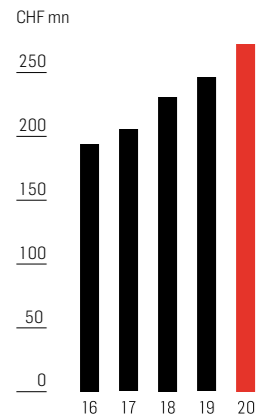
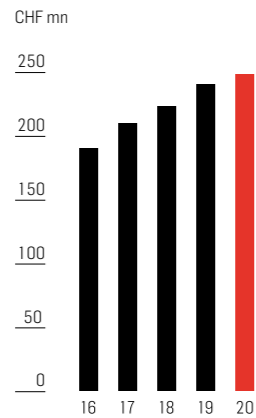


SERVICES DIVISION REVIEW OF THE FISCAL YEAR

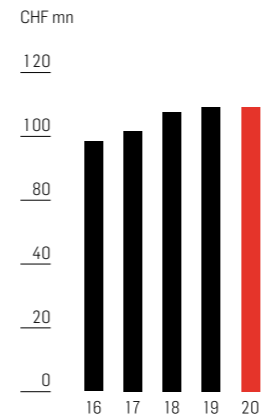
ORDER INTAKE



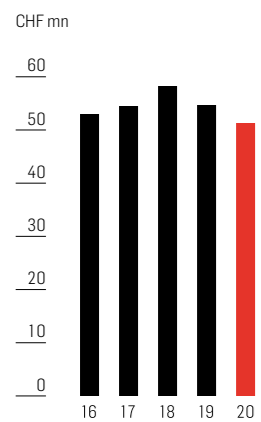
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)



FIGURES

	2018	2019	2020	Change 2019/2020
in CHF mn				
Order intake	230.7	246.1	272.1	10.5%
Sales and gross profit				
Sales	223.9	241.3	248.8	3.1%
Gross profit	105.2	107.0	107.1	0.1%
in % of sales	47.0%	44.3%	43.0%	
Operating income (EBIT)	58.2	54.7	51.2	-6.3%
in % of sales	26.0%	22.7%	20.6%	
Headcount at end of fiscal year (full-time equivalents)	830	1'093	1'095	0.2%

Order intake was up significantly at the Services Division during the 2020 fiscal year, primarily as a result of the Arkos acquisition, while sales were at the same level as the prior year. The EBIT margin was slightly lower, mainly because of reduced capacity utilization in the Field Services sector in the wake of the coronavirus, and the partial closure of various Service Centers because of the pandemic, as well as the dilutive effect from the Arkos acquisition.

MARKETS

The acquisition of the global compressor business of The Japan Steel Works Ltd. (JSW) was completed in April, and integration is currently in the final phase. The acquisition significantly strengthens Burckhardt Compression's market presence in Japan and reinforces its global leadership position. Several orders were gained in Japan and neighboring regions.

Despite the great challenges created by the coronavirus, the integration of Arkos Field Services and the structural and organizational changes are on track. Arkos will continue to optimize its mid-stream business and grow the downstream business, thus improving profitability. Results in the USA include a contribution from corona-related government support programs.

Some more new long-term service contracts were won during the 2020 fiscal year; these will impact positively on sales in the years to come and increase planning certainty. Particular mention should be made of a contract signed with BW LNG for a 10-year service partnership covering nine LNG tankers. Burckhardt Compression is benefiting here from a clear trend among customers to seek out not just a supplier but a competent partner that can offer a full range of services. Our service portfolio and customer care offering were further optimized to meet customer requirements, resulting in a positive order intake.

Spare Parts

The Spare Parts business posted further growth, with demand increasing for spare parts for compressors made by Burckhardt Compression as well other brands. One trend seen for some time now is certainly good news for Burckhardt Compression: spare parts for its own compressors as well as those made by other manufacturers are increasingly purchased together with service packages. The market continues to respond favorably to the strengthening of our business with third-party products, especially when this is combined with the offer of additional services.

Engineering/Revamp/Repair

Burckhardt Compression won several major orders, leading to a significant rise in order intake. However, pandemic-related travel restrictions had a clear negative impact on capacity utilization. Long-term service orders, which provide a solid platform for the further strengthening of the entire service business, are increasingly significant in this sector, as are complex engineering solutions for turnaround (TAR) projects. The repair business in our Service Centers around the world will also benefit from the recently completed standardization of repair standards across the group.

Field Service

Inevitably, this area also suffered from coronavirus-related mobility restrictions, resulting in underutilization of capacity. In the USA, the unfavorable business environment caused by the pandemic, allied with marked price falls in the energy sector, led to significantly reduced demand in the traditional midstream business at Arkos, though it slightly expanded its downstream business.

Monitoring/Diagnostics

2020 saw the launch of new monitoring systems that allow preventive service interventions based on the condition of the system rather than on time intervals. The Monitoring/Diagnostics sector of Prognost also saw orders deferred because of the pandemic.

SALES FURTHER STRENGTHENED

As in 2019, the ongoing drive to increase the efficiency of marketing processes by developing regional marketing structures remained a priority in 2020. The highly qualified local Field Service Representatives and local Repair Centers are responsible both for customer care and for evaluating local market opportunities.

The aim of the partnership model introduced in the previous year is to offer service capabilities close to customers, especially in small but fast-growing markets, while limiting the amount of investment required. Regional and global Engineering Services offer substantial support for local service provision, which allows Burckhardt Compression to be a service partner for the entire service portfolio.

NEW SERVICE CENTERS

In Sweden, the Service Center originally developed together with Kompressorteknik has been a subsidiary of Burckhardt Compression since the 2020 fiscal year. The planned official opening of a new site in Indonesia had to be postponed owing to the coronavirus. The site in Japan was expanded while component manufacture was strengthened in Shanghai and Canada.

OUTLOOK

The Services Division continued to expand its service capabilities as well as reducing its response times for service provision even further by improving processes and focusing rigorously on customers. This was confirmed during the fiscal year 2020 by our latest customer survey, which also indicated that customer satisfaction in general continues to rise. In 2020, the Services Division was also able to sign new long-term service agreements for ships, thus further expanding its service business in the marine sector.

The underlying attractive growth prospects for the Service business remain unchanged:

- more and more customers are outsourcing their service operations. Suppliers are increasingly becoming service partners.
- The inventory of installed compressor systems made by Burckhardt Compression continues to grow.
- Customers are seeking efficiency gains to make themselves more competitive. This requires retrofitting and conversions, not least driven by the need to comply with environmental regulations (efficiency improvements and emissions reduction)
- Preventive maintenance based on continuous monitoring of systems is growing in importance.

We believe, therefore, that demand for comprehensive services from a single source will grow more strongly than the direct spare parts business. Customers increasingly expect engineering solutions, competent advice on site and tailor-made maintenance strategies, even for older installations.

Our focus areas for organic growth are the increasing installed base of own equipment and the service business for compressors made by other manufacturers, primarily of manufacturers that have left the market.

The large number of LNG ships commissioned in recent years now require increasing amounts of servicing and spare parts, which creates additional potential business for Burckhardt Compression. The most interesting potential lies in the provision of long-term service agreements tailored to the whole compressor life cycle. Geographically, the best growth oppor-

tunities are in the Asia-Pacific region, but also in Europe thanks to the large number of marine customers domiciled there. In North America, Burckhardt Compression will benefit from the expansion in service activities brought by the integration of Arkos.

Preventive maintenance combined with monitoring solutions will also generate promising growth opportunities. New impetus is also expected to come from support solutions in the natural gas and hydrogen sector. Digitalization will be harnessed systematically for new services and applications. The main aims here are to make further progress on the availability and use of operational and customer data, to make communication more transparent, and to optimize business processes. During the year under review, for example, the range of services was successfully enhanced by a "Remote Assist Service". Thanks to state-of-the-art technology, customers can use this service to request support from Burckhardt Compression experts, who will analyze the issue and give instructions to our local crew. The electronic customer portal was also improved during the year under review.

The successes achieved so far show that the Services Division is on the right track. The expansion of our service presence, engineering, and project management capabilities has been particularly well received.

We expect the Services Division to record greater order intake as well as higher sales in the 2021 fiscal year following the easing of travel restrictions. The field service business and our Service Centers in particular will see better capacity utilization, while profitability at Arkos will continue to improve.