

Media release

2020 financial year

As expected, order intake, sales and income fell in 2020 – slight improvement in order intake and income in the second half of the year – major progress in strengthening the Group internally

- **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 ensures capacity utilisation for 2021**
- **EBIT came to CHF 1.3 million (0.4% of sales)**
- **Net income almost balanced despite unfavourable environment**
- **Significant internal strengthening of the Group**

Rorschacherberg, 5 March 2021 – Starrag Group has today published its annual financial statements and Annual Report for 2020. The results are in line with the expectations expressed in the Half-Year Report and, as with the machine industry as a whole, were heavily affected by Covid-19.

Order intake, sales and income were lower than in the previous year, 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 in the year under review.

As expected, order intake and sales below previous year's level

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. 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.

Owing to the fall in the order intake, the order backlog decreased to CHF 174 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.

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.

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. Aerospace and Industrial – which are still the two dominant sectors – together accounted for 84% of the order intake across the group.

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. Net liquidity increased considerably to CHF 6.6 million, up from CHF 0.6 million in the previous 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), just over CHF 20 million was saved in the year under review.

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. In addition, there was a significant reduction in variable compensation.

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 Brüttsch 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 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.

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. 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 year. The results should at least equal the previous year's figures. Starrag 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.

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, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, 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, the 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.

For further information: www.starrag.com

Key figures for Starrag Group

CHF million	2020	2019	Change
Order intake	192.5	343.2	-43.9%
Order backlog at year-end	173.7	284.3	-38.9%
Sales revenue	297.1	418.1	-29.0%
Operating result (EBIT)	1.3	4.8	-73.7%
Net income	-0.6	6.9	-108.8%
EBIT as % of sales revenue	0.4%	1.1%	na.
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 as an annual average (full-time)	1,415	1,514	-6.5%
Total assets	317.5	334.6	-5.1%
Net debt	6.6	0.6	917.1%
Shareholders' equity	175.5	178.1	-1.4%
Equity ratio	55.3	53.2%	na.
Return on equity (ROE)	-0.3%	3.9%	na.
Earnings per share (CHF)	-0.19	2.02	-109.3%
Profit distribution per share (CHF)	0.00 ¹⁾	0.00 ²⁾	na.

¹⁾ Proposal to the Annual General Meeting of 23 April 2021 that no dividend be paid.

²⁾ In accordance with the resolution passed by the Annual General Meeting on 25 April 2020, no dividend was paid.

See also „Additional definitions of performance indicators“ on page 89 of the Annual Report 2020.

The Annual Report 2020 is available for download on:

https://investor.starrag.com/en-us/news/financial_reports

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Furthcoming events

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| • Annual General Meeting | 23 April 2021 |
| • Half-year report 2021 | 29 July 2021 |
| • Sales and orders 2021 | 28 January 2022 |
| • Key figures 2021 / Annual report | 4 March 2022 |
| • Annual General Meeting | 23 April 2022 |

The economic projections and predictions contained in this information relate to future facts. Such projections and predictions are subject to risks, uncertainties and changes which cannot be foreseen and which are beyond the control of the issuer. The Starrag Group is therefore not in a position to make any representations as to the accuracy of economic projections and predictions or their impact on the financial situation of the Starrag Group or the market in the securities of the Starrag Group.