Starrag Group

Media release

Interim report third quarter 2013:

Significant increase in orders – record high order backlog – lower EBIT margin of 4.4 % after restructuring costs

- **Order intake up 19 % to CHF 331 million**
- **Earnings before interest and taxes EBIT of CHF 12.8 million – 4.4 as a percent of sales revenue**
- **Comfortable order backlog of CHF 280 million**
- **Successful participation at the EMO 2013**

Significant increase in order intake

In the first three quarters of 2013, the Starrag Group was able to increase order intake to CHF 331 million, a rise of 18.7 % compared with the same period the previous year. After adjustment for acquisitions and currency effects, the increase was 9.6 %. Other than in client markets, the main growth stemmed primarily from the Aerospace target market, while orders from customers in the transport segment went down due to lower investment tendencies in Europe. In Industrial, new order levels were maintained.

In geographical terms, Europe came out with a significant increase. In North America, economic and political uncertainties in the USA compared with the same period the previous year led to a lower order intake. This was also the case in Asia on a nine-month basis, primarily due to reduced investment tendencies in China. In general terms, forecasts coming in from the various specialist tool machine industry associations indicate modest order patterns for the coming months.

Modest sales revenue – highest-ever order backlog

Sales revenue in the first three quarters of 2013 came in at CHF 291 million, which was 3.3 % more than in the same period the previous year. After adjustment for acquisitions and currency effects (Bumotec), this resulted in a drop of 6.0 %. The order backlog at 30 September was at a historic high of CHF 280 million – an increase of 17 % compared with end 2012 and which will have a positive effect on sales revenue after the usual time lag.

Earnings before interest and taxes (EBIT) stood at CHF 12.8 million (compared with CHF 16.8 million the previous year), corresponding to an operating margin of 4.4 % (6.0 %). This decrease is chiefly down to restructuring expenses which added up to around CHF 3 million in the first nine months of 2013. Before restructuring, the EBIT margin stood at 5.5 % (compared with 6.0 % the previous year). Net income was down from CHF 11.3 million in the same period the previous year to CHF 9.4 million (3.2 % as a percentage of sales revenue in the period under report), which was also due in the main to the above-mentioned restructuring costs.

Equity ratio up to 54 %

Total assets, which stood at CHF 345 million at the end of September, were a little below the previous year's levels of CHF 352 million. Net debt of CHF 3.4 million (after net cash levels of CHF 24.9 million at end-2012) can be explained by advance work on orders at the reporting date which now will be completed. At 54.5 % (end-2012: 52.9 %), the equity ratio reached the kind of high levels which the Starrag Group strives for.

Successful presence at the EMO 2013 trade fair

The Starrag Group was at the EMO 2013 trade fair in Hanover in September to present several global innovations, creating a great deal of interest among the target sectors. The Group showcased the new machining center from the recently acquired Bumotec, which breaks world records in terms of "built-in" technology. The patented machine design enables a previously unachievable productivity to be reached. As was to be expected, there was significant interest from the watches, computers and electronics sectors, for whom manufacturing solutions which are both high-precision and productive are a decisive factor.

The next world first on display was a Heckert five-axis machining center with a fast table for turning work. One of the main characteristics of this innovative new center is the long-term tool precision and the ultra-high levels of security within the manufacturing process. The third global premiere that the company presented was a new horizontal machining center, also designed by Heckert and with an integrated turning, drilling and milling head.

One of the real highlights was the all-new Starrag CO_2 air-cooling system for machine tools which was particularly well received. The system enables an increase in productivity of up to 70 % in the machining of rigid materials and can also be implemented in Starrag machining centers that are already fully operational. This innovative idea prompted the leading German trade journal MM Maschinenmarkt to give the Group and their technology partner the EMO Award 2013 in the milling machine category.

Outlook for whole year 2013

The persistent economic unpredictability in Europe and North America, which has also extended recently to Asia, coupled with developments in the Group's various target markets, make it difficult to make a forecast for the rest of the current year. Based on these perspectives, the Starrag Group's guidance for the year as a whole is for order intake levels above those of the previous year. A slight increase is also expected in sales revenue compared with 2012, due in no small part to the high order backlog. Operative earnings before interest and taxes are set to come in a little way below the previous year's levels, since capacity utilization at the plants in Mönchengladbach and Rorschach is picking up more slowly than originally expected.

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, 5 November 2013 Starrag Group Holding AG

Key figures Starrag Group

in CHF million	30.09.2013	30.09.2012 restated 1	Change	31.12.2012 restated 1)
Order intake	330.9	278.8	+18.7 %	364.2
Sales revenue	291.4	282.0	+3.3 %	384.0
Earnings before interest, taxes and restructuring EBITR	15.9	16.8	-5.4 %	21.1
EBITR as % of sales revenue	5.5 %	6.0 %	-8.3 %	5.5 %
Earnings before interest and taxes EBIT	12.8	16.8	-23.8 %	21.1
EBIT as % of sales revenue	4.4 %	6.0 %	-26.7 %	5.5 %
Net income	9.4	11.3	-16.8 %	13.0
Net income as % of sales revenue	3.2 %	4.0 %	-20.0 %	3.4 %
Earnings per share (in CHF)	2.75	3.35	-17.9 %	3.81
Return on equity (ROE)	6.7 %	8.3 %	-19.2 %	7.1 %
Cash flow from operating activities	-15.0	14.1	n/a	24.9
Capital expenditure in fixed assets	7.3	27.6	-73.6 %	14.7
Free cash flow	-22.2	3.8	n/a	10.2

in million CHF	30.09.2013	30.09.2012 restated 1)	Change	31.12.2012 restated 1)
Order backlog	280.0	252.6	+10.8 %	238.6
Total assets	345.3	351.8	-1.8 %	347.6
Net cash	-3.4	19.8	n/a	24.9
Shareholders' equity	188.3	180.8	+4.1 %	183.6
Equity ratio	54.5 %	51.4 %	+6.0 %	52.9 %
Headcount	1'635	1'609	+1.6 %	1'644

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

The interim nine-month report for 2013 can be downloaded here:
http://www.starrag.com/index.php/investoren/finanzberichte

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Forthcoming events

• 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
• Interim information third quarter 2014	4 November 2014

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.