Media Release

Results for the first half of 2018

Significantly higher order intake – Continued solid order backlog

- **Order intake CHF 216 million, up 53%**
- **Order backlog CHF 322 million, up 7% compared with the end of 2017, up 13% compared with mid of 2017 – capacity utilization for one year**
- **Sales of CHF 192 million, down 5% compared with the good prior-year period**
- **EBIT margin 3.4%**
- **Net income of CHF 4.3 million**
- **On track in terms of strategy, underperformance at one location depress results**

Rorschacherberg, 27 July 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 half-year figures for 2018 and publishes its half year report. 2018 was characterized by a significant increase in order intake and a continued high order backlog for one year, while sales and EBIT were below the previous year's level due to a shortfall in output at one of the Group's locations.

High order backlog
At the end of June 2018, the Starrag Group had an order backlog for new machines of CHF 322 million; a 7% increase over the end of 2017. Compared to mid-2017, the increase amounted to 13%. This level of order backlog covers a full year of basic capacity utilization. In addition, new machine business is always associated with substantial customer support services.

Order intake clearly up
In evaluating the Starrag Group's order intake, it is important to bear in mind that the Starrag Group's capital equipment business has a longer-term character. Some periods may be sharply affected by the timing of the placement of major orders, i.e. when the customer actually issues the order. In the first half of 2018, the Group recorded CHF 216

million in new orders, up 53% versus the first half-year of 2017 (currency adjusted up 46%), although this is in comparison to a historically weak previous year period. The increase was ultimately aided by a number of major orders in the Aerospace and Transportation industries, namely from Asia and Europe, totaling CHF 47 million (prior-year period: CHF 23 million). On an annual basis (July 2017 to June 2018), the increase amounted to 5% in local currencies.

By region and customer industry
During the reporting period, new orders rose in all three market regions, led by Asia and Europe, with a more moderate increase in North America. Of the four customer industries, Industrial posted the highest growth, followed by Aerospace and Transportation. As expected, Energy remained stuck at a low level.

Sales slightly lower than the prior-year period
Sales for the first half-year of 2018 came in at CHF 192 million, or 4.9% below the good previous year figure for the first half (currency adjusted -9.5%). This decline is a result of delays in order processing at one of the Group's locations triggering a shortfall in output and hence revenues.

In order to avoid these effects in the second half of the year, as well as in the medium term, management introduced targeted measures to further optimize the value chain both internally and externally.

Lower operating margin
Due to lower sales as well as exceptional effects at the aforementioned location, earnings before income and taxes (EBIT) fell from CHF 8.0 million in the prior-year period to CHF 6.6 million for the first six months of 2018. This resulted in an unsatisfactory operating margin of 3.4% (previous year period: 4.0%).

Net income for the reporting period stood at CHF 4.3 million (previous year period: CHF 6.4 million). The decline is primarily due to the lower EBIT, currency effects, and a non-recurring one-time tax credit in the previous year period. Net income per share was CHF 1.28 (prior-year period: CHF 1.89). The return on capital employed (ROCE) of 4.4% was below the prior-year period figure of 6.0% as a result of the unsatisfactory operating result and a higher amount of capital employed.

Continued solid financing
At CHF 347 million, total assets on 30 June 2018 exceeded the value as per the end of 2017 by CHF 7 million. Net debt of CHF 27 million, which was higher by CHF 6 million compared with the end of 2017, was attributable to targeted work in advance of expected customer orders and the associated build-up of inventories. As at 30 June 2018, the Starrag Group’s equity ratio remained solid at 50.5% (end of 2017: 52.9%).

On the right track with „Strategy 2020“
Despite the fact that in terms of profitability, the Starrag Group currently remains significantly short of its longer-term, sustainable objectives, it is convinced to be on the right track in view of the progress achieved to date with the implementation of the Strategy

2020. In the medium term, an operating margin of 8% shall be achievable. This assessment is based on the continued strengthening of the leading application expertise, as supported by IPS, Starrag's in-house developed "Integrated Production System" (key word: Industry 4.0), the concentration on market segments with the strongest growth and income potential, particularly China and the U.S, as well as the ongoing improvement of operational excellence, with a focus on increasing the efficiency of customer service.

These efforts were systematically continued during the reporting period. The innovative generation of horizontal H5 machining centers introduced in the previous year found a positive response on the market, which was reflected in orders received during the first half of 2018. Customer service structures, which were further expanded regionally, helped to generate additional business, particularly also in Asia.

The measures introduced to strengthen operational excellence – including in the areas of project management, shop floor management, and supply chain – resulted in initial measurable improvements in order processing and are being rigorously continued.

In connection with today's worldwide presence at the industry's leading trade fairs, Starrag's first-time attendance at CCMT (China CNC Machine Tool Fair) in Shanghai last April received an extremely positive response and constitutes another step in the expansion of the presence in China. With the solutions that were on display, the Starrag Group once again demonstrated its leading application expertise.

A now firmly established tradition are the Starrag Group's Technology Days, at which customer representatives and strategic partners, but also trade media as well as institutes and technical colleges, can get an idea of the Group's latest developments and innovations. The well-attended Aerostructure Technology Days were held in January of this year, followed by the Turbine Technology Days in June. In addition, the Starrag Group has been focusing on the precision engineering market in the U.S., where it carried out a technology roadshow in February.

Personnel matters

As scheduled and previously announced, Christian Walti became CEO on 1 June 2018, taking over operational leadership of the Starrag Group from Walter Börsch. In addition, at the Annual General Meeting of 28 April 2018, Frank Brinken stepped down from the Board of Directors at his own request. Michael Hauser, CEO of Tornos SA in Moutier since 2011, was elected to replace him.

Outlook for 2018

In addition to the unremittingly strong pressure on prices and the ordering behavior of customers, which continues to be focused on the short term, the recent months were characterized by customs and trade disputes between the large economic blocs. This undesirable development makes the globally oriented business of the Starrag Group considerably more difficult. It is therefore all the more important that the implementation of the "Strategy 2020" has created the basis on the market side for long-term, profitable growth. The Group is aware that it will take several reporting periods for the success of the strategy to manifest itself in full.

For the 2018 financial year as a whole, order intake (in local currencies) is still expected to significantly exceed the prior-year value. However, this presupposes that there will be no further disruptions in the macroeconomic and political environment that would suppress the willingness of customers to make investments, particularly with respect to the large orders expected.

The Starrag Group expects that sales (in local currencies) for the second half of the year will exceed the figure for the first half. For the year as a whole, however, they will likely come in below the prior-year figure. This also depends on the suppliers, where delays have to be experienced due to their stretched capacity utilization. The high order intake during the reporting period, will in particular have a positive impact on sales in the 2019 financial year.

In terms of EBIT margin, the second half of the year is expected to be considerably better than the first semester. For full-year 2018, a margin in line with the previous year's level is strived for. A successful result improvement at the aforementioned location would significantly support this objective. Return on capital employed (ROCE) is expected to be lower than in 2017 due to a higher capital employed and an operating result that is below expectations.

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

CHF million	**2018** **01.01.-30.06**	2017 01.01.-30.06.	Change	2017 01.01.-31.12.
Order intake	216.3	141.7	52.6%	349.3
Sales revenue	192.3	202.3	-4.9%	405.3
Operating result EBIT	6.6	8.0	-17.6%	15.3
Net income	4.3	6.4	-33.0%	12.1
EBIT as % of sales revenue	3.4%	4.0%	na.	3.8%
Return on equity ROE	4.8%	8.0%	na.	7.5%
Return on capital employed ROCE	4.4%	6.0%	na.	5.7%
Cash flow from operating activities	1.7	-5.8	na.	13.1
Capital expenditure	3.9	7.0	-44.1%	11.7
Free cash flow	-2.1	-12.8	na.	3.9
Earnings per Share (in CHF)	1.28	1.89	-32.5%	3.58
Employees (average number of FTEs during the reporting period)	1‘511	1‘505	-0.4%	1‘503

CHF million	**30.06.2018**	30.06.2017	Change	31.12.2017
Order backlog	321.8	301.7	6.6%	284.4
Total assets	346.6	339.7	2.0%	327.9
Capital employed	226.1	225.4	0.3%	205.7
Net debt	27.0	20.7	30.7%	36.2
Shareholders’ equity	175.0	179.6	-2.6%	168.1
Equity ratio	50.5%	52.9%	na.	51.3%

The half-year report 2018 is available for download at:

https://www.starrag.com/en-us/investors/financial-reports-33

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Forthcoming events

• Preliminary information on annual results 2018	25 January 2019
• Key figures 2018 / Annual report	8 March 2019
• Annual general meeting	26 April 2019
• Half year report 2019	24 July 2019

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.