

Financial Year 2019: Media and Analyst Conference

Solutions for
Aerospace
Energy
Transportation
Industrial



Zürich, 6 March 2020

Agenda

■ **Highlights and business review**

Dr. Christian Walti, CEO

■ **Financial review**

Gerold Brütsch, CFO

■ **Strategy and outlook**

Dr. Christian Walti, CEO

■ **Q & A**

Disclaimer

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The forward looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those contained in the forward looking statements. Potential risks and uncertainties include such factors as general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures and regulatory developments.

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FY 2019: As expected, lower order intake and higher sales, while EBIT margin lower – order backlog still solid

- Order intake down 26% to CHF 343 million (down 24% at constant exchange rates)
- Sales up 8% to CHF 418 million (up 9% at constant exchange rates)
- Solid order backlog of CHF 284 million
- Operating result before restructuring costs EBITR up 8% to CHF 14 million, EBITR margin 3.4%, EBIT margin 1.1%
- Net income CHF 6.9 million – earnings per share CHF 2.02
- Solid balance sheet with 53% equity ratio
- Profit distribution of CHF 1.00 per share, payout ratio of 49% – i.e. at the upper end of the targeted range
- Initial effects of «Starrag 2021» program can be seen

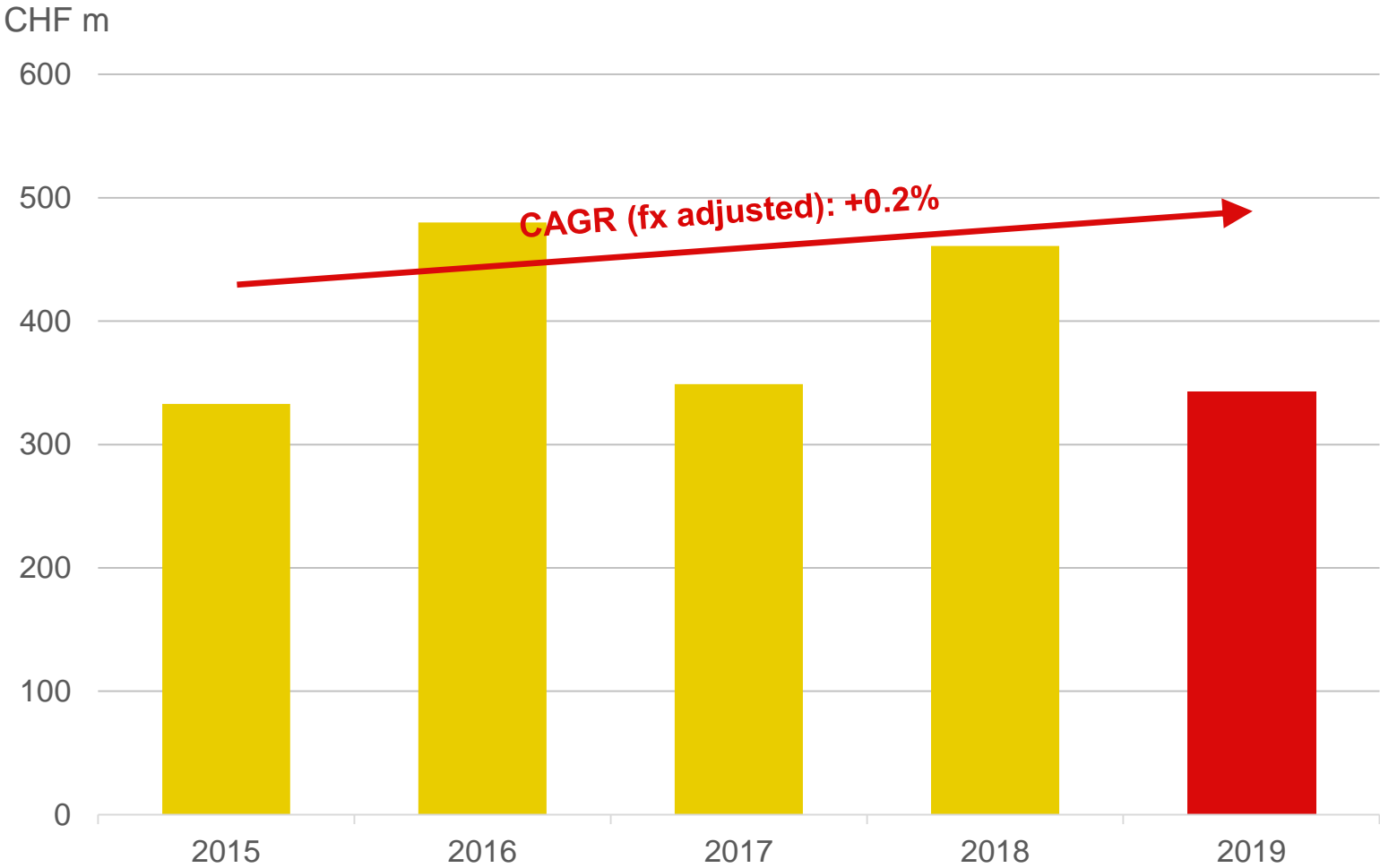
First steps of "Starrag 2021" program implemented

- Since 1 July 2019 new Group structure: Increased focus on target markets/application expertise
 - Four operational business units organized by product ranges
 - Sales and Operations new under central management
 - New central HR manager
 - All functions staffed
- Staff reduction in Mönchengladbach completed
 - from 2021 annual cost savings of CHF 8 to 10 million
- mechanical production concentrated in Chemnitz

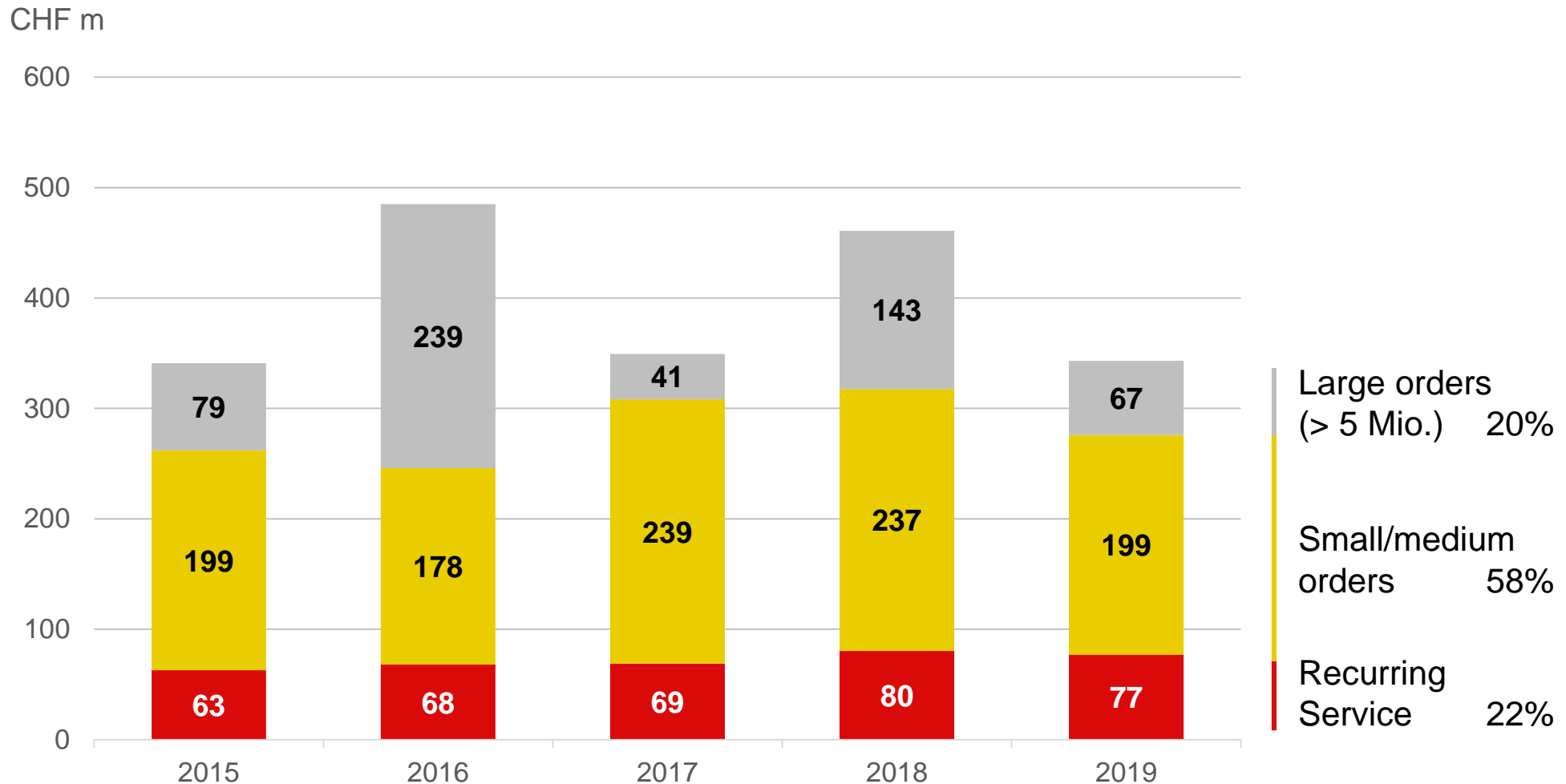
TARGET: Significant, long-term sustainable improvement in profitability through:

- Optimisation of product portfolio
- Comprehensive exploitation of synergy potential
- Strengthening of corporate leadership
- Improved project management

Lower order intake after second-highest value in 2018

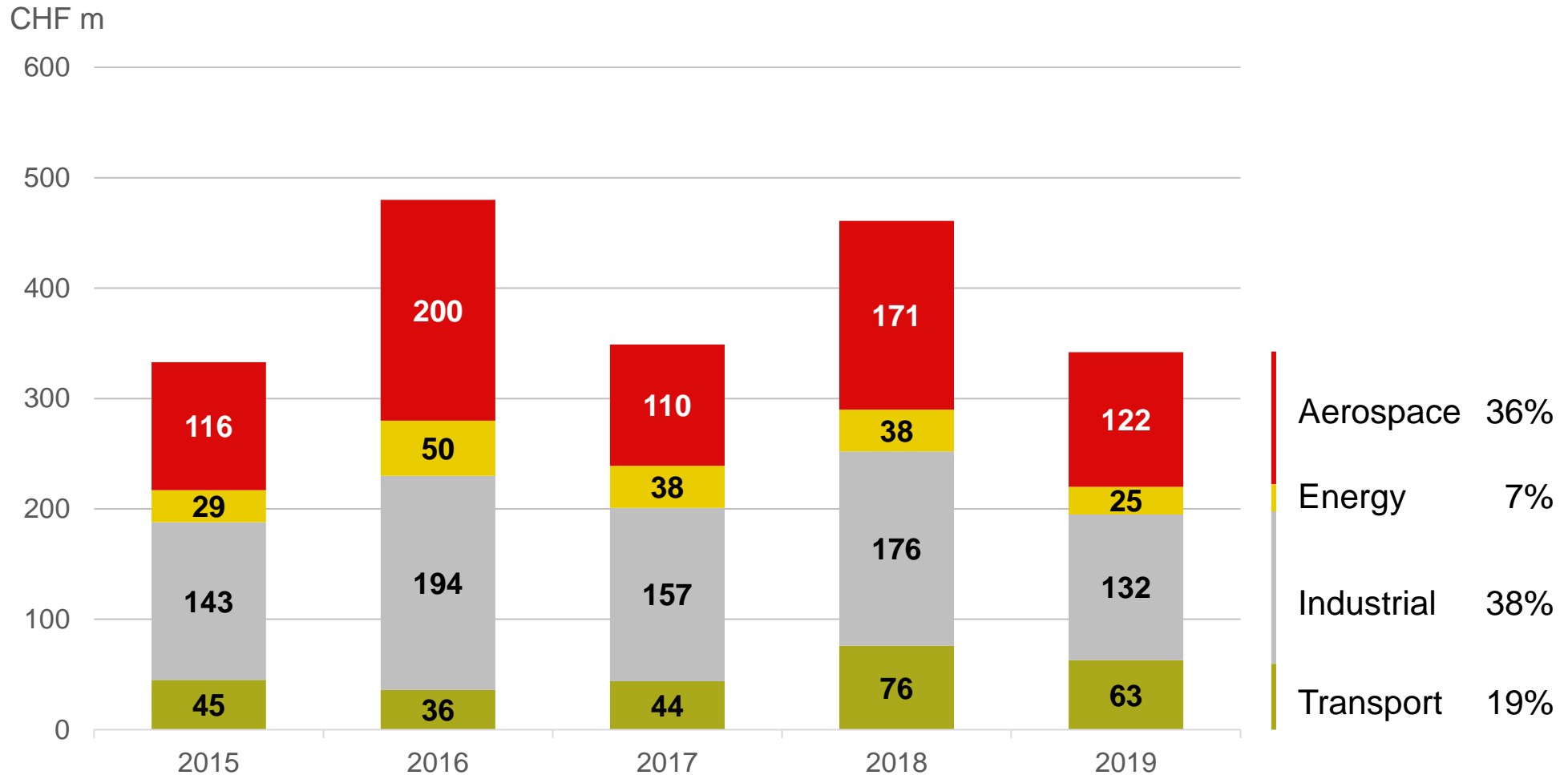


Order intake: Decline mainly due to large orders



- Large orders (Ø 2015-2019: 114 CHF m) and small/medium orders down y-o-y
- Service business at a consistently high level

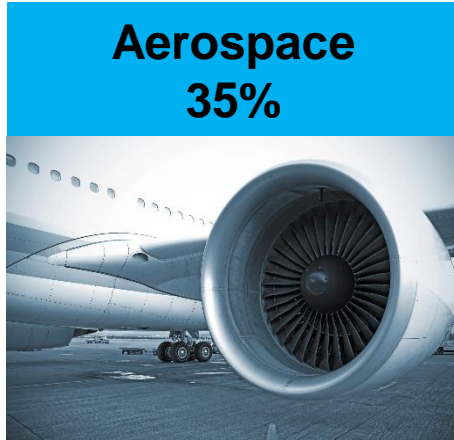
Order intake: Decline in all customer industries



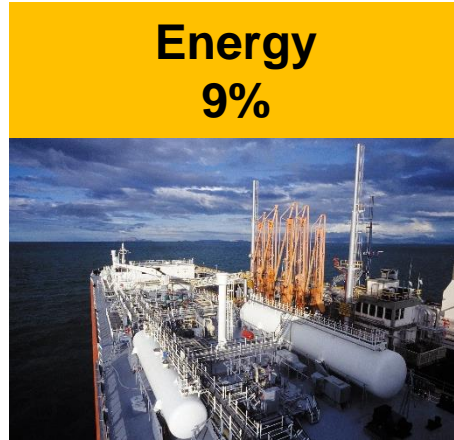
■ Aerospace and Industrial in previous year positively influenced by several large orders

Market trends by industry

Key markets Aerospace and Industrial with long-term positive perspective



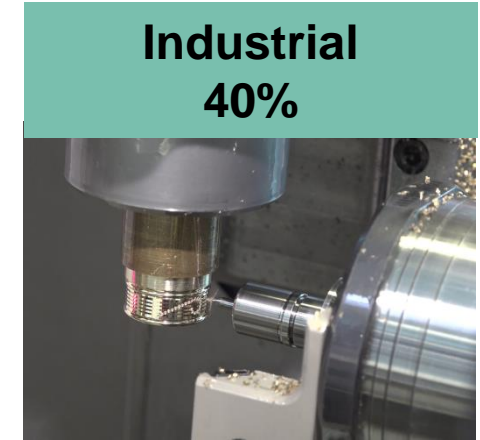
- Production interruption Boeing 737 MAX affects supply chain
- China to build own aero engines
- Increasing technical requirements (size, complexity, precision, alloys)
- MRO continues to grow



- Power plant investments concentrated on Asia
- Western power plant manufacturers with selective investments
- New investments in large wind turbines



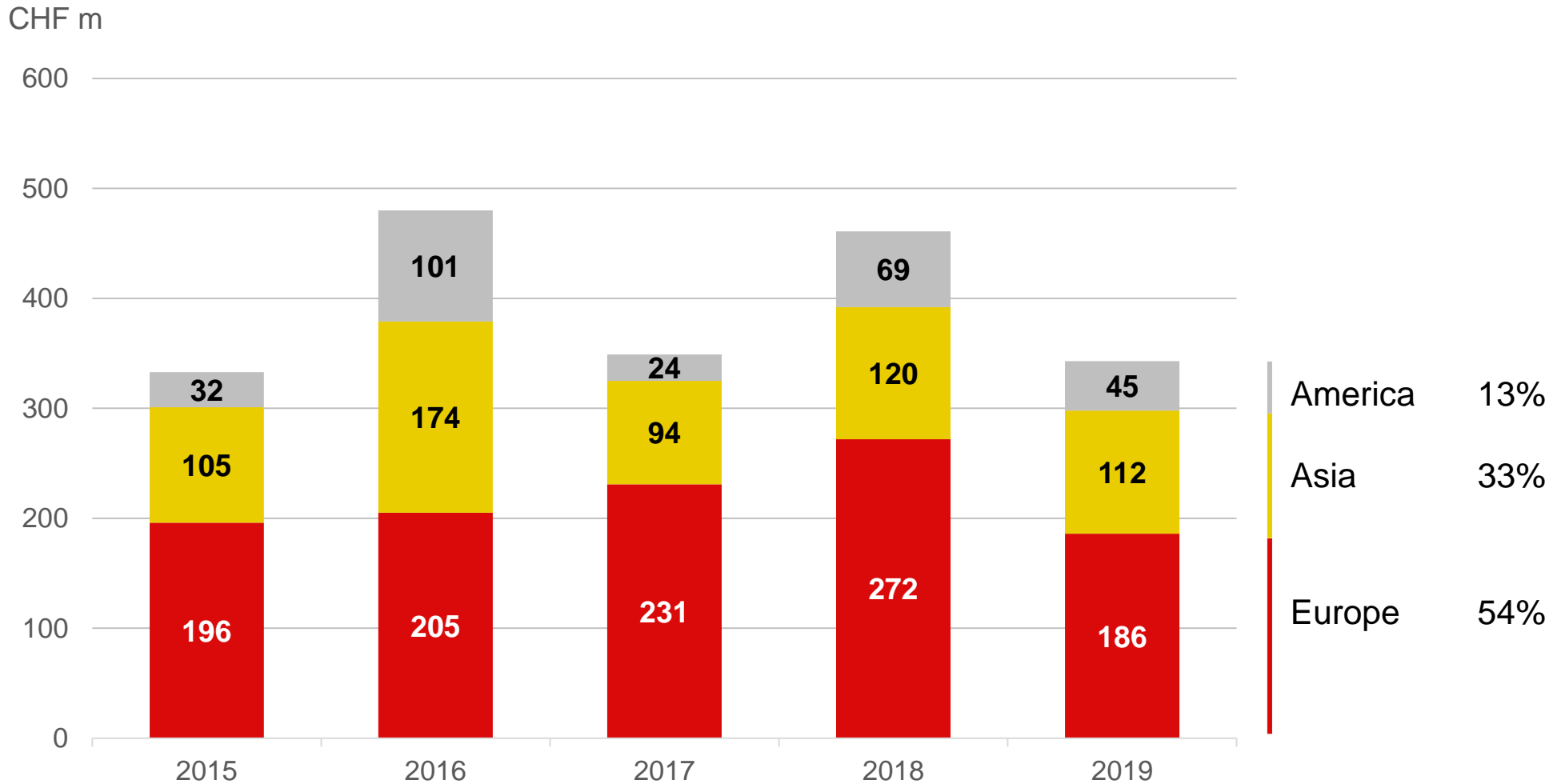
- Agriculture with positive outlook
- Construction equipment with differentiated development
- On-Road vehicles in structural change
- Trucks and off-highway vehicles driven by emission regulations
- New opportunities through future mobility concepts



- Stationary machines with cyclic low
- Positive demand for new generation of horizontal machine tools
- Jewelry market grows, market for luxury watches remains attractive
- Growing market share in specific MedTech applications

Percentage based on average order intake 2017-2019

Order intake Asia more stable, significant declines in America and Europe



- All regions positively influenced by several large order in the previous year
- Large orders 2019 from Australia, Asia and North America

More productivity for Aerospace and Energy

New 5-axis-machining-centre NB 151

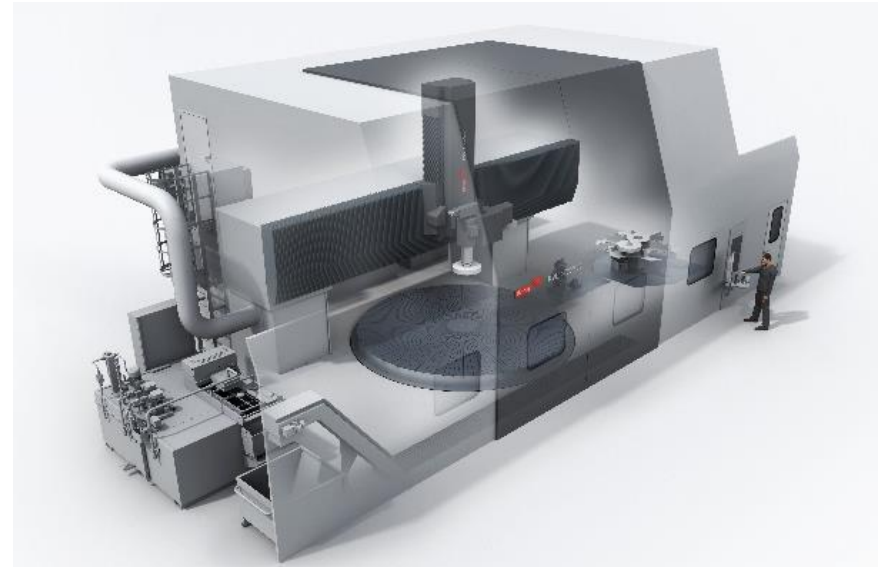
- ✔ Completion of the NB series
- ✔ Machining of blisks and impellers in one set-up
- ✔ 20% higher productivity
 - ▣ Short cycle times
 - ▣ Reduced tool costs
 - ▣ Less waste



New dimension for high-precision cylindrical grinding

New grinding centre RVU 4700/450 from Berthiez

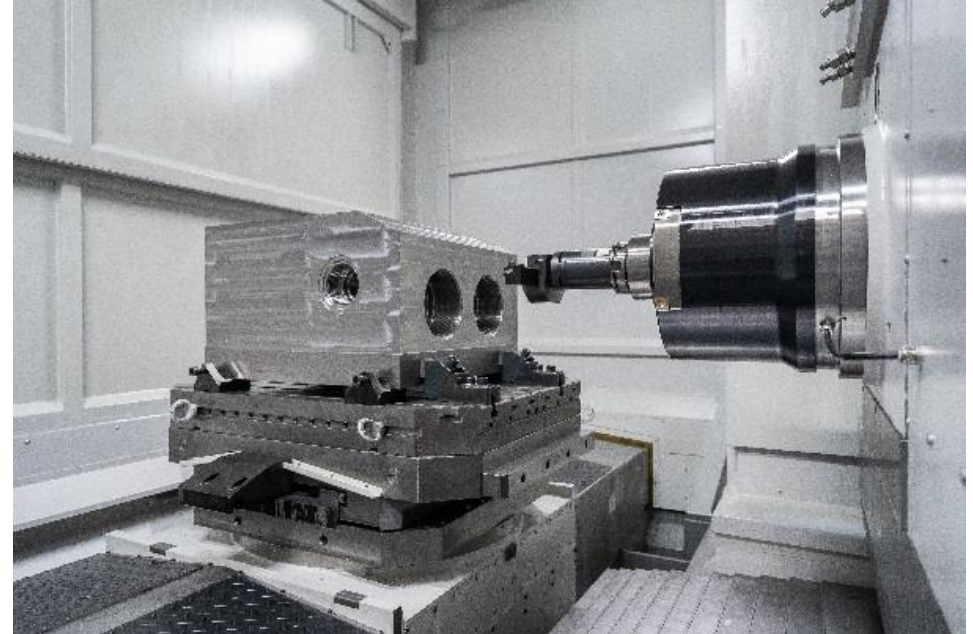
- Machining of workpieces weighing up to 12 tons and a diameter of up to 4.5 meters
- Concentricity and axial run-out accuracy of 4 to 5 micrometers
- Development in cooperation with Chinese customer (large manufacturer of wind turbines in the multi-megawatt range)
- Installation 2021



More efficiency for the oil and gas industry

New horizontal machining centre Heckert DBF 1000

- DBF = Drehen, Bohren, Fräsen
(turning, drilling, milling)
- Increasing efficiency in machining of fluid ends
- All-in-one: complete machining in one set-up
- Most productive solution on the market



Successful trade fair year 2019

China International Machine Tool Show CIMT Beijing (April)

- Leading trade fair for mechanical engineering in the important sales market China
- Many interesting contacts as a start for future orders

EMO Hannover (September)

- World's most important leading trade fair for machine tools
- Accent on consistent customer orientation and high machine availability
- For the first time expert talks with a positive response

China International Import Expo CIIE Shanghai (November)

- Import exhibition at national level, opened by president Xi Jinping
- High-quality capital goods as one of seven focus topics



Technology Days: The Hotspot for experts

Turbine Technology Days (June)

- More than 200 visitors from 20 countries in Rorschacherberg
- Stimulus for an even more productive and reliable turbine production
- Focus on the interaction of machines and cooling lubricants
- International premiere of the 5-axis machining centre NB 151 for blisks and impellers



Opening TechCenter Shanghai

- ✓ Five machining centres for live-demonstrations
- ✓ New machining solutions for a wide variety of applications
 - Impeller
 - Watchmaking
 - Med Tech
 - Industrial and Transportation



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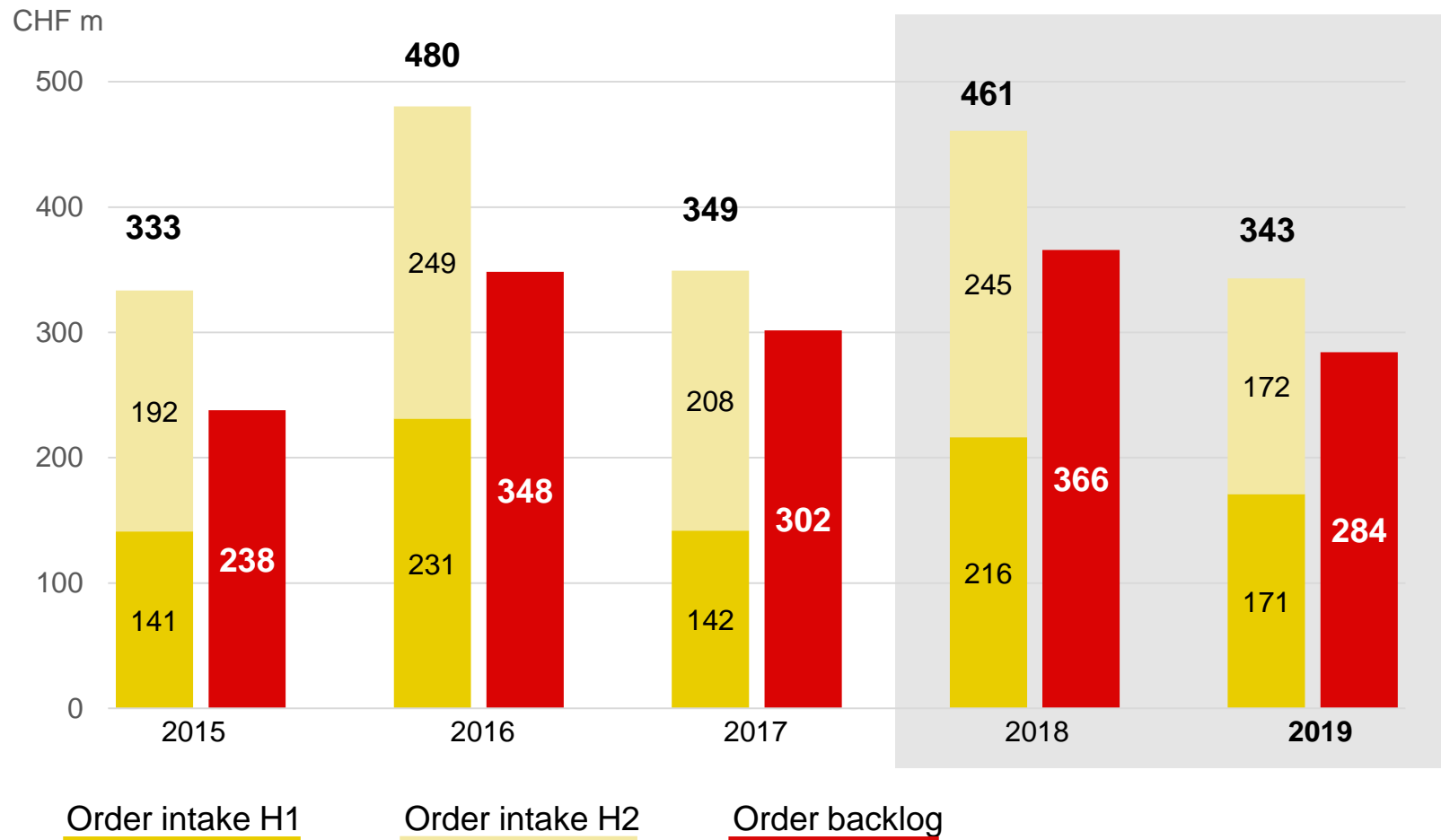
Gerold Brüttsch, CFO

■ Strategy and outlook

Dr. Christian Walti, CEO

■ Q & A

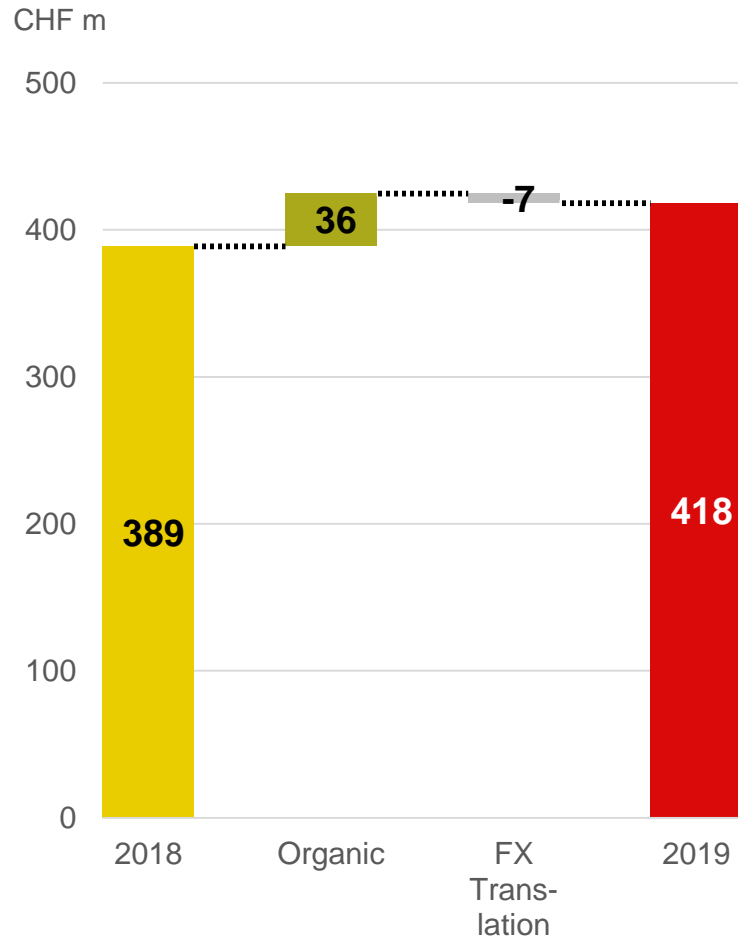
Solid order backlog, order intake below record high previous year



- Order intake 2019: -26% (fx adjusted -24%)
- Order backlog: -22% → ensuring solid base load (together with substantial recurring service business)

Increase in sales

Sales +7.6%, fx adjusted +9.2%



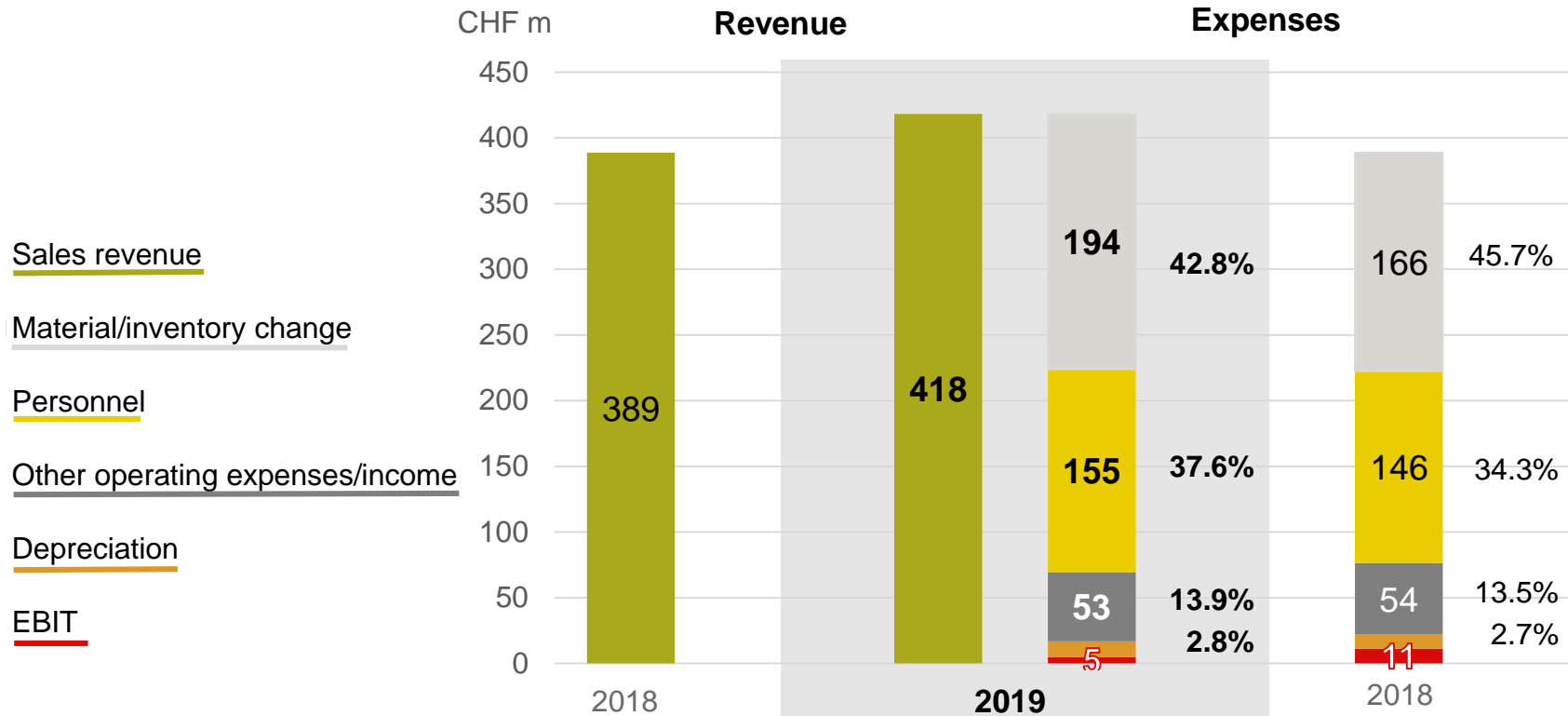
Organic growth driven by

- High order intake in 2018
- Measures to improve project management

Negative FX currency influence

- Weaker EUR/CHF translation rate (2019: 1.1247; 2018: 1.1677)

Income statement: burden of restructuring and salary increases

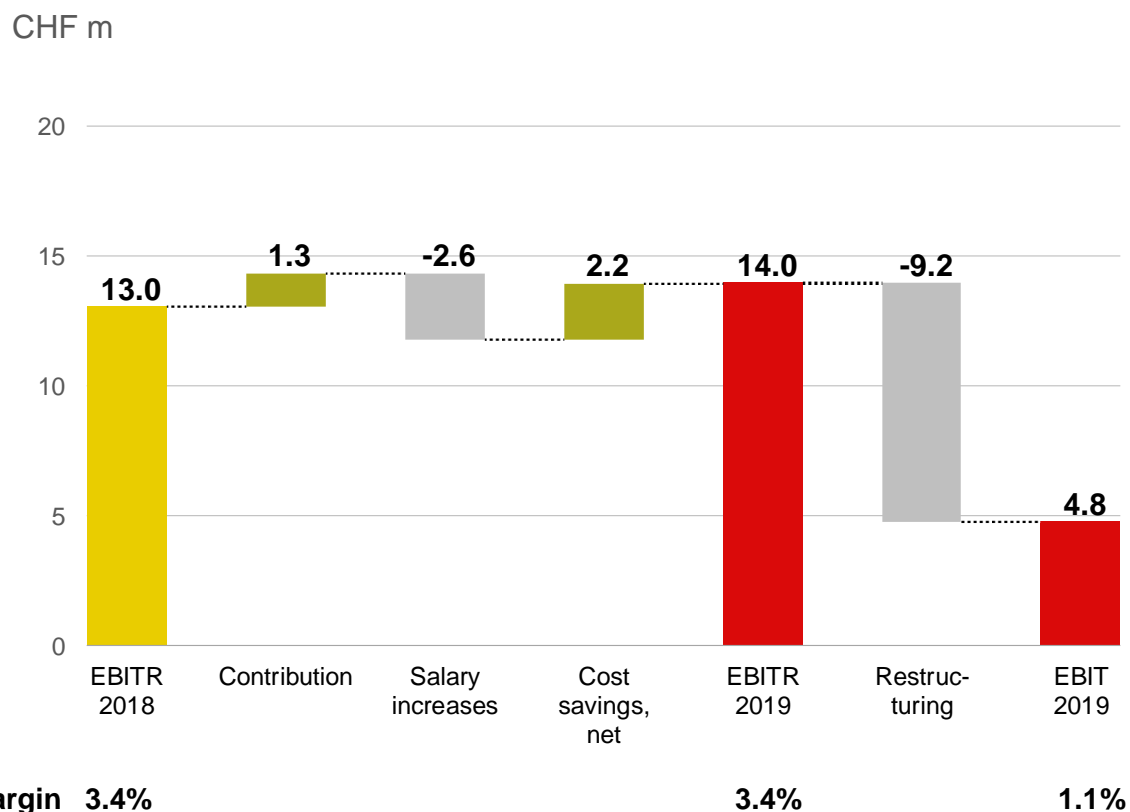


Gross margin
EBIT margin

54.1% **57.7%**
1.1% **2.9%**

- Increased gross profit despite higher material share due to higher share of system business
- Restructuring costs and salary increases burden personnel expenses

EBIT burdened by salary increases and restructuring cost



Contribution

- Measures to improve project management effective
- Partly compensated by negative translation rates due to weaker euro

Salary increases

- Higher unit labor costs in Germany and emerging markets, mainly driven by collective labor agreement IG Metall

Cost savings, net

- First effects of «Starrag 2021»
- Continued strict cost management

Restructuring

- Performance improvement
- Reduction of around 150 jobs
- Total cost savings of 8 to 10 m CHF from 2021

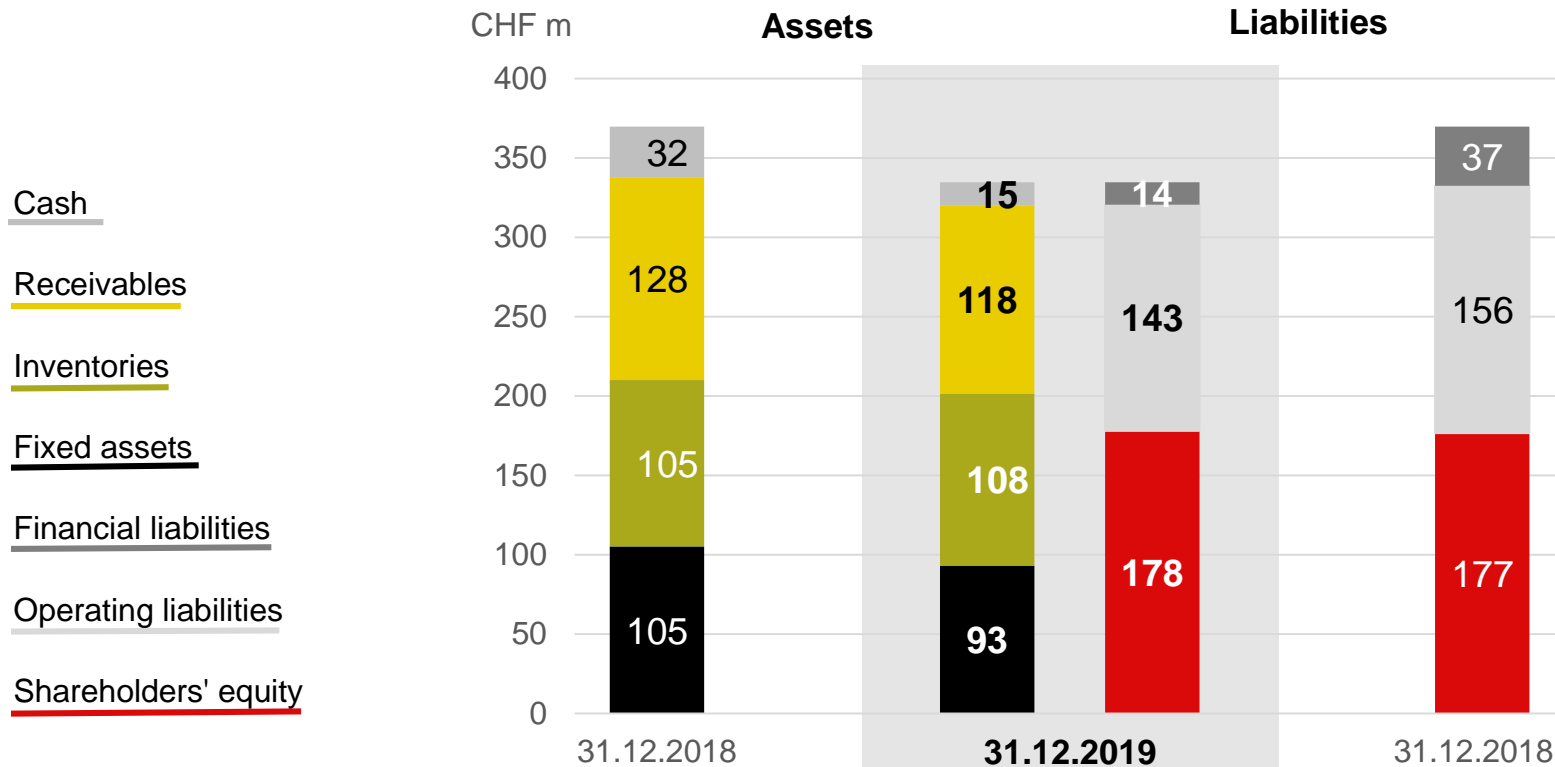
Note: EBITR = EBIT before restructuring charges

One-off positive tax effect relieves net profit

CHF m	2019	2018	Change
Operating result EBIT	4.8	11.1	-57%
Interest expenses, net	-0.4	-0.4	
FX result, net	0.7	-0.3	
Other financial result	-1.2	-1.5	
<i>Total financial result, net</i>	<i>-1.0</i>	<i>-2.2</i>	
Income before taxes	3.8	8.9	-57%
Income tax expenses	3.0	-0.5	
Net income	6.9	8.4	-18%
Earnings per share in CHF	2.02	2.49	-19%

- Decline in operating income EBIT partially compensated by release of tax provisions following corporate tax reform in Swiss cantons (2.6 m CHF)
- Average interest rate 0.9% (2018: 0.9%)
- Foreign exchange gains due to stronger USD during the year of 0.7 m CHF (2018: FX loss 0.3 m CHF)

Balance sheet: Strong financial base

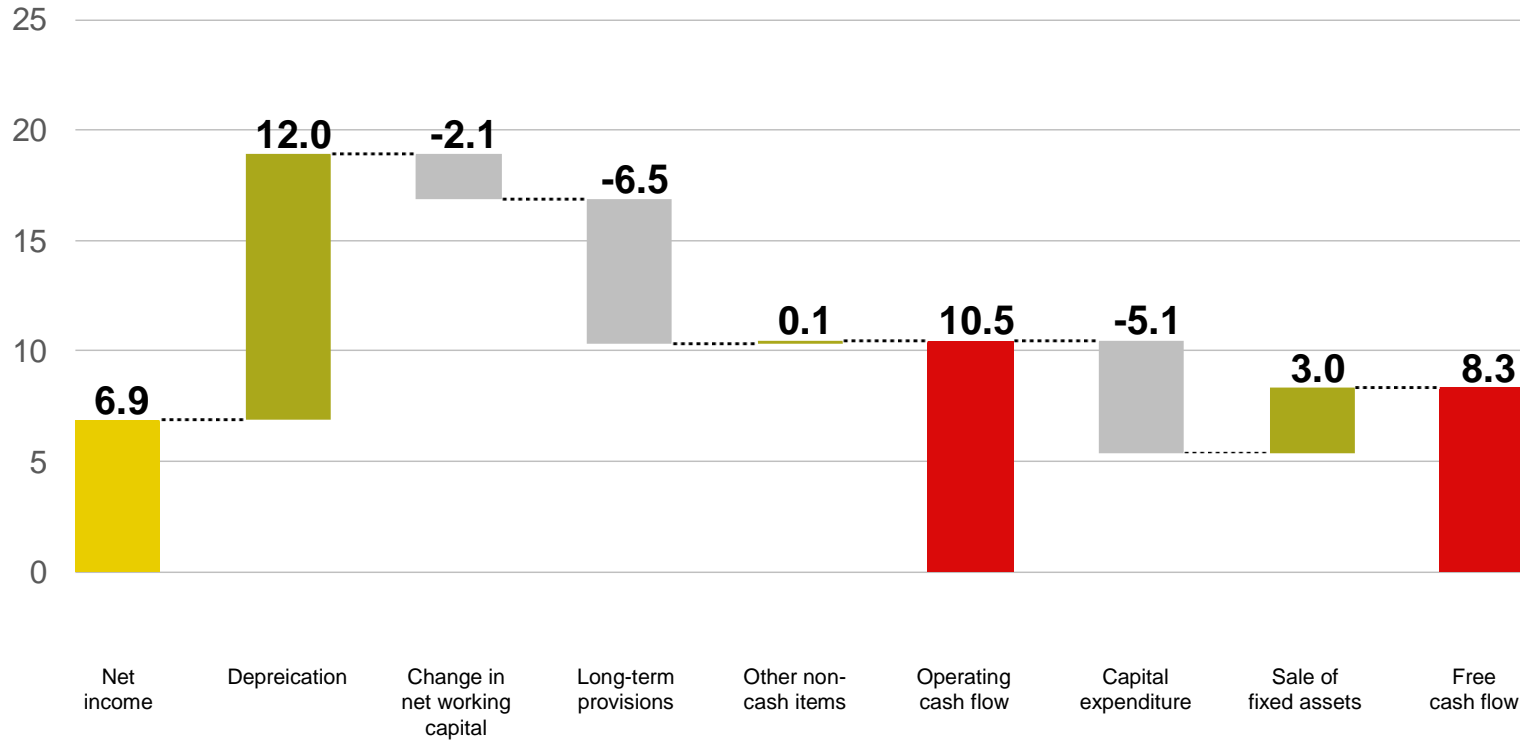


Net assets	370	335		
Net cash			1	-5
Equity ratio			53%	48%

- **Solid equity ratio with 53%; positive net cash**
- **Significant reduction in total assets thanks to lower capital employed and reduction in cash**

Intact free cash flow

CHF m



FY 2018:	8.4	11.1	7.5	-0.3	0.2	26.9	-7.3	0.2	19.7
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- Solid cash flow from operating activities
- Restrained investment activity and sale of the remaining part of the former production plant in Sâles/Switzerland

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Continuing implementation of the strategy

- Focus on the most **attractive market/product segments** and regions in order to better exploit the group-wide growth and profit potential
- Differentiation through **application competence, technology, service competence** and **premium** market presence
- Better **scaling of the existing product portfolio** and competencies **worldwide**
- Increased focus on **operational excellence** across the entire value chain

Program "Starrag 2021" with medium-term horizon

2019

Review and consolidation
Accelerate change
Stable profitability

- Evaluate synergy potential in Starrag Group
- Optimize processes and project management
- Streamline organizational setup
- Sharpen product portfolio
- Improve value-based selling

2020

Value added co-operation in Group
Renewed product portfolio
Gain profitability

- Implement cost savings
- Exploit defined markets with application focused solutions
- Reduce risks in new orders
- Reduce delivery times
- R&D focus on flexible modules and customized options

2021

Readiness for growth
Reduced break-even
New orders with benchmark profitability

- Increase operational margin
- Growth in the strategic markets
- Increase competitiveness with new products and systems
- Increase flexibility to cope with fluctuating demands

Mid-term financial targets unchanged

- Growth rate 5% p.a.
- Profitability 8% EBIT margin
- Dividend ratio 35-50% of net profit

In local currencies and as average over the business cycle.

Economic outlook 2020

- Continued optimism target markets in the longer term
- But: numerous political and economic uncertainties (including corona virus)
- VDW forecast 2020: Unchanged to slightly declining production output
- Expectations for customer industries
 - Aerospace Problems at OEM with effects on investment behaviour
 - Industrial Generally stable development at current level
 - Energy May remain at a low level
 - Transportation Differentiated development due to heterogeneous customer structure
- Expectations by regions
 - Europe Hardly any strong impulses to be expected
 - Asia Generally positive, primary focus on China
 - North America Positive assessment (local distribution further strengthened in 2019)

Priorities 2020

Strategic

- Focusing on defined market segments and regions (US, China)
- Further expansion of service capabilities as additional enabler of new machinery business
- Innovation: Consistent development of state-of-the art products for target applications

Operational

- Rigorous implementation of “Starrag 2021” program to improve operational excellence along the entire value chain

Order intake

- Within 2019, in the best case certain increase

Sales revenue

- Significantly below previous year due to weaker order intake in 2019

EBIT

- EBIT before restructuring costs slightly lower, at best unchanged
 - Negative: Lower order backlog at the beginning of 2020 and thus declining volume
 - Positive: Measures implemented to reduce fixed costs and improve project management

Summary

■ Highlights 2019

- Increased sales thanks to
 - higher order intake 2018
 - improved project management and thus faster order processing
- First steps “Starrag 2021” program implemented
- New and further developed products
- Opening Starrag TechCenter Shanghai

■ Setbacks 2019

- Lower order intake (after second-highest value in 2018)
- Insufficient profitability

■ Outlook 2020

- Sales significantly below previous year
- Order intake in line with previous year
- EBIT margin slightly lower/unchanged
- Continued consistent implementation of Program "Starrag 2021"

Starrag Group – Attractively positioned

Benefiting from sustainable megatrends

- Mobility, global infrastructure capex, agricultural productivity, energy efficiency, miniaturization

Innovation leadership and technological expertise

- Leading innovation capability focused on customers' needs using Industry 4.0
- Starrag: a globally trusted brand in its specific niches

'Reduced to the max': focus on

- 4 target industries with 11 dedicated market segments
- Operational excellence with clear processes and minimized complexity
- Customer partnerships with a leading and comprehensive customer service offering

Leading Corporate Governance

- Experienced team and reputed anchor shareholder
- Qualified external references and ratings

Solid financial base

- Strong balance sheet with 53% equity ratio allows for reliable dividend payments
- Profitable even throughout severe macro shocks (financial crisis 2008/2009)

Corporate calendar and Contact details

- 25.04.2020 Annual General Meeting in Rorschach
- 23.07.2020 Half-year report 2020
- 29.01.2021 Sales and orders 2020
- 05.03.2021 Presentation of 2020 results for analysts and media in Zurich
- 23.04.2021 Annual General Meeting in Rorschach

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Engineering precisely what you value

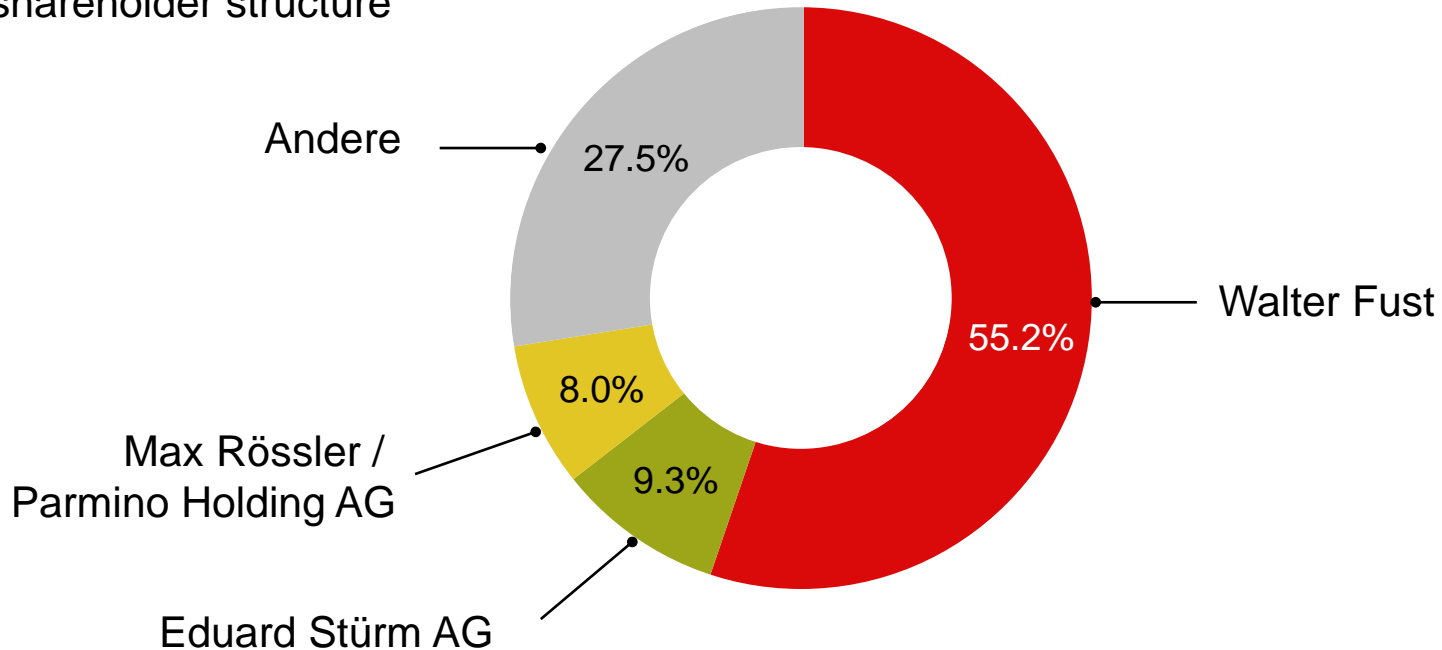
Backup information

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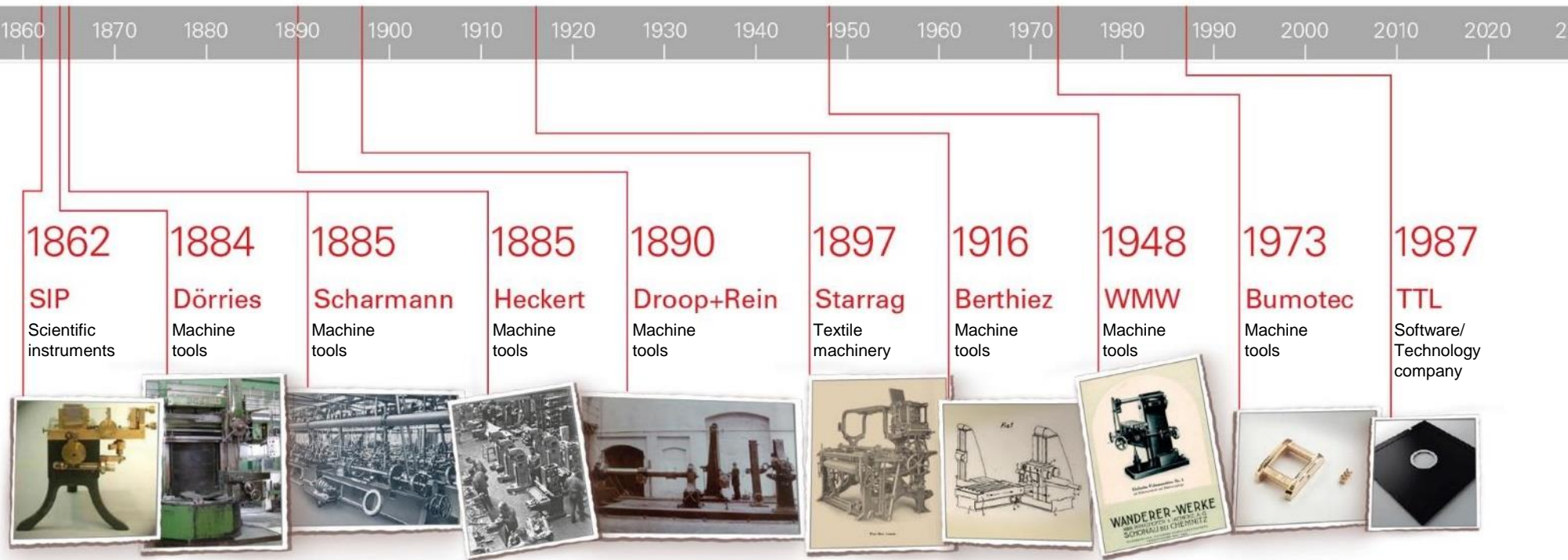
Share details (as of 31 December 2019)

- Market capitalization CHF 155 million
- Listed at SIX Swiss Exchange Main Standard
- Ticker: STGN, Valor number 236'106, ISIN CH00023610608
- 3'360'000 registered shares, nominal value of CHF 8.50 each
- Free float 28%
- Stable shareholder structure

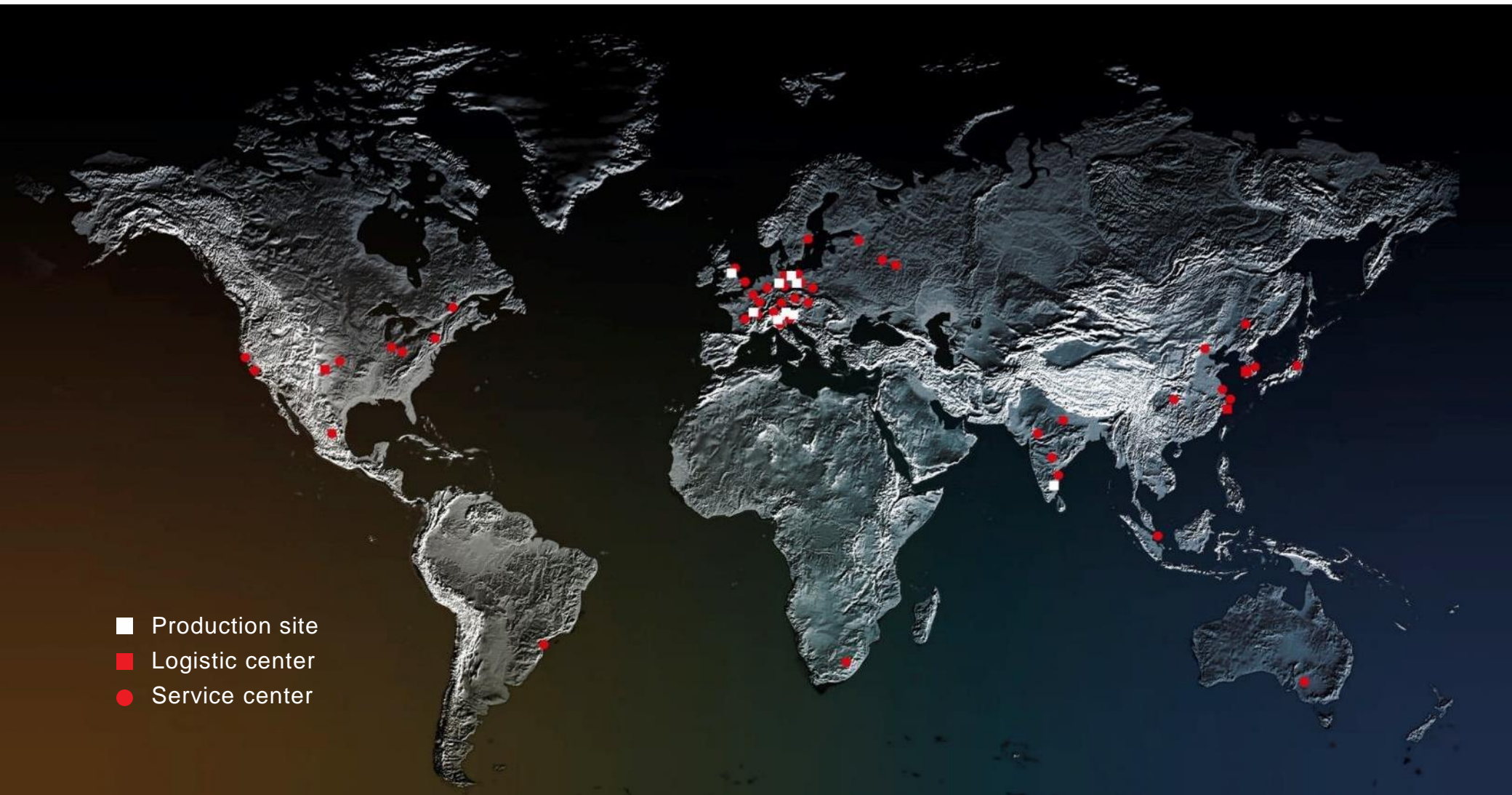


150 years tradition in innovation

Key milestones for Starrag Group to become and remain a reliable long-term partner



At your service



Group Management



Dr. Christian Walti, CEO

(1967, Swiss)

- Since 01.06.2018: CEO and Head of Regional Sales
- 2012 – 2018 Head of Bosch Packaging Systems, Beringen, Switzerland
- 2005 – 2011 Delegate of the Board of Directors and CEO of Faes AG, Wollerau, Switzerland
- 2003 – 2004 Founding partner and shareholder of Stratocon AG, Baar, Switzerland
- 1999 – 2003 management functions at ABB Schweiz AG, Baden, Switzerland
- 1998 – 1999 Consultant at Capgemini Consulting AG, Zollikon, Switzerland

- PhD at University of St. Gallen, Switzerland
- Post graduate studies in Business Administration at University of St. Gallen, Switzerland



Gerold Brüttsch, CFO

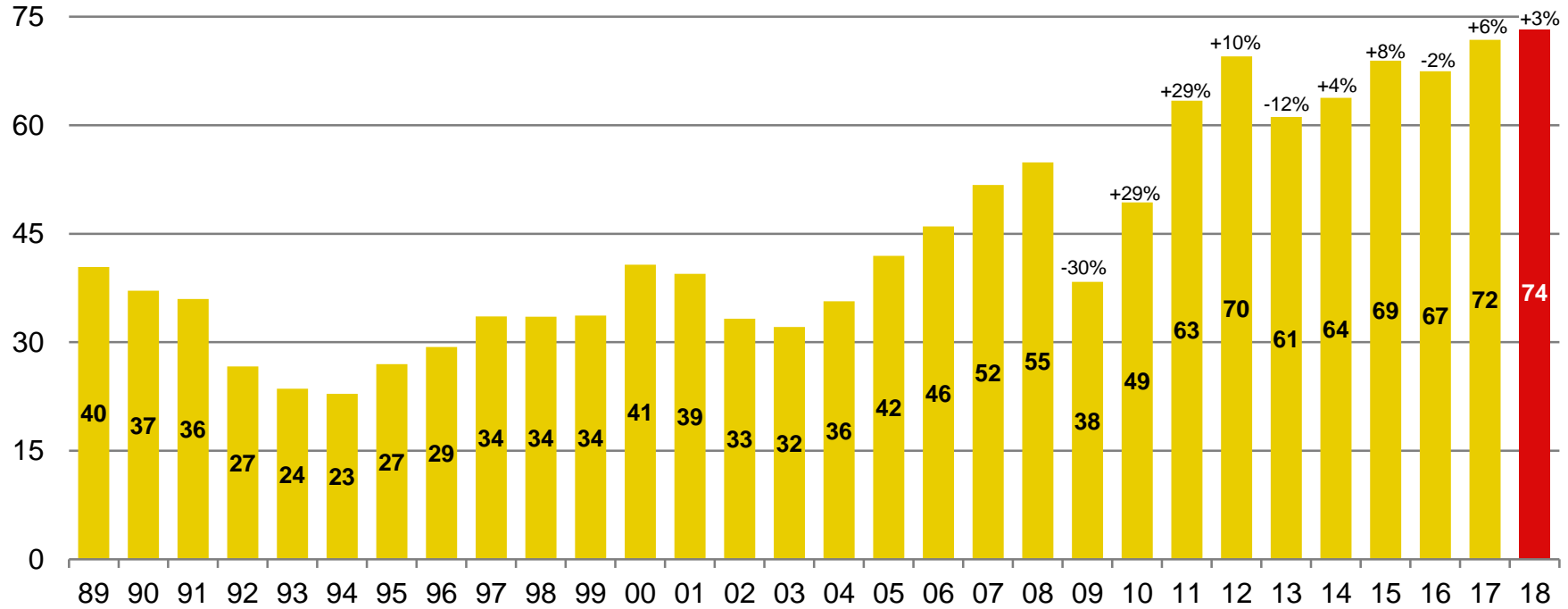
(1966, Swiss)

- Since 2000 CFO, since 2005 Deputy CEO and Head of Corporate Center
- 1997 – 1999 CFO of Müller Martini Bookbinding Systems, Felben-Wellhausen, Switzerland
- 1990 – 1997 Audit and Management Consulting with KPMG Zürich, Switzerland and KPMG San Francisco, USA
- 1982 – 1987 Apprenticeship and Specialist with Winterthur Insurance company in Schaffhausen and Winterthur, Switzerland

- Graduate in Business Management, University of Applied Science, St. Gallen, Switzerland
- Swiss Certified Accountant
- US Certified Public Accountant, California, USA

World production machine tools 1989 - 2018

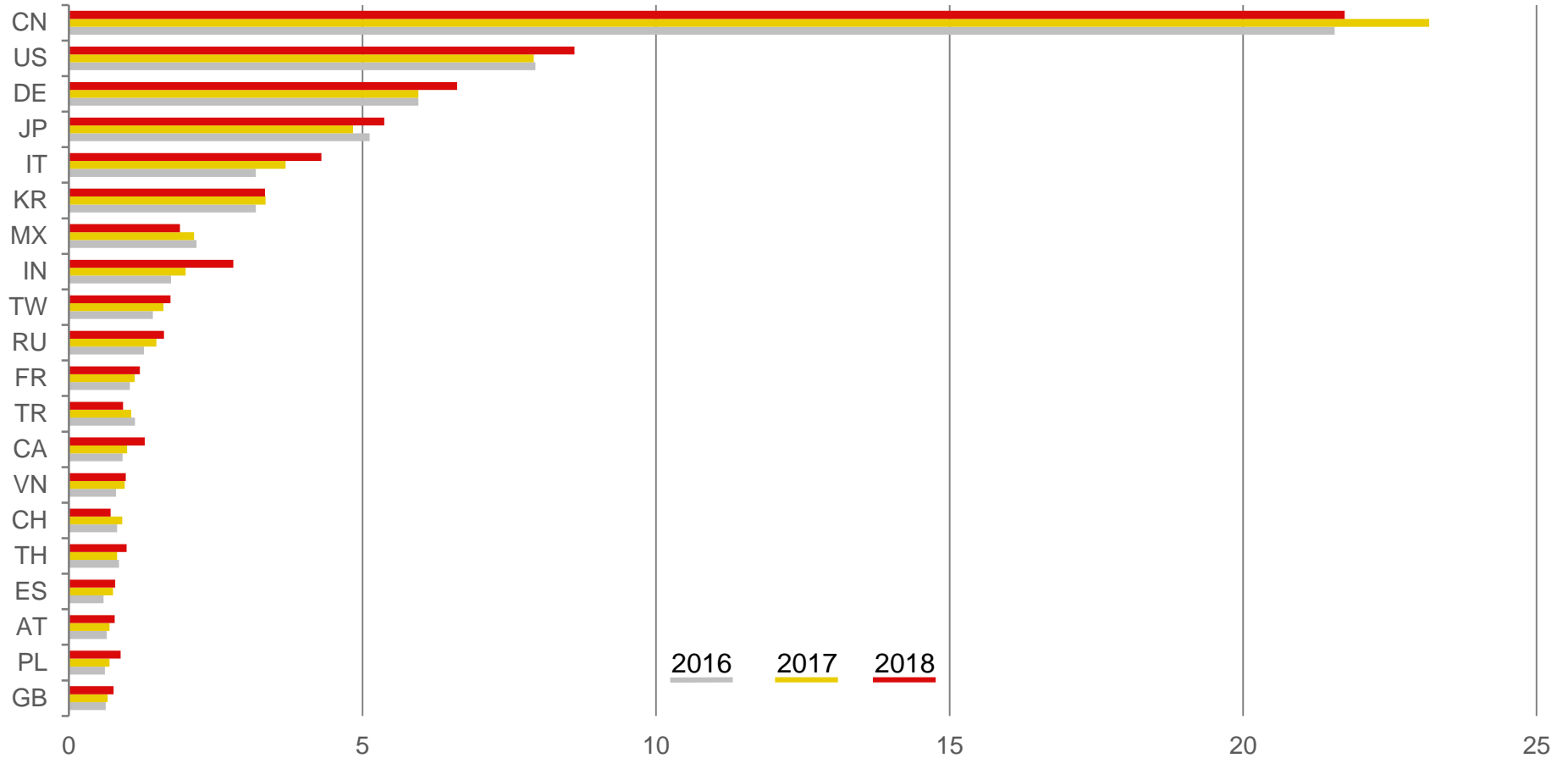
EUR b



Note: Without Parts/accessories; Source: VDW World Machine Tool Statistics 2018, up-dated 03.09.2019.

World production machine tools 2016 - 2018: Top 20 countries

EUR b



■ **Top 20 consume 91% of the total EUR 74 billion machine tool market.**

Note: Without Parts/accessories: Source: VDW World Machine Tool Statistics 2018, up-dated 03.09.2019.