

The logo for starrag, featuring the word "starrag" in white lowercase letters on a red rectangular background. A red geometric shape, resembling a stylized arrow or a folded corner, is positioned to the right of the text.

starrag

Engineering precisely what you value

Half year presentation

Rorschacherberg, 23 July 2020

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Agenda

■ **Market and business review**

■ **Financial review**

■ **Outlook**

Agenda

■ **Market and business review**

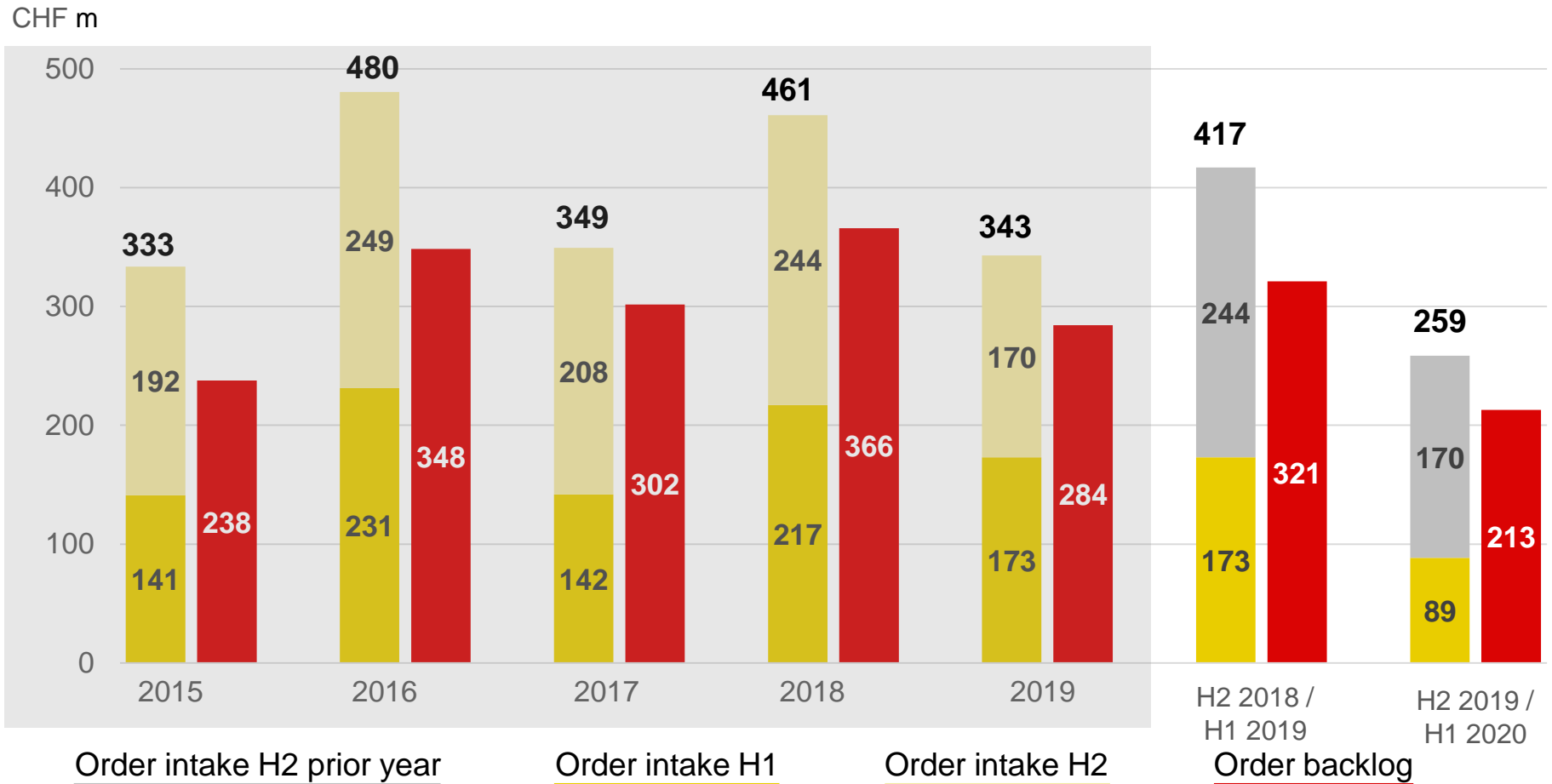
■ Financial review

■ Outlook

Order intake and sales considerably below prior-year period – Lower profit – Substantial order backlog – Solid balance sheet and low net debt

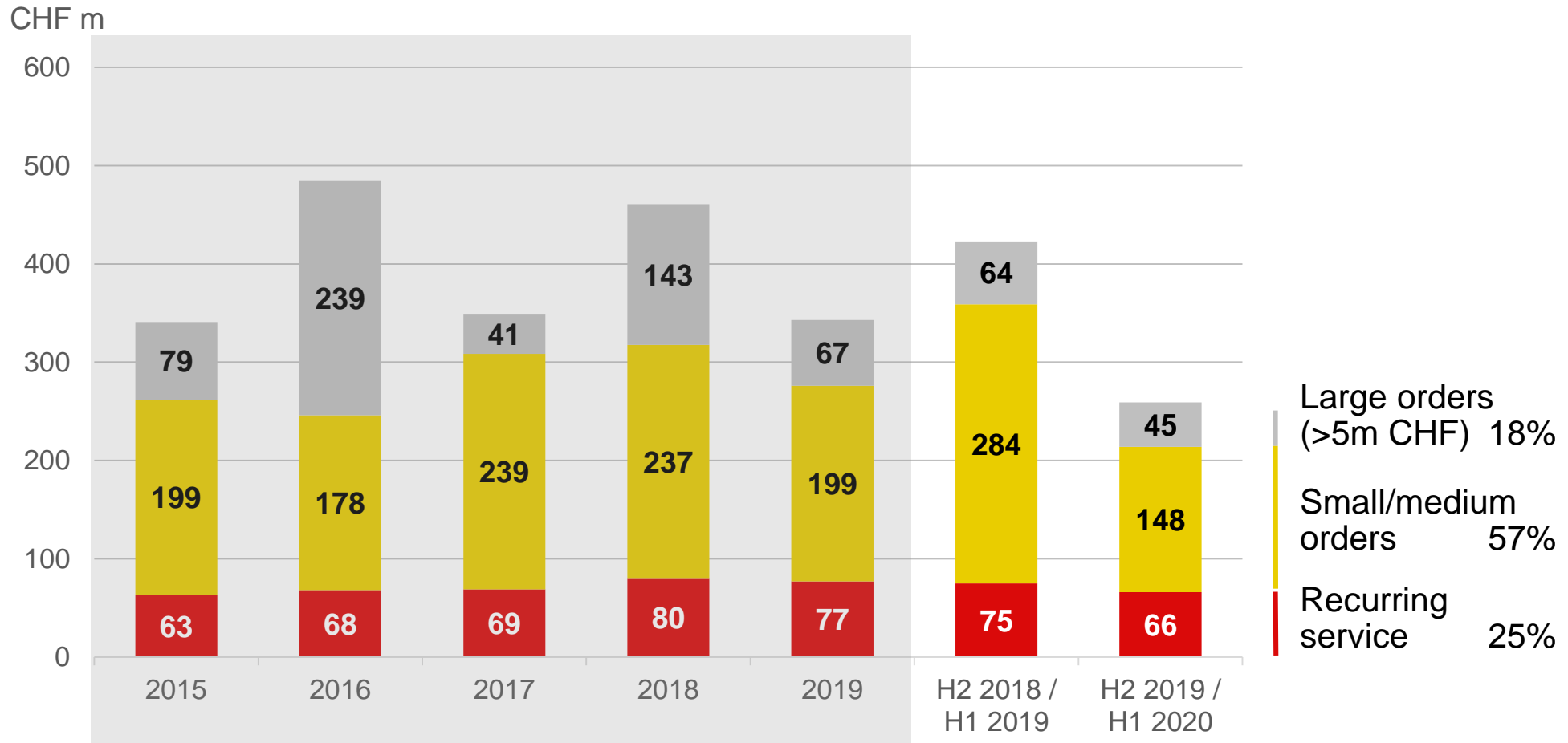
- Sales down 28% to CHF 155 million
- Order intake down 49% to 89 million
- Order backlog of CHF 213 million ensures basic capacity utilization for second half 2020 and beyond
- Operating profit EBIT CHF 0.6 million or 0.4% of sales
- Net income CHF 0.5 million
- Comprehensive cost reduction program and strengthened focusing

Significant decline in order intake and order backlog in line with market



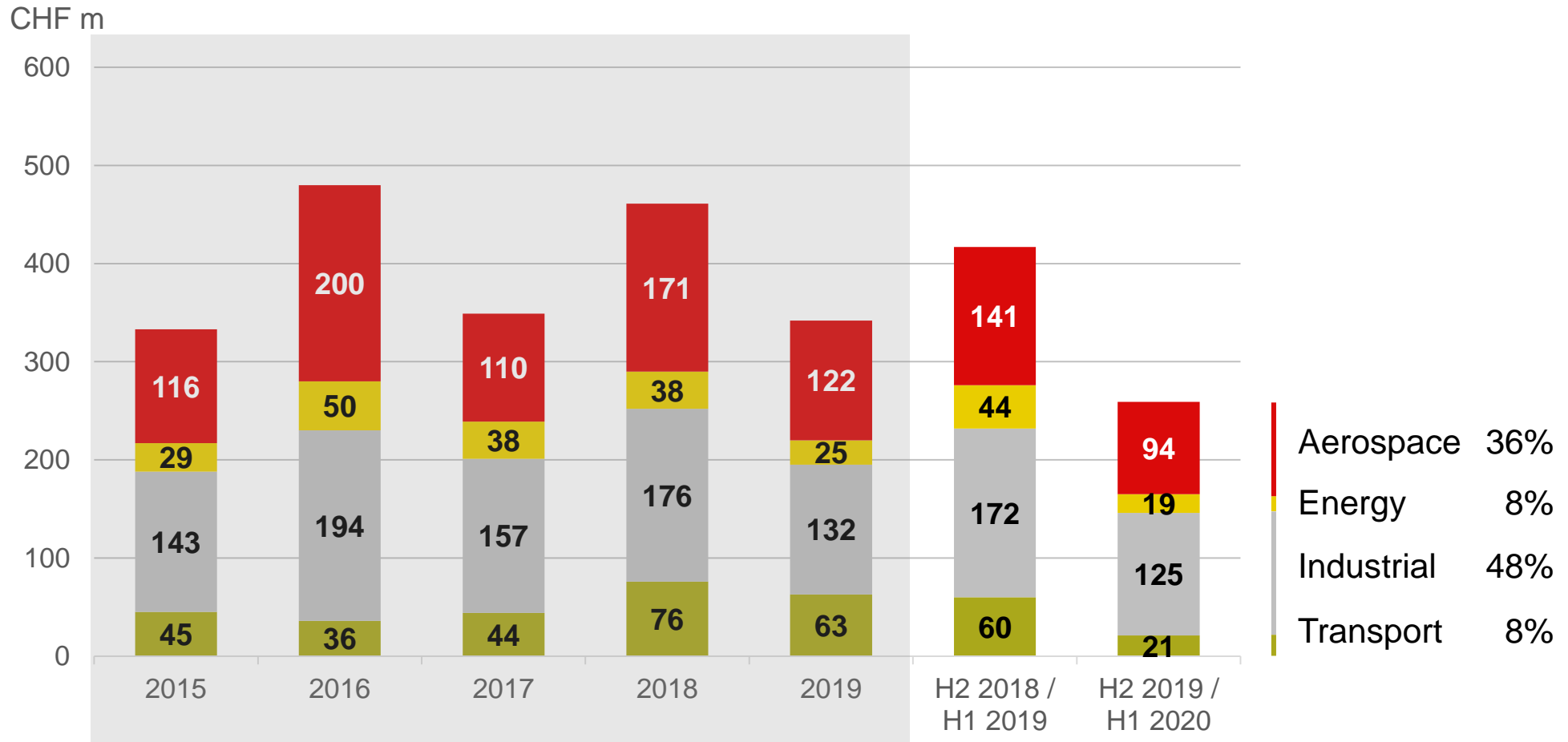
- Order intake last twelve months 259m CHF, fx adjusted down 36.0%
- Order intake H1 2020 89m CHF, down 49%
- Order backlog 213m CHF, down 25% compared with 2019 year-end

Order intake breakdown: Recurring service more stable



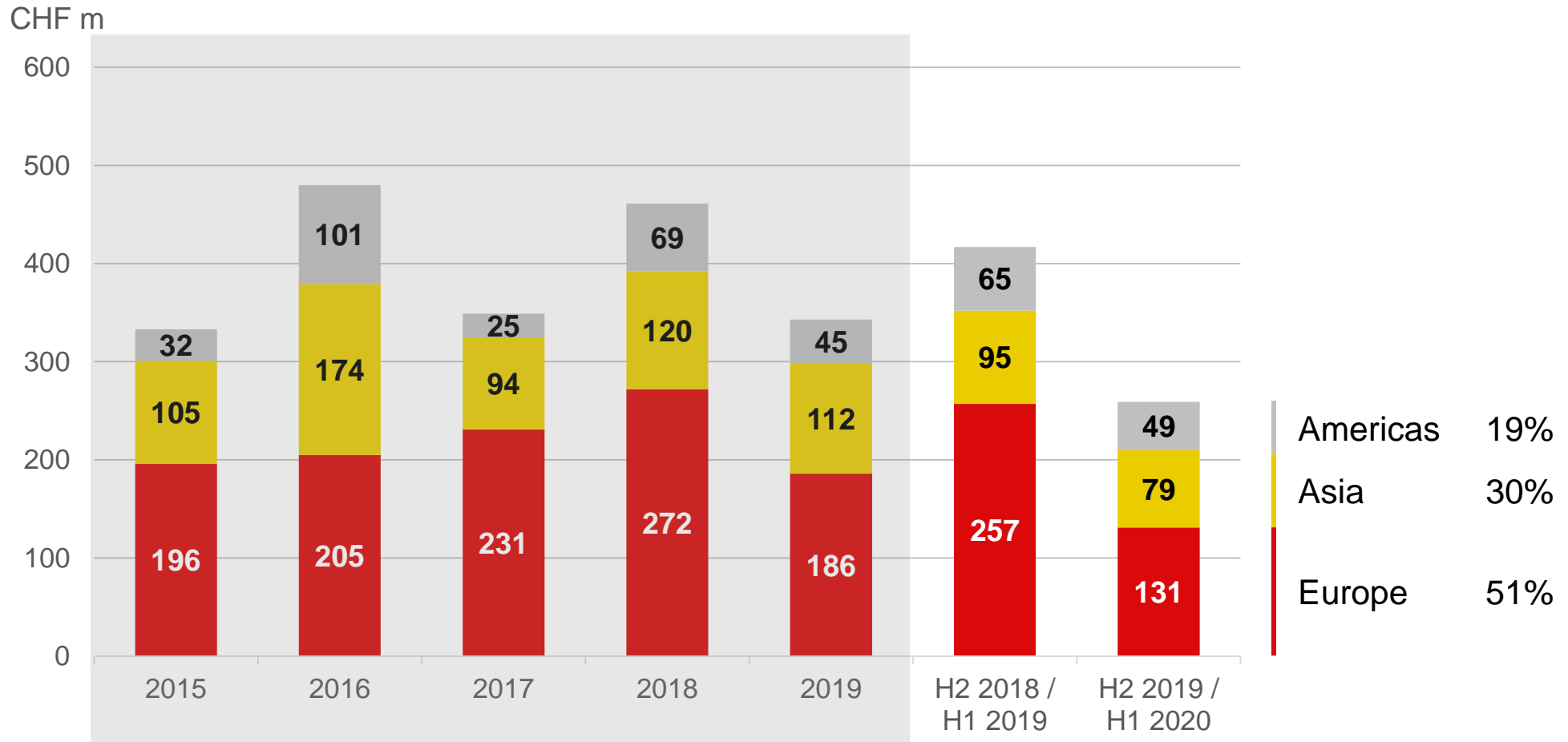
- Ongoing increase of service share, small/medium orders suffering most
- Large orders difficult to forecast; average 2015-2019: 83m CHF (without extraord. 2016)

Order intake by industry



■ Covid-19 and recession negatively impacting all industries

Order intake by region



■ Covid-19 and recession negatively impacting all regions

Impact of Covid-19 on H1 2020

- Measures to protect employees with highest priority
- Order fulfillment as well as adherence to agreed intervention times and quality in customer service basically guaranteed without restriction
 - Restrictions depending on situation, including official orders
- Temporary closing of certain plants, severe travel restrictions, cancelling of exhibitions
- Immediate implementation of comprehensive cost reduction program plus strengthened focus on core business
- Pay-out of dividend cancelled by Annual General Meeting as precautionary measure

Comprehensive cost reduction program

- Immediate flexible adaptation of capacities to lower demand
 - Reduction of time accounts
 - Short-time work
 - Termination of temporary employment contracts
 - Natural attrition
 - Substantial reduction of various cost items (trade fairs, travelling, etc.)

- Number of employees end 2020 10% down compared to end 2019

- Fixed compensations of Board of Directors down 20%, Executive Board down 10% in 2020, plus considerable reduction of variable compensations

- Result: Additional CHF 20 million cost reduction in 2020, thereof CHF 8 million already realized in first half

Strengthened focusing on core business

- Reinforced management at Mönchengladbach and Bielefeld with strategic options under review

- Operational focus on
 - Efficient use of resources
 - Achievement of cost reduction targets
 - Strict risk management in tendering process
 - Accurate multi-project management in order processing

- Unchanged strategy: Concentration on market segments and regions with best growth and margin potential
 - Even more focused on China
 - Further strengthening of sales organization (Group CSO)
 - Further developing service business (new offers, active selling, capacity expansion)
 - Launch of new generation of mid-sized horizontal machining centers

Production network with substance



Rorschacherberg



Vuadens



Bielefeld



Chemnitz



Mönchengladbach



St. Etienne *

* Rental property



Bangalore



Land area	250'000 m ²
Floor area	132'000 m ²
Net carrying value	CHF 74 m
Insurance value	CHF 190 m

Technology and application: Process time and space requirement cut in half

Highly integrated and automated system with two 5-axis mill-turn Heckert T45

- Machining in only two clamping positions
 - Reduction of clamping errors → higher process reliability
- Process integration with 5 axis milling and turning
 - Significant reduction of throughput time
 - Lower costs for fixtures
- Automation
 - Simultaneous machining of two types of planet carriers
 - Fully automated work piece handling → lower personnel cost
- Changeover
 - Changeover during machining, thus reducing non-productive time



Innovation: Processing time down 30%

Vertical grinding machine Berthiez RVU 2800

- ✔ Complete machining process without interruption
- ✔ Thanks to two grinding supports, process time reduced by 30%
- ✔ Follow-up projects from the large bearing industry for the sizes RVU 4000 and RVU 6000 in process



Covid-19 forces localization in complex projects

- Installation of several highly complex machine tools in China
- Successfully done by Chinese service and application team without help on site by European experts
- Potential for significant efficiency improvements



Changes in Board of Directors and Executive Board

■ Board of Directors

- Michael Hauser new Chairman as from April 2020, following Walter Fust who is remaining as Vice-Chairman

■ Executive Board

- Long-standing CFO Gerold Brüttsch decided to continue his career outside Starrag
- Thomas Erne new CFO as per 1 September 2020

- Marcus Queins, Head Business Unit Large Parts Manufacturing Systems since 2019, left as per 30 June 2020

Agenda

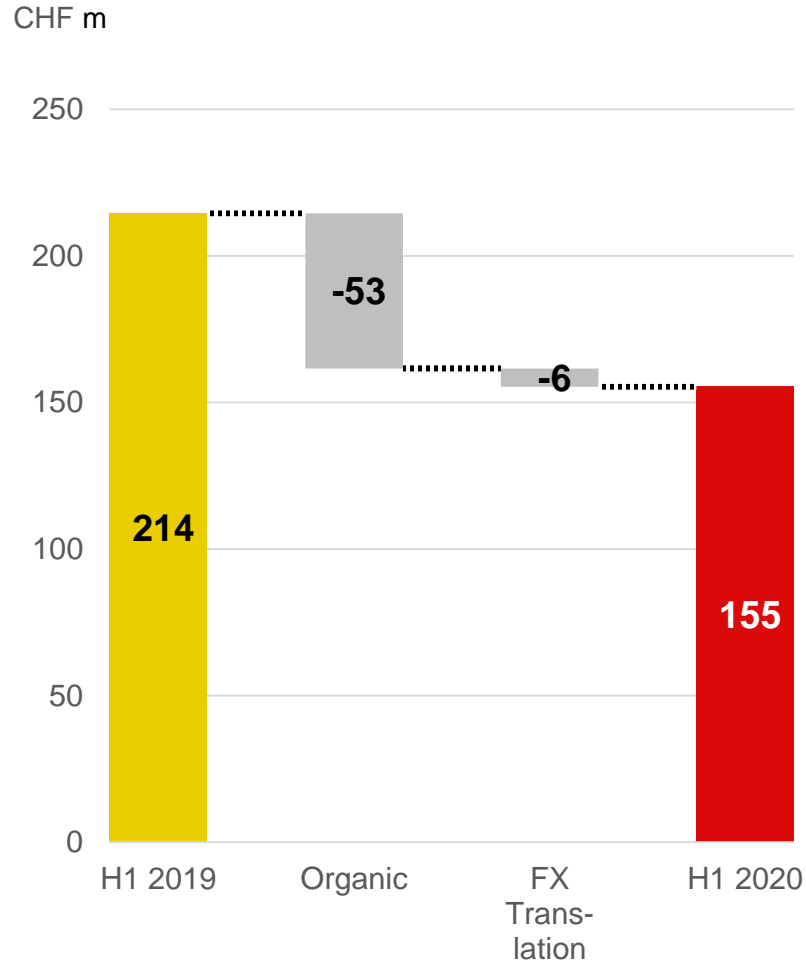
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Significant decline in sales revenue

Sales revenue -28%, fx adjusted -25%



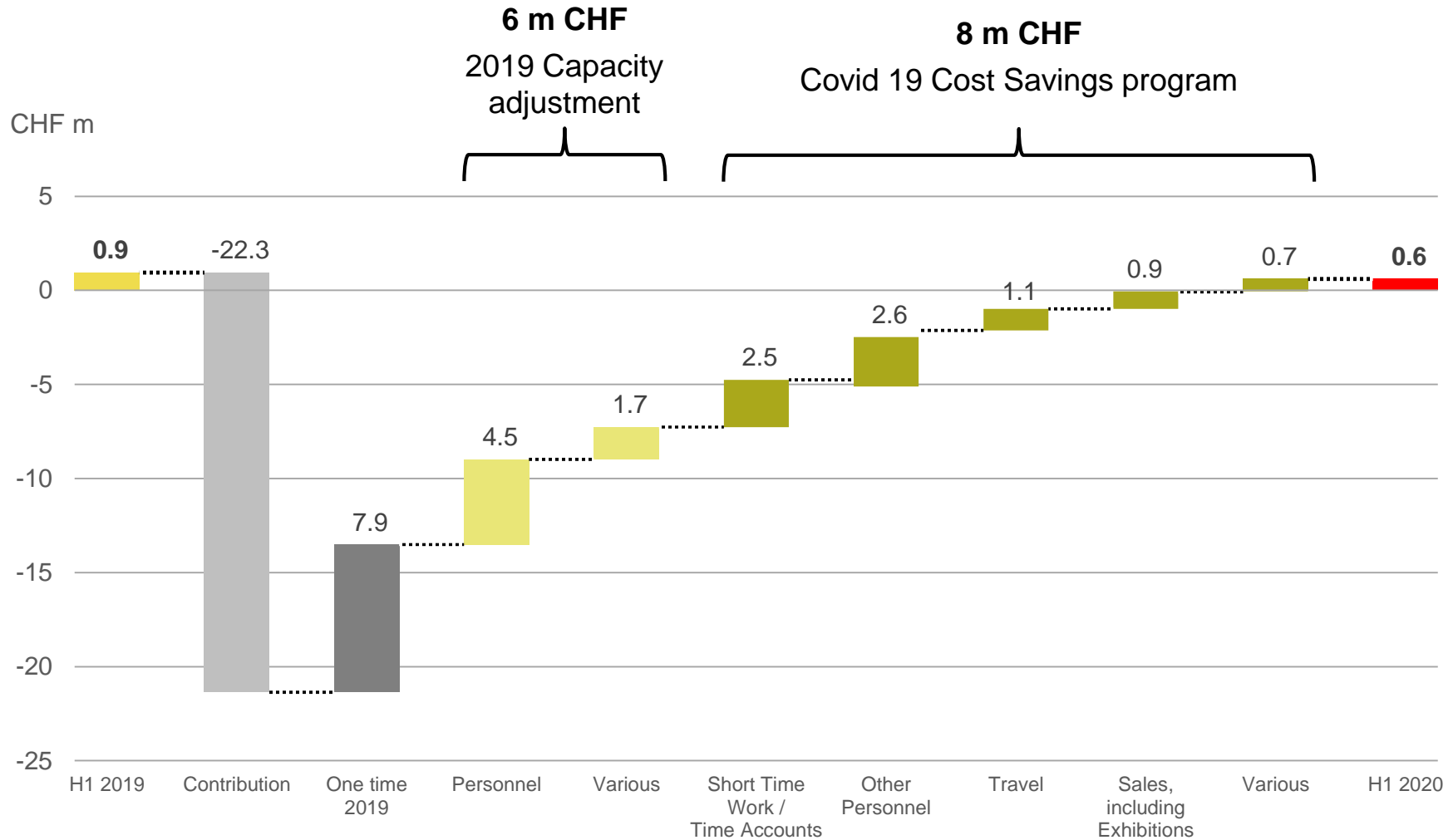
Organic decrease due to

- Low order intake 2019
- Delays in order fulfillment caused by Covid-19

FX translation impact

- Weaker EUR/CHF translation rate (H1 2020: 1.0757 vs 1.1414 in H1 2019)

EBIT development: 14 m CHF cost savings compensating volume impact



EBIT Margin 0.4%

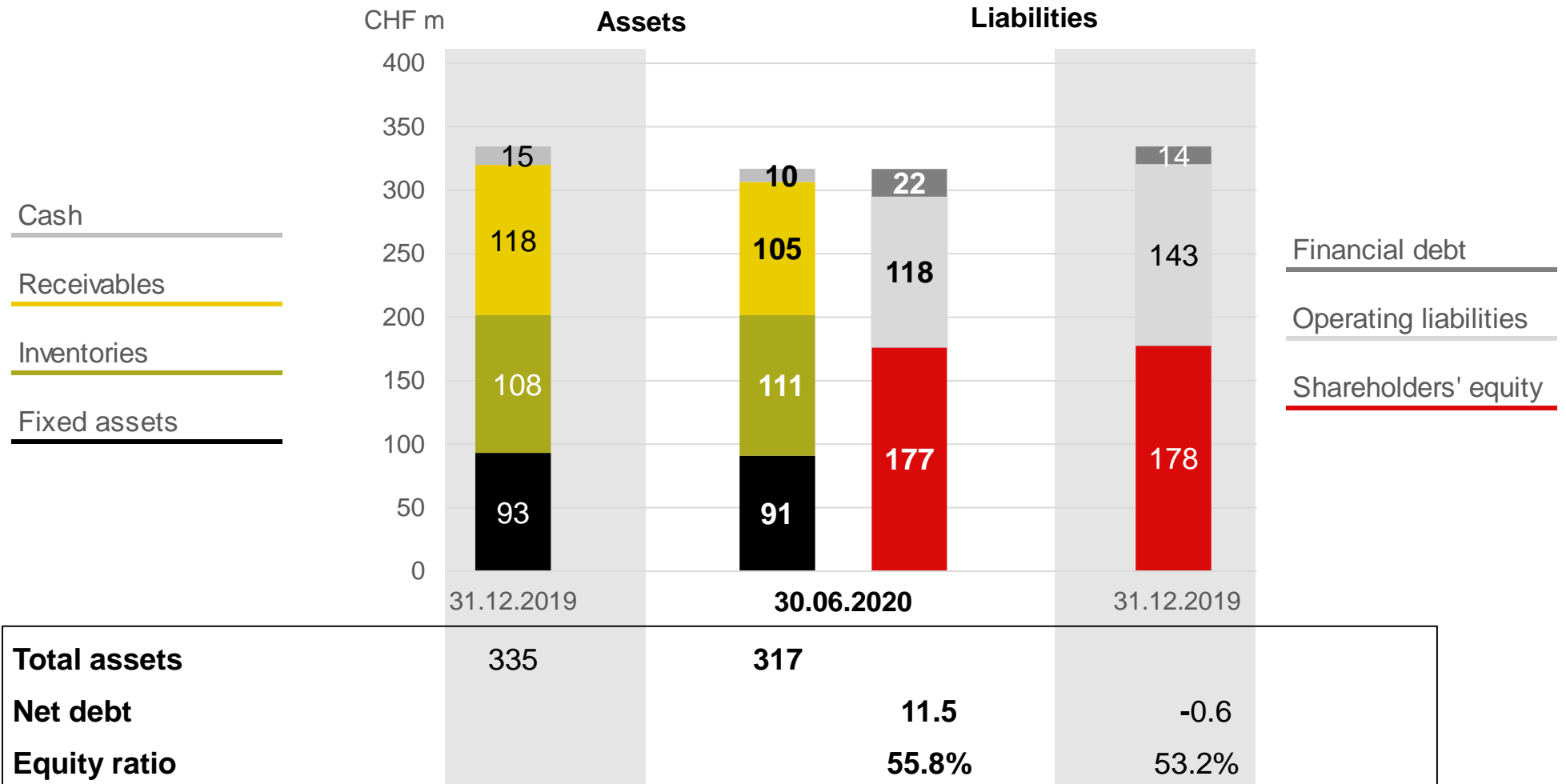
0.4%

Net income down due to one time tax effect in 2019

CHF m	H1 2020	H1 2019	Change
Operating result EBIT	0.6	0.9	-37%
Interest expenses, net	-0.1	-0.2	-36%
FX result, net	-0.3	-	na.
Other financial result	-0.4	-0.4	-5%
<i>Total Financial result, net</i>	<i>-0.8</i>	<i>-0.6</i>	39%
Income before taxes	-0.2	0.4	na.
Income tax expenses	0.8	3.1	-74%
Net income	0.6	3.4	-82%
Earnings per share in CHF	0.15	1.01	-85%

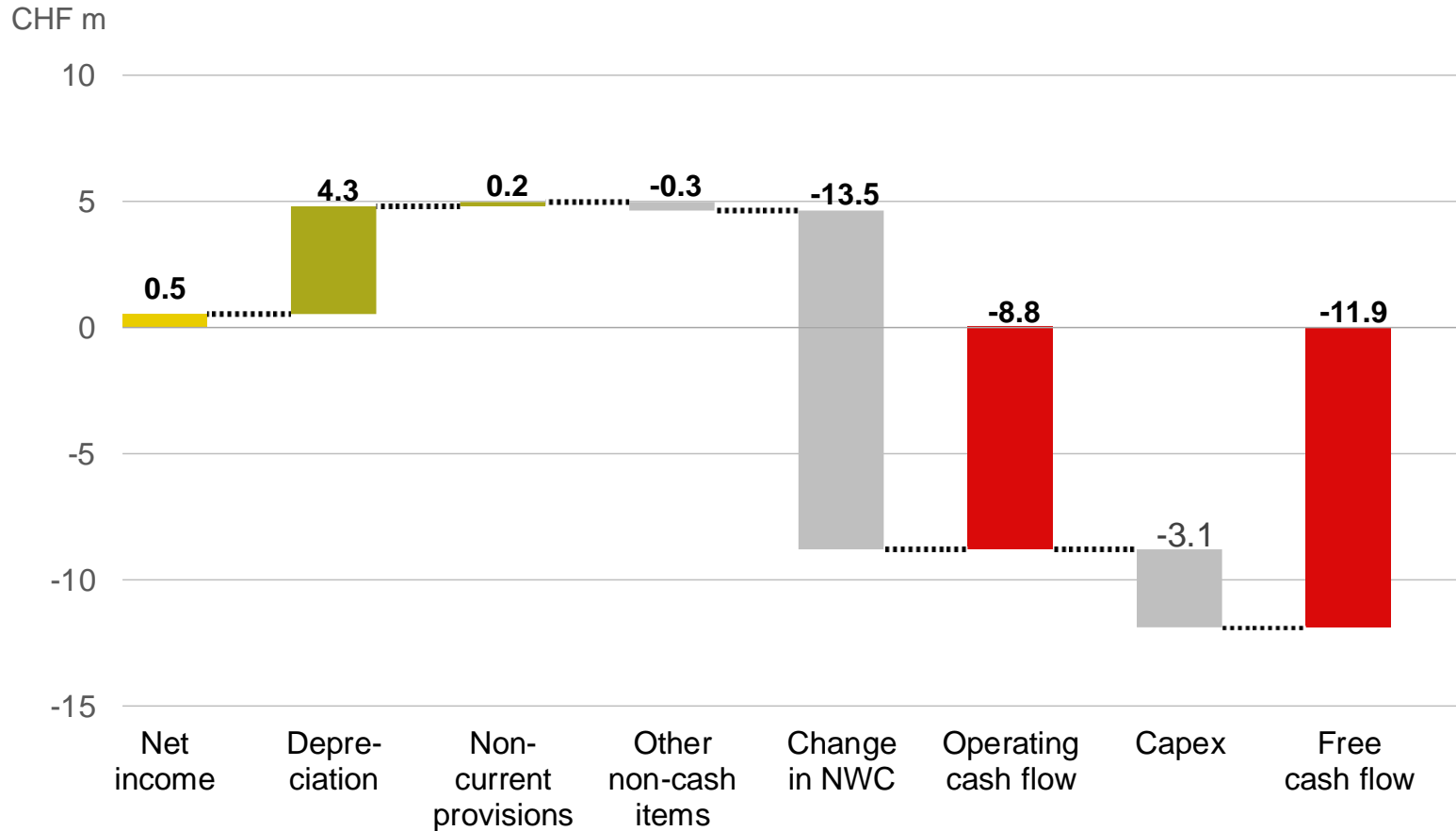
- Slightly lower FX result due to weaker EUR (-0.3 m CHF)
- Swiss corporate tax reforms led to positive one-time effect in income tax expenses of 2.3 m CHF in H1 2019

Balance sheet: Equity and equity ratio continuously strong



- Significant reduction in total assets thanks to lower receivables
- Reduction in operating liabilities due to severance payments and timing effects

Free cash flow impacted by increase in net working capital



H1 2019:	3.4	5.2	-6.1	0.1	5.5	8.2	-3.0	5.2
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▪ Increase in net working capital due to lower operating liabilities (severance payments and timing effects)

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Subdued expectations

- Global economic and political uncertainties plus Covid-19 to delay customer decisions
- Negative impact on all market segments and industries
- Recovery not likely before 2021
- Consistent implementation of cost reduction program

Focus of strategic actions reinforced

Innovation

- Leading application competence
- Starrag Integrated Production System (Industry 4.0)
- Next generation of machine tools (H series)
- Dedicated automation concepts

Geographical footprint

- USA
- China
- Dealer network in key markets

Operational excellence

- Simplifying go to market
- Sales effectiveness
- Customer service readiness
- Project management
- People development

Financial outlook

	2019	H1 2019	H1 2020	Guidance 2020 (in local currencies)
Order intake	343	173	88	2020 << 2019
Sales revenue	418	215	155	2020 << 2019
EBIT margin	1.1%	0.4%	0.4%	2020 << 2019

- **Despite substantial cost reductions in 2019 and 2020:
→ H2 2020 below H1 2020 to an extent that can currently not be assessed,
due to unprecedented market slump in H1 2020**

Corporate calendar and Contact details

- 29.01.2021 Preliminary information on FY 2020
- 05.03.2021 Presentation of FY 2020 annual report and results to analysts/media in Zurich
- 23.04.2021 Annual General Meeting in Rorschach
- 29.07.2021 Half-year report 2021

Christian Walti, CEO

Phone +41 71 858 81 11

Gerold Brütsch, CFO

Phone +41 71 858 81 11

investor@starrag.com

www.starrag.com



We are pleased to answer
your questions.

Thank you.

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