Starrag Group

Media release

2013 financial year:

Starrag defies weak investment environment: High level of order intake, steady earnings

- **Level of order intake up by 17 % to CHF 45 million – Revenues up by 2 % to CHF 391 million**
- **EBIT before restructuring costs up by 6 % to CHF 22 million – operating margin 5.7 %**
- **Net profit up 4 % to CHF 13.5 million – earnings per share CHF 3.97**
- **Strong balance sheet thanks to increased equity ratio of 56 % – 7.1 % return on equity**
- **Profit distribution remaining at CHF 1.80 per share – payout ratio 45 %**
- **Changes in the Board of Directors and Executive Board**

High level of order intake and revenues slightly up year-on-year
In 2013 Starrag Group, a global technology leader in manufacturing high-precision machine tools, acquired new business worth CHF 425 million, corresponding to a growth of 17 % including acquisition and currency effects. Organically, an impressive growth rate of 9% was achieved in a declining market. The German machine tool industry association VDW assumes that order intake of its members dropped by 6 %. Due to the acquisition of Bumotec in 2012, revenues were slightly above the level of the previous year at CHF 391 million (plus 2 %).

Europe back on the map, Asian business slower
Europe saw noticeably more new orders in 2013 after a slightly weaker trend in the prior year, driven by various large orders from Western European customers, whereas Eastern Europe was slightly up. In North America, in contrast to the previous year, the order levels were negatively impacted by ongoing economic and in particular politically based uncertainties. Asia was influenced by lower investments in the Chinese mainland market. Due to the positive development in the order intake, the order backlog increased by 15 % to a solid CHF 275 million as at the end of 2013.

Varied developments in target markets
Due to various large orders, Aerospace nearly doubled its level of incoming orders. Compared with many preceding years, Aerospace contributed for the first time to 50 % of the total group's order intake. Industrial almost maintained the level of order intake of the previous year with Bumotec additionally contributing significantly with its served markets luxury goods and medical. Transport saw fewer new orders, which is attributable to the general lacklustre development of the industrial markets in Germany and Asia. Due to the great uncertainty about the future energy policy of various key countries, the target market of Energy saw a real drop in investment activity. In 2013, the Starrag Group business model based on the four target markets proved to be stable.

Steady earnings

The group achieved an operating result before restructuring costs of CHF 22 million, which measures effectively the operating performance, being 6 % above that of the previous year and representing 5.7 per cent of sales (previous year: 5.5 per cent of sales). After restructuring costs, an EBIT of CHF 19.0 million was achieved, which translates into an EBIT margin of 4.9 %. Starrag Group posted a higher net profit of CHF 13.5 million (previous year CHF 13.0 million) based on improved currency results and a lower tax burden.

Solid financial foundation

The equity ratio again increased by nearly 300 basis points to a solid 56 % in financial year 2013. Due to the pre-financing needs for materials spends, free cash flow decreased to CHF -2.3 million, compared with CHF 10.2 million in the previous year. The group still maintains a net liquidity position of CHF 16.1 Million. The reduction from CHF 24.9 million was caused by the negative free cash flow and the raised dividend payout ratio.

New plant opened in India

In January, Starrag Group's new state of the art production site in Bangalore was opened as scheduled in conjunction with the leading Indian trade fair for machine tools, IMTEX. At this occasion WMW, one of the ten group brands, launched a newly developed line of compact precision machining centres that are specifically suited to the requirements of the emerging markets.

Changes in the Board of Directors and Executive Board

At the next General Meeting Hanspeter Geiser will not stand for reelection at his own request after being a member of the Board of Directors for the last twenty years. Frank Brinken, who, after nine years as CEO will hand over this position to Walter Börsch at the General Meeting, will be proposed for election to the Board of Directors at the meeting. Likewise newly proposed for election to the Board of Directors at the meeting is Daniel Frutig, former CEO of AFG Arbonia-Forster-Holding AG, who will bring valuable momentum to the Starrag Group thanks to his in-depth, international industry experience. Bernhard Bringmann was appointed Head of Business Unit 1 and new member of the Executive Board with effect from 1 January 2014. He takes over from Walter Börsch, who will, starting from the upcoming General Meeting, lead the Group as CEO.

Unchanged dividend pay-out

With the intention letting the shareholders participate substantially in the operating success of the Starrag Group, the Board of Directors has decided to increase the dividend payout ratio from the previous level of 30 % to 40 % to 35 % to 50 %. Based on these ratios an unchanged dividend proposal of CH 1.80 per share will be proposed to the General Meeting on 12 April 2014. This corresponds to a payout ratio of 45 % and, based on the closing share price 2013 of CHF 75.75, yielding a dividend return 2.4 %.

Sense of realistic optimism for the year 2014

Despite the current world economic uncertainties, the Starrag Group tends to look with optimism into the current financial year. This view is supported by a healthy order backlog and well-filled pipeline of solid projects quoted or under negotiation as well as new products and manufacturing processes designed to enhance the competitive advantages. Furthermore the homework in 2013 was done with regard to improve the cost position and raise efficiencies. 2013 is viewed in terms of profitability as a transitional year, leading to an improved operating margin 2014. Revenues should grow in 2014, whereas order intake is at least expected within the range of the previous year, although the development to date in the first quarter was below this expectation.

Company profile Starrag Group:

Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling, turning, boring and grinding of small, medium-sized and larger workpieces of metallic and composite materials. Our customers are primarily internationally active companies in the Aerospace, Energy, Industrial and Transport 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, Bumotec, Dörries, Droop+Rein, 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 numerous other countries.

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

Rorschacherberg, 7 March 2014 Starrag Group Holding AG

Key figures Starrag Group

CHF million	2013	2012 [1]	Change
Order intake	424.9	364.2	+16.7 %
Sales revenue	390.7	384.0	+1.7 %
Earnings before interest, taxes and restructuring EBITR	22.4	21.1	+6.1 %
Earnings before interest and taxes EBIT	19.0	21.1	-10.0 %
Net income	13.5	13.0	+3.7 %
Earnings per share (in CHF)	3.97	3.81	+4.2 %
EBITR as % of sales revenue	5.7 %	5.5 %	n/a
EBIT as % of sales revenue	4.9 %	5.5 %	n/a
Net income as % of sales revenue	3.5 %	3.4 %	n/a
Return on equity (ROE)	7.1 %	7.2 %	n/a
Cash flow from operating activities	8.8	24.9	-64.8 %
Capital expenditure in fixed assets	11.2	32.1	-65.0 %
Free cash flow	-2.3	10.2	-122.5 %
Profit distribution per share (in CHF) [2]	1.80 [3]	1.80	-

CHF million	31.12.2013	31.12.2012 [1]	Change
Order backlog	274.7	238.6	+15.1 %
Total assets	348.7	347.6	+0.4 %
Net cash	16.1	24.9	-35.3 %
Shareholders’ equity	193.6	183.6	+5.4 %
Equity ratio	55.5 %	52.9 %	+4.9 %
Headcount	1’667	1'644	+1.4 %

1) Restated due to the application of the amended IAS 19 Employee Benefits.
2) In form of a withholding-tax free distribution from capital contribution reserves.
3) Proposal by the Board of Directors to the Annual General Meeting.

The Annual Report 2013 is available for download on:
http://www.starrag.com/sh/index.php/en/investoren/financial-reports

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Forthcoming events

• Annual general meeting	12 April 2014
• Ex date dividend pay-out	15 April 2014
• Record date dividend pay-out	17 April 2014
• Payment date dividend pay-out	22 April 2014
• Interim information fist quartal 2014	9 May 2014
• Half-year report 2014	25 July 2014
• Interim information third quartal 2014	4 November 2014
• Preliminary information on annual results 2014	26 January 2015
• Key figures 2014 / Annual report	6 March 2015
• Annual general meeting	24 April 2015

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.