Starrag Group

Media release

Half-year results 2013: Order intake and sales up, EBIT margin of 5 %

- **Order intake up 7 % year-on-year**
- **Sales increase by 9 %**
- **EBIT of CHF 9.1 million – 4.6 percentage points**
- **Net income of CHF 5.7 million – 2.9 percentage points**
- **Increased order intake and sales expected for overall financial year**

Increased order intake

In the first six months of 2013, the Starrag Group achieved an order intake of CHF 206 million, which was 6.8 % up on the corresponding period the previous year. After adjustment for acquisitions and currency effects, order intake was 5.7 % lower than in the corresponding period the previous year, which saw the Starrag Group come in well above average for the sector. The German machine tool building industry suffered a nominal double-figure decrease in the first semester.

Losses in Asia and in particular in China were more than compensated for by significant gains in the European markets, some of which were related to acquisitions. The Aerospare and Industrial sectors improved significantly, while the Transport target market saw a decline. At the end of June 2013, the order backlog stood at CHF 250 million, up around 5 % compared with end-2012.

Increased sales

Sales revenue was increased in the first semester of 2013 by 8.8 % to CHF 199 million. The acquisition of Bumotec contributed to this increase, also positive currency influences due to the somewhat stronger euro, whilst an organic decrease of 4.3 percentage points resulted.

Operating profit EBIT fell to CHF 9.1 million in the period under report (previous year period: CHF 10.9 million), corresponding to an operating margin of 4.6 % (previous year period: 6.0 %). This decrease can primarily be attributed to restructuring measures costing CHF 2.1 million, which were a consequence of the intensification of the reduction in capacity which became necessary due to the continued low willingness to invest in the target market of wind power.

Before restructuring, the company achieved an EBIT margin of 5.6 % which was slightly above the full-year 2012 financial figure of 5.5 %. The restructuring measures approved and communicated in the first half year were worked out in mutual agreement with the relevant employees' organisations. On balance, the Group is expecting a slightly lower staff headcount at end-2013 than the previous year, though certain personnel increases are being made to strengthen the Group.

Net income was down to CHF 5.7 million from CHF 6.9 million the previous year (a decrease of 2.9 % of sales), which can chiefly be attributed to the above-mentioned restructuring costs.

Continued high levels of equity financing

The balance sheet stood at CHF 343 million, some CHF 4 million below the figures at end-2012. Net liquidity of CHF 10.3 million was significantly below end-2012 levels, and this can be attributed to date-related advance purchasing for future orders. The equity ratio of 54.6 % at the end of the semester under report remained at the solid high levels that the Group has established in the past.

Production plant opened in India, EMO to serve as a catalyst

The new production plant in Bangalore was opened as planned in January. A newly developed series of compact machining centres specifically tailored to meet the demands of the emerging markets in the region was also launched, with the first successes in terms of sales expected in the second half of the year. Nevertheless, the Starrag Group is finding itself confronted with increased competition in these markets, stemming particularly from currency-advantaged Japanese providers, whilst the Indian growth market is currently in a period of weakness. Nevertheless, the company can leverage its newly-built technology and customer services centre in Bangalore as an excellent starting point from which to exploit the Asian markets which are full of promise.

Plans to extend capacity at Bumotec, acquired in 2012, by means of a new building are continuing apace. The Starrag Group is also hoping that the EMO – the world's leading metalworking trade fair being held in Hanover, Germany, in September – will prove to be a catalyst, with three new machines set to be unveiled.

Outlook affected by uncertainty

The second half of 2013 for the Starrag Group looks set to be affected by various uncertainties in all target markets with to a certain extent contradictory trends, which the Aerospacen sector has already felt keenly in recent times. China's economic growth, which is weaker than it has been in previous years, will present a challenge. Within this economic environment, the Starrag Group forecasts order intake and sales to be above 2012 figures for the full financial year, with EBIT coming in at comparable levels to the previous year.

Company profile Starrag Group:
Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling, turning, boring and grinding of small, medium-sized and larger workpieces of metallic and composite materials. Our customers are primarily internationally active companies in the Aerospace, Energy, Industrial and Transport 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, 26 July 2013 Starrag Group Holding AG

Key Figures Starrag Group

CHF million	30.06.2013	30.06.2012 restated [1)]	Change	2012 restated [1)]
Order intake	206.4	192.9	+7.0 %	364.2
Order backlog	249.7	260.2	-4.0 %	238.6
Sales revenue	199.4	183.4	+8.8 %	384.0
Earnings before interest and taxes EBIT	9.1	10.9	-16 %	21.1
EBIT as % of sales revenue	4.6 %	6.0 %	-23 %	5.5 %
Net income	5.7	6.9	-17 %	13.0
Net income as a % of sales revenue	2.9 %	3.8 %	-24 %	3.4 %
Earnings per share (in CHF)	1.67	2.02	-17 %	3.81
Return on equity ROE	6.1 %	8.6 %	-29 %	7.1 %
Cash flow from operating activities	-3.6	12.7	n/a	24.9
Capital expenditure in fixed assets	4.8	6.0	-20 %	14.7
Free cash flow	-8.4	6.6	n/a	10.2
Total assets	343.1	340.0	+0.9 %	347.2
Net cash	10.3	21.3	-52 %	24.9
Shareholders’ equity	187.2	175.1	+6.9 %	183.6
Equity ratio	55 %	52 %	+5.0 %	53 %
Headcount	1’659	1’583	+4.8 %	1’644

[1)] Restated due to the application of the amended IAS 19 - Employee Benefits.

The half-year report 2013 is available for download at:

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

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Forthcoming events

• Interim information third quarter 2013	5 November 2013
• Preliminary information on annual results	27 January 2014
• Key figures / Annual report 2013	7 March 2014
• Media and analysts conference in Zurich	7 March 2014
• Annual general meeting in Rorschacherberg	12 April 2014
• Interim information first quarter 2014	9 May 2014
• Half-year report 2014	25 July 2014
