Media Release

2018 financial year

Significantly higher order intake – Record high order backlog – Sales and EBIT margin down y-o-y

- **Order intake up 32% to CHF 461 million**
- **Record order backlog of CHF 366 million, ensuring stable capacity utilisation for over one year**
- **Sales down 4% to CHF 389 million (currency adjusted down 6%)**
- **Operating result EBIT of CHF 11.1 million down on previous year – operating margin 2.9% – return on capital employed ROCE 3.8%**
- **Net income CHF 8.4 million – earnings per share 2.49 CHF**
- **Solid balance sheet with 48% equity ratio**
- **Dividend of 1.00 CHF per share – payout ratio 40%**

Rorschacherberg, 8 March 2019 – 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 2018 and publishes its annual report.

Substantially higher order intake

As already projected during the course of the reporting year, Starrag Group's annual order intake for 2018 jumped to CHF 461 million, a 32% increase from the previous year (plus 29% at constant exchange rates). This is the second-highest annual order intake in the history of Starrag Group.

Lower sales

In contrast to its order growth, Starrag Group's annual sales for 2018 declined by about 4% to CHF 389 million (minus 6% at constant exchange rates). This decrease is attributed to delays in the order fulfillment process at some production sites and to lower-than-expected margins on some customer orders.

Record high order backlog

The order backlog at the end of the reporting period amounted to CHF 366 million, or 21% more than at the end of the previous fiscal year. This is the second-largest order backlog in the history of Starrag Group and ensures a stable capacity utilisation rate for well over one year.

All market regions show significant growth

In contrast to the previous year, all three main sales regions showed significant order growth, led by North America (plus CHF 45 million) and Europe (plus CHF 39 million), but even order activity in Asia was pleasing (plus CHF 28 million). Europe remained the largest sales region, accounting for 59% of total incoming orders

Clearly higher order intake from most targeted industries

Looking at order intake from the various targeted industries, Aerospace showed the greatest year-on-year increase thanks not least to several large orders. Furthermore, order intake for the previous fiscal year was lower than usual after some customers postponed their orders. The Transportation segment also received several large orders and benefited from other factors as well. In the Industrial segment, orders received from luxury goods manufacturers were very high and confirmed the positive trend that began in 2017. Energy was the only segment that did not report any order growth; its intake remained at the prior year's depressed level. As in the previous year, the two largest targeted segments – Aerospace and Industrial – together accounted for about three-quarters of total orders received.

EBIT margin below previous year

Earnings before interest and tax (EBIT) amounted to CHF 11.1 million or a disappointing 2.9% of sales and was below the prior-year figure (CHF 15.3 million, 3.8% margin). The EBIT margin before restructuring charges also receded, from 3.8% in the previous year to 3.4%. This margin contraction was already foreseeable in the first half owing to delays in order processing at one of the Group’s manufacturing sites. The action taken to rectify the situation and optimize our internal and external logistics did not yet produce the desired results in 2018. Moreover, related problems surfaced at other locations during the course of the second half. Initial corrective action was already introduced during the third quarter, which included the interim replacement of the management position for two sites. Additional measures (“Starrag 2021” program) to improve our operational excellence were initiated and should show tangible results from fiscal 2019 onward.

Owing to the reduction in EBIT, overall profitability measured as Return on Capital Employed (ROCE) receded from 5.7% in the previous year to 3.8% for the reporting period. Lower EBIT consequently reduced net income for the year from CHF 12.1 million to CHF 8.4 million. Earnings per share amounted to CHF 2.49.

Solid balance sheet

The equity ratio at the end of 2018 was 48% (previous year: 53%). An increase in current assets and, consequently, total assets led to the lower equity ratio. Substantial payments collected from customers shortly before the close of the reporting period and the selective stockpiling of inventory to ensure an appropriate ability to deliver contributed to an increase in total assets. Meanwhile shareholders' equity was virtually unchanged at CHF 177 million.

Net debt was slashed to CHF 5.3 million from the prior year. Starrag Group's average headcount for the year stood at 1'516 (FTE, previous year: 1'503) plus 151 apprentices and student interns (previous year: 162).

Strategy implementation on track

Our ongoing efforts to focus on the market segments and regions that offer the best growth and margin potential for our products and services were reflected, among other things, in the pleasing 2018 order intake from the designated priority markets of China and the US. Other strategic priorities besides this geographical focus are broadening our capabilities by offering connectivity options with the systems we make that allow them to be linked with a customer's own business processes and workflow management systems (keyword: Integrated Production Systems, IPS). Strengthening our sales and distribution network and expanding our customer service organization throughout the Group are also high on our list of strategic priorities.

Dividend again in target range

The Board of Directors will propose a dividend of CHF 1.00 per share at the Annual General Meeting on 26 April. This corresponds to a payout ratio of 40%, which is again near the middle of the targeted range of 35% to 50%.

Changes in the Board of Directors

After five years on the Board of Directors of Starrag Group, Daniel Frutig, Chairman of the Board of Directors, will not be standing for re-election at the next Annual General

Meeting on 26 April 2019. Majority shareholder and Vice-Chairman Walter Fust will be proposed for election as Chairman. Starrag Group thanks Daniel Frutig for his great contribution to the development of the company and wishes him all the best for the future and continued success.

Outlook 2019

For the current year Starrag Group expects business in its target markets to remain intact and is therefore optimistic in its assessment of the coming months. This outlook is based on the assumption that global trade disputes or other geopolitical turmoil will not escalate.

Overall, Starrag Group anticipates a normalisation of order intake in 2019. As order intake for the past year was impacted by several large orders, resulting in the second-highest annual order intake in the company's history, we expect the normalized order intake for 2019 to be lower (in local currency) than in 2018. Sales (in local currency) should, conversely, exceed the figure for the previous year. As for earnings, the positive volume effect stemming from the growth in sales will presumably be accompanied by higher personnel and material expenses as well as restructuring charges. Starrag Group will implement the necessary and initiated measures to increase profitability consistently. As a result, the EBIT margin and return on capital employed (ROCE) for 2019 are expected to be in line with the previous year.

High-precision machine tools for greater productivity

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 umbrella brand Starrag unites 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	2018	2017	Change
Order intake	461.0	349.3	32.0%
Sales revenue	388.8	405.3	-4.1%
Operating result EBIT	11.1	15.3	-27.2%
Net income	8.4	12.1	-30.6%
EBIT as % of sales revenue	2.9%	3.8%	na.
Return on capital employed ROCE	3.8%	5.7%	na.
Return on equity (ROE)	4.7%	7.5%	na.
Cash flow from operating activities	26.9	13.1	105.4%
Capital expenditure in non-current assets	7.1	9.2	-38.8%
Free cash flow	19.7	3.9	408.4%
Earnings per share (in CHF)	2.49	3.58	-30.4%
Profit distribution per share (in CHF) 1)	1.00 2)	1.50	-33.3%
Employees in the annual average (full-time)	1'516	1‘503	0.9%

in CHF million	31.12.2018	31.12.2017	Change
Order backlog	365.9	301.7	21.3%
Total assets	369.7	335.3	10.3%
Capital employed	205.0	221.9	-7.6%
Net debt	5.3	20.7	-74.2%
Shareholders’ equity	176.6	177.3	-0.4%
Equity ratio	47.8%	52.9%	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 2018 is available for download on:

https://www.starrag.com/en-us/p/investors/financial-reports-32

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Furthcoming events

• Annual General Meeting	26 April 2019
• Ex date dividend pay-out	30 April 2019
• Record date dividend pay-out	2 May 2019
• Payment date dividend pay-out	3 May 2019
• Half-year report 2019	24 July 2019
• Sales and orders 2019	24 January 2020
• Key figures 2019 / Annual report	6 March 2020
• Annual General Meeting	25 April 2020

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.