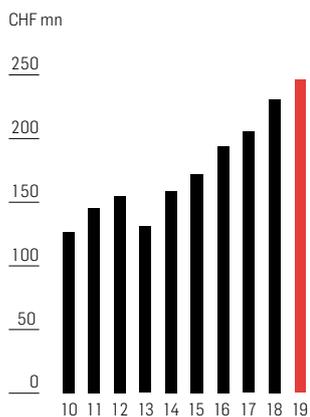
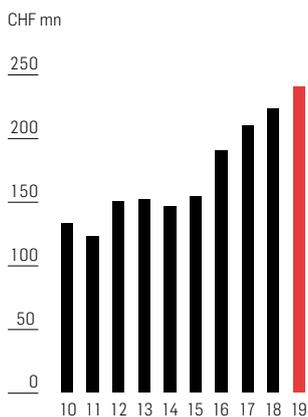


REVIEW OF THE FISCAL YEAR SERVICES DIVISION

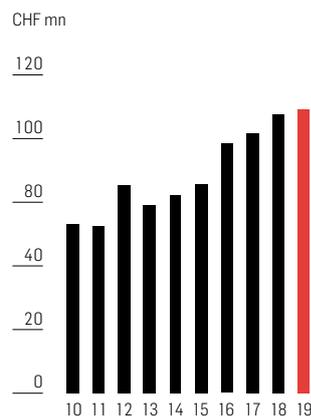
ORDER INTAKE



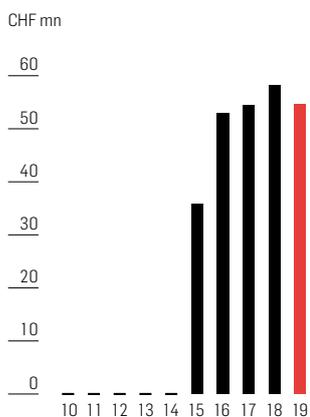
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)¹



FIGURES

	2017	2018	2019	Change 2018/2019
in CHF mn				
Order intake	205.4	230.7	246.1	6.7%
Sales and gross profit				
Sales	210.2	223.9	241.3	7.8%
Gross profit	97.9	105.2	107.0	1.7%
in % of sales	46.6%	47.0%	44.3%	
Operating income (EBIT)	54.4	58.2	54.7	-6.0%
in % of sales	25.9%	26.0%	22.7%	
Headcount as per end of fiscal year (full-time equivalents)				
	778	830	1'093	31.7%

¹ Before fiscal year 2015, no EBIT was reported at divisional level.

FINANCIAL PERFORMANCE

Continued growth

The Services Division continued its multi-year growth trajectory in 2019. Order intake rose by 6.7% (excluding acquisition effects -0.9%) to CHF 246.1 mn. Divisional sales grew 7.8% (excluding acquisition effects 0.1%) to CHF 241.3 mn, and now account for 38% of consolidated sales (previous year: 37%). Gross profit edged 1.7% higher to CHF 107.0 mn, resulting in a margin of 44.3%. This is well below the prior-year margin of 47.0%, mainly due to the clearly sub-par gross profit margin of Arkos Field Services. Excluding acquisition activity, the divisional gross profit margin was 47.7%. Operating income declined by 6% from CHF 58.2 mn to CHF 54.7 mn in the fiscal year under review, which is mainly attributable to the additional costs related to the further expansion of the divisional sales network as well as the dilutive effect of the EBIT from Arkos Field Services.

Burckhardt Compression won several long-term services agreements in the marine business, including a five-year agreement to service the compressors on nine LNG carriers.

MARKETS

In late November, Burckhardt Compression acquired the remaining 60% of Arkos Field Services, a provider of compressor services in the US. Arkos Field Services is now a wholly-owned subsidiary of Burckhardt Compression and serves our customers in the US as the country's only one-stop compressor manufacturer and services provider for every segment of the market – upstream, midstream and downstream. The US has the world's largest installed base of reciprocating compressors.

In March 2020, we signed an agreement with The Japan Steel Works Ltd., or JSW in short, to purchase its global compressor business. JSW is a conglomerate with operations in the steel, energy, and machinery manufacturing industries and the acquired compressor business accounts for 1% to 2% of its annual sales of CHF 1.9 bn. This transaction with JSW clearly strengthens Burckhardt Compression's market presence in Japan and bolsters the company's global leadership.

New long-term service agreements for marine assets were signed, mostly with customers in the Middle East, but this will not be reflected in reported sales until fiscal year 2020 and beyond. These long-term projects enhance the reliability and accuracy of our planning processes. As an example, a five-year

agreement was signed with a leading player in the LNG transport industry to service the Laby®-GI compressors aboard nine of its LNG carriers with the aim of forging a close and long-term partnership.

The Hyper Compressor services business in China, Japan and Korea also showed pleasing trends. Improvements in our key account management processes over the past year will likely lead to more service agreements going forward. On the innovation front, cloud applications were used for the first time for compressor monitoring purposes. Sealing and rider rings made of the engineering plastic material Persisto® for use in a wide variety of applications were also well received by customers.

Spare Parts

New orders for parts showed a slight decline in the year under review after the strong growth witnessed in the 2018 fiscal year. Customers are increasingly ordering spare parts for compressors made by Burckhardt Compression and other manufacturers in connection with the services we provide them. Customers continue to appreciate our multi-year efforts to build up the range of products and services we offer for other brand compressors.

Engineering/Revamp/Repair

The decline in the Spare Parts business was more than offset by the rapid growth of the Engineering/Revamp/Repair business. Long-term service agreements in this particular area help to fuel the continued expansion of the services business in general. We won major revamp contracts in Singapore, Germany and elsewhere. Repair processes and guidelines were standardized across the Group to ensure uniformity and enhance customer satisfaction.

Field Services

Our Field Services operations maintained the pleasing momentum from the previous year. With the full acquisition of Arkos Field Services, Burckhardt Compression has significantly increased its presence in the US market and advanced the global expansion of its services organization. Thanks to this transaction, we were also able to manage several major projects (offshore and onshore) with our own field service technicians.

Monitoring/Diagnostics

New system sales declined as customers were hesitant to invest in monitoring solutions during the year under review. Monitoring and diagnostics services showed renewed growth, however. Demand for leasing solutions also increased, reflecting an ongoing trend. We launched our first cloud-based moni-

toring solutions based on the Prognost system during the past year and they were very well received by the market.

CONTINUED EXPANSION OF SALES ORGANIZATION

The centralized quote management system introduced in 2017 and the new service engineering solutions continue to deliver the expected benefits. In the year under review we took further action to improve the efficiency of our sales processes by expanding our regional sales structures. Staff received special training in connection with the global sales development program initiated for both divisions. We increased our sales support operations in India for Prognost.

Our highly qualified field service representatives around the world are responsible for managing customer relationships and developing additional market opportunities. Under our new partnership model we are profiling ourselves as a local services provider, especially for customers in smaller but fast-growing markets with limited investment.

NEW SERVICE CENTERS

A new service center was opened in Slovakia in May 2019, from which Burckhardt Compression can offer compressor operators in Slovakia, the Czech Republic, Hungary, Poland and Austria a full range of services and repairs for all reciprocating compressor brands as well as hyper compressor services. A new service center was also opened in Guwahati, India, and new service centers were opened in Malaysia in partnership with Petroteam/IPS Australia and in Doha, Qatar, in partnership with OTC. The project to expand our component manufacturing capacity in Shanghai initiated in fiscal year 2018 continued throughout fiscal year 2019.

OUTLOOK

As already pointed out, we cannot yet determine the precise impact the global coronavirus outbreak will have on our operations in fiscal year 2020. We have not observed any major slow-down in demand for the products and services offered by the Services Division. Its supply chains are likewise still intact, despite some complications as a result of the coronavirus outbreak. Customers continue to take delivery of the products and services they have ordered from us and invoices are being paid.

The outlook for growth in our services business remains attractive:

- More and more customers are outsourcing service-related operations.
- The installed base of compressor units continues to grow.
- Compressor operators are seeking efficiency gains to sharpen their competitive profile, which requires retrofit and overhaul services.
- Predictive maintenance in conjunction with the continuous condition monitoring of compressor systems is growing in importance.

Therefore we believe that demand for a full range compressor services from a single source will grow more strongly than the spare parts business alone. Customers are increasingly expecting engineering solutions, competent on-site advisory services and tailor-made maintenance concepts, especially for installations at an advanced stage of their life cycle.

Customers are increasingly expecting engineering solutions, competent field advisory services and tailor-made maintenance concepts, especially for older installations.

In our Mid-Range Plan for 2018 to 2022, we expect the Services Division to achieve annual organic sales growth of 6% to 8%. Including the consolidation of Arkos Field Services, the divisional sales target for 2022 is CHF 360 mn. The target range for its EBIT margin is 20% to 25%. Growth priorities are services for compressors made by other manufacturers and people-driven services. To ensure success in this business, Burckhardt Compression has launched operational initiatives to strengthen customer relationship management, for example, and expand its local and regional service capabilities. Our ser-

vices capabilities will be expanded in the coming fiscal year, primarily in Latin America, Southeast Asia and Japan. Other measures include the expansion of its engineering and project management resources in the Services Division and the introduction of uniform processes and guidelines for all service center locations.

A large number of LNGM vessels were commissioned in recent years and the maintenance and spare parts needed are becoming business potential for Burckhardt Compression. This represents a new business opportunity for Burckhardt Compression. Long-term service agreements covering the entire life cycle of the compressor installations are particularly interesting here. From a geographic perspective, the Asia-Pacific region offers the most opportunities for growth, given the many new systems that have been installed in the region during recent years. In North America, we will benefit from our increased service capabilities following the integration of Arkos Field Services. Looking further into the future, we believe that preventive maintenance services in connection with compressor monitoring solutions will be an attractive growth driver. Service support for CNG fueling stations (CNG: compressed natural gas) and hydrogen gas solutions have also emerged as new pockets of growth for our company. We will make systematic use of digitalization to launch new services and applications. The main aims here are to improve our ability to access and mine company and customer data and improve our communication and optimize our business processes. Our online customer platform will be upgraded during the current fiscal year and a mobile solution will be introduced for our field service technicians.

Last year's achievements indicate that the Services Division is on the right track. The market response to the expansion of our service presence and our engineering and project management resources was very positive. Our engineering capabilities were clearly expanded. We also broadened the range of training courses for our own employees and our customers' service and maintenance technicians.

The detailed customer satisfaction survey conducted for the first time two years ago was repeated during the fiscal year under review. The results of this survey confirmed that our strategic initiatives are producing the intended results. The target groups of this survey were our customers' service and maintenance technicians and other employees with a technical background as well as procurement specialists. The survey showed that our customers are very satisfied with the competence of our field service specialists and the quality of the spare parts we make. These findings were evaluated with inputs from all of our country organizations and specialist units; appropriate corrective measures were taken where necessary.