 financial year, the size of the Executive Board was reduced by one member (VP Business Development) as of the end of December 2015 from the previous total of 12 to 11 persons (including the CEO). The Annual General Meeting of July 4, 2015 approved a total sum of CHF 3'430'000 (gross, including social security contributions) for the fixed remuneration of the entire Executive Board in the 2015 financial year. This sum includes

CHF 250'000 for a possible additional member of the Executive Board. The remuneration actually paid (gross, after social security contributions) was CHF 334'000 less than the approved sum. The additional amount for a possible additional member of the Executive Board was not required in the current organizational structure.

6. OVERVIEW OF SHAREHOLDINGS AND ALLOCATED/DISTRIBUTED SHARES

6.1. Detailed overview of allocated and distributed shares

In the fiscal years 2014 and 2015 the following shares were allocated and distributed:

Name	Function	Shares allocated in FY 2014	Shares allocated in FY 2015	Shares distributed in FY 2014	Shares distributed in FY 2015
Members of the Board of Directors					
Valentin Vogt	Chairman	0	177	0	177
Hans Hess	Deputy Chairman	0	118	0	118
Dr. Stephan Bross ¹	Member	0	45	0	45
Dr. Monika Krüsi	Member	0	118	0	118
Urs Leinhäuser	Member	0	118	0	118
Total		0	576	0	576
Executive Board					
Marcel Pawlicek	CEO	0	622	0	0
Other members of the Executive Board ²		0	2'318	0	0
Total		0	2'940	0	0
Total		0	3'516	0	576

¹From July 4, 2014

²FY 2015: 11 persons, FY 2014: 12 persons

6.2. Detailed overview of shareholdings

As per March 31, 2016, 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	03/31/2016 Total shares	03/31/2015 Total shares
Members of the Board of Directors			
Valentin Vogt	Chairman	203'026	202'849
Hans Hess	Deputy Chairman	5'493	10'375
Dr. Stephan Bross	Member	45	0
Dr. Monika Krüsi	Member	815	697
Urs Leinhäuser	Member	710	592
Total		210'089	214'513
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 ¹	VP Business Development	N/A	54'500
Keven Li	MD Burckhardt Compression (Shanghai) Co., Ltd.	765	765
Susan Lütolf ²	VP Human Resources Management	N/A	78
Sandra Pitt	VP Human Resources Management	0	N/A
Narasimha Rao	MD Burckhardt Compression (India) Pvt. Ltd.	150	150
Marco Scanderbeg	VP Marketing & Communications	500	700
Dr. Daniel Schillinger	VP Sales Compressor Systems	157	157
Matthias Tanner	VP Contracting	37	637
Robert Züst	VP Components, Services & Support	872	872
Total		48'385	103'763
Total		258'474	318'276
As a % of all outstanding shares		7.6%	9.4%

¹Member of Executive Board until December 31, 2015

²Member of Executive Board until March 31, 2015

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 2015. No loans, credit lines or pension benefits over and above those provided by mandatory occupational pension plans have been extended to members of the company's boards.

8. MOTIONS FOR THE ANNUAL GENERAL MEETING

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

The Board of Directors proposes that a maximum aggregate amount of CHF 100'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Board of Directors for fiscal year 2015.

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

The Board of Directors proposes that a maximum aggregate amount of CHF 1'403'000 (gross, including social insurance contributions and other benefits) be approved as variable compensation for the Executive Board for fiscal year 2015.

8.3. Consultative vote on the Compensation Report for fiscal year 2015

The Board of Directors proposes that shareholders approve the Compensation Report for fiscal year 2015 in a consultative vote.

8.4. Approval of the 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 2'130'000 (gross, including social insurance contributions and other benefits) be approved as fixed compensation for the members of the Executive Board for fiscal year 2017. The proposed fixed compensation is significantly lower because the Executive Board consists of only 5 members as of June 1, 2016 compared to 11 persons in the previous period. The proposed amount includes a planned salary increase of maximum 3% and a reserve of CHF 200'000.

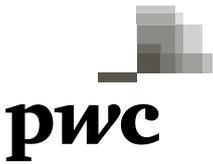
Note

There is no motion to the fixed compensation of the members of the Board of Directors for the fiscal year 2017. For the Annual General Meeting 2017, it is planned to adjust the compensation system for the Board of Directors, together with with an according change of the Bylaws.

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 out 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 of the remuneration report of Burckhardt Compression Holding AG for the year ended 31 March 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) on pages 71 to 75 of the remuneration report.

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 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen

Andreas Fontanive

Audit expert

Auditor in charge

Audit expert

Zürich, 19 May 2016

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telephone: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Burckhardt Compression Holding AG

CH-8404 Winterthur, Switzerland

Tel. +41 52 262 55 00

Fax +41 52 262 00 51

info@burckhardtcompression.com

www.burckhardtcompression.com

