Starrag Group

Media Release

Results for the first half of 2014: Slightly higher EBIT and net profit margins – lower order intake and sales revenues

- **Order intake 11 % below prior year period**
- **Sales revenues 5 % less than in H1 2013**
- **EBIT margin slightly higher at 4.7 % of sales revenue**
- **Net profit up 15 % to CHF 6.6 million, 3.5 % of sales revenue**
- **For the year as a whole, lower order intake, sales around the prior year level, and slightly higher margins expected**

Order intake impacted by economical and political uncertainties

Orders received during the first six months of the year totalled CHF 184 million, 11.0 % less than in the same period of last year. At constant exchange rates, incoming orders declined 10.1 %. The lower order intake reflects the economic and geopolitical uncertainties, which caused some customers to defer capital spending decisions. From a regional perspective, the European markets were weaker as a whole, primarily because of subdued investment activity in Russia. Asian markets were stable, notwithstanding a decline in orders from China in a year-on-year comparison. North America orders, on the other hand, rose from the low prior year period level.

In regard to the various target markets, Aerospace was unable to maintain the exceptionally high growth rate reported in the first half of last year. Order intake across the Industrial sector was generally weaker as a result of a reluctance to invest, although orders in the watches and jewellery sub-sector did increase. Business in the Energy sector remained slack but there were some tentative indications that this sector may be emerging from its trough. Orders in the Transport market showed a pleasing trend thanks in particular to automobile suppliers. Overall orders on hand at the end of June 2014 remained high at CHF 267 million, which is 2.7 % less than at the end of 2013.

Project-related decline in sales

Sales revenues for the first half of 2014 amounted to CHF 190 million, 4.9 % less than a year ago and 4.0 % less at constant exchange rates. This decline is largely attributable to individual project delays which had mainly been caused by the lead times required for sourcing materials. The book-to-bill ratio (ratio of orders received to sales revenue) for the period under review was 0.97.

Virtually stable EBIT – higher net profit

Starrag Group's operating profit (EBIT) for the first half of 2014 amounted to CHF 8.9 million, which was slightly less than the CHF 9.1 million reported for the same period of last year. The corresponding operating profit margin edged up to 4.7 % (4.6 % in H1 2013). Net profit rose by 15 % from CHF 5.7 million in the first half of 2013 to CHF 6.6 million in the period under review and the corresponding margin increased from 2.9 % to 3.5 %. This growth is primarily attributable to a significantly better net financial result and a lower tax rate. Earnings per share rose by 16 % to CHF 1.93.

Financial situation remains strong

Total assets at the end of June increased CHF 3.4 million from the end-2013 figure to CHF 352 million. The net debt position of CHF 2.6 million can be traced to lower advance payments for work in progress, as well as input costs incurred to process orders on hand. The equity ratio stood at 55 % at the end of June, a typically high level for Starrag Group.

Airfoil Technology Days a success

In early July Starrag Group was pleased to welcome about 180 people from more than 20 of its sales markets to its Airfoil Technology Days in Rorschach. This event allowed the Group to showcase its latest technology innovations, which drew avid interest from the invited guests.

Capital expenditure in line with previous year

As announced in May, the capacity expansion at Bumotec continues to proceed as planned. A total of CHF 4.3 million was invested in fixed assets in the first half of 2014. Besides preparation costs for the expansion of Bumotec's production capacity, these funds were spent on production site improvements and IT replacement.

Outlook

Starrag Group expects market sentiment to improve slightly in the second half of the year and lift second-half order intake above the level reported for the first half. From today's standpoint, order intake for the full year is expected to fall short of the 2013 figure. Sales should be about the same as in 2013 while margins are expected to be slightly higher compared to last year.

Further optimization of the company's sales organization to create closer and stronger bonds with customers should also have a positive effect going forward. The ensuing efficiency gains on the sales front will even more strengthen the Group's ability to translate its technology potential into sustained market success.

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, Transport, Industrial and Energy 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, and 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, 25 July 2014 Starrag Group Holding AG

Key Figures Starrag Group

CHF million	**2014** 01.01.-30.06	2013 01.01.-30.06.	Change	2013 01.01.-31.12.
Order intake		206.4	-11.0 %	424.9
Sales revenue	189.7	199.4	-4.9 %	390.7
Earnings before interest and taxes EBIT	8.9	9.1	-2.2 %	19.0
Net income	6.6	5.7	15.1 %	13.5
Earnings per share (in CHF)	1.93	1.67	15.7 %	3.97
EBIT as % of sales revenue	4.7 %	4.6 %	n.a.	4.9 %
Net income as % of sales revenue	3.5 %	2.9 %	n.a.	3.5 %
Return on equity (ROE)	6.8 %	6.1 %	n.a.	7.1 %
Cash flow from operating activities	-7.8	-3.6	n.a.	8.8
Capital expenditure	4.3	4.8	-10.8 %	11.2
Free cashflow	-12.5	-8.4	n.a.	-2.3

CHF million	**30.06.2014**	30.06.2013	Change	31.12.2013
Order backlog	267.4	249.7	7.1 %	274.7
Total assets	352.1	343.1	2.6 %	348.7
Net cash	-2.6	10.3	n.a.	16.1
Shareholders' equity	191.9	187.2	2.5 %	193.6
Equity ratio	54.5 %	55.0 %	n.a.	55.5 %
Headcount	1'643	1'659	-1.0 %	1'667

The half-year report 2014 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 2014	4 November 2014
• Preliminary information on annual results 2014	26 January 2015
• Key figures 2014 / Annual report	6 March 2015
• Annual general meeting	24 April 2015
• Interim information first quarter 2015	8 May 2015
• Half year report 2015	24 July 2015

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