Starrag Group

Media release

2012 financial year:

Increased order intake, sales and net income, balance sheet strength sustained

- **Order intake up 5 % to CHF 364 million – sales increased by 8 % to CHF 384 million**
- **EBIT up 14 % to CHF 22 million – increase in operating margin to 5.7 % – equity ratio of 7.3 %**
- **26 % increase in net income to CHF 14 million – earnings per share of CHF 4.00**
- **Solid balance sheet with equity ratio of 53 % after the self-financed acquisition of Bumotec SA**
- **Dividend payment of CHF 1.80 per share (+ 50 %) not subject to Swiss withholding tax out of reserves from capital contributions**
- **Management extended to include Jean-Daniel Isoz as head of new Business Unit 4 (Bumotec and SIP)**

Increased order intake and sales

In the 2012 financial year, the Starrag Group, a global technology leader in precision machine tool manufacturing, achieved an increase in order intake of CHF 364 million (+ 4.6 % year-on-year). After adjustment for acquisition and currency effects it was down 3.6 % on 2011, though the previous year had seen an exceptionally high increase of 18 % and the German industry association VDW also reported a drop in order intakes of 13 %. Due to the postponement of agreed orders, order intakes were below average in the fourth quarter. This however strengthened the project pipeline, meaning that positive developments in new orders can be expected in the first half of 2013.

Sales in 2012 came in at CHF 384 million (+ 8.3 % year-on-year). Adjusted to take currencies and acquisitions into account, sales revenue was at the same level as in 2011.

Orders significantly up in North America

In regional terms, North America was first in line when it came to the increases in order intake thanks to the uptick in civil aircraft building and the reshoring of the production of large components. Asia also saw us take in more orders, with growth supported by all four target markets. In Europe, order intake was at the same levels as the previous year, with the geographical focus moving from the west to Eastern European markets.

Varying development according to target markets
Business in Aerospace was unsatisfactory due to governmental cost-cutting measures in the military sector, while the civil sector demonstrated growth, leading to a corresponding shift of focus towards the latter. In the Energy target market, uncertainty over the future energy mix paralysed the market as expected, which is why we were able to bring in far fewer orders than the previous year. In Transport on the other hand, order intake showed very satisfying developments and increases were relatively broadly supported. We also improved considerably in the Industrial target market thanks in no small part to the Bumotec acquisition, while established business came in at around the same levels as the previous year.

Higher earnings power
With an EBIT of CHF 21.7 million – 14 % higher than the previous year – the Group improved its margin to 5.7 % from 5.4 % in 2011. This increase is the result of consistent cost management, higher volumes and the acquisition of Bumotec. Below the line, 2012 saw net profit up 26 % to CHF 13.6 million (CHF 4.00 per share). This increase was primarily attributable to the much improved operating result and also a consequence of the lower tax rate.

Solid financing
The Starrag Group continued to have a firm footing in 2012 with a virtually unchanged equity ratio of 53 %. Free cash flow remained at a solid CHF 10.2 million despite increased investments. Even after the self-financed acquisition of Bumotec, net liquidity remained high at CHF 24.9 million.

Investments in the development of new products continued at a high level. In the year under report, CHF 29 million (7.5 per cent of sales) were implemented in the development of innovative products and processes or for customer-specific further development.

New perspectives thanks to Bumotec
With the May 2012 acquisition of Bumotec SA, the Group is establishing a solid market position primarily in the watch/jewellery sector but also in medical technology for implants and surgical instruments. These are new markets for the Starrag Group and ones which represent a substantial and also attractive complement to the established Industrial target market. In the year under report, Bumotec was already able to make the most of the local presence of the Starrag Group in the various market regions.

Integration of Dörries Scharmann bearing fruit
The integration of the Dörries Scharmann Group, which was acquired at the beginning of 2011, was completed in the course of the year under report and is already beginning to pay dividends. The joint sales and service organisation is looking particularly strong in the non-European markets thanks to expanded levels of technical expertise on site and quicker reaction times to market changes with an even more powerful presence. The combined procurement of components and services is also beginning to bear fruit, though long lead times mean that the real effects will only primarily be seen from 2013 onwards in terms of results.

New plant opened in India
The new production plant in Bangalore was opened on schedule in January 2013, and in conjunction with this, a newly-developed series of compact machining centres specifically tailored to meet the demands of the emerging markets in the region was also launched. With the technology and customer services centre which we also built in Bangalore, the Starrag Group has an excellent starting point from which to tap into the promising future of the Asian markets.

New Business Unit 4
Bumotec, purchased in the year under report, and SIP now form the new Business Unit 4. Bringing them together in organisational terms was logical, since they have comparable product portfolios with high precision requirements and also since they have similar corporate cultures in regional terms. Jean-Daniel Isoz, who previously headed SIP, was given responsibility for the new Business Unit.

Significantly increased dividend pay-out ratio
With the intention of giving our shareholders a chance to participate in the operational success of the group, and not just in the form of a potential share price increase, we have decided to increase the dividend pay-out ratio from its previous target band of 25 % – 33 % of net profit to 30 % – 40 %. Therefore, and on the basis of the success of 2012, the Board of Directors is proposing to the Annual General Meeting of 12 April 2013 the payment of a dividend of CHF 1.80 not subject to withholding tax, out of reserves from capital contributions. This corresponds to a dividend ratio of 44 %, and a yield of 2.9 % based on the 2012 closing price of our share of CHF 61.60.

Cautiously optimistic for 2013
Despite an environment that is also set to remain testing in 2013, we are cautiously optimistic. This is prompted by various signals from the market and from customers, while we expect both additional growth impulses and a positive cost effect, both from new products and from the substantial strengthening and streamlining of all our business functions, from purchasing through to production, maintenance and customer services and including continued improvements of processes and workflows. With the promising order backlog at the start of the year and despite the continuing uncertainty on the markets, we will be able to aim for another increase in order intake, sales and results in 2013.

Starrag Group products are marketed under the following strategic brands: Berthiez, Bumotec, Dörries, Droop+Rein, Heckert, Scharmann, SIP, Starrag, TTL, 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 numerous other countries.

Starrag Group is listed on the SIX Swiss Exchange (STGN).

Rorschacherberg, 8 March 2013 Starrag Group Holding AG

Key figures Starrag Group

in million CHF	2012	2011	Change
Order intake	364.2	348.3	+ 4.6 %
Order backlog	238.6	237.5	+ 0.5 %
Sales revenue	384.0	354.4	+ 8.3 %
Earnings before interest and taxes EBIT	21.7	19.1	+ 14 %
EBIT as % of sales revenue	5.7 %	5.4%	+ 5.6 %
Net income	13.6	10.9	+ 26 %
Earnings per share (in CHF)	4.00	3.52	+ 14 %
Return on equity ROE	7.3 %	7.1%	+ 2.8 %
Cash flow from operating activities	23.8	19.2	+ 24 %
Capital expenditure	32.1	69.9	- 54 %
Free cash flow	10.2	9.3	+ 10 %
Total assets	347.6	326.6	+ 6.4 %
Net cash	24.9	37.0	- 33 %
Shareholders’ equity	185.6	176.6	+ 5.1 %
Equity ratio	53 %	54%	- 1.3 %
Headcount	1’644	1’420	+ 16 %
Profit distribution per share in CHF	1.80 [1) 2)]	1.20 [1)]	+ 50 %

[1)] In form of a withholding-tax-free distribution from capital contribution reserves

[2)] Proposal by the Board of Directors to the Annual General Meeting

The Annual Report 2012 is available for download on:

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

For further information please contact

Dr. Frank Brinken
CEO
Phone +41 71 858 81 11
Fax +41 71 858 82 09

Gerold Brütsch
CFO
Phone +41 71 858 81 11
Fax +41 71 858 82 30

media@starrag.com

investor@starrag.com

www.starrag.com

Forthcoming events

• Annual general meeting	12 April 2013
• Ex date dividend pay-out	16 April 2013
• Record date dividend pay-out	18 April 2013
• Payment date dividend pay-out	19 April 2013
• Interim information first quarter 2013	7 May 2013
• Half-year report 2013	26 July 2013
• Interim information third quarter 2013	5 November 2013
• Preliminary information on annual results	27 January 2014
• Key figures 2013 / Annual report	7 March 2014
• Media and analysts conference in Zurich	7 March 2014
• Annual general meeting	12 April 2014
