Half-year report
2022

Substantial improvement in operating earnings – order intake significantly up year on year – order backlog over CHF 300 million – sales at the same level as in the previous year

- EBIT at CHF 6.1 million or 4.4% of sales – up from CHF 0.8 million or 0.6% in the first half of 2021 and CHF-8.5 million or-2.9% in the financial year 2021 as a whole, i.e. a considerable rise
- Order intake up 27% to CHF 189.7 million (up 29% at constant exchange rates)
- Order backlog of CHF 303.1 million (up 19% compared with the end of 2021) ensures capacity utilisation until well into 2023
- Sales at the previous year's level (CHF 139 million)
- Net income per share up from CHF 0.01 to CHF 1.50

CHF m	**2022** 01.01. – 30.06.	**2021** 01.01. – 30.06.	Change
Order intake	189.7	149.8	26.6%
Sales revenue	139.5	139.3	0.1%
Operating result EBIT	6.1	0.8	654.4%
Net income	5.0	0.0	n/a
EBITR as percentage of sales revenue	4.4%	0.6%	n/a
Return on equity ROE	6.0%	0.0%	n/a
Cash flow from operating activities	-6.2	-7.1	15.1%
Capital expenditure in non-current assets	3.3	3.0	9.5%
Free cash flow	-7.6	-9.7	27.7%
Earnings per share (in CHF)	1.50	0.01	n/a
Employees (average full-time equivalents)	1'267	1'327	-4.5%

CHF m	**30.06.2022**	**31.12.2021**	Change
Order backlog	303.1	255.8	18.5%
Total assets	302.3	300.4	0.6%
Net liquidity	+6.4	+17.6	-63.7%
Shareholders' equity	168.0	168.3	-0.1%
Equity ratio	55.6%	56.0%	n/a

Dear shareholders

Order intake up again – sales at the same level as in the previous year

The order intake increased by 27% to CHF 189.7 million compared with the first half of 2021 (up 29% at constant exchange rates) despite some losses in business with Russia. At CHF 139.5 million, sales were unchanged (up 3% at constant exchange rates) owing to interruptions in supply chains and partly to delays/adjustments to certain projects. At 1.36, the book-to-bill ratio (incoming orders to sales) was slightly above the level of the financial year 2021.

The performance of the order intake was once again encouraging. As a result, the order backlog increased again, up by 18.5% to CHF 303.1 million compared with the end of 2021 and by as much as 61.8% compared with the middle of 2021. This solid order backlog ensures capacity utilisation until well into 2023.

Breakdown by region and sector

In regional terms, the main increase was in Europe, which accounted for 69% of new orders in the period under review. North America also performed well – unlike in the first half of 2021. The order intake from Asia, on the other hand, was significantly lower owing to the ongoing pandemic and restrictions on personal mobility.

In terms of sectors, the most significant increase was in Industrial (47% of the order intake across the Group), followed by Aerospace. Energy and Transportation ended the period at approximately the same level as a year earlier.

Restructuring beginning to bear fruit

As already reported, the "Starrag 2021" programme – which has been running over a number of years and aims to optimise the Group's earnings in the long term – was virtually completed in the past financial year. This was already positively reflected in the 2021 results to some extent, and the programme continued to bear fruit in the period under review – with an associated positive impact on profitability. Excluding restructuring costs, operating earnings before interest and taxes (EBIT) had already come to CHF 4.8 million or 1.6% of sales in 2021 as a whole, and were as high as CHF 6.1 million or a margin of 4.4% in just the first half of 2022. At CHF 5.0 million or 3.6% of sales, the level of net income was also pleasing (having been balanced in the same period a year earlier).

Solid balance sheet

Starrag Group's balance sheet remains strong, with a high level of property assets and a low level of debt. As a result of conservative writedowns on property and tangible fixed assets, the balance sheet has a high level of hidden reserves. At 55.6%, the equity ratio remains solid (it stood at 56.0% at the end of 2021). At the end of June, net liquidity amounted to CHF 6.4 million, while free cash flow came to CHF-7.6 million, compared with CHF-9.7 million in the first half of 2021.

Foundations laid for strengthening earnings in the long term

Starrag Group's operational excellence was strengthened significantly, its application expertise improved further, and its structures were streamlined. This is allowing the Group to operate on a permanently lower cost basis. Even though this has already been positively reflected in the results in recent months, it will not be until the medium term that the impact is fully evident. Starrag Group has thus laid the foundations for achieving its medium-term earnings and sales objectives.

Outlook for 2022

The outlook for the global economy has deteriorated in recent weeks and months for well-publicised reasons. Given the rapid changes, it is virtually impossible to predict the extent to which Starrag Group will be directly affected. This relates in particular to estimating the order intake in the coming months. Nevertheless, it is expected that the figure for the year as a whole will be on the scale of the previous year given the encouraging level of new orders in 2021 and the first half of 2022.

In the case of sales, an increase is expected in the light of the recent order intake, but this will also depend on the functioning of global supply chains and the performance of the global economy. With regard to the year as a whole, Starrag Group still expects operating earnings and the associated margin to be significantly higher than in the previous year.

Thanks

The Board of Directors and Executive Board would like to thank all staff for their tremendous efforts, which led to Starrag Group's profitability increasing further in the period under review. We would also like to thank our customers and suppliers, as well as our shareholders, for the trust they have placed in our company.

Kind regards

Michael Hauser
Chairman of the Board of Directors

Dr. Christian Walti
CEO

Rorschacherberg, 28. July 2022

Financial commentary

Starrag Group's earnings before interest and tax (EBIT) rose in the first half of 2022 from CHF 0.8 million in 2021 to CHF 6.1 million in 2022. Net income amounted to CHF 5.0 million, compared with CHF 0.02 million in the first half of 2021.

The order intake, which had been adversely affected by the Covid-19 pandemic in previous years, continued to recover significantly in the period under review. The previous cost-cutting measures helped to stabilise earnings.

Sales at the same level as in the previous year

Sales in the first half of 2022 amounted to CHF 139 million, which was the same level as in the previous year (3% at constant exchange rates). Revenue recognition was adversely affected by geopolitical turbulence in the first half of 2022. For example, just under CHF 13 million worth of cancelled sales were recorded in the first half of the year as a result of projects being cancelled. Without these adjustments, Starrag Group would report growth of 12% at constant exchange rates in the first half of the year. However, the orders for machines that were cancelled are already being resubmitted and most will be recorded as sales again by the end of 2022.

Order backlog up significantly

The order backlog ended the first half of the year at CHF 303 million, compared with 187 million a year earlier (up by 62%) and CHF 256 million at the end of 2021 (up by 18%).

Growth in the order intake in the North America and DACH region markets made a significant contribution to the increase in the order backlog. Together with a considerable share of sales from recurring services business, this order backlog therefore ensures solid capacity utilisation for the second half of 2022 and beyond.

Operating margin up considerably

Gross profit (sales revenue minus cost of materials plus/minus change in inventory) amounted to CHF 80.7 million, or 57.8% of sales revenue. The project cancellations resulted, among other things, in compensation amounting to CHF 12.8 million being recorded as "Other operating income". This was offset by expenses amounting to CHF 10.8 million, resulting in a positive impact being realised in EBIT amounting to CHF 2 million. Disruptions in the supply chain are having an adverse impact on the production process. As a result of these effects, holdings of strategic items were increased insofar as necessary and additional machines were built on site. The resulting income is recorded in the profit and loss account under "Change in inventory of finished and unfinished goods".

The share of staff costs increased slightly (from 42.2% to 44.4%). Staff costs also went up slightly in absolute terms – from CHF 58.8 million in 2021 to CHF 61.9 million in 2022. This increase can primarily be attributed to the discontinuation of short-time work (plus CHF 4.7 million year on year) and the additional expenses for the Sprinter PREMIUM (plus CHF 0.6 million), which led to the process of staff leaving the Mönchengladbach site as part of the restructuring that took place in 2021 occurring more quickly in 2022.

Other operating expenses were slightly higher in the first half of 2022 than in the same period in 2021 (CHF 22 million, up from CHF 21 million). This increase was driven by order-related costs. These were mainly higher transport and travel costs which can be attributed to increasing activities in Europe and the United States. As a result, other operating expenses rose from 14.9% to 15.6% of sales.

Despite the volume of sales remaining unchanged from the previous year, the operating margin increased to 4.4%, while operating profit went up from CHF 0.8 million in the first half of 2021 to CHF 6.1 million in the first half of 2022.

Net income at CHF 5.0 million

Net financial income rose by CHF 0.3 million compared with the same period last year as a result of weaker currency effects and interest rate effects remaining the same.

Net income amounted to CHF 5.0 million, compared with CHF 0.02 million in the first half of 2021. Net income per share came to CHF 1.50 at the end of the first half of 2022, having stood at CHF 0.01 at the same point in 2021.

Balance sheet still healthy

At CHF 302 million on 30 June 2022, the balance sheet total was the same as at the end of 2021. In addition to the reduced capital commitment through construction contracts of CHF 11.9 million, the main changes were in building up the inventory (plus CHF 18 million); the inventory was systematically expanded in order to counter supply shortages when ordering material.

Liabilities increased from CHF 132 million to CHF 134 million, mainly driven by current financial liabilities and the reversal of accrued liabilities that were formed as part of the restructuring at the Mönchengladbach site at the end of 2021.

Shareholders' equity remained virtually unchanged from the end of 2021 at CHF 168 million, while the equity ratio remained high at 55.6%, albeit down from 56.0% at the end of 2021.

Net debt was at a low level, standing at plus CHF 6.0 million at the end of the period under review. This, in conjunction with its conservatively valued balance sheet items (particularly fixed assets and inventories), means that Starrag Group has a high level of financial flexibility.

Free cash flow

Cash flow from operating activities amounted to CHF -6.2 million, up from CHF -7.1 million in the same period last year.

The positive cash effects resulting from higher EBIT were largely shaped by changes in net working capital.

At CHF 3.3 million, capital expenditure was around CHF 0.3 million higher in the first half of 2022 than in the first half of 2021 (CHF 3 million).

In the course of the restructuring at the Mönchengladbach site, one machining tool (CHF 1.8 million) was transferred from capital expenditure to current assets.

Free cash flow increased slightly to CHF -7.6 million, up from -9.7 million in the corresponding period last year.

Definition of additional performance indicators

The financial information in this Half-Year Report includes certain additional performance indicators that are not defined by Swiss GAAP FER. These are used by management to measure the performance of the company. They might deviate from similar measurement parameters used in other companies and are not to be considered as a replacement for the Swiss GAAP FER indicators. The additional definitions can be found on page 69 of the Annual Report 2021.

Income statement

CHF 1'000	**2022** 01.01. – 30.06.	2021 01.01. – 30.06.	2021 01.01. – 31.12.
Sales revenue	139'483	139'303	292'605
Other operating income	12'887	1'144	1'769
Change in inventory of finished and unfinished goods	11'771	3'817	-1'720
Cost of materials and components	-70'566	-59'689	-118'245
Personnnel expenses	-61'879	-58'792	-131'755
Other operating expenses	-21'776	-20'807	-42'849
Earnings before interest, taxes, depreciation and amortization EBITDA	**9'920**	4'976	-195
Depreciation of fixed assets	-3'221	-3'593	-7'135
Depreciation of intangible assets	-581	-572	-1'157
Operating result EBIT	**6'118**	811	-8'487
Financial result	-191	-574	-117
Profit before taxes	**5'927**	237	-8'604
Income tax expenses	-883	-217	3'223
Net income	**5'044**	20	-5'381
Thereof:			
‣ Shareholders of the company	5'052	28	-5'399
‣ Minority shareholders	-8	-8	18
Earnings per share in CHF	1.50	0.01	-1.61
Diluted earnings per share in CHF	1.50	0.01	-1.61

Balance sheet

CHF 1'000	**30.06.2022**	30.06.2021	31.12.2021
Cash and cash equivalents	23'996	44'184	29'799
Receivables from goods and services	72'246	91'601	84'963
Other short-term receivables	10'520	6'254	6'960
Inventories	110'595	105'868	92'188
Prepaid expenses and deferred income	3'363	2'844	1'664
Total current assets	**220'720**	250'751	215'574
Tangible fixed assets	78'727	85'148	82'576
Intangible assets	2'829	2'545	2'257
Total non-current assets	**81'556**	87'693	84'833
Total assets	**302'276**	338'444	300'407

CHF 1'000	**30.06.2022**	30.06.2021	31.12.2021
Financial dept	17'178	44'787	9'983
Payables form goods and services	14'777	11'446	11'665
Other liabilities	19'413	9'153	15'766
Provisions	7'107	3'791	15'209
Accrued liabilities and deferred income	66'978	75'836	68'987
Total current liabilities	**125'453**	145'013	121'610
Financial debt	431	2'434	2'210
Provisions	8'385	13'947	8'329
Total non-current liabilities	**8'816**	16'381	10'539
Total liabilities	**134'269**	161'394	132'149
Share capital	28'560	28'560	28'560
Additional paid-in capital	50'204	51'884	51'884
Retained earnings	89'232	96'581	87'770
Total shareholders' equity, shareholders of the company	**167'996**	177'025	168'214
Minority shareholders	11	25	44
Total shareholders' equity	**168'007**	177'050	168'258
Total liabilities and shareholders' equity	**302'276**	338'444	300'407

Cash flow statement

CHF 1'000	**2022** 01.01. – 30.06.	2021 01.01. – 30.06.	2021 01.01. – 31.12.
Net income	5'044	20	-5'381
Depreciation of tangible fixed assets and amortization of intagible assets	-3'802	4'165	8'292
Change in non-current provisions	-91	-237	-5'721
Other non-cash items	411	768	685
Change in			
‣ Receivables from goods and services	11'200	-9'270	-5'042
‣ Inventories	-20'249	2'978	13'741
‣ Other receivables, prepaid expenses and deferred expenses	-5'157	-2'894	-2'679
‣ Payables from goods and services	3'416	-2'270	-1'613
‣ Other liabilitiies, accrued expenses and deferred income	-4'567	-388	14'104
Cash flow from operating activities, net	**-6'191**	-7'128	16'386
Capital expenditure for:			
‣ Tangible fixed assets	-2'068	-2'282	-4'740
‣ Intangible assets	-1'186	-690	-1'432
Disposals of fixed assets	1'842	390	741
Cash flow from investing activities, net	**-1'412**	-2'582	-5'431
Change in current financial debt	7'531	21'126	-13'295
Repayment of non-current financial debt	-1'759	-94	-273
Dividend payment	-3'360	-	-5
Cash flow from financing activities, net	**2'412**	21'032	-13'573
Currency translation	-612	356	-89
Net change in cash and cash equivalents	-5'803	11'678	-2'707
Cash and cash equivalents at beginning of period	29'799	32'506	32'506
Cash and cash equivalents at end of period	**23'996**	44'184	29'799

Statement of shareholders'equity

CHF 1'000	Share capital	Additional paid-in capital	Retained earnings				Shareholders' equity shareholders of the company	Minority share-holders	Total Share-holders' equity
			Currency translation	Goodwill offset	Others	Total			
01.01.2021	**28'560**	**55'884**	**2'719**	**-28'433**	**126'169**	**95'017**	**175'461**	**33**	**175'494**
Net income	-	-	-	-	28	28	28	-8	20
Currrency translation	-	-	1'850	-314	-	1'536	1'536	-	1'536
Dividend payment	-	-	-	-	-	-	-	-	-
30.06.2021	**28'560**	**51'884**	**-869**	**-28'747**	**126'197**	**96'581**	**177'025**	**25**	**177'050**
01.01.2022	**28'560**	**51'884**	**-5'619**	**-27'381**	**120'770**	**87'770**	**168'214**	**44**	**168'258**
Net income	-	-	-	-	5'077	5'077	5'077	-33	5'044
Currency translation	-	-	-2'799	864	-	-1'935	-1'935	-	-1'935
Dividend payment	-	-1'680	-	-	-1'680	-1'680	-3'360	-	-3'360
30.06.2022	**28'560**	**50'204**	**-8'418**	**-26'517**	**124'167**	**89'232**	**167'996**	**11**	**168'007**

Notes to the interim consolidated financial statements

1. Accounting principles

The unaudited interim consolidated financial statements for 2022 were prepared in accordance with Swiss GAAP FER (Swiss accounting and reporting recommendations). This is a condensed interim report pursuant to Swiss GAAP FER 31 "Additional recommendations for listed companies".

The consolidated interim financial statements do not contain all of the information found in the consolidated annual financial statements and should therefore be read together with the financial statements for the 2021 fiscal year. The accounting standards applied are in line with the accounting standards used to prepare the 2021 financial statements (refer to pages 78 to 80 of the 2021 Annual Report), unless stated otherwise in the following section.

The present interim report includes estimates and assumptions that affect the reported figures and the associated disclosure. The actual results may differ from these estimates.

2. Additional information

The Starrag Group is not affected by seasonal or cyclical factors as steady sales and margins are assured in the event of any brief fluctuations in order intake by the order backlog, which is currently equivalent to more than half a year's sales.

3. Approval of interim consolidated report

No events have occurred after 30 June 2022 that would have a material effect on the interim accounts. The interim consolidated report was approved and released for publication by the Board of Directors on 22 July 2022.

Aerospace Technology Days 2022
New manufacturing and measurement technology for aerospace

In June, over 200 participants from 22 countries visited the Aerospace Technology Days 2022 in Rorschacherberg.

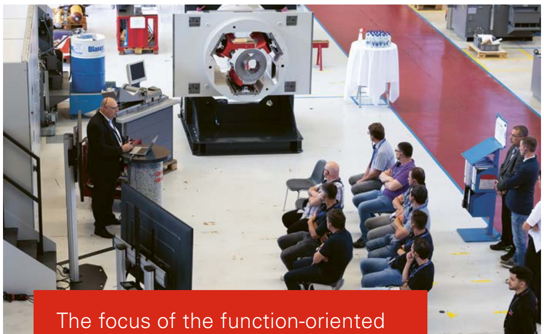
The traditional event with this year's cooperation partner ZEISS was predominantly attended by aerospace experts as well as experts from the energy sector. They learned how, in the interplay between highly precise production and quality assurance, complex components can be manufactured within close tolerances in short cycle times. A Starrag machine therefore milled a turbine blade at the Aerospace Technology Days, and this was immediately checked by ZEISS measurement technology. Starrag works closely with manufacturers on these types of customer-oriented solutions in order to close the process chain and therefore design the manufacturing process to be smoother, faster and, as a result, more productive.

Together with the cooperation partner ZEISS, Starrag demonstrated how production and measurement technology work closely together to increase productivity and quality.

The message from the Aerospace Technology Days 2022: Rorschacherberg has not only taken on the production of the Ecospeed technology, but they are also further developing it.

Information exchange and "socialising": It is not just the expertise of ZEISS and Starrag that is of interest to the 200+ participants, but also the small talk that they get to have with other experts in the aerospace and energy sector.

Rorschacherberg has been the traditional birthplace for numerous solutions for the aerospace industry, which have belonged to the company's core markets for over a century. Starrag is taking the important role of this sector into account and, in 2021, pooled all of the corporate group's existing expertise in the production of turbines and structural components at the company's headquarters in the "Aerospace Competence Centre".



The focus of the function-oriented demonstrations at the 12 stations is not the products but, rather, real, practical tasks.

This new facility has recently added a machining centre for the Ecospeed series, which is viewed as the most productive equipment for the high-performance milling of aluminium aircraft components. With the new addition, Starrag was sending an important message to existing and potential Ecospeed users at the Aerospace Technology Days: Rorschacherberg has not only taken on the production of the Ecospeed technology, but they are also using this new addition to further develop it.

At the Aerospace Technology Days 2022, Claude Nicollier, the first and so far only Swiss astronaut, spoke about his four trips into outer space and about repairing the Hubble Space Telescope (NASA).

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. Principal customers are internationally active companies in the Aerospace and Turbines, Industrial and Transportation as well as Luxury Goods and Med Tech sectors. 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, Heckert, Scharmann, SIP, Starrag, TTL and WMW. Headquartered in Rorschach/Switzerland, Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and has established a network of sales and service subsidiaries in the most important customer countries.

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

Financial calendar

27 January 2023	Sales and orders 2022
10 March 2023	Presentation of 2022 results for analysts and the media
21 April 2023	Annual general meeting
27 July 2023	Half-year report 2023

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Real estate with substance

Switzerland

Rorschacherberg

Vuadens

Germany


Bielefeld

Chemnitz


Mönchengladbach

India

Bangalore

	Land area m²	Floor area m²	Year of construction	Year of purchase	Cost m CHF	Net carrying value m CHF	Insurance value m CHF
Rorschacherberg	50'000	25'000	1925–2007	1925–2007	29.3	13.9	47.9
Vuadens	33'000	18'000	2016	2016	38.1	34.0	27.7
Bielefeld	22'000	11'000	1999/2009	2011	10.0	4.3	17.1
Chemnitz	85'000	46'000	1967–1973	1998	14.0	4.2	41.8
Mönchengladbach	28'000	21'000	1884–1998	2011	13.7	6.4	46.0
Bangalore	32'000	11'000	2013	2013	6.2	5.1	6.2

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This half-year report is also available in German. In case of any discrepancy between the two versions, the German text shall prevail. The half-year report may also be viewed online on our website: www.starrag.com

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