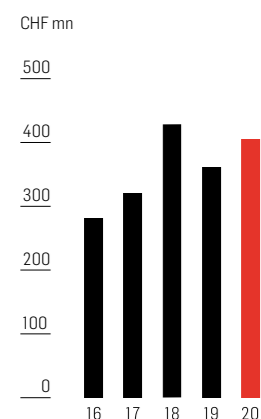
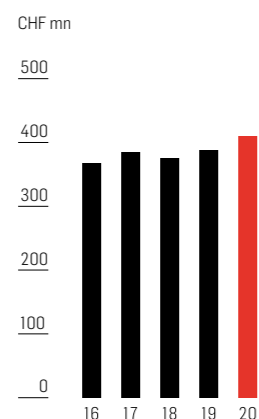


SYSTEMS DIVISION REVIEW OF THE FISCAL YEAR

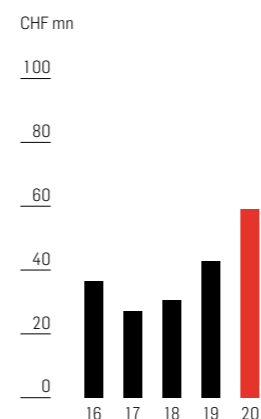
ORDER INTAKE



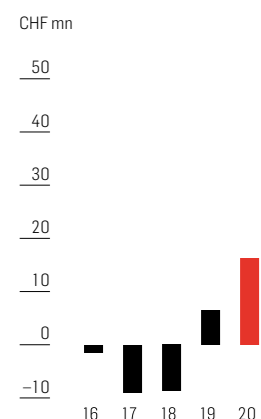
SALES



GROSS PROFIT



OPERATING INCOME (EBIT)



FIGURES

	2018	2019	2020	Change 2019/2020
in CHF mn				
Order intake	428.0	361.2	404.6	12.0%
Sales and gross profit				
Sales	375.4	388.3	409.8	5.5%
Gross profit	30.5	42.8	59.1	38.1%
in % of sales	8.1%	11.0%	14.4%	
Operating income (EBIT)	-8.7	+6.4	+16.2	151.2%
in % of sales	-2.3%	+1.7%	+3.9%	
Headcount at end of fiscal year (full-time equivalents)	1'506	1'517	1'429	-5.8%

After a weak first half, order intake at the Systems Division increased significantly in the second half of the year, resulting in a clear year-on-year rise for 2020 as a whole. This is mainly due to the strong recovery of the Chinese market, as well as the performance of the Petrochemical/Chemical Industry and Gas Transport and Storage sectors. Despite the significantly lower capacity utilization resulting from the temporary drop in order intake, the overall gross profit margin increased more than 3 percentage points compared to the previous year. Sales increased for the year as a whole and the EBIT margin more than doubled. This improved profitability is the result of operational improvements, a favorable product mix with higher margin projects, and the fact that the final additional costs incurred in the LNGM business were lower than in the previous year.

MARKETS

Burckhardt Compression offers compressor system solutions in the following application areas:

- Gas gathering and processing
- Gas transport and storage
- Marine
- Refinery
- Petrochemical/chemical industry
- Industrial gases/H₂ mobility and energy

Despite continued tough competition and the impact of the coronavirus pandemic, Burckhardt Compression kept its leading market position in the 2020 fiscal year. The company won major orders for LDPE lines and LNG terminals in China. In South Korea, we gained a large contract for a hydrogen liquefaction plant. A customer from Singapore ordered eight low-pressure compressor systems for new container ships in order to reduce its sulfur dioxide and CO₂ emissions. In the refinery sector an order was acquired for a hydrocracking plant in North Africa.

Gas gathering and processing

Investment levels continued to fall in this application area owing to lower crude oil and natural gas prices.

Gas transport and storage

The LNG (liquefied natural gas) market continued its positive trend, opening up further potential market opportunities for Burckhardt Compression. The increasing importance of large LNG tankers reflects growing global demand for cleaner and cost-efficient energy. Operators of both freight and cruise ships are having to meet ever more stringent environmental standards. Much stricter limits were introduced last year on emissions of nitric oxide and sulfur, for example. Burckhardt Com-

pression has carved out a large market share in the LNG-fueled ship sector in recent years: alongside solutions for ME-GI engines, the company has been providing products for X-DF engines for some time now. Both systems allow ship operators to switch between diesel fuel injection, and injection of the boil-off gas that is already produced on board. The new products we launched for marine applications during the 2020 fiscal year – for LNG tankers as well as for commercial and cruise ships – were very well received by the market.

Refinery

Lower oil consumption prompted numerous companies in this sector to review expansion plans and postpone previously announced projects. Towards the end of the year, however, some companies launched projects to help them comply with stricter environmental standards. The pressure on margins among refinery operators is favoring the trend towards integrated production concepts along the whole value chain. Major nations are also planning to reduce their dependency on imported refinery products by increasing the proportion of local value creation. This will benefit the compressor business.

Chemical and petrochemical industry

The dominant factor in this application area is the growing worldwide demand for products made of industrial plastic, which is driving an expansion of production capacities, combined with a trend towards greater local value creation, not least in China. This should mean that order intake will rise in coming years. The lower consumption resulting from increased recycling of everyday products is more than offset by greater demand for high-end plastic products.

Industrial gas/H₂ mobility and energy

Experience shows that the various client industries in this sector grow more or less in line with global GDP. Plans to reduce CO₂ emissions and the desire to switch to greener energy led to growing interest in the use of hydrogen as a fuel. Hydrogen could potentially make a large contribution to the decarbonization of the economy, impacting everything from transport to steel production. Accordingly, researchers and practitioners have launched numerous initiatives and specific projects aimed at the further development of this energy carrier. Compressors play a key role in the hydrogen logistics chain. Burckhardt Compression has decades of experience in hydrogen compression and has been offering specific solutions for this type of application since 2019. It is not yet a mature market, but the long-term potential is enormous.

DISTRIBUTION

The switch three years ago to selling new machines through a decentralized structure with regional responsibility for customer relationships and project negotiations (Front Sales), combined with regional centers for the preparation of technical offers (Application Engineering), has continued to prove successful. With growing interest in solutions for H₂ mobility, Burckhardt Compression significantly intensified its sales activities during the 2020 fiscal year, particularly in Western Europe and North America.

INFRASTRUCTURE

Shenyang Yuanda Compressor's new factory in Shenyang, China, was completed as planned at the end of September 2020 despite a six-week break prompted by the coronavirus pandemic. It replaces the two previous sites and is around 60% larger. The new factory is an investment in the future of our systems business. It allows us to structure our workflows and processes in accordance with the latest standards, thus making our operations even more efficient.

OUTLOOK

The Systems Division defended its leading market position in the 2020 fiscal year. There were various new compressor developments – including an oil-free high pressure Laby compressor for LNG tankers with high pressure systems, and a new compact Laby compressor for low pressure systems on LNG tankers, freighters, and cruise ships – which helped us to improve our leading position in the marine sector still further. The increasing standardization and modularization of different products allows us to further optimize costs. Thanks to its many years of experience with hydrogen and its wide range of products, Burckhardt Compression is able to take a leading role in the rapidly growing market for H₂ mobility and energy.

Viewed by area of application, the Gas Gathering and Processing sector should see somewhat higher levels of investment now that crude oil and natural gas prices are up again and consumption is rising. Within the Gas Transport and Storage sector, the continuing, and recently even stronger, trend toward more environmentally friendly and cost-effective energy should ensure a positive performance. With projects deferred in the fiscal year 2020, the Refinery business is likely to experience some catch-up demand this year, supported by efforts to comply with stricter environmental standards. Turning to the Petrochemical/Chemical Industry, order intake is expected to rise

over the coming years as demand grows for industrial plastic products. The Industrial Gases/H₂ Mobility and Energy sector is diverse, but ultimately it is heavily influenced by global economic growth, which should rise again once the coronavirus pandemic is under control. Hydrogen solutions for mobility and energy, which Burckhardt Compression also offers, are set to become increasingly important.

The lower order intake of the Systems Division in the first half of fiscal year 2020 will create significantly weaker first half-year sales in fiscal year 2021. The higher second-half order intake in the fiscal year 2020 of the Systems Division will only materialize in sales for the second-half of fiscal year 2021 and beyond.