starrag
Starrag Group

Media release

2014 financial year

Slight decline in order intake – Operating income maintained – Considerably higher net profit

- **Order intake down by 4 % to CHF 407 million – sales up by 1 % to CHF 393 million**
- **EBIT up 1 % to CHF 19 million – operating margin 4.9 %**
- **Net profit up 7 % to CHF 14.4 million – profit per share CHF 4.26**
- **Solid balance with 55 % equity ratio – return on equity 7.5 %**
- **Unchanged dividend payout of CHF 1.80 per share, dividend payout ratio 42 %**

Order intake: strong final quarter – slight decline over the whole year
After a double-digit decline in order intake had been recorded in the nine-month comparison, a strong final quarter resulted in an overall decline of 4.1 % to CHF 407 million over the whole of 2014. Currency adjusted, the decline amounted to 3.3 %. Sales for the year under review totaled CHF 393 million – a figure 0.6 % higher than for 2013. Currency adjusted , the increase amounted to 1.6 %.

For the first time, one third of the order intake from Asia
With an order intake of CHF 133 million (increased by 73 %), the Asian markets contributed over a third of new orders group-wide for the first time. This is not least due to a pick-up in the final quarter and the once more increased order intake from Chinese customers. North America also developed positively, albeit from a still unsatisfactory level. In contrast to the previous year, the order intake from Europe declined considerably, which can be explained by individual large orders in 2013. Apart from that, a lower investment activity was observed among European industrial clients, including, not least, from Germany. As in the previous year, the order backlog grew further and at the end of the year in review amounted to CHF 288 million or 5 % more than at the end of 2013. At 1.04., the book-to-bill ratio (the ratio of orders received to sales revenue) once again reached a targeted value above 1.

No striking changes by industry

In terms of order intake by industry, there were no striking shifts, either in absolute values or in structural terms. After an extraordinarily good year in 2013, Aerospace had a slightly lower order intake. In the industrial sector overall, new orders were below the level of the previous year, although the target market Precision Engineering grew once again. Transportation finished slightly better; as expected, Energy tended to remain weak as a result of the uncertain energy policy outlook.

Operating result maintained – Considerably higher net income

The operating result before interest and tax EBIT, at CHF 19.1 million, was slightly above the previous year's figure of CHF 19.0 million and represented an unchanged 4.9 percent of sales. This result was, above all, aided by the CHF 4.7 million reduction in personnel costs as a result of the capacity adjustments implemented in the previous year. On the other hand, the margins were lower primarily because of the lower degree of completion of orders in progress which resulted in the unchanged operating margin of 4.9 percent of sales. The net income of CHF 14.4 million exceeded the previous year's figure (CHF 13.5 million) by 7.0 %, mainly because of a reduced tax rate.

Solid financing

The equity ratio was practically unchanged at 55 %. The free cash flow declined to CHF -7.2 million (previous year CHF -2.4 million) due to the pre-financing of customer orders and the somewhat higher level of capital expenditure. Net cash fell to CHF 2.4 million from CHF 16.1 million in the previous year because of the negative free cash flow and the dividend paid.

Numerous innovations once again

Again in 2014, Starrag Group continued to make substantial investments in new products and processes. Overall, the level of capital expenditure, at CHF 14.6 million, was 30 % higher than the previous year, which is primarily a result of investment in the new Bumotec plant. At the IMTS in Chicago the Starrag Group presented two machine tools for applications in medical technology and micromechanics. Both were met with a very positive reception. At the AMB in Stuttgart the Starrag Group was once again awarded the prize for innovation by German trade journal „MM Maschinenmarkt“. The award was presented in the „multifunctional machines“ category, for a technology developed by the Group that eliminates the need for finishing of workpiece surfaces. In India we concluded the development of the new series of compact machining centers which are specifically tailored to the requirements of the promising Asian markets where we expect to stimulate sales for us in the medium term.

Changes to the Board of Directors and Executive Board

At the 2014 Annual General Meeting, Hanspeter Geiser made the decision to step down from the Board of Directors after 20 years. At the same time, Daniel Frutig and Frank Brinken were elected as new Board members. Frank Brinken had previously managed the Group as CEO for nine years. As his successor, the Board of Directors appointed Walter Börsch, previously responsible for Business Unit 1. Bernhard Bringmann took his succession as head of Business Unit 1 as of 1st January 2014.

Following the reorganization, as of 1st January 2015, the Executive Board is now composed of the following members: Walter Börsch (CEO and Regional Sales), Norbert Hennes (Aerospace & Energy), Eberhard Schoppe (Transportation & Industrial Components), Jean-Daniel Isoz (Precision Engineering), Günther Eller (Customer Service), Georg Hanrath (Operations) and Gerold Brütsch (CFO/Corporate Center).

Unchanged dividend

With the objective of maintaining an ongoing and attractive dividend policy, the Board of Directors will propose an unchanged dividend of CHF 1.80 per share to the Annual General Assembly on 24th April. This represents a dividend payout ratio of 42 % and based on the 2014 closing price for our shares of CHF 64.50, a dividend yield of 2.8 %. The dividend payout ratio increased in the previous year is set to remain in the range of 35 % to 50 %.

Outlook for 2015 uncertain on several fronts

The global economic perspectives for 2015 are highly uncertain. Overall, an on-going low investment activity of the customers has to be factored in. A further unknown is the unforeseeable impact of the Swiss National Bank's decision to float the Swiss Franc in January 2015. A lot will depend on the developments of the Franc over the coming months. Regardless of this, the current progress of the Swiss Franc exchange rate against the Euro has already made further cost savings necessary. It is true that by comparison across the industry, the Starrag Group is faced with below average exposure to exchange rate fluctuations. However, the proportion of the costs that are incurred in Francs with around 24 % is above the corresponding share of revenues of 22 %. In addition, it has to be assumed that the price pressure will increase notably in competition with foreign suppliers.

In light of this currency situation, our estimates for 2015 are deliberately based on local currencies. Accordingly, we expect to be able to retain the total order value at approximately the same level, although this may prove a challenging target. In terms of sales, we predict (once again in local currencies) a slightly higher value than in 2014. Following the floating of the Swiss Franc in January 2015 due to the circumstances already described above, whereby the portion of costs in Francs across the Group exceeds the corresponding share of turnover, the operating margin could be below 2014. The Starrag Group has therefore decided upon a set of measures to at least partially compensate for this negative effect.

Company profile Starrag Group:

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 & 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, 6 March 2015 — Starrag Group Holding AG

Key figures 2014

in CHF million	2014	2013	Change
Order intake	407.3	424.9	-4.1 %
Sales revenue	393.2	390.7	+0.6 %
Earnings before interest and taxes EBIT	19.1	19.0	+0.8 %
Net income	14.4	13.5	+7.0 %
Earnings per share (in CHF)	4.26	3.97	+7.3 %
EBIT as % of sales revenue	4.9 %	4.9 %	n/a
Net income as % of sales revenue	3.7 %	3.5 %	n/a
Return on equity (ROE)	7.5 %	7.3 %	n/a
Cash flow from operating activities	7.3	8.8	n/a
Capital expenditure in fixed assets	14.6	11.2	+30.1 %
Free cash flow	-7.2	-2.4	n/a
Profit distribution per share (in CHF) 1)	1.80 2)	1.80	-

in CHF million	31.12.2014	31.12.2013	Change
Order backlog	287.6	274.7	+4.7 %
Total assets	356.3	348.7	+2.2 %
Net cash	2.4	16.1	n/a
Shareholders' equity	195.9	193.6	+1.2 %
Equity ratio	55.0 %	55.5 %	n/a
Headcount	1'617	1'667	-3.0 %

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 2014 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 in Rorschacherberg	24 April 2015
• Ex date dividend pay-out	28 April 2015
• Record date dividend pay-out	29 April 2015
• Payment date dividend pay-out	30 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
• Key figures 2015 / Annual report	4 March 2016
• Annual general meeting	23 April 2016
