Starrag Group

Media release

Half-year results 2012:
Success in a tough market environment

- **Order intake up 11 %, backlog for nine months**
- **Increased EBIT (+26 %), slight rise in sales**
- **EBIT margin up to 6.4 %**
- **First synergies apparent from completed Dörries Scharmann integration**
- **Advances into new target markets with Bumotec acquisition**
- **Second half-year set to follow in a similar vein**

Solid order intake in a demanding environment

Despite a market environment which lacked consistency, the Starrag Group is able to look back on a successful six-month period. Order intake totalled CHF 193 million, up 11 % on the previous year, with organic growth in local currency at 8 %. Prevailing uncertainty in Europe's capital markets and loss in momentum in the Chinese market led to larger projects being put on hold in the first half of 2012.

Purely organic growth of CHF 14 million in order intake however points to gains in market share in the traditional target markets. Growth primarily came from the industriel and aerospace markets. In the energy sector, the uncertainty regarding the future energy mix in Europe had a crippling effect on investments. Prices for standard machines continue to remain under pressure. In regional terms, growth in the Asian and European markets was sustained, while order intakes from America remained at the previous year's healthy levels.

Increase in sales and order backlog

Sales in the six months under report increased by 0.3 % to CHF 183 million. At the end of June 2012, the group had an order backlog of CHF 260 million, which corresponds to around nine months' work in hand. The factories in Mönchengladbach and Rorschach are still under-utilised, but this is being compensated by short-time work, secondments of personnel and certain manufacturing processes being taken over from fully-utilised factories such as the ones in Chemnitz, Bielefeld, Geneva, Sâles and St. Etienne.

Increased operating profit

Earnings before interest and taxes was up 26 % to CHF 11.7 million, and with the corresponding margin up from 5.1 % to 6.4 %, the Starrag Group is very much in the top third of Swiss mechanical engineering companies. Net income was up 41 % to CHF 7.6 million, representing CHF 2.23 per share. Currency fluctuations due to the weakness of the euro compared with the first six months of 2011 negatively affected EBIT by CHF 0.7 million and net income by CHF 0.5 million.

Strong balance sheet, continued solid net cash

The equity ratio remains high at 52 %, underpinning how financially sound the group is. At the end of June 2012, net cash stood at CHF 21.3 million (compared with CHF 10.0 million at the end of June 2011), thanks to continued strict management of net current assets.

Future investments to continue at high levels

In the first six months of 2012, the Starrag Group invested CHF 6.2 million in the building of a new production site in Bangalore in India and in equipment designed to optimise costs in its European factories. At the same time, the development in India of a new series of compact machining centres which are tailored to the demands of the emerging markets in the region is being completed. In autumn this year, the European factories will present two new machines with new machining concepts for the industrial series production of large components.

Significant challenges remain in terms of procurement

The Starrag Group continues to be confronted with price increases and delays in delivery when it comes to procurement. The boom in orders from manufacturers of smaller standard machines which continued through to the end of 2011 was not sufficiently catered for by the technical component market, which dried up after the economic crisis. This challenge caused the Group to call for an external analysis which resulted in an optimised procurement organisation from the beginning of 2012 onwards.

Acquisition of Bumotec SA

At the end of May, the Starrag Group acquired Bumotec SA, a company which has a solid market position primarily in the watchmaking and jewellery sector but also in medical technology for implants and surgical instruments. These represent new markets for the Starrag Group, and ones which have shown continued and rapid growth in recent years and thus formed an attractive addition to the four established target markets of aerospace, energy, transport and industrial.

Integration of Dörries Scharmann more or less complete

The bulk of the work which arose out of the merger of StarragHeckert and Dörries Scharmann has now been completed. The sales organisations in China, USA, UK and India have been combined to form highly effective teams, and a global tool for client relationship management has been evaluated and was implemented globally in the second quarter of 2012. In the six months under report, we were able to reap the first benefits of the merger in terms of combined procurement of components and services; due to our long lead times however the results will primarily be seen from 2013 onwards.

Visibility continues to be restricted

The industrial and transport market segments are currently running at high levels of production capacity. This is also the case with aerospace, where increases in delivery rates and series production of new types of civil aircraft are supporting the trend of investment in renewal and expansion. In the military aerospace market and in energy however, a short-term recovery is not expected. In the second half of 2012, the Starrag Group is expecting sales and earnings development to be along the same lines as the first six months.

Company profile Starrag Group:
Starrag Group is a global technology leader in manufacturing high-precision machining tool for milling turning, boring and grinding of mid-sized to large workpieces of metallic and composite materials. Principal customers are internationally active companies in the aerospace, energy, transport and industrial sectors. In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer productivity.

Starrag Group products are marketed under the following strategic brands: Berthiez, Bumotec, Dörries, Droop+Rein, Heckert, Scharmann, SIP, Starrag, TTL, 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 numerous other countries.

Starrag Group is listed on the SIX Swiss Exchange (STGN).

Rorschacherberg, 27 July 2012 Starrag Group Holding AG

Key Figures Starrag Group

in million CHF	30.6.2012	30.6.2011	2011
Order intake	192.9	173.3	348.3
Order backlog	260.2	230.1	237.5
Sales revenue	183.4	182.8	354.4
Earnings before interest and taxes EBIT	11.7	9.3	19.1
EBIT as % of sales revenue	6.4 %	5.1 %	5.4 %
Net income	7.6	5.4	10.9
Earnings per share (in CHF)	2.23	1.94	3.52
Return on equity ROE	8.6 %	6.2 %	7.1 %
Cash flow from operating activities	12.7	-6.6	37.0
Capital expenditure	23.3	70.9	69.9
Free cash flow	6.6	-11.9	9.3
Total assets	339.9	320.9	326.6
Net cash	21.3	10.0	37.0
Shareholders’ equity	178.2	171.8	176.6
Equity ratio	52 %	54 %	54 %
Headcount	1’603	1’452	1’420

The half-year report 2012 is available for download at:

http://www.starrag.com/index.php/en/investors/annual-reports

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Forthcoming events

• Half-year report 2012	27 July 2012
• Interim information third quarter 2012	2 November 2012
• Preliminary information on annual results	25 January 2013
• Key figures 2012 / Annual report	8 March 2013
• Media and analysts conference in Zurich	8 March 2013
• Annual general meeting	12 April 2013
• Interim information first quarter 2013	6 May 2013
• Half-year report 2013	26 July 2013

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 Starrag Group or the market in the securities of Starrag Group.