Starrag Group

Annual Report
2020

2020 Challenges lead to new strength

The Covid-19 crisis has posed major challenges for a number of companies, and ours is no exception. We have not only been impacted in an economic sense, but also in terms of operational solutions in the areas of service and sales. The past year has clearly demonstrated the importance and value of a professional, digitally networked service and sales organisation – one that still functions even when circumstances make personal contact with the customer difficult or effectively impossible.

Find out how Günther Eller, the head of customer service, and Alexander Attenberger, the chief sales officer, dealt with this difficult situation on the following pages.

Helping others to help themselves: In Advanced Maintenance Training, Starrag shows how a spindle change can be carried out without the otherwise necessary complete disassembly of a C-axis.

Service precisely what you need – strategies for the road to recovery

A service that is agile in adapting to changing macroeconomic situations, but also to internal company situations, can be essential for survival, especially in times of major fluctuations in production.

In order for manufacturing companies to be able to continue to work efficiently in these times, an adapted service strategy is required from the machine supplier. But what does this look like when travel is limited and responsibility for one's own employees is also taken very seriously?

Provision for failures

In principle, nothing about the concept has changed. The service strategy established by Günther Eller, the head of customer service, continues to apply. Two years ago, Eller laid out this strategy in an interview: "We offer our customers service solutions tailored to their needs. This means that our service often starts before any failure actually occurs. We use a wide variety of measures to ensure that machines rarely or never break down". Customer training, condition monitoring, regular predictive and preventive maintenance by Starrag experts through to customer-specific Service-PLUS concepts are the tried and tested instruments for preventing unplanned downtimes and maintaining the value of the machines. But in the event there is still an unplanned incident…

Teleservice and remote diagnostics

Customers can use the Starrag Service Hotline to speak to staff directly. Starrag has an extensive infrastructure for providing remote service, which enables staff to quickly and reliably assist the customer with any kind of machine malfunction via the Internet or the service hotline. Specialists analyse the current machine condition and use this information to help eliminate faults. In times when travel restrictions are in place, this service can be extended to include remote repair.

Agile transport logistics provide a reliable parts supply

This strategy has proven successful for many years, so it is also remaining unchanged. The only new approach that Starrag is taking is to adapt almost every day to the changing conditions worldwide. All global Starrag logistics centres are still open and responding rapidly to new challenges in terms of transport logistics – from limited flights to long queues at the borders.

Deploying technicians to customer sites

The Starrag Field Service will of course continue to carry out service assignments as far as this is permissible and possible in the current general conditions. Starrag currently also has resources available to carry out spontaneous maintenance on machines that are not being used due to the Covid-19 crisis.

The aim of all measures remains to be able to offer customers measurable added value when it comes to service, even if the external influences have become more challenging.

“With predictive and preventive maintenance, machine productivity can be decisively optimised.”

Günther Eller, head of customer service

"Ultimately, it's all about optimising the customer's manufacturing solution. That's how we make the difference."

Alexander Attenberger, CSO

When the salesperson is a "chip off the block"

You might be under the impression that salespeople are ice-cold, calculating number crunchers who will do anything for profit. Yet Alexander Attenberger, the new Chief Sales Officer (CSO) of Starrag, fights against this stereotype every day. Here's a profile of a top salesperson who knows the true value of practical experience – to the point where he can still feel the coolant on his hands.

"It's a heart-warming moment when you're attending an air show or are in a stadium, and the US military is doing a flyover with the F-35", remarks Alexander Attenberger enthusiastically in the British insider magazine Aerospace Manufacturing. Pride and joy are understandable; after all, this is a showcase project. Starrag supplies around 60 machine tools which are used to produce important components for the F-35 Lightning II stealth supersonic jet.

Experience gained from the ground up

It's not hard to immediately sense the enthusiasm for technologically demanding projects in this 43-year-old master precision mechanic from the Altötting district east of Munich. Attenberger has a wealth of experience to look back on: "While working as a production manager, I also acquired a qualification in business administration. "So I really come from practical experience – with coolant still on my hands". He then also learned sales from the ground up, eventually rising to become a manager at a large German machine tool manufacturer, where he played a key role in building up its international sales.

Bringing the "family" closer together

Attenberger is perhaps just as much at home in both production and at management level as he is in the mountains: the keen mountain biker and skier moved to Starrag's headquarters in Rorschacherberg in the summer of 2020, laying down new roots after eight years.

In spite of the lockdowns, Attenberger quickly settled into the Swiss company with its ten different product divisions. "I didn't need a secret recipe to motivate the salespeople of the different Starrag product ranges," notes the CSO with satisfaction. "We have motivated salespeople and good products. The challenge now is to bring our 'family' closer together". To this end, he wants to provide salespeople with the necessary tools of the trade and "sharpen sabres" for them to use, so that they can position themselves for success "in what is a particularly tough competitive battle at present". He considers the further digitalisation of sales to be an important means of achieving this goal. "Nowadays, customers want a response more quickly than ever when they have an order", says the CSO.

"It's now up to us to rapidly provide solutions for the customer and make sure that they're 'to the point'".

The Starrag claim of "engineering precisely what you value" also resonates here, where it's not necessarily all about the machine. Attenberger explains: "We filter out the things that actually hurt our customers. For example, we might ask the question: Are they having issues with precision or productivity? Whatever answer they give, we aim to offer the customer a solution that's precisely tailored to fix it".

Content

High-precision machine tools for greater productivity

Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling, turning, boring and grinding workpieces of metallic, composite and ceramic materials. Principle customers are internationally active companies in the Aerospace and Turbines, Industrial and Transportationas well as Luxury Goods and Med Tech sectors. In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer quality and productivity.

The umbrella brand Starrag unites the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, Heckert, Scharmann, SIP, Starrag, TTL and WMW. Headquartered in Rorschach/Switzerland, Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and has established a network of sales and services subsidiaries in the most important customer countries.

The shares of Starrag Group Holding AG are listed on the SIX Swiss Exchange.

Dear shareholders

The coronavirus pandemic heavily affected how Starrag Group and the machine industry as a whole performed in 2020. As already announced in the course of the financial year, order intake, sales and income fell in 2020, with a modest recovery becoming apparent in the second half of the year. At the same time, major progress was made in strengthening Starrag Group internally.

Overall, the order intake amounted to CHF 192 million in 2020, down 44% on the previous year (42% at constant exchange rates). Annual sales of CHF 297 million fell short of the previous year's figure by 29% (27% at constant exchange rates) owing to the lower level of new orders.

Operating earnings before interest and taxes (EBIT) came to CHF 1.3 million, or 0.4% of sales (compared with CHF 4.8 million and 1.1%, respectively, in the previous year), with the second half of the year being slightly more successful than the first. At CHF -0.6 million (CHF -0.19 per share), net income was also down. This was primarily due to the fall in EBIT. Compared with the net income of CHF 6.9 million in the previous year, it should be remembered that tax provisions were removed in 2019 owing to the reform of corporation tax in various cantons.

The equity ratio – which was already solid even before the year began – stood at 55% at the end of the year under review, surpassing the average level of the past few years. Net liquidity increased considerably to CHF 6.6 million, up from CHF 0.6 million in the previous year.

Major progress in strengthening the Group internally

Major progress was made in strengthening Starrag Group internally in the year under review, which will be reflected in future results. There were three crucial factors in this respect: operational excellence improving significantly; the Group as a whole growing closer together in the context of the changes in the management team; and the focus on our existing strengths in application expertise being stepped up. Together with the measures to reduce expenditure that were announced in the last Half-Year Report, just over CHF 20 million was saved in the year under review.

Customers benefiting from industry-leading products

The outlook remains bright in the market segments that Starrag focuses on. The Aerospace segment in particular will recover significantly as the pandemic abates. Our technology is designed to increase the profitability of customers substantially in its applications.
Following the strategy that we have been pursuing and the systematic implementation of the "Starrag 2021" programme initiated in 2019, we are sticking to our medium-term objectives of a growth in sales of 5% and an operating margin of 8%, albeit over a longer time horizon than originally envisaged.

High marks for value reporting and corporate governance

In the yearly ranking of annual reports conducted by HarbourClub in conjunction with the Swiss business magazine "Bilanz", our 2019 Annual Report ranked 42nd out of a total of 241 listed companies in the Value Reporting (Print) category. In Inrate's zRating for 2020, which rated the corporate governance of 172 listed companies based on numerous criteria, Starrag Group did superbly in coming 16th – ten places higher than in the previous year.

Changes on the Board of Directors and Executive Board

At the 2020 Annual General Meeting, Michael Hauser took over as Chairman of the Board of Directors from Walter Fust. He had already been a member of the Board of Directors since 2018, serving as Vice-Chairman since 2019.

In the year under review, Starrag Group's long-time CFO Gerold Brütsch decided to continue his professional career elsewhere. The Board of Directors and Executive Board would like to thank him for everything he has done. He was succeeded on 1 September 2020 by Thomas Erne, who had been Regional CFO Europe at DMG MORI Europe AG since 2015.

The contract of Marcus Queins, who had been head of the Large Parts Manufacturing Systems business unit since 2019, was terminated by mutual consent. He relinquished his management positions on 30 June 2020. The Board of Directors and Executive Board would also like to thank him for his valuable contribution.

Outlook

2021 will continue to be shaped by coronavirus, especially as the impact of the new mutations of the virus cannot yet be gauged. All the same, the relevant industry associations are cautiously optimistic, partly because the second half of 2020 turned out to be more positive than initially assumed. The VDMA, for example – the umbrella association of the German machine industry – expects production to increase by around 4% in 2021.

In the current financial year, we will continue to benefit from the progress made in pursuing the "Starrag 2021" programme and take additional measures to bring about a sustained increase in profitability. In addition, new orders started to rise again slightly in the second half of the year, and there are currently signs that more projects are potentially on the horizon. On this basis, the order intake in 2021 should be higher than in the previous year. Sales are likely to be about the same as in 2020 owing to the lower level of new orders in the previous year. The results should at least equal the previous year's figures.

Our Group, which continues to be on a stable financial footing, has proved to be resilient even during the pandemic, and the management team is convinced that it is well equipped for the future recovery on the markets.

Dividends

At the Annual General Meeting on 23 April 2021, the Board of Directors proposed that no dividend be paid owing to the results in the year under review. In this context, it should be remembered that the Board of Directors had already decided last April to cut the fixed compensation paid to members of the Board of Directors for the 2020 financial year by 20% and that paid to the Executive Board by 10% for the remaining months as of May.

Thanks

We sincerely thank all our staff, who have gone the extra mile to ensure business continuity this year under extraordinary external circumstances. We would also like to thank our customers and suppliers, as well as our valued shareholders.

Michael Hauser
Präsident des Verwaltungsrats

Dr. Christian Walti
CEO

At a glance

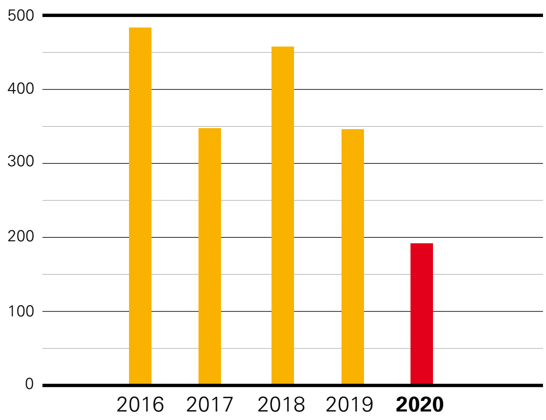
As aspected, lower order intake and sales with lower EBIT margin due to market effects in 2020

- Order intake down 44% to CHF 192 million (down 42% at constant exchange rates)
- Sales down 29% to CHF 297 million (down 27% at constant exchange rates)
- Order backlog reduced to CHF 174 million
- Operating result EBIT at CHF 1.3 million vs. CHF 4.8 million in 2019, EBIT margin 0.4% vs. 1.1% in 2019
- Net income minus CHF 0.6 million vs. CHF 6.8 million in 2019
- Solid balance sheet with 55% equity ratio
- Consistent cost management partially cushioned the decline in earnings

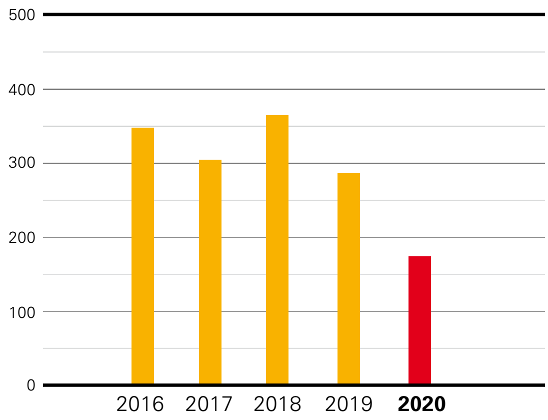
CHF m	**2020**	2019	Change
Order intake	192.5	343.2	-43.9%
Order backlog end of the year	173.7	284.3	-38.9%
Sales revenue	297.1	418.1	-29.0%
Operating result EBIT	1.3	4.8	-73.7%
Net result	-0.6	6.9	-108.8%
EBIT as percentage of sales revenue	0.4%	1.1%	n/a
Cash flow from operating activities	11.0	10.5	5.0%
Capital expenditure in non-current assets	5.2	5.1	2.2%
Free cash flow	6.2	8.3	-26.0%
Employees (full-time equivalent, on a period average)	1'415	1'514	-6.5%
Total assets	317.5	334.6	-5.1%
Net cash	6.6	0.6	917.1%
Shareholders' equity	175.5	178.1	-1.4%
Equity ratio	55.3%	53.2%	n/a
Return on equity ROE	-0.3%	3.9%	n/a
Earnings per share (in CHF)	-0.19	2.02	-109.3%
Profit distribution per share (in CHF)	0.00 [1]	0.00 [2]	n/a

[1] Proposal of the Board of Directors to the Annual General Meeting on 23.04.2021 to waive a dividend.
[2] In accordance with the resolution of the General Meeting of 25.04.2020, no dividend was distributed.

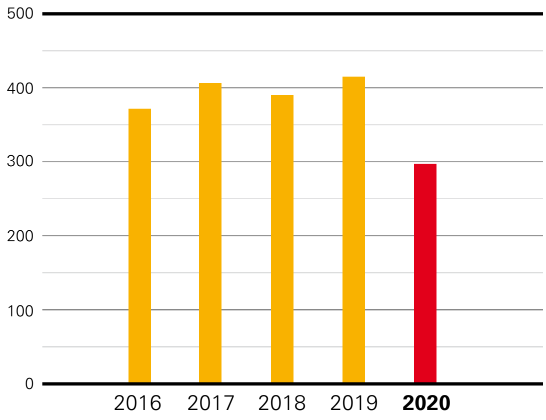
Order intake
CHF m



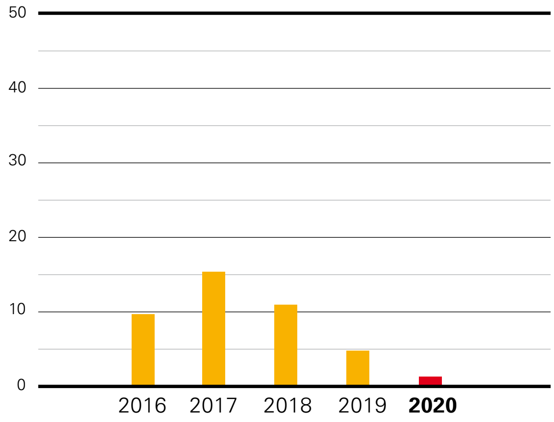
Order backlog
CHF m



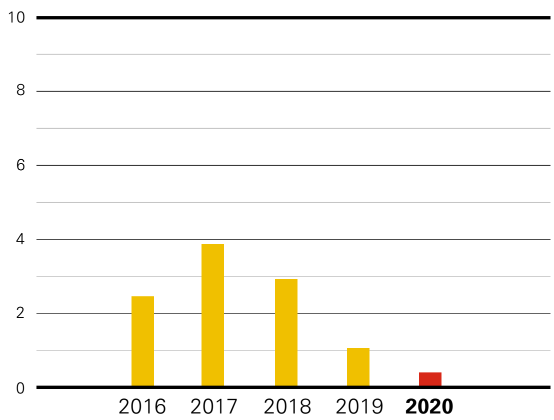
Sales revenue
CHF m



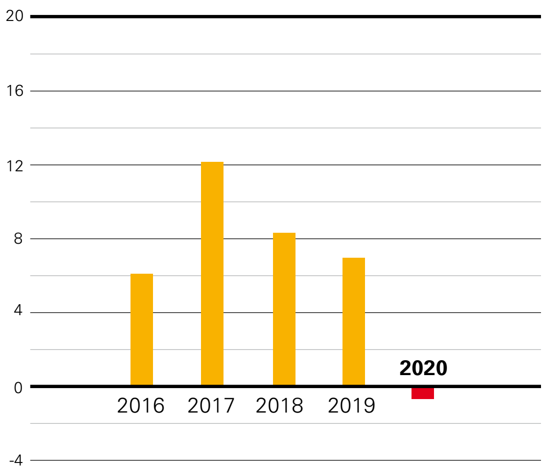
Operating result EBIT
CHF m



EBIT as percentage of sales revenue
%

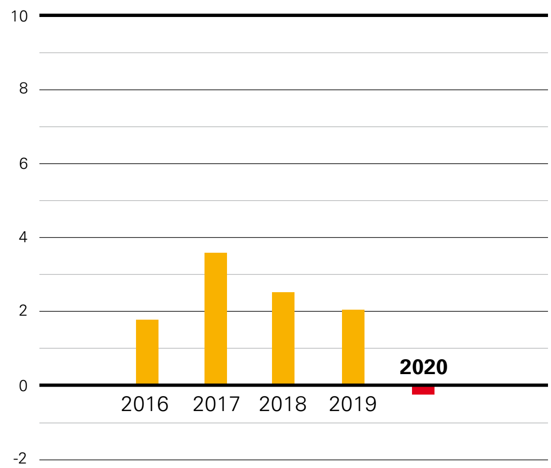


Net result
CHF m

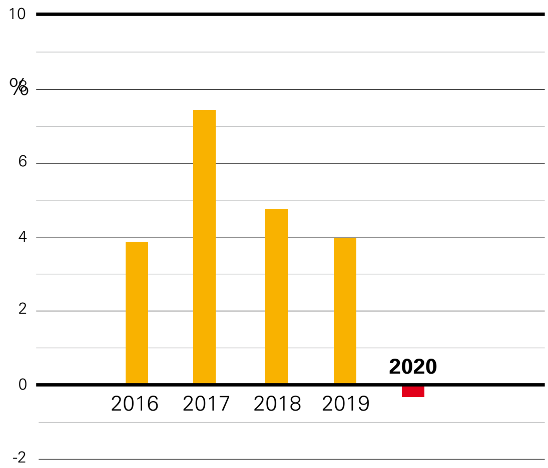


Since 2017, the financial statements of Starrag Group have been prepared in accordance with the Swiss GAAP FER accounting standards.

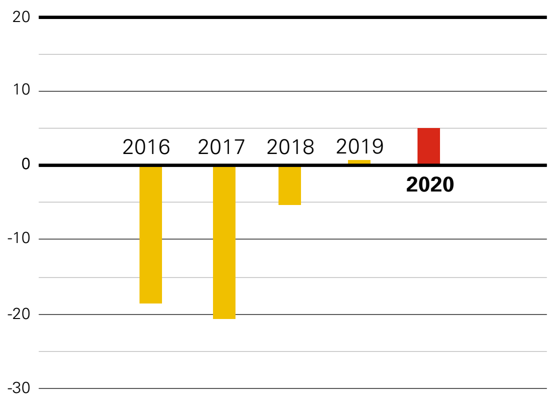
Earnings per share
CHF



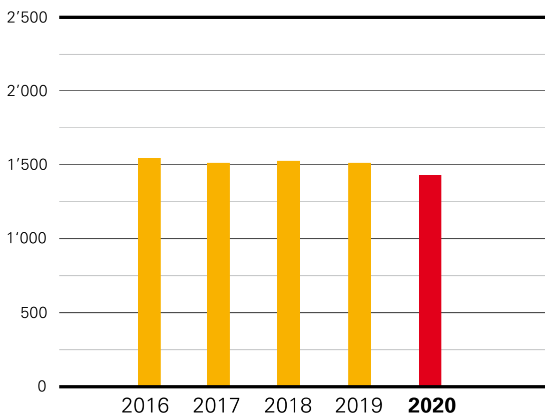
Return on equity
%



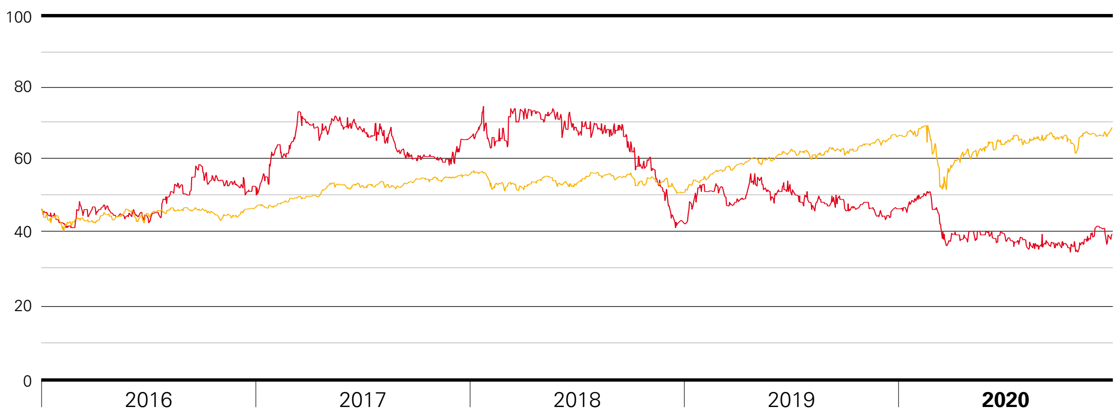
Net cash
CHF m



Employees
full-time equivalents, annual average



Share price
CHF



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Highlights

New manufacturing solution for complete machining of planetary gear carriers

In conjunction with a robotic cell, two Heckert five-axis horizontal machining centres produce process-intensive planetary gear carriers. Setup times are hardly significant, and the automated pallet, gripper and tool handling as well as the intelligent choreography of the individual machining steps ensure the shortest possible process and throughput times.

Voith benefits from a high degree of precision, efficiency and process reliability which enables the company to increase its productivity, reduce unit, tool and equipment costs and save production space. No other manufacturing solution on the market currently offers such a deep level of process integration. The two Heckert T45 machining centres are therefore able to fulfil machining requirements consisting of turning, milling and drilling in one clamping operation.

Based on an annual output of 50'000 parts, customers with this system can halve the process time involved. Depending on the application, the user is able to increase their productivity per unit area by up to two and a half times, reduce tool costs by around a quarter and at the same time reduce fixture costs by 50%.

Machining toothed planetary carriers on the Heckert T45 by means of gear skiving is up to eight times faster than gear shaping.

TecTalk

The 2020 financial year also brought new challenges for marketing. Due to numerous restrictions, important direct contact options such as trade fairs and events were cancelled. As a result, B2B marketing experienced a real push towards digitalisation, which will continue in the future.

Starrag met this challenge with flying colours and further developed its online marketing strategy. In addition to the expansion and optimisation of the existing digital platforms, two new formats were established in the form of "Star Digital" and the interview series "TecTalk".

The new TecTalk format is also aimed specifically at this dynamic experience of the Starrag Group. The TecTalk series is an interview series for which Starrag was able to attract the involvement of the well-known presenter Miriam Rickli. Ms Rickli guides interested viewers through current technology topics, as well as conducting interviews in customer plants. These interviews are published at monthly intervals on a dedicated landing page, as well as on all of Starrag's social media channels.

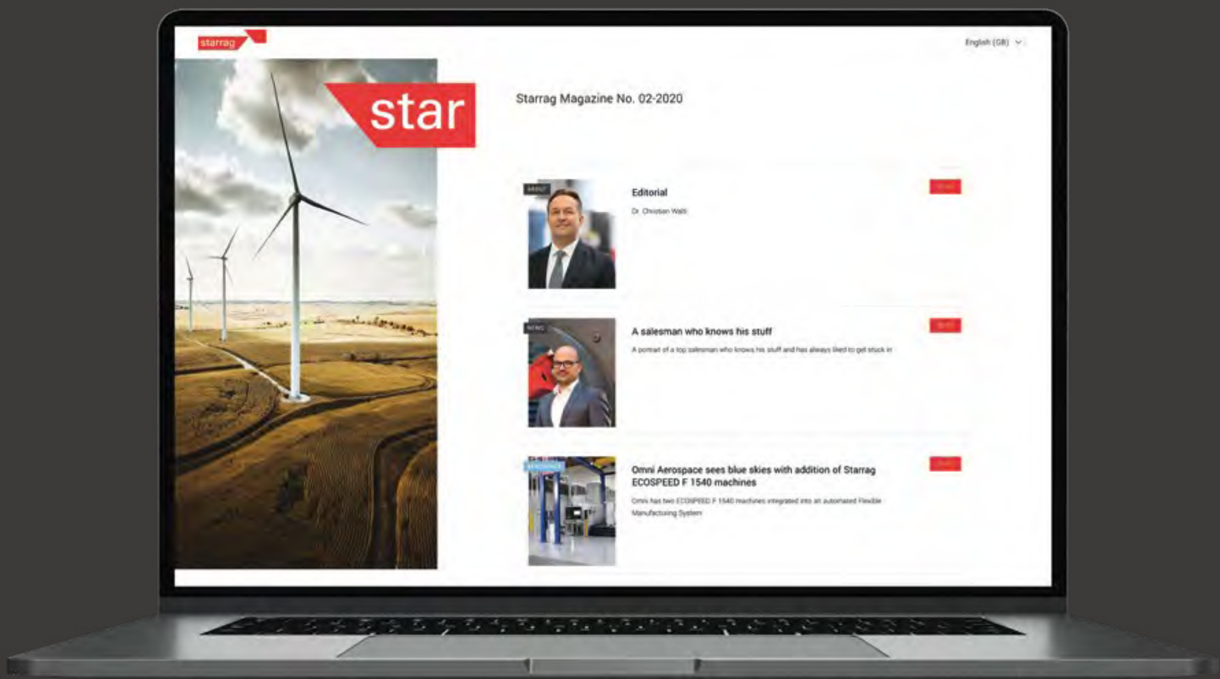
The first TecTalk with Miriam Rickli and Patrick Berhalter, CEO and owner of Berhalter AG

The pandemic has changed the way we communicate: Home offices and digital communication platforms are now in place in almost every company and will continue to be an integral part of communication in the future. Starrag has embraced these new challenges and will continue to find new ways to support its customers in 2021 through these new communication channels.

Episode 2: Günther Eller,
Head of Customer Service

Star Digital

Another goal on the road to digital communication was achieved in 2020 with the appearance of the first "Star Digital". This adds an interactive component to the well-known print magazine of the Starrag Group.



By networking with other articles, the web presence and the social media channels of Starrag creates a lively mix of media that allows customers to obtain comprehensive information about content that is relevant to them. The integration of videos and additional image galleries also allows customers to experience Starrag products dynamically.

Successful education and training

2020 award ceremony of SACHSENMETALL together with the Johann-Andreas-Schubert Foundation. The Starrag Group also attaches great importance to basic vocational training. The worthwhile nature of this commitment is regularly demonstrated by the honouring of trainees at different locations.

Max Weinert
Training as a specialist in warehouse logistics
Starrag GmbH, Chemnitz

Max Weinert is one of the best trainees in Saxony's metal and electrical industry – he and his colleagues have impressed on account of their outstanding skilled worker qualifications. Due to the Covid-19 situation, the awards were unable to be presented during the SACHSEN-METALL General Meeting, but will be handed over individually to the trainees.

Company profile

Vision and strategy

Starrag Group is a leading manufacturer of highly productive and sustainable comprehensive solutions for precision milling machine tools. Its preferred partners are internationally active companies in the Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech) sectors. It offers a comprehensive range of high-end precision machine tools, which includes the most up-to-date technology and services and generates significant and lasting quality and productivity gains for the customer. Starrag Group is pursuing the following strategic objectives to make this vision a reality:

- Concentration on clearly defined market segments
- Consistent focus on customers and their individual needs
- Concentration on the top-quality segment through technological and service-orientated leadership
- Qualified and motivated employees
- High internal flexibility
- Solid financial basis
- Innovative management

We focus on the most promising market segments and regions – i.e. those with the best growth and earnings potential, namely the priority markets that are Europe, the US and China – paying particular attention to the aspect of services.

"Starrag 2021" programme

The Group's inherent growth and earnings potential has hitherto not been exploited consistently enough. This challenge has been recognised and is reflected in the "Starrag 2021" programme with a clear ambition to achieve the medium-term growth and earnings targets as quickly as possible and sustainably. An even stronger focus on the needs of the customer, an increase in competitiveness and a comprehensive optimisation of the entire value chain are at the heart of this so as to bring about a sustainable improvement in operational excellence throughout the Group and ultimately a clear and long-term improvement in profitability. Specifically, "Starrag 2021" focusses on optimising the product portfolio, taking full advantage of potential synergies, strengthening corporate governance and improving project management.

In order to achieve these objectives, a new group structure came into effect in mid-2019 that is even more heavily geared towards the requirements of the target markets than before. Accordingly, the management structure is composed of four operating business units that are geared towards products and applications, as well as three group-wide areas. The business units have been restructured according to product areas (clusters) with a view to exploiting synergies:

- High performance systems: Product areas Starrag, Ecospeed, TTL
- Horizontal machining systems: Product areas Heckert, Scharmann/Ecoforce, WMW
- Large parts machining systems: Dörries, Berthiez, Droop+Rein
- Ultra precision machining centres: Bumotec, SIP

These four business units concentrate on development, project engineering, order fulfillment, design, operational purchasing, final assembly, delivery and customer acceptance in terms of the services offered.

The three areas under group-wide management are Customer Service, Group Operations (synergy exploitation in supply chain management, strategic purchasing, manufacturing and assembly of components) and Sales with three teams for the Aerospace, Energy, Transportation and Industrial sectors. The regional sales organisations are also allocated to the central sales area.

Market positioning

The strategic focus determines Starrag Group's market positioning, which can be summarised in the following claim:

"Engineering precisely what you value". On the one hand, this claim expresses one of Starrag Group's most important core competencies: Engineering – the outstanding capabilities of our employees enable us to manufacture machine tools for the upper quality segment which stand out for the top performance that they provide and, in particular, their precision. We also offer all associated services for this segment.

Precisely – stands on the one hand for precisely this precision and on the other hand for our consistent customer focus. Our customers receive individual solutions that provide them with added value and for which they are also willing to pay: What you value!

No more, but also no less. We work consistently to focus our work on bringing profitability, growth and security to our customers and their needs, in the sense of a partnership that is reliable in every respect.

Brand strategy

The umbrella brand Starrag unites the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Eco-speed, Heckert, Scharmann, SIP, Starrag, TTL and WMW. The common brand stands for the four core values that apply throughout the Group and are lived by: competent, focussed, dynamically and successful in partnership. It expresses a shared understanding of our objectives, values and services. With regard to the market, this means individual customer solutions based on common values.

Customer sectors

Starrag Group's products and services are concentrated on the four customer sectors, i.e. Aerospace, Energy, Transportation and Industrial. These sectors are sub-divided into 11 market segments according to the applications specifically requested.

Aerospace

Aerospace comprises the market segments Aero Engines, Aero Structures and Avionics.

The Aero Engines market segment

Designing aircraft engines requires maximum efficiency, low kerosene consumption and lower noise pollution. This requires ever-greater precision in the cutting of challenging raw materials for the production of turbine elements such as engine blades, blisks and casings. As a long-term partner to the engine industry, Starrag Group has the necessary expertise to achieve this.

In the area of engine reconditioning, the repair of blades and blisks plays an important role, since these are produced from very expensive raw materials and semi-finished products, making repair preferable to the production of new components. With the help of our software and engineering solutions, flow components such as these can be overhauled in a fully automated, reliable and cost-effective process.

The Aero Structures market segment

Rising kerosene prices and increasing environmental awareness call for lighter, quieter, more cost-efficient and more economical aircraft with lower emissions and pollution. For all manufacturers and their suppliers, this means ever-more complex and larger, integrated structural components. These must be manufactured reliably within narrow tolerances and within short cycle times under constant process monitoring.

This is where our machines for heavy-duty cutting, high-performance cutting and complete machining are very much in demand. Our machines are used to manufacture highly stressed structural components such as landing gear components, critical primary structural components in the area of the fuselage, steering gear and wings.

The Avionics market segment
Avionics is a collective term for the electrical and electronic systems used on aircraft and satellites. Flight control, management, communications and navigation systems are the main avionics systems in use today. Avionics systems are highly complex and extreme precision is required. Starrag's machine tool competencies in this market segment are in the areas of injection systems, combustion chambers, gyroscopes and flight control components.

Energy

Energy comprises the market segments Oil & Gas, Power Turbines and Renewables.

The Oil & Gas market segment
In the field of oil and gas exploration, large ball stop valves for gas and oil pipelines, complex boring heads and other safety components are manufactured on our machines. We are in a position to cover the entire value chain – from extraction and conveying (upstream) through transport and storage (midstream) to further processing and refinement (downstream). The spectrum of products and customers is similarly broad – from classical end products such as pumps, valves, fittings and compressors to boring equipment for the extraction of raw materials. Such products are also used in petrochemical plants, in the field of transport and water treatment, and in many other industrial sectors.

The Power Turbines market segment
In the field of turbo machine engineering, Starrag Group has the most experience in the machining of high-precision flow components. The same applies to the production of complex housings for steam and gas turbines. The combination of multiple machining technologies in a single machine is also becoming increasingly important. The components to be manufactured must satisfy ever-stricter requirements; they are becoming more complex and are increasingly manufactured from materials that are difficult to machine.

Renewables market segment
Thanks to a clear focus on applications such as gearbox housings, planet carriers, torque arms, large bearing or Pelton turbines, we are able to create measurable added value in the renewable energy sector, for example in the wind energy sector.

Transportation

Transportation comprises the market segments Heavy Duty Vehicles & Engines and On-Road Vehicles.

The Heavy Duty Vehicles & Engines market segment
Starrag Group specialises in the machining of drive components such as transmission and engine components, axles and other prismatic chassis components. These are produced in a highly productive process, ideally in small and medium-sized series. To reduce manufacturing times and increase workpiece quality, complete machining with the minimum possible clamping is becoming increasingly important. We have responded to this trend with the use of quills and our newly developed continuous swivel heads. In this segment, we concentrate on agricultural vehicles, construction machinery, railway technology and large diesel engines for stationary applications.

The On-Road Vehicles market segment
This segment comprises technical solutions for the production of high-precision vehicle components for cars, lorries, buses and motorcycles. The trend towards electric mobility has also opened up new application possibilities. The focus is on the series manufacturing of precision components such as cylinder blocks and heads, transmission housing,

crankshafts and other drive train components. Customers attach particularimportance to reducing unit costs. Thanks to automation solutions for handling workpieces between the different stages of machining, and the integration of test, cleaning and assembly systems and equipment, cost-effective holistic solutions can be achieved.

Industrial

Industrial comprises the market segments Industrial Components, Luxury Goods and Med Tech.

The Industrial Components market segment
This segment includes components for machine tools, packaging machines, printing machines and plastics machines, as well as hydraulic and pneumatic aggregates. Here, too, there is a trend towards more complex workpieces. Optimised components call for new, innovative manufacturing concepts that simplify the production process with maximum precision and guaranteed quality, and which increase cost-effectiveness and are extremely flexible in operation. Starrag Group meets these requirements with machining centres that combine different machining technologies in a single machine.

The Luxury Goods market segment
In the Luxury Goods segment, the spectrum of base materials ranges from hard ceramics to precious metals and stainless steel. Frequent changes in the manufactured products and ever smaller lot sizes require maximum manufacturing flexibility. As many machining steps as possible must be performed in the same clamping position in order to achieve the necessary precision and surface quality for the expensive end products. Starrag Group offers machining solutions for many watch and jewellery components.

The Med Tech market segment
Cost pressure is high in the medical technology sector. Starrag Group helps to relieve this pressure by using fully automated, highly efficient machines to manufacture implants, medical instruments and dental components. Our machining solutions enable the simplification of machining steps and shortening of the production chain while also guaranteeing that demanding technical safety and regulatory standards are met.

Product ranges

As a result of organic growth and various mid and larger-sized acquisitions since the turn of the century, we have built a solid portfolio of business activities covering a comprehensive range of technologies and competencies. Throughout our various stages of expansion, we have always followed the logic that new developments must effectively complement the old and thereby reinforce the competitiveness of the Group as a whole. This has made Starrag Group what it is today – a combination of 11 precision machining product ranges under one roof, boasting a wide range of competencies that few rivals can match.

The product ranges operate under the name of Starrag, together with the figurative mark in red denoting high-precision machining capabilities. Both are registered and protected nationally and internationally. The product ranges are used in all corporate and marketing communications, especially at leading fairs with a high international standing, at specialised trade fairs with a strong regional attraction and in our new customer magazine “Starrag Star”. The best trademark ambassadors can be found in our installed base at customer sites around the world, where every day our machine tools substantiate our claim of engineering precisely what the customer values. We assess perception of our appearance in the marketplace during our regular contact with customers.

Berthiez
Maximum precision in vertical turning and cylindrical grinding: Outstanding solutions for the aircraft engine and roller bearing industry based on specialised vertical lathes and grinding machines.

Bumotec
Multifunctional machine tools: High-precision complete machining of small workpieces in sectors such as watches and jewellery, medical technology and micromechanics.

Dörries
Synonym for vertical lathes ranging from single column machines with a turning diameter of 1.6 metres or more to large gantry machines with a 12-metre turning diameter, 10-metre turning height and workpieces weighing up to 450 tonnes.

Droop+Rein
Maximum precision for large workpieces: Machine tools for machining large to ultra large workpieces (up to 250 t in weight) such as large format and bodywork machine tools, diesel engines, power plant components and large aircraft landing gear components.

Ecospeed
The most productive solution for high performance machining of aluminium structural components on the market: The patented parallel kinematic machining head Sprint Z3, the heart of the Ecospeed series, surpasses the performance of all conventional bent axis and fork milling heads and enables performance increases of up to 87%.

Heckert
The perfect balance between long-lasting precision and productivity: Scaled range of high-precision and highly productive horizontal machining centres for milling, turning and boring medium and high quantities of workpieces.

Scharmann/Ecoforce
Complete machining solutions with the shortest possible cycle times: Specialist solutions for heavy-duty cutting and the complete machining of extremely large workpieces based on high performance, automatically interchangeable head attachments.

SIP
Uncompromising commitment to precision: Jig boring machines and machining centres to meet the most stringent demands for accuracy of research institutes, aerospace companies, the aircraft industry and leading precision engineering firms.

Starrag
Maximum precision flow components: Five-axis, robust and high tensile-strength machines with high metal removal rates for maximum precision manufacturing of turbines, compressor blades, impellers, blisks and complex structural components.

TTL
The home of adaptive machining: Internationally renowned, software-supported manufacturing solutions for the machining and repair of components for gas turbines and aircraft engines.

WMW
Machining centres for emerging markets: Horizontal machining centres for rapidly developing emerging nations.

Flexible production at eight locations

Starrag Group manufactures its machines and production systems at eight production plants in Switzerland, Germany, France, Great Britain and India. All production facilities are part of our production network, which enables us to balance capacity and risk. Our development and technology centres are also situated in these locations. We use our exemplary technological expertise across all segments throughout the Group.

Keys to success

Sustainable commercial success, as Starrag Group has distinguished it for many years, is based on a number of strategic success factors that we continue to nurture consistently: individual customer focus, global presence, continuous innovation, consistent efficiency enhancement and profitable, long-term orientated management.

Individual customer focus
Starrag Group largely operates discrete manufacturing according to the individual, and therefore very different, needs of its customers. In addition to stand-alone machines, there is a growing focus on system solutions in which individual Starrag

machines are integrated into customer-specific, flexible manufacturing systems. As a result, almost all the machines delivered are distinct items.

Global presence

Starrag Group is represented in the most important industrial centres (Europe, Asia and North America). Our international customers value short and direct communication channels. Experienced local sales, application and service specialists are therefore familiar with local cultures and customs, and are in a position to respond rapidly. They ensure a close and lasting customer relationship based on trust. The global service team receives constant training and development and is being expanded. The global logistics system with its optimised transport routes and decentralised spare parts warehouses ensures fast and efficient parts supply. The intensive customer contact up to the delivery and commissioning of the machines, as well as the operating phase, enable a continuous and comprehensive survey of customer satisfaction. This is all the more so as Starrag Group tends to serve specialised larger customers. Customer care is supported by a global CRM system.

Continuous innovation

Measured as a percentage of sales, our investments in the development of new products, components and processes is usually higher than average for our industry as we aim to maintain and extend our technology leadership. We view market-orientated innovation as the central driving force of our business. We operate research and development centres in Switzerland, Germany, France, Great Britain and India, and protect our technological developments with a broad patent portfolio.

Development work carried out by the Group is supported by close cooperation with our customers as well as leading technical universities and research institutes. Professors Reimund Neugebauer (President of the Fraunhofer Society) and Christian Brecher (RWTH Aachen University), two university luminaries in machine tool engineering, are members of the Supervisory Board of one of our German subsidiaries.

Systematic increase in efficiency

As the overarching link, the Group ensures Starrag's high quality expectations and opens up synergies along the added value chain – from product development and purchasing to sales and service. This includes, for example, the development of joint modules that can be used and processed in various companies throughout the Group. Internally, this requires continuous improvement in procedures and processes to increase productivity. This is the task of our Business Process Management, which simplifies and standardises processes wherever it makes sense. Defined key processes are regularly checked and improved. The best possible distribution of risk in terms of markets and regions, as well as a solid financing structure, should ensure growth and innovation over the long term.

Attractive for shareholders

Five key components make shares in Starrag Group attractive for long-term, value-orientated investors.

Positioned in sustainable megatrends

We serve markets that are characterised by sustainable growth potential due to global trends and challenges: increased mobility (aviation and land transport with their demands on safety and fuel efficiency), investment needs in the global infrastructure (lorries and construction machinery), nutrition for a globally growing population (efficiency in agriculture), increasing need for energy with improved energy efficiency at the same time. In addition, increasing demands on the production efficiency require higher precision in production, both with larger workpieces such as structural parts for aircraft or ship propellers and with increasingly small and complex workpieces such as precision mechanics, watches and medical technology. This is exactly in line with the core competencies of Starrag Group. Experts estimate that we have access to a market potential of around CHF 4.5 billion worldwide in our four customer sectors, which is more than ten times the current sales revenue. This means that substantial growth opportunities still open up for Starrag in these long-term growing markets.

Innovation leadership as a key differentiating element to the competition

Starrag Group focusses its innovation activities systematically on customers and their individual needs, with a focus on the high-quality segment and the Group's own expectation of technological and service-orientated leadership. Every year, we invest a disproportionate share of, on average, around 7% of our sales in research and development and, in addition, maintain close contact with the science sector. Our customers and other market experts confirm this technology leadership of the globally recognised brand Starrag – but also of our individual product ranges. We are also well on the way to "Industry 4.0", for example by networking with our customers' production systems. We systematically modularise our machines in order to expand the application possibilities of existing machine series to other market segments served by Starrag Group while reducing complexity. Thanks to the core competency of Starrag Group in optimising the overall system of machine – software – application – system integration – customer service, we not only create added value for our shareholders, but also for our customers.

Focussed strategy – reduced to the max, but this from A to Z

As part of its clear brand strategy, Starrag Group focusses on the most promising market segments and regions – i.e. those with the strongest growth and those that are the most profitable – committed to providing our customers with our solutions for profitability, growth and security, in the spirit of a partnership that is reliable in every respect. We support our customers through professional customer service organisation, which makes a significant contribution to the profitability and stability of Starrag Group with its innovative service products. Operational excellence with clear processes and reduced complexity is a key element for us. In this way, we can differentiate ourselves from our competitors and provide our customers with tailor-made added value.

Forward-looking management with undisputed track record – major shareholder ensures continuity

The entrepreneurial members of our management team and Board of Directors have many years of professional and managerial experience in industry, in particular the machine tool industry, and are therefore very familiar with its specific challenges and cycles. This is not only an important basis for careful planning, but also for the corresponding reliable external communication, for example with our investors. The focus on four customer sectors means the Starrag leadership team already occupies a top ten position in all four sectors today: In Aerospace and Energy, we are even among the top three suppliers worldwide. With Walter Fust, Starrag Group has a majority shareholder with a long-term focus who, as an engineer, is very familiar with industry and its challenges and has successfully created a group of companies that specialises, among other things, in customer service. The corporate governance of Starrag Group is committed to the highest standards, which has also been honoured in various external ratings.

Solid financial basis and management with long-term orientation using modern, value-based instruments

Primarily, the financial management of Starrag Group is consistently focussed on growth and increasing profitability. We measure these by the following key performance indicators: growth in sales revenue and order intake, operating profitability (EBIT margin) and return on equity (ROE). Starrag Group's history of reliably distributing a dividend year after year with a planned payout ratio of 33% to 50% of net profit results in an attractive dividend yield . For many years, Starrag Group has been able to report sustainable positive results. Even during the 2008-09 financial crisis, we were able to continue to distribute dividends. Due to the effect of the Corona pandemic, no dividend was paid for the financial years 2019 and 2020.

Starrag Group's extremely sound financing and capital structure – with an equity ratio traditionally of around 50% – is not only the basis for reliable dividend payments. It is also a valuable foundation for the long-term capital goods business and the successful conclusion of suitable, complementary acquisitions.

Outlook: Creating long-term value

Starrag Group aims to achieve profitable growth in the interest of its sustainable, value-enhancing positioning, based on a strong financial base and a stable shareholder structure with a renowned anchor shareholder. We expect our activities to generate an EBIT margin of at least 8% on average over economic cycles and to earn the cost of capital. We intend to achieve this financial requirement in the future by means of clear strategic positioning, a further improvement in operational excellence and the use of economies of scale – operating leverage – with increasing sales and consistent cost management.

At present, Starrag Group cannot be satisfied with its earnings performance. Measures have therefore been taken to optimise the entire value chain. This involves increasing the transparency and controllability of project management, reviewing the profitability of the entire product portfolio and systematically continuing employee development. The aim is to achieve a significant and sustainable improvement in operational excellence at all levels and in all areas. The basic strategy will be further sharpened by the Board of Directors and the Executive Board.

Although recent growth has been driven primarily by acquisitions, organic growth will take precedence over the coming years, with potential synergies across the Group being exploited consistently. In the medium term, we aim for an annual increase in sales of 5%. We expect this growth as a result of the worldwide scalability of our expertise in areas of activity and markets in which we have not yet achieved the desired leading market position. In addition, we are focussing on further strengthening and expanding our service business.

The focus on organic growth does not rule out further complementary acquisitions in individual cases. The basic prerequisites for this continue to be the strategic "fit", an attractive and complementary market and product portfolio, cultural compatibility and, last but not least, an attractive valuation.

We remain committed to our sustained ambition to play a leading role in all four of our customer sectors.

Milestones in the company's history

1890 1910 1920 1950 1960 1970 1980 1990 2000

1897

The company is founded in Rorschacherberg, Switzerland under the name «Henri Levy Mechanische Werkstatt» and manufactures threading machines for the textile industry.

1921

The company is renamed Starrfräsmaschinen AG. Manufacturing of copy milling machines for automotive, aircraft and mould-manufacturing companies begins in the mid-1930s.

1952

Post-war period: The company establishes itself as a manufacturer of turbine milling machines.

1973

The world's first five-axis milling machine is introduced by the company.

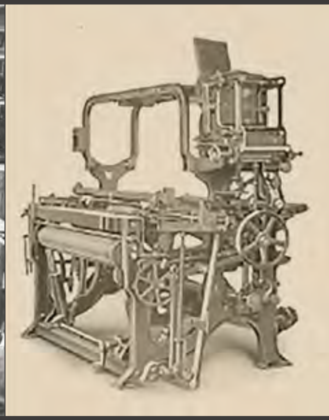
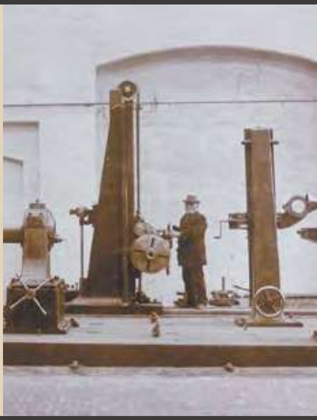
1998

Stock-market listing and acquisition of Heckert in Chemnitz, Germany.

2002

Acquisition of TTL in the UK and SIP in Geneva, a company whose roots go back to 1862.



2011 2012 2013 2014 2015 2016 2017 2018 2019

2012

Acquisition of Bumotec, Freiburg, Switzerland.

2015

Sales operations are reorganized with a focus on ten market segments within the four target industries of Aerospace, Energy, Transportation and Industrial.

2011

Acquisition of Dörries Scharmann Group, comprising Berthiez (Saint-Etienne, France), Dörries (Mönchengladbach, Germany), Droop+Rein (Bielefeld, Germany) and Scharmann (Mönchengladbach, Germany). Brand concept is updated and the company name is changed to Starrag Group.

2019

New group structure: composed of four operating business units that are geared towards products and applications, as well as three group-wide areas: Sales, Group Operations and Customer Service.





Customer Story
Aerospace

Omni Aerospace Inc. Wichita, USA

Omni Aerospace celebrates successes

ECOSPEED F 1540 in a double pack: Omni has two ECOSPEED F 1540-type machines which are integrated into an automated flexible production system.

The challenge: Omni Aerospace needed to produce large, ready-to-use components within tight tolerance limits and with excellent surface quality in a short time.

Flexible production system with two ECOSPEED F 1540s from Starrag

The large wings of an aircraft gleam in the sun as it glides along the sky. You can immediately appreciate the enormous skill, technology and precision it takes to build these flying machines.

Wichita, Kansas, is where this concentrated expertise can be found. This aero manufacturing hub in the United States is home to companies like Omni Aerospace, which designs and manufactures complex metal components for organisations such as Boeing, Bombardier, Gulfstream, Lockheed Martin, Spirit AeroSystems, Textron Aviation and the US Department of Defense.

"Significantly advanced our company"

Starrag has played an integral role in the success of Omni Aerospace, a 25-year-old company founded by CEO John J. O'Neill. "We have significantly advanced our company by investing in technologies and machining centres whose functions far surpass others", O'Neill says of the ECOSPEED F 1540. "It has really changed everything for us", he adds.

Up to 95% of the material is machined

Omni has two machines of the type ECOSPEED F 1540 integrated into an automated flexible manufacturing system (FMS). The machining operations include surfacing, machining pockets and drilling holes. For example, wing ribs made of aluminium or aluminium-lithium alloys are produced in this way. Each individual rib starts as a blank weighing up to 2'700 kg and is up to 4'000 mm long, 1'500 mm wide and up to 152 mm thick. Finished machined components can have as much as 95% of the material machined.

The power of the ECOSPEED's main spindle motor plays an important role in the complex machining steps. The machine is rated at 120 kW and can run continuously in S1 mode at 30'000 rpm – in conjunction with the machine's high dynamic capabilities (acceleration of up to 1 g on all axes and with jerk values of up to 200 m/s³). When roughing, the ECOSPEED F 1540 can fill a 55-gallon drum with swarf in less than a minute.

“In the case of the finished components, up to 95% of the material was machined”.

The solution: The ECOSPEED F 1540 from Starrag offers unsurpassed performance, unrivalled accuracies and an extremely high surface finish that does not require manual finishing.

Every ECOSPEED F is equipped with the Sprint Z3 parallel kinematic machining head, which enables the machine to perform highly dynamic and simultaneous milling operations with five axes/sides. The head uses three parallel linear axis drives spaced radially at equal intervals in the headstock. The spindle platform is connected to the drives via rigid levers with a pivot at one end and a ball joint at the other.

Solid angle to +/-135 degrees

When all three axes move equally and simultaneously, the spindle is moved in a straight line in the Z-axis. When the three axes move differentially, the spindle platform is tilted in the A/B kinematics so that the spindle can follow any path within a spherical cone of +/- 45 degrees at a maximum of 80 degrees/second. Each machine is equipped with a C-axis, and in combination with an automatically interchangeable angular milling head, including automatic tool change, the machining range is extended to any solid angle of +/-135 degrees.

The ECOSPEED F 1540 machine series “exceeds our expectations”, says O’Neill. “No matter what the challenge, and regardless of the part and regardless of the complexity of the part. And now Omni can exceed customers' expectations too.”

The result: Omni Aerospace has expanded the range of products that it offers, resulting in a significant increase in sales. Starrag's ECOSPEED F 1540 has opened up new markets for Omni.

Customer Story
Energy

thyssenkrupp rothe erde® Lippstadt, Germany

The very pinnacle of a win-win situation

Precision is a must: Even on slewing bearings, the angular error in the surface is a maximum of just 0.001 degrees. The outer centring has an H6 holder with a tolerance of 0.16 mm.

Six Dörries CONTUMAT vertical lathes in use

A manufacturer of slewing bearings and a machine manufacturer have been turning things to their advantage for decades: thyssenkrupp rothe erde has been using Starrag machine tools since the 1980s, while Starrag in turn installs thyssenkrupp rothe erde slewing bearings in its vertical lathes – for example, in the new Dörries CONTUMAT VC 6000/500 for Lippstadt.

Flap, flap, flap – the blades of the turbines are smoothly turning the wheels at one of the many wind farms in Sauerland. But the sight is deceiving: it is not always this calm. In January 2007, the wind turbines even had to withstand Cyclone Kyrill, which brought gusts at speeds of up to 225 km/h. Changeable weather demands a lot not only of the wind turbines, but also of the drive technology. For example, the slewing bearings must last 20 to 25 years, despite tough operating conditions that change constantly depending on the weather. Many manufacturers in the wind power industry rely on customised drive technology from the East Westphalia region.

Specifically, this technology comes from thyssenkrupp rothe erde Germany GmbH in Lippstadt. Only a few kilometres away from the wind farms in the Sauerland region, the company produces slewing bearings every year at what is probably the largest rolling bearing machinery park in Europe. The degree of machining is very high, with 20'000 tonnes of swarf produced. More than 350 machine tools handle turning, grinding, cutting and polishing.

From a single source: all slewing bearings, rolling bearings and rings for wind turbines

Around 25 Starrag machine tools, which thyssenkrupp rothe erde acquired from 1980 and which are still in use, play an important role in the machinery park. These now include six Dörries CONTUMAT vertical turning-grinding machines, which are primarily responsible for finishing the bearings for wind turbines. "We supply blade, tower and rotor bearings for wind turbines, in dimensions up to six metres in diameter", explains Mattias Töfke, who holds a doctorate in engineering and is production manager at thyssenkrupp rothe erde. The bearings are produced with a high degree of vertical integration on the very extensive machinery. "We take care of all the machining, thermal processing, surface treatment and assembly", says qualified engineer Jürgen Lange, head of plant maintenance and plant planning. "We source only a few components externally, such as screws or seals".

Investment in the future of wind power: With the new Dörries CONTUMAT VC 6000/500, rolling bearings with a maximum diameter of six metres and a height of one metre can also be machined.

Satisfied regular customers: The positive experiences of Production Manager Dr Töfke and Head of Plant Planning Lange were contributing factors that led thyssenkrupp rothe erde to order two more Dörries CONTUMATs.

Strict regulations of the wind power industry

Only with great effort can thyssenkrupp rothe erde meet the specifications of its demanding clientele, which includes customers from the energy sector. “We have had to develop new processes over the years to meet these requirements”, reports Lange. “In particular, we have optimised the hardening and finishing process using grinding”.

Before rothe erde® manufactures slewing bearings in series production, prototypes are produced that have to pass endurance tests on test rigs. Töfke explains the process in more detail: “Prototypes undergo six months of endurance testing, where we simulate typical load cycles that correspond to more than 25 years of use”.

What's more, the demands are constantly increasing, as the bearings are becoming bigger with the increasing performance of the wind turbines. For this reason, thyssenkrupp rothe erde invested in a new Dörries CONTUMAT VC 6000/500 which can process payloads of up to 100 t for components with a maximum diameter of six metres and a height of one metre. In this new CONTUMAT too, which is now in its sixth version, a rothe erde® slewing bearing ensures smooth, even running even with extremely heavy components.

But how does Starrag's promise of “engineering precisely what you value” meet the demands of regular customer thyssenkrupp rothe erde in the final machining? According to the production manager, the great benefit lies in the programming and the ease of operation. “In recent years we have built up a common know-how, especially in grinding finishing, which we are happy to rely on”.

Thanks to these positive experiences, thyssenkrupp rothe erde has ordered another Dörries CONTUMAT, which will put the finishing touches on the rothe erde® slewing bearings produced in Lippstadt in the future.

“We supply blade, tower and rotor bearings for wind turbines in dimensions of up to six metres in diameter”.

Doctor of Engineering Mattias Töfke
Production Manager Series 2

Customer Story
Transportation

Industria Metalli Lombardy, Italy

Setting up as a system supplier

It all starts with the smelting process: the secondary aluminium is brought to a processing temperature of 700°C, which is ideal for the presses.

Working hard to create a secure future

A traditional foundry in Lombardy used the forced break in its business operations to set up a mechanical production facility. In future, the raw castings will no longer leave the plant for final machining, but will be given the finishing touches directly by two Heckert machining centres.

Foresight is vital for companies like Industria Metalli, since their customers come from the automotive industry, one of the most demanding sectors. The company specialises in vehicle components, from supports and brackets through to all manner of housings. With a high degree of vertical integration, the factory produces over five million aluminium castings per year from 8'000 tonnes of secondary aluminium for 160 customers from all over the world.

Learning from the automotive industry

During our tour of the large factory site, Mr Fausto Becchetti, managing director and co-owner, explains to us that all production areas are digitally linked via a manufacturing execution system which controls the entire manufacturing process in real time.

"By establishing a mechanical production facility and incorporating it into our production system, the opportunity to move up to tier one, to system supplier, has increased significantly".

Fausto Becchetti
Managing Director of Industria Metalli

The managing director proudly points out one of the four gas-fired melting furnaces. "In a mere moment the aluminium reaches the ideal processing temperature of 700°C, at which point it becomes liquid", explains Becchetti. "This is followed by degassing and transport". Meanwhile, the manufacturing execution system has organised fully automatic just-in-time transport and ordered a driver via the digital network. The forklift truck is located nearby and features a tablet that informs the driver which furnace to collect the crucible from and which of the 16 robot-assisted high-pressure die-casting presses in the second production cell is waiting for the liquid aluminium.

Outsourcing slows down the flow of materials

Like most companies in the industry, the company has until now relied on outsourcing. The consequences of this have made themselves apparent: The effort involved in logistics and costs have increased, while quality has suffered. For example, small air pockets known as blow holes can occur in cast parts, but these are often not detected during X-rays and are only picked up during final machining. Late detection of blow holes in an external facility delays the production process and increases the cost enormously.

The turning point came with the arrival of a new project manager, who had worked as a machining specialist in the automotive industry and who recommended purchasing a five-axis Heckert X40 and

Efficient: The Heckert duo achieve a surface roughness (Ra) of 20 µm, eliminating the need for post-processing.

By establishing a mechanical manufacturing facility with a five-axis Heckert X40 and a four-axis Heckert H40, Industria Metalli is closing an important manufacturing gap.

a four-axis Heckert H40 to assist the establishment of a mechanical manufacturing facility. "We had ordered the two machining centres back in autumn 2019", explains Becchetti. "But despite the lockdown, we decided to go ahead with the entry into mechanical production because it's an investment in the future – even though there was no market for our products in the spring".

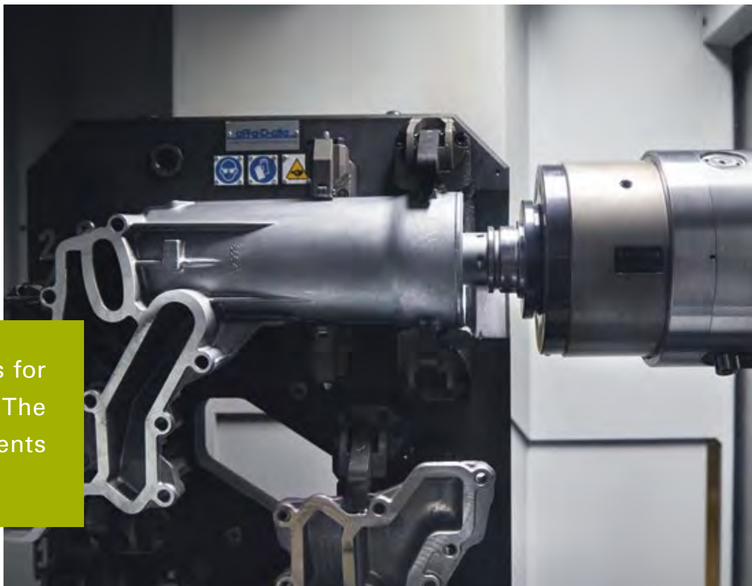
Support from Chemnitz

This is where qualified engineer Thomas Kässner was involved right from the start. The Heckert sales manager speaks fluent Italian and also helped with commissioning during the lockdown period, which took place almost without any delays thanks to direct contact with the Starrag plant in Chemnitz. The company opted for the two machining centres because of their robust design, the associated greater swarf removal, the continuous precision and the technological performance buffer. "I am particularly pleased with the high level of machine rigidity throughout because we finish the die-cast parts with diamond tools", says Becchetti, clearly satisfied with the machining centres. "Even at 20'000 revolutions per minute, the diamond doesn't break when it hits a blow hole".

Diamond tool and wet machining

The Italian company uses an electronically controlled coolant supply, which ensures the temperature stabilisation of the workpiece and the tool, among other things. "Without effective wet machining, it would be impossible to achieve optimum swarf removal", adds Becchetti. The removal of the swarf is the linchpin of a clean and rapid process, as aluminium swarf will otherwise easily stick to the diamond and scratch or impair the cast component. The machining expert is particularly pleased with the quality and the very fast processing time. "Although many components have hard-to-reach areas such as holes or pockets, the machining time has been reduced by several seconds per clamping surface compared to that offered by our service provider.

The effort has paid off, with the company already machining one in 10 of its components in its new production cell. "I am optimistic that we will soon be finishing other products using the Heckert machining centres and, thanks to the in-house mechanical production facility, we will also receive orders for completely new components", Becchetti says confidently.



Industria Metalli started machining simple housings for oil filters on the two Heckert machining centres. The company already machines one in 10 of its components in its new production cell.

Customer Story
Industrial

Kroeplin GmbH Schlüchtern, Germany

9'000 hours of continuous operation

Complete machining on an s191: From the initial clamping of the components for the Kroeplin manual probes, a range of processes determine the subsequent machining quality.

A pair of systems achieve 9'000 hours of continuous use

When their first Bumotec unit ended up in continuous operation, the Hessian length measuring technology specialist Kroeplin decided to buy a second Bumotec s191 with the same extras. The decision paid off: the pair of machines manage a combined total of 9'000 operating hours per year.

"This is one of the reasons why we needed a second Bumotec", explains Markus Deberle, managing director of Kroeplin GmbH, as he holds out a tiny metal part to photographer Ralf Baumgarten. It is the measuring contact tip of the smallest probe arm of an electronic probe, which measures lengths from 2.5 to 12 mm. The very delicate component is made of 1'4301 stainless steel and is about 20 mm long. Its key features include very small radii (0.4 mm and 0.1 mm) and a thickness that is partially below 0.8 mm. This component can be used to simply and accurately check elements such as the grooves for hydraulic seals.

Complete production in unmanned "ghost shifts"

In the past, the part was produced both by machine and manually in a series of work steps. Deberle outlines how the process has since changed: "With the Bumotec, we managed to mill this stainless steel part directly from the bar, even in unmanned "ghost shifts", with no manual work required. We decided on the Bumotec at the time because the medical technology parts produced on it were very similar to our parts in terms of geometry, as well as material", he recalls. "I was impressed by the wide range of parts and the option of using a bar loading magazine. This enabled us to leave the machine running unmanned overnight and at weekends".

In 2013, the managing director decided to buy a Bumotec s191 milling and turning centre. For a medium-sized manufacturer, choosing the right machine is vital to success. "In essence, we select machine tools according to what we want to manufacture on these machines," clarifies Deberle. "The machines have to fit our existing parts range or the range that we plan to offer in future".

"Mr Deberle realised very quickly that his high requirements matched those of medical technology", adds Michael Paulus, regional sales manager at Starrag GmbH's Tech Center in Immendingen. Previously, the tiny probe was manufactured on three different machines as well as by hand. A complete machining strategy allowed Kroeplin to reduce processing time and costs in general by at least 30% across the board. Another advantage is that very complex parts with geometries that would cause difficulties on other machines can be produced using this solution. It quickly became clear that the machine was also very popular with

A fine reason: The precision involved in manufacturing the measuring contact tip of the tiny probe arm of an electronic probe is one of the main factors that contributed to Kroeplin's purchase of a second Bumotec.

Direct access to the tool magazine with its 30 tools guarantees rapid retooling.

its designers, since it afforded them more freedom to develop much more complex components. With each part, more was learned, and the volume of orders continued to grow as a result.

Focus on redundancy

One of the main reasons for buying a second Bumotec s191 was to create a certain level of redundancy. The strategy of using at least two machines, where one can easily take over the job of the other if needed, has proved successful. This applies in part to both of Kroeplin's sites in Schlüchtern and Mariánské Lázn, which operate identical lathes with main and counter spindles as well as tool turrets, for example. "It's the same with the Bumotec s191 – if one machine breaks down, the other can still continue producing", says the managing director. "Since both are also equipped with a Fanuc 34i controller, we can simply use existing programs for the new machine – we don't need a new post-processor, and the operators don't need to be retrained".

An additional factor in the decision was that the first Bumotec s191 was being operated for 7'200 hours per year, which was an excessive utilisation rate given that the total number of operating hours in a year is only around 8'000. "There was hardly any time left for maintenance and servicing", recalls Deberle. "The number of parts for this machine has continually increased because the designers also utilise the greater freedom that they have for more complex parts". Success stories also always hinge on an important question: how does a Starrag machine fulfil the promise of "engineering precisely what you value"? As far as Markus Deberle is concerned, he is thoroughly satisfied. He notes that the dual machine setup is also supported by the close working relationship that has formed between Volker Lorenz, the main operator and programmer, and Jan Wolf from Bumotec Service, who always provides rapid and expert responses to any queries.

"With the Bumotec, we managed to mill this stainless steel part directly from the bar, even in unmanned "ghost shifts", with no manual work required."

Markus Deberle
Managing Director Kroeplin GmbH

Management Report

In its annual financial statements for 2020, Starrag Group confirms the expectations expressed last July. Order intake, sales and income were lower than in the previous year owing to the coronavirus, with new orders and operating earnings showing a slight improvement in the second half of the year.

Internal strengthening of the Group

In 2020, considerable progress was made in strengthening Starrag Group internally, which will be reflected in the future results of the company. This relates firstly to operational excellence, primarily in project management with optimised processes. Secondly, Starrag Group has grown closer together in the context of the changes in the management team. The Distribution, Supply Chain Management and Production business areas are now better coordinated Group-wide, eliminating previous duplications of work. Thirdly, Starrag Group has in the past year focussed more consistently on its existing strengths in application expertise, thus investing in client relationships and markets that deliver long-term sustainability and promise.

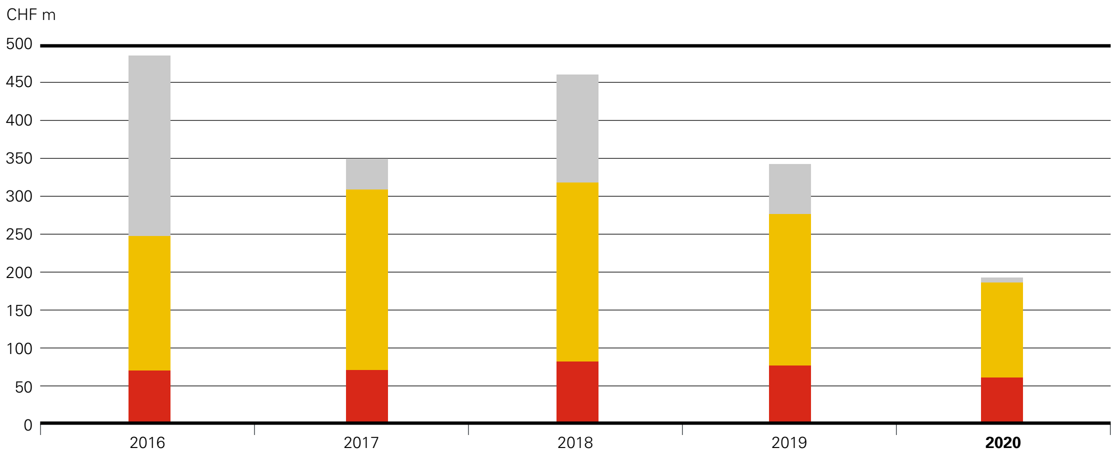
Together with the measures to reduce expenditure that were announced in the last Half-Year Report (staff costs, short-time working, operating expenses in the area of trade fairs and travel, reductions in the fixed remuneration of the Board of Directors and management), around CHF 20 million was saved in the year under review.

Fewer new orders

Overall, the order intake amounted to CHF 192 million in 2020, down 44% on the previous year (42% at constant exchange rates). The above-average decrease in comparison with the rest of the industry can primarily be explained by the historic collapse of the aviation sector, which is of major significance for Starrag Group. The order intake fared better in the second half of the year than the first, which, together with the new orders expected in the first quarter of 2021, suggests a modest recovery.

In terms of order size, there were declines in all categories in absolute terms.

Order intake by order size

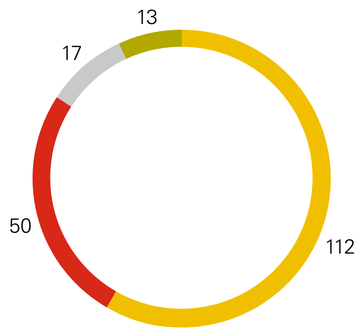


CHF m	2016	2017	2018	2019	**2020**
Large orders (> CHF 5 million)	239	41	143	67	6
Small/medium orders	178	239	237	199	125
Recurring service	68	69	80	77	60

Of the individual sectors, Aerospace was the hardest hit

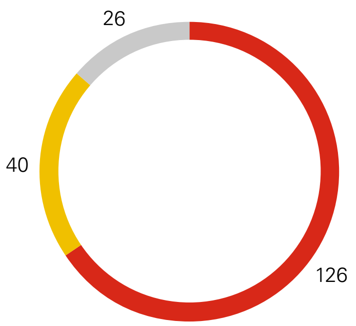
The decline in new orders spanned all of Starrag Group's individual sectors. Unsurprisingly, the decrease was most marked in Aerospace, with the aviation sector being confronted with an almost historic collapse as a result of the coronavirus-related travel restrictions. As expected, new orders from Transportation were significantly lower than in the previous year for the same reason. Industrial and Energy were less affected. As in the previous year, Aerospace and Industrial – which are still the two dominant sectors – together accounted for 84% of the order intake across the group.

Order intake by sector



CHF m	**2020**		2019	
Industrial	112	58%	135	39%
Aerospace	50	26%	123	36%
Transportation	13	7%	60	18%
Energy	17	9%	25	7%

Order intake by region



CHF m	**2020**		2019	
Europe	126	66%	186	54%
Asia	40	21%	112	33%
Americas	26	14%	45	13%

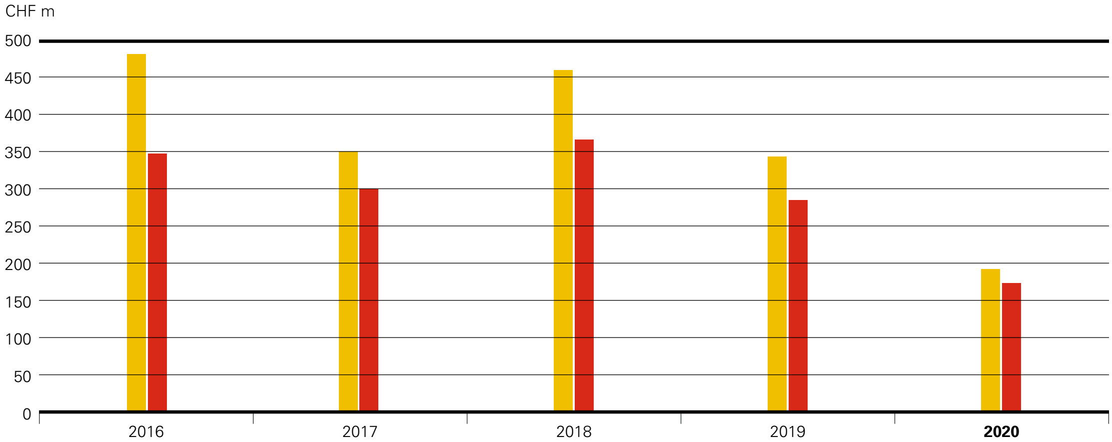
Regional development

In geographical terms, it was the order intake from Asia in particular that was well below the previous year's figure, which is why its share of the Group's new business fell to around one fifth. Nevertheless, it is to be assumed that Asia will continue to be the region with the best prospects for growth in the long term. There was also a significant decline in North America, while in the European regional comparison this was the smallest for Starrag.

Current order backlog ensures capacity utilisation for the current year

Owing to the fall in the order intake, the order backlog decreased to CHF 173 million. This corresponds to a decline of 39% compared with the end of 2019, and one of 19% compared with the end of June 2020 (CHF 213 million). The current order backlog ensures capacity utilisation for the current year. It should also be remembered that this is linked to a recurring and substantial service business.

How order intake and order backlog have performed over recent years



CHF m	2016	2017	2018	2019	**2020**
Order intake	480	349	461	343	192
Order backlog	348	302	366	284	174

Decline in sales as a result of the lower order intake

Annual sales amounted to CHF 297 million in 2020, falling short of the previous year's figure by 29% (27% at constant exchange rates) owing to the lower level of new orders.

EBIT down, albeit with a slight improvement in the second half of the year

Operating earnings before interest and taxes (EBIT) came to CHF 1.3 million, or 0.4% of sales (compared with CHF 4.8 million and 1.1%, respectively, in the previous year), with the second half of the year being slightly more successful than the first. At CHF -0.6 million (CHF -0.19 per share), net income was also down. This was primarily due to the fall in EBIT. When comparing this year's figure with that of the previous year (CHF 6.9 million), it should be remembered that tax provisions were removed in 2019 owing to the reform of corporation tax in various cantons.

Balance sheet solid

The equity ratio – which was already solid even before the year began – stood at 55%, surpassing the average level of the past few years. The fall in free cash flow to CHF 6.2 million (from CHF 8.3 million in the previous year) essentially resulted from lower value added and the associated negative profitability in 2020 owing to the coronavirus. It was primarily payments by customers of unpaid receivables that had a positive impact on working capital and thus free cash flow. Net liquidity increased considerably to CHF 6.6 million, up from CHF 0.6 million in the previous year. Investment in fixed assets remained at a high level, rising slightly to CHF 5.2 million from CHF 5.1 million in the previous year.

Starrag Group's average headcount in 2020 stood at 1'415 employees, which was around 100 fewer than in the previous year. As already stated in the Half-Year Report, the decrease can be explained by the initiatives taken in 2019 and the additional measures in the year under review. The number of apprentices and students averaged 135 in 2020, compared with 145 in the previous year.

Trade fairs and customer events cancelled because of coronavirus

The China CNC Machine Tool Fair (CCMT) and AMB Stuttgart trade fairs were cancelled in 2020 because of the coronavirus. Starrag Group would normally present its latest innovations at these events, which are an important forum for contact with existing and future customers. The "Technology Days" customer event that we have hosted at our headquarters in Rorschach and that has been well received by customers and the rest of the trade also had to be called off for the same reason.

Risk management

For information about our holistic risk management process, please refer to page 65.

Limited currency effects

Most of Starrag Group's products are manufactured, and costs are incurred, in the euro area. This natural hedge stabilises the currency fluctuations experienced by the Group. To further reduce its economic currency risks and thereby maintain the competitiveness of the company's plants in Switzerland, Starrag Group is continually seeking ways to improve productivity and cut costs in Switzerland in order to counteract the pressure from the Swiss Franc, which remains strong.

Outlook for 2021

2021 will continue to be shaped by coronavirus, especially as the impact of the new mutations of the virus cannot yet be gauged. All the same, the relevant industry associations are cautiously optimistic, partly because the second half of 2020 turned out to be more positive than initially assumed. The VDMA, for example – the umbrella association of the German machine industry – expects production to increase by around 4% in 2021. The recovery of the markets will crucially depend on how quickly the virus can be successfully contained. Accordingly, our forecasts are currently subject to great uncertainty.

This applies to the aviation sector, for example, which suffered a collapse on an unprecedented scale last year for well-publicised reasons, with an associated impact on the number of orders received from the sector. While there is little reason to expect a significant improvement this year, we are optimistic for 2022 and beyond. We view the prospects for Transportation in the same way. In Industrial, investment confidence in 2021 will likewise depend on how quickly the coronavirus can be successfully contained. There are currently distinctly positive signs emanating from the luxury goods segment. Modest stabilisation is to be expected for Energy this year, whose order intake recorded the smallest decline in 2020.

In terms of regions, there is likely to be some positive momentum in North America resulting from the change of President in the USA. Starrag Group will also benefit from the expansion of local sales structures in recent years, which has included an increase in staff under new overall management in the USA. There is little reason to expect a noticeable recovery in Europe in 2021. In our opinion, Asia remains the region with the most growth potential in the long term and is therefore likely sooner or later to regain the importance it had in previous years.

In the current financial year, Starrag Group will continue to benefit from the progress made in pursuing the "Starrag 2021" programme and take additional measures to bring about a sustained increase in profitability. Starrag Group will continue to invest heavily in research and development (see also page 87). In addition, new orders started to rise again slightly in the second half of the year, and there are currently signs that more projects are potentially on the horizon. On this basis, the order intake in 2021 should be considerably higher than in the previous year. Sales are likely to be about the same as in 2020 owing to the lower level of new orders in the previous period. The results should at least equal the previous year's figures.

Sustainability

The industrial and social commitment of Starrag Group is set up for the long term. We maintain an open dialogue with all stakeholders and consider their needs in a balanced way. Measures to enhance sustainability are based on the economic, social and ecological environment.

Results-orientated corporate culture

Economic sustainability is based on a resultsorientated corporate culture and is intended to increase the value of the company in the longterm to the benefit of all stakeholders. We refer here to the measures illustrated at various places in this annual report comprising all divisions of the company.

Employee-orientated HR policy

Starrag Group's success is essentially based on committed employees who are motivated by working in an open and modern environment and want to deliver the highest levels of performance. The central elements of our leadership culture are therefore mutual trust, respect, regular sharing of information, participation, appreciation, and promotion of personal development.

Starrag Group is valued as an attractive employer. Whatever their area of expertise, all our employees come into direct contact with our products at various stages in the value chain and can derive the benefit for the customer as a result. This creates a natural identification with their own work. Our employees are proud to play an active part in delivering high-tech solutions to the customer, from design to worldwide maintenance, as a result of their vast expertise.

Periodic employee surveys conducted by Great place to work, an external consultancy that specializes in workplace culture assessment and employee surveys, suggest that we are on the right track. These surveys convey valuable signals on ways to enhance and optimise working conditions in and around the workplace, management performance, information and communication, and training requirements. The most recent survey, conducted in 2017, was supplemented by additional questions regarding health. It again made useful suggestions as to what could potentially be improved. We are making improvements in this respect on an ongoing basis. These include measures such as workshops to improve the workload situation in the workplace, process improvements in the entire process chain, improvements in climatic and acoustic conditions in various work areas, expansion of the group-wide Starrag training catalogue and intensification of targeted information and communication. The next staff survey at group level, originally planned for 2020, was postponed due to Covid-19.

Starrag Group undertakes a variety of efforts to increase employee commitment to achieving the company's objectives. Employees and employee representatives are kept regularly informed at all sites about the current state of business, as well as current topics and projects. The information is conveyed by their managers, the site managers and, at least once a year, by the CEO personally at staff meetings. Furthermore, the customer magazine "Star", which is distributed worldwide twice a year to all employees, provides further information from the various locations and markets. Active communication is also supported by means of regular newsletters for the various operating sites that provide information on the current order situation, important development projects, personnel issues and topics of cultural interest. The high level of employee satisfaction is reflected in, among other things, a staff turnover rate that has been low for years.

We place special emphasis on maintaining our employees' expertise. As part of the formal annual employee appraisal, further training needs are also assessed. The courses provided by our Starrag Training Centre are particularly valuable in supporting managers in the planning and realisation of professional development measures for their staff. In recent years, numerous training courses at different production sites have been combined and made available in the form of a training catalogue. Besides technical training such as control technology and maintenance courses for our machining centres, courses offered include language and software training. In addition, we invest substantially in the training of sales staff and focused on strengthening the training of skilled workers. Among other things, we focussed on actively shaping the succession of departing skilled workers to their future careers and further improving practical in-house training.

Further training on the job is likewise crucial, since the necessary skills and knowledge can only be acquired during day-to-day business, in which questions keep coming up concerning issues that cannot be taught in the classroom. Our own vocational training programme plays a key role in acquiring qualified specialists. In 2020, we trained 135 apprentices and students in more than ten professions (compared with 145 in the previous year). All of our production locations feature modern vocational training centres in which our apprentices receive an educational foundation. These training centres were further expanded in the reporting year with targeted investments in training machines and innovative course content. In order to improve the quality of the apprentices and promote interest in the apprenticeships at schools, numerous events were held at the training centres for secondary school pupils, students and potential candidates in 2020. Apprentices who complete their apprenticeship with good scores are retained if possible. In the previous year, the Chemnitz site was again honoured by the employers' association SACHSENMETALL as one of the top training companies in the industryand the Monchengladbach site was again honoured by the local Chamber of Industry and Commerce as one of the top training companies in the region.

In the framework of systematic health management, safety in the workplace and the health of our employees have the utmost priority. This was especially ture in the reporting year, which was strongly influenced by Covid-19. Our objective is to continuously improve the working environment, beyond what is required by occupational safety and health legislation. At the production locations, we compile relevant health and safety indicator statistics on a monthly basis and derive location-specific measures based on analyses of the data. Accident figures and absences through illness again remained at low levels in 2020; no serious incidents involving employees were recorded. The numerous measures implemented in previous years in the areas of safety in the workplace, health management and working atmosphere were systematically continued in the reporting year, which was marked by the various challenges posed by Covid-19. Thanks to group-wide coordination of protective measures, transparent communication and clear procedures at the individual sites, the protection of all employees was guaranteed at all times. A number of nutrition, healthcare and physical activity measures are designed to enhance employee well-being. Our company sporting events such as the skiing day, bike-to-work event and company fun run, as well as family events and Christmas partieshad to be partly reduced or postponed for obvious reasons.

In order to ensure the sustainability of the measures and the continuous optimisation of Human Resources processes at group level, the additional position of Head of Group HR was created in the previous year.

Product energy efficiency as a central starting point

The main starting point for a greener approach in our corporate group is the energy consumption of the machines we deliver to customers, where they will be in operation for decades. In the past, and especially in regions with low energy prices, not enough attention was paid to energy consumption. We expect energy consumption to play a greater role in terms of overall production costs in the future. The energy efficiency of machine tools could become one of the most important factors in the calculation of economic efficiency over the life cycle of a machine system. Starrag Group therefore took an early decision to participate in the "Blue Competence" campaign of the European association of machine tool builders (CECIMO) and the national industry associations the German Machine Tool Builders' Association (VDW), the Mechanical Engineering Industry Association (VDMA) and the Swiss Association of Machinery Manufacturers (Swissmem) for higher energy efficiency and sustainability in manufacturing technology, and to incorporate the relevant recommendations into the development of new products. The main driver for energy efficiency in the machining of workpieces is, however, the cycle time. Since Starrag Group's entire machine portfolio is characterised by a higher cutting performance and, as a result, shorter production times than its competitors, investment in our machines is particularly worthwhile from the point of view of energy savings.

Under our own eeMC (energy efficient machining centre) label, the entire range of machine systems were made more energy-efficient. The measures range from energy-efficient engines and minimizing base load losses through to using frequency-controlled pumps, regenerating braking energy andlightweight construction plans. In principle, the machine illumination is still based on energyefficient LED lights. Starrag machines are specifically designed to maintain their high precision over a wide range of temperatures, reducing the energy consumption of our customers considerably by lessening the need to keep the temperature stable in the production hall. Involvement in national and international standardisation committees such as "Energy efficiency in machine tools" and the associated defining of the new ISO standard 14955 is important to us. Participating in research projects in various countries to increase the energy efficiency of machine tools means that we can quickly introduce new discoveries and technologies into product developments. The focus is on cost savings in the energy consumption of machine tools, in particular making progress in terms of drive systems, cooling lubricants, mechanical drives and stand-by and warmup settings to reduce the required preheating time. This opens up significant potential by reducing the amount of air conditioning in the production halls without compromising quality and functionality thanks to more precise and more intelligent production technology. The energysaving potential over time to be attained across the entire production process and infrastructure is clearly in the double digit percent range.

Continuous improvement of environmental performance

Starrag Group is continuously implementing measures to improve its environmental performance at all business and plant locations. This includes ensuring that our own production processes are always energy efficient and minimising effects on the environment. For all projects involving investments, as well as maintenance, upgrade and renovation of buildings, environmental aspects are always observed alongside cost/benefit considerations. At 18’300 MWh, group-wide energy consumption in 2020 was below the level of the previous year (19’800 MWh) and again correspond to a long-term low.

The ISO 50001-based certified energy management system applied at the Bielefeld, Chemnitz and Mönchengladbach production sites is expected to boost Starrag Group’s energy efficiency by tapping into unused energy efficiency potential, lowering energy costs and reducing greenhouse gas emissions (including carbon emissions) and other environmental impacts. These efforts were continued in the year under review, for example with the replacement of existing lighting with energy-efficient LED light sources both in the production halls and in the outdoor areas and office buildings. In addition, air-conditioned measuring rooms and measuring equipment rooms were fitted with insulation in order to prevent the input of heat and thus reduce the energy requirements for air-conditioning.

The photovoltaic plant which has a surface of 8’250 m^2 and was commissioned at the new production site in Vuadens in 2016 produced 1’394 MWh of electricity in 2020 and fed it into the grid (compared with 1’403 MWh in 2019). The factory is equipped with a state-of-the-art lighting management system, with solely LED lights being used.

The approximately 100 MWh of electricity produced annually by the photovoltaic plant at the Rorschacherberg site is consumed by the company itself. We also want to contribute to electromobility. For example, employees currently have three charging stations for electric vehicles at their disposal. In addition, we are optimising the infrastructure of the buildings to promote cycling and providing staff with attractive shower and changing facilities. At our German sites of Bielefeld, Chemnitz and Mönchengladbach, we help employees to lease bicycles so that they can travel to and from work in a way that is environmentally-friendly and healthy.

The company’s own paint shops use environmentally-friendly water-soluble paints rather than solvent-based paints wherever possible. Recyclable materials and waste such as oil, grease and chips are reused as part of a systematic recycling process. In addition, splitting systems for cooling lubricants ensure that these materials are disposed of properly or returned to the system for re-use.

Corporate Governance

Corporate structure and shareholders

Management organisation

Board of Directors
Michael Hauser, Chairman
Walter Fust, Vice-Chairman
Prof. em. Dr. Christian Belz
Dr. Erich Bohli
Adrian Stürm

CEO
Dr. Christian Walti

Sales
Alexander Attenberger (as of 01.04.2020)
Aerospace and Turbines / Industrial and Transportation / Luxury Goods and Med Tech / Regional Sales

High Performance Systems	Horizontal Machining Systems	Large Parts Machining Systems	Ultra Precision Machining Centers
Dr. Bernhard Bringmann	Dr. Stefan Breu	Dr. Christian Walti (a.i.)	Jean-Daniel Isoz
Product ranges:	**Product ranges:**	**Product ranges:**	**Product ranges:**
‣ Ecospeed	‣ Heckert	‣ Berthiez	‣ Bumotec
‣ Starrag	‣ Scharmann	‣ Dörries	‣ SIP
‣ TTL	‣ WMW	‣ Droop+Rein	

Customer Service
Günther Eller

Operations
Dr. Stefan Breu
Supply Chain Management / Strategic procurement / Manufacturing / Subassemblies

CFO/Corporate Center
Thomas Erne (as of 01.09.2020)

Participation structure

- **Starrag Group Holding AG**
  Rorschacherberg / CH
  - **Starrag AG**
    Rorschacherberg / CH
  - **Starrag Group Holding GmbH**
    Chemnitz / DE
    - **Starrag GmbH**
      Chemnitz / DE
    - **Starrag Technology GmbH**
      Mönchengladbach / DE
      - **Starrag S.A.S.**
        Saint-Etienne / FR
      - **Starrag Service Center GmbH & Co. KG**
        Ichtershausen / DE
      - **FIRMUS Grundstücks-Vermietungsgesellschaft GmbH & Co. KG**
        Mönchengladbach / DE
      - **Scharmann GmbH**
        Mönchengladbach / DE
  - **Starrag India Private Limited**
    Bangalore / IN
  - **Starrag Vuadens SA**
    Vuadens / CH
  - **Starrag USA Inc.**
    Hebron / USA
  - **Starrag Group Holdings Ltd.**
    Birmingham / UK
    - **Starrag UK Ltd.**
      Birmingham / UK
    - **Toolroom Technology Ltd.**
      Haddenham / UK
  - **Starrag (Shanghai) Co. Ltd.**
    Shanghai / PRC
  - **Starrag Makina Ticaret ve Servis Ltd.**
    Ankara / TR
  - **Starrag RU Ltd.**
    Moskau / RU
  - **Starrag Italia Srl**
    Rivoli / IT
  - **Starrag Mexico, S. de R.L. de C.V.**
    San Pedro Garcia / MX

Details of share capital and the equity interest held are given in the consolidated financial statements on page 116 of this annual report.

The registered shares of Starrag Group Holding AG (hereafter referred to as the "company") are traded at the SIX Swiss Exchange (securities number 236106, ISIN CH0002361068, ticker STGN). The market capitalisation on 31 December 2020 was CHF 131.7 million.

Shareholders

There were 949 shareholders registered in the company's share register on 31 December 2020, who held the following numbers of shares:

More than 100'000 shares	3 shareholders
10'001 to 100'000 shares	11 shareholders
1'001 to 10'000 shares	90 shareholders
1 to 1'000 shares	845 shareholders

208'727 shares or 6.2% were not registered in the share register on 31 December 2020 (cleared shares).

Significant shareholders with more than 3 percent of voting rights are known to the company as follows:

- Walter Fust, Freienbach, Switzerland 1'854'703 shares, 55.20%
- Eduard Stürm AG, Goldach, Switzerland 311'079 shares, 9.26%
- Max Rössler, Hergiswil / Parmino Holding AG, Goldach, Switzerland, 268'200 shares, 7.98%

No disclosure notifications were made during the 2020 financial year in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading.

In earlier financial years, the following current disclosure notifications were made in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading:

- 29/09/2011: Max Rössler, Hergiswil / Parmino Holding AG, Goldach, Switzerland, 5.25%
- 04/05/2011: Eduard Stürm AG, Goldach, Switzerland, 9.73%
- 04/05/2011: Walter Fust, Freienbach, Switzerland, 54.88%

Further information about the respective disclosure notifications is published on the website of the Disclosure Office of the SIX Swiss Exchange https://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html

The company is not aware of any agreements between shareholders.

Cross-Shareholdings

There are no cross-shareholdings.

Capital Structure

Ordinary Share Capital

The company's issued share capital amounts to CHF 28'560,000 and is split into 3'360'000 fully paid-in registered shares with a nominal value of CHF 8.50 each.

Conditional Share Capital

The company has no outstanding conditional share capital.

Changes in Capital

In the last three years under report, the share capital of Starrag Group Holding AG has not changed.

Shares

Shareholder rights of membership are stipulated in the Swiss Code of Obligations as well as in the company's Articles of Association. Each registered share with a nominal value of CHF 8.50 has one vote at the Annual General Meeting. The right to vote can only be exercised if the shareholder is registered in the company's share register as a shareholder with voting rights. Distribution of profit can be decided upon within the framework of the law by the General Meeting and can be carried out in proportion to the equity investment. The company's Articles of Association are published on www.starrag.com (click on Articles of Association under Investors) and can be obtained from the company at any time.

Participation and Profit Sharing Certificates

The company has not issued any participation or profit sharing certificates.

Limitations on Transferability and Nominee Registration

In general, there are no limitations to the transfer of shares. The registration of shareholders with voting rights or beneficiaries in the share register can be denied due to the following reasons:

- if the purchaser does not, at the company's request, explicitly confirm that they have acquired and are holding the shares on their own behalf, in their own interests and for their own account;

- if and as long as the recognition of the purchaser may, based on the available information, prevent the company from complying with Swiss law requiring proof of Swiss control of the company.

Nominees who are subject to recognised banking and financial market supervision areenteredin the share register with voting rights for shares they acquire on behalf of third parties without limitation. If a nominee acquires more than 3% of the outstanding share capital, they must disclose the names, addresses, nationality and shareholdings of all persons for whose account they hold 0.5 % or more of the outstanding share capital prior to registration.

Convertible Bonds and Options

There are no outstanding convertible bonds or issued option rights.

Board of Directors

Michael Hauser (1961, Swiss and German) has been a member of the Board of Directors of Starrag Group Holding AG since 2018 and Chairman since April 2020.

Since 2011 he has been CEO of Tornos SA, based in Moutier, Switzerland and since 2017 he is also a member of the Board of Directors of Schlatter Industries AG, based in Schlieren, Switzerland. From 2008 to 2010, he was a member of the Executive Board of Georg Fischer AG and headed its division GF Agie Charmilles. From 2000 to 2008, he was a member of the Executive Board of the Agie Charmilles Group where he was responsible for the Milling Division. From 1996 to 2000 he was Chairman of the Milling Division of the Mikron Technology Group based in Biel, Switzerland. He also serves at the European Association of the Machine Tool Industries CECIMO as Delegate (2005 – today), as Board Member (2012–2017) and Chairman (2009–2010). He is a member of the Board of Directors of the Swiss Association of Mechanical, Metal and Electrical Engineering Industries SWISSMEM, where he has headed the Machine Tools division since 2005. Michael Hauser holds a degree in business administration from the University of Mannheim. He has never held an executive management position with the Starrag Group and he does not have any significant business relationships with the Group.

Prof. em. Dr. Christian Belz (1953, Swiss) has been a member of the Board of Directors of Starrag Group Holding AG since 2008.

From left to right: Prof. em. Dr. Christian Belz, Adrian Stürm, Michael Hauser, Walter Fust, Dr. Erich Bohli

He was a tenured professor of economics at the University of St.Gallen from 1989 to 2018 with a special focus on marketing and has headed the Institute of Marketing at the University of St.Gallen since 1992. He has written more than 40 books about Marketing and Sales. For years he was member of the Board of Fust, Nielsen Switzerland, Unilever Switzerland, Walter Reist Holding, Kinderdorf Pestalozzi, Schulthess Group, Interbrand/ Zintzmeyer & Lux, Jelmoli Holding and Création Baumann He has never held an executive position in the Starrag Group and he does not have any significant business relationships with the Group.

Dr. Erich Bohli (1950, Swiss) has been a member of the Board of Directors of Starrag Group Holding AG since April 2017.

After completing his degree in business management (1977) and his doctorate (1980) at the University of Zurich, Erich Bohli held various positions at Unilever (Switzerland), including Internal Auditor, General Secretary, PR Manager and Marketing Manager for several international brands. He then worked as an independent turnaround manager, a profession he pursued for the next 15 years. During this time, he managed some international companies in a variety of fields of computer training/direct sales, branded consumer goods, OTC pharmaceuticals, multimedia and e-commerce development. From 1999 to 2010, he served as CEO of Dipl. Ing. Fust AG and also served on the Boards of Directors of AEG (Switzerland) AG, Swiss Dairy Food AG and Service 7000 AG. Since then, he has been working in the area of business development and as an Internet entrepreneur. From 2010 to 2014, Erich Bohli completed a third degree in cultural and literary studies at the University of Zurich, which he completed in 2014 with a Master of Arts in Social Science. He launched subsequently the Internet-Autobiography-Platform meet-my-life.net and initiated the Swiss Autobiography-Award.

Walter Fust (1941, Swiss) has been a member of the Board of Directors of Starrag Group Holding AG since 1988 and its Vice-Chairman since April 2020 (Chairman from 1992 until 2015 and from 2019 until April 2020).

From 1997 to 2009 he was a member of the Board of Directors of Jelmoli Holding AG (Chairman until 2007), in which he held a majority shareholding from 1996 to 2003. He had previously sold the company Dipl. Ing. Fust AG listed on the stock exchange in 1987 to Jelmoli Holding AG in 1994. Dipl. Ing. Fust AG was sold in 2007 by Jelmoli Holding AG to the Coop Group. Walter Fust has been a member of the Board of Directors of Tornos Holding AG in Moutier, Switzerland since 2014. Mr. Walter Fust holds a degree in engineering from the Swiss Federal Institute of Technology in Zurich (ETHZ). He has never held an executive position in the Starrag Group and he does not have any significant business relationships with the Group.

Adrian Stürm (1970, Swiss) has been a member of the Board of Directors of Starrag Group Holding AG since 2008.

Since 2001, he has worked in the areas of Operational Risk Control and Wealth Management Controlling at UBS AG, and in Risk Managment since 2008 at UBS Wealth Management Switzerland AG. Prior to that he was an auditor with KPMG Zurich and London from 1997 to 2000. He is Chairman of the Board of Directors of the family owned company Eduard Stürm AG (Holding) and its subsidiaries Holz Stürm AG and Eduard Stürm Immobilien AG, which are all based in Goldach, Switzerland. He is also a member of the Board of Directors at Holz Michel AG, Hasle, Switzerland. Mr. Adrian Stürm holds a degree in Economics from the University of St. Gallen (lic. oec. HSG). He has never held an executive management position with the Starrag Group and he does not have any significant business relationships with the Group.

Maximum Number of Permissible Mandates

The members of the Board of Directors may not hold more than ten mandates in other companies. Of these, a maximum of five mandates may be held in companies listed on the stock exchange. The following mandates are not subject to the aforementioned limitations:

1. Mandates in companies that are controlled by the company;
2. Mandates held at the request of the company or companies controlled by it; no member of the Board of Directors or the Executive Board shall hold more than ten such mandates; and
3. Mandates in associations, charitable foundations, staff welfare foundations and associations; no member of the Board of Directors or the Executive Board may hold more than six such mandates.

Mandates are defined as mandates in the supreme governing body of a legal entity that is required to be registered in the Swiss Commercial Register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed to be a single mandate.

Election and Term of Office

The members of the Board of Directors, the Chairman of the Board of the Directors, the members of the Compensation Committee and the independent proxies are elected annually at the Annual General Meeting of the Shareholders. There are no restrictions on terms of office.

Internal Organisation

The Board of Directors shall constitute itself, unless otherwise provided by law. The Chairman shall convene meetings of the Board of Directors if and when the need arises or upon the written request of any other member. Except in urgent cases, callings for meetings are to be sent out five days before the meeting, stating the items for discussion.

Minutes are to be kept of the discussions, and are to be signed by the Chairman and the minute-taker. The minute-taker will be designated by the Board of Directors. They do not need to be a member of the Board of Directors. A majority of the Board of Directors must be present in order for resolutions to be validly adopted. No attendance quorum is required to determine the execution of a capital increase and to resolve the subsequent amendment of the Articles of Association. Resolutions shall be passed by a simple majority of the votes cast. In the event of a tied vote, the Chairman, who shall always cast a vote, shall have the casting vote. Resolutions can also be passed in writing by way of circular letter, provided no members request a verbal discussion of the item in question. These are to be included in the minutes.

There are usually six Board meetings a year, each lasting about five hours. Members of the Executive Board will be called in to these meetings if and when necessary. In the financial year 2020, ten meetings of the Board of Directors took place, with an average duration of four hours. All members of the Board of Directors attended all meetings.

The tasks and responsibilities of the Compensation Committee are presented in the Compensation Report (page 76). The Board of Directors has not established any other committees. At our mid-sized company, the respective tasks are performed by the Board of Directors as a whole. Moreover, the Executive Board regularly consults with the Chairman of the Board of Directors and individual members on an informal basis regarding important aspects of specific topics.

Definition of Areas of Responsibility

The Board of Directors has the overall responsibility for the management of the company as well as the supervision of the executive management. The Board of Directors has delegated most of the executive management powers to the CEO. However, the Board of Directors remains responsible for tasks that legally cannot be delegated and other important business. These include in particular matters such as business strategy, approval of the annual budget, decisions with regard to acquisitions and important personnel matters.

Information and Control Instruments Vis-à-Vis the Executive Board

Executive management control is exercised primarily through regular reporting by the Executive Board to the Board of Directors, in particular by means of:

- monthly and quarterly financial reports including commentary on the corresponding key figures (incoming orders, sales revenues, margins, profits, investments, liquidity, capital commitment);
- regular information about market and business developments as well as important projects;
- detailed information about market and business developments at every Board meeting, which are partially attended by the CEO and CFO and by other members of the Executive Board as required.

In addition, the Chairman of the Board of Directors discusses current developments with the CEO on a regular basis. Walter Fust and Adrian Stürm also exercise further control functions as members of the Supervisory Board of Starrag Technology GmbH and Walter Fust as a member of the Board of Directors of Starrag Vuadens SA.

Risk Management

As a leading global manufacturer of precision machine tools, the Starrag Group is faced with various risks.

The most significant risks include:

- the weakening of the economic environment in customer markets as well as business cycles could lead to a reduction in demand,
- misjudgements of developments in customer markets or in the competitive environment could lead to missed business opportunities or losses,
- failure in research and development as well as other innovation-based activities could prevent business potential from being realised,
- a lack of availability of financial resources could impair the performance and operations of the Starrag Group and
- natural events (such as fires) could impair operating activities.

the Board of Directors and the Executive Board give high priority to the careful handling of strategic, financial and operational risks. The Starrag Group has a holistic risk management process which is analysed every year by the Executive Board and the Board of Directors.

The following goals are pursued:

- systematically identifying special risks,
- establishing processes to monitor, reduce and ideally to prevent risks and
- finding the right balance between risks and opportunities.

The risk management system is based on a classic risk matrix involving the probability of occurrence and possible extent of damage (identification and classification) and includes internal instructions as well as a risk log, in which operational data as well as action planning for risk management are documented.

The Executive Board has appointed an officer to implement and moderate risk management, who reports directly to the CFO, as well as a responsible member of the Executive Board for each risk area.

In the annual risk review, the risks are carefully identified, analysed and evaluated, and appropriate measures are defined to reduce the risks. This information is documented in a comprehensive group-wide risk matrix. The implementation of the measures is monitored by the risk management officer. In business processes with recurring risks, the resolved measures are integrated as process steps in the operative processes of the daily business.

On an annual basis, the Executive Board reports on the nature, extent and assessment of significant risks and the measures taken for risk minimisation to the Board of Directors. Risks in the area of accounting and financial reporting are monitored and reduced by a suitable internal control system.

Additional information on financial risk management can be found on page 96.

Internal Auditing

In accordance with the simplifications stated in the Swiss Code of Best Practice for Corporate Governance, the Board of Directors has decided not to implement an internal audit.

The codex implies corresponding simplifications for small and medium companies as well as for companies with active majority shareholders.

Executive Board

Members of the Executive Board

The Board of Directors has appointed an Executive Board and has specified its powers and responsibilities in organisational guidelines and an accompanying functional chart.

Dr. Christian Walti (1967, Swiss) has been CEO of the Starrag Group since June 2018 CEO and interim Head of Sales since July 2019 (up to June 2019 Head of Regional Sales).

From 2012 to 2018 he was the Managing Director of Bosch Packaging Systems in Beringen, Switzerland. He was additionally responsible for the Horizontal Packaging Systems Food from 2017, a unit with five international production sites. From 2005 to 2011, as a shareholder and member of the Board of Directors of Faes Finanz AG (Holding), he held the position of delegate of the Board of Directors and CEO of Faes AG in Wollerau, Switzerland. He previously worked for Capgemini Consulting AG and ABB Switzerland AG.

Christian Walti completed his studies in Business Administration at the University of St. Gallen (HSG) with a doctorate.

Thomas Erne (1973, Swiss and German) has been Chief Financial Officer (CFO) and Head of Corporate Center of Starrag Group since 01.09.2020.

He previously served as CFO at DMG Mori since 2015. From 2007 to 2015, he was Regional Finance Director at Zimmer Biomed and was responsible for Eastern Europe, Russia, Middle East and Mediterranean as well as the European finance for the Business Units Trauma, Spine, Surgical and Computer Assisted Solutions. From 2006 to 2007, he was Senior Controller at Swissport, responsible for the US business. From 2004 to 2006, he worked in the USA for Altana Pharma, where he accompanied the market development of the American business in the finance department. From 2002 to 2004 he completed a trainee program in finance at Altana Pharma AG.

Thomas Erne holds a degree in business administration from the University of Constance/DE.

Alexander Attenberger (1977, German) has been responsible for the Sales division of the Starrag Group from 1 April 2020.

He previously worked for the German Grob Group since 2013, first as a Head of Department and then as Division Manager of Sales of universal machines. From 2010 to 2012, he was the Executive Vice President of Sales Industrial Equipment at MAG IAS. Between 2007 and 2010, he worked for Deckel Maho Pfronten, first as the Head of Back Office Sales, then as Sales Director for horizontal machining centres. From 2003 to 2007, he was the Product Sales Manager Milling at DMG München Vertriebs und Service GmbH.

Alexander Attenberger is a Precision Engineering Master and an HWK (Chamber of Crafts) Business Economist.

Dr. Stefan Breu (1964, Swiss) joined Starrag Group on May 2019 and has been Head of Group Operations since July 2019, responsible for supply chain management, strategic procurement, manufacturing and sub-assemblies and Head of Business Unit Horizontal Machining Systems, which comprises the Heckert, Scharmann and WMW product lines.

He previously served in various executive positions with Bosch Packaging Systems, Beringen/Switzerland (former SIG Division SIG Pack), where he was finally responsible for the entire unit's operations as General Manager. Between 208 and 2016 he was COO of Schleuniger Group and Head of Global Production and Supply Chain of SIG Combibloc Group. His earlier professional career included operational responsibility of SIKA's China business and various executive positions in marketing, trading, sales and production at ATEL, where he ultimately served as Head of Group Operations and member of the Executive Board.

Stefan Breu hold a degree in mechanical engineering form ETH Zurich and a Ph.D. in economics from the University of St. Gallen. He also completed the International Executive Program at INSEAD Fontainebleau and the Stanford Executive Program at Stanford University, USA.

Dr. Bernhard Bringmann (1977, Swiss and German) has been Head of the business unit High Performance Systems (product areas Starrag, Ecospeed, TTL) since July 1, 2019.

From 2015, he was previously Head of the Starrag plant in Rorschach as part of the former business unit Aerospace & Energy in Rorschach and bore overall responsibility for the market segments Aero Engine and Power Turbine as well as central functions in the segment Aero Structure. In 2014, he was Head of the former business unit 1 and thus responsible for the brands Starrag and the technology subsidiary TTL, UK. Bernhard Bringmann has previously held various management positions in the areas of Development, Innovation and Technology since joining Starrag in 2008.

Bernhard Bringmann holds a Dr. of Science (Dr. Sc.) from the ETH Zurich and has a Master of Science in Mechanical Engineering from the Rensselaer Polytechnic Institute in Troy/USA.

Günther Eller (1960, German) has been head of Customer Service at the Starrag Group since 2007.

From 1986, he previously held various management positions at OC Oerlikon in Sales and Customer Service, 2001 to 2006 as Head of the business unit Customer Service in the Data Storage Division, 1995 to 2001 as Managing Director of a sales and service company for the investment business and prior to this various management positions in the areas of Sales and Key Account Management.

Gunther Eller holds an M.Sc. in Engineering Physics.

Jean-Daniel Isoz (1959, Swiss) has been Head of the business unit Precision Machining Centres (product areas Bumotec, SIP) since July 2019, which comprises the Bumotec and SIP product lines.

Previously, he was responsible for the market segments Luxury Goods, Micromechanics and Med Tech within the former Bbusiness Unit Precision Engineering since 2015. Before he was responsible for the former Business Unit 4 for the brand Bumotec in Sâles (Switzerland) and SIP in Geneva (Switzerland). Prior to that, he had served as Managing Director of SIP Société d'Instruments de Précision SA from 2006. After first working as director for SIP from 2000 and 2002, he took over as managing director of Bula Machinesuntil end of 2005. Previously, he had acquired 15 year of experience in various management positions in production and customer services for Bobst SA in Lusanne, USA and Asia.

Mr. Isoz holds a degree in electrical engineering and has completed Finance and Marketing programs at INSEAD in Fontainebleau, France.

Maximum Number of Permissible Mandates

The members of the Executive Board may not hold more than three mandates in other companies.

The following mandates are not subject to the aforementioned limitations:

1. Mandates in companies that are controlled by the company;
2. Mandates held at the request of the company or companies controlled by it; no member of the Board of Directors or the Executive Board may hold more than ten such mandates; and
3. Mandates in associations, charitable foundations, staff welfare foundations and associations; no member of the Board of Directors or the Executive Board may hold more than six such mandates.

Mandates are defined as mandates in the supreme governing body of a legal entity that is required to be registered in the Swiss Commercial Register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed to be a single mandate.

Acceptance of mandates/appointments outside the Starrag Group by members of the Executive Board requires prior approval by the Board of Directors.

Management Contracts

There are no management contracts with companies outside the Starrag Group.

Compensation, Shareholdings And Loans

Information on compensation and loans are specified in the Compensation Report (page 79) and information regarding participation can be found in the Notes to the Financial Statement (page 117).

Shareholders' Participation Rights

Shareholders of Swiss stock corporations have extensive participation and protective rights. The protective rights include the right to inspection and information, the right to a special audit, the right to convene a General Meeting, the right to add topics to the agenda, the right to challenge resolutions and the right to raise claims regarding responsibility.

The participation rights include, in particular, the right to participate in General Meetings, the right to express opinions and the right to vote.

Voting Rights Restrictions and Representation

There are no restrictions on the voting right for all shareholders whose right to vote is registered in the share register. Every shareholder is entitled to be represented at the General Meeting by another shareholder who is authorised to do so in writing, by their legal representative or by the independent voting representative.

The Board of Directors determines the requirements for proxy and the instructions given to the independent voting representative.

Statutory Quorum

There is no statutory quorum.

Convening of the Annual General Meeting

There are no statutory regulations regarding the convening of General Meetings that deviate from the law. A notice convening a General Meeting must be sent in writing to shareholders at least 20 days before the scheduled date of the General Meeting.

Extraordinary General Meetings are to be called upon resolution of a General Meeting of shareholders or the Board of Directors, or at the request of the auditors, or if shareholders representing at least 3 percent of the share capital request in writing that a General Meeting be called, specifying the agenda items to be discussed and the proposals to be voted on.

Additions to the Agenda

The notice convening a General Meeting shall state the agenda items and the motions of the Board of Directors as well as any proposals by shareholders who have duly requested that a General Meeting be called or that an item be included in the agenda. Shareholders representing at least 1% of the share capital can request the addition to the agenda of an item to be discussed. Such inclusion must be requested in writing at least 40 days prior to the next scheduled General Meeting, specifying the agenda items to be discussed and shareholder proposals to be voted on.

Registrations in the Share Register

The Board of Directors keeps a share register in which the shareholders and beneficiaries are entered with their names and addresses. With respect to the company, shareholders and beneficiaries are only recognised as such if they are registered in the share register. Any entry requires the approval of the Board of Directors, a committee determined by the Board of Directors or a single person determined by the Board of Directors. The Board of Directors may request from the applicant all information necessary for the assessment of the registration request that appears to be relevant to the request. The entry in the share register of a shareholder with the right to vote or a beneficiary can be denied for the following reasons:

- if the acquirer does not, at the company's request, explicitly confirm that they have acquired and are holding the shares on their own behalf, in their own interests and for their own account;
- if and as long as the recognition of the acquirer may, based on the available information, prevent the company from complying with Swiss law requiring proof of Swiss control of the company.

Acquirers who are not yet recognised by the company are to be registered in the share register as shareholders without voting rights after the transfer of rights. The corresponding shares are deemed not to be represented at the General Meeting.

After hearing the person in question, the Board of Directors can delete registrations in the share register if these have resulted from invalid information by the acquirer. The acquirer has to be informed immediately of this deletion.
The key date for the registration of registered shareholders in the share register with regard to attendance of the General Meeting will be set on a date shortly before expiry of the statutory period on the convention of the General Meeting.

Changes in Control and Defence Measures

Obligation to Make an Offer
There are no statutory regulations regarding "opting out" and "opting-up" which differ from law.

Clauses on Changes in Control
There are no clauses on changes in control.

Auditors

Duration of the Mandate and Term of Office of the Auditor in Charge
PricewaterhouseCoopers AG, St. Gallen, has been the statutory and consolidated financial statement auditor since 1981. They are elected for a term of office of one year by the General Meeting. The current term of office expires at the Annual General Meeting in 2020. The auditor in charge, Oliver Kuntze, was first assigned the auditing mandate with the auditing of the 2019 financial statement. The rotation rhythm of the leading auditor corresponds to the maximum duration of seven years legally applicable for Swiss companies.

Audit Fees
Audit fees paid to PricewaterhouseCoopers AG during the 2020 financial year and charged to the consolidated financial statement amounted to TCHF 250.

Additional Fees
In the financial year 2020, additional fees of TCHF 15 were paid to PricewaterhouseCoopers AG. These were incurred in particular in connection with tax advice.

Supervisory and Control Instruments Pertaining to the Auditors
The external audit is supervised by the Board of Directors. The Board of Directors assesses the audit plan, the audit scope, the audit and the results of the audit. The auditors report significant findings directly to the Board of Directors. In the reporting year, the auditor in charge attended two meetings of the Board of Directors. At these meetings, the audit plan, scope, and results of the audit, as well as other important aspects of auditing were discussed.

Information Policy

The company informs its shareholders and the capital market in an open and timely fashion and with the highest possible levels of transparency. The most important information tools are the Annual and Half-Year Reports, the www.starrag.com website, media releases, balance sheet presentations for the media and analysts and the Annual General Meeting.

As a company listed on the stock exchange, the Starrag Group Holding AG is required to disclose information relevant to the share price in accordance with the ad hoc publicity guidelines of the listing regulations of the SIX Swiss stock exchange. Any interested party can register at www.starrag.com (click on E-mail distribution under Investors) to receive potential information relevant to the share price directly from the company via the e-mail distribution list. This information is also available on the website (www.starrag.com, click on Media releases under Investors) and can be provided to any interested parties upon request.

Important Data:

- **23/04/2021**
  Annual General Meeting in Rorschach
- **29/07/2021**
  Half-Year Report 2021
- **28/01/2022**
  Sales and order situation 2021
- **04/03/2022**
  Annual Report 2021, Analysts and Media Conference in Zurich
- **23/04/2022**
  Annual General Meeting in Rorschach

The information mentioned will be published on our website www.starrag.com as far as possible.

Official announcements and invitations will be sent by post to shareholders using the addresses recorded in the share register. Public announcements prescribed by law are made by publication in the Swiss Official Gazette of Commerce.

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Compensation Report

Compensation report

Introduction

This Compensation Report contains information on the compensation of the members of the Board of Directors and the Executive Board. The report was prepared in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC). Furthermore, the report is consistent with the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation economiesuisse and Chapter 5 of the Appendix to the SIX Exchange Regulation Corporate Governance Directive.

The information included under the headings "Remunerations" and "Loans and Credits" was audited by the statutory auditors.

Compensation Policy and Principles

The Starrag Group ensures comprehensive transparency regarding the compensation of members of the Board of Directors and the Executive Board. Within the Starrag Group, compensation is based on the principles of value-based management with the aim of guaranteeing that management compensation is in line with market conditions and thus ensuring that qualified executives can be recruited and remain with the company in the long-term. Compensation policy also promotes entrepreneurial thinking and approaches and aligns the interests of executive bodies with those of the shareholders.

The compensation of the members of the Board of Directors and the Executive Board is determined on the basis of individual tasks and performance, the course of business of the company, market conditions in the respective global sales and local labour market as well as salary comparisons with regard to the function, business activity, size and internationality of employers with similar positions. These criteria are applied individually for each member of the Executive Board at their due discretion.

Responsibilities in Determining Compensation

The responsibilities in determining the compensation are regulated on the basis of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC) in the Articles of Association and Organisational Regulations of Starrag Group Holding AG.

General Meeting

The General Meeting has the non-transferable power to:

- elect and dismiss members of the Compensation Committee;
- approve the compensation of the Board of Directors and the Executive Board
- determine the statutory principles governing the performance-related compensation of the members of the Board of Directors and the Executive Board, as well as other provisions of the Articles of Association in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations.

Each year, the ordinary General Meeting approves the maximum total compensation of the Board of Directors for the period until the next ordinary General Meeting and the maximum total compensation of the Executive Board for the financial year following the General Meeting.

In addition, the General Meeting approves the Compensation Report retrospectively in a non-binding consultative vote.

Board of Directors

Subject to the powers of the General Meeting, the Board of Directors is responsible, at the request of the Compensation Committee, for determining the compensation that is to be paid to the members of the Board of Directors and the members of the Executive Board. In particular, at the request of the Compensation Committee it has the following tasks and responsibilities:

- defining the compensation system for the members of the Board of Directors and the Executive Board in accordance with the Articles of Association;
- reviewing the fixed compensation of the members of the Board of Directors and the Executive Board and determining the same, within the framework of the total compensation approved by the General Meeting;
- determining any additional compensation for the members of the Board of Directors for special tasks and bonuses for extra services within the framework of the total compensation approved by the General Meeting;
- determining variable profit-sharing plans for the members of the Board of Directors and the Executive Board in accordance with the Articles of Association and within the framework of total compensation approved by the General Meeting;
- preparing the Compensation Report.

Compensation Committee

The Compensation Committee shall have the following tasks and responsibilities (fundamental principles):

- drafting and periodic review of the compensation policy and principles of the Starrag Group and periodic review of the implementation thereof, and submission of proposals and recommendations to the Board of Directors;
- preparing all relevant decisions of the Board of Directors relating to the compensation of the members of the Board of Directors and the Executive Board, and submitting proposals to the Board of Directors concerning the nature and amount of the annual compensation of the members of the Board of Directors and the Executive Board, and preparing a proposal for the maximum total amount of compensation.

During the 2020 financial year, the Compensation Committee held several meetings by phone and writing in the fulfilment of its statutory duties. In 2018, the Compensation Committee developed and introduced a new system for the variable salary component of the Executive Board members valid for the period from 2018 to 2020, with the aim of focusing even more consistently on growth and increasing the profitability of the units and the Group. The variable salary components of the Executive Board members, which depend on EBIT improvements, were redefined for the years 2021 to 2023 according to this proven system.

The Board of Directors and the Compensation Committee can engage external experts on compensation issues to obtain neutral advice and/or data as a basis for comparison of compensation levels. The Board of Directors and the Compensation Committee performed their duties during the past year without the involvement of external consultants.

Compensation Elements

Board of Directors

The members of the Board of Directors each receive fixed compensation and variable profitbased compensation. The Board of Directors may grant additional compensation to individual members for extra duties (serving on committees, etc.). In the reporting year, the Board of Directors voluntarily decided to waive 20% as a Corona contribution to the fixed remuneration (May to December).

In the financial years 2018 to 2020, the net profit is the basis of assessment for variable profit-sharing compensation for the members of the Board of Directors, reduced by an advance interest on equity capital depending on the development of interest rates. The amount of the advance interest and the shares of the individual members of the Board of Directors in the basis of assessment as well as the other details (payout terms and date, any limitation on the variable profit sharing, etc.) are determined by the Board of Directors. If net profit falls below the defined amount of advance interest, no variable profit-sharing compensation will be paid. Variable profit-sharing compensation for the members of the Board of Directors is capped at CHF 125'000 per member.

The fixed compensation is paid monthly in cash. The variable profit-sharing compensation is paid annually in cash after the consolidated financial statement has been approved by the General Meeting. The company does not have any share participation plans.

The members of the Board of Directors are not insured through pension plans or comparable schemes of the company or Group companies. Members of the Board of Directors are not entitled to severance pay or other benefits upon separation of service.

Executive Board

The members of the Executive Board receive fixed compensation and variable profit-sharing compensation. The Board of Directors may resolve special bonuses for exceptional performance.

The Board of Directors determines the variable profit-sharing compensation of the Executive Board members based on individual performance metrics pertaining to the areas of operation for which they are responsible and/or to collective performance metrics pertaining to the consolidated results.

In the financial years 2018 to 2020, the basis of assessment for the variable profit-sharing compensation of members of the Executive Board was calculated on the basis of the operating result EBIT minus minimum expected results. Group operating result EBIT was one measure of performance. For the business unit managers, a second measure based on the operating result EBIT of their particular area of responsibility was applied. In the average expected result distribution, this second component accounts for around two-thirds of the total variable compensation for the heads of the business units, while the percentage of their compensation based on the Group result amounts to approximately one-third. If the operating result EBIT falls below the specified minimum threshold, no variable compensation will be paid. The variable profit-sharing compensation for the members of the Executive Board is limited to 150% of the fixed compensation.

The fixed compensation is paid monthly in cash. The variable profit-sharing compensation is paid annually in cash after the consolidated financial statement has been approved by the General Meeting. The company does not have any share participation plans. Pension benefits are only paid to members of the Executive Board within the framework of domestic and foreign pension plans and comparable plans of the company or Group companies. The benefits to insured parties and the employer's plan contributions are defined in the aforementioned plans or the corresponding plan regulations.

An additional amount of compensation as defined in Art. 19 of the OaEC equivalent to 40% of the approved total amount of compensation of the Executive Board is available for members appointed to the Executive Board after the maximum total amount is approved. Compensation may be paid by the company or the corresponding Group company for services rendered at companies that are directly or indirectly controlled by the company. Such compensation must be consolidated at Group level and included in the votes on compensation at the General Meeting.

Company loans and credits to a member of the Executive Board and any guarantees or other collateral offered to secure the obligations of an Executive Board member may not exceed three times the annual salary of the respective member of the Executive Board.

Members of the Executive Board are not entitled to severance pay or other benefits upon separation of service.

Remuneration

CHF 1'000	**2020**					**2019**				
	Fixed	Additional services	Variable	Pension and other	Total	Fixed	Additional services	Variable	Pension and other	Total
Prof. em. Dr. Christian Belz	43	-	-	2	45	50	-	7	3	60
Dr. Erich Bohli	43	9	-	2	54	50	7	7	3	67
Daniel Frutig (until 26.4.2019, Chairman)	-	-	-	-	-	37	-	2	3	42
Walter Fust (Chairman until 25.4.2020, after Vice-Chairman)	55	24	-	3	82	70	29	7	4	110
Michael Hauser (Chairman from 25.4.2020, previously Vice-Chairman)	59	-	-	4	63	50	-	7	4	61
Adrian Stürm	43	12	-	3	58	50	12	7	4	73
Total Board of Directors	**243**	**45**	**-**	**14**	**302**	**307**	**48**	**37**	**21**	**413**
Variable as percentage of total compensation			0%					9%		
Total Executive Board	**2'039**	**36**	**825**	**418**	**3'318**	**1'703**	**-**	**1'445**	**429**	**3'577**
Variable as percentage of total compensation			29%					46%		
Thereof:										
‣ Christian Walti, CEO	364	-	300	95	759	387	-	477	110	974
Variable as percentage of total compensation			45%					55%		

Compensation is reported on a gross basis (including employee contributions to pension plans and social insurance schemes) The reported contributions to pension plans and social insurance schemes include the employer's contributions.

Notes Regarding Compensation

Compensation for additional duties performed by members of the Board of Directors is owed in connection with the service of Walter Fust and Adrian Stürm on the Supervisory Board of Starrag Technology GmbH in Mönchengladbach, the service of Walter Fust on the Board of Directors of Starrag Vuadens SA and the work of the Compensation Committee.

The fixed compensation of the Executive Board was higher in 2020 due to a change in the Group Executive Board. New additions were Alexander Attenberger and Thomas Erne, while departing Executive Board members continued to impact 2020. This was partly compensated by a voluntary waiver of 10% of the fixed compensation by the management.

All compensation was assigned to the appropriate period in accordance with the Swiss GAAP FER accounting and reporting recommendations (accrual basis).

Loans and Credits

In the year under review, as well as in previous years, the Starrag Group granted no loans or credits to current or former members of the Board of Directors or the Executive Board. Neither did the Starrag Group provide compensation or any loans or credit to any related parties of current or former members of the Board of Directors or the Executive Board at non-market rates or conditions.

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Starrag Group Holding AG

Rorschacherberg

We have audited the remuneration report of Starrag Group Holding AG for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained on page 80 (Table) and page 81 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.

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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 Starrag Group Holding AG for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Oliver Kuntze	Oscar Maier
Audit expert Auditor in charge	Audit expert

St. Gallen, 3 March 2021

Financial Report

Financial commentary

As aspected, lower order intake and sales with lower EBIT margin due to market effects in 2020

- Order intake down 44% to CHF 192 million (down 42% at constant exchange rates)
- Sales down 29% to CHF 297 million (down 27% at constant exchange rates)
- Order backlog reduced to CHF 174 million
- Operating result EBIT at CHF 1.3 million vs. CHF 4.8 million in 2019, EBIT margin 0.4% vs. 1.1% in 2019
- Net income minus CHF 0.6 million vs. CHF 6.8 million in 2019
- Solid balance sheet with 55% equity ratio
- Consistent cost management partially cushioned the decline in earnings

CHF m	**2020**	2019	Change
Order intake	192.5	343.2	-43.9%
Order backlog end of the year	173.7	284.3	-38.9%
Sales revenue	297.1	418.1	-29.0%
Operating result EBIT	1.3	4.8	-73.7%
Net result	-0.6	6.9	-108.8%
EBIT as percentage of sales revenue	0.4%	1.1%	n/a
Cash flow from operating activities	11.0	10.5	5.0%
Capital expenditure in non-current assets	5.2	5.1	2.2%
Free cash flow	6.2	8.3	-26.0%
Employees (full-time equivalent, on a period average)	1'415	1'514	-6.5%
Total assets	317.5	334.6	-5.1%
Net cash	6.6	0.6	917.1%
Shareholders' equity	175.5	178.1	-1.4%
Equity ratio	55.3%	53.2%	n/a
Return on equity ROE	-0.3%	3.9%	n/a
Earnings per share (in CHF)	-0.19	2.02	-109.3%
Profit distribution per share (in CHF)	0.00 [1]	0.00 [2]	n/a

[1] Proposal of the Board of Directors to the Annual General Meeting on 23.04.2021 to waive a dividend.
[2] In accordance with the resolution of the General Meeting of 25.04.2020, no dividend was distributed.

The Starrag Group closed the 2020 financial year with an operating result of CHF 1.3 million and a net profit of CHF -0.6 million. The EBIT margin was 0.4% of sales revenue (previous year 1.1%). Incoming orders of CHF 192.5 million were 44% lower than the previous year. The order backlog of CHF 173.7 million is below the long-term average, but ensures basic capacity utilisation for 2021.

The Board of Directors proposes at the Annual General Meeting on 23 April 2021 that no dividend be paid.

Sales

At CHF 297 million, sales revenue was 29.0% (-26.7% adjusted for currency effects) below the previous year (CHF 418 million). The decline is primarily due to the lower order intake in 2020, which was driven by the market changes affected by Corona.

Order intake significantly below previous year due to lower economic demand

As expected, order intake developed significantly below the previous year's level, as was apparent at the beginning of the year. The decline compared with the previous year was -43.9% (-42% adjusted for currency effects) and led to an order intake of CHF 192 million for the year as a whole. The decline, which is typical for the industry in 2020, can be explained among other things by the temporary, historic pandemic-related slump in the aviation sector, which is important for the Starrag Group, and which will correct itself again in the foreseeable future.

The decline mainly concerned the customer industries Aerospace and Transportation as well as the areas of Industrial and Energy to a lesser extent. Viewed by geographic market region, the incoming orders declined particularly in Asia, followed by North America and Europe. The recurring service portion of incoming orders was CHF 57 million (previous year CHF 77 million) and was thus 25% below the previous year due to lower production volumes on the customer side.

Due to weakened investment activity, the share of the stable business with medium and small shares (< CHF 5 million) declined to CHF 125 million (previous year CHF 199 million), while the major contracts (> CHF 5 million) fluctuated more heavily as expected at CHF 6 million (previous year CHF 67 million).

The order situation is characterised by a weaker order backlog at the end of the year, which amounted to CHF 174 million. The decrease of 38% compared to the order backlog at the end of 2019 of CHF 284 million nevertheless continues to ensure a basic level of capacity utilisation for 2021. The recurring substantial service business will continue to contribute to a recovery of the order book in 2021. The book-to-bill ratio (order intake to sales) was 0.64 (previous year 0.82).

The operating result EBIT remains positive

Gross profit (sales revenue minus cost of materials plus/minus change in inventory) amounted to CHF 162 million and was CHF 64 million or 28.5% below the prior-year figure of CHF 226 million. At 54.5%, the gross profit margin was almost at the previous year's level of 54.1%. The improvements in project management stabilised the margin situation in a challenging environment.

Personnel expenses of CHF 118 million were significantly below the 2019 costs of CHF 146 million (CHF 155 million including restructuring costs). The reduction of CHF 28 million is a combination of the effects of the restructuring in 2019, as well as the consistent reduction of time accounts (effect CHF 6.4 million), temporary employees and the use of short-time work (CHF 6.9 million) in 2020. The headcount was reduced by 136 FTEs from 1’492 at the end of 2019 to 1’356 at the end of 2020.

Material expenses amounted to CHF 34 million and were thus 36.3% lower than the previous year, adjusted for currency effects. These savings were achieved through active cost management, as well as through the changed framework conditions in 2020, which largely brought industry-standard activities, such as trade fair appearances or business trips, to a standstill.

With the help of savings in personnel and active cost management, the operating result of CHF 1.3 million was maintained, compared to CHF 4.8 million in 2019, despite a decline in gross profit (sales revenue minus cost of materials plus/minus change in inventory) of CHF 64 million.

Investments in development at a high level

Expenditure for development remained at a high level. During the year under review, CHF 24.7 million or 8.3% of sales revenue was spent on developing innovative products and processes as well as on customer-specific further development, laying a solid foundation for the competitiveness of the products.

Net income slightly negative

The financial result in 2020 deteriorated by CHF 0.7 million compared to 2019 and amounted to CHF -1.7 million. The decrease compared to 2019 is mainly explained by a non-repeated effect from currency gains in 2019 (CHF 1.6 million). Therefore, the result before taxes closes at minus CHF 0.5 million.

Income taxes have an effect of minus CHF 0.2 million in 2020. While a one-off special effect of CHF 2.6 million could be booked in 2019, this effect could not be repeated in 2020. This results in a deterioration of just under CHF 3.2 million compared to 2019.

As a result, net profit for the Group was minus CHF 0.6 million.

Balance sheet still sound

On 31 December 2020, the balance sheet total was CHF 318 million, down 5.1% compared to previous year .

The capital employed through construction contracts in progress decreased from CHF 42 million to CHF 28 million, whereby CHF 60 million was shown under receivables (previous year CHF 80 million) and CHF 33 million under liabilities (previous year CHF 37 million). The capital commitment consists of order costs and recognized profits of CHF 309 million (previous year: CHF 290 million), less advance payments received in the amount of CHF 282 million (previous year: CHF 248 million). The level of financing of construction contracts in progress thus increased from 91% to 88%.

Current assets reduced by 5.1% to CHF 229 million in the reporting period (previous year CHF 241 million). Improvements in the collection process led to a higher cash balance and a reduction in customer receivables.

Fixed assets decreased to CHF 89 million (previous year CHF 93 million). Investments in fixed assets amounted to CHF 5.1 million and were at the previous year's level.

Liabilities reduced by 9.3% to CHF 142 million (previous year CHF 157 million). This decrease can be particularly attributed to the reduction of the operating liabilities from goods and services of CHF 9.7 million.

Shareholders' equity was virtually unchanged at CHF 175 million. The equity ratio at the end of the reporting year improved to 55% (previous year 53%).

Intact free cash flow

The operating cash flow of CHF 11.0 million remained at the previous year's level (CHF 10.5 million) and is manly driven by changes in net working capital.

The Cash outflow from investment activities of minus CHF 4.8 million remained at the previous year's level (CHF -2.1 million) – with a special effect of CHF 3.0 million from sale of assets.

Despite the lower order volume, the free cash flow closed at CHF 6.2 million (previous year CHF 8.3 million).

Measure to cushion the Covid-19 impact

Various measures were implemented to ensure liquidity and profitability: The Group adjusted capacity, implemented cost saving programmes, increased focus on working capital reduction, concentrated on only essential investments and stabilised credit lines. The pandemic had no significant impact on the valuation of balance sheet items. Contributions from short-time working were shown as cost-reducing in the income statement.

Currency effects

The Swiss Franc developed in 2020 below the average exchange rate of 2019. This led to negative currency conversion effects in the income statement and cash flow statement, due to the weakening of the Euro in comparison with the previous year. The negative effects included a negative impact of the revenue by 2.2%. The stable year-end exchange rate led to slightly positive currency conversion effects in the balance sheet, which slightly improved shareholders' equity. The annual average exchange rate for translating the income statement and cash flow statement was considerably below the previous year at 1.0813 (previous year: 1.1247), which also applied to the year-end exchange rate used to translate the balance sheet (1.0946 compared with 1.0960).

The majority of Starrag Group's production and costs are incurred in the euro zone. This natural hedge stabilises the Group's currency fluctuations. In order to further reduce the economic currency risk and thus to maintain the competitiveness of the Swiss plants, Starrag Group relies on continuous productivity increases and cost reductions in the Swiss area in order to counteract the pressure of the continuing strong Swiss franc.

Additional Definitions of Performance Indicators

The financial information in this Annual Report includes in addition certain performance indicators that are not defined by the Swiss GAAP FER. These are used by management to measure the performance of the company. They might deviate from similar measurement parameters used in other companies and are not to be considered as a replacement for the Swiss GAAP FER indicators.

Incoming Orders

Incoming orders include all the orders that have been received during the reporting period, including products (new machines, modernisation, maintenance and repairs).

Order On Hand

The orders on hand include all orders that have not yet been completed, net after deduction of the revenue already recognised.

Currency-Adjusted Changes

To calculate the currency-adjusted changes, the corresponding key indicators are translated at the exchange rates of the comparative period.

Restructuring Costs

Restructuring costs include costs in conjunction with strategic restructuring.

Free Cash Flow

The free cash flow is calculated as follows:
+ Cash flow from operating activities, net
+ Cash flow from investment activities, net

Net Liquidity

The net liquidity is calculated as follows:
+ Liquid assets
- Current financial liabilities
- Non-current financial liabilities

Equity Ratio

To calculate the equity ratio, the equity is divided by the total of the assets.

Return on Equity ROE

To calculate the return on equity, the net profit is divided by the equity at the start of the reporting period.

Total Shareholder Return TSR

To calculate the total shareholder return, the share price at the start of the reporting period is subtracted from the share price at the end of the reporting period and added to the dividend distribution that has taken place in the reporting period. This interim result is divided by the share price at the start of the reporting period.

Consolidated income statement

CHF 1'000		2020	2019
Sales revenue	1	297'051	418'138
Other operating income	2	1'903	2'312
Change in inventory of finished and unfinished goods		5'559	-7'100
Cost of materials and components		-142'716	-187'091
Personnnel expenses	3	-118'268	-154'523
Other operating expenses	4	-33'737	-54'892
Earnings before interest, taxes, depreciation and amortization EBITDA		**9'792**	16'844
Depreciation of tangible fixed assets	9	-7'069	-7'988
Depreciation of intangible assets	10	-1'463	-4'060
Operating result EBIT		**1'260**	4'796
Financial result	5	-1'712	-957
Ordinary profit before taxes		**-452**	3'839
Income tax expenses	16	-153	3'038
Net result		**-605**	6'877
Thereof:			
‣ Shareholders of the company		-634	6'802
‣ Minority shareholders		29	75
Earnings per share in CHF	6	-0.19	2.02
Diluted earnings per share in CHF	6	-0.19	2.02

The enclosed notes are part of the consolidated financial statements.

Consolidated balance sheet

CHF 1'000		31.12.2020	31.12.2019
Cash and cash equivalents		32'506	14'611
Receivables from goods and services	7	82'479	110'553
Other receivables		4'647	6'172
Inventories	8	108'090	108'360
Prepaid expenses and accrued income		1'280	1'672
Total current assets		**229'002**	241'368
Tangible fixed assets	9	86'129	90'798
Intangible assets	10	2'412	2'426
Total non-current assets		**88'541**	93'224
Total assets		**317'543**	334'592

CHF 1'000		31.12.2020	31.12.2019
Financial debts	11	23'456	11'249
Payables for goods and services		13'639	23'355
Other liabilities		10'788	10'742
Provisions	12	3'627	6'395
Accrued expenses and deferred income	13	73'893	85'940
Total current liabilities		**125'403**	137'681
Financial debts	11	2'500	2'718
Provisions	12	14'146	16'136
Total non-current liabilities		**16'646**	18'854
Total liabilities		**142'049**	156'535
Share capital		28'560	28'560
Additional paid-in capital		51'884	51'884
Retained earnings		95'017	97'569
Total shareholders' equity, shareholders of the company		**175'461**	178'013
Minority shareholders		33	44
Total shareholders' equity	14	**175'494**	178'057
Total liabilities and shareholders' equity		**317'543**	334'592

The enclosed notes are part of the consolidated financial statements.

Consolidated cash flow statement

CHF 1'000	**2020**	2019
Net result	-605	6'877
Depreciation of tangible fixed assets	8'532	12'048
Change in non-current provisions	-1'984	-6'528
Other non-cash items	-2'345	144
Change		
‣ Receivables from goods and services	29'229	8'611
‣ Inventories	-192	-5'991
‣ Other receivables and deferred expenses	1'667	-1'772
‣ Payables from goods and services	-9'307	-5'966
‣ Other liabilities, accrued expenses and deferred income	-13'997	3'052
Cash flow from operating activities, net	**10'998**	10'475
Capital expenditure for:		
‣ Tangible fixed assets	-3'677	-4'558
‣ Intangible assets	-1'513	-521
Disposals of fixed assets	369	2'953
Cash flow from investing activities, net	**-4'821**	-2'126
Change in current financial liabilitites	12'345	-22'096
Repayment of non-current financial liabilities	-250	-271
Dividend payment	-40	-3'419
Cash flow from financing activities, net	**12'055**	-25'786
Currency translation	-337	206
Net change in cash and cash equivalents	17'895	-17'231
Cash and cash equivalents at beginning of period	14'611	31'842
Cash and cash equivalents at end of period	**32'506**	14'611

The enclosed notes are part of the consolidated financial statements.

Consolidated statement of shareholders' equity

CHF 1'000	Share capital	Additional paid-in capital	Retained earnings Currency translation	Retained earnings Goodwill offset	Retained earnings Others	Total	Shareholders' equity shareholders of the company	Minority share-holders	Total Share-holders' equity
31.12.2018	**28'560**	**55'244**	**2'189**	**-29'380**	**120'001**	**92'810**	**176'614**	**30**	**176'644**
Net result	-	-			6'802	6'802	6'802	75	6'877
Currrency translation	-	-	-2'926	883		-2'043	-2'043	-2	-2'045
Dividend payment	-	-3'360	-	-	-	-	-3'360	-59	-3'419
31.12.2019	**28'560**	**51'884**	**-737**	**-28'497**	**126'803**	**97'569**	**178'013**	**44**	**178'057**
Net result	-	-			-634	-634	-634	29	-605
Currency translation	-	-	-1'982	64		-1'918	-1'918	-	1'918
Dividend payment	-	-3'360	-	-	-	-	-	-40	-40
31.12.2020	**28'560**	**51'884**	**-2'719**	**-28'433**	**126'169**	**95'017**	**175'461**	**33**	**175'494**

The enclosed notes are part of the consolidated financial statements.

Notes to the Consolidated Financial Statement

Machine Tools for Greater Accuracy and Productivity

The Starrag Group is a global technology leader in manufacturing high-precision machining tools for milling, turning, boring and grinding work pieces of metallic, composite and ceramic materials. Its customers include leading companies in the customer sectors of Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech). Its portfolio of machine tools in combination with wide-ranging technology and services enables customers to substantially enhance their quality and productivity.

The umbrella brand Starrag unites the product areas of Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, Heckert, Scharmann, SIP, Starrag, TTL and WMW. Headquartered in Rorschach/Switzerland, the company Group operates production sites in Switzerland, Germany, France, the UK and India as well as sales and services companies in numerous other countries.

The shares of Starrag Group Holding AG are listed on the SIX Swiss Exchange.

As per 31 December and as per the end of the previous year, Starrag Group Holding AG held the following fully consolidated participations directly or significantly indirectly with a capital share of 100% (provided not otherwise specified):

- Starrag Group Holding GmbH, Chemnitz, Germany
- Starrag Group Holdings Ltd., Birmingham, UK
- Starrag AG, Rorschacherberg, Switzerland
- Starrag GmbH, Chemnitz, Germany
- Starrag SAS, Saint-Etienne, France
- Starrag Service Center GmbH & Co. KG, Ichtershausen, Germany (capital share 80%)
- Starrag Technology GmbH, Mönchengladbach, Germany
- Starrag Vuadens SA, Vuadens, Switzerland
- Toolroom Technology Limited, Haddenham, UK
- Starrag (Shanghai) Co. Ltd., Shanghai, China
- Starrag India Private Limited, Bangalore, India
- Starrag Italia Sri, Rivoli, Italy
- Starrag RU Ltd., Moscow, Russia
- Starrag UK Limited, Birmingham, UK
- Starrag USA Inc., Hebron USA

Capital Management

The managed capital corresponds to the shareholders' equity shown in the consolidated balance sheet. The main goals of capital management are to ensure the necessary financial flexibility and to optimise the capital structure for reducing capital costs in order to create additional value for shareholders and other stakeholders.

The equity base is periodically reviewed and adjusted, taking into consideration economic conditions and loan agreements (see Note 11). In particular, the General Meeting of the shareholders passes resolutions each year on the appropriation of profits and thus the dividend payment.

Business performance is measured using an internal income statement. The results can then be classified and analysed in various different ways within this income statement. The primary control key figure is the earnings before interest and taxes (EBIT). Additionally, a balanced set of key figures is reported on a regular basis, which gives consideration to the areas of conflict of liquidity, growth and profitability.

Segment Information

Internal reporting to the Board of Directors is carried out according to the existing operational business units. The business unit High Performance Systems is responsible for the product areas Starrag and Ecospeed. The business unit Horizontal Machining Systems processes the product areas Heckert, Scharmann/Ecoforce and WMW. The business unit Large Parts Machining Systems includes the product areas Dörries, Berthiez and Droop+Rein. The business unit Ultra Precision Machining Centres is responsible for the product areas Bumotec and SIP. A significant proportion of the employees are responsible for the central functions distributed among the locations and regions for all business units and brands.

Risk Management

As a leading global manufacturer of precision machine tools, the Starrag Group is faced with various risks.

The most significant risks include:

- The weakening of the economic environment in customer markets as well as business cycles could lead to a reduction in demand,
- misjudgements of developments in customer markets or in the competitive environment could lead to missed business opportunities or losses,
- failure in research and development as well as other innovation-based activities could prevent business potential from being realised,
- a lack of availability of financial resources could have an impact on the performance and operating activity of the Starrag Group and
- natural events (such as fires) could impair operating activities.

The Board of Directors and the Executive Board give high priority to the careful handling of strategic, financial and operational risks. The Starrag Group has a holistic risk management process which is analysed every year by the Executive Board and the Board of Directors.

The following goals are pursued:

- systematically identifying special risks,
- establishing processes to monitor, reduce and ideally to prevent risks and
- finding the right balance between risks and opportunities.

The risk management system is based on a classic risk matrix involving the probability of occurrence and possible extent of damage (identification and classification) and includes internal instructions as well as a risk log, in which operational data as well as an action plan for risk management are documented. The Executive Board has designated an officer for implementing and moderating risk management, who reports directly to the CFO.

An annual risk review includes diligent identification, analysis and evaluation of risks and a definition of appropriate measures to reduce the risks. This information is documented in a group-wide risk matrix. The risk management officer monitors the implementation of the measures. In business processes with recurring risks, the resolved measures are integrated as process steps in the operative processes of the daily business. On an annual basis, the Executive Board reports on the nature, extent and assessment of significant risks and the measures taken for risk minimisation to the Board of Directors. Risks in accounting and financial reporting are monitored and reduced by a suitable internal control system.

Financial Risk Management

The main risks occurring from the group's financial instruments consist of risk of receivables default, counterparty risk, foreign currency risk, interest rate risk and liquidity risk.

Risk of Receivables Default

The risk of receivables default is limited by the number and the geographical spread of customer credit balances. In addition, it is limited by adequately examining the financial circumstances of customers before entering into a contract. In most transactions, customers make advance payments upon order confirmation. Delivery might only follow against prepayment or credit. The outstanding receivables are continuously monitored.

Counterparty Risk

The Starrag Group mainly holds its liquid assets as deposits or current account deposits with major creditworthy banks. These deposits generally have a term of less than three months. Transactions with derivative financial instruments are also only concluded with major creditworthy banks.

Foreign Currency Risk

The Starrag Group does not engage in business operations in foreign currencies which show an unusual volatility. The foreign currency risk results mainly from sales and purchases which are not made in a functional currency. In the case of orders in foreign currencies, hedging transactions (forward exchange contracts and currency options) are sometimes deployed with major credit institutions as a counterparty in order to hedge foreign currency risks. Probable future orders will also be hedged in certain cases. Foreign currency risks arising from the conversion of income statement and balance sheet items of foreign group companies are not hedged.

Interest Rate Risk

Interest rate risk results primarily from variable interest rates for financial liabilities. In some cases, these interest rates are fixed through fixed advances and fixed interest rates in the short- or long-term.

Liquidity Risk

The liquidity risk is limited by contractually agreed cash lines which cover the peak demand for operating resources. It is continuously monitored by liquidity status reports.

Management assumptions and Estimates

Estimates and assumptions are continually evaluated and are based on experience values and other factors, including the expectation and assessment of future events that are believed to be reasonable under the prevailing circumstances. The resulting accounting estimates will by definition seldom comply with the actual subsequent outcome. The main sources of estimation uncertainties are:

Determination of net realisable values and profit shares in the case of construction contracts valued with percentage of completion

While preparing the financial statement, the Group continuously examines the valuation of various balance sheet items which are connected with the regular machine tool business. In this connection, assumptions must be made with regard to costs for completion and realisable market prices. Should situations occur which change original assumptions regarding realisable income, costs that are still necessary or work progress, these assumptions will be adjusted.

These adjustments may lead to adjustments affecting the net income of the balance sheet items concerned. The book value of the balance sheet items concerned is shown in Note 15 (Construction Contracts).

Provisions for Warranty Obligations and Onerous Contracts

In the ordinary course of business, the Group may be involved in legal disputes. Provisions for pending disputes are measured on the basis of available information based on a realistically expected cash outflow. The final outcome of such a dispute might require recognition of adjustments in provisions in the income statement (see Note 12).

Income Taxes

The evaluation of current tax liabilities is subject to an interpretation of the tax laws in the respective countries, the suitability of which will be mostly assessed retrospectively for several financial years in the context of the final assessment and during tax audits by the tax authorities. Substantial adjustments in tax expenses may occur as a result (see Note 16).

Significant Accounting Principles

Principles of Presentation

The consolidated financial statement of the Starrag Group has been prepared in accordance with the Guidelines of the Accounting Regulations (Swiss GAAP FER). In addition, the provisions of the Listing Rules of the SIX Swiss Exchange as well as Swiss accounting legislation have been complied with. This consolidated financial statement is based on historical costs, with the exception of liquid assets and derivative financial instruments, which are valued at market value. Reporting is in Swiss Francs (CHF). This financial statement includes estimates and assumptions that affect the reported figures and related disclosures. Actual results may differ from these estimates.

Principles of Consolidation

The scope of consolidation comprises the annual annual statements of Starrag Group Holding AG and all directly or indirectly controlled subsidiaries. Assets and liabilities as well as income and expenses are fully included in the consolidated financial statement using the full consolidation method. All intra-group relationships (income and expenses, receivables and liabilities) as well as intercompany profits on intra-group transactions and inventories are eliminated.

Capital consolidation is based on the purchase method, i.e. the acquisition costs of an acquired company are offset against the net assets measured at fair value at the time of acquisition. Any resulting goodwill is offset directly with the retained earnings in shareholders' equity by purchase. In the Notes to the Financial Statement, the effects of a theoretical capitalisation and any value impairment are shown by applying a depreciation period of five years. In the event of a possible subsequent sale, the goodwill offset against shareholders' capital at the time of the acquisition is calculated in profit or loss against the proceeds of the sale. The earnings of acquired companies are included in the consolidated accounts as of the acquisition date.

Currency Conversion

Foreign currency transactions are converted at the exchange rate of the transaction date. Outstanding foreign currency receivables and payables at balance sheet date are converted using the exchange rate of that date. The resulting exchange rate differences are recorded in the income statement. Non-monetary items are not revaluated at the balance sheet date. Assets and borrowed capital of foreign subsidiaries are converted to CHF using the exchange rates at the balance sheet date. Annual average exchange rates are applied to convert the income statements. Conversion differences arising from the consolidation of foreign currency financial statements are recorded directly in retained earnings.

Sales Revenue and Profit Realisation

Sales revenue is recorded at the transition of benefit and risk. Sales revenue from construction contracts at fixed prices is reported including a profit share, depending on the percentage of completion (percentage of completion method). Percentage of completion is defined by the direct order costs excluding material costs. In the balance sheet, the order value after deduction of advance payments received is reported under receivables or accrued expenses and deferred income from construction contracts valued using the percentage of completion method.

Research and Development
Research costs are charged to the income statement on a continuous basis. Development costs will only be capitalised to the extent that the amount to be capitalised is covered by corresponding expected income. Capitalised developments are reassessed annually with regard to impairment. All other research and development costs are charged to the income statement.

Income Taxes
Income tax expense includes all income tax levied on the taxable profits of the group. For tax, in particular withholding tax levied on dividend payments of retained earnings (mainly of group companies), provisions are only set up if the distribution of such profits is probable. Provisions for deferred income taxes will be set up according to the liability method.

This takes into account the income tax effects of temporary differences between the intercompany and the tax-related assets and liabilities. Tax losses carried forward are only taken into account in the calculation of deferred income tax to the extent that it is probable that sufficient future taxable profit will be available to be set off against the tax loss carry forward.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, postal cheque and bank balances as well as sight and deposit money with an original term of less than 3 months. These are valued at market value.

Receivables
Receivables are balanced at their nominal value less necessary value adjustments. The value adjustment is determined on the basis of due dates and recognisable credit risks. Receivables include the value from construction contracts valued according to percentage of completion after deduction of received payments.

Inventories
Raw materials and supplies as well as trading goods are assessed at average purchase costs, manufactured products at average manufacturing costs. Discounts are recognised as purchase cost reductions. If the realisable net value is lower, valuation adjustments are made accordingly. Manufacturing costs include the direct costs of materials used, labour and operating costs as well as an appropriate portion of production and construction overhead costs. Obsolete and slow-moving items are adjusted appropriately. Inventories also include advance payments to suppliers.

Tangible Fixed Assets
Tangible fixed assets are carried at acquisition costs or manufacturing costs less depreciation required for business purposes. Depreciation of tangible fixed assets is calculated using the straight line method for the estimated useful lives of: buildings 20 to 50 years, technical equipment and machines 4 to 12 years, IT hardware and communication 3 to 8 years. Land is not depreciated.

All gains and losses resulting from the disposal of tangible fixed assets are recognised in the income statement. Expenditure for goods of low value are debited directly to operating expenses in the income statement.

Intangible Assets
Goodwill resulting from the acquisition of a company is offset against retained earnings in shareholders' equity at the time of an acquisition. In the Notes to the Financial Statement, the effects of a theoretical capitalisation and any impairment of value are shown using a depreciation period of five years.

Other intangible assets are carried at acquisition or manufacturing costs less depreciation required for business purposes. These intangible assets are amortised on a straight-line basis over their estimated useful lives, which is 3 to 8 years for software and 5 to 10 years for development costs.

Provisions
Provisions are made if a legal or constructive obligation resulting from a past event exists at the key date, the use of resources for the settlement of such an obligation is probable and a reliable estimation of the amount of the obligation can be made. The amount of provisions depends on the expected use of funds needed to cover the obligation.

Employee Benefits
The professional pension situation for the Starrag Group companies' personnel is governed by the legal regulations and practices of the respective country and is correspondingly different.

The pension situation of the companies located in Switzerland is governed by the provisions of the Swiss Federal Law on Occupational Benefits. The Swiss pension funds of the Starrag Group are foundations which are legally independent of the Starrag Group, and which have re-insured the pension plans (according to the contribution plans defined by law) with an insurance company in a congruent manner. The plans are financed by employer and employee contributions, which are periodically determined such that the insurance premiums due can be financed.

The German companies do not maintain any professional pension plans. Staff are insured with the national pension insurance scheme of Germany.

The economic obligations or benefits of Swiss pension plans are determined on the basis of the financial statement prepared in accordance with Swiss GAAP FER 26 “Accounting for Pension Funds” accounting standard. The economic impact of pension plans of foreign subsidiaries is determined according to the valuation methods applied locally. Employer contribution reserves and comparable items are capitalised in accordance with Swiss GAAP FER 16.

Financial Instruments
Financial assets include liquid assets and receivables. Financial liabilities mainly include financial debts and operating liabilities. These are valued according to the “effective interest method” at discounted costs. In addition to the effective interest payments, interest expenses also include the annual compound interest and pro-rata transaction costs.

In order to be able to react to short-term foreign exchange fluctuations, derivative currency hedge instruments can be held. Financial instruments held for trading are recognised at market value. Changes in market value are included in the financial result.

The hedging of future cash flows (“cash flow hedges”), whose underlying transactions have not yet been recognised in the balance sheet, are disclosed in the Notes to the Financial Statement, if future cash flows will occur with high probability.

1. Sales revenue by production site

CHF 1'000	2020	2019
Switzerland	99'248	133'973
Germany	161'850	234'461
Other countries	35'953	49'704
Total	**297'051**	418'138

2. Other operating income

Other operating income includes in particular compensation payments from insurance companies, income from subleases, gains on the sale of fixed assets and government grants.

3. Personnel expenses

CHF 1'000		2020	2019
Wages and salaries		93'185	116'952
Pension benefit expenses	23	2'643	2'608
Other social benefit expenses		17'701	20'396
Restructuring charges		227	8'459
Other personnel expenses		4'512	6'108
Total personnel expenses		**118'268**	154'523

Starrag Group did not make use of any government Corona subsidies in the extraordinary Corona pandemic year 2020. By using the possibilities of short-time work, as well as by reducing time accounts and temporary employees, a significant cost block in personnel costs could be saved.

4. Other operating expenses

Other operating expenses include in particular travel expenses, sales expenses, administration expenses, vehicle and transport charges, expenses for premises, repair and maintenance of tangible fixed assets as well as other expenses.

5. Financial result

CHF 1'000	2020	2019
Interest income	70	118
Interest expenses	-412	-559
Currency result	-564	710
Other financial expenses	-806	-1'226
Total financial result	**-1'712**	-957

6. Information per share

Earnings per share are calculated from earnings after income taxes less share of minority interest based on the average number of shares outstanding (excluding treasury shares). In 2020, this number of shares was 3'360'000 (unchanged from previous year). Based on the net result attributable to the shareholders of the company of CHF -0.6 million (prior year CHF 6.8 million) earnings per share amount to CHF -0.19 (prior year CHF 2.02). As the company has not issued any stock options or convertible bonds, earnings per share were not diluted.

7. Receivables from goods and services

	CHF 1'000	**31.12.2020**	31.12.2019
Trade receivables from goods and services		22'356	30'907
Receivables from construction contracts	22	60'123	79'646
Total receivables		**82'479**	110'553
Thereof:			
‣ not due		73'565	99'874
‣ past due < 90 days		5'673	7'468
‣ past due ≥ 90 days		3'241	3'211

Receivables are stated net of value adjustments of CHF 1.7 million (prior year CHF 2.1 million).

8. Inventories

	CHF 1'000	**31.12.2020**	31.12.2019
Raw materials and components		54'864	61'122
Work in progress		32'982	29'290
Finished products		9'248	6'405
Prepayments to suppliers		10'996	11'543
Total inventories		**108'090**	108'360

Inventories are stated net of value adjustments of CHF 42.5 million (prior year CHF 39.4 million).

9. Tangible fixed assets

CHF 1'000	2020 Land and buildings	2020 Machinery and equipment	2020 Other tangible fixed assets	2020 Total	2019 Land and buildings	2019 Machinery and equipment	2019 Other tangible fixed assets	2019 Total
Cost at beginning of year	113'854	53'134	12'955	179'943	118'915	54'756	12'777	186'448
Additions	165	1'393	1'872	3'430	604	2'216	1'013	3'833
Disposals	-18	-4'289	-717	-5'024	-3'946	-2'571	-499	-7'016
Currency translation	-834	-444	-82	-1'360	-1'719	-1'267	-336	-3'322
Cost at year end	**113'167**	**49'794**	**14'028**	**176'989**	113'854	53'134	12'955	179'943
Accumulated depreciation at beginning of year	37'227	40'876	11'042	89'145	35'591	40'858	10'784	87'233
Depreciation	3'168	2'881	1'020	7'069	3'372	3'569	1'047	7'988
Disposals	-18	-4'098	-694	-4'810	-1'005	-2'565	-496	-4'066
Currency translation	-153	-312	-79	-544	-731	-986	-293	-2'010
Accumulated depreciation at year end	**40'224**	**39'347**	**11'289**	**90'860**	37'227	40'876	11'042	89'145
Net carrying value at beginning of year	76'627	12'258	1'913	90'798	83'324	13'898	1'993	99'215
Net carrying value at year end	**72'943**	**10'447**	**2'739**	**86'129**	76'627	12'258	1'913	90'798
Fire insurance value at year end	188'953		121'966	310'919	191'228		143'441	334'669

10. Intangible assets

CHF 1'000	2020 Software	2020 Development cost	2020 Total	2019 Software	2019 Development cost	2019 Total
Cost at beginning of year	12'929	10'810	23'739	12'778	15'461	28'239
Additions	1'513	-	1'513	521	-	521
Disposals	-84	-1'115	-1'199	-94	-4'440	-4'534
Currency translation	-18	-19	-37	-276	-211	-487
Cost at year end	**14'340**	**9'676**	**24'016**	12'929	10'810	23'739
Accumulated amortization at beginning of year	10'893	10'420	21'313	10'085	12'118	22'203
Depreciation	1'118	345	1'463	1'140	2'920	4'060
Disposals	-63	-1'072	-1'135	-94	-4'440	-4'534
Currency translation	-20	-17	-37	-238	-178	-416
Accumulated depreciation at year end	**11'928**	**9'676**	**21'604**	10'893	10'420	21'313
Net carrying value at beginnig of year	2'036	390	2'426	2'693	3'343	6'036
Net carrying value at year end	**2'412**	**-**	**2'412**	2'036	390	2'426

11. Financial liabilities

CHF 1'000	**31.12.2020**	31.12.2019
Current financial liabilities	23'456	11'249
Non-current financial liabilities	2'500	2'718
Total financial liabilities	**25'956**	13'967
Thereof in:		
‣ EUR	25'956	12'469
‣ CHF	0	1'498
Average interest rate	0.8%	0.9%
Unused short-term cash credit line	76'507	89'276

Credit agreements contain partly financial covenants and other conditions under which banks are able to terminate financial liabilities which are recorded as non-current at short notice. These financial covenants are based on key figures, resulting from EBITDA, net equity and net debt. The financial covenants were complied with in 2020 and 2019.

12. Provisions

	2020			2019		
CHF 1'000	Deferred income taxes	Warranty	Total	Deferred income taxes	Warranty	Total
Carrying value at beginning of year	13'666	8'865	22'531	19'955	7'707	27'662
Addition	4'719	4'152	8'871	2'957	7'689	10'646
Utilization	-7'010	-6'580	-13'590	-6'315	-6'296	-12'611
Release	-	-	-	-2'625	-	-2'625
Currency translation	-12	-27	-39	-306	-235	-541
Carrying value at year end	**11'363**	**6'410**	**17'773**	13'666	8'865	22'531
Thereof:						
‣ current	-	3'627	3'627	-	6'395	6'395
‣ non-current	11'363	2'783	14'146	13'666	2'470	16'136

The provisions for deferred income taxes include a claim for unused tax loss carryforwards of CHF 8.6 million (previous year CHF 5.0 million), which does not expire.

13. Accrued expenses and deferred income

CHF 1'000		**31.12.2020**	31.12.2019
Accrued costs for customer orders		-10'490	13'421
Liabilities from construction contracts	15	-32'570	37'208
Personnel expenses		-11'450	21'236
Commissions		-739	261
Current income taxes		-5'522	5'396
Other		-13'122	8'418
Total accrued expenses and deferred income		**-73'893**	85'940

14. Shareholders' equity

The share capital of CHF 28.6 million consists of 3’360’000 registered shares with the nominal value of CHF 8.50 each. The company has no outstanding conditional capital and there is no authorised capital (previous year: no conditional capital/no authoised capital).

As at 31 December 2020, non-distributable reserves amounted to CHF 5.7 million, unchanged from the previous year.

Goodwill resulting from the acquisition of a company is offset against retained earnings in shareholders' equity at the time of an acquisition.

15. Construction contracts

CHF 1'000	**2020**	2019
Revenue from construction contracts valued using the Percentage of completion method	215'248	319'064

CHF 1'000		**31.12.2020**	31.12.2019
Contract costs incurred and recognized profit share		309'340	290'094
Advance payments received		-281'787	-247'656
Net carrying value		**27'553**	42'438
Thereof:			
‣ Receivables from goods and services	7	60'123	79'646
‣ Accrued expenses and deferred income	13	-32'570	-37'208

16. Income tax expenses

CHF 1'000	**2020**	2019
Ordinary income before taxes	-452	3'839
Expected tax rate	14.5%	17.4%
Expected income tax expenses	-66	668
Debits/credits from prior reporting period	97	344
Non-deductable expenses/non-taxable income	122	372
Non-capitalised tax loss carry forwards	3'230	925
Effects from the application of different tax rates	-3'231	-5'347
Income tax expenses	**153**	-3'038
Thereof:		
‣ Current income tax expenses	-2'411	-3'111
‣ Deferred income tax expenses	2'258	6'149

The applicable tax rate of the municipatlity of Rorschacherberg SG, domicile of Starrag Group Holding AG, was used for the calculation of the expected income tax expense. Due do the volatility of the results of the various Group companies, the Group considers the tax rate of 14.5% (previous year 17.4%) to be appropiate.

The claims for unused tax loss carry for forwards have developed as follows:

CHF 1'000		**2020**	2019
Opening balance		8'754	7'162
Addition of loss carry forwards		6'951	2'319
Used loss carry forwards		-	-341
Used non-capitalised loss carry forwards		-115	-133
Expired non-capitalised loss carry forwards		-207	-253
There of not activated		-6'800	-3'772
Capitalised loss carry forwards	**12**	**8'583**	4'982

In Switzerland and India, the loss carry forwards expire after 7 years at the latest.

The average applicable tax rate in relation to the ordinary result, calculated using absolute values excluding the holding company, is 24.2% (previous year 25.4%).

17. Pension benefits

CHF 1'000	2020				2019			
	Patronage funds	Employee benefit plans without surplus/deficit	Employee benefit plans with surplus	Total	Patronage funds	Employee benefit plans without surplus/deficit	Employee benefit plans with surplus	Total
Surplus/deficit pension benefit plan at end of year	1'447	-	7'461	**8'908**	1'388	-	7'159	8'547
Economic benefit at end of year	-	-	-	**-**	-	-	-	-
Change in economic benefit	-	-	-	**-**	-	-	-	-
Accrued contributions	-	308	2'335	**2'643**	-	325	2'283	2'608
Pension benefit expenses	-	308	2'335	**2'643**	-	325	2'283	2'608

There are no employer contribution reserves.

18. Pledged assets

CHF 1'000	**31.12.2020**	31.12.2019
To ensure financial debts in the amount of the following land and buildings are mortgaged:	2'470	2'737
‣ Net carrying value	5'395	5'877
‣ Charge	5'395	5'877

19. Derivative financial instruments

	CHF 1'000	**31.12.2020**	31.12.2019
Forward currency exchange contracts: Contract value		**3'607**	18'485
Replacement value:			
‣ positive	18	59	775
‣ negative		-12	-42

Currency options: Contract value		**12'551**	14'890
Replacement value:			
‣ positive	18	294	225
‣ negative		0	-1

20. Operating lease liabilities

CHF 1'000	31.12.2020	31.12.2019
Due within 1 year	2'008	2'149
Due within 2 to 5 years	1'518	1'789
Due after 5 years	201	443
Total operating lease liabilities	**3'727**	4'381

The lease contracts are for premises, cars and IT equipment.

21. Other unrecognised obligations

The Starrag Group is occasionally confronted with claims for damages, which are to be regarded as a normal side effect of ordinary business activities. These mainly relate to warranties, property and financial damages as well as product liability. Provisions and sureties exist for these claims, which the Starrag Group assumes will cover all foreseeable risks.

22. Exchange rates

	2020	2019
Average rates (for income statement and cash flow statement)		
1 EUR	1.0813	1.1247
1 USD	0.9501	1.0039
1 GBP	1.2179	1.2817
1 CNY	0.1375	0.1455

	31.12.2020	31.12.2019
Year end rates (for balance sheet)		
1 EUR	1.0946	1.0960
1 USD	0.8908	0.9778
1 GBP	1.2130	1.2835
1 CNY	0.1364	0.1401

23. Events after the balance sheet date

The consolidated financial statement was approved and released for publication by the Board of Directors on 3 March 2021. It is also subject to approval by the Annual General Meeting of the shareholders scheduled for 23 April 2021.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of Starrag Group Holding AG

Rorschacherberg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Starrag Group Holding AG and its subsidiaries (the Group), which comprise the consolidated income for the year ended 31 December 2020, the consolidated balance sheet as at 31 December 2020, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 90 to 108) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 1'450'000

We concluded full scope audit work at six reporting units in two countries. Our audit scope addressed over 82% of the Group's revenue.

As key audit matter the following area of focus has been identified:

Accounting construction contracts

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1'450'000
How we determined it	0.5% of sales revenue
Rationale for the materiality benchmark applied	We chose sales revenue as the benchmark for determining materiality. This benchmark takes into account the volatility of the business environment and it is a generally accepted benchmark for materiality considerations.

We agreed with the Board of Directors that we would report to them misstatements above CHF 145'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the component auditors in the PwC network. As Group auditor, we performed the audit of the consolidation and the disclosures and the presentation of the consolidated financial statements. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. Our involvement comprised the inspection of the reporting, taking part in telephone calls with the component auditors during the interim audit and the year-end audit, communicating the risks identified at Group level, specifying the audit procedures relating to the recognition and measurement of term construction contracts and specifying the materiality levels to be applied.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting construction contracts

Key audit matter	How our audit addressed the key audit matter
Starrag Group has construction contracts, which it recognises and measures using the percentage-of-completion (PoC) method in accordance with Swiss GAAP FER 22 – Long-term contracts. The degree of completion is determined on the basis of the direct con-tract costs excluding costs of materials. Management has to estimate the progress of projects as of the balance sheet date and the costs to be incurred in the future until their completion. An incorrect estimate could have a significant impact on the result for the period. Please refer to page 97 (Management assumptions and estimates), page 98 (Key accounting principles – Sales revenue and profit realisation) and page 105 (Other notes – Percentage-of-completion-valued construc-tion contracts) in the notes to the consolidat-ed financial statements.	Our audit procedures regarding the recognition and measurement of construction contracts using the percentage-of-completion (PoC) method comprised in particular the following: • We assessed the design and the existence of the key controls regarding the production orders and tested the effectiveness of selected controls. • We selected various production orders (sample testing based on the contract volumes, the contribution margin and changes in the margin compared with the planning phase) and focussed our testing on the following, in particular: - We assessed the contract related calculations to determine whether the contractual terms – including sale proceeds and penalties for non-performance – had been recorded appropriately. - We discussed with the project controllers and project managers the progress of the projects based on the latest project accounts, the costs still to be incurred until their completion and changes in the margin. - We obtained written information from the legal representatives of the Group. We inspected this written information with regard to indications of potential quality deficiencies or penalties for non-performance and assessed whether these matters were presented appropriately in the consolidated financial statements. • During the audit, we conducted on-site inspections of various machines still under construction and assessed the progress of the projects. • For the production orders completed during the year under review, we compared various final parameters with the estimates made in the planning phase or those as of the previous balance sheet date in order to assess, with hindsight, the accuracy of the estimates made by Management. • We checked the arithmetical correctness of the key assessments relating to the progress of projects, costs to be incurred in the future and sales revenue. • We checked whether the disclosures in the con-solidated financial statements were made in accordance with Swiss GAAP FER 22 – Long-term contracts. The results of our audit support the recognition and measurement of construction contracts and their disclosure in the 2020 consolidated financial statements.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Oliver Kuntze	Oscar Maier
Audit expert Auditor in charge	Audit expert

St. Gallen, 3 March 2021

Income statement

CHF 1'000	**2020**	2019
Other operating income:		
‣ Income from investments	1'565	21'956
Financial income	3'007	3'462
Total revenue	**4'572**	25'417
Personnel expenses	-36	-291
Other operating expenses	-242	-23
Depreciation and value adjustments of fixed assets	-431	-431
Financial expenses	-195	-916
Income tax expenses	-316	-233
Net income	**3'351**	23'522

Balance sheet

CHF 1'000		31.12.2020	31.12.2019
Cash and cash equivalents		14	16
Other receivables:			
‣ from group companies		10'410	11'056
‣ from third parties		4	1
Prepaid expenses		24	34
Total current assets		**10'452**	11'107
Financial assets:			
‣ Loans to group companies		70'621	50'194
Investments	7	144'174	144'174
Total fixed assets		**214'795**	194'368
Total assets		**225'246**	205'475

CHF 1'000		31.12.2020	31.12.2019
Other liabilities:			
‣ to group companies		23'545	6'879
‣ to third parties		34	18
Accrued expenses and deferred income		460	721
Total current liabilities		**24'038**	7'618
Total liabilities		**24'038**	7'618
Share capital	8	28'560	28'560
Legal capital reserves:			
‣ Capital contribution reserves	12	51'121	51'121
‣ Other legal capital reserves		1'222	1'222
Voluntary retained earnings			
‣ Retained earnings		116'954	93'432
‣ Net income		3'351	23'522
Total shareholders' equity		**201'208**	197'857
Total liabilities and shareholders' equity		**225'246**	205'475

Notes to the Financial Statement

Key Accounting Principles

1. Principles of presentation

The financial statement of Starrag Group Holding AG, Rorschacherberg was prepared in accordance with the provisions of the Swiss Law on Commercial Accounting defined by the Swiss Code of Obligations.

The company prepares a consolidated financial statement in accordance with the Swiss GAAP FER accounting standards. Correspondingly, the company does not prepare any additional Notes to the Financial Statement, a management report or a cash flow statement.

The main balance sheet items are accounted for as explained below.

2. Other current receivables and liabilities

Other current receivables and liabilities are carried at their nominal value. Individual value adjustments on other current receivables are recognised taking into account the maturity structure and identifiable credit risks. For the remainder, general value adjustments are created at the discretion of the Board of Directors as permitted by tax legislation.

3. Financial assets

The financial assets include long-term loans to Group companies. Loans granted in foreign currency are valued at the current year-end exchange rate, whereby unrealised losses are recognised but unrealised gains are not recognised.

4. Shareholdings

Shareholdings are reported in the balance sheet at the cost of acquisition less appropriate value adjustments for impairments that are anticipated to be permanent.

5. Currency conversion

Transactions in foreign currencies are converted into Swiss Francs at the exchange rate valid at the time of the transaction. Pursuant to the imparity principle, assets and liabilities in foreign currencies are converted into Swiss Francs at the year-end rate.

Supplementary Information and Explanations on the Financial Statement

6. Full-time employees

The company does not have any employees.

7. Shareholdings

On 31 December and as per the end of the prior year, the company held the following direct or significantly indirect shareholdings with an equity share and percentage of voting rights of 100% each (unless otherwise indicated):

- Starrag Group Holding GmbH, Chemnitz, Germany (share capital EUR 4.5 million)
- Starrag Group Holdings Ltd., Birmingham, UK (share capital GBP 0.1 million)
- Starrag AG, Rorschacherberg, Switzerland (share capital CHF 10 million)
- Starrag GmbH, Chemnitz, Germany (share capital EUR 5.1 million)
- Starrag SAS, Saint-Etienne, France (share capital EUR 1.3 million)
- Starrag Service Center GmbH & Co. KG, Ichtershausen, Germany (share capital EUR 0.1 million) (capital share 80%)
- Starrag Technology GmbH, Mönchengladbach, Germany (share capital EUR 22 million)
- Starrag Vuadens SA, Vuadens, Switzerland (share capital CHF 0.5 million)
- Toolroom Technology Limited, Haddenham, UK (share capital GBP 0.02 million)
- Starrag (Shanghai) Co. Ltd., Shanghai, China (share capital CNY 1.5 million)
- Starrag India Private Limited, Bangalore, India (share capital INR 848 million)
- Starrag Italia Srl, Rivoli, Italy (share capital EUR 0.01 million)
- Starrag RU Ltd., Moscow, Russia (share capital RUB 2 million)
- Starrag UK Limited, Birmingham, UK (share capital GBP 1 million)
- Starrag USA Inc., Hebron, USA (share capital USD 0.03 million)

8. Share capital

The share capital of CHF 28.6 million consists of 3,360,000 registered shares with the nominal value of CHF 8.50 each. The company has no outstanding conditional capital and there is no authorised capital (previous year: no conditional capital, CHF 5.7 million authorised capital).

9. Major shareholders

The following major shareholders hold more than three per cent of the voting rights:

	31.12.2020	31.12.2019
Walter Fust, Freienbach, Switzerland	55.20%	55.20%
Eduard Stürm AG, Goldach, Switzerland	9.26%	9.26%
Max Rössler / Parmino Holding AG, Goldach, Switzerland	7.98%	7.98%

10. Compensations

Compensations to the Board of Directors and to the Executive Board are disclosed in the compensation report from page 76 of the annual report.

11. Participations of the Board of Directors and Executive Board

Number of shares	**31.12.2020**	31.12.2019
Prof. Dr. Christian Belz, Member	2'800	2'800
Walter Fust, Vice-President	1'854'703	1'854'703
Adrian Stürm, Member	27'150	27'150
Alexander Attenberger, Head Sales	230	n/a
Dr. Bernhard Bringmann, Head BU High Performance Systems	121	121
Gerold Brütsch, CFO (until 31.08.2020)	n/a	400
Günther Eller, Head Customer Service	200	200

12. Capital contribution reserves

The reported legal capital contribution reserves at 31 December 2020 amounted to CHF 51.1 million (prior year CHF 51.5 million), of which CHF 47.9 million (prior year CHF 47.9 million) were recognized by the Swiss Federal Tax Administration within the meaning of Article 20 (3) of the Federal Income Tax Act and Article 5 (1) of the Federal Withholding Tax Act.

13. Securities for the benefit of Group companies

The total amount of securities furnished for third-party liabilities amounts to CHF 322.6 million (prior year CHF 362.2million).

14. Contingent liabilities

The company is part of the VAT group of Starrag AG and thus jointly liable for VAT debts of the whole group to the Swiss Federal Tax Administration.

Appropriation of Retained Earnings

Proposal of the Board of Directors for the appropriation of retained earnings

CHF 1'000	**2020**	2019
Retained earnings	116'954	93'432
Net income	3'351	23'522
Retained earnings	**120'305**	116'954
To be carried forward	**120'305**	116'954

Due to the results in the reporting year, the Board of Directors proposes to the Annual General Meeting of 23 April 2021 that no dividend be paid. Furthermore, the Board of Directors proposes to carry forward the available balance sheet profit of CHF 120.3 million.

In the previous year, in accordance with the resolution of the Annual General Meeting, the available retained earnings of CHF 117.0 million were carried forward in full to new account.

Report of the statutory auditor

pwc

Report of the statutory auditor
to the General Meeting of Starrag Group Holding AG

Rorschacherberg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Starrag Group Holding AG, which comprise the income statement for the year ended 31 December 2020, the balance sheet as at 31 December 2020 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 113 to 118) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 1'100'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Impairment testing of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

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error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1'100'000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant bechmark for holding company, and it is a generally accepted benchmark for holding companies.

We agreed with the Board of Directors that we would report to them misstatements above CHF 110'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries is a significant asset cate-gory on the balance sheet (CHF 144.2 million). Impairment testing of investments whose book value is greater than the book value of the underlying net assets requires Management to consider capitalised earnings. Doing so involves significant scope for judgement, particularly to determine the assumptions to use concerning future business results. In identifying the potential need for impairment of investments in subsidiaries, Management uses a predefined impairment testing process. Please refer to page 115 and 116 (Investments) of the notes to the financial statements.	In our audit of investments in subsidiaries, we per-formed the following main audit procedures: • We compared the book value of the investments in the year under review with their pro-rata share of the respective company's equity or the company's valuation, based on capitalised earnings. • We checked for plausibility the key assumptions applied by Management (revenue, margin growth and discount rate). We consider the valuation process and the assumptions used to be an appropriate and adequate basis for the impairment testing of the goodwill as at 31 December 2020.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Oliver Kuntze	Oscar Maier
Audit expert Auditor in charge	Audit expert

St. Gallen, 3 March 2021

Five-year overview

CHF 1'000	**2020**	2019	2018	2017	2016
			FER[1)]		
Order intake	192.5	343.2	461.0	349.3	480.3
Order backlog at year end	173.7	284.3	365.9	301.7	348.3
Sales revenue	297.1	418.1	388.8	405.3	371.6
Operating result before deprecation and amortization EBITDA	9.8	16.8	22.2	26.1	19.8
Operating result EBIT	1.3	4.8	11.1	15.3	9.3
Net result	-0.6	6.9	8.4	12.1	6.1
EBITDA as % of sales revenue	3.3%	4.0%	5.7%	6.4%	5.3%
EBIT as % of sales revenue	0.4%	1.1%	2.9%	3.8%	2.5%
Cash flow from operating activities	11.0	10.5	26.9	13.1	21.2
Capital expenditure in non-current assets	5.2	5.1	7.3	11.7	19.4
Free cash flow	6.2	8.3	19.7	3.9	1.8
Employees (full-time equivalent, on a period average)	1'415	1'514	1'516	1'503	1'524
Total assets	317.5	334.6	369.7	335.3	316.3
Capital Employed	183.1	193.5	205.0	221.9	202.8
Return on capital employed ROCE	0.5%	1.8%	5.7%	-20.7	-18.7
Net cash	6.6	0.6	-5.3	-20.7	-18.7
Shareholders' equity	175.5	178.1	176.6	177.3	161.4
Equity ratio	55.3%	53.2%	47.8%	52.9%	51.0%
Return on equity ROE	-0.3%	3.9%	4.7%	7.5%	3.8%
Earnings per share (in CHF)	-0.19	2.02	2.49	3.58	1.77
Share price at year end (in CHF)	39.20	46.20	43.00	65.35	52.50
Profit distribution per share (in CHF)	0.00 [2)]	0.00 [3)]	1.00	1.50	1.00
Total shareholder return TSR	-13.0%	9.8%	-31.9%	26.4%	16.7%

1) Since 2017, the finacial statements of Starrag Group have been prepared in accordance with the Swiss GAAP FER accounting standards. Proposal of the Board of Directors to the Annual General Meeting on 23.04.2021 to waive a dividend.

2) Proposal of the Board of Directors to the Annual General Meeting on 23.04.2021 to waive a dividend.

3) In accordance with the resolution of the General Meeting of 25.04.2020, no dividend was distributed.

Financial calendar

23 April 2021	Annual General Meeting in Rorschach
29 July 2021	Letter to shareholders on 2021 results
28 January 2022	Initial information on full-year 2022 figures
4 March 2022	Annual report 2021, Analysts and Media conference in Zurich
23 April 2022	Annual General Meeting in Rorschach

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Starrag Group

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