Starrag Group

MEDIA RELEASE

Business Year 2011:
Significant organic growth – Sustained profitability

- **Financials 2011 marked by Dörries Scharmann acquisition – new corporate appearance as Starrag Group**
- **EBIT margin increased to 5.4 % (prior year 5.1 %)**
- **Increase of net income by 34 % to CHF 11 million or CHF 3.52 per share**
- **Nearly doubled order intake of CHF 348 million – organically in local currencies +18 %**
- **Sales of CHF 354 million – organically in local currencies +2 %**
- **Net cash increased to CHF 37 million**
- **Dividend proposal of CHF 1.20 per share to be paid from capital contribution reserves (not subject to Swiss withholding tax)**

Order intake and sales revenue clearly positive

In 2011, the development of Starrag Group – a technology leader in precision machine tools –was strongly impacted by the acquisition of Dörries Scharmann Group. This was specifically reflected in order intake and sales revenue. Overall, the group achieved an order intake of CHF 348.3 million (+85 %), which is organically and in local currencies 17.5 % above 2010. Sales revenue 2011 was CHF 354.4 (+78 %), organically and in local currencies 2.2% above 2010. As expected, the increase in sales revenues was below the growth in order intake. This is primarily due to the uncertainty existing until January 2011 regarding the ownership of the Dörries Scharmann group, which had a negative effect on order intake in 2010 and in the first half of 2011. Currency effects reduced net sales in 2011 by CHF 37 million.

Increase in order intake on a solid base

The increase in order intake was primarily fuelled by the European market. Positive sentiment throughout the machine tool sector induced many companies to reactivate replacement and modernization plans that they had postponed during the recession. In the aerospace sector the improving economic outlook led to an increase in orders from the civil aircraft manufacturing industry. The increase in new orders from the energy sector was primarily driven by replacement and expansion expenditure on conventional energy assets in BRIC countries. Capital spending on wind power in Europe and Asia was very subdued but a good increase in spending on plant and equipment was observed in the industrial engineering and transport sectors in Europe and in China.

Solid earnings power

Operating profit EBIT increased from CHF 10.1 million in the previous year by 89 % to CHF 19.1 million in the year under review and the EBIT margin rose from 5.1 % to 5.4 %, which is well above the average sector margin. Net income reached CHF 10.9 million or CHF 3.52 per share (+34 %).

Balance sheet remains strong, sound capital structure

Starrag Group's capital base remains strong and stable. Thanks to the rights issue conducted to refinance the acquisition of Dörries Scharmann, the equity ratio remained at a high level of 54.1 % (2010: 64.1 %). Cash holdings at 31 December 2011 were sharply higher at CHF 44 million (previous year CHF 32 million), buoyed by the high operating cash flow. The company's net cash position (cash and cash equivalents minus debt) could be increased from CHF 31 million at the end of 2010 (including Dörries Scharmann) to CHF 37 million at the end of 2011.

Also in 2011, the Starrag Group invested a considerable amount in the future growth of the company: At the European factories CHF 6.8 million were invested in the optimization of the manufacturing infrastructure; CHF 3.4 million were invested in the start-up of our new manufacturing plant in Bangalore, India.

Expansion into Indian market on track

Starrag Group's geographic focus during the year under review was on Asia. After the inauguration of a technology center in Bangalore, India, in 2010, we began to build a new plant in 2011 that will manufacture machining centers for the Indian market. This is the first manufacturing plant we will be operating outside Europe and it underscores the growing importance of Asia as a future source of sales and as a production base.

From StarragHeckert to Starrag Group

We revised our brand concept during the year under review in the context of the strategic acquisition of Dörries Scharmann and adjusted our branding to address the new circumstances. The company as a group now presents itself under the Starrag Group name while the products themselves are marketed under the same strong, established brands as before: Berthiez, Dörries, Droop+Rein, Heckert, Scharmann, SIP, Starrag, TTL, WMW. This will strengthen the innovative capabilities of each individual brand thanks to the common banner and enhances the overall potential of success.

Dividend proposal

In view of the positive Group results, the Board of Directors will propose a dividend of CHF 1.20 per share at the Annual General Meeting, to be paid from capital contribution reserves, which are not subject to Swiss withholding tax. The payout ratio of 37 % is at the upper end of the targeted 25 % to 33 % range. Based on the closing share price of CHF 49.55 on 31 December 2011, this corresponds to a dividend yield of 2.4 %.

Looking to the future with confidence

Our high order backlog of nearly CHF 240 million at the end of 2011, a full project pipeline and the strong course of business in civil aircraft manufacturing – an important market for Starrag Group – make us confident that we will be able to report higher sales, orders and earnings in 2012, assuming a stable economy.

The acquisition of Dörries Scharmann and the merger of the two companies' sales organizations in the USA and Great Britain are expected to show substantial synergies, particularly with regard to lowering costs for material. We are establishing offices in Mexico and Brazil to address the growing importance of Latin American markets. On the product front, three new machine concepts will be introduced.

Company profile StarragHeckert:

Starrag Group is a global technology leader in manufacturing high-precision machining tool for milling turning, boring and grinding of mid-sized to large workpieces of metallic and composite materials. Principle customers are internationally active companies in the aerospace, energy, transport and industrial engineering sectors. In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer productivity.

Starrag Group products are marketed under the following strategic brands: Berthiez, Dörries, Droop+Rein, Heckert, Scharmann, SIP, Starrag, TTL, WMW. Headquartered in Rorschacherberg/Switzerland, the Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and has established a network of sales and services subsidiares in numerous other countries.
Starrag Group is listed on the SIX Swiss Exchange (STGN).

Rorschacherberg, 9 March 2012 StarragHeckert Holding AG

Key figures

in Mio. CHF	2011 [1]	2010	Change	31.12.2010 Pro Forma [2]
Order Intake	348.3	188.3	+85 %	332.4
Order Backlog	237.5	103.9	+129 %	259.2
Sales Revenue	354.4	199.2	+78 %	391.9
Operating profit EBIT	19.1	10.1	+89 %	22.5
EBIT as percentage of sales revenue	5.4 %	5.1 %	+6 %	5.7 %
Net income	10.9	8.1	+34 %	14.4
Earnings per share in CHF	3.52	3.27	+8 %	4.29
Cash flow form operating acitivities	37.0	32.2	+15 %	62.3
Capital expenditure	69.9	4.2	n.a.	8.1
Free Cash Flow	9.3	28.0	-67 %	54.2
Total assets	326.6	169.4	+93 %	332.5
Shareholders' equity	176.6	108.5	+63 %	177.9
Return on equity (ROE)	7.1 %	7.5 %	-5 %	8.1 %
Net cash	37.0	31.1	+19 %	31.3
Employees at year end	1'420	739	+92 %	1'439
Profit distribution per share in CHF	1.20 [3]	1.00 [3]		

1) including Dörries Scharmann from first consolidation on 19 January 2011.

2) Pro Forma, as if the acquisition of Dörries Scharmann and the capital increase completed on 2 May 2011 had already taken place on 31 December 2009.

3) as withholding tax-free repayment from additional paid-in capital

The Annual Report 2011 is available for download on:

http://www.starrag.com/sh/index.php/en/investoren/annual reports

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Forthcoming events

• Annual general meeting	20 April 2012
• Ex date Dividend payout	24 April 2012
• Record date Dividend payout	26 April 2012
• Payment date Dividend payout	27 April 2012
• Interim information first quarter 2012	4 May 2012
• Half-year report 2012	27 July 2012
• Interim information third quarter 2012	2 November 2012
• Preliminary information on annual results	25 January 2013
• Key figures 2012 / Annual report	8 March 2013
• Media and analysts conference in Zurich	8 March 2013
• Annual general meeting	12 April 2013
