Starrag Group

Media Release

Nine-month results for 2015:
Order book remains solid – order intake less down – increase in sales at constant currency – slightly lower EBIT margin

- **Order backlog of CHF 229 million ensures adequate capacity utilization level over several quarters**
- **Order intake organic plus 6.0 % in a 12-month y-o-y comparison, minus 14 % versus year-ago period**
- **Sales down 6.4 %, organic up 1.2 %**
- **EBIT margin of 3.5 % (prior-year period 4.5 %)**
- **Capital expenditure a high CHF 15 million**

Order book remains solid

The order backlog for new machines stood at CHF 229 million as of 30 September 2015, an increase of 4.1 % compared to the end of June. Together with the substantial additional business of services provided, capacity will be adequately utilized for about three quarters.

Downward trend in order intake weakens – rising volatility

As it is characteristic for the business of Starrag Group, large orders can have a significant impact on quarterly order intake, so individual quarterly data is not necessarily a reliable indicator of the long-term trend. Moreover, in today's economic environment, customers have become even more circumspect in their planning and are therefore placing orders on shorter notice. Order volatility therefore increased considerably in the previous quarters.

During the first nine months of 2015, orders in the amount of CHF 230 million have been won, which is 14 % less than in the same period of last year, however the rate of contraction compared to order intake in the first-half period (minus 23 %) is slower. At constant exchange rates, incoming orders declined at a rate of 7.1 %. Using a twelve-month period (October 2014 to September 2015) as the comparison base to better capture the longer-term nature of Starrag Group's business activities as a capital goods manufacturer, order intake actually increased by 6.0 % in local currency versus the preceding twelve-month period.

Geographically, nine-month order intake was lower y-o-y both in Europe and Asia. That was also the case in North America, but to a lesser extent. Broken down by industry, Aerospace received fewer new orders compared to the rather strong year-ago period. Judging by the investment plans that have recently been announced by major customers, order intake in this sector should turn positive again over the medium term. The Transportation sector continued to encounter customer delays in project launch decisions. Growth forecasts have been revised down compared to the beginning of the year, particularly in the automobile industry. In the Industrial sector, the classic manufacturing industry remained the main source of new orders, while luxury goods manufacturers, watchmakers in particular, placed fewer orders. After years of consistently positive growth, the 12-month moving average for Swiss watch exports has been trending down since July, largely due to the decline in exports to Asian markets. The Energy sector reported healthy order growth, albeit from a still low level.

Sales increase in local currency

At constant exchange rates, sales in the first three quarters of 2015 of CHF 270 million, topped the year-ago figure by 1.2 %. Including exchange-rate movements, sales were down by 6.4 %. Operating profit (EBIT) came in at CHF 9.5 million (CHF 13.0 million in the prior-year period) or 3.5 percent of sales (prior-year period 4.5 %). Net income amounted to CHF 5.5 million (CHF 9.4 million in the prior-year period) or 2 percent of sales and was slightly higher compared to the mid-year mark (+1.7 %). The decline in net income compared to the year-ago period is largely attributable to the remeasurement of unhedged items denominated in euros. Earnings per share amounted to CHF 1.60 (prior-year period: CHF 2.76).

Limited foreign currency exposure

In the wake of the SNB's decision to de-peg the Swiss franc from the euro in January 2015, Starrag Group continues to further reduce its exposure to this currency. Compared to other manufacturing companies, the Group's exposure to currency movements is already less than average. Currently about three-quarters of its value creation derives from our foreign plants; materials are sourced in the Eurozone whenever possible. The percentage of total expenses incurred in Swiss francs in 2014 stood at about 22 %.

High and stable equity ratio

Total assets as of September 30, 2015 amounted to CHF 335 million, which is 6.0 % less than the figure reported at the end of 2014 (CHF 356 million) due to the weaker euro. Investment in fixed assets during the period under review reached a high CHF 15 million, which exceeded the amount reported for 2014 as a whole. This capital expenditure reflects the ongoing construction of Bumotec's new plant as well as the continual pursuit of innovation in connection with new technology and components, automation solutions and cost-cutting efforts. The net cash position of a minus CHF 24.9 million is attributable to the advance financing of orders in process. The high equity ratio of 54 % was virtually unchanged compared to the end of 2014.

Starrag wins benchmarking process for Pilatus Aircraft's PC-24 business jet

Pilatus Aircraft Ltd. based in Stans wanted an exceptionally productive and versatile manufacturing system for the production of its new PC-24 business jet. After an intensive benchmarking process, it selected the flexible Ecospeed machining center consisting of two interconnected machining centers from Group subsidiary Dörries Scharmann. Pilatus had received numerous orders for its highly versatile PC-24 jet even before production had started. This success story is proof that capital goods manufacturers offering intelligent, highly productive solutions can still operate successfully in high-cost Switzerland.

Another world premiere at the EMO 2015

Group subsidiary Bumotec introduced a unique product for the medical technology industry at the EMO, a major European trade show held in Milano in early October. Its modular machining center S181 enables single set-up machining of miniature, complex and high-precision workpieces for orthopedic or dental prostheses and surgical instruments. Compared to earlier solutions, this novel machine is even more compact and cost-effective and offers superior performance, resulting in significantly productivity gains.

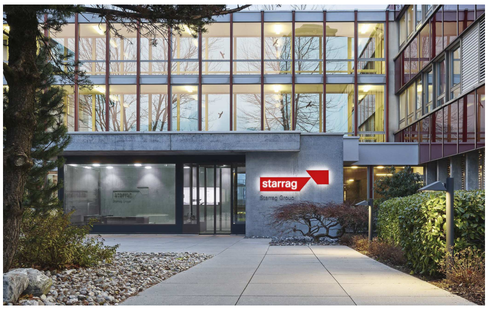
Outlook for fiscal year 2015

In view of current global economic and political developments and the greater fluctuation in order intake, forecast reliability has not improved since the results announcement in July. From today's viewpoint, Starrag Group expects local order intake for 2015 as a whole to be lower than the reported figure for 2014. Sales in local currency should be almost unchanged compared to the previous year. As communicated earlier, the operating margin is expected to be lower than in 2014. In view of the various challenges it must contend with, Starrag Group will enhance its efforts initiated during the first half to strengthen its sales and marketing activities in its newly defined market segments and to round out its extensive and integrated product portfolio, which include numerous important measures designed to achieve further necessary cost savings – the ultimate aim being a sustainable improvement in profitability.

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 Engineering 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, 3 November 2015 Starrag Group Holding AG

Key figures Starrag Group

CHF million	**2015 01.01.-30.09.**	2014 01.01.-30.09.	Change	2013 01.01.-31.12.
Order intake	229.8	268.6	-14.4 %	407.3
Sales revenue	269.9	288.4	-6.4 %	393.2
Earnings before interest and taxes EBIT	9.5	13.0	-27.0 %	19.1
Net income	5.5	9.4	-41.4 %	14.4
Earnings per share (in CHF)	1.60	2.76	-41.9 %	4.26
EBIT as % of sales revenue	3.5 %	4.5 %	n.a.	4.9 %
Net income as % of sales revenue	2.0 %	3.3 %	n.a.	3.7 %
Return on equity (ROE)	5.6 %	6.7 %	n.a.	7.5 %
Cash flow from operating activities	-5.3	-9.4	n.a.	7.3
Capital expenditure	14.9	6.3	136.6 %	14.6
Free cash flow	-20.2	-15.7	n.a.	-7.2

CHF million	**30.09.2015**	30.09.2014	Change	31.12.2014
Order backlog	229.3	254.2	-9.8 %	287.6
Total assets	335.2	340.2	-1.5 %	356.3
Net debt	-24.9	5.6	n.a.	2.4
Shareholders’ equity	182.5	193.0	-5.5 %	195.9
Equity ratio	54.4 %	56.7 %	n.a.	55.0 %
Headcount	1‘590	1‘635	-2.7 %	1’617

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Forthcoming events

• 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
• Interim information third quarter 2016	4 November 2016
