Media Release

Results for the first half of 2019

Increased sales – Lower order intake – Order backlog for over one year – Improved operating margin – Net income affected by restructuring costs

- **Sales up 12% to CHF 214 million**
- **Order intake CHF 173 million, down 0.7% year-on-year, down 21% compared to prior-year period**
- **Order backlog of CHF 321 million secures basic capacity utilisation for over one year**
- **Operating margin before restructuring costs of 4.1%, prior-year period 3.5%**
- **Net income CHF 3.4 million, down 21%**
- **„Programme 2021“ for a sutained increase in profitability**

Rorschacherberg, 24 July 2019 - The Starrag Group Holding AG (SIX: STGN), a global technology leader in high-precision machine tools for milling, turning, boring and grinding workpieces of metallic, composite and ceramic materials, today announces its half-year figures for 2019.

Encouraging increase in sales
Sales in the first half of 2019 of CHF 214 million exceeded the previous year's figure by an encouraging 12% (currency-adjusted +13%). This reflects the prior year's high order intake and in part the effects of various measures to optimise project management, after delays in order processing led to a decline in sales in 2018.

Order intake normalised
Starrag Group's order intake must always be assessed in the light of the longer-term nature of its capital equipment business. Individual periods, such as the first half of 2018, may be significantly affected by the timing or booking of large orders. Accordingly, as already announced in spring, a normalisation was to be expected for the current year. At CHF 173 million, order intake in the reporting period was around 20% below the corresponding figure for the prior year (minus 18% adjusted for currency effects). On an

annual basis (July 2018 to June 2019), on the other hand, the figure remained virtually unchanged (minus 0.7%).

By region and target industriy
The decline in new orders mainly affected the Asian market and, to a lesser extent, Europe, while the order intake in North America remained virtually unchanged.

In terms of customer segments, Aerospace recorded the largest decline, albeit after a very good prior year. New orders also declined in the Transportation segment, with the prior year characterised by various major projects. In the Industrial customer segment, the prior year's figure was almost maintained thanks to the classic industrial sector, with the luxury segment declining after a strong prior year. Energy improved slightly but still at a low level.

Continued high order backlog
As at the end of June 2019, the Starrag Group's order backlog for new machinery stood at CHF 321, remaining virtually unchanged year-on-year (CHF 322 million). Compared with the end of 2018, the backlog was 12% lower, with the 2018 financial year ending with the historically highest figure. This order backlog continues to ensure a base capacity utilisation for one year. It should be noted that the new machine business always entails substantial additional services for customers.

Earnings situation affected by restructuring costs
Thanks to the increase in sales, operating earnings before restructuring costs (EBITR) rose to CHF 8.8 million or 4.1 per cent of sales (prior year CHF 6.7 million or 3.5%). The implementation of the 150 job cuts announced in April 2019 at the Mönchengladbach site is proceeding according to plan. CHF 7.9 million was charged to the income statement for restructuring costs in the period under review.

The corporate tax reforms adopted in various cantons in the first half of 2019 had a positive impact. In accordance with the Swiss GAAP FER accounting standard, these resulted in the release of tax provisions, which led to a one-time reduction of CHF 2.3 million in income tax expenses. Net profit thus fell slightly to CHF 3.4 million. Earnings per share declined accordingly from CHF 1.28 to CHF 1.01.

Balance sheet remains healthy
At CHF 364 million, total assets as at 30 June 2019 was CHF 6 million lower than at the end of 2018. At CHF 176 million, equity remained virtually unchanged compared to the end of 2018. Accordingly, the equity ratio increased slightly by 0.6 percentage points to 48.4%. Net debt was reduced significantly year-on-year to CHF 2.9 million. As a result, the Starrag Group continues to have above-average financial flexibility.

„Starrag 2021“ programme for a sustained increase in profitability
The currently clearly unsatisfactory earnings situation notwithstanding, we are on the right path with our strategic action programme, as shown by the progress made so far. It is based on three pillars. A first focus is on innovation with the claim to be a leader in application competence. Our proprietary Integrated Production System has put the Group

well on the way to Industry 4.0. Our ambition is to develop the next generation of machine tools and associated automation concepts.

Secondly, it is about expanding our geographical presence. Our focus is on the US and China, and on strengthening our dealer network in key markets. Here, too, we have made significant progress in recent months. In Asia in particular, customer service structures were further expanded.

A third focus is on the clear and lasting improvement of operational excellence, where the Starrag Group still has considerable optimisation potential. With this in mind, we informed you in April about the far-reaching "Starrag 2021" programme, which ultimately aims to significantly improve profitability. The programme focuses on optimizing the product portfolio, fully exploiting synergy potential, strengthening corporate management and improving project management. This will be accompanied by a new Group structure, which came into force on 1 July.

Trade fairs and „Technology Days“
In April, Starrag Group participated again at the China International Machine Tool Show CIMT in Beijing. Thanks to numerous interesting contacts, we were able to further strengthen the basis for future orders in the most important Asian market.

Our own “Technology Days”, where representatives of customers, strategic partners, but also relevant trade media as well as institutes and universities meet to inform themselves about the latest developments and innovations of the Group, have meanwhile become a tradition. In April, the "Turbine Technology Days" were once again held in Rorschacherberg.

Changes in the Board of Directors
At the Annual General Meeting on 26 April 2019, Walter Fust was elected Chairman of the Board of Directors and the other members of the Board were re-elected for a further term of office of one year. Michael Hauser assumed the office of Vice Chairman. Daniel Frutig resigned at his own request from the Board of Directors, which he had served on since 2014.

Outlook 2019
The sales markets as a whole are showing a certain decline, with the Starrag Group showing a differentiated picture depending on the customer industry and business as a whole becoming more volatile. Due to the continuing high demand for aircraft, demand in the aerospace sector is expected to remain high, while expectations for the other customer industries are rather subdued. In addition, exogenous global economic or political developments could adversely affect business. In terms of market regions, a positive mood can continue to be assumed for North America due to the economic development there. Despite a certain weakening of the largest single market, China, Asia also continues to offer great opportunities, while an economic slowdown is now noticeable in Europe.

Based on this market assessment and the high level of new orders in the prior year due to individual major orders, we expect an order intake for 2019 well below the prior year's level (in local currencies). For the year as a whole, sales are expected to exceed last year's level.

The earnings situation continues to be characterised by two opposing developments. The volume effect is having a positive impact, while higher personnel and material expenses and, above all, restructuring costs in connection with the "Starrag 2021" programme of measures are having a negative impact on earnings. Accordingly, the EBIT margin after restructuring costs for 2019 is expected to be significantly lower than in the prior year.

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 Transportation as 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, 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 Starrag Group

CHF million	**2019** 01.01.-30.06	2018 01.01.-30.06.	Change	2018 01.01.-31.12.
Order intake	172.7	216.3	-20.2%	461.0
Sales revenue	214.5	192.3	11.5%	388.8
Operating result before restructuring costs EBITR	8.8	6.7	+31.0%	13.0
Operating result EBIT	0.9	6.6	-85.7%	11.1
Net income	3.4	4.3	-20.8%	8.4
EBITR as % of sales revenue	4.1%	3.5%	na.	3.4%
Return on equity ROE	3.9%	4.8%	na.	4.7%
Return on capital employed ROCE	0.7%	4.4%	na.	3.8%
Cash flow from operating activities	8.2	1.7	na.	26.9
Capital expenditure	3.0	3.9	-21.8%	7.1
Free cash flow	5.2	-2.1	na.	19.7
Earnings per share (in CHF)	1.01	1.28	-21.1%	2.49
Employees (average full-time equivalents)	1‘515	1‘511	0.3%	1‘516

CHF million	**30.06.2019**	30.06.2018	Change	31.12.2018
Order backlog	321.2	365.9	-12.2%	321.8
Total assets	364.2	369.7	-1.5%	346.6
Capital employed	196.1	205.0	-4.4%	226.1
Net debt	2.9	5.3	-45.5%	27.0
Shareholders’ equity	176.4	176.6	0.2%	175.0
Equity ratio	48.4%	47.8%	na.	50.5%

The half-year report 2019 is available for download at:

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

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Forthcoming events

• Sales and orders 2019	24 January 2020
• Key figures 2019 / Annual report	6 March 2020
• Annual General Meeting	25 April 2020
• Half year report 2020	23 July 2020

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.