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Starrag Group

Media release

Preliminary figures for the 2014 financial year

Sales slightly higher, order intake slightly lower

- **Sales edge higher to 393 Mio. CHF**
- **Order intake down 4 % to 407 Mio. CHF**
- **Order backlog continues to grow**
- **Margins forecast to be near the previous year's levels**
- **Removal of Swiss franc cap makes further cost cuts necessary**

Order intake: strong fourth quarter – slight decline in full-year

After reporting a double-digit decline in orders received at the nine-month mark, order intake picked up during the fourth quarter, which helped to narrow the decline to just 4.1 % and resulted in a full-year order intake of 407 Mio. CHF. At constant exchange rates, incoming orders declined 3.3 %. While the Asia region stood out with a sharp rise in new orders as did North America, the pleasing growth in these two regions was unable to offset the entire decline in new orders from European customers. The decline in European orders can be traced to the unusually high proportion of new orders received in 2013 in connection with single large projects.

Breaking down new order intake by customer industries, orders received in Aerospace were slightly lower after the exceptionally strong inflow in 2013. In the Industry sector, order intake was lower overall although the Precision Engineering target market displayed another year-on-year increase. Order intake in the Transportation sector was slightly higher. Due to the uncertain policy perspectives the Energy sector, as expected, remained weak.

Slightly higher sales

Sales for 2014 amounted to 393 Mio. CHF, an increase of 0.6 % from the previous year's figure. At constant exchange rates, sales were up by 1.5 %. The order backlog continued to grow as in the previous year and stood at 288 Mio. CHF at the end of the reporting period, which is 4.8 % more than at the end of 2013. At 1.04, the book-to-bill ratio (ratio order intake / sales revenue) climbed back above the targeted level of more than 1. With regard to operating results, the previous guidance given during the presentation of nine-month results that margins would be in line with 2013 levels still applies.

Expected impact of the decision to remove the cap on the Swiss franc

Starrag Group was surprised like many others by the timing of the Swiss National Bank's decision to abandon the EUR/CHF floor of 1.20. Compared to the sector average, Starrag Group is less exposed to exchange-rate movements. Only about one-quarter of its total sales are produced at Swiss factories and the required materials are sourced from the euro area wherever possible. However, the percentage of costs incurred in Swiss francs at Group level is still higher than the corresponding percentage of sales generated in Swiss francs.

The massive appreciation of the Swiss franc after the exchange rate floor was removed will have an impact on the competitiveness of the company's factories in Switzerland and that impact cannot be counterbalanced in the near term, notwithstanding the targeted and substantial productivity gains that have been achieved over the past few years. An adjustment to the carrying value of unhedged foreign currency exposure will therefore be made during the first quarter of 2015 to reflect the movements of foreign exchange rates during the weeks ahead. Moreover, talks are being held with suppliers and employee representatives to explore ways of offsetting at least some of the effect of the Swiss franc's appreciation through reductions in cost. Depending on the particular competitive environment in the respective target markets, price increases can only be implemented selectively.

The 2014 annual report and all financial statements will be presented at the conference for analysts and media representatives on 6 March 2015 in Zurich.

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, composite and ceramic materials. Principle customers are internationally active companies in the Aerospace & Energy, Transportation & Industrial Components and Precision 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, 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, 26 January 2015 Starrag Group Holding AG

Key figures 2014 (preliminary, not audited)

CHF million	2014	2013	Change
Order intake	407	425	-4.1 %
Order backlog	288	275	+4.8 %
Sales revenue	393	391	+0.6 %

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Forthcoming events

- Key figures / Annual report 2014 — 6 March 2015
- Media and analysts conference in Zurich — 6 March 2015
- Annual general meeting in Rorschacherberg — 24 April 2015
- Interim information first quarter 2015 — 8 May 2015
- Half-year report 2015 — 24 July 2015
- Interim information third quarter 2015 — 3 November 2015
- Preliminary information on annual results — 29 January 2016