Media Release

Revised outlook for fiscal 2018: Setback in earnings performance – Pleasing order intake

Rorschacherberg, 16. November 2018 – 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, despite a positive order intake trend, does adjust the previously communicated outlook for the year 2018.

As already announced at the End of July, sales and EBIT for the first half of the year were burdened by delays in order processing at one of the Group's locations. As a result of this, management initiated targeted measures to strengthen the internal and external optimisation of the logistics chain, but which have not yet produced the desired results. Furthermore, problems with order processing also arose at other locations. First measures were already initiated in the third quarter, which include the interim replacement of the management of two locations. Further measures are currently being developed and implemented with regard to optimising the value-added chain and increasing the transparency and controllability of project management.

Revised guidance for sales and earnings

As a result of this latest development, management is forecasting lower sales (in local currencies) in the second half of the year compared to the first six months, contrary to previous guidance, with annual sales expected to be lower than in the previous year. The operating EBIT margin for the current half-year is expected to be below the previous year's level, with the result that the year as a whole is expected to be well below the previous year's figure.

Order intake and order backlog remain pleasing

Market uncertainty has increased considerably due to the intensified international trade conflicts. Nevertheless, order intake for 2018 as a whole remain significantly higher than in the previous year (in local currencies). In particular, the horizontal machining centers newly launched a year ago for the transportation and industrial customer segments, which require 30% less space for the same output, sold excellently, albeit with unsatisfactory margins due to the start-up costs for series production. At the same time, Starrag occupies a unique market position with its Ecospeed horizontal machining centers, which are adapted to the booming aerospace industry. In recent months, Starrag has achieved pleasing sales successes against substantial international competition, including one worth tens of millions for a well-known Chinese engine manufacturer. This means we still have a record-high order backlog, which will ensure capacity utilisation for around one year.

Medium-term earnings target confirmed

Despite the current challenges, the Starrag Group considers itself to be strategically well positioned and, with an equity ratio of around 50%, continues to be solidly financed. The progress made so far by concentrating on the market segments and regions with the strongest growth and earnings and, in this context, above all the recently realised expansion of the distribution structures in the Chinese and US American markets, confirm that we are on the right path. With the optimisation measures already initiated, and those still to be implemented, the current unsatisfactory operating margin should increase to the medium-term target of at least 8%, albeit with a longer time horizon than previously assumed.

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.

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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

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