Media release

Results for the first half of 2020

Order intake and sales considerably below previous year's level – Lower profit – Substantial order backlog – Solid balance sheet and low net debt

- **Sales down 28% to CHF 155 million**
- **Order intake down 49% to CHF 89 million**
- **Order backlog of CHF 213 million ensures basic capacity utilization for second half 2020 and beyond**
- **Operating profit EBIT CHF 0.6 million or 0.4% of sales**
- **Net income CHF 0.5 million**
- **Comprehensive cost reduction program and strengthened focusing**

Rorschacherberg, 23 July 2020 – Starrag Group Holding AG (SIX: STGN), a global technology leader of high-precision machining tools for milling, turning, boring and grinding work pieces of metallic, composite and ceramic materials, has today announced its half-year figures for 2020.

Order intake, sales and earnings down

As expected, Starrag Group was unable to escape the effects of Covid-19 in the first half of 2020. The reluctance of customers in all sectors to invest had a substantial impact on new orders. Due to delays in order processing caused by Covid-19 and the lower order intake in 2019, sales were also significantly lower than in the previous year. The lower volume was one of the factors that resulted in a reduction in earnings, which was also affected by losses at two sites.

The order intake for the group as a whole was down to CHF 89 million, or 49%, compared with the same period in the previous year (down 47% at constant exchange rates). Sales were down by 28% to CHF 155 million (25% at constant exchange rates), which was a somewhat smaller decline.

Breakdown by region and sector

The fall in new orders primarily affected Europe, followed by Asia. However, incoming orders from customers from North America, a key strategic market for Starrag Group, went up somewhat, slightly exceeding new orders from Asia in the period under review.

In terms of the individual sectors, the sharpest decline was in Industrial and Aerospace, the two most important sectors by a distance. Given the prospects for the capital goods industries and global aviation in the wake of Covid-19, this is hardly surprising. Energy and Transportation were also down, albeit on a considerably smaller scale in absolute terms.

Substantial order backlog for the second half of the year and beyond
The order backlog for new machines amounted to CHF 213 million at the end of the period under review. This represents a decline of 25% compared with the end of 2019, and 34% compared with the end of June 2019. Nevertheless, this value represents a significant workload for the second half of the year and beyond. It is important to note that new equipment business is always associated with recurring demand for services.

Earnings lower
The operating result (EBIT) was CHF 0.6 million, down from CHF 0.9 million in the first half of 2019. It should be noted that restructuring costs of CHF 7.9 million affected the results in the same period last year and CHF 14 million was saved in the period under review. Of this, cost savings of CHF 8 million were made in a short-term reaction to Covid-19, while savings of CHF 6 million had already been initiated in 2019. The significant fall in sales, as well as capacity utilisation and margin-related losses at the Mönchengladbach and Bielefeld sites, had a negative impact on EBIT. Net income was CHF 0.5 million compared with CHF 3.4 million in the same period last year, with exceptional income tax relief of CHF 2.3 million in 2019 owing to the corporation tax reform in various Swiss cantons as a result of the reduction of tax provisions. Per share, net income was CHF 0.15 (down from CHF 1.01).

Balance sheet still solid – net debt low – substantial real estate portfolio
At CHF 316.9 million on 30 June 2020, the balance sheet total was CHF 17.7 million below the level at the end of 2019. At CHF 176.7 million, shareholders' equity was virtually unchanged compared with the end of 2019. This resulted in an equity ratio of 55.8%, which was 2.6 percentage points higher than at the end of the previous year. Net debt remained at a low level, standing at CHF 11.5 million at the end of the period under review. This, in conjunction with the conservatively valued balance sheet items (particularly fixed assets and inventories), means that Starrag Group continued to stand out for its high level of financial flexibility. Furthermore, the Group has a substantial real estate portfolio, as well as its own production network.

Comprehensive package of cost-cutting measures and increased focussing
Because of the current situation, Starrag Group has approved a comprehensive package of measures to reduce costs and increase flexibility, focussing, and the concentration on its core business. In doing so, ensuring the health of all employees will continue to be the top priority in view of Covid-19. In order to adapt capacity to the lower demand as flexibly as possible, the focus will be on employees taking time off reducing time accounts and on the targeted use of short-time work. In addition, the Group will end temporary employment contracts, as well as making use of natural employee turnover and reducing the budget for operating costs, for example in the area of exhibitions and travel. As a result of the initiatives already taken in 2019, as well as the additional measures this year, staff numbers at the end of 2020 will be around 10% lower than a year earlier.

This program should save an additional CHF 20 million in total in the current financial year, of which around CHF 8 million has already been saved in the first half of the year. It was also decided to cut the fixed compensation paid to members of the Board of Directors for the current year by 20% and that paid to the Executive Board by 10%, supplemented by a significant reduction in variable compensation.

In addition, Starrag Group will concentrate even more closely on its core business in conjunction with strengthening the management at its sites in Mönchengladbach and Bielefeld. Furthermore, various strategic options are being considered for these two sites. In operational terms, attention in the next few months and in 2021 will be directed towards the efficient use of resources and implementation of the cost-cutting objectives, as well as strict risk management in the tendering process and accurate multi-project management in order processing.

Starrag Group will stick to its basic strategy, i.e. concentrating on the market segments and regions that offer the best growth and earnings potential. Group-wide sales are to focus even more closely than before on China, and the sales organisation in general is to be strengthened further. There are also plans to further expand the service business (new services, activation of sales campaigns, expansion of capacity). The development of a new generation of machine tools will be consistently pursued, including the forthcoming launch of a medium series of horizontal machining centres.

Changes on the Board of Directors and Executive Board
Michael Hauser was elected as Chairman of the Board of Directors at the Annual General Meeting on 25 April 2020. He succeeds Walter Fust, who remains on the Board of Directors as Vice-Chairman.

As already announced at the end of June, Starrag Group's long-time CFO Gerold Brütsch has decided to continue his professional career elsewhere. The Board of Directors and Executive Board would like to thank him for everything he has done and wish him all the best for the future. In his many successful years working for Starrag Group, Gerold Brütsch has made a significant contribution to the Group's growth and to operational improvements. His successor from 1 September 2020 will be Thomas Erne, who has been Regional CFO Europe at DMG MORI Europe AG in Winterthur since 2015. This will ensure a smooth transition. In Thomas Erne, Starrag Group is gaining a proven CFO and an experienced authority on the machine tool industry.

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 everything he has done for Starrag Group and wish him all the best for the future.

Outlook for 2020

Covid-19 and the increasingly uncertain global economic and political situation have dampened expectations in our individual sectors, which is having a corresponding impact on the willingness of customers to invest. This is likely to apply to all fields and regions. It is very unlikely that there will be a recovery before 2021. Based on this market assessment, we expect the order intake, sales and results for 2020 as a whole to be significantly worse than in the previous year. It will not be possible in the second half of the year to offset the unprecedented downturn in the first half of the year, despite the substantial measures taken to reduce costs. The situation will therefore worsen further between now and the end of the year, but it is not yet possible to gauge the extent of this.

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 Starrag Group

CHF million	**2020** **01.01.-30.06**	2019 01.01.-30.06.	Change	2019 01.01.-31.12.
Order intake	88.8	172.7	-48.5%	343.2
Sales revenue	155.4	214.5	-27.6%	418.1
Operating result EBIT	0.6	0.9	-35.4%	4.8
Net income	0.5	3.4	-84.3%	6.9
EBIT as % of sales revenue	0.4%	0.4%	na.	na.
Return on equity (ROE)	0.6%	3.9%	na.	3.9%
Cash flow from operating activities	-8.8	8.2	na.	10.5
Capital expenditure	3.4	3.0	13.1%	5.1
Free cash flow	-11.9	5.2	na.	8.3
Earnings per share (in CHF)	0.15	1.01	-85.1	2.02
Employees (average full-time equivalents)	1‘455	1‘515	-4.0%	1‘514

CHF million	**30.06.2020**	31.12.2019	Change	30.06.2019
Order backlog	213.0	284.3	-25.1%	321.2
Total assets	316.9	334.6	-5.3%	364.2
Net debt	11.5	-0.6	na.	2.9
Shareholders’ equity	176.7	178.1	-0.7%	176.6
Equity ratio	55.8%	53.2%	n/a	48.4%

See also „Additional definitions of performance indicators“ on page 96 of the Annual Report 2019.

The half-year report 2020 is available for download at:

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

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Forthcoming events

• Sales and orders 2020	29 January 2021
• Key figures 2020 / Annual report	5 March 2021
• Annual General Meeting	23 April 2021
• Half year report 2021	29 July 2021

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.