




Starrag Group

Half year presentation 2015

Rorschacherberg, 24 July 2015

A large background image showing a view of Earth from space, with the sun's bright light on the left creating a lens flare effect. The right side of the slide is partially covered by a dark blue triangular graphic.

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

Legal note

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Agenda

■ Market and Business Review

■ Financial Review

■ Outlook

Agenda

■ Market and Business Review

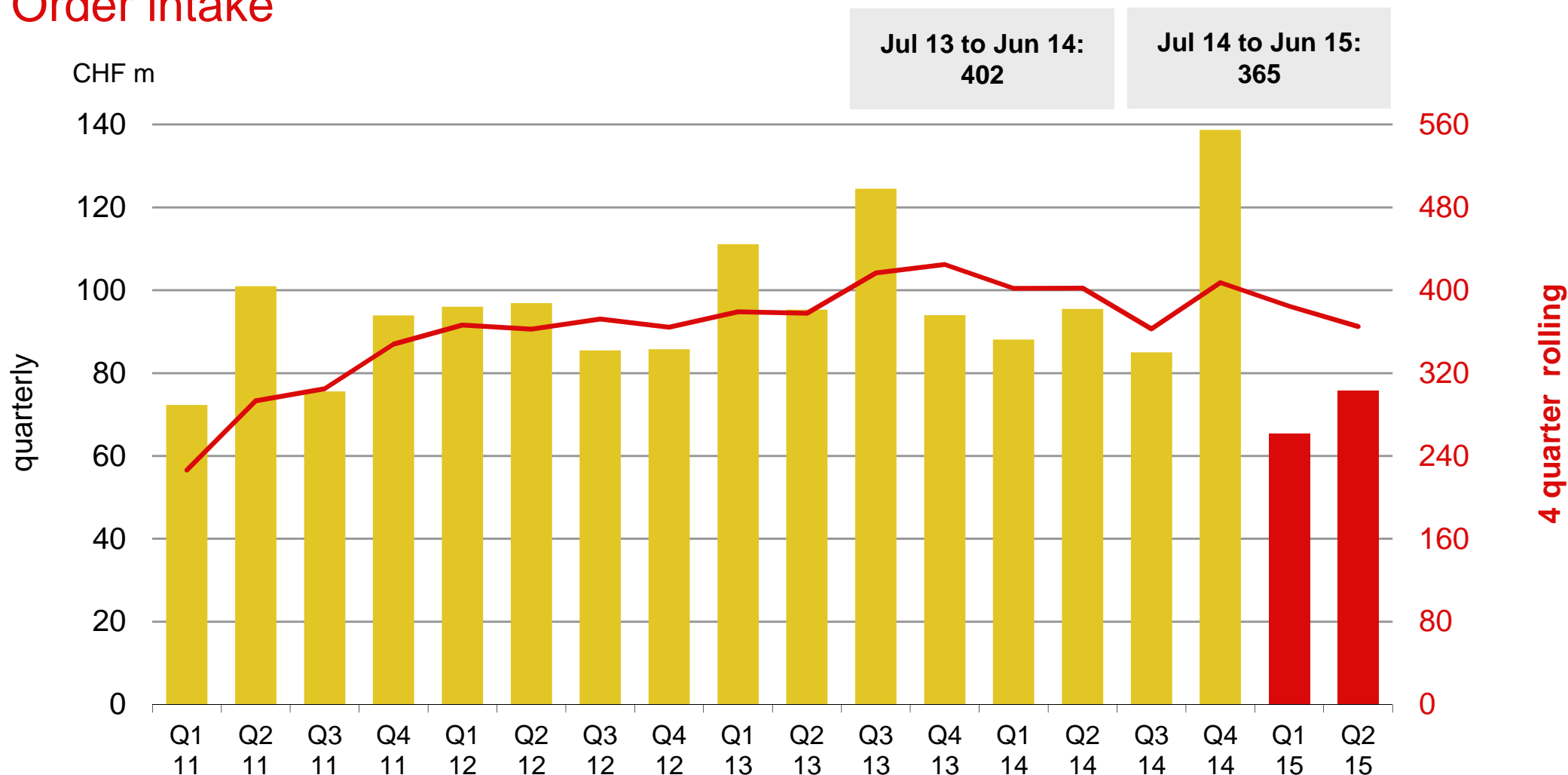
■ Financial Review

■ Outlook

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

Order intake

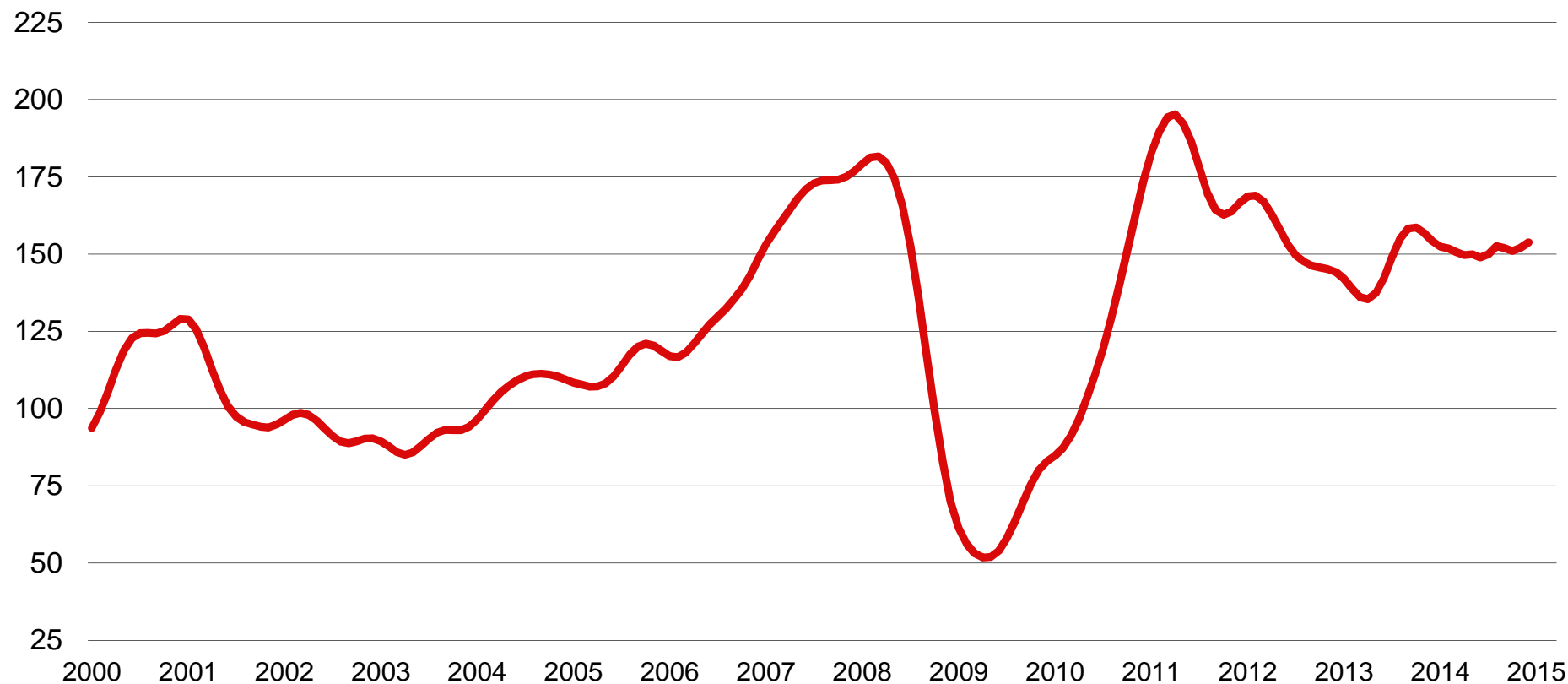


FX adjusted decrease last twelve months -5.7 %

FX adjusted decrease H1 -16 %

Order intake machine tool industry Germany

Index

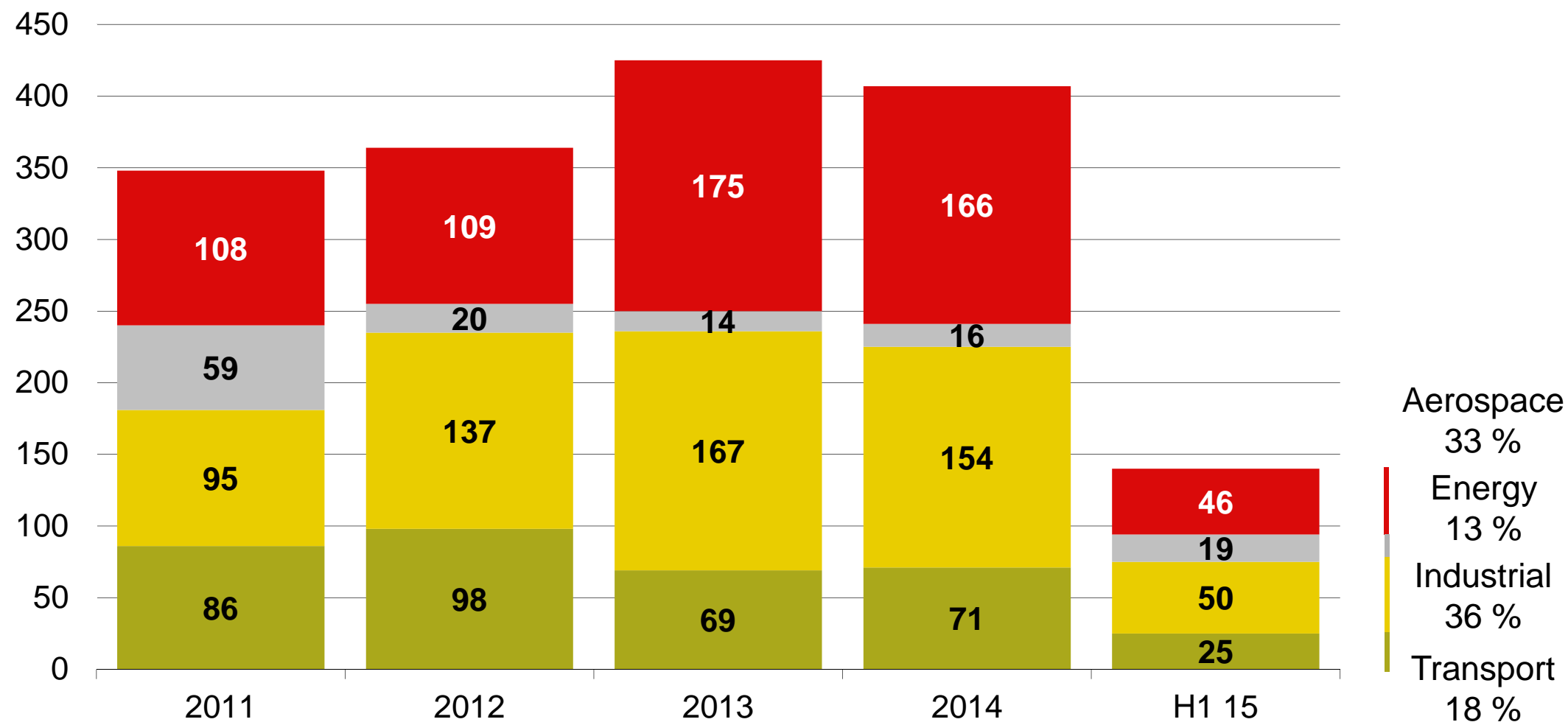


German machine tool market July 2014-May 2015 +1.5 % to the same prior year period

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

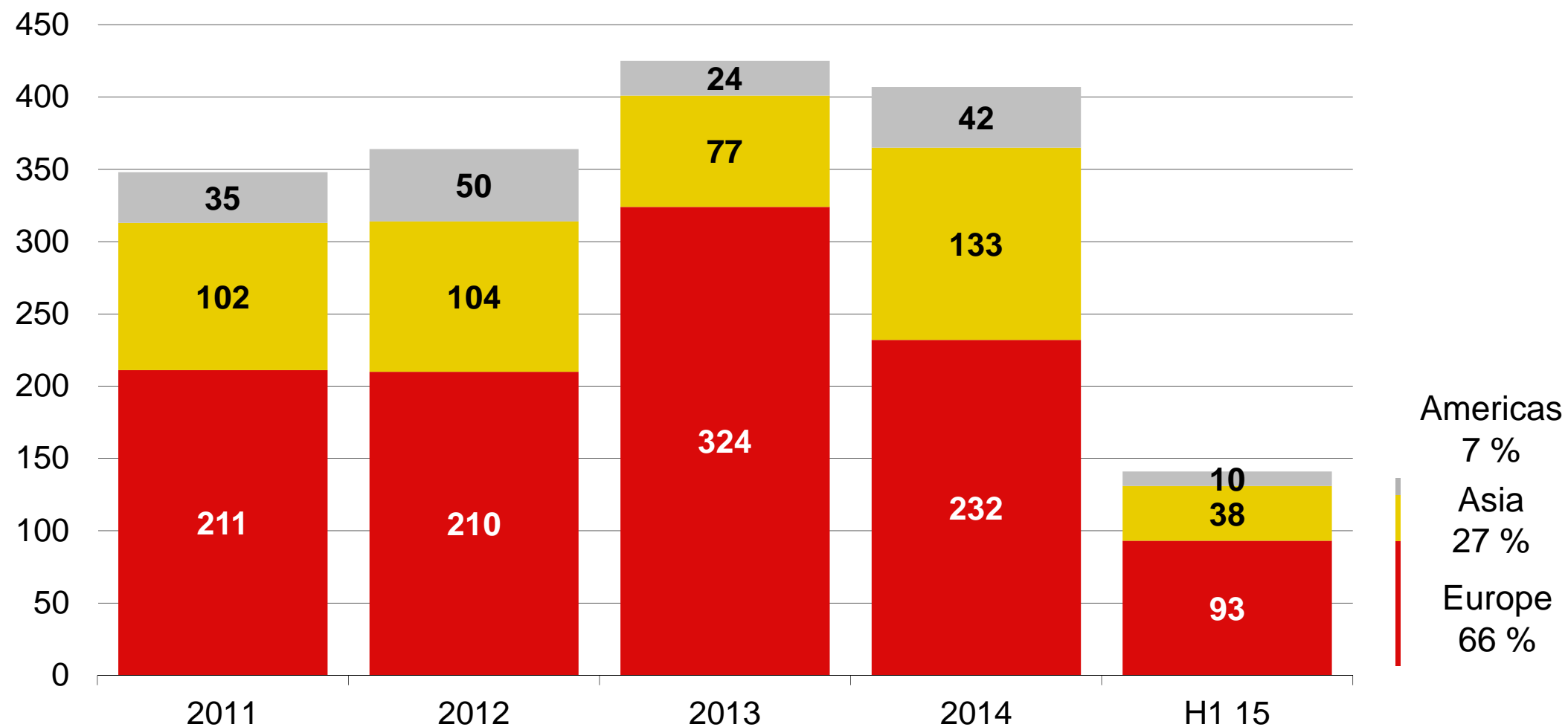
Order intake by customer industry

CHF m



Order intake by region

CHF m

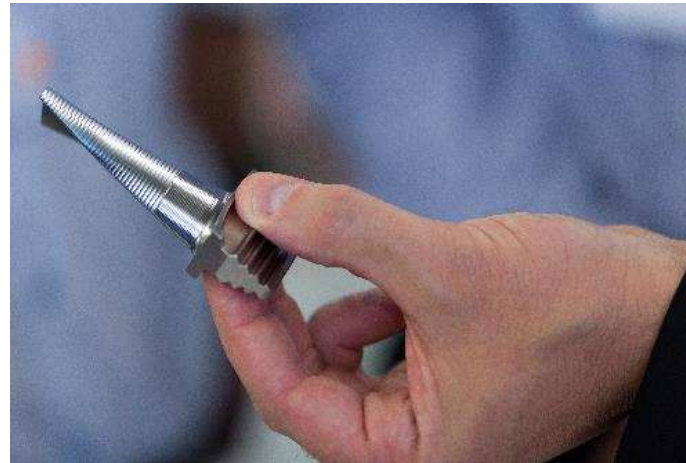


Turbine Technology Days – where professionals meet

New process solutions for turbine parts



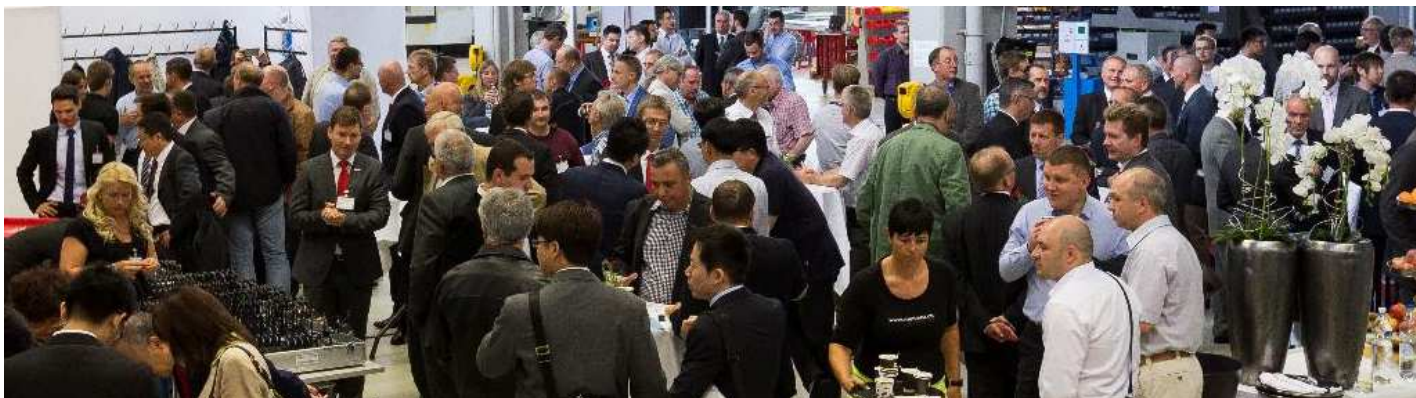
LX 051 - Your stand alone FMS –
Automated handling of all setups - Let
your machine work, while you take a rest



Small Blade «milling in one go»



Starrag Service – New Spindle Concept



CIMT 2015, China International Machine Tool Show



Successful machine tool exhibition CIMT in Beijing, China



Reorganization based on strategic market segments on track

■ Aims of reorganization

- reducing organizational complexity
- making greater use of synergy potential
- to raise growth rates and margins

■ Extensive range of measures to

- strengthen marketing and sales power
- create an extensive and well-rounded product portfolio

■ Numerous stand-alone measures implemented to enhance profitability and reach medium-term margin goals

New Bumotec / SIP factory on track

- Investing in fast growing markets of Luxury Goods, Medtech and Micromechanics
- Manufacturing plant for ultra precision machine tools for the production of high-end components
- Start of construction September 2014, Move to new plant H2 2016
- To manufacture with the latest production technology
- Ecological trendsetter
(Geothermal probes, Large solar system on roof)
- Preparation for optimized production processes in the new plant



Agenda

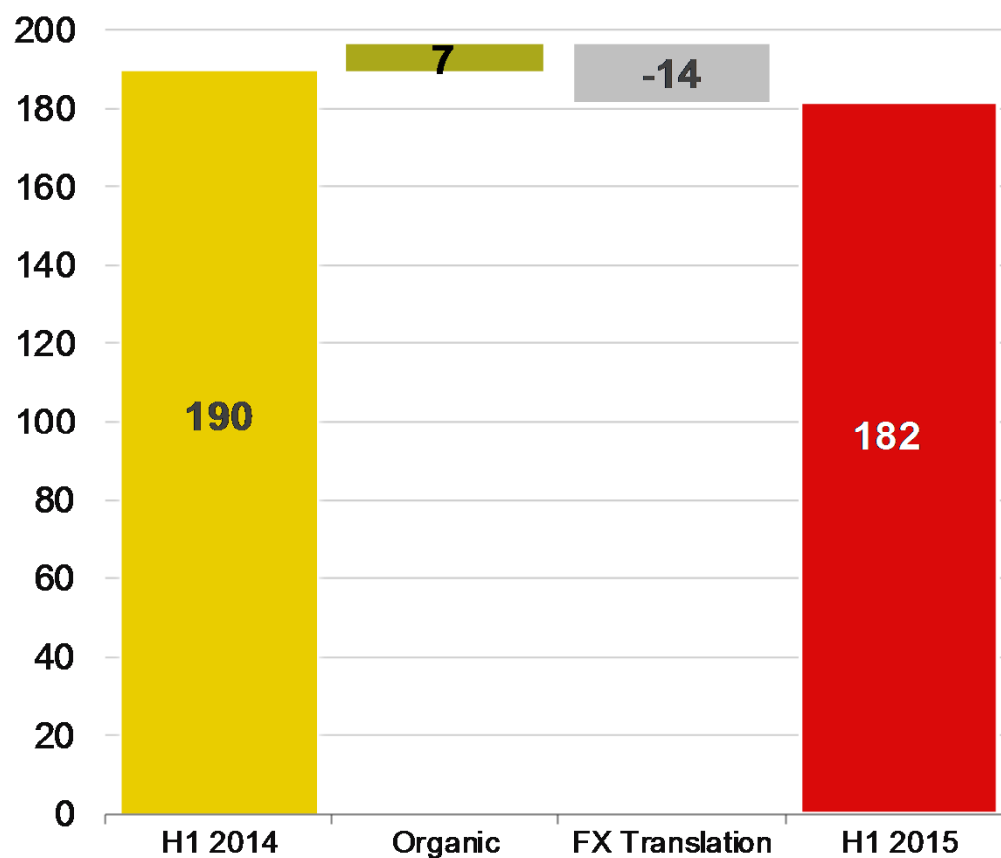
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Sales revenue +3.5 % in local currencies

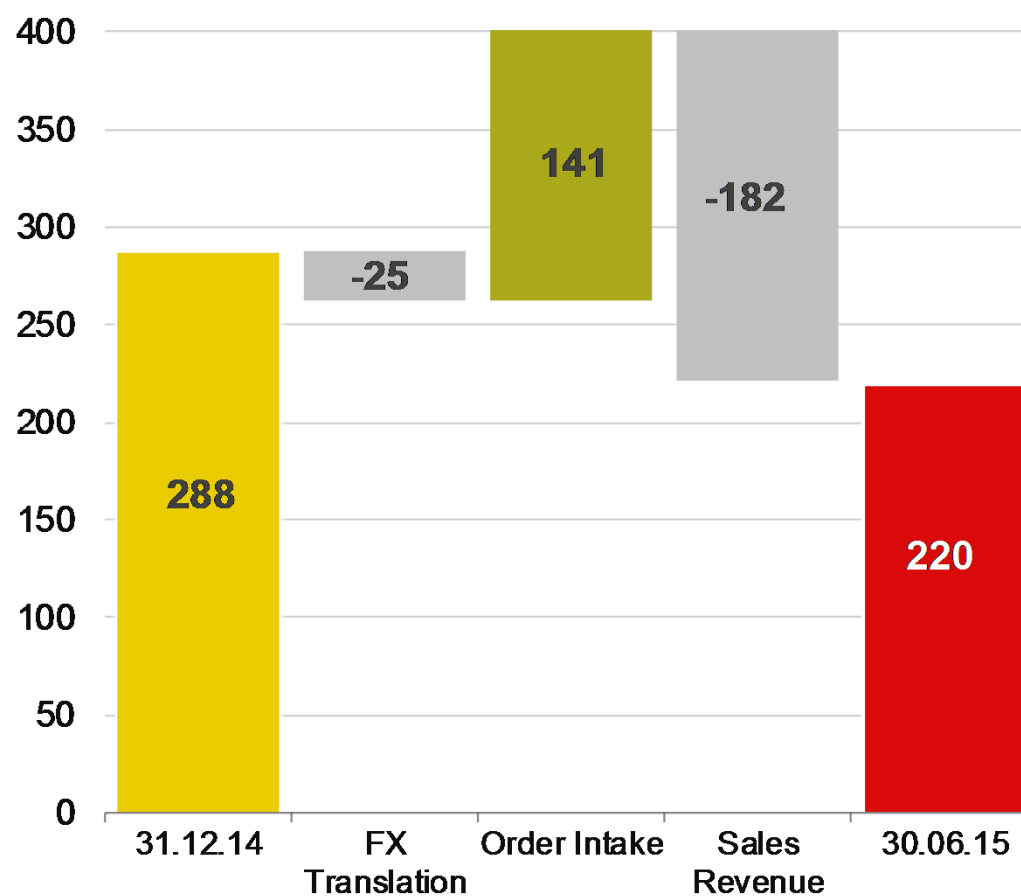
CHF m



- Organic growth of 3.5 % thanks to increased order backlog at the beginning of the year
- Lower Euro FX rate of 1.0761 compared to 1.2341 in H1 2014 reduces sales revenue by 14m CHF or 7.8 %

Order backlog ensures utilization for several quarters

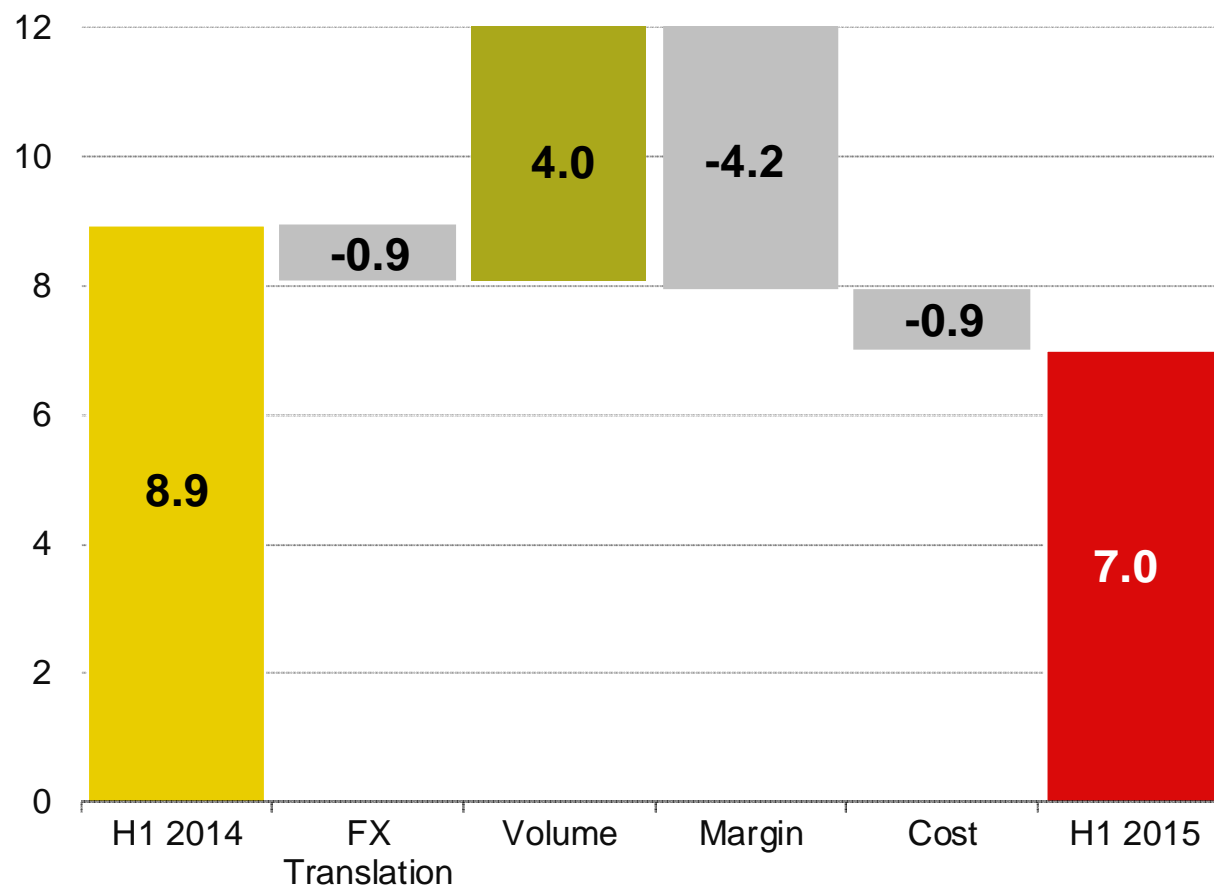
CHF m



■ Lower Euro FX rate of 1.0484 compared to 1.2146 end of 2014

EBIT margin decrease to 3.9 % (H1 2014: 4.7 %)

CHF m



- Lower Euro FX rate of 1.0761 compared to 1.2341 in H1 2014
- Normalized gross margin of 58.8 % as in full year 2014 (H1 14: 61.2 %)
- decrease to H1 14 primarily caused by lower percentage of completion of contracts in progress and thus higher material content
- Lower margins due to strong CHF with negative effect on backlog plus additional price concessions
- Negative cost impact mainly caused by industry-wide pay increases in Germany despite lower number of employees

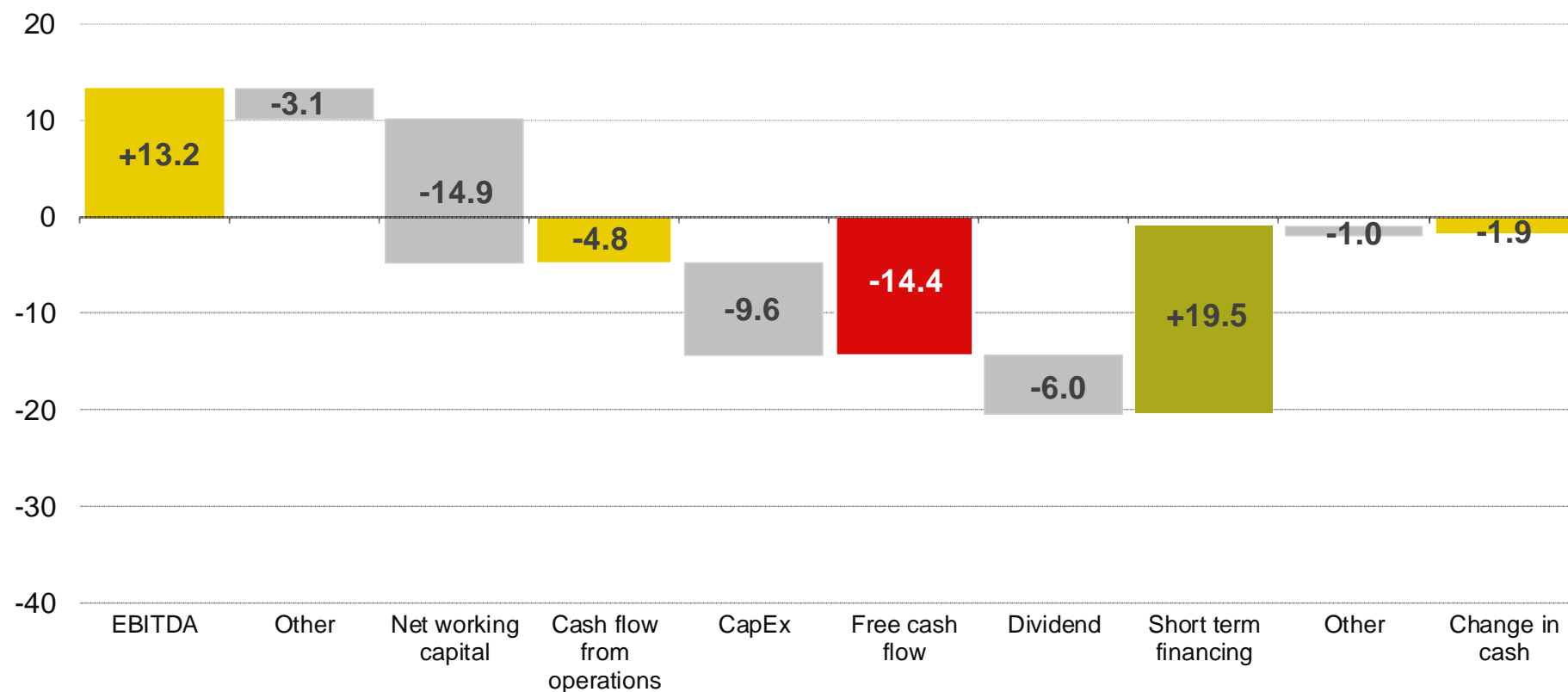
Net profit (EAT)

CHF m	H1 2015	H1 2014
Earnings before interest and taxes EBIT	7.0	8.9
Interest	-0.2	-0.1
FX result	-2.3	0.3
Other financial result	-0.4	-0.4
Earnings before tax EBT	4.1	8.8
Income tax	-1.0	-2.2
Net income	3.1	6.6
Earnings per share in CHF	0.92	1.93

- Lowered Net profit due to negative FX result of 2.3m CHF after revaluation of unhedged euro positions
- Lower effective tax rate of 23 % compared to 25 % in H1 2014 due to different geographical distribution of profits

Free cash flow

CHF m



Free cash flow impacted by lower advance payments received for contracts in progress as well as increased capital expenditure for Bumotec/SIP plant

Overview of key figures (I)

	CHF m	H1 2015	H1 2014	Change
Order intake		141.1	183.6	-23.1 %
Sales revenue		181.8	189.7	-4.2 %
EBIT		7.0	8.9	-21.7 %
Net income		3.1	6.6	-52.2 %
Earnings per share (in CHF)		0.92	1.93	-52.4 %
EBIT as percentage of sales revenue		3.9 %	4.7 %	n/a
Net income as percentage of sales revenue		1.7 %	3.5 %	n/a
Return on equity		3.2 %	6.8 %	n/a
Cash flow from operations		-4.8	-8.2	n/a
Capital expenditure		9.6	4.3	122.5 %
Free cash flow		-14.4	-12.5	n/a

- Strong CHF with negative impact on key figures
- Cash flows impacted by pre-financing of orders and capital expenditure into the new Bumotec and SIP plant

Overview of key figures (II)

	CHF m	30.06.2015	31.12.2014	Change
Order backlog		220.2	287.6	-23.4 %
Total assets		326.2	356.3	-8.4 %
Net cash		-18.3	2.4	n/a %
Shareholder's equity		174.7	195.9	-10.8 %
Equity ratio		53.5 %	55.0 %	n/a %
Employees at year end		1'612	1'617	-0.3 %

- Continued high levels of equity financing
- Starrag Group remains solid long-term partner for its customers

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Market development scenario for H2 2015+

■ Aerospace

- capacity ramp up required based on existing order books
- deferral of individual orders to be expected

■ Energy

- further slow recovery expected
- low energy prices continue to cause delays in required investments

■ Industrial

- Swiss luxury goods exports positive in H1 2015 generating additional capacity requirements
- price pressure in large machine market

■ Transportation

- positive development in railroad
- slow markets like construction and agriculture

■ Global economic and political environment is likely to become even more challenging in H2 2015

Financial outlook 2015

	2014	H1 14	H1 15	Guidance 2015 (in local currencies)
Order intake	407.3	183.6	141.4	H2 2015 > H1 2015 FY 2015 < FY 2014
Sales revenue	393.2	189.7	182.7	FY 2015 ≈ FY 2014
EBIT margin	4.9 %	4.7 %	3.9 %	FY 2015 < FY 2014
Net profit margin	3.7 %	3.5 %	1.7 %	

Corporate calender / Contact

- 03.11.2015 Key figures Q3 2015
- 29.01.2016 Initial information on 2015 results
- 04.03.2016 Presentation of 2015 results for analysts and media in Zurich
- 23.04.2016 Annual general meeting in Rorschacherberg
- 04.05.2016 Key figures Q1 2016
- 27.07.2016 Half-year report 2016

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Further Information:

<http://www.starrag.com> / investor@starrag.com



Starrag Group

We are pleased to answer your questions.

A background image showing a view of the Earth from space, with a bright sun on the left creating a lens flare and illuminating the horizon. The right side of the image is partially covered by a dark blue triangular overlay.

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

Back-up slides



Starrag Group

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.



Strong brands enhancing the overall potential for success



- 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

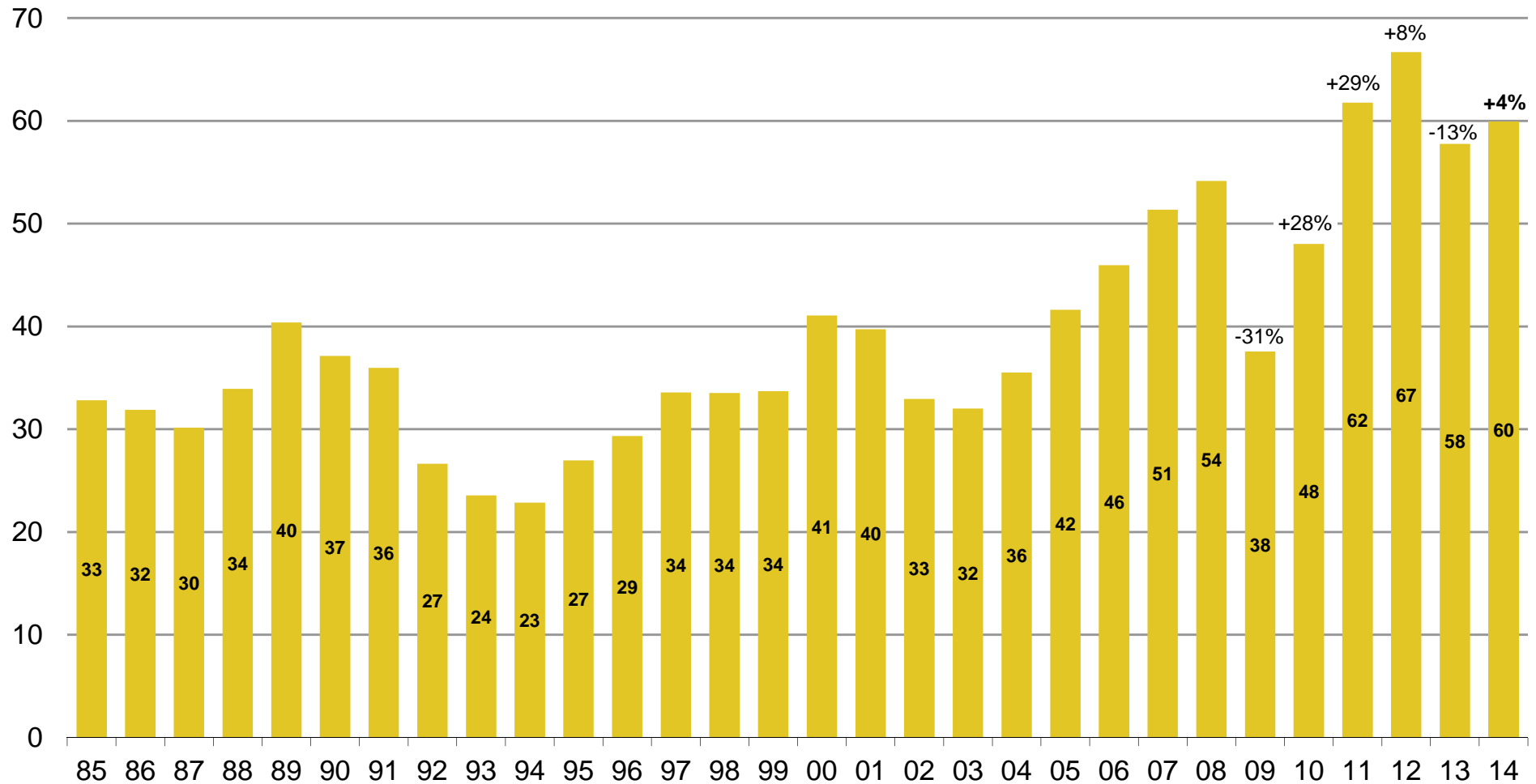
Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling turning, boring and grinding of workpieces made from metallic, composite and ceramic materials. Principle customers are internationally active companies in the Aerospace & Energy, Transportation & Industrial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

The 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).

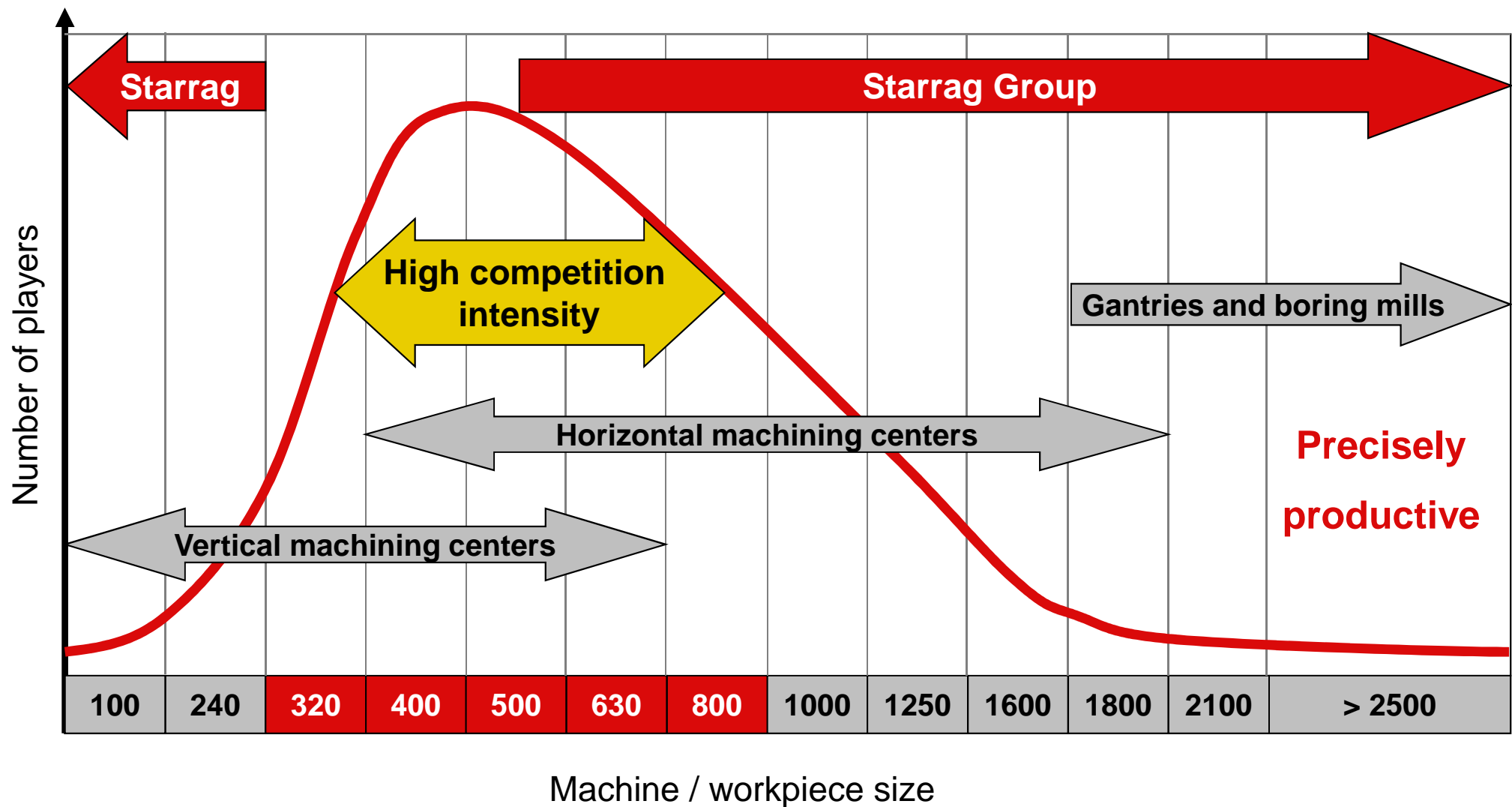
World machine tool production

[Mrd. EUR]



World production machine tools 1985 – 2014

Multi-niche strategic positioning



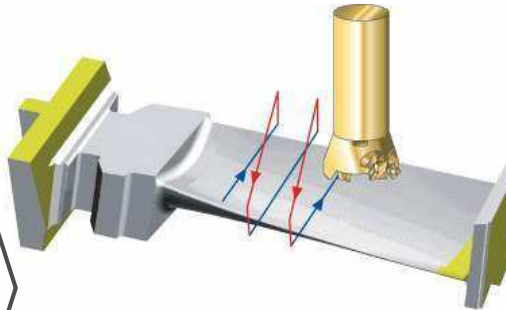
Common strategy based on three pillars

Leading metal cutting machine tools



- Milling, turning, boring, grinding
- High-end products
- Precisely productive

Leading cutting technology support



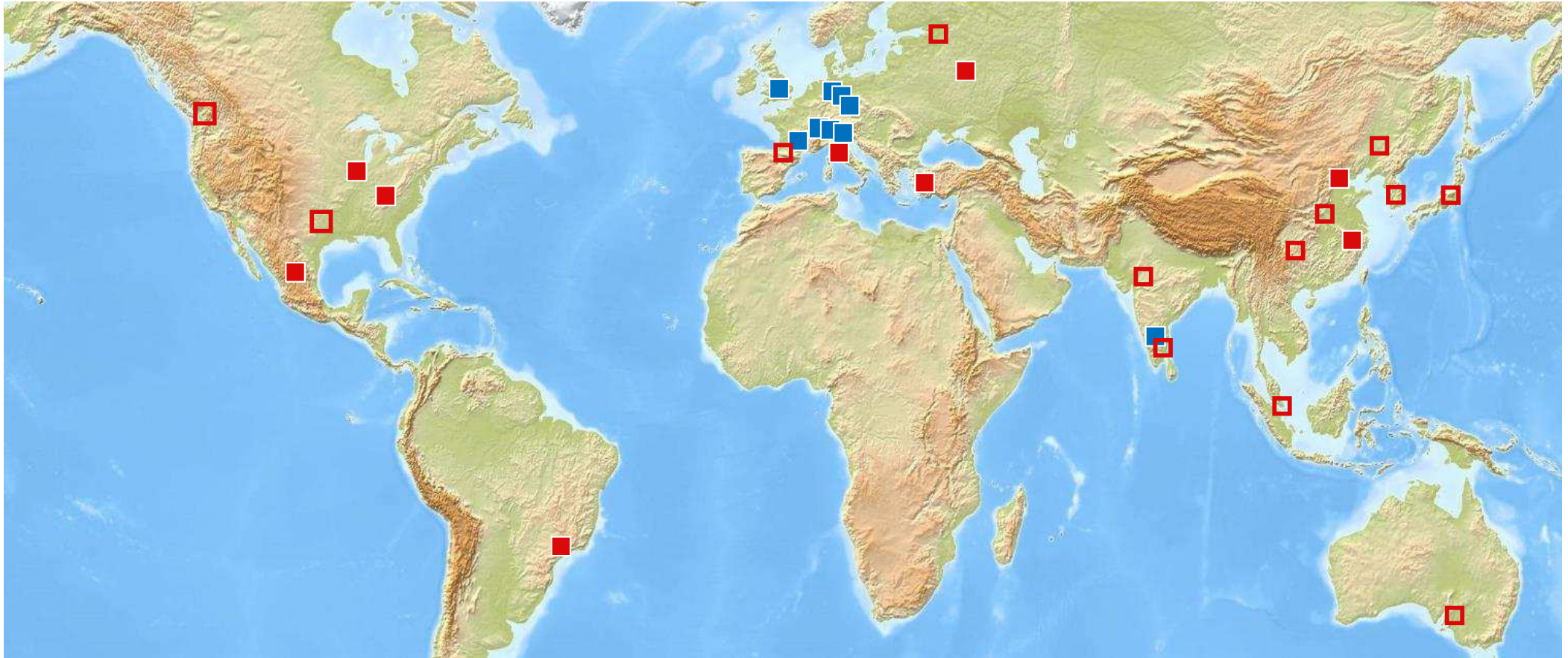
- Center of Production Excellence
- Engineering services
- Software, programming
- Multi tasking machines




Leading global customer service



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

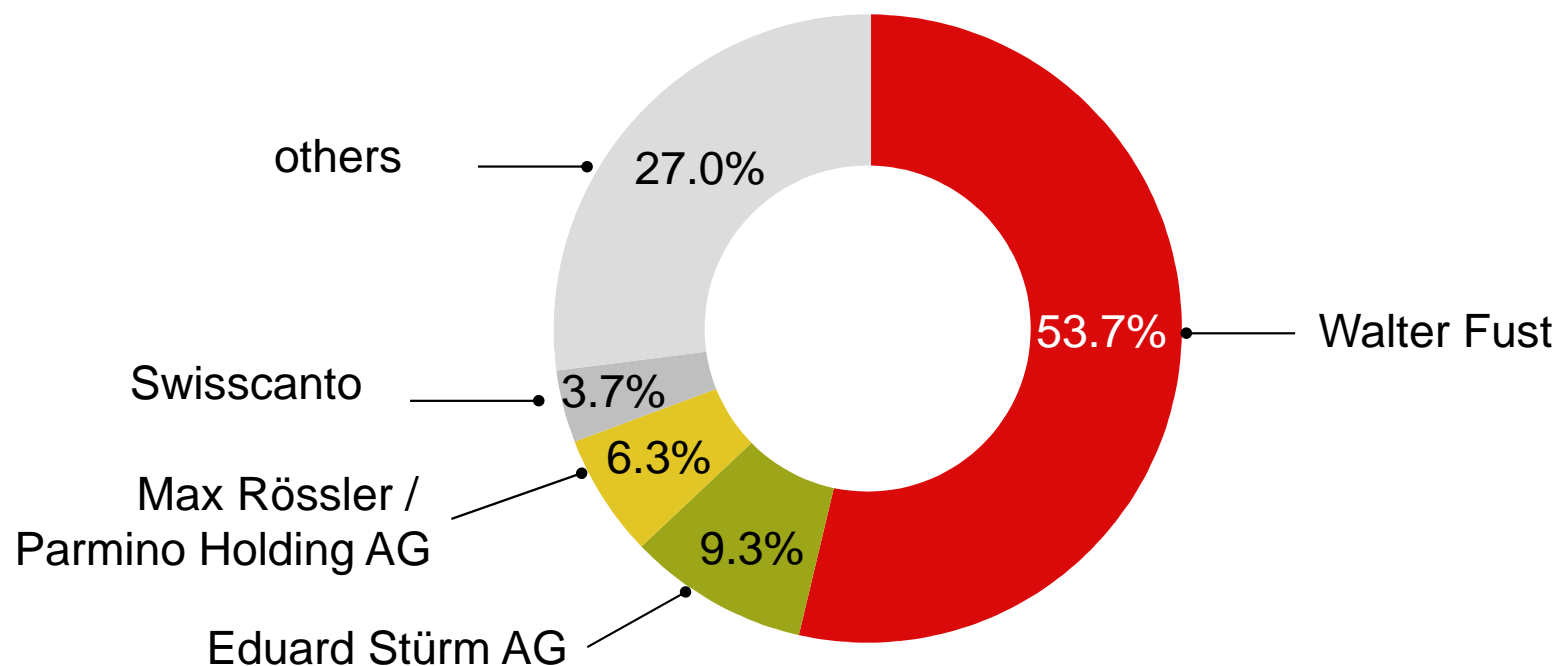
Global presence in sales, application and service support



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

Share details (as of 30 June 2015)

- Market capitalization CHF 198 million
- 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



Top management



Daniel Frutig (1962, Swiss)
has been a member of the Board of Directors of Starrag Group Holding AG since 2014 and its Chairman since April 2015.

He is CEO of the international medical group Medela Holding AG, based in Zug/Switzerland and member of the Board of Directors of Eugster/Frismag AG, Amriswil/Switzerland. From 2011 to February 2014 he was CEO of AFG Arbonia-Forster-Holding AG. From 2005 to 2011 he headed the global Support Services Division of the British Compass Group PLC, based in UK. From 2003 to 2005, he was CEO of Swisscom Immobilien AG, from 1998 to 2003, Daniel Frutig was Associate Partner at Accenture, a global consultancy firm, finishing as global head of the Services & Technology business. Before he worked at Sulzer AG, where he started his career in 1987.

Daniel Frutig graduated in 1987 as engineer at the University of Lucerne. He earned an MBA from the University of St. Gall in 1994 and completed the Top Management Executive Program at INSEAD in Fontainebleau in 2004/2005.



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. Gall.











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	Mönchen- gladbach	Chemnitz	Bielefeld	Rorschach	St. Etienne	Sâles	Aylesbury
							
1862	1884	1885	1890	1897	1916	1973	1987
Scientific instruments	Textile machine components	Bicycle manu- facturing	Machine tools	Textile machinery	Machine tools	Machine tools	Software/ technology company
