

Half year presentation

Rorschacherberg, 27 July 2016



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Agenda

■ Market and business review

■ Financial review

■ Outlook

Agenda

■ **Market and business review**

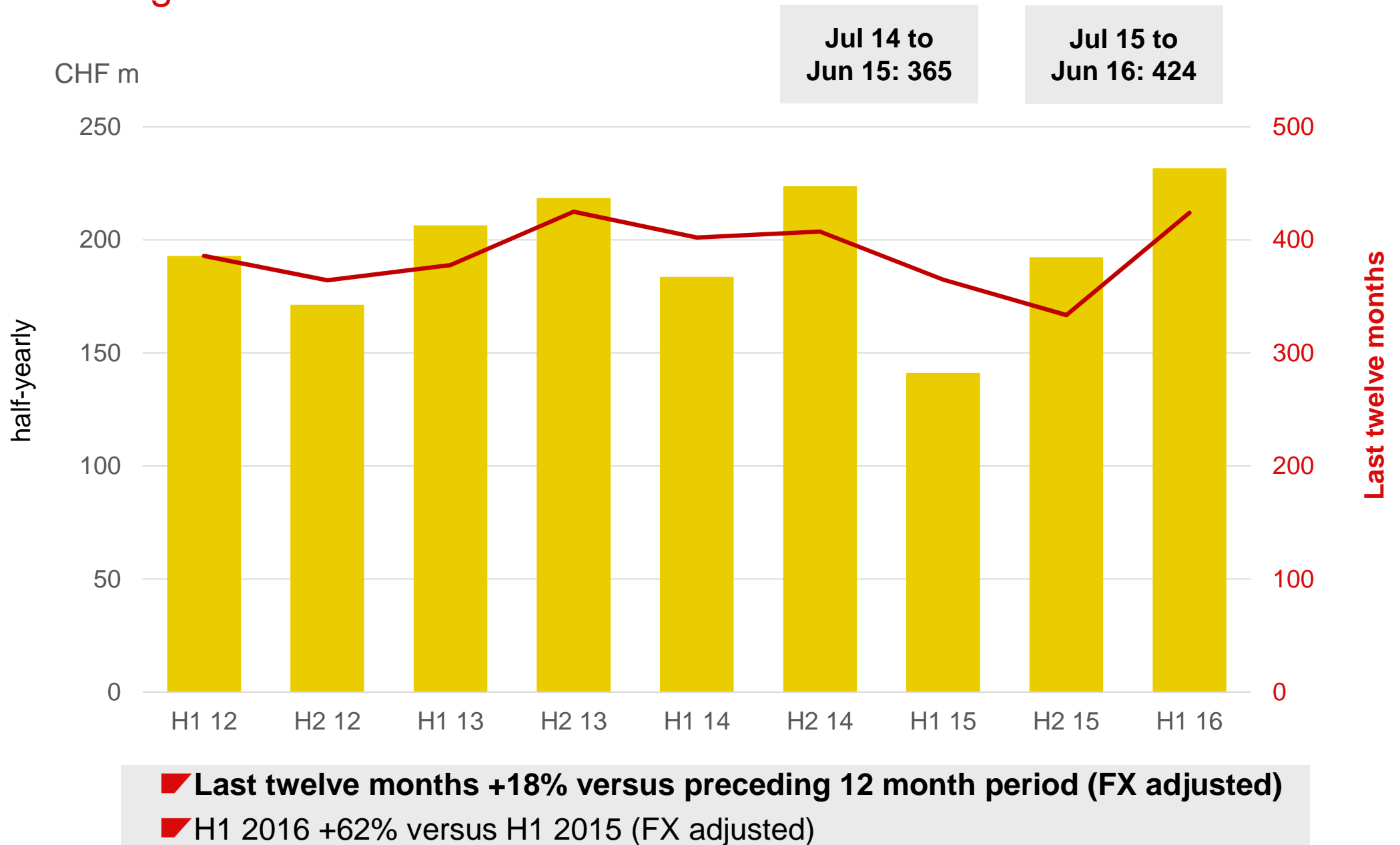
■ Financial review

■ Outlook

Significant increase of order intake and order backlog – Sales revenue steady

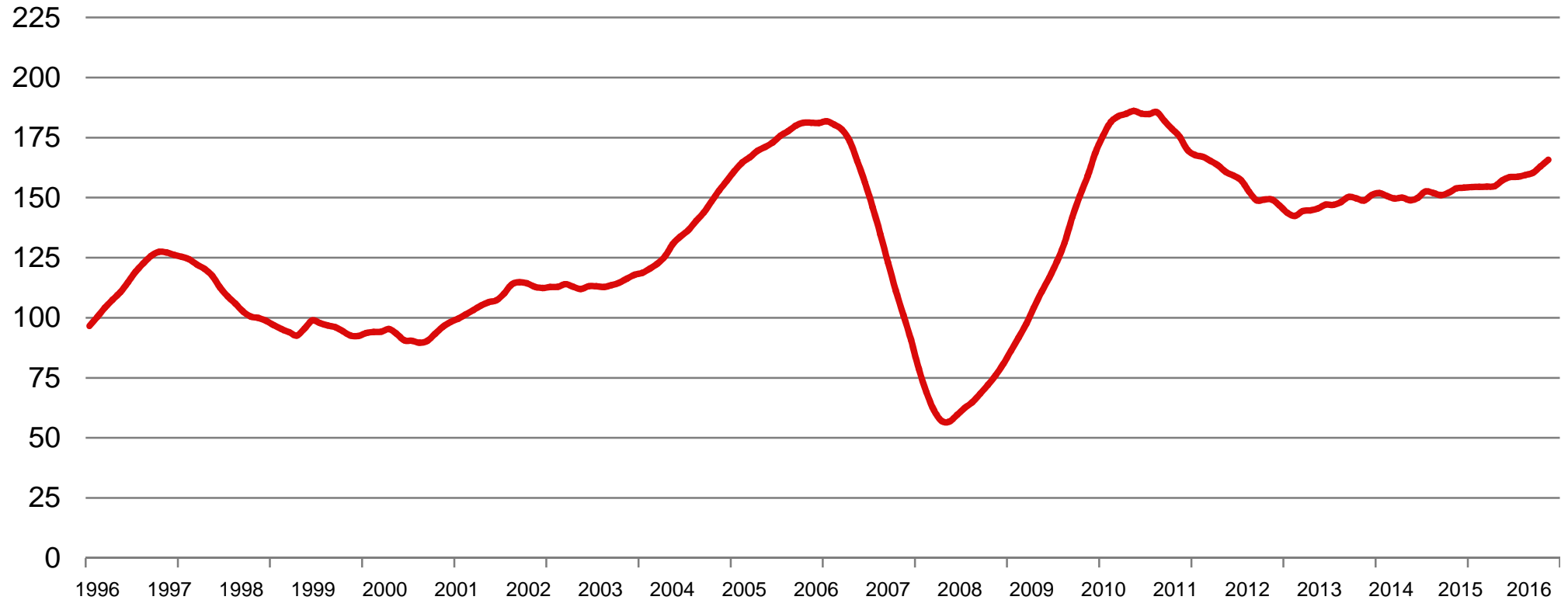
- Order intake plus 64% to CHF 231 million
- Order backlog plus 29% to CHF 284 million secures capacity utilization for about one year
- Sales held at CHF 183 million
- EBIT CHF 3.4 million or 1.9% margin
- Net profit CHF 2.0 million or CHF 0.56 per share
- Positive outlook

Pleasant increase in order intake



Order intake machine tool industry Germany

Index

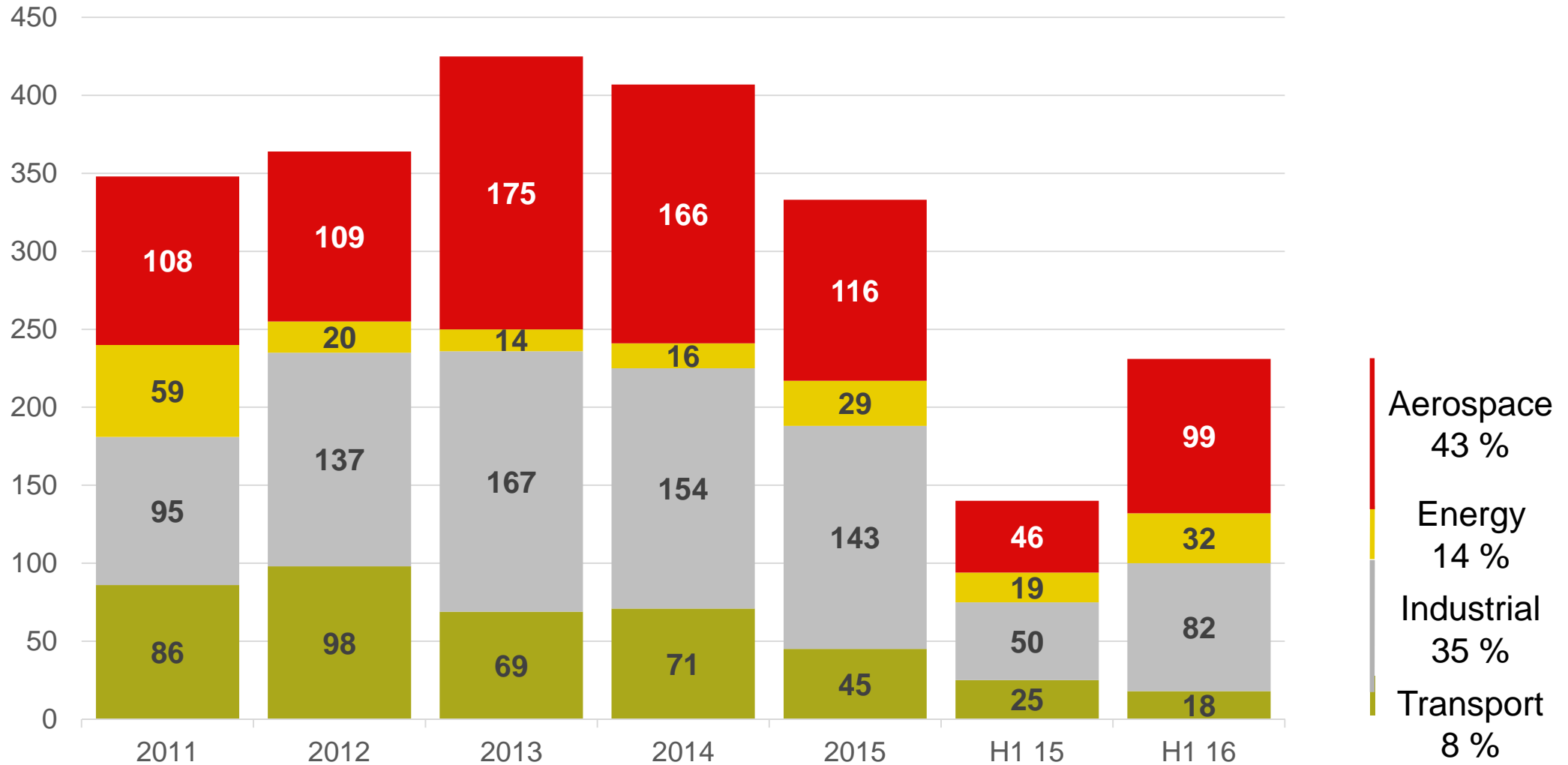


July 2015 to May 2016: +4.7% versus prior year period

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

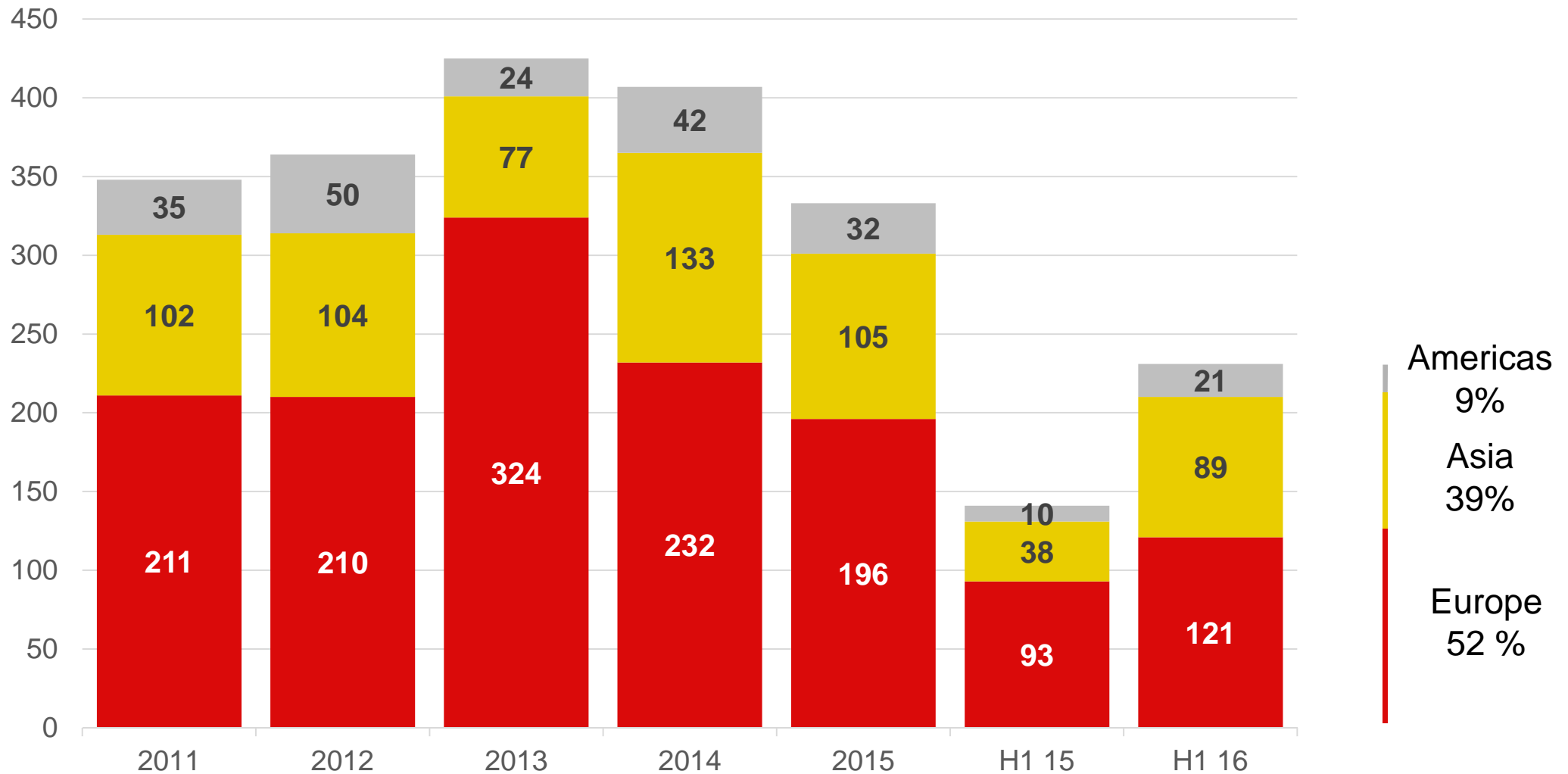
Order intake by customer industry

CHF m



Order intake by region

CHF m



Adaptive manufacturing of turbine blades

- State-of-the-art flexible manufacturing system
- 4 machining centers for safe, customer-specific series production of turbine blades, embodying the core concepts of Industry 4.0
- Reliably manufacturing of up to 40'000 blades a year
- Individual milling program for each blade



Starrag Group Technology Days 2016 – a success story

Turbine Technology Days



Efficient manufacturing of turbines for aircraft engines and power generation plants

Transportation & Industrial Technology Days



Premiere of the new Focus machining centers

Aerostructure Technology Days



Introduction of the new Ecospeed F1540 system

Where the industry's experts from all over the world meet

New factory at Vuadens / CH

- Manufacturing plant for ultra precision machine tools
- Move to new factory scheduled for this year, according to planning
- Inauguration in Spring 2017
- Ecological trendsetter
(Geothermal probes, solar system on roof)



Main focus of Starrag Group

Clear strategic positioning

- Focus on market segments
- Value proposition (solutions)
- International footprint

Reliable operational performance

- Simplification
- Accountability
- Speed

Creation of long-term value

- Innovation
- All stakeholders

Agenda

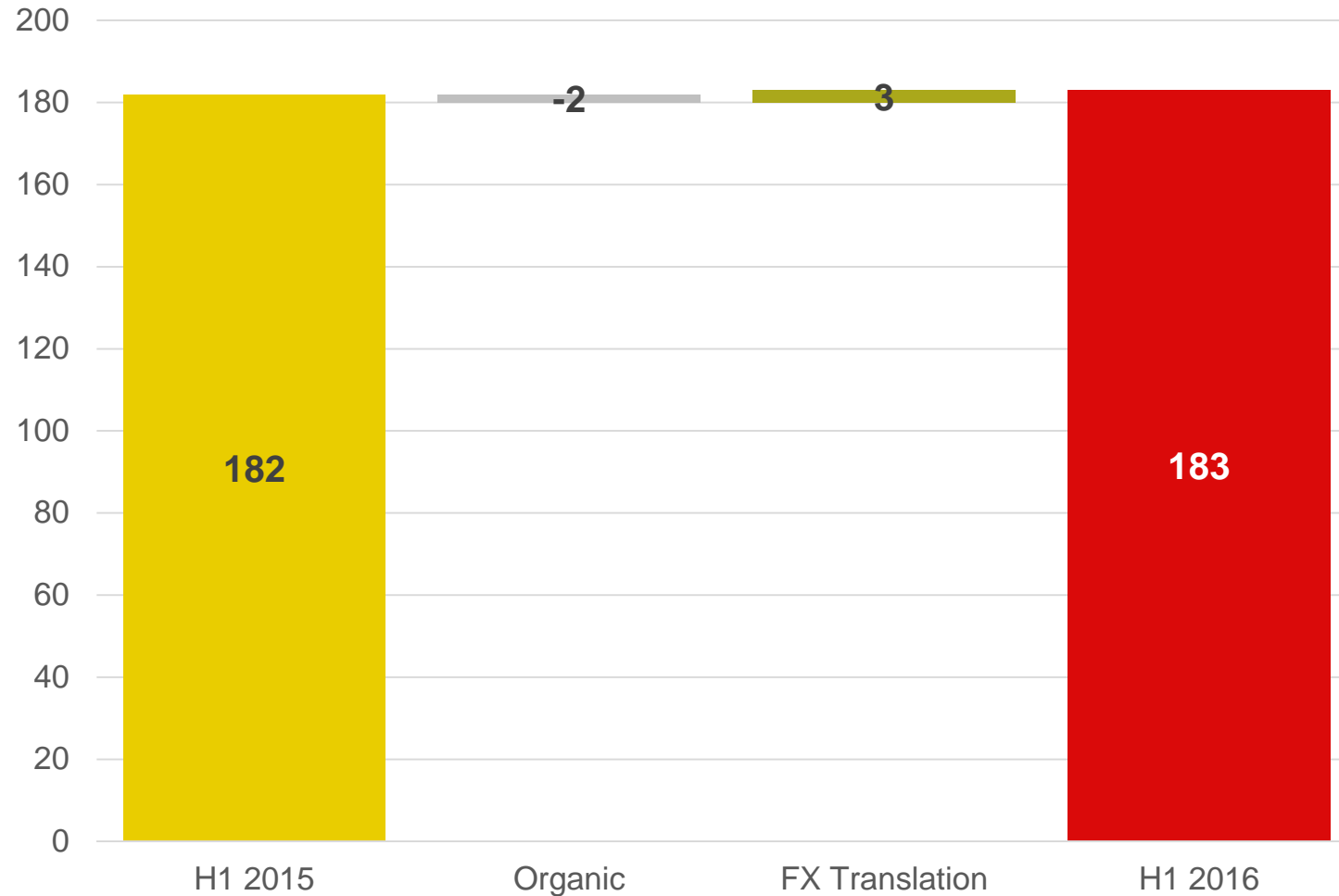
■ Market and business review

■ **Financial review**

■ Outlook

Sales revenue held at year ago level

CHF m



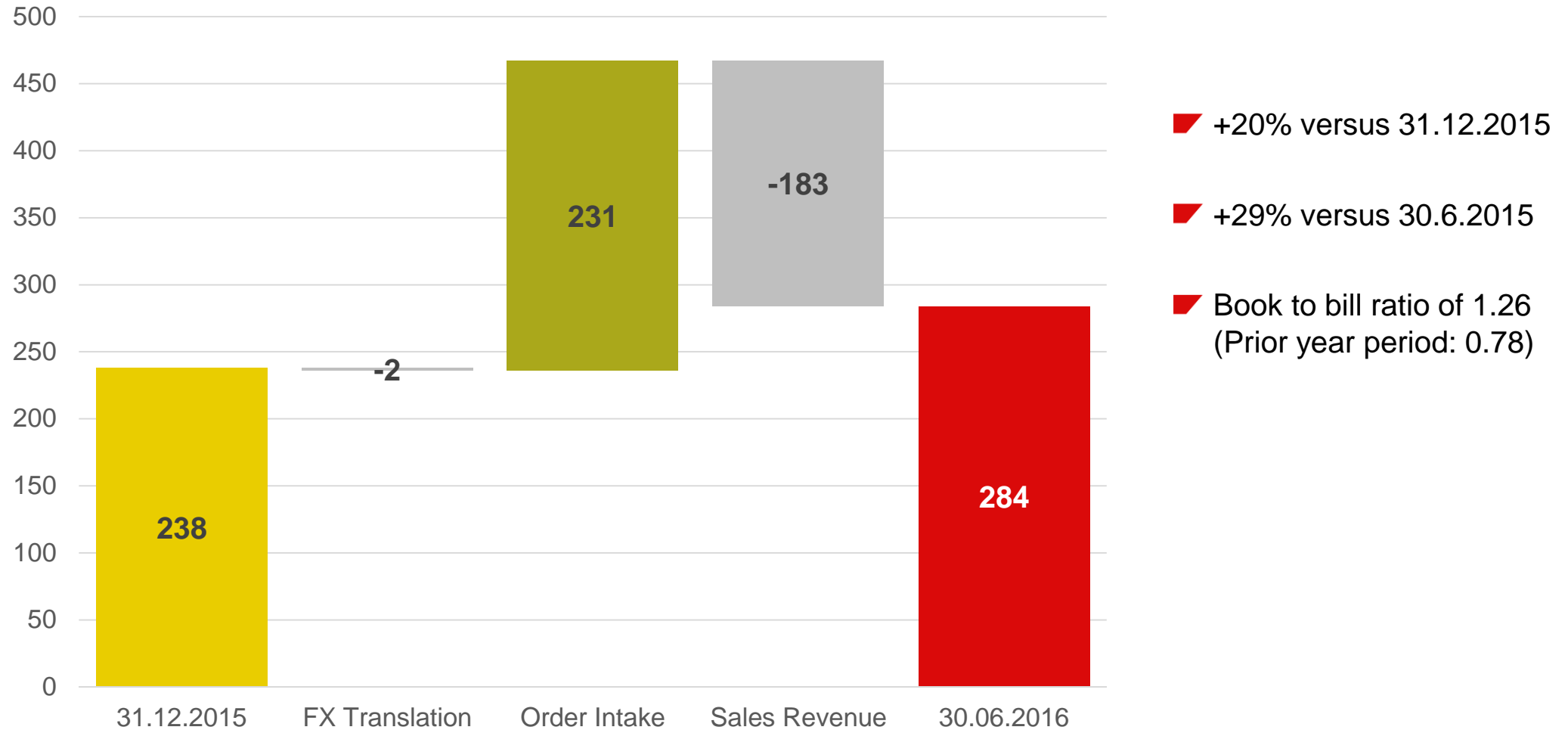
0.8% above prior year period

At constant FX rates slight decline of -1.0%

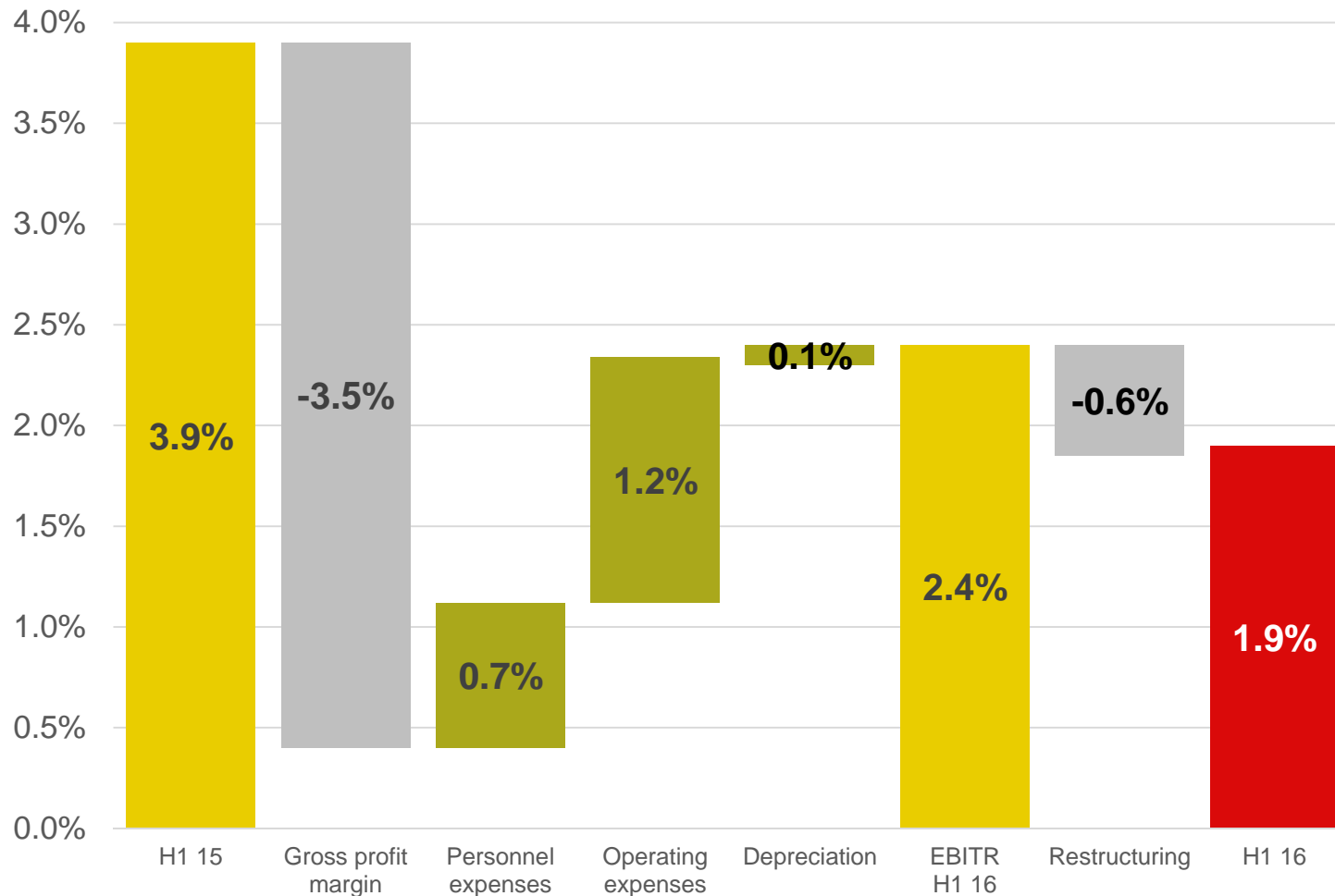
Downturn in watch industry only partially offset by other market segments

Order backlog ensuring utilization for a full year

CHF m



EBIT margin of 1.9%



■ Gross profit margin of 55.3% lower by 3.5% (H1 15: 58.8%):

- Cost overruns in isolated customer orders
- lower rate of capacity utilization due to weaker demand from watch industry

■ Strict cost management lead to lower personnel (-0.7%) and other operating expenses (-1.2%)

■ Restructuring cost of 1.0m CHF incurred to adjust capacity and increase efficiency at various sites

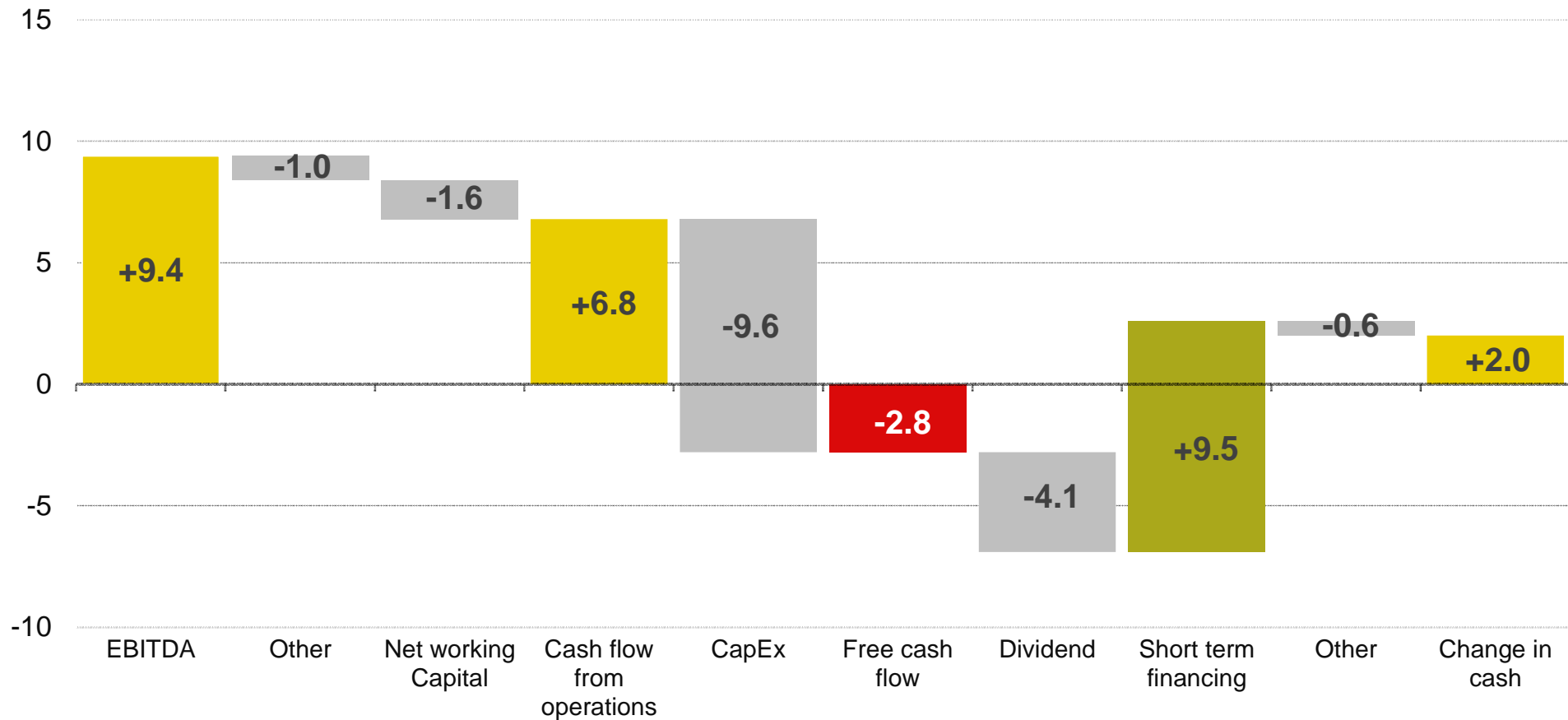
Net income

	CHF m	H1 2016	H1 2015	Change
Earnings before interest and taxes EBIT		3.4	7.0	-51.1%
Interest		-0.2	-0.2	13.7%
FX result		0.2	-2.3	-108.0%
Other financial result		-0.7	-0.5	59.3%
Earnings before tax EBT		2.7	4.1	-34.0%
Income tax		-0.7	-1.0	-29.8%
Net income		2.0	3.1	-35.3%
Earnings per share in CHF		0.56	0.92	-39.1%

- Exchange-rate gains of CHF 0.2 million after exchange-rate losses of CHF 2.3 million on the revaluation of euro positions in prior year period
- Slightly higher effective tax rate of 25% versus 23% in H1 2015 due to different geographical split of profits

Free cash flow

CHF m



Free cash flow impacted by input costs incurred to process orders in hand and expansion investment into new factory in Vuadens, Switzerland

Overview of key figures (I)

	CHF m	H1 2016	H1 2015	Change
Order intake		231.2	141.1	63.9%
Sales revenue		183.4	181.8	0.8%
EBIT		3.4	7.0	-51.1%
Net income		2.0	3.1	-35.3%
Earnings per share (in CHF)		0.56	0.92	-39.0%
EBIT as percentage of sales revenue		1.9%	3.9%	n/a
Net income as percentage of sales revenue		1.1%	1.7%	n/a
Return on equity		2.2%	3.2%	n/a
Cash flow from operations		6.8	-4.8	n/a
Capital expenditure		9.6	9.6	0.3%
Free cash flow		-2.8	-14.4	na
Employees (FTEs during the period)		1'535	1'603	-4.2%

Overview of key figures (II)

	CHF m	30.06.2016	31.12.2015	Change
Order backlog		284.4	237.8	19.6%
Total assets		355.4	341.5	4.1%
Net debt		23.4	15.9	47.1%
Shareholder's equity		181.2	186.1	-2.6%
Equity ratio		51.0%	54.5%	n/a

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

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■ **Outlook**

Trends by industries for H2 2016 and beyond

■ Aerospace

- solid market development globally
- strong product and regional positioning

■ Energy

- further slow recovery expected especially in Asia
- best in class technical solutions

■ Industrial

- industrial components still stable, luxury goods on low level with no recovery visible
- forthcoming innovations addressing the market segments of Luxury Goods, Medical Technology and Micromechanics

■ Transportation

- markets like construction and agriculture still slow
- truck strong

■ Global economic and political environment remains a challenge

Measures to strengthen marketing/sales and improve profitability

- Accelerated focusing on defined strategic market segments to ensure and increase order intake
- Ongoing investments in technology for networking manufacturing systems → „Industry 4.0“
- Specific measures to improve profitability and operational excellence to optimize order execution
 - comprehensive revision of assembly process
 - organizational adaptations of quote engineering and project management
 - strengthening factory management resources (shopfloor management)
- Considering measures to lower costs even further and increase productivity at all production sites

Financial outlook 2016

	2015	H1 15	H1 16	Guidance 2016 (in local currencies)
Order intake	333.4	141.4	231.2	FY 2016 >> FY 2015
Sales revenue	363.7	181.8	183.4	FY 2016 ≥ FY 2015
EBIT margin	4.0%	3.9%	1.9%	FY 2016 ≤ FY 2015
Net profit margin	2.6%	1.7%	1.1%	H2 16 >> H1 16

Corporate calendar / Contact

- 26.01.2017 Initial information on 2016 results
- 10.03.2017 Presentation of 2016 results for analysts and media in Zurich
- 28.04.2017 Annual general meeting in Rorschach
- 27.07.2017 Half-year report 2017

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Starrag Group

We are pleased to answer your questions.

