Media Release

2017 financial year

Higher sales – solid workload – improved profitability

- **Sales up 9% to CHF 405 million, organic growth of +8%**
- **Order backlog of CHF 302 million secures capacity utilization for well over one year**
- **Order intake of CHF 349 million**
- **EBIT up 63% to CHF 15.3 milion, operating margin 3.8%**
- **Net income doubled to CHF 12.1 million, earnings per share CHF 3.58, ROCE 5.7%**
- **Solid balance sheet with 53% equity ratio**
- **Dividend payout of CHF 1.50 per share, payout ratio 42%**

Rorschacherberg, 9 March 2018 – The Starrag Group Holding AG (SIX: STGN), a global technology leader in high-precision machine tools for milling, turning, boring and grinding workpieces of metallic, composite and ceramic materials, today announces its audited annual financial statements 2017 and publishes its annual report. 2017 was characterized by organic sales growth of 8%, the second-highest order backlog in the company's history, and a significant improvement in profitability as well as in return on capital.

High order backlog with lower order intake as expected

As at the end of 2017, the order backlog amounted to CHF 302 million, which is the second highest in the history of the Starrag Group. . Compared to the end of 2016, the 13% decline represents a normalization. This workload means that base capacity utilization continues to be assured for more than one year.

At CHF 349 million, order intake came in 27% below the historical high of CHF 480 million posted for the previous year (-28% after adjusting for currency effects). While the first six months closed with a low CHF 142 million, the second half-year was considerably better, with CHF 208 million.

As was also expected, sales increased by 9% in 2017 to CHF 405 million. After adjusting for currency effects, the increase was 8%.

Two thirds of new order from Europe

Of the main sales regions, Europe performed very well, accounting for about two thirds of new orders in the reporting year. Order intake from Asia fell after posting a high figure in the previous year, mainly as a result of major projects being delayed. The share from Asia of the overall total thus declined temporarily to 27%. In the mid- and long-term however, our sales share in this high-growth region should increase to around 40%. In North America as well, order intake fell after a very good previous year.

Differentiated development in the target industries

Of the important target industries, Aerospace in particular experienced a clear decline in new orders after an above-average order intake in the previous year. This was mainly due to customers postponing decisions regarding major orders. Order intake also fell in the Industrial segment. However, the positive trend in the Luxury Goods segment within the Industrial sector that was becoming apparent during the first six months continued in the second half of the year. In the Energy segment, new orders also declined, whereas the Transportation segment showed renewed growth in 2017 after stagnating in the previous year. The two most important target industries - Aerospace and Industrial - collectively account for about 75% of the Group's new orders.

In the second half of the year, the Starrag Group received prestigious orders from the watch industry, primarily as a result of innovations in multi-spindle machining centers with the utmost precision and productivity.

Clear improvement in operating results

Earnings before income and taxes (EBIT) came in at CH 15.3 million, or 3.8% of sales, which was considerably higher than the previous year (CHF 9.3 million, or 2.5%). The increase was attributable not just to higher capacity utilization of the plants but also to numerous measures to improve operational excellence. The return on capital employed (ROCE) amounted to 5.7% in the reporting year (previous year: 3.5%), reflecting the progress made with the operating income. As a result of the higher EBIT and thanks to a one-off tax credit of CHF 1.3 million, net income was considerably higher at CHF 12.1 million, with earnings per share amounting to CHF 3.58.

Solidly financed

As at the end of the reporting year, the equity ratio again stood at a solid 53%. Free cash flow amounted to CHF 3.9 million (previous year: CHF 1.8 million) and was negatively affected by a lower level of financing for construction contracts in progress. Net debt stood at CHF 20.7 million, which was slightly higher than the figure for the previous year. Over the year, Starrag Group averaged 1’503 employees (full time positions, previous year 1’524) and 162 trainees and student employees.

Consistent implementation of strategy

The 2017 financial year of the Starrag Group was marked by the continued determined efforts to implement the Strategy “Starrag 2020”, which was also reflected in the positive earnings development. The key aspects were the further strengthening of the application expertise with respect to the networking of the delivered machines with the customers’ business management systems (Integrated Production System, or IPS), the expansion of our geographic presence, particularly in China and the U.S., including the strengthening of our dealer network, as well as the further expansion of the service structures of the whole group. With preventive maintenance and services, our customers can count on constant reliability and in this way benefit from proven added value, which ultimately finds expression in an increase in their profitability.

Changes to the Board of Directors and the Executive Board

Erich Bohli was newly elected to the Board of Directors at the 2017 Annual General Meeting. At the upcoming Annual General Meeting on 28 April, Frank Brinken will step down from the Board of Directors at his own request. He has served as the Board’s Vice-Chairman since 2014 after having previously been CEO of the Starrag Group since 2005. The Board of Directors would like to express its gratitude for his great commitment during this time.. It will be proposed at the Annual General Meeting that Michael Hauser be elected to the Board of Directors to fill the vacancy. He has been CEO of Tornos SA in Moutier since 2011. Prior to that, he held leading positions at Georg Fischer, Agie Charmilles, and Mikron and is thus an acknowledged expert in the machine tool industry. He is also active in Switzerland and internationally in relevant industry associations, such as chairman of the Swissmem specialist group “Machine tools”, and is moreover a member of the Board of Directors of Schlatter Industries AG.

As was announced on 9 February, Christian Walti will take over as CEO of the Starrag Group on 1 June 2018, replacing Walter Börsch, who has served in that role since 2014.

Dividend

The Board of Directors will propose a dividend of CHF 1.50 per share at the Annual General Meeting on 28 April (previous year: CHF 1.00). This corresponds to a payout ratio of about 42%, which is in the middle of the targeted range of 35% to 50%.

Outlook 2018

The Starrag Group is optimistic about 2018. We expect that order intake (in local currencies) will substantially exceed the figure for the previous year. However, this presupposes that we will not be confronted with any additional external uncertainties - whether economic or political or because of trends on the capital markets - that might dampen the willingness of customers to make investments. This applies in particular to expected major orders, which can have a strong short-term impact on incoming orders. At the beginning of 2018, income orders have so far developed at around the same level as in the previous year.

Sales (in local currencies) should be at least in the order of 2017. With respect to earnings, management anticipates that the operating EBIT margin and the return on capital employed ROCE will once again increase further compared with the previous year.

Engineering precisely what you value

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 and Industrial sectors (Industrial Components, Luxury Goods, Med Tech). In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer quality and productivity.
The products are marketed under the brand Starrag and include the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, 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 the most important customer countries.

The shares of Starrag Group Holding AG are listed on the SIX Swiss Exchange.

For further information: www.starrag.com

Key figures Starrag Group

in CHF million	2017	2016	Change
Order intake	349.3	480.3	-27.3%
Sales revenue	405.3	371.6	9.1%
Operating result EBIT	15.3	9.3	63.2%
Net income	12.1	6.1	99.5%
EBIT as % of sales revenue	3.8%	2.5%	na.
Return on capital employed ROCE	5.7%	3.5%	na.
Return on equity (ROE)	7.5%	3.8%	na.
Cash flow from operating activities	13.1	21.2	-38.2%
Capital expenditure in non-current assets	9.2	19.4	-52.6%
Free cash flow	3.9	1.8	119.6%
Earnings per share (in CHF)	3.58	1.77	102.3%
Profit distribution per share (in CHF) [1)]	1.50 [2)]	1.00	50.0%
Employees in the annual average (full-time)	1'503	1‘524	-1.4%

in CHF million	31.12.2017	31.12.2016	Change
Order backlog	301.7	348.3	-13.4%
Total assets	339.7	316.3	7.4%
Capital employed	225.4	202.8	11.1%
Net debt	20.7	18.7	10.3%
Shareholders’ equity	179.6	161.4	11.3%
Equity ratio	52.9%	51.0%	na.

1) In form of a distribution of reserves from capital contribution free of withholding tax.
2) Proposal by the Board of Directors to the Annual General Meeting.

The Annual Report 2017 is available for download on:
https://www.starrag.com/en-us/investors/financial-reports-32

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Furthcoming events

• Annual General Meeting	28 April 2018
• Ex date dividend pay-out	3 May 2018
• Record date dividend pay-out	4 May 2018
• Payment date dividend pay-out	7 May 2018
• Half-year report 2018	27 July 2018
• Preliminary information on annual results 2018	25 January 2019
• Key figures 2018 / Annual report	8 March 2019
• Annual General Meeting	26 April 2019
