


The logo for starrag, featuring the word "starrag" in white lowercase letters on a red rectangular background with a white diagonal cutout on the right side.

starrag

Starrag Group

Half year presentation 2014

25 July 2014

A large background image showing a view of Earth from space, with the blue atmosphere and white clouds of the planet curving over a dark, cratered surface. The sun is visible on the left, creating a bright glow and lens flare effects.

berthiez
bumotec
dörries
droop+rein
heckert
scharmann
sip
starrag
ttl
wmw

Legal note

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All statements in this report which do not refer to historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they embody risks and uncertainties which include - but are not confined to - future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors which are outside the company's control.

Agenda

- ▀ Market and Business Review
- ▀ Financial Review
- ▀ Outlook

Agenda

▀ Market and Business Review

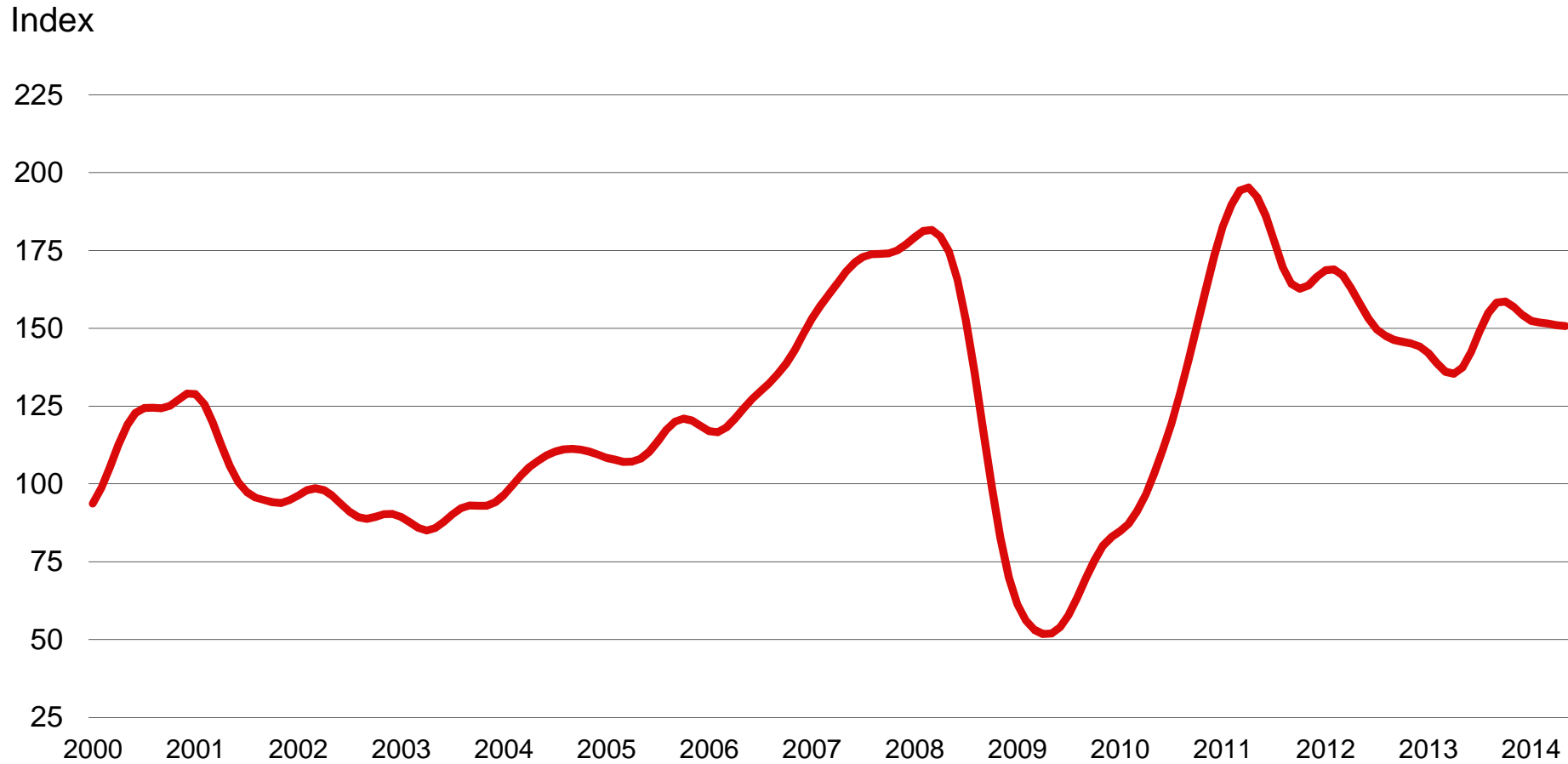
▀ Financial Review

▀ Outlook

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

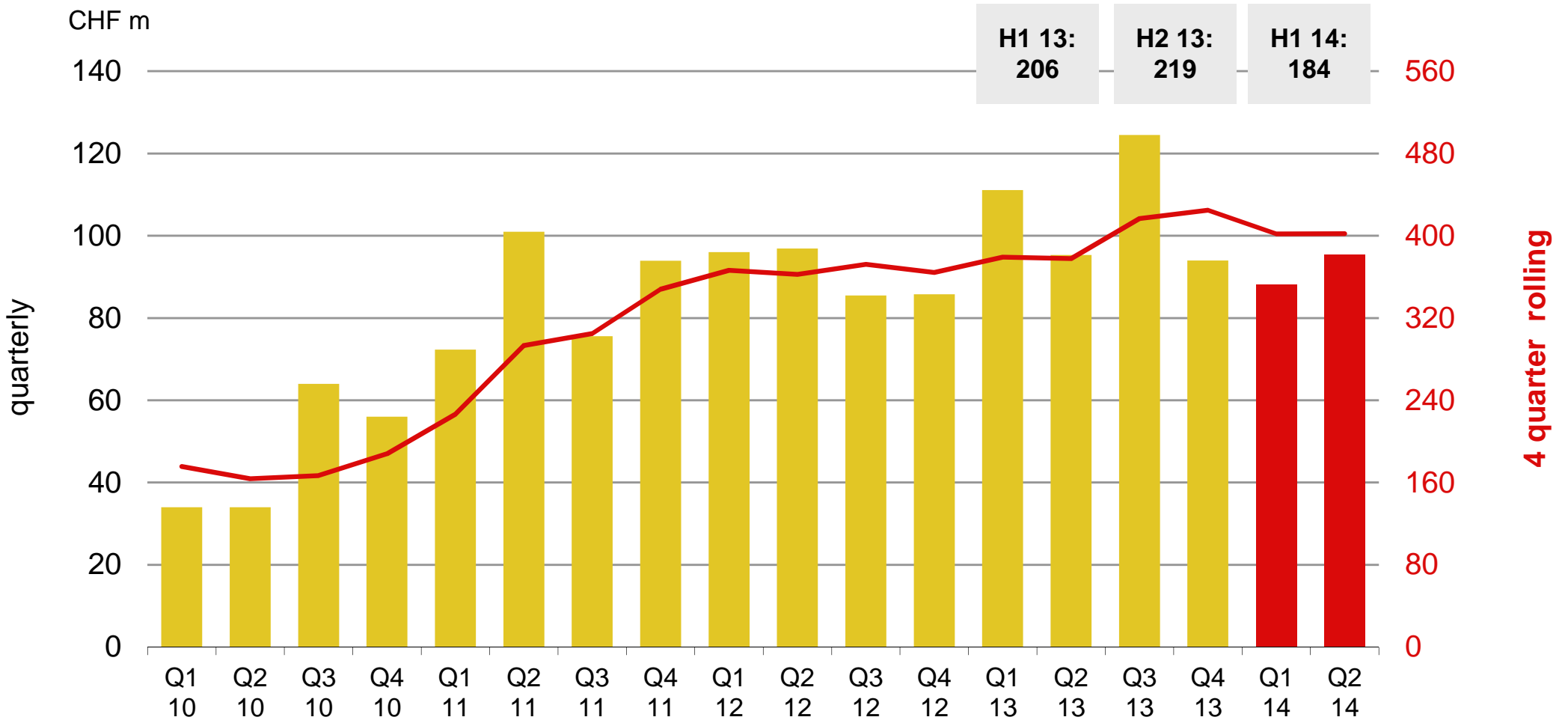
Order intake machine tool industry Germany



German machine tool market Jan-May 2014 +2 % to prior year period

Note: Index base sales 2010=100
Source: monthly index statistics VDMA, VDW.

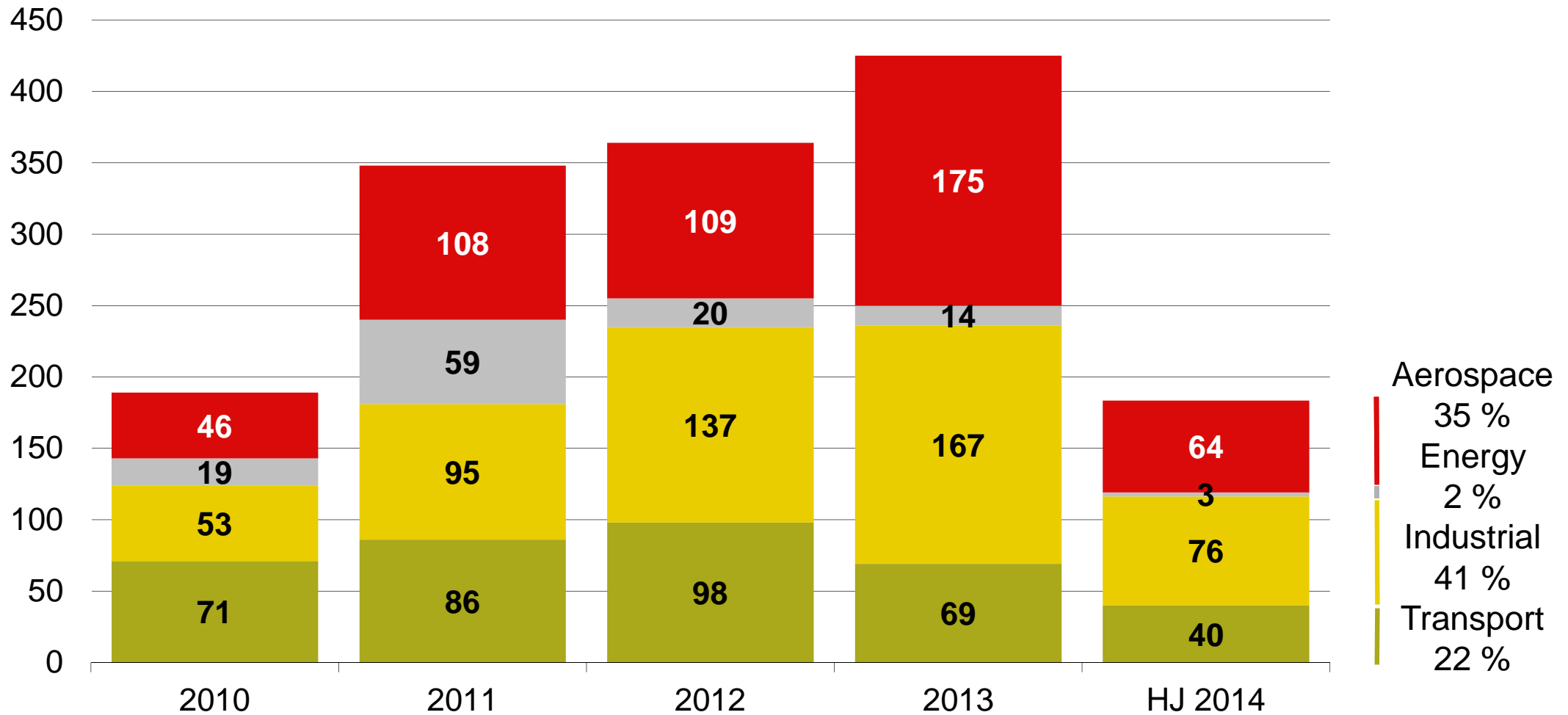
Order Intake



Organic decrease -10.1 % to H1 2013

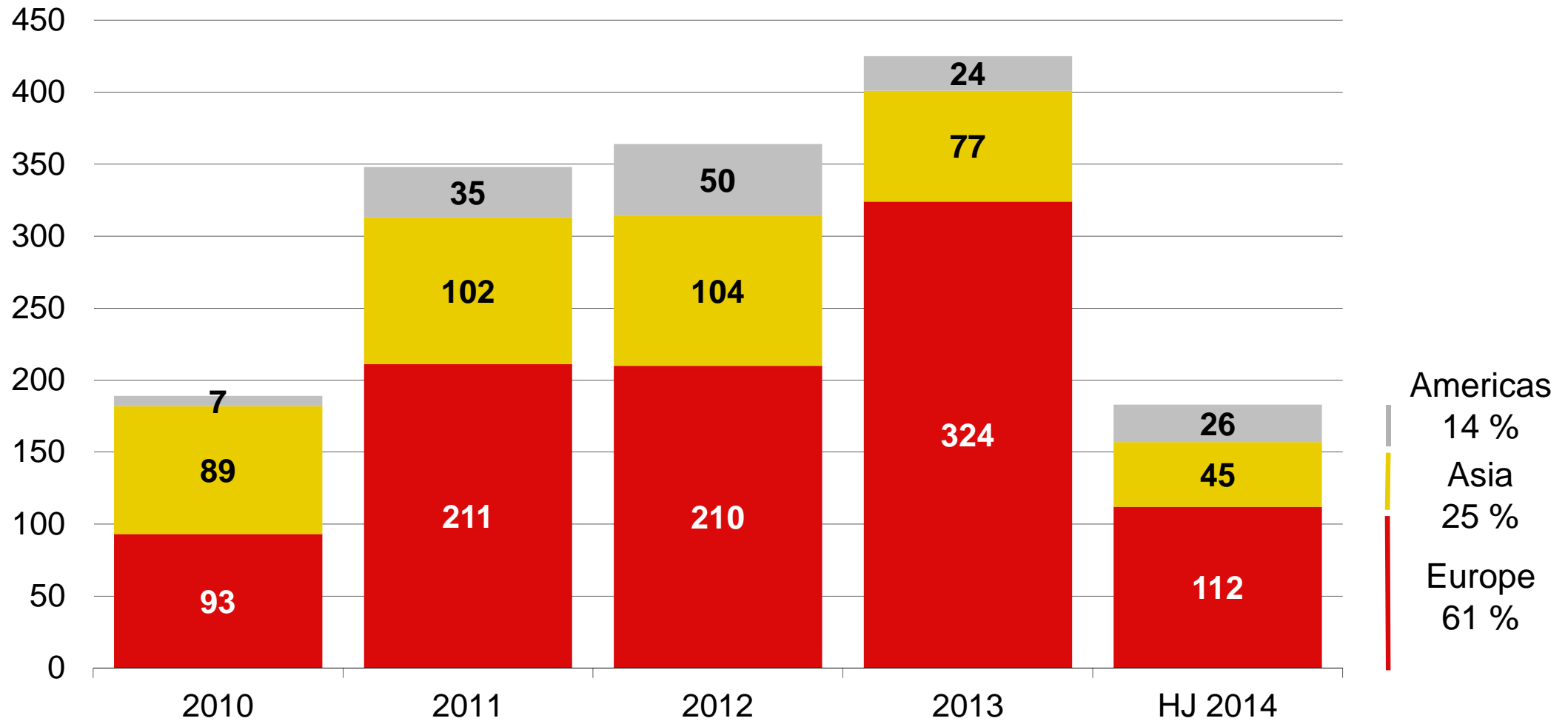
Order intake by market segment

CHF m



Order intake by region

CHF m

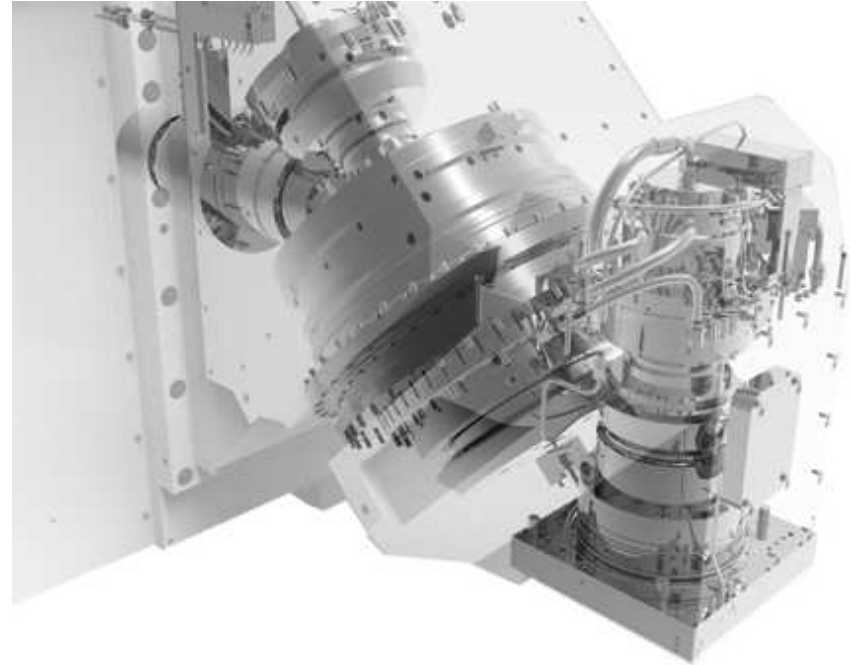


Intelligence in Cutting

Heckert Open House for customers and industry experts in April 2014



Planetary TurnMill Device (PTM): milling, drilling, lathing with one support



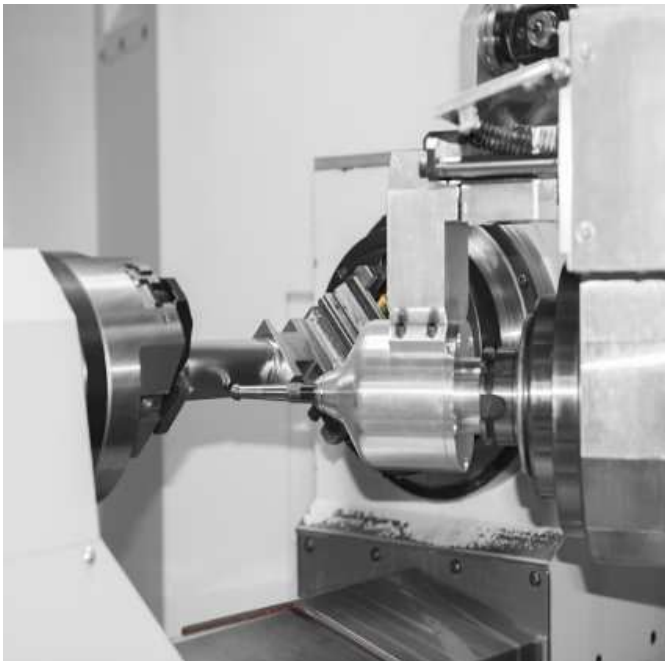
HEC 500 D X5
Premiere of a new 5-axis machining center

Breakthrough Technology Live in Action

Starrag Airfoil Technology Days drawing avid interest from 180 guests in July 2014



Small Blades in one go
From bar stock to finished blade:
complete machining with the new
Starrag LX 021 (combining Starrag and
Bumotec Know-how).



The Starrag «Dengeling» process
The fully integrated finishing process substituting
grinding, polishing, shot peening and tumbling.



Bumotec capacity expansion on track



- ✓ 33'000 m² land purchased directly adjacent to Swiss main motorway A1
- ✓ Building permit received for building with 12'000 m² production floor area
- ✓ Groundbreaking planned for Q3 2014
- ✓ Total net project investment volume of approx. CHF 20 million between 2014 and 2016

Agenda

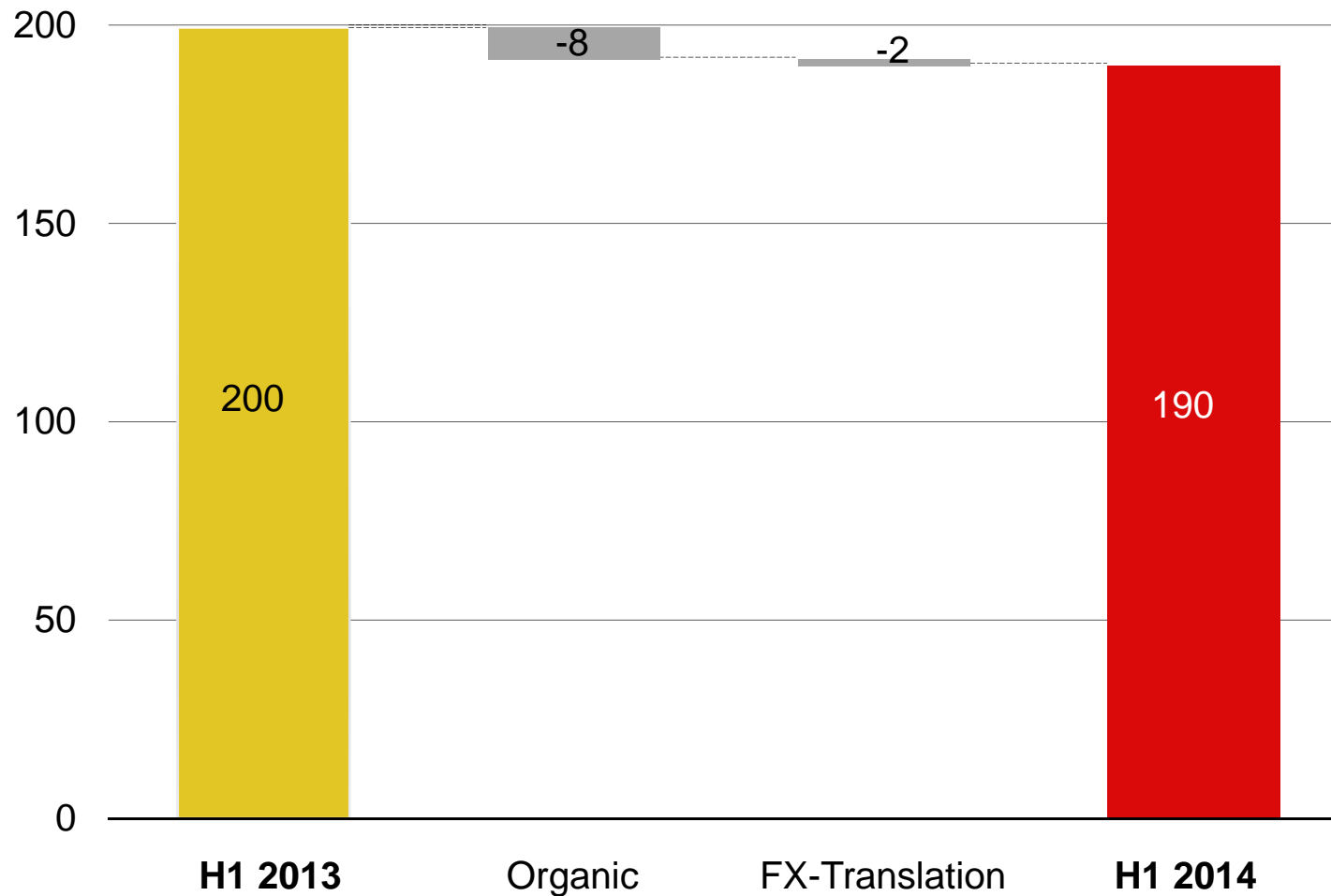
▀ Market and Business Review

▀ Financial Review

▀ Outlook

Sales revenue below prior year period

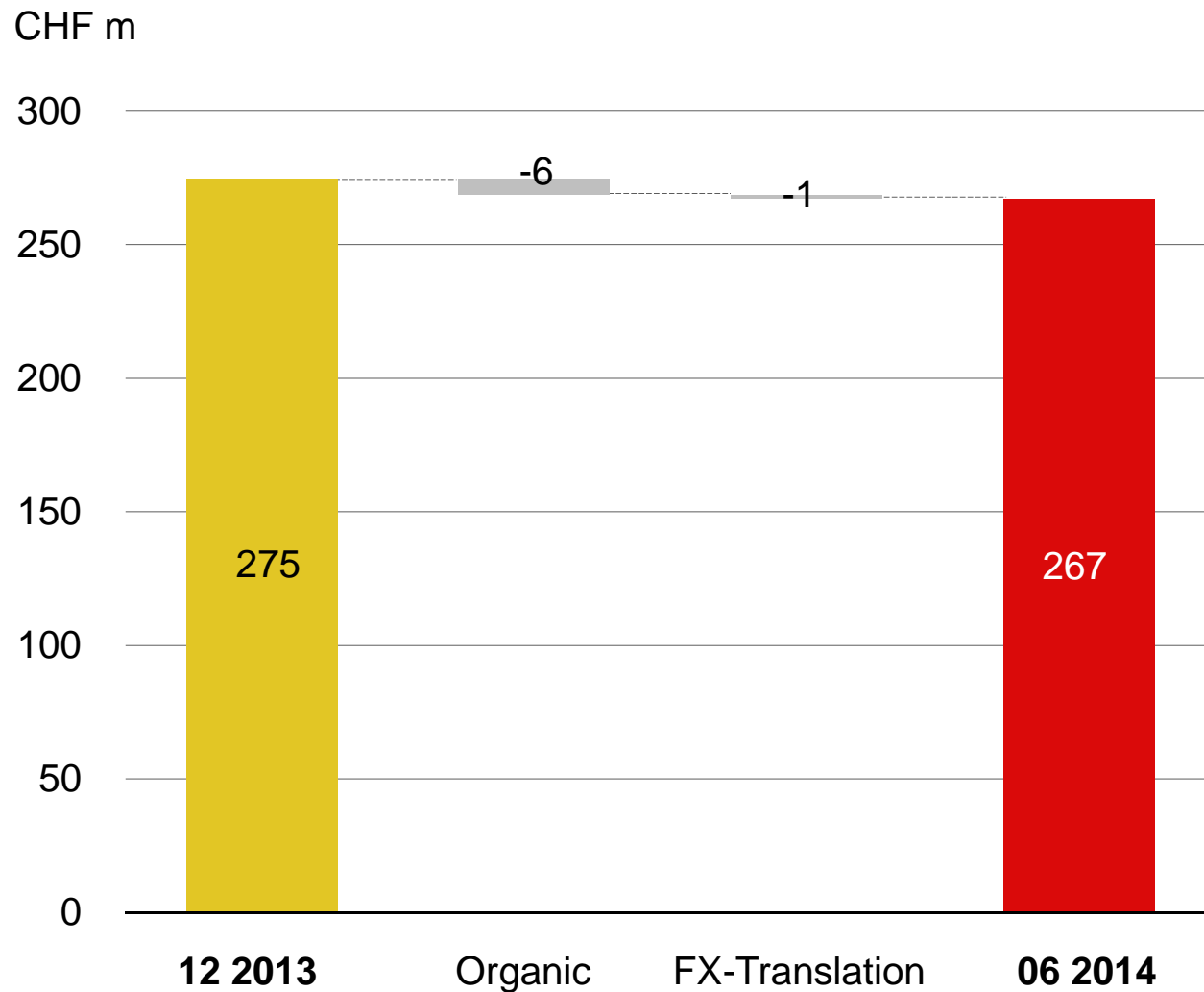
CHF m



- Organic decrease of 4 % due to individual project delays mainly caused by the lead times required sourcing materials
- Lower Euro FX rate of 1.234 compared to 1.242 in H1 2013

Sales revenue in H1 2014: -4.0 % at constant fx rates

Order backlog



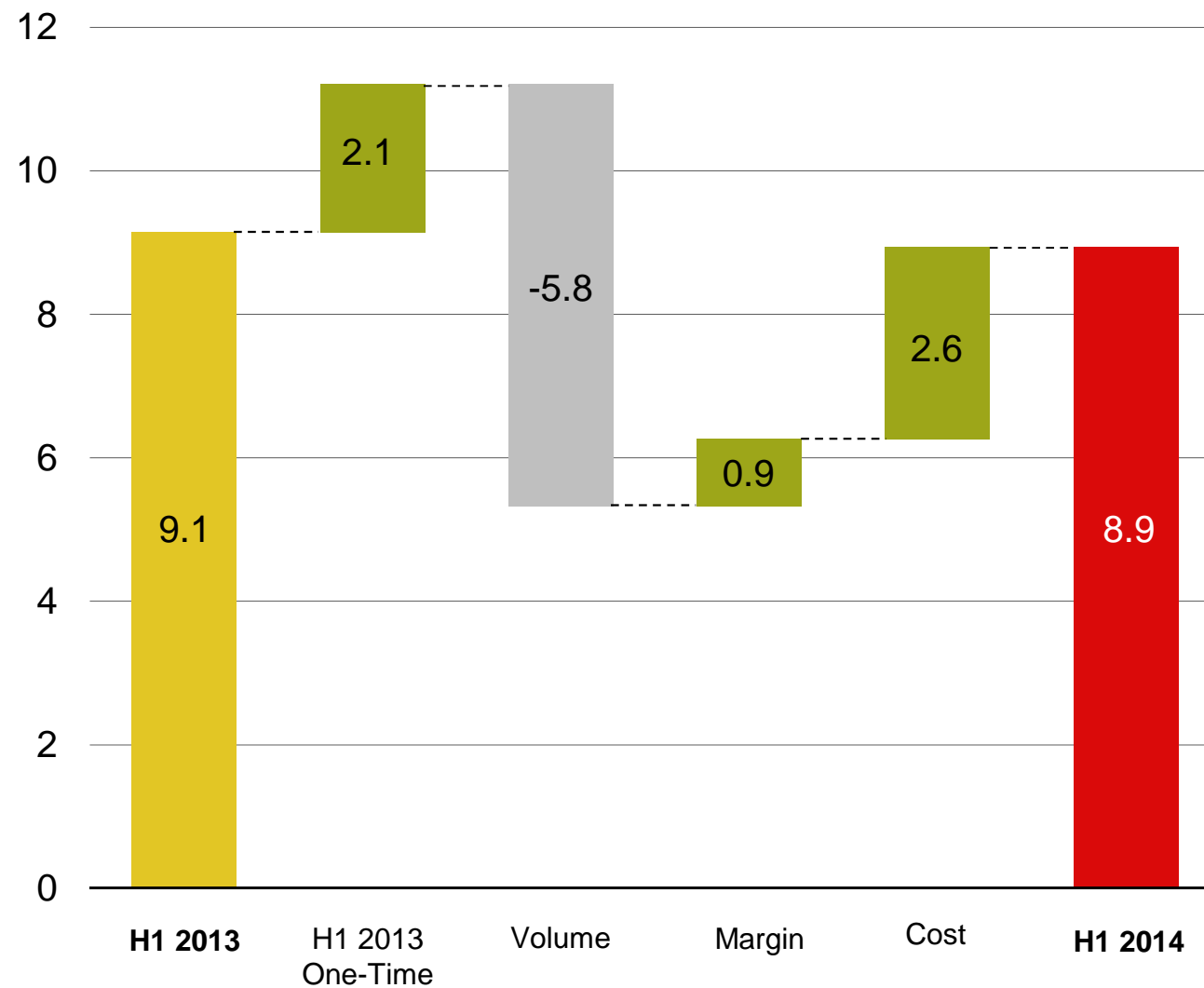
Book-to-bill ratio of 0.97

Lower Euro FX rate of 1.2278 compared to 1.2373 in December 2013

Order backlog in H1 2014: -2.7 %

EBIT

CHF m



EBIT margin increased from 4.6 % to 4.7 %

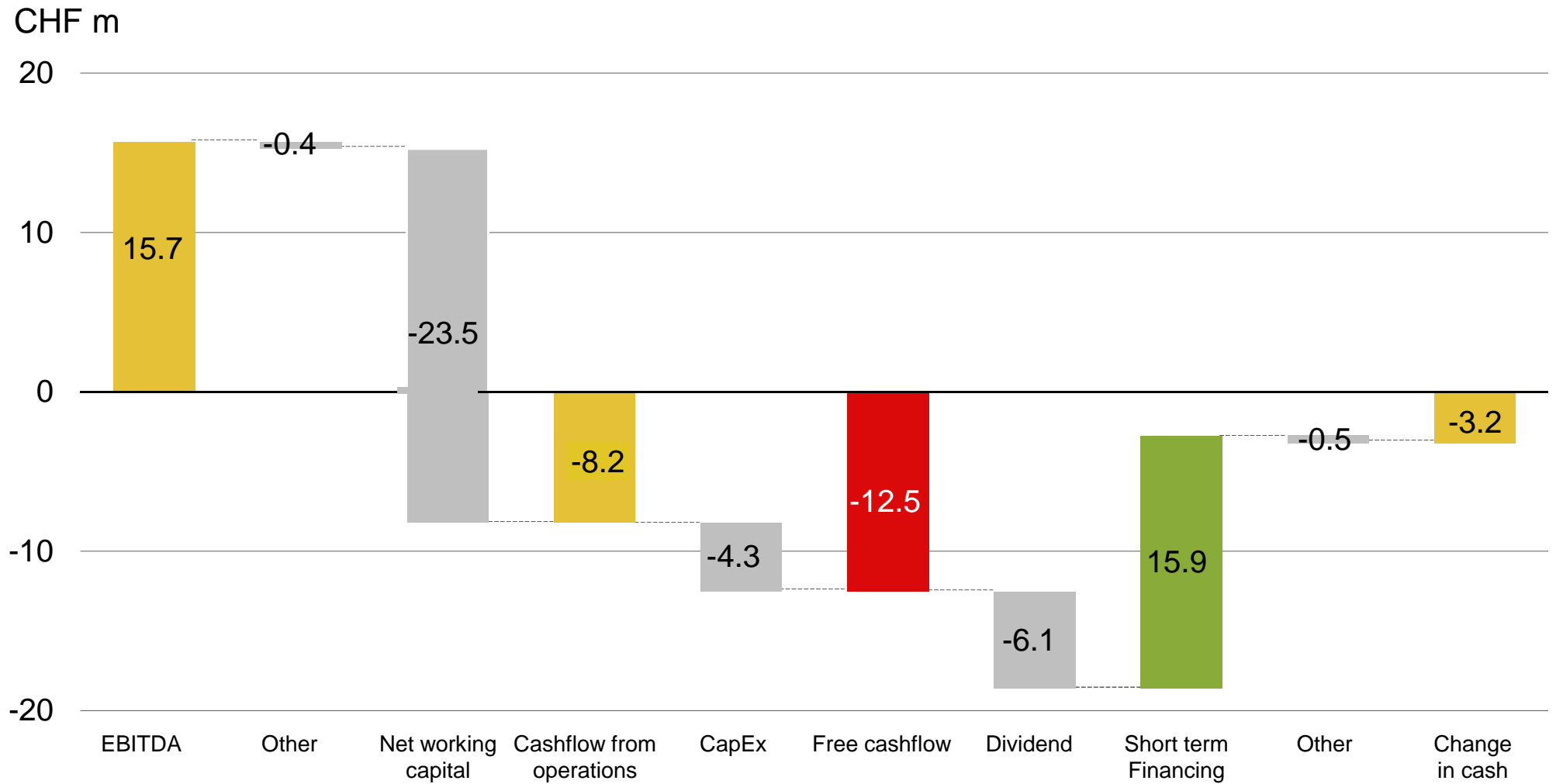
EBIT in H1 2014: -2.2 %

Net profit (EAT) up 15 %

	CHF m	H1 2014	H1 2013
<i>EBIT</i>		8.9	9.1
Interest		-0.1	-0.1
FX result		0.3	-0.5
Other		-0.4	-0.5
<i>Earnings before tax EBT</i>		8.8	8.0
Income tax		-2.2	-2.3
Net profit EAT		6.6	5.7
Tax rate		25 %	29%
Earnings per share		1.93	1.67

- ✓ FX gain 0.3 m CHF after FX loss in prior year
- ✓ Lower effective tax rate due to a different geographical distribution of profits (expected future tax rate 26 % to 28 %)
- ✓ Earnings per share up 15.6 %

Free cashflow



Free cashflow impacted by lower advance payments received for work in progress as well as input costs incurred to process orders on hand

Overview of key figures (I)

	CHF m	H1 2014	H1 2013	Change
Order intake		183.6	206.4	-11.0 %
Sales revenue		189.7	199.4	-4.9 %
EBIT		8.9	9.1	-2.2 %
Net income		6.6	5.7	15.0 %
Earnings per share (in CHF)		1.93	1.67	15.6 %
EBIT as percentage of sales revenue		4.7 %	4.6 %	n/a
Net income as percentage of sales revenue		3.5 %	2.9 %	n/a
Return on equity		6.8 %	6.1 %	n/a
Cash flow from operations		-8.2	-3.6	n/a
Capital expenditure		4.3	4.8	-10.8 %
Free cashflow		-12.5	-8.4	n/a

- Slightly higher EBIT and net profit margins, lower orders and sales revenue
- Cashflows impacted by pre-financing of orders

Overview of key figures (II)

	CHF m	30.06.2014	31.12.2013	Change
Order backlog		267.4	274.7	-2.7 %
Total assets		352.1	348.7	1.0 %
Net cash		-2.6	16.1	n/a %
Shareholder's equity		191.9	193.6	-0.9 %
Equity ratio		54.4 %	55.5 %	n/a %
Employees at year end		1'643	1'667	-1.4 %

- ▀ Continued high levels of equity financing
- ▀ Decrease in net cash due to pre-financing of orders

Agenda

■ Market and Business Review

■ Financial Review

■ Outlook

Vision

- ✓ Starrag Group is the leading manufacturer of highly productive, durable complete solutions for precise cutting applications.
- ✓ Innovation, quality, a global presence and competence in customer service ensure our customers a consistent advantage in productivity.



Priorities 2014

- Further strengthen market position through global sales and customer support organization for all brands, keep course in Asia
- New products and processes incorporating group wide technology synergies
- Customer Service: moving technical competence closer to customers, pro-active marketing of new service products
- Continued optimization of processes and procedures
- Employees: Attracting the right people
- Removing Bumotec capacity bottleneck with new plant
- Turning order backlog into revenues (on scope, time and cost), strict cost and working capital management on all levels

Market development scenario for H2 2014+

Aerospace	Solid activity levels expected
Energy	Remaining slack but end of trough soon achieved?
Industrial	Mixed development expected, strong in Watch and Jewellery
Transportation	Mixed development similar as in H1 2014

■ Economic and geopolitical uncertainties continuing

Financial outlook 2014

	2013	H1 2013	H1 2014	Guidance 2014
Order intake	424.9	206.4	183.6	H2 2014 > H1 2014 FY 2014 < FY 2013
Sales revenue	390.7	199.4	189.7	FY 2014 ≈ FY 2013
EBIT margin	4.9 %	4.6 %	4.7 %	FY 2014 ≥ FY 2013
Net profit margin	3.5 %	2.9 %	3.5 %	

Corporate calendar / Contact

- 04.11.2014 Q3 2014 results
- 26.01.2015 Initial information on 2014 results
- 06.03.2015 Presentation of 2014 results for analysts and media in Zurich
- 24.04.2015 Annual general meeting in Rorschach
- 08.05.2015 Q1 2015 results
- 24.07.2015 Half-year report 2015

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starrag

Starrag Group

We are pleased to answer your questions.



berthiez
bumotec
dörries
droop+rein
heckert
scharmann
sip
starrag
ttl
wmw

Back-up slides



Starrag Group

Strong brands enhancing the overall potential for success



starrag

Starrag Group

- Each brand with high level of customer trust in its specific application area
- Innovative technologies of each brand radiate across all group brands
- Collaboratively fulfilling our promise: long-time total customer satisfaction

berthiez
bumotec
dörries
droop+rein
heckert
scharmann
starrag



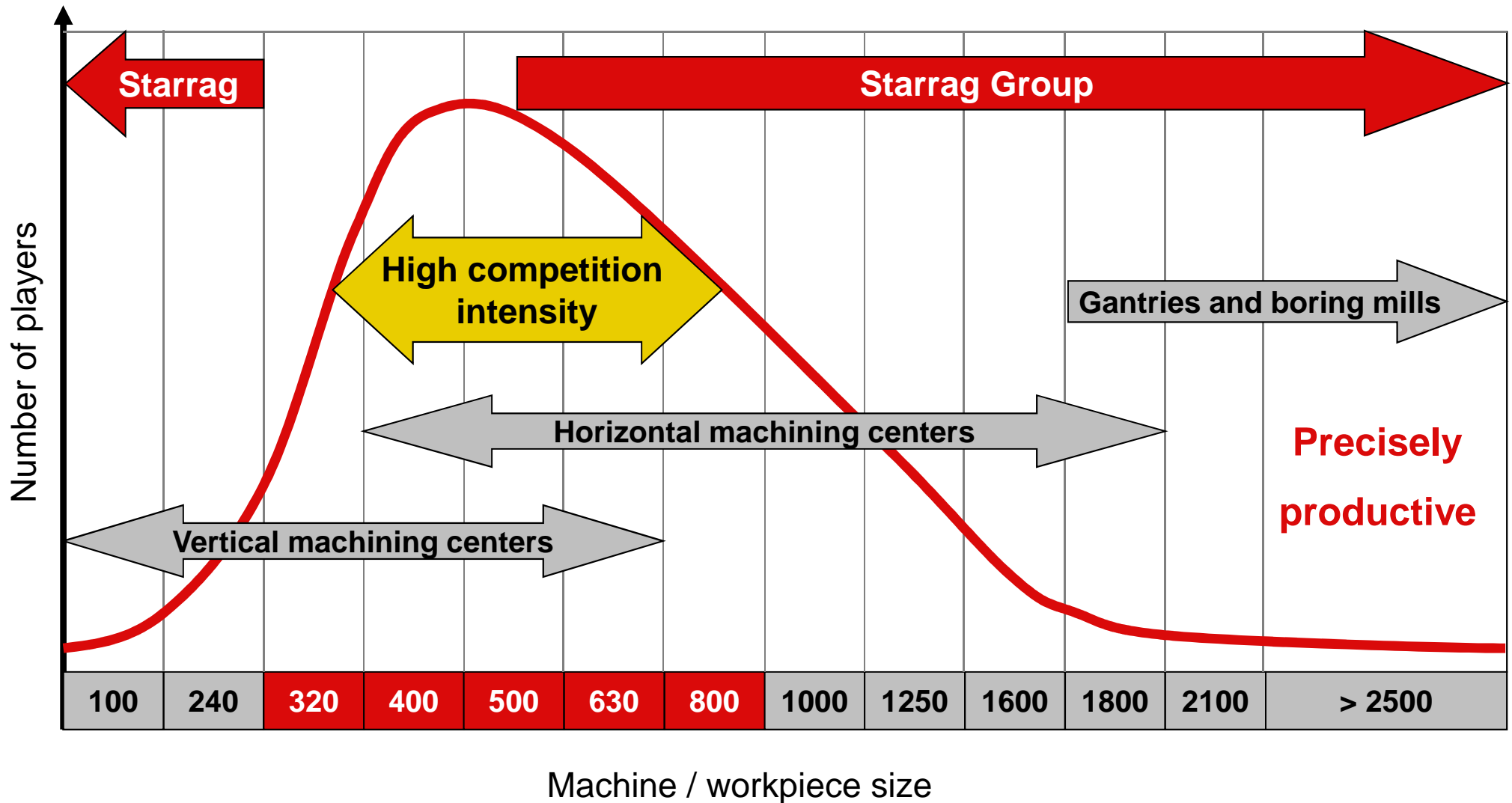
High-precision machine tools for greater productivity

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. Principle customers are internationally active companies in the aerospace, energy, transport and industrial engineering sectors. In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer productivity.

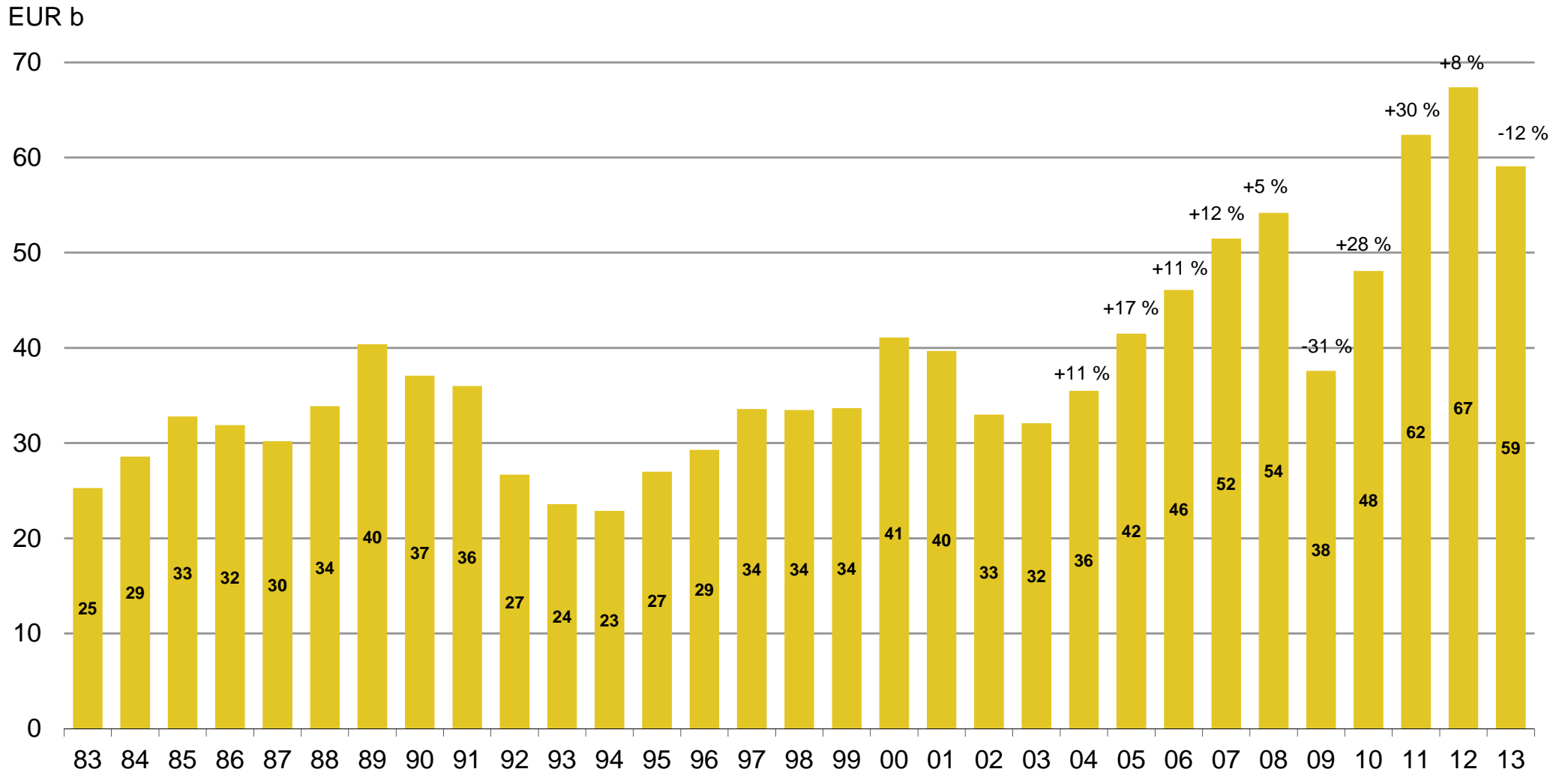
Starrag Group products are marketed under the following strategic brands: Berthiez, Bumotec, Dörries, Droop+Rein, Heckert, Scharmann, SIP, Starrag, TTL, WMW. Headquartered in Rorschach/Switzerland, the Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and has established a network of sales and service subsidiaries in numerous other countries.

Starrag Group is listed on the SIX Swiss Exchange (STGN).

Multi-niche strategic positioning



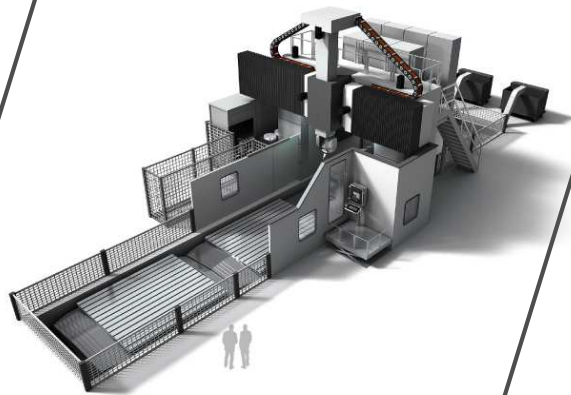
World machine tool production cycle



World production machine tools 1983 – 2013

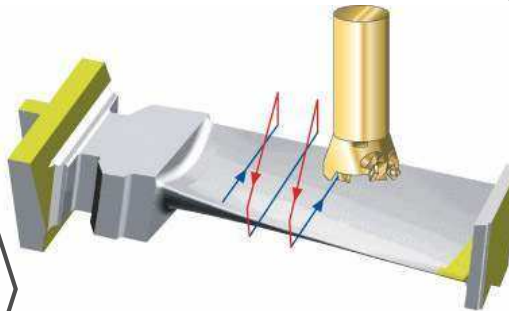
Common strategy based on three pillars

Leading metal cutting machine tools



- Milling, turning, boring, grinding, multi-tasking
- One set-up machining concept
- High-end products
- Precisely productive

Leading cutting technology support































- Center of Production Excellence
- Engineering services
- Software, programming
- Pilot series, production support

Leading global customer service



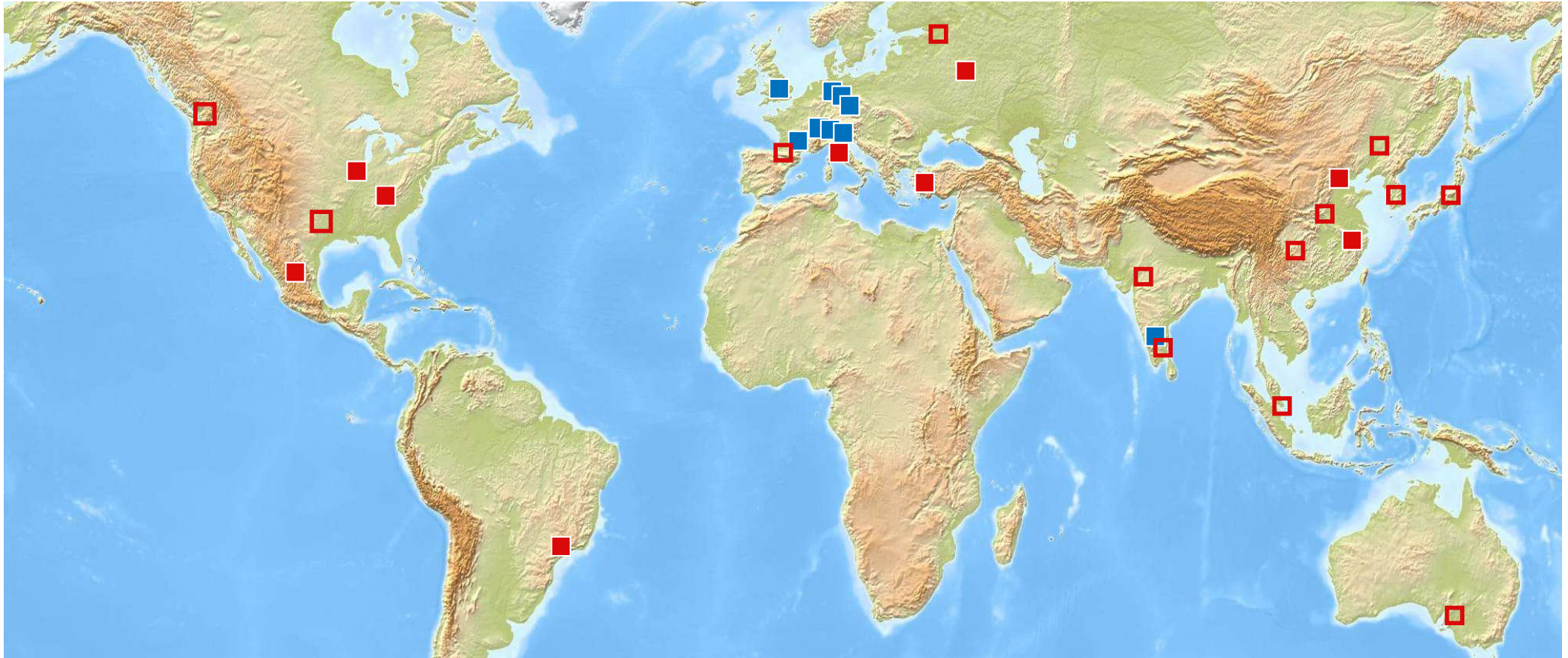
- Through life cycle support
- Multilingual service engineers
- Preventive maintenance programs
- Global spare parts availability




Target markets and product positioning

	Aerospace	Energy	Transport	Industrial
Share of 2009 to 2013 order intake	36 %	9 %	24 %	31 %
Business Unit 1 - Starrag - TTL	 	 		
Business Unit 2 - Heckert - WMW			 	 
Business Unit 3 - Berthiez - Dörries - Droop+Rein - Scharmann	   	   	  	  
Business Unit 4 - Bumotec - SIP	 			 

 = Main Application
 = Application

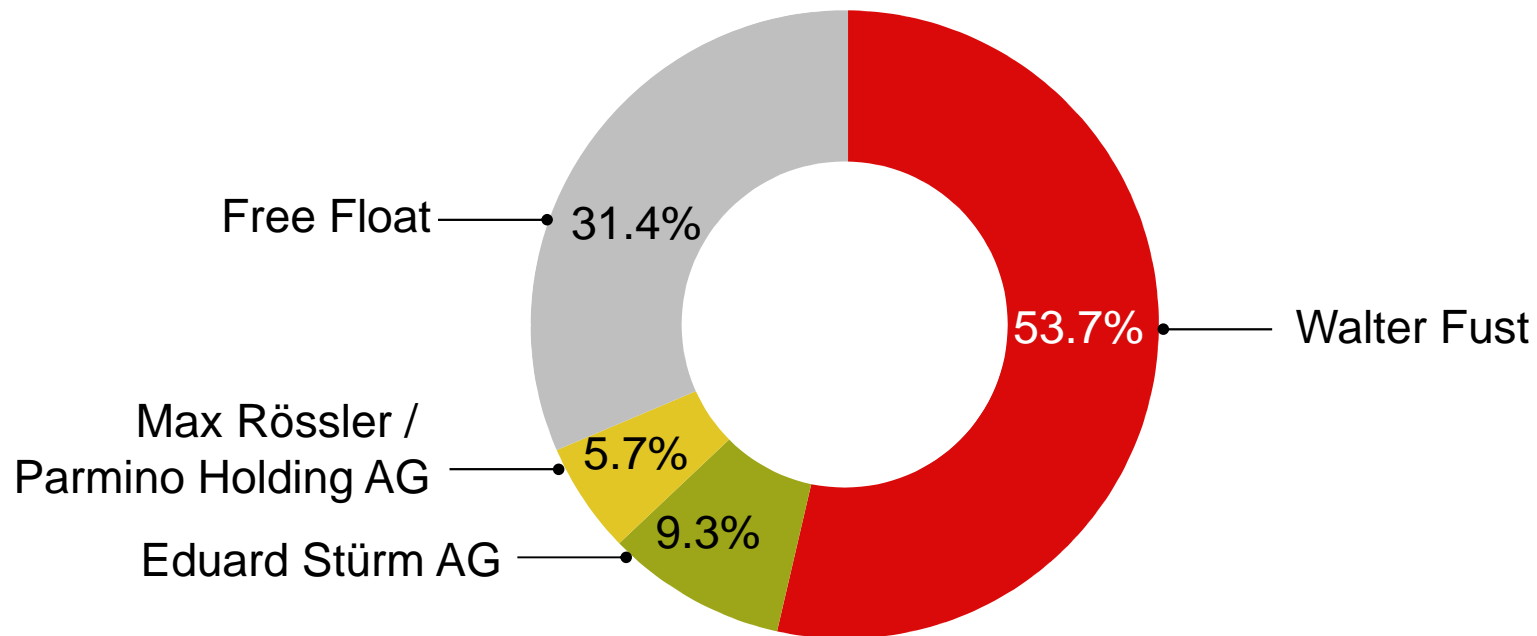
Global presence in sales, application and service support



- Manufacturing plant, Sales and service organization 
- Sales and service organization 
- Service hubs 

Share details

- Market capitalization CHF 276 million as per 30 June 2014
- Listed at SIX Swiss Exchange Main Standard
- Symbol STGN, Valor number 236'106, ISIN CH00023610608
- 3'360'000 registered shares with a nominal value of CHF 8.50 each
- Stable shareholder structure (as of 30 June 2014)



Top management



Walter Fust (1941, Swiss) has been a member of Starrag Group Holding AG's Board of Directors since 1988 and its Chairman since 1992.

From 1997 to 2009 he was a member of the Board of Directors of Jelmoli Holding AG (Chairman until 2007), in which he held a majority shareholding from 1996 to 2003. He was the founder of Dipl. Ing. Fust AG, which was listed on the stock market in 1987 and subsequently acquired by Jelmoli Holding AG in 1994, which later sold Dipl. Ing. Fust AG to Coop in 2007.

Walter Fust holds a degree in engineering from the Swiss Federal Institute of Technology in Zurich (ETHZ). He has never held an executive position in Starrag Group and he does not have any significant business relationships with the Group.



Walter Börsch (1959, German) has been CEO and Head of Regional Sales of Starrag Group since 2014.

Before he has been Head of Business Unit 1 since January 2012 until end of 2013 with responsibility for the Starrag brand in Rorschacherberg (Switzerland) and as well as for the TTL subsidiary in Haddenham (UK). He previously held the position of Head of Operations at Starrag Group up to the year 2007. From 2005 to 2007 Mr. Walter Börsch was Head of Sales and Engineering at an internationally active machine tool manufacturer. From 2000 until 2004, he headed a business unit of Hüller Hille GmbH. Prior to that he held various management functions in that company's development, sales, customer service and sales departments beginning in 1987.

Walter Börsch holds a Master's degree in mechanical engineering from Aachen University and also completed a marketing program at the University of St. Gallen.











Gerold Brüttsch (1966, Swiss) has been Chief Financial Officer (CFO) of Starrag Group since 2000 and since 2005 Deputy CEO and Head of Corporate Center.

Gerold Brüttsch previously served as Chief Financial Officer of an international machine manufacturing company (Müller Martini Buchbinde-System AG) and as an auditor with KPMG in Zurich and San Francisco.

Gerold Brüttsch is a graduate of the School of Economics and Business Administration in St. Gallen and earned his degree in business administration in 1990.

He is a Swiss Certified Accountant and U.S. Certified Public Accountant.

Our pedigree, 150 years tradition for innovation

SIP	Dörries Scharmann	Heckert	Droop+Rein	Starrag	Berthiez	Bumotec	TTL
Geneva	Mönchengladbach	Chemnitz	Bielefeld	Rorschach	St. Etienne	Sâles	Aylesbury
							
1862	1884	1885	1890	1897	1916	1973	1987
Scientific instruments	Textile machine components	Bicycle manufacturing	Machine tools	Textile machinery	Machine tools	Machine tools	Software/technology company
