Starrag Group

Media release

2015 financial year

Sales steady at constant exchange rates and solid order backlog

- **Sales CHF 364 million, in local currency -0.1%**
- **Order intake -18% to CHF 333 million, in local currency -11%**
- **Order backlog of CHF 238 million ensuring capacity utilisation over 3 quarters**
- **EBIT -23% to CHF 15 million, operating margin 4.0%**
- **Net profit -35% to CHF 9.5 million, profit per share 2.78 CHF**
- **Solid balance sheet with 55% equity ratio, return on equity 4.9%**
- **Dividend payout of 1.20 CHF per share, dividend payout ratio 43%**
- **Strengthening sales power and further cost optimization**

Volatile ordering behaviour – sales steady at constant exchange rates

In the 2015 financial year, the Starrag Group generated an order intake of CHF 333 million, or 18% less than in the previous year. At constant exchange rates, incoming intake showed a smaller decline of 11%. In the fourth quarter, an order intake of over CHF 100 million were achieved. At CHF 364 million the Starrag Group's sales revenue was 7.5% below the previous year's level, adjusted for currency effects it was able to be maintained at -0.1%.

A third of all new orders continue to come from Asia

In terms of order intake by region, there were no significant shifts in structural terms compared to the previous year. The decline in orders received affected all three main markets, albeit to varying extents. North America and Asia were affected the most, although the decline in China could partially be offset by increasing orders from other Asian markets. As in the previous year, Asia contributed to almost a third (31%) of new orders Group-wide. In comparison with the other two regions, Europe as a whole fared better.

At the end of the reporting year, the order backlog amounted to CHF 238 million, or 17% less than at the end of 2014 (currency-adjusted -11%), with basic capacity utilisation being ensured for around three quarters. The book-to-bill ratio thus amounted to 0.92 (previous year 1.04).

Shift of focus by industry

In terms of order intake by industry, orders fell sharply in the Aerospace segment, though after a strong previous year. Given the known investment plans of key customers, however, orders are expected to increase again in the foreseeable future. Although new orders in the Industrial segment were generally down slightly on the previous year, growth was reported in the classic industry segment, while the Luxury Goods segment – particularly the watchmaking industry – suffered year-on-year losses. Transportation also performed slightly weaker. In comparison, the Energy sector reported an increase in orders received, albeit from a still low level. This can be attributed primarily to the intensified sales activities in Asia.

Operating result affected by reduced capacity utilisation

At CHF 14.7 million, the operating result before interest and taxes (EBIT) fell below the previous year's figure of CHF 19.1 million. This resulted in an EBIT margin of 4%. This decline was primarily due to the reduction in capacity utilisation as a result of cautious ordering behaviour in the first half-year. Despite the challenges on the currency front, net profit came in at CHF 9.5 million (previous year CHF 14.4 million), or 2.6% of sales, thanks to consistent cost management. In addition to the lower operating result, this was adversely affected by the revaluation of unhedged Euro positions (CHF 1.4 million), whereby the currency result was CHF 1.9 million weaker than in the previous year.

Financial position remains strong

A solid equity ratio of 55% was maintained. The free cash flow declined to CHF -11.3 million (previous year CHF -7.2 million) due to the pre-financing of customer orders and the significantly higher level of capital expenditure (CHF 23 million). Net cash fell from CHF 2.4 million to CHF -15.9 million as a result of investments in the modernisation and capacity expansion of Bumotec as well as the slightly reduced level of financing for work in progress.

Ongoing targeted innovations and investments

At CHF 22.3 million, investments in tangible fixed assets were up 53% on the previous year, after having increased by 30% in 2014. These marked increases can largely be attributed to investments in the new, state-of-the-art production plant for Bumotec in the Canton of Fribourg, whose construction is on schedule.

Starrag Group's “Turbine Technology Days” represented another highlight of the past year. Turbine experts from the energy, airline and aerospace industries converged at this global gathering in Rorschach. We were also pleased with Pilatus Aircraft's decision to use our machines to produce its new PC-24 business jet. As in previous years, Starrag Group presented its several innovations at the relevant trade shows CIMT (Chinese International Machine Tool Show), EMO (Milan) und Metalloobrabotka (Moscow).

Changes in the Board of Directors and Executive Board

Shareholders at the 2015 Annual General Meeting elected Daniel Frutig as chairman. He succeeds Walter Fust, who relinquished his position as chairman for personal reasons. We would like to take this opportunity to once again thank Walter Fust for his many years of successful service as our company's chairman. Georg Hanrath, a member of the Executive Board and Head of Operations, left the company at the end of 2015 by mutual agreement to pursue new career challenges. His responsibilities were re-assigned to the other members of the Executive Board in an effort to further streamline management structures. Eberhard Schoppe, Head of Transportation and Industrial Components business and member of the executive board, has decided not to extend his contract and to resign from his management role as of 18 March 2016. An announcement regarding his successor will follow in due course.

Dividend

The Board of Directors is maintaining its attractive dividend policy and will propose a dividend of 1.20 CHF per share at the Annual General Meeting on 23 April. This corresponds to a payout ratio of 43% and a dividend yield of 2.6% based on the share price of 46 CHF at the end of the 2015. The payout ratio will remain in an attractive range of 35% to 50% going forward.

Strengthening the sales power and further cost optimization

In the wake of the reorganisation of three operating units Aerospace & Energy, Transportation & Industrial Components and Precision Engineering by early 2015, Starrag Group initiated a comprehensive set of measures during the first half of 2015 to strengthen the sales and marketing power of each segment and to bolster the comprehensive and integrated product portfolio. Implementation of these measures was expedited during the course of the year in response to the further deterioration in the general business environment, combined with continuous cost reduction.

Outlook with low variability

Uncertainty regarding the global economic outlook and geopolitical developments grew during recent months and this is likely to have an impact on the investment activity of our customers. Ripple effects from the abandonment of the Swiss franc's peg in January 2015 will also continue to be felt in the current year. All things considered, we expect incoming orders in local currency to exceed the figure reported in 2015, provided that the global environment does not deteriorate any further from today's standpoint. Sales in local currency are expected to be held around the level from 2015. As for the operating margin, we expect to at least match the level reported in 2015. There will be no revaluation of unhedged euro positions in 2016 so net profit should be higher than in the previous year.

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, 4 March 2016 Starrag Group Holding AG

Key figures Starrag Group

in CHF million	2015	2014	Veränderung
Order intake	333.4	407.3	-18.2%
Sales revenue	363.7	393.2	-7.5%
Earnings before interest and taxes EBIT	14.7	19.1	-23.4%
Net income	9.5	14.4	-33.9%
Earnings per share (in CHF)	2.78	4.26	-34.7%
EBIT as % of sales revenue	4.0%	4.9%	n/a
Net income as % of sales revenue	2.6%	3.7%	n/a
Return on equity (ROE)	4.9%	7.5%	n/a
Cash flow from operating activities	11.0	7.3	n/a
Capital expenditure in fixed assets	22.3	14.6	+52.7%
Free cash flow	-11.3	-7.2	n/a
Profit distribution per share (in CHF) 1)	1.20 2)	1.80	-33.3%

in CHF million	31.12.2015	31.12.2014	Veränderung
Order backlog	237.8	287.6	-17.3%
Total assets	341.5	356.3	-4.1%
Net cash	-15.9	2.4	n/a
Shareholders' equity	186.1	195.9	-5.0%
Equity ratio	54.5%	55.0%	n/a
Headcount	1'573	1'622	-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 2015 is available for download on:
hhttps://www.starrag.com/en-us/investors/financial-reports-32

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Forthcoming events

- Annual General Meeting 23. April 2016
- Ex date dividend pay-out 26. April 2016
- Record date dividend pay-out 27. April 2016
- Payment date dividend pay-out 28. April 2016
- Half-year report 2016 27. Juli 2016
- Preliminary informationon on annual results 2016 27. Januar 2017
- Key figures 2016 / Annual report 4. März 2017
- Annual General Meeting 28. April 2017
