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Starrag Group

Media Release

Results for the first half of 2015:
Solid order backlog ensures good level of capacity utilization – order intake marked by volatility – positive sales growth before currency effects – slightly lower operating margin

- **Order backlog of CHF 220 million ensures a good level of utilization for the coming quarters**
- **Order intake minus 23 % versus the prior-year period (organic -16 %)**
- **Organic sales growth plus 3.5 %, in CHF minus 4.3 %**
- **EBIT margin of 3.9 % (4.7 % in the prior-year period)**
- **Net profit of CHF 3.1 million or CHF 0.92 per share, adversely affected by the revaluation of euro positions**
- **Full-year projections subject to additional uncertainty**

Solid order backlog

Starrag Group reported an order backlog of CHF 220 million for new machinery as of 30 June 2015 (year-end 2014: CHF 288 million). The current order backlog ensures a good level of utilization over the next three quarters as the new machine business always entails a substantial amount of additional services to customers.

Order intake increasingly volatile

Major orders can distort the order intake for a particular quarter or even a half-year period, so order intake for these reporting periods cannot be reliably extrapolated to the full year. Customer have also been more cautious in their planning as competition heats up, which has led to the temporary postponement of some orders. Order intake has become increasingly volatile in this environment. Furthermore, in the complex and large machine business, prices are clearly under pressure from competitors who are struggling with low capacity utilization rates.

Order intake for Starrag Group amounted to CHF 141 million for the first six months (-23 % versus the prior-year period). At constant exchange rates, incoming orders declined 16 %.

Looking at order intake for the past twelve months (July 2014 to June 2015) in recognition of the long-term nature of Starrag Group's capital goods business, order intake declined by 5.7 % in local currency versus the preceding twelve-month period. VDW, Germany's national machine tool industry association, reported that orders received by its members during the period from July 2014 to May 2015 rose by 1.5 %. These two numbers are not fully comparable, however, given the differences in targeted customer groups.

From a regional standpoint, the Europe market region reported a lower order intake overall, as did the North America region. In Asia order intake was narrowly held at the year-ago level. Broken down by industry, order intake was below the level from the previous year's period in the Aerospace segment, which, however, was very strong last year, and it is assumed that orders at this segment will pick up again in the medium term in view of the expansionary capital spending plans of major customers. Transportation reported a decline in new orders, due to the postponement of customer projects. In the Industrial segment, orders received were also lower. The Energy segment reported an increase in orders received, albeit from a still low level.

Sales up in local currency

Excluding currency effects, sales in the first six months of 2015 amounted to CHF 182 million and topped the prior-year number by 3.5 %. Including currency effects, sales declined by 4.3 %. Operating profit (EBIT) amounted to CHF 7.0 million (prior year: CHF 8.9 million), resulting in an operating profit margin of 3.9 % (4.7 %). Net profit came in at CHF 3.1 million (prior year: CHF 6.6 million), or two percent of sales, and was adversely affected by the revaluation of unhedged positions in euro. Earnings per share amounted to CHF 0.92 (H1 2014: CHF 1.93).

Lower-than-average currency exposure

Starrag Group's exposure to exchange-rate movements is less than average compared to other manufacturing companies; it is mainly affected by currency translation effects. The Group already produces about three-quarters of its output outside Switzerland and the materials it needs are purchased from suppliers in the Eurozone whenever possible. The share of total expenses incurred in Swiss francs in 2014 stood at about 22 %.

Financial position still strong

Total assets declined by CHF 30 million from the end of 2014 to CHF 326 million at the end of June due to the weaker euro and the resulting currency translation impact. The net cash position of a minus CHF 18.3 million is attributable to the advance financing of order-related expenses. Shareholders' equity of 54 % at the end of June was practically unchanged from a year earlier (55 %).

Reoganization base on strategic market segments on track

The reorganization of operating structures by market segment announced at the end of 2014 is proceeding according to plan. The aim here is to raise growth rates and margins by reducing organizational complexity and making greater use of synergy potential. During the first half, an extensive range of measures designed to strengthen marketing and sales power in the newly defined market segments and to create an extensive and well-rounded product portfolio was formulated. Furthermore, numerous stand-alone measures have been implemented to enhance profitability and bring the company closer to its medium-term margin goals.

Turbine Technology Days a success

The Turbine Technology Days organized by Starrag Group and Walter AG has become one of the most important gatherings of turbine experts from the power generation, aviation and aerospace technology sectors. Attendance at this year's event, held at the end of June in Rorschacherberg/CH, was about 30 % higher than two years ago: Turbine manufacturers, research and development experts as well as representatives of trade magazines attended the event. Participants hailed from across Europe and there were also many visitors from China, India and Russia – acknowledged as the key growth markets in the turbine business. This event was topped off by a "Best machine tool supplier" award that was subsequently awarded by a major Chinese customer.

Innovation a top priority

Innovation is one of Starrag Group's top priorities and that is reflected in accordingly high investment activity. The focus here is on new technologies, the development of new, and in some cases shared, components, automation solutions, and cost-savings with the aim of generating additional value for the customer. During the period under review, for example, the active networking of Starrag machine tools, both within production process chains and with the customers' own business management systems, was intensified under the term "Industry 4.0" (Smart Factory). Various modules developed for this specific purpose were presented and sold during the first half of 2015, including at the aforementioned Turbine Technology Days.

Outlook

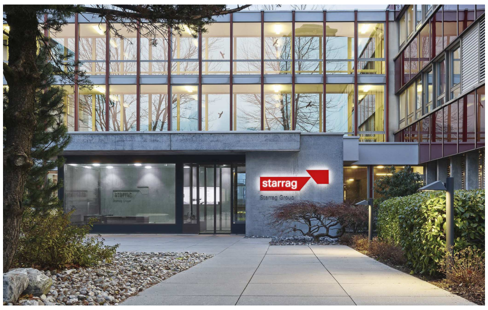
The course of business year to date and the assessment that the global economic and political environment is likely to become even more challenging in the second half of the year have added additional elements of uncertainty to the outlook for the entire year. From today's standpoint, Starrag Group expects full-year order intake in local currency to be less than the 2014 intake. Full-year sales revenue, likewise in local currency, are expected to be more or less in line with the prior-year figure. The operating margin is likely to be lower than in 2014.

Company profile Starrag Group:

Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling, turning, boring and grinding of workpieces made from metallic, composite and ceramic materials. Our customers are primarily internationally active companies in the Aerospace & Energy, Transportation & Industrial Components and Precision Engingeering sectors. Our portfolio of machine tools is complementary by a range of technology and services and enables the customer to make substantial progress in 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).



additional pictures

Rorschacherberg, 24 July 2015 Starrag Group Holding AG

Key Figures Starrag Group

CHF million	**2015** 01.01.-30.06	2014 01.01.-30.06.	Change	2014 01.01.-31.12.
Order intake	141.1	183.6	-23.1 %	407.3
Sales revenue	181.8	189.7	-4.3 %	393.2
Earnings before interest and taxes EBIT	7.0	8.9	-21.7 %	19.1
Net income	3.1	6.6	-52.2 %	14.4
Earnings per share (in CHF)	0.92	1.93	-52.4 %	4.26
EBIT as % of sales revenue	3.9 %	4.7 %	n.a.	4.9 %
Net income as % of sales revenue	1.7 %	3.5 %	n.a.	3.7 %
Return on equity (ROE)	3.2 %	6.8 %	n.a.	7.5 %
Cash flow from operating activities	-4.8	-8.2	n.a.	7.3
Capital expenditure	9.6	4.3	122.5 %	14.6
Free cashflow	-14.4	-12.5	n.a.	-7.2

CHF million	**30.06.2015**	30.06.2014	Change	31.12.2014
Order backlog	220.2	267.4	-17.7 %	287.6
Total assets	326.2	352.1	-7.4 %	356.3
Net cash	-18.3	-2.6	n.a.	2.4
Shareholders’ equity	174.7	191.9	-9.0 %	195.9
Equity ratio	53.5 %	54.5 %	n.a.	55.0 %
Headcount	1‘612	1’643	-1.9 %	1’617

The half-year report 2015 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 2015	3 November 2015
• Preliminary information on annual results	29 January 2016
• Key figures 2015 / Annual report	4 March 2016
• Annual general meeting	23 April 2016
• Interim information first quarter 2016	4 May 2016
• Half year report 2016	27 July 2016

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