




starrag

Starrag Group

Welcome to the Media and Analysts Conference

Zurich, 7 March 2014



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

Agenda

■ Overview

Walter Fust, Chairman

■ Markets and technologies

Frank Brinken, CEO (until Apr-2014)

■ Financial review

Gerold Brütsch, CFO

■ Outlook

Walter Börsch, CEO (from Apr-2014)

■ Questions and answers

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Outlook

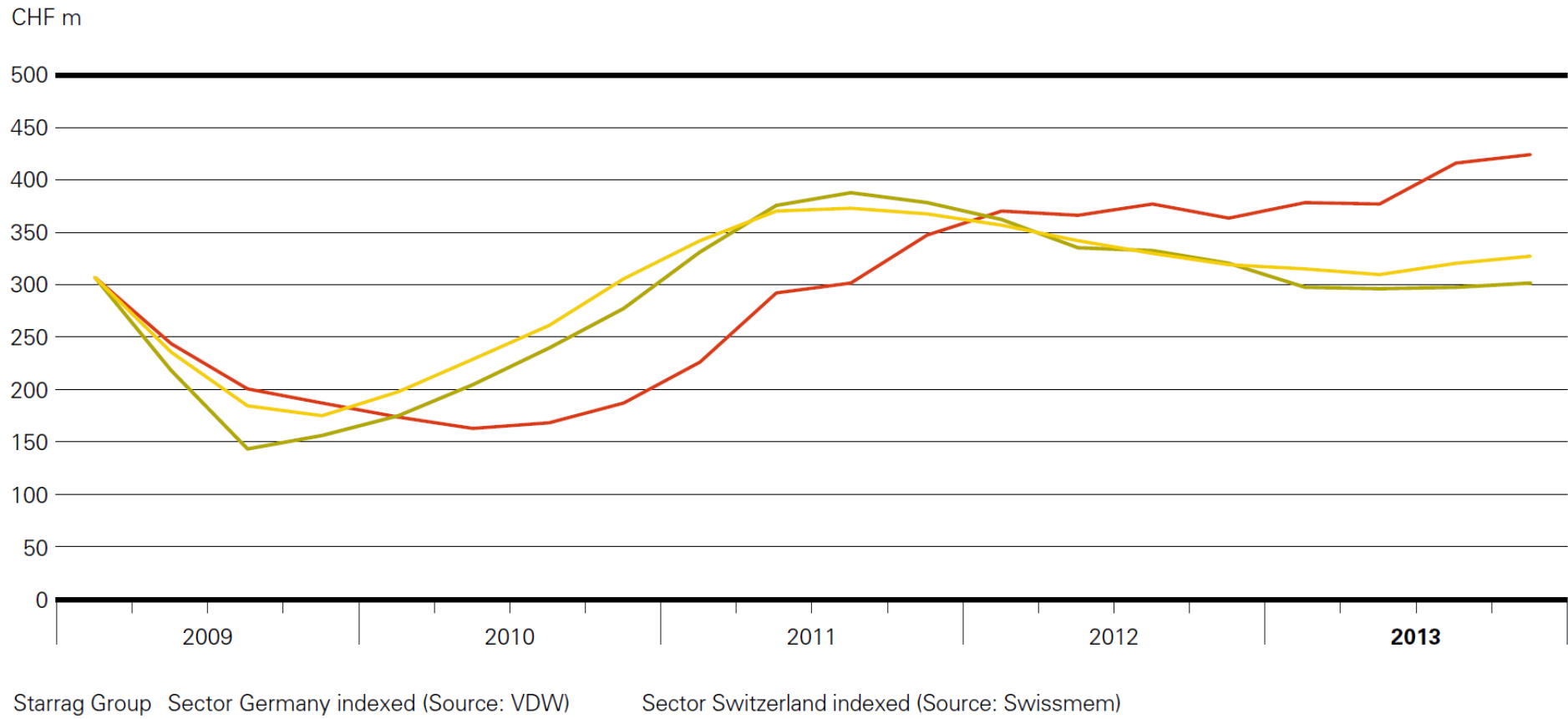
Walter Börsch, CEO (from Apr-2014)

Questions and answers

Overview 2013

- Order intake up by 17 % to CHF 425 million – Revenues up by 2 % to CHF 391 million
- EBIT before restructuring costs up by 6 % to CHF 22 million – operating margin 5.7 %
- Net profit up 4 % to CHF 13.5 million – earnings per share CHF 3.97
- Strong balance sheet thanks to increased equity ratio of 56 %
- Profit distribution remaining at CHF 1.80 per share – payout ratio 45 %

Order intake benchmark: Starrag Group vs. sector



Attractive total shareholder return

CHF



STGN CECIMO MTIX indexed SPI indexed

Total shareholder return

- 1 year = 25.9 % p.a.
- 3 years = 5.2 % p.a.
- 5 years = 9.2 % p.a.

2013: further improvement of our strong position

- Bumotec acquisition a success, capturing group synergies
- Solid position in Asia
- New machine range specially adapted for emerging markets
- Accelerated product and process innovations
- Continuation of internal process improvement programs
- Planned changes in the Board of Directors and Executive Board to ensure continuity

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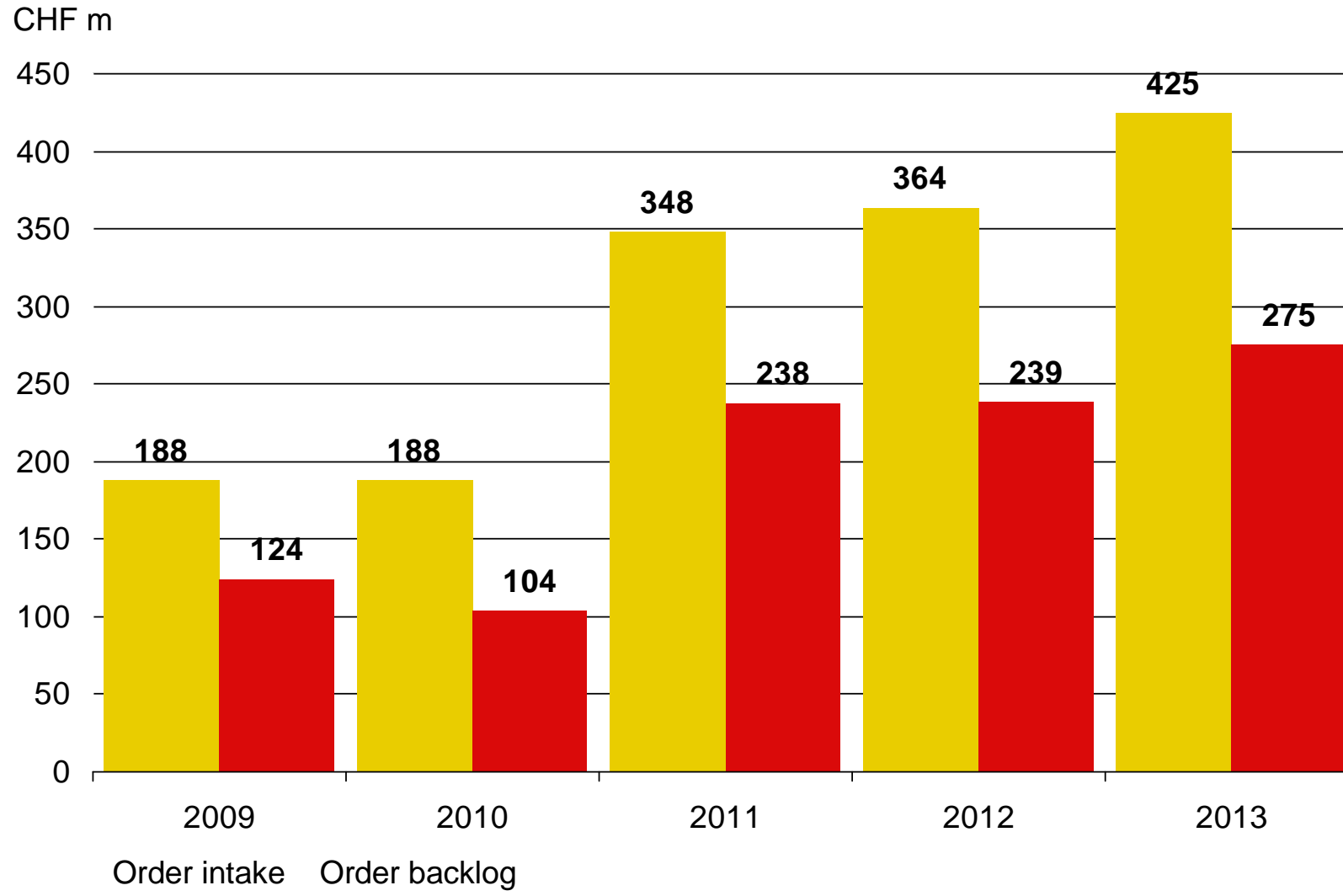
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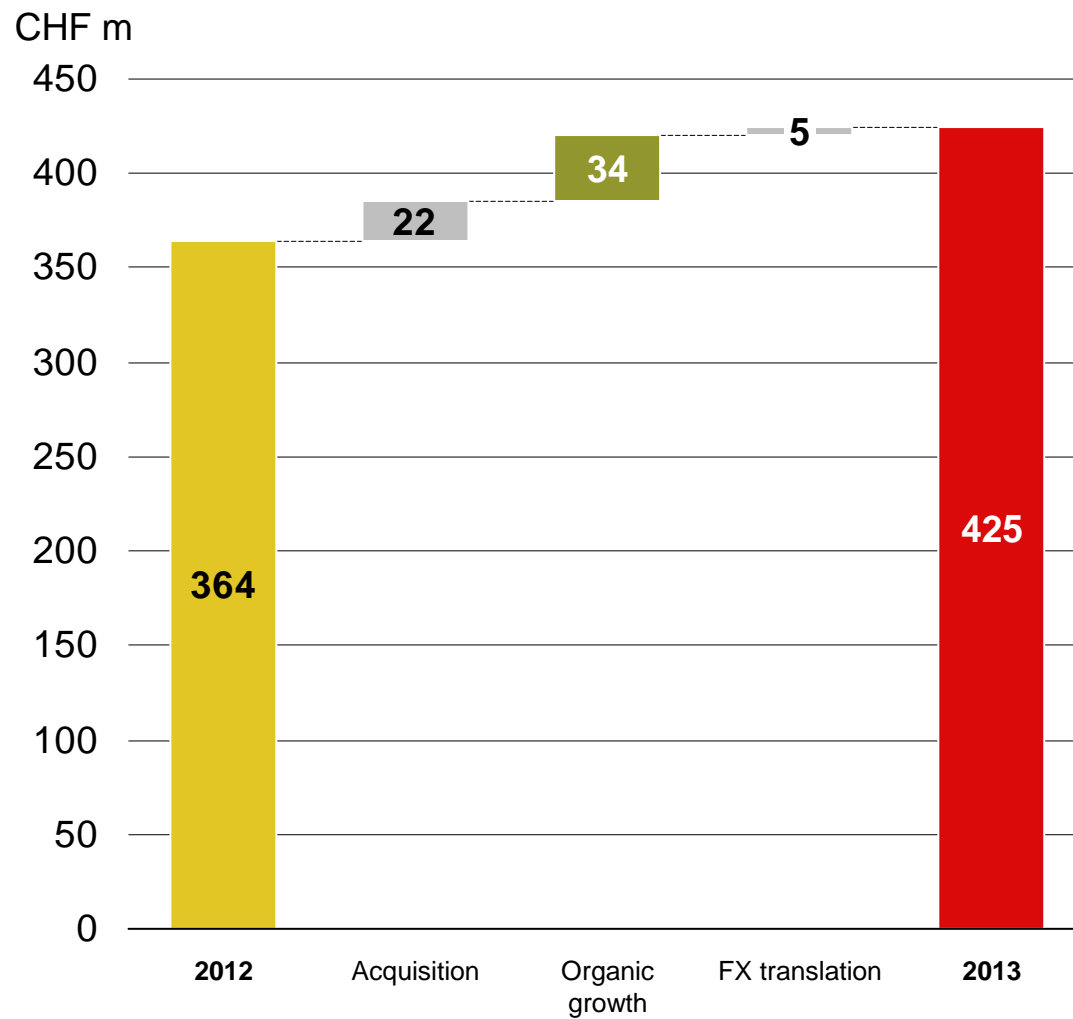
Walter Börsch, CEO (from Apr-2014)

Questions and answers

Order intake better than market, solid backlog



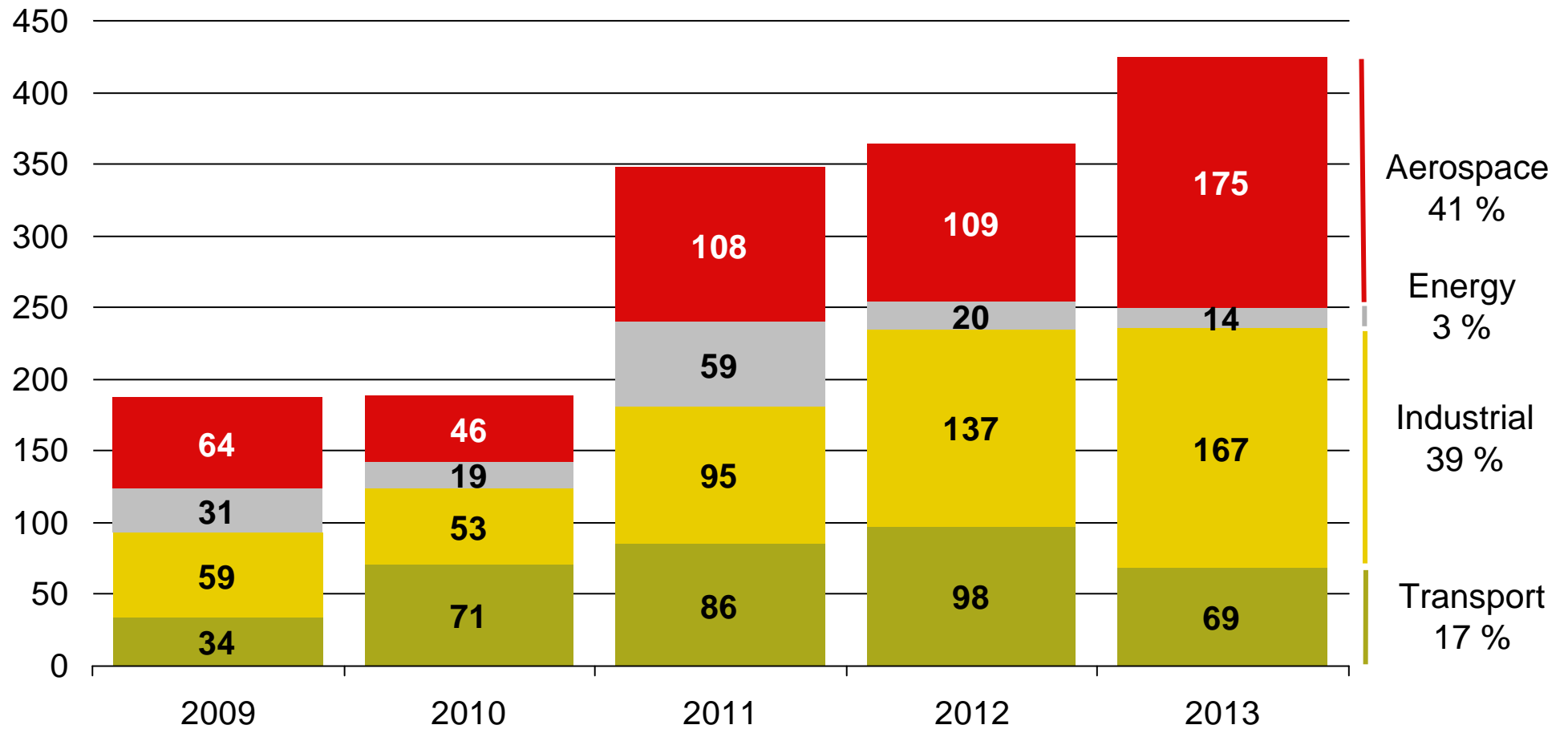
Development of order intake



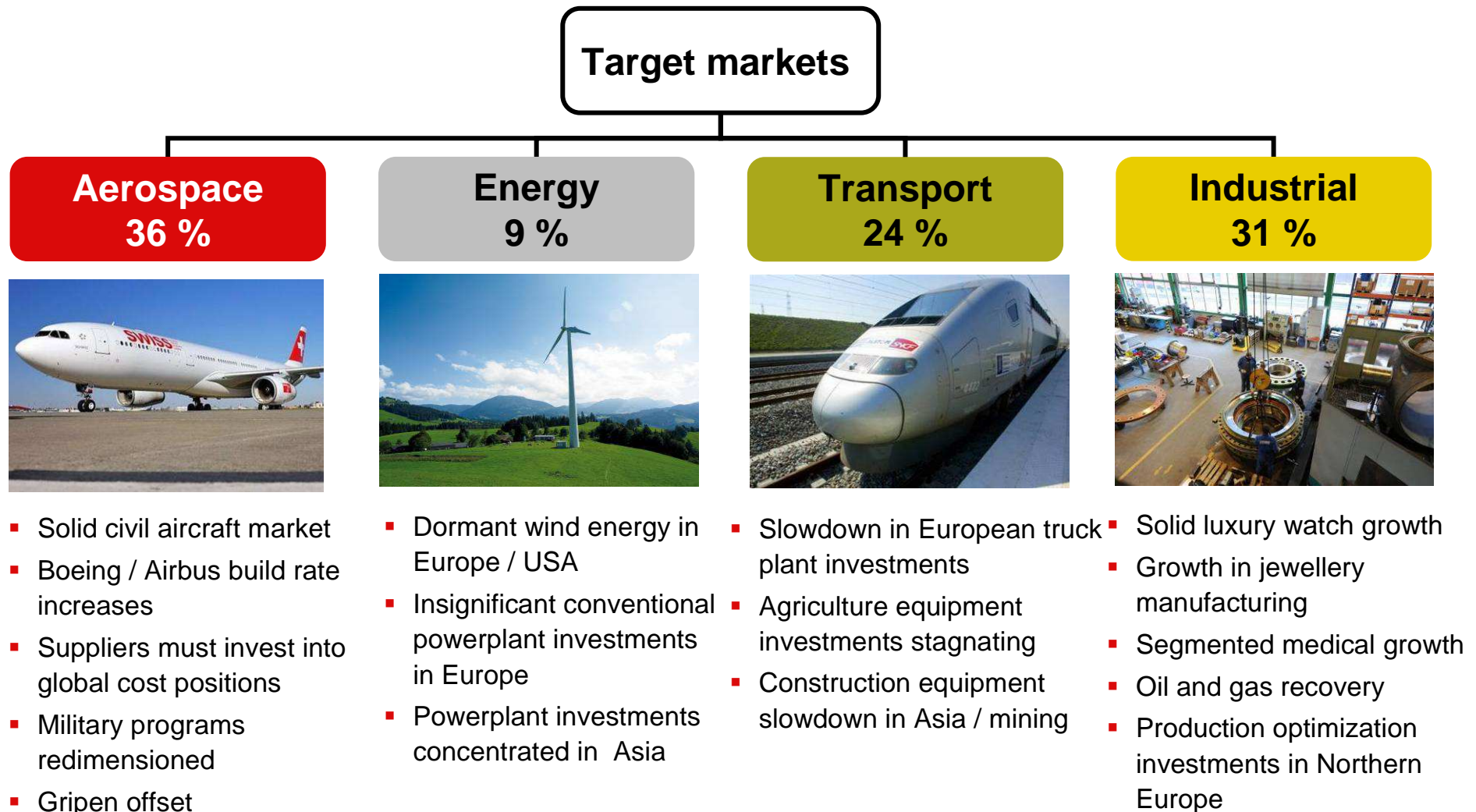
▪ **Growth rate +16.7 %**

Order intake by market segment

CHF m

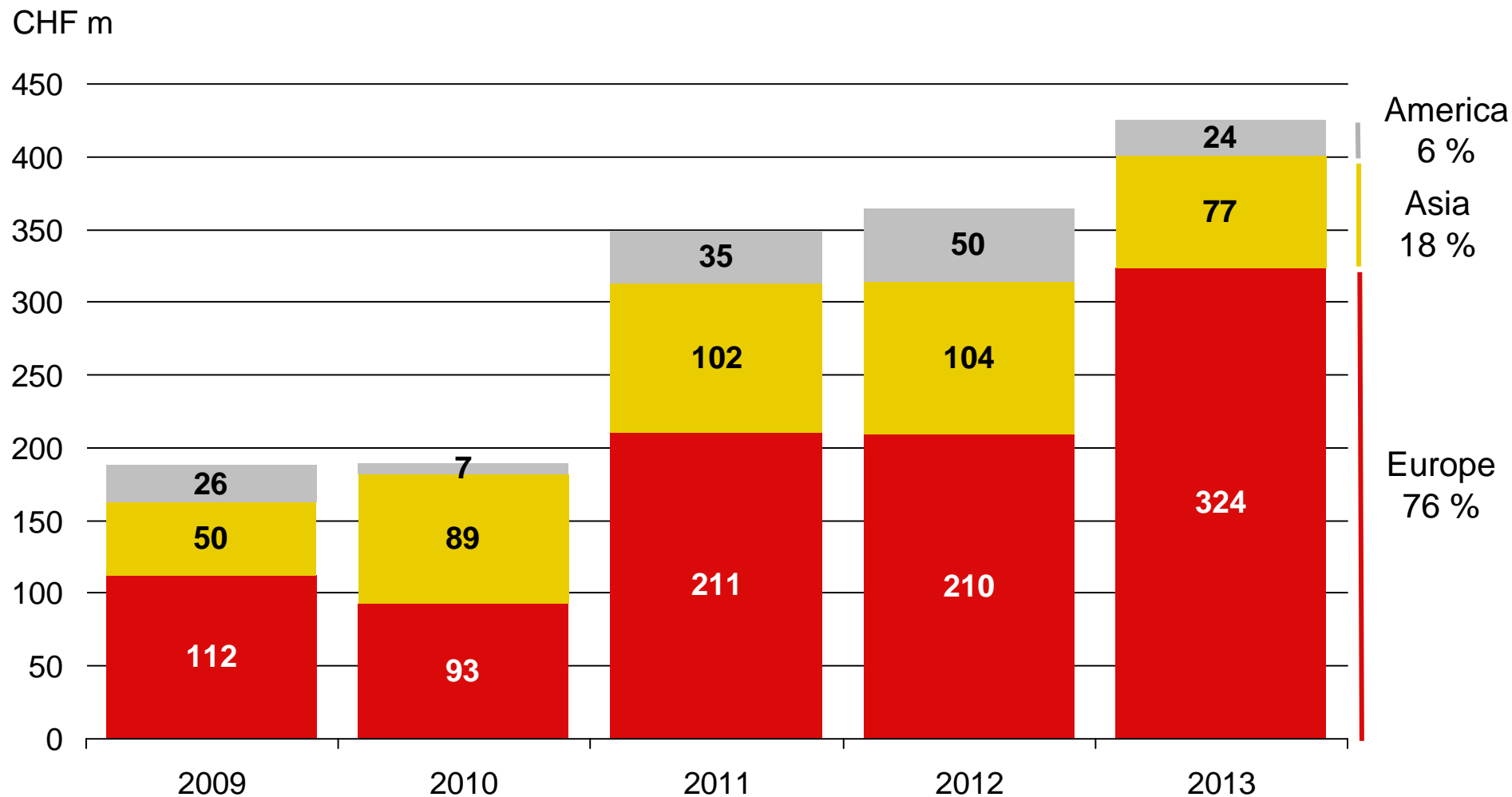


Market segment trends



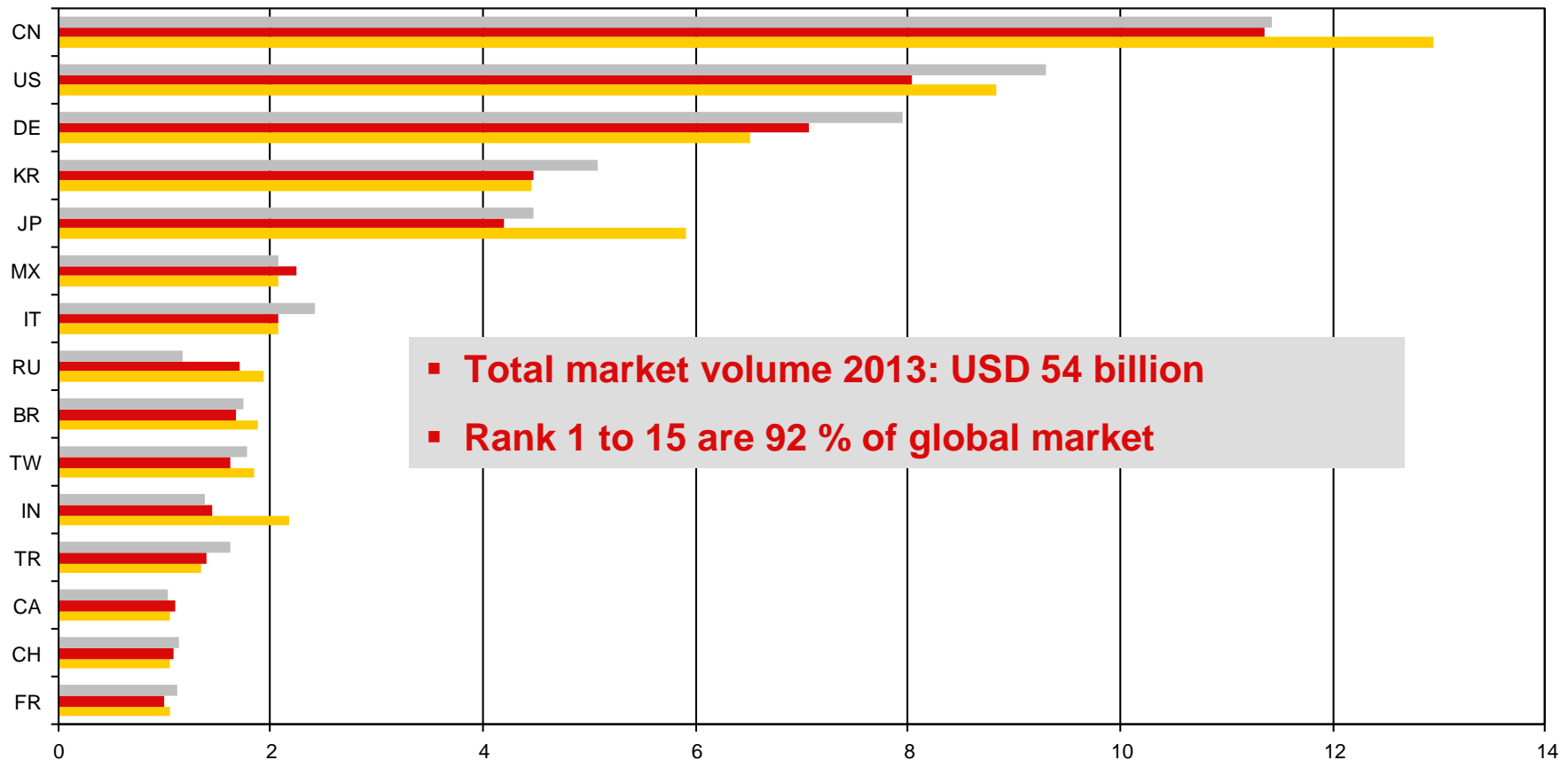
Note: Percentages based on order intake 2009 – 2013.

Order intake by region



World machine tool consumption

USD b



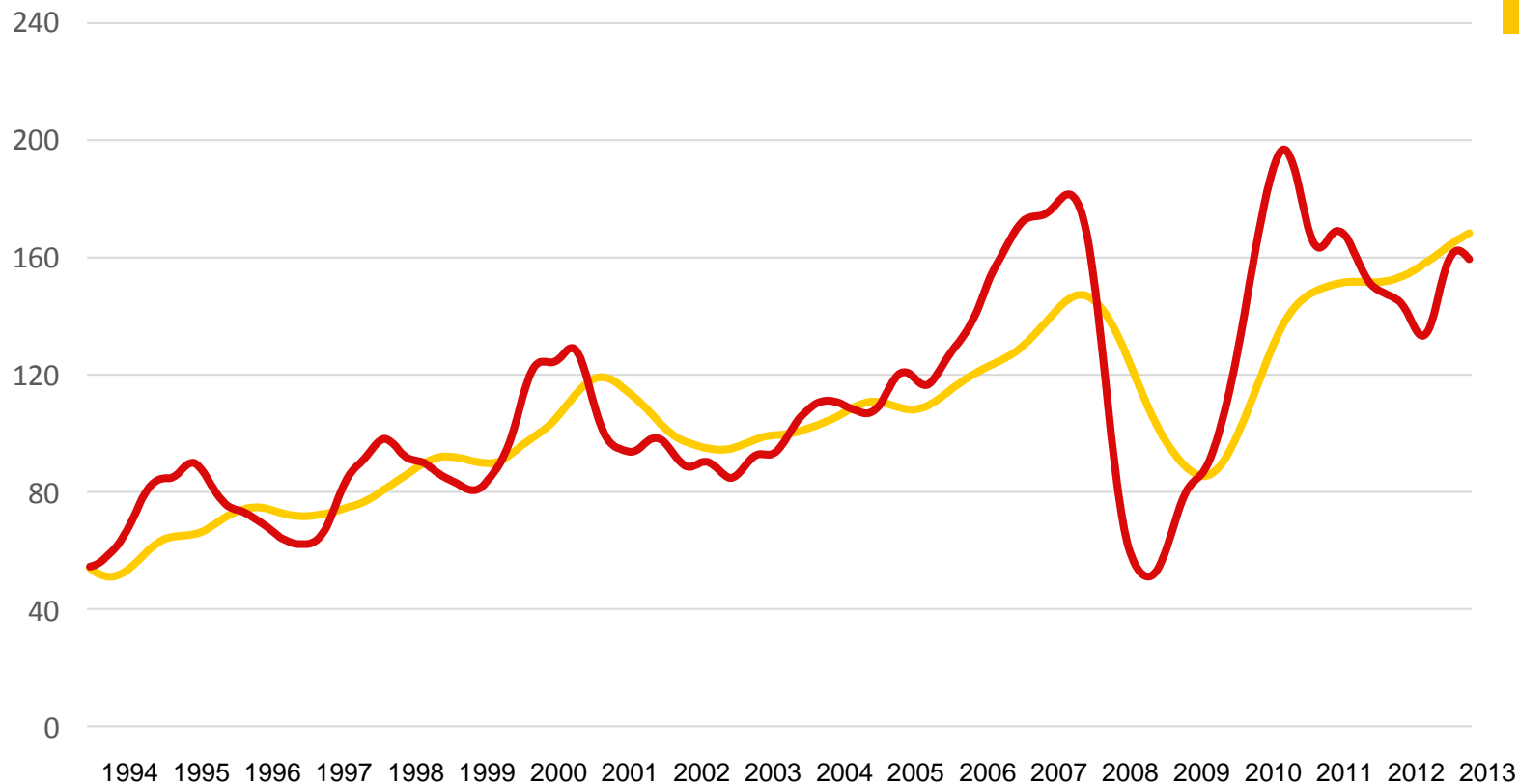
- Total market volume 2013: USD 54 billion
- Rank 1 to 15 are 92 % of global market

Note: Data for China has been reduced to account for the high percentage of non-CNC machines that are almost universally produced and consumed in China.

2012 rev. 2013 est. 2014 forecast

Source: Gardner Research World Machine Tool Output & Consumption Survey 2014.

Machine tool industry Germany - Cutting



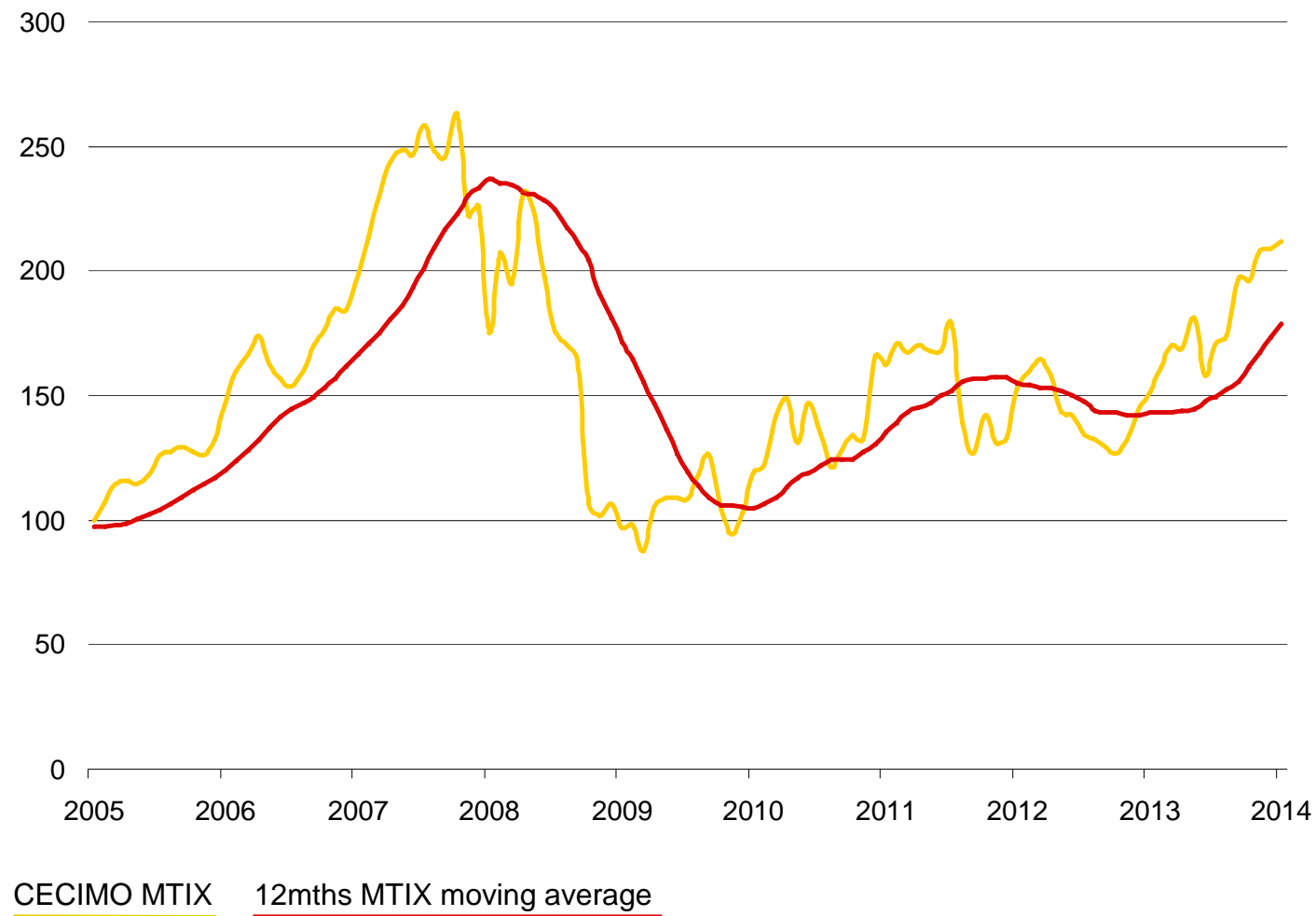
Order intake

Sales

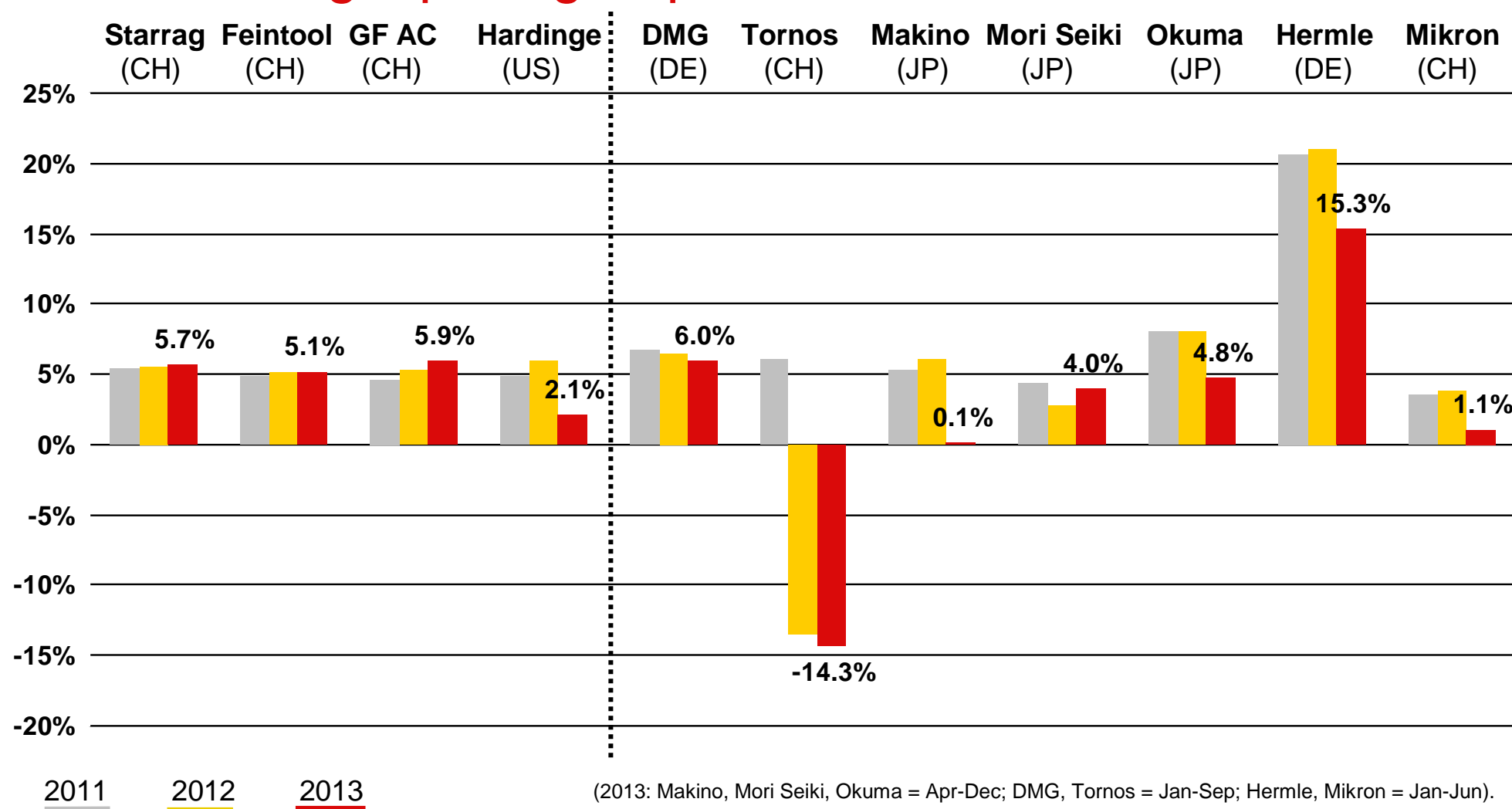
[Index, nominal – trend values (seasonally adjusted and rolling)]

Note: indexed base sales 2010=100, Data till December 2013
Source: monthly order intake statistic VDMA, VDW.

Cecimo MTIX confirms positive outlook



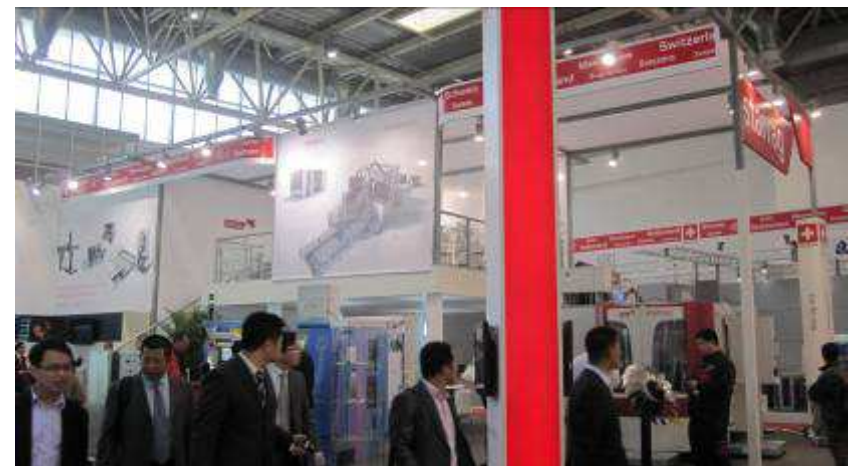
EBITR margin peer group



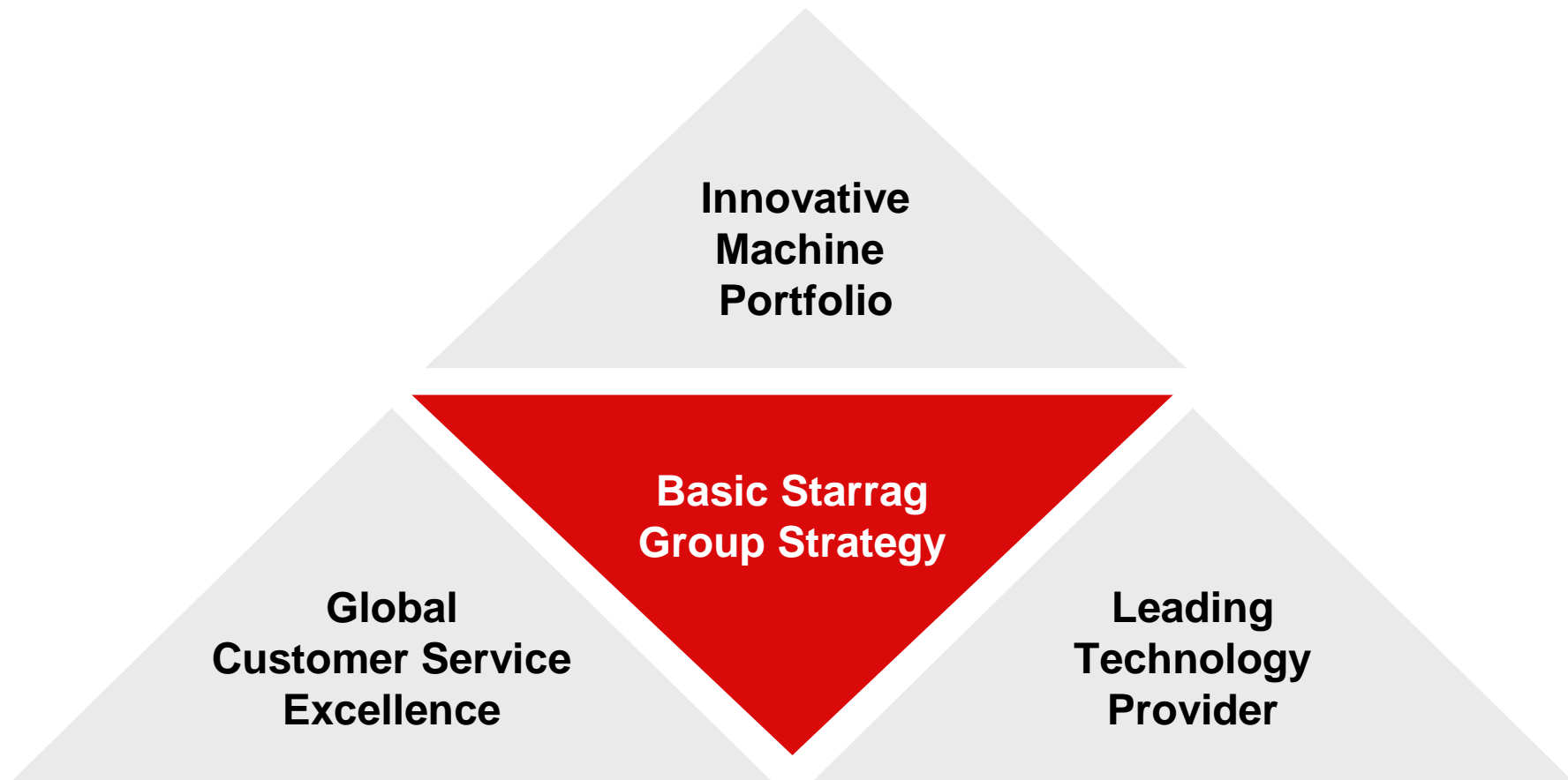
Successful trade fairs

Leading trade fairs 2013:

- EMO Hannover
- IMTEX Indian Metal-Cutting Machine Tool Exhib.
- CIMT China International Machine Tool Show
- Metalloobrabotka Moskau

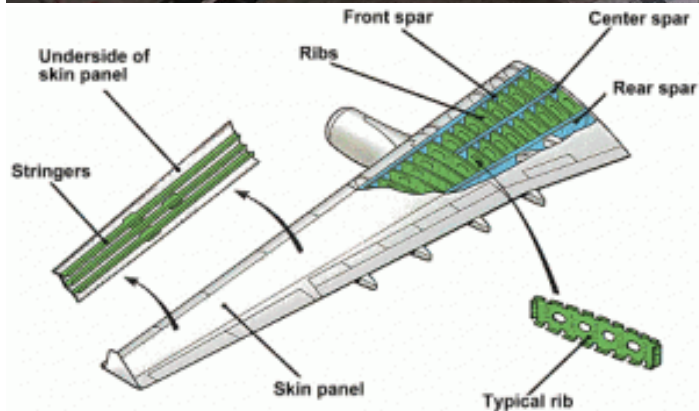
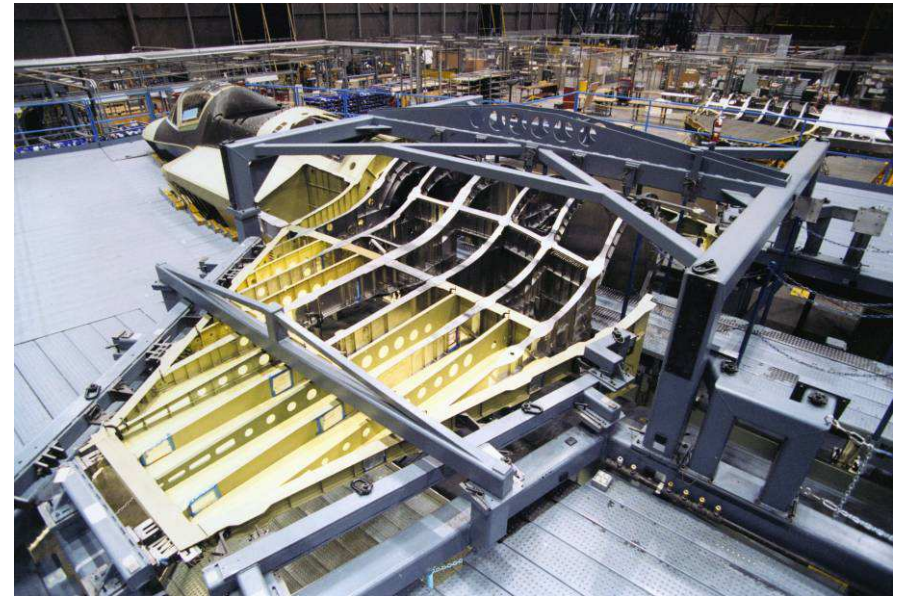


Group Strategy



Changing Technology in Aircraft Design

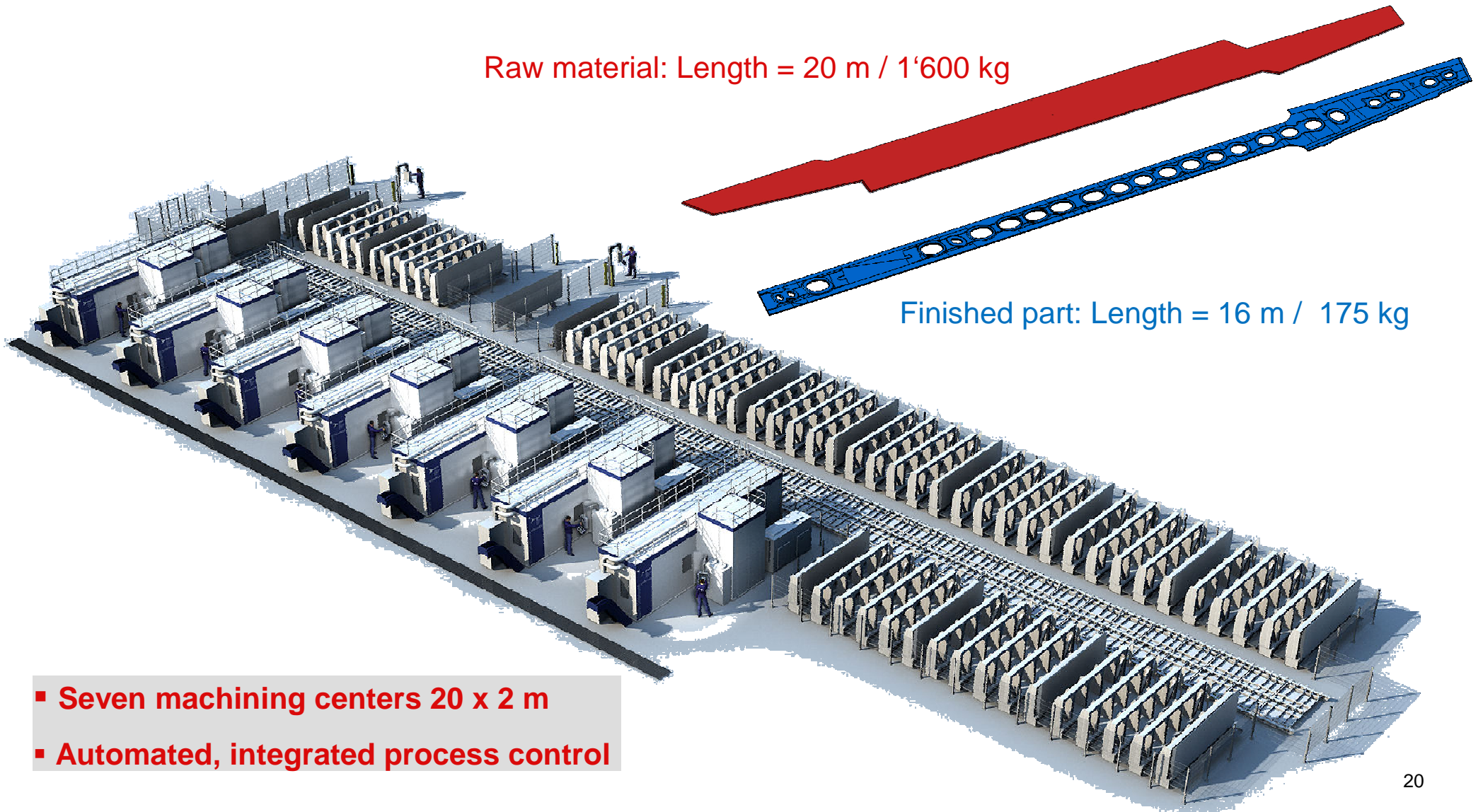
Move to larger and more complex structures with closer tolerances



Starrag Answer: Flexible ECOSPEED® Large Part Manufacturing System

Raw material: Length = 20 m / 1'600 kg

Finished part: Length = 16 m / 175 kg



- Seven machining centers 20 x 2 m
- Automated, integrated process control

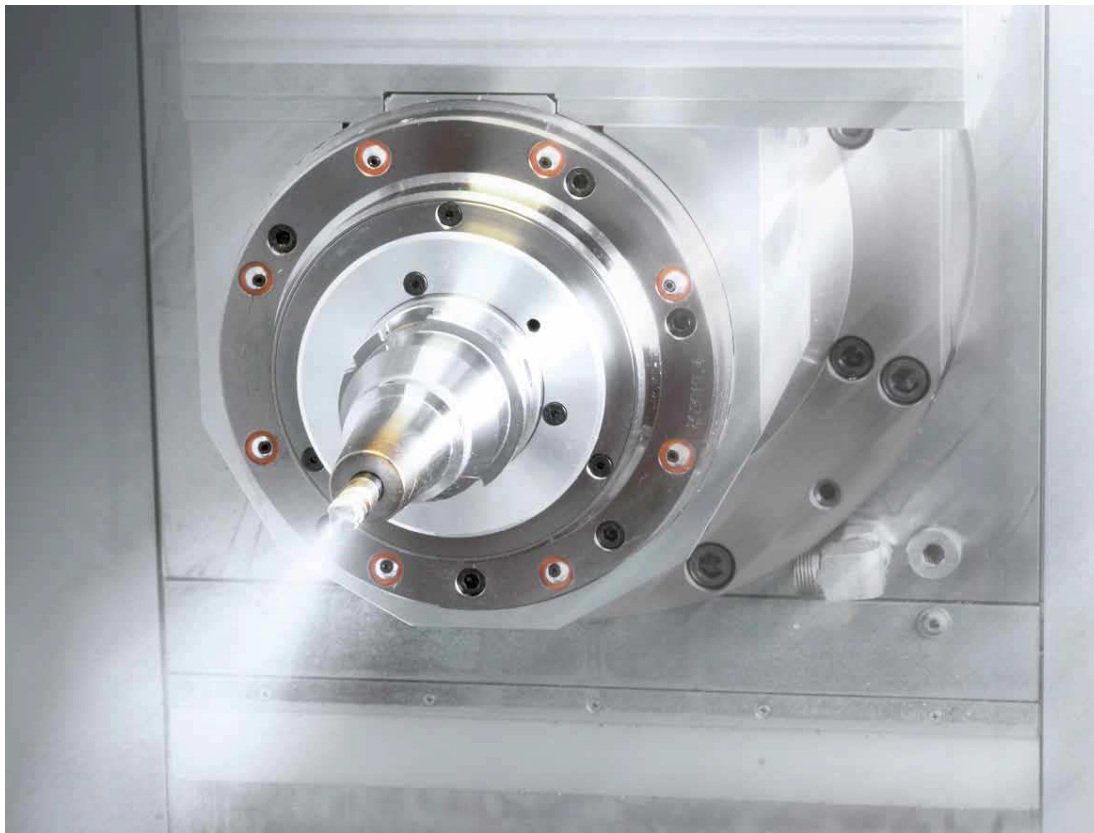
Star performer



- Complete manufacturing cell for production of car body dies
- Global standard for stamping die plants
- Multiple large milling machines, setting-up stations and multi-functional robotic cells
- Droop+Rein with long-standing successful customer co-operation

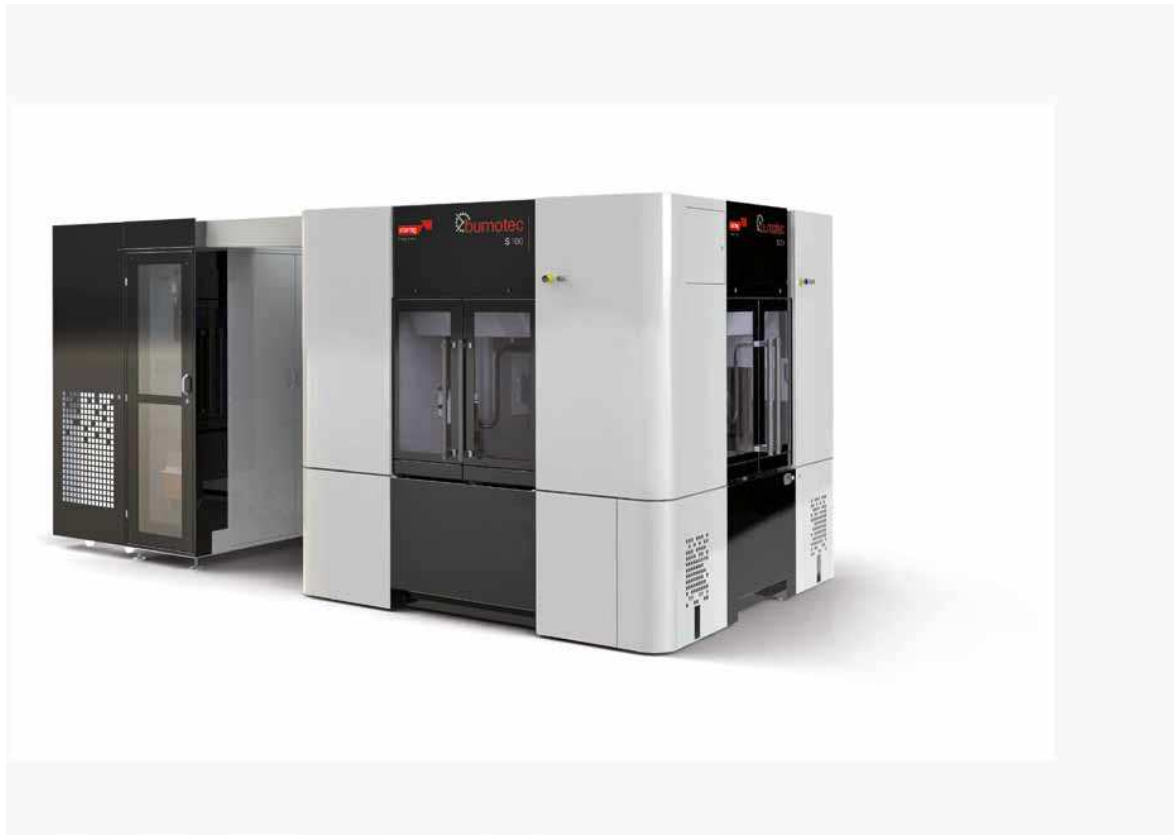
Innovation: Starrag cryogenic cooling system

Improved cost position = faster production + reduced tool wear



- First time presented at EMO 2013
- EMO Innovation Award from German Magazine MM Maschinenmarkt
- Productivity up 70 %!
- Cutting speed up from 320 m/min. to 400 m/min.

Innovation: Bumotec S 100 multi



- New highly dynamic machining center
- Revolutionizing serial production of small precision parts
- For parts of max. 80x80x80 millimeters (brass, aluminium, stainless steel.....)
- < 0.5 sec. chip-to-chip time!
- Up to 144 tools

Innovation: Heckert DBF - combining three processes



- ✓ Cost, Flexibility and Precision Improvement for the Oil and Gas Exploration Market
- ✓ Drilling Equipment, Petrochemical Valves, Complex Shapes
- ✓ Turning, drilling, milling (DBF) in a single clamping
- ✓ Unique head technology with a large axis path in the radial facing slide
- ✓ Consistent axial and radial run-out of 5-6 μm on the part
- ✓ Up to 570 tools

HEC DBF 630 / 800: capturing group synergies Heckert / Scharmann

New machining concept from blank to finished part

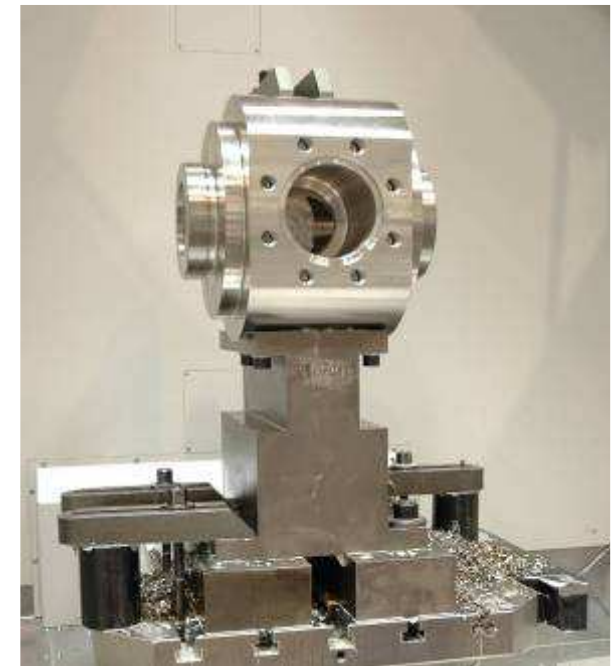
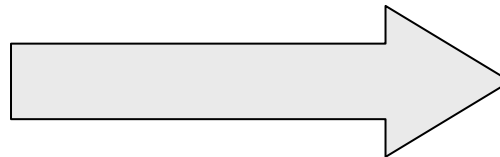
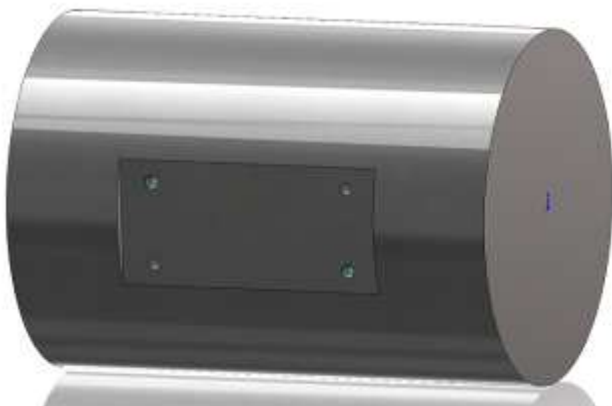
Valve application example (formerly multi stage process)

■ Complete machining now in one set up

■ Total machining time 4 to 4.5 hours

■ Machining time saving 77 %

■ Lead time reduction 95 %



New plant in India inaugurated 25 January 2013



Clean, modern, safe



Energy efficient manufacturing plant

German quality – Made in India

Top 10 in terms of performance

- Ranked number **10** in 2012 in the combined overall performance of SPI medium companies (without banks/financial services)
- Ranked number **15** over 2009 to 2012 in the combined overall performance of SPI medium companies (without banks/financial services)
- Ranked number **3** in 2012 based on total shareholder return, relative to peer group



Source: Ranking by Obermatt
(international financial research company specialized in indexing performance).

Starrag Leadership Academy

- Leadership skills recognized as strategic value driver
- 150 mid-level managers trained in modern leadership skills in cross-location and cross-functional groups in 2013
- Foundation for closer cooperation and integration
- Must complete to be eligible for promotions
- Roll-out into the regions in English and French starting 2014



Summary 2013: Strong position further improved

- Bumotec aquisition a success: translation group synergies into growth
 - New US Technology Center in existing Starrag US premises
- Indian plant investment to capture future Asian growth
- Extension of machine range specially adapted for emerging markets
- Four Process and product innovations enhancing global technology leader position
- Relentless efficiency improvement of internal processes group wide implemented
- Focus on integrated supply chain and cost reductions for future margin growth
- Solid project pipeline for continued success in 2014

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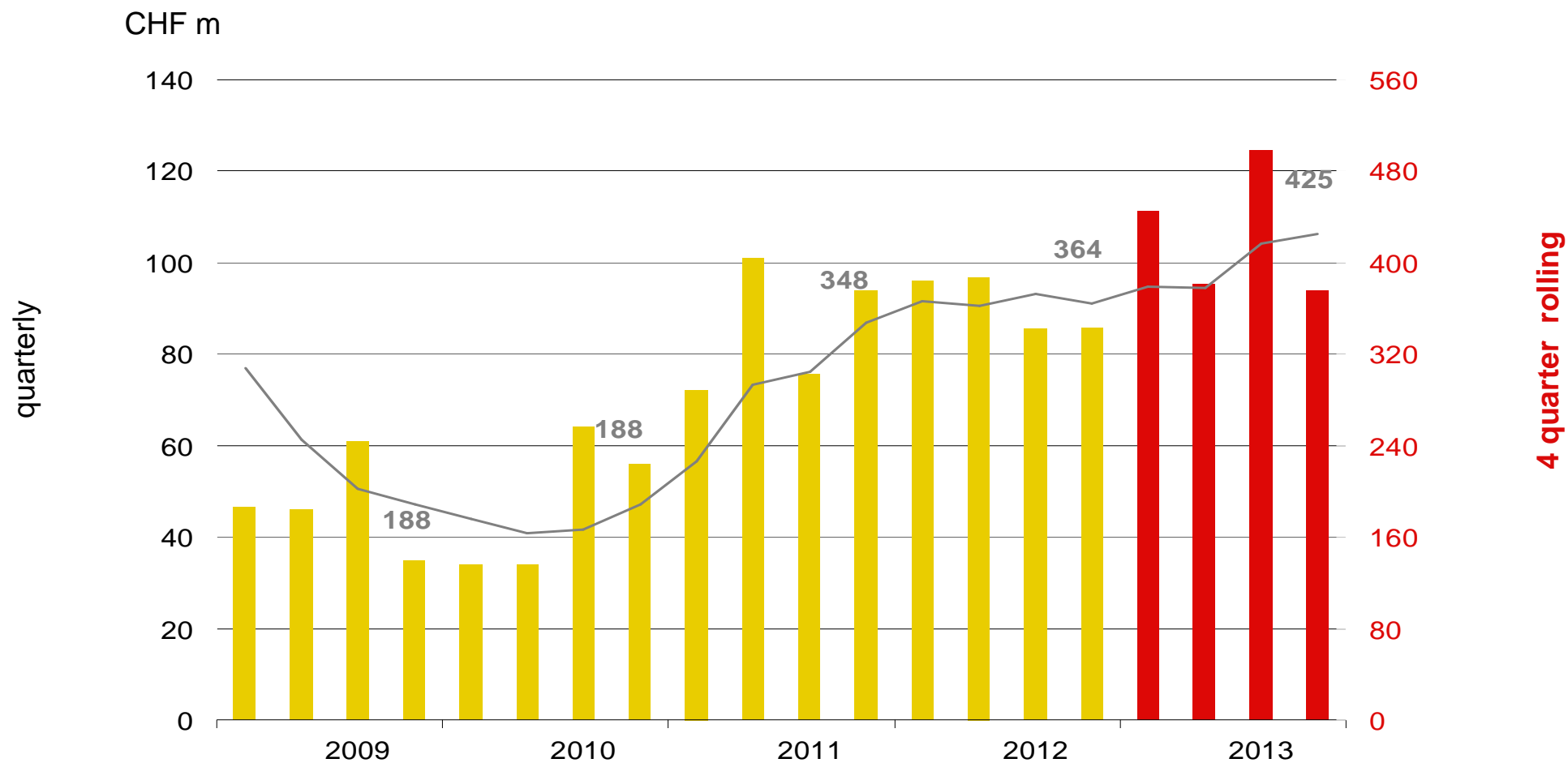
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Questions and answers

Significant events with impact on financial reporting

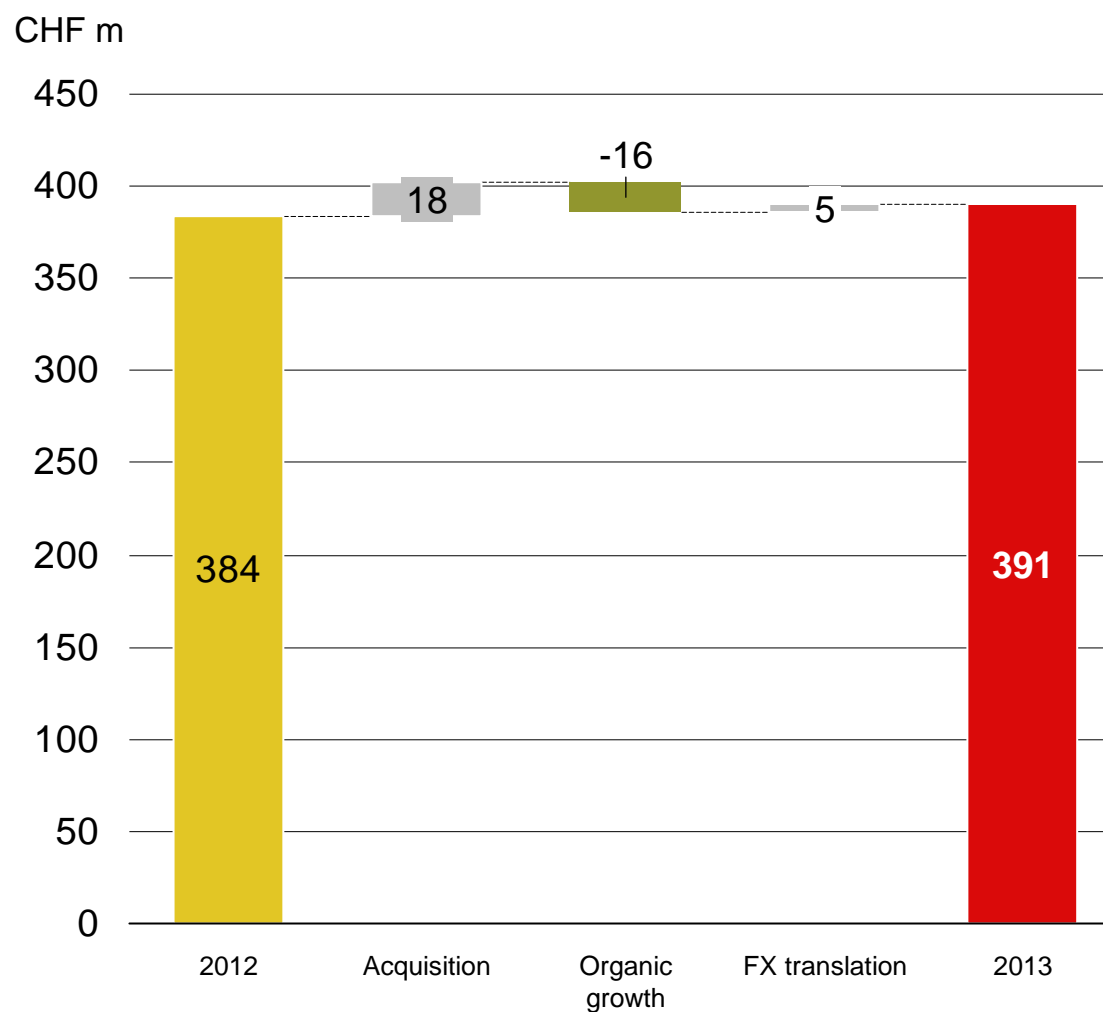
- Full year consolidation of Bumotec (acquired end of May 2012)
- Slight increase in FX rates: EUR/CHF 1.24 compared to 1.22 in 2012
- First time application of IAS 19 resulting in prior year restatement:
 - Impact on net equity 31.12.2012 -1.9m CHF
 - Impact on EBIT and net profit 2012 -0.7m CHF

Order intake



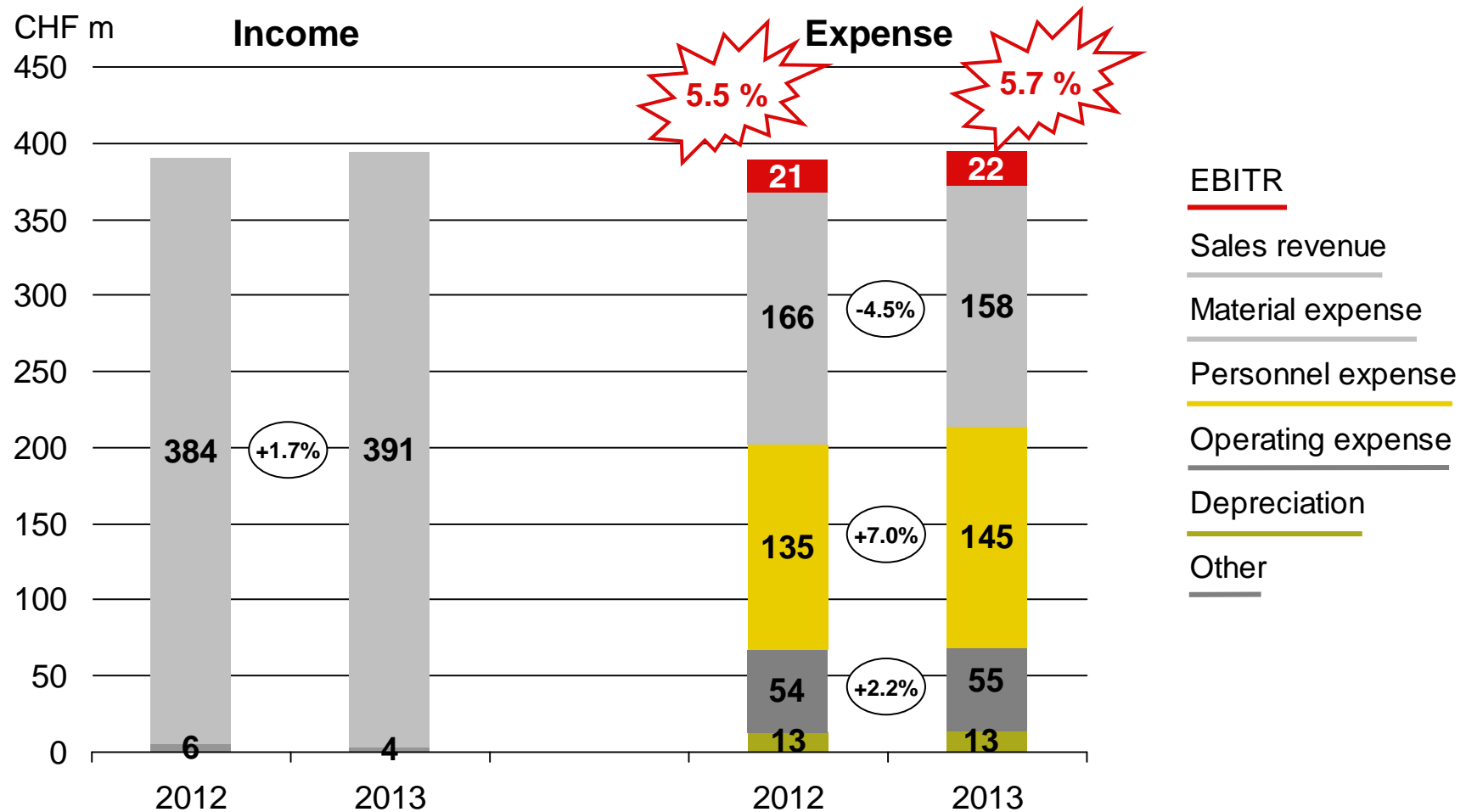
▪ Order intake in 2013: +16.7 %

Drivers of sales revenue 2012 to 2013



▪ Sales revenue in 2013: +1.7%

Income statement to EBITR



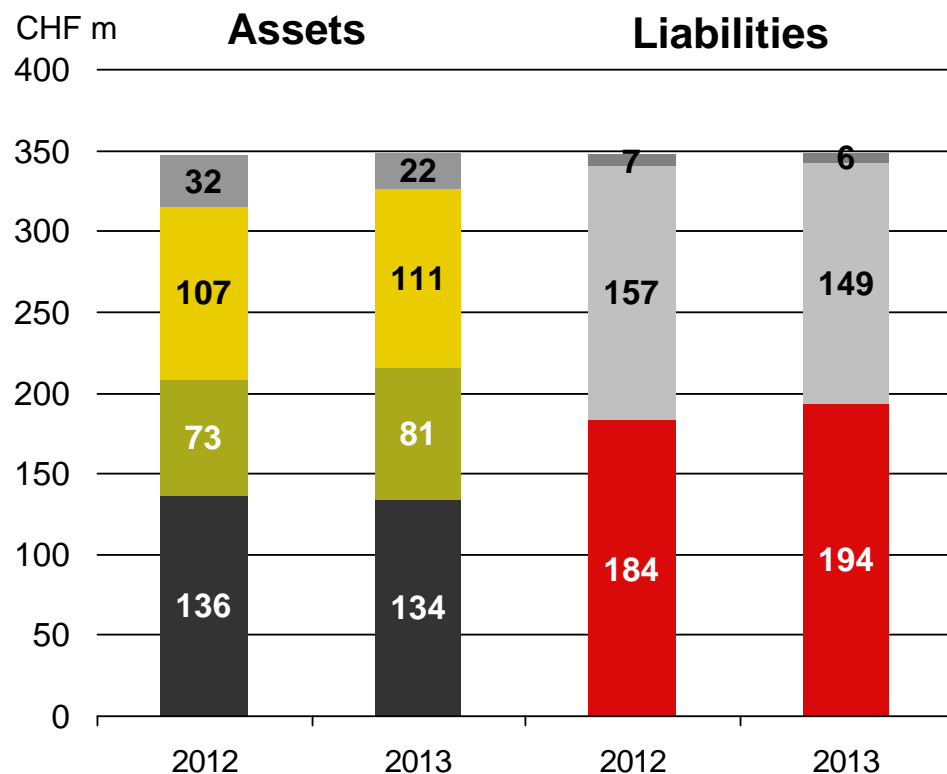
▪ Higher gross margin leads to increased EBITR margin

From EBITR to net profit

	CHF m	2013	2012
EBITR		22.4	21.1
Restructuring costs		-3.4	-
EBIT		19.0	21.1
Interest		-0.3	-0.1
FX result		0.3	-1.0
Other		-1.0	-1.5
Earnings before tax EBT		18.0	18.5
Income tax		-4.5	-5.5
Earnings after tax EAT		13.5	13.0
Tax rate		25 %	30 %

- Restructuring costs due to the vanishing demand in the wind energy
- FX gain 0.3m CHF after FX loss in prior year
- Lower effective tax rate due to higher earnings share from countries with lower tax burden (expected future tax rate 26 % to 28 %)

Balance sheet



Total assets

347

349

Equity ratio

53 %

56 %

Cash and cash equivalents

Receivables

Inventories

Fixed assets

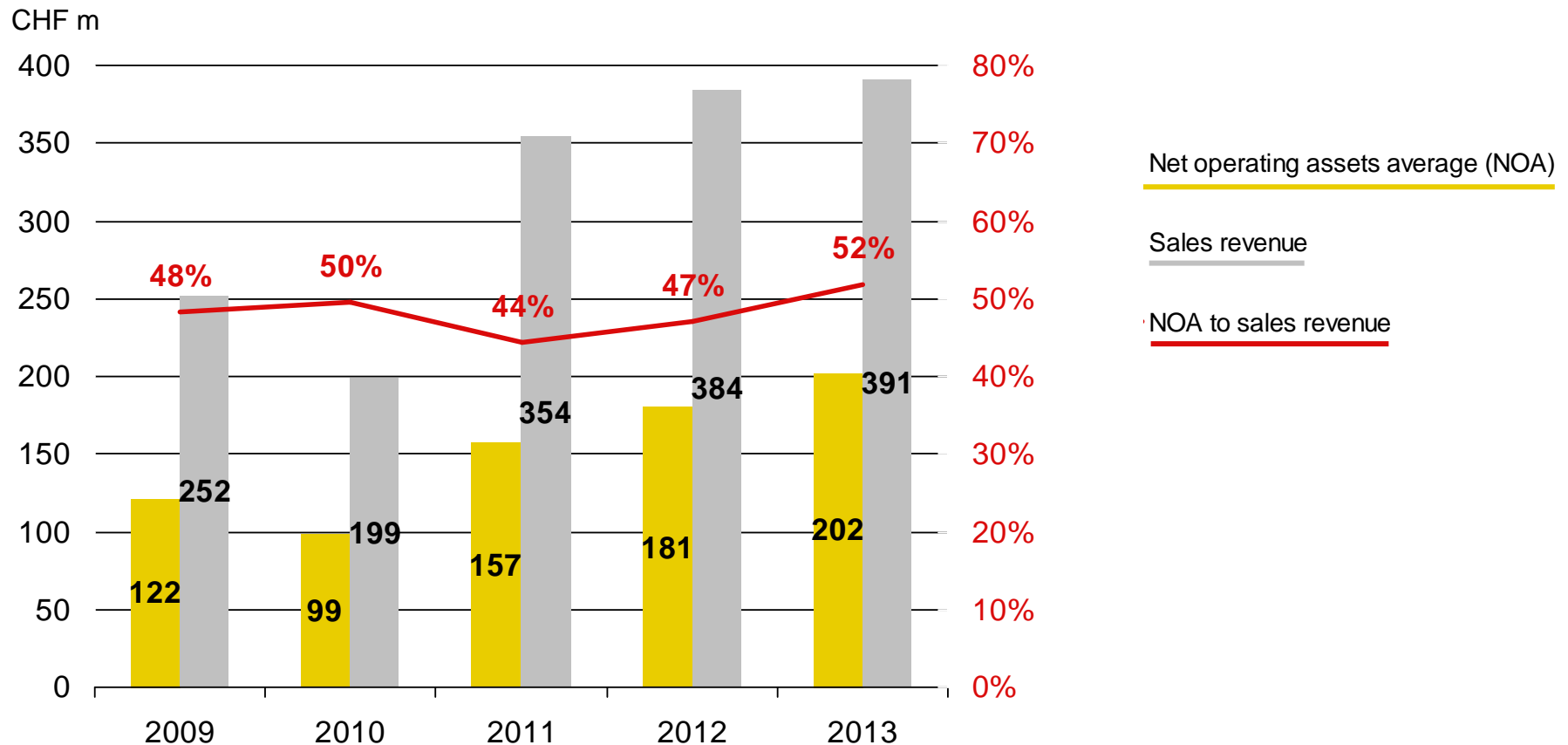
Financial liabilities

Operating liabilities

Shareholders' equity

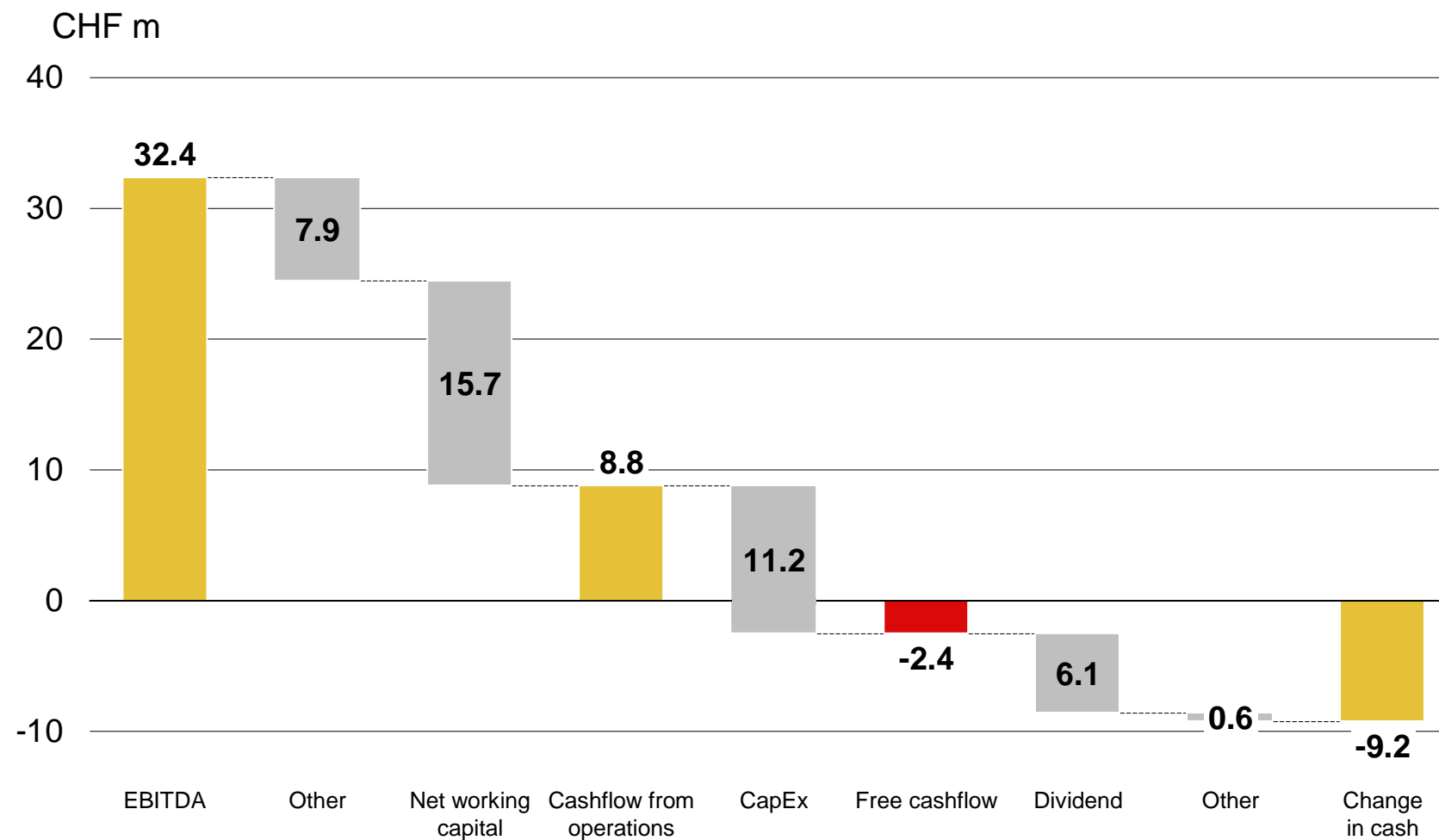
- **Solid financing with stable balance sheet structure**
- **Increase in inventories for future orders**
- **Decrease in operating liabilities**

Capital employed



- Increase back to normal levels, pre-financing of future orders
- 2011 and 2012 impacted by acquisitions

Free cashflow



Share information

	2013	2012
Earnings per share (CHF)	3.97	3.81
Profit distribution per share (CHF) ¹⁾	1.80	1.80
Share price at year end (CHF)	75.75	61.60
Market capitalization (CHF million)	255	207
- as % of shareholders' equity	132 %	112 %
Total shareholder return	25.9 %	26.7 %

1) Withholding tax free from capital reserve

- **Total shareholder return:** 1 year = 25.9 % p.a.
3 years = 5.2 % p.a.
5 years = 9.2 % p.a.

Solid base for future success

- Level of order intake up by 17 % to CHF 425 million – Revenues up by 2 % to CHF 391 million
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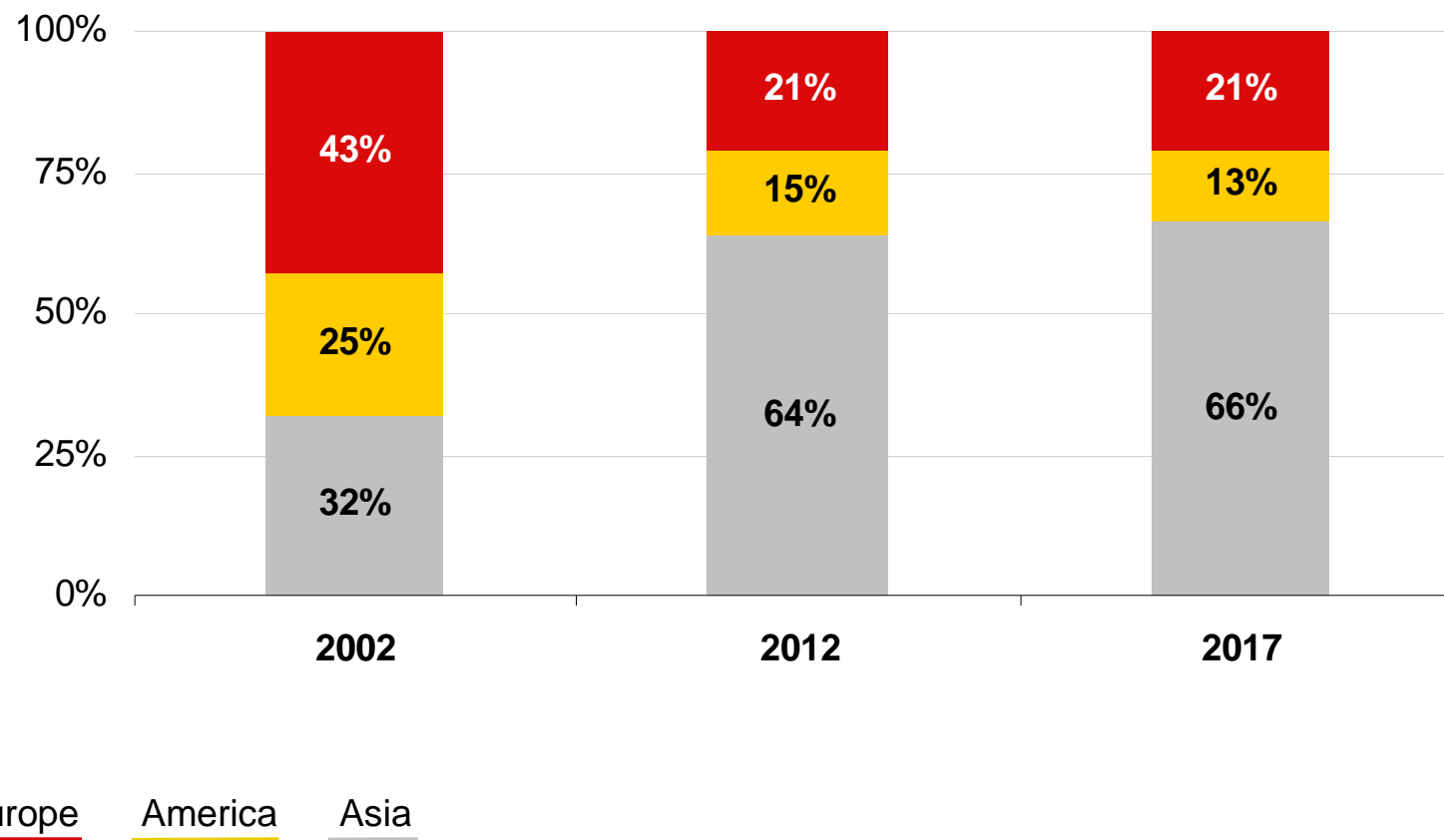
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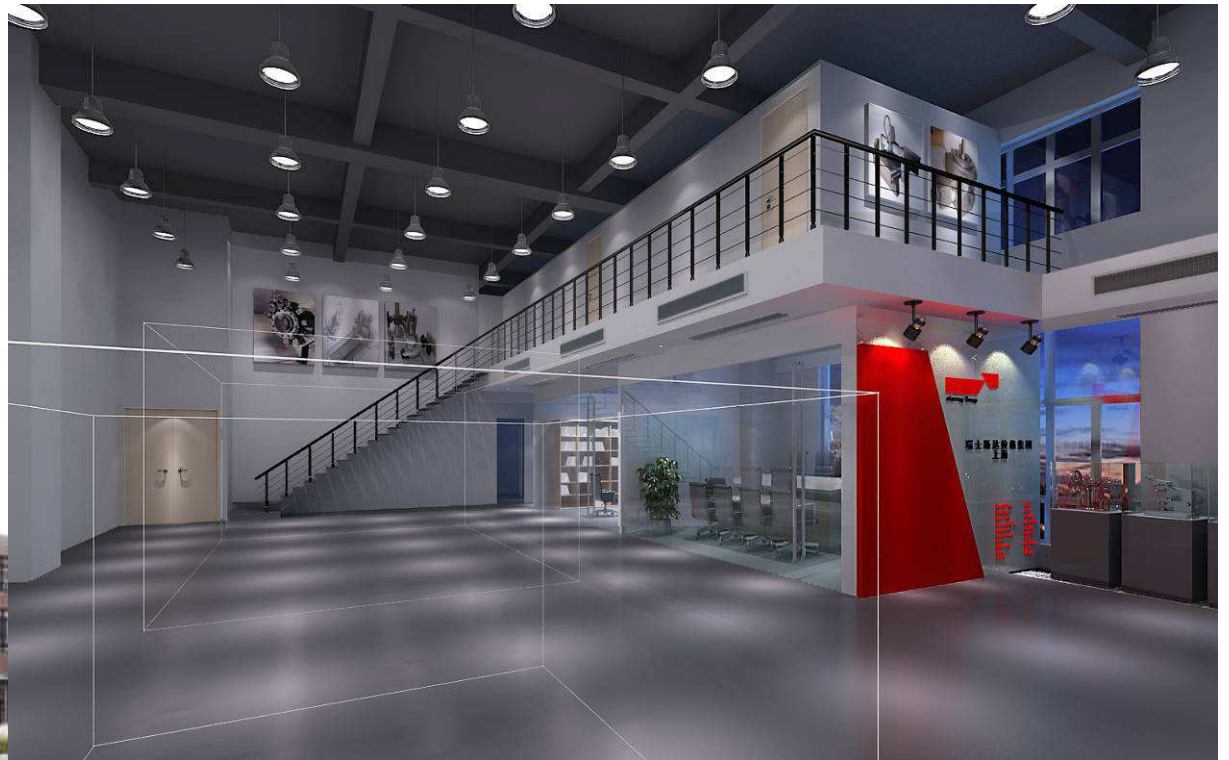
Questions and answers

Machine tool consumption: Long-term shift to Asia unchanged



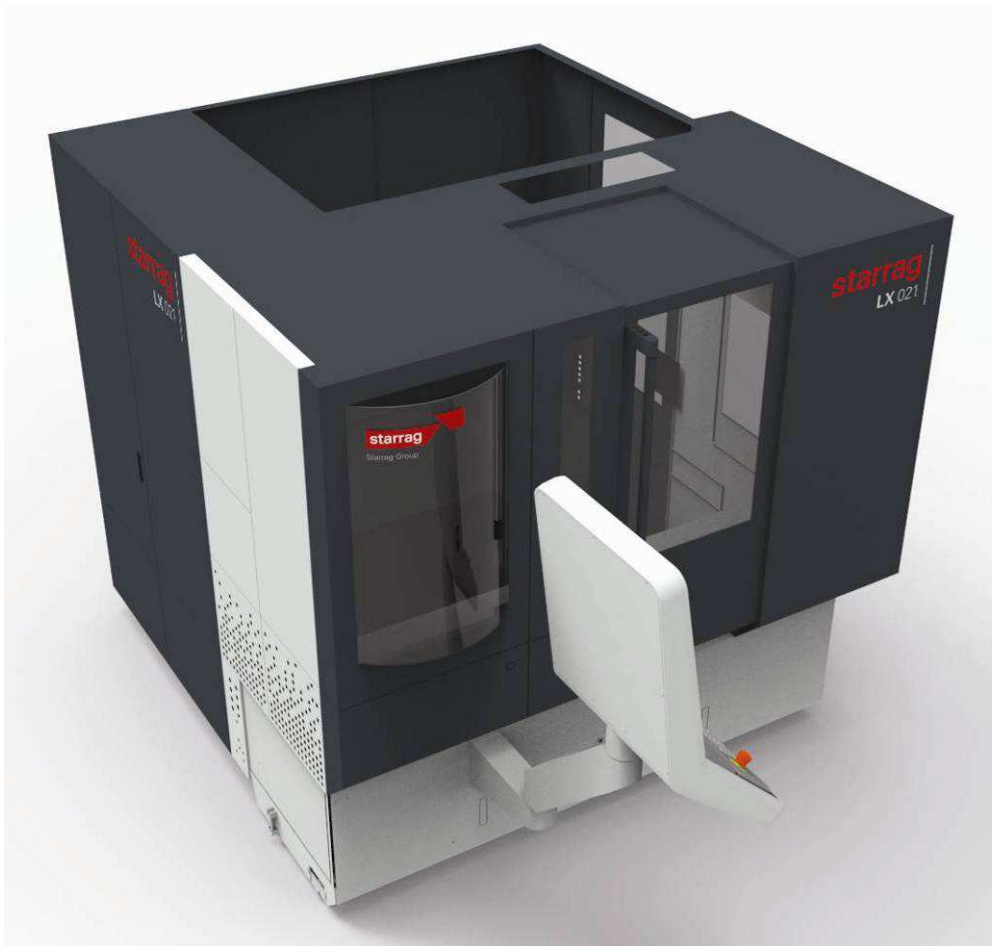
Source: CECIMO presentation 5 February 2014.

Expanding presence in China with new Technology Center Shanghai



- Machine and technology demonstration
- Customer training facilities

Innovation: Starrag LX 021 capturing group synergies



- Joint development Bumotec/Starrag
- Allows continuous automated unattended production of small turbine blades
- Specifically designed for high volume high precision gas and steam turbine markets
- Allows machining of all future special alloys with an innovative and flexible machining and fixture concept

Fitness programm for seasoned machine



- Back to highest precision after 30 years of life
- Modern CNC control for high productivity
- 60 Mikron precision on 10 meter workpiece
- 300 service engineers at 60 locations worldwide ensure professional life-time support

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

Financial targets

	Guidance 2014	Mid-term target
Order intake growth	FY 2014 \geq FY 2013	5 - 8 % p.a.
Sales growth	FY 2014 > FY 2013	5 - 8 % p.a.
EBIT margin	FY 2014 > FY 2013	8 % p.a. over the cycle
Dividend policy	35 - 50 % of net income	35 - 50 % of net income

Continued sustainable value creation for our shareholders

■ Steadily creating value for investors

- Recession proven business model
- Attractive total shareholder returns (2013: 25.9 %; 2009 – 2013: 9.2 % p.a.)
- Increased dividend pay-out ratio of 35 % to 50 % of net income as from fiscal 2013

■ Resilience in a cyclical environment

- Concentration on innovative upmarket solutions
- Balanced portfolio of target markets
- Strong technical and commercial presence in Asia to capture growth dynamic

■ Positioned for sustainable long-term success

- Focused strategy in activity fields with high entry barriers and limited competition
- Strong sales and customer service organization in all important industrial markets
- Capturing technology synergies within the group
- Relentless implementation and execution of improvement programs

Corporate calendar / Contact

- 12.04.2014 Annual general meeting in Rorschacherberg
- 09.05.2014 Q1 2014 results
- 25.07.2014 Letter to shareholders on H1 2014 results
- 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 Rorschacherberg

Prof. Dr. Frank Brinken, CEO (until 12 April 2014)
Phone +41 71 858 81 11, Fax +41 71 858 82 09

Walter Börsch, CEO (from 12 April 2014)
Phone +41 71 858 81 11, Fax +41 71 858 82 09

Gerold Brütsch, CFO
Phone +41 71 858 81 11, Fax +41 71 858 82 30

Further Information:

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

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We look forward to your questions!



Legal note


The economic projections and predictions contained in this information relate to future facts. Such projections and predictions are subject to risks uncertainties and changes which cannot be foreseen and which are beyond the control of the issuer. Starrag Group is therefore not in a position to make any representations as to the accuracy of economic projections and predictions or their impact on the financial situation of Starrag Group or the market in the securities of Starrag Group.

The logo for starrag, featuring the word "starrag" in white lowercase letters on a red rectangular background. To the right of the text is a red geometric shape consisting of two overlapping triangles.

Starrag Group

We would be pleased to invite you to a buffet lunch.

Thank you for your interest!

A large background image showing a view of the Earth from space, with the sun's glow on the horizon and a dark triangular overlay on the right side.

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

High-precision machine tools for greater productivity

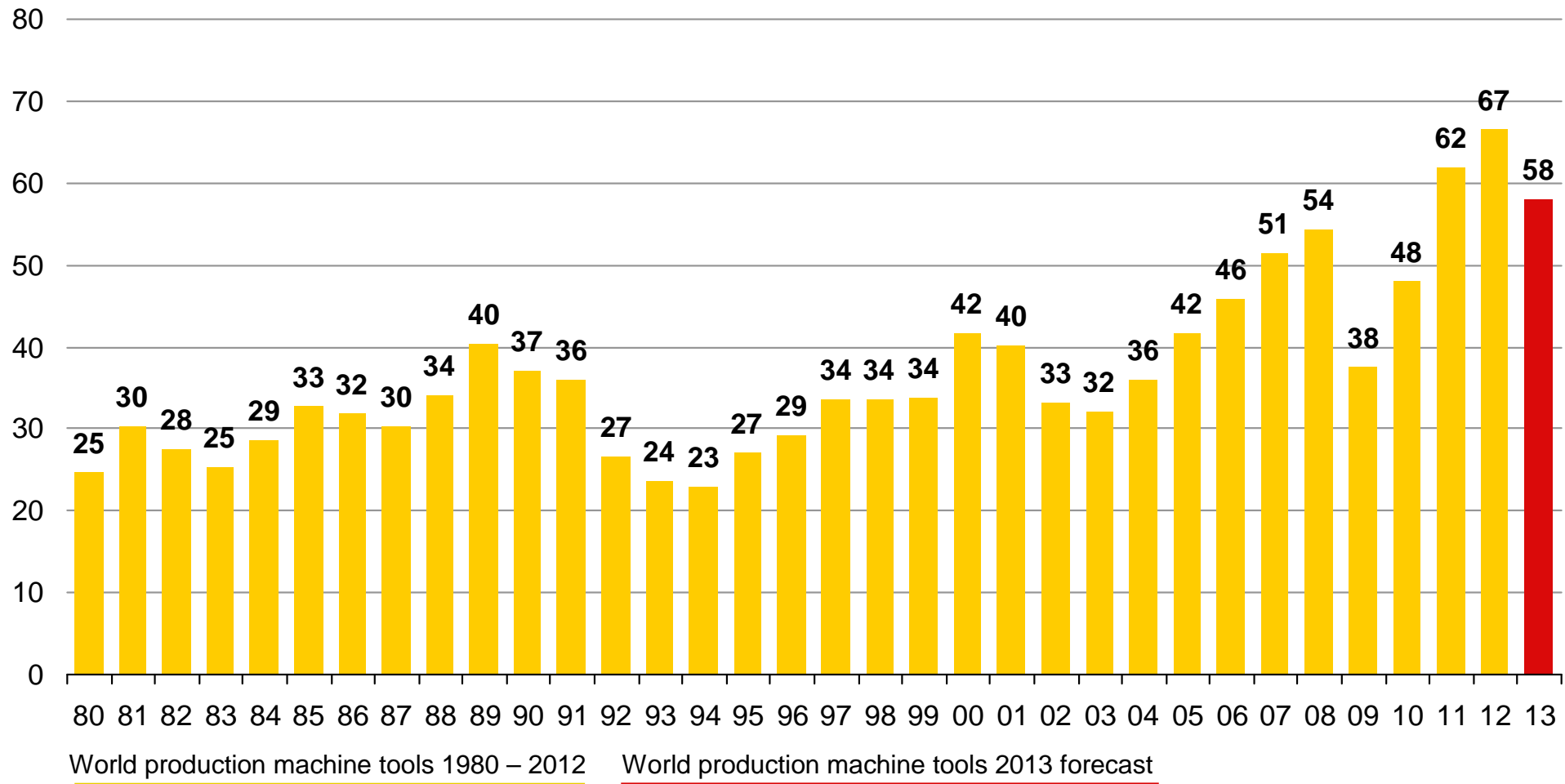
Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling turning, boring and grinding of small, medium-sized and larger workpieces of metallic and composite materials. Principle customers are internationally active companies in the aerospace, energy, transport 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).

Machine tool industry

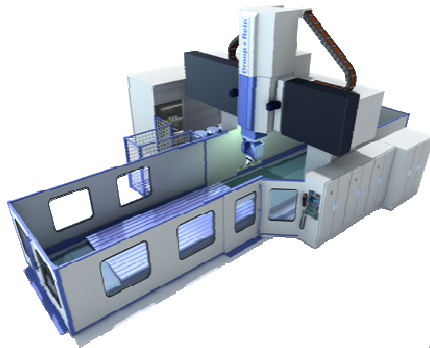
EUR b



Source: Gardner World Machine Tool Output & Consumption Survey February 2014,
Verein Deutscher Werkzeugmaschinenfabriken (VDW) World Statistics, update July 10th 2013.

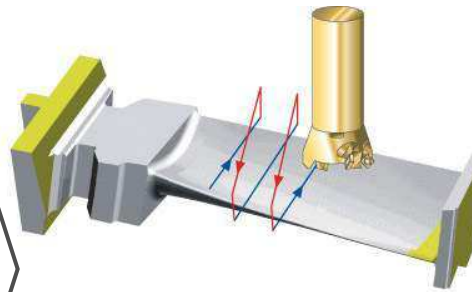
Common strategy based on three pillars

Leading metal cutting machine tools



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

Leading cutting technology support



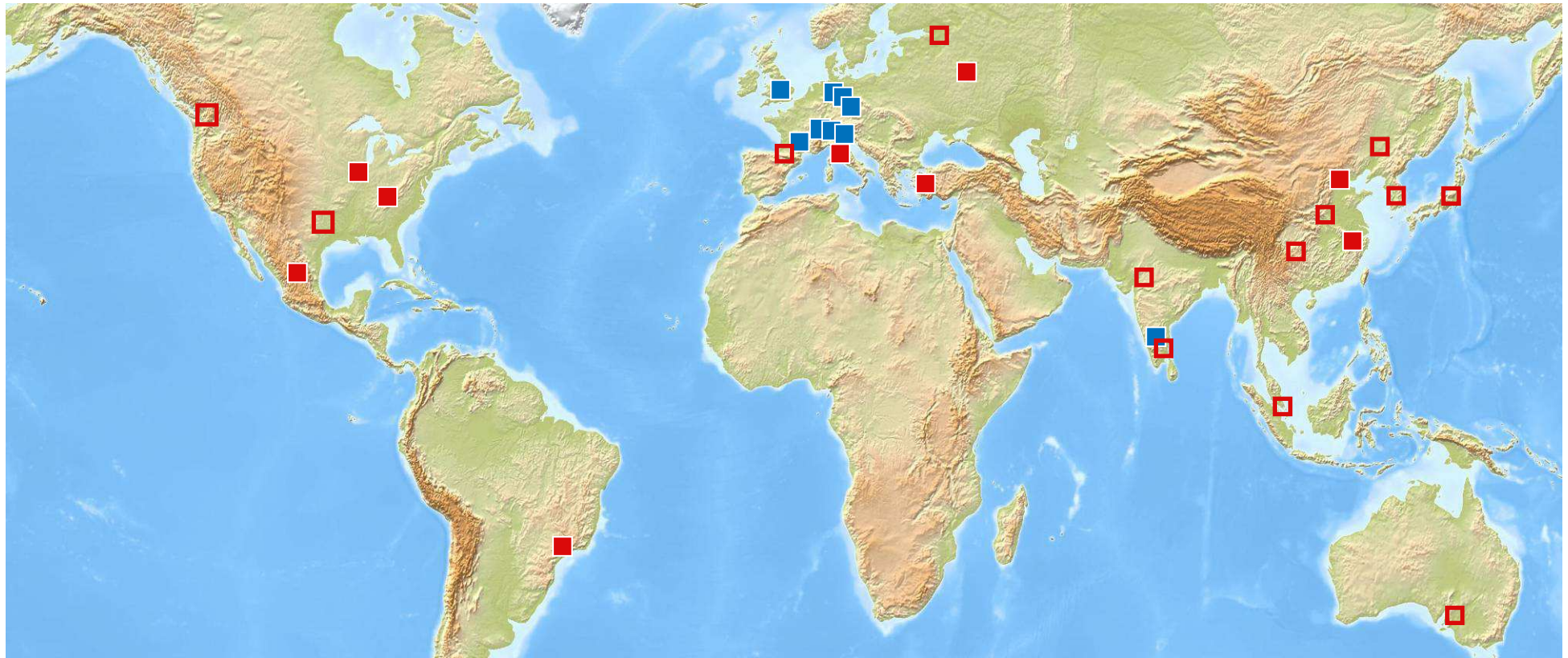
- Center of Production Excellence
- Engineering services
- Software, programming
- Multi tasking machines

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



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

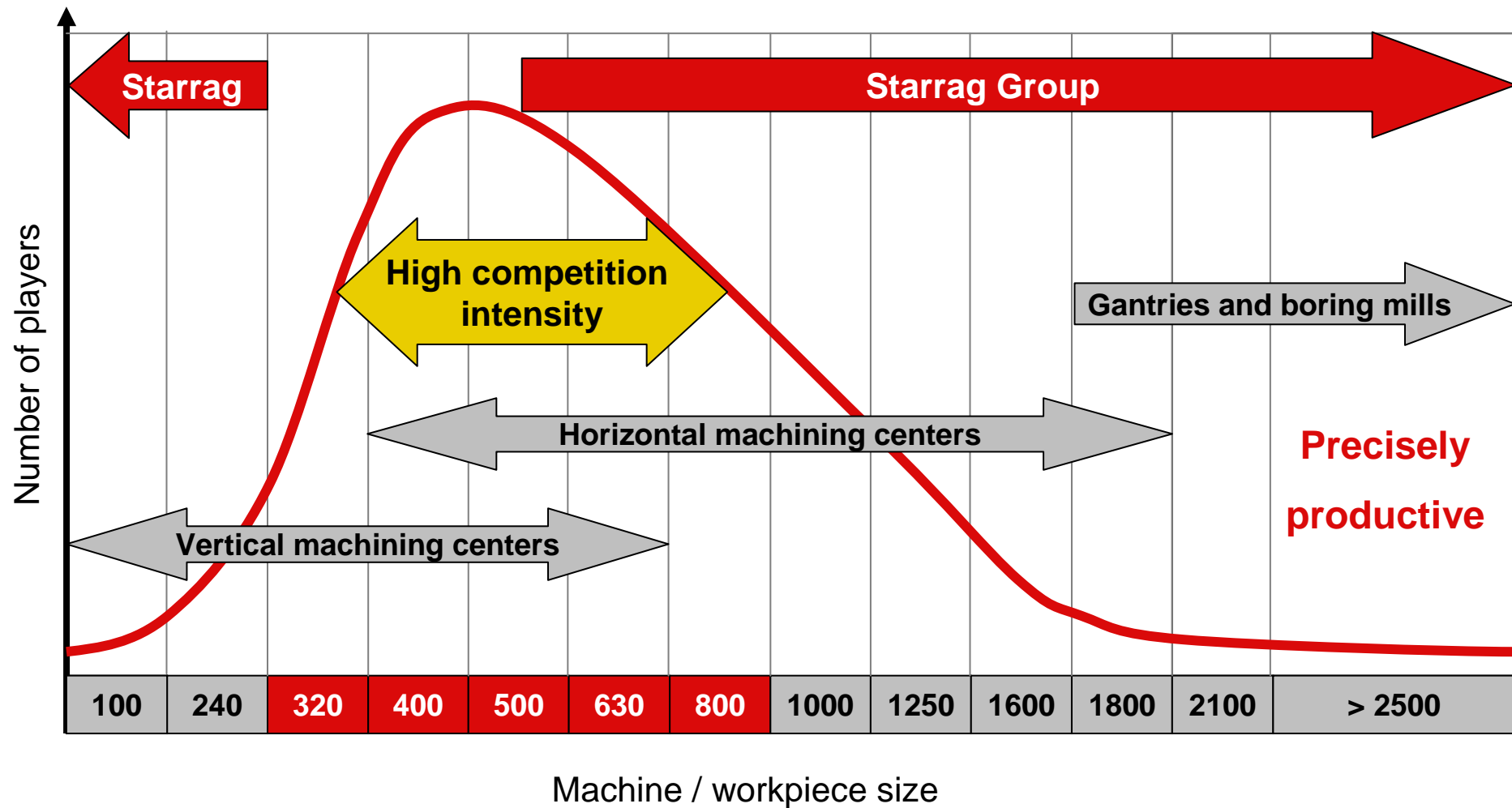


Target markets and product positioning

	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	 			 

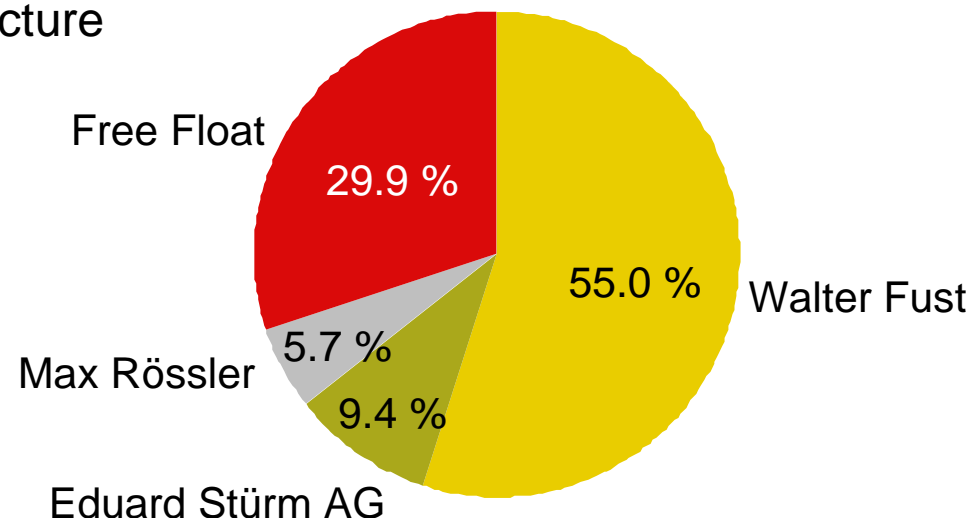
 = Main Application
 = Application

Multi-niche strategic positioning



Share details

- Market capitalisation year-end 2013: CHF 254 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



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.



Prof. Dr. Frank Brinken (1948, Swiss)
assumed office as CEO of Starrag Group in 2005.

He previously served as president and delegate to the Board of Directors of Maag Pump Systems Textron AG in Zurich. After holding a position in research and industrial consulting at the Plastics Processing Institute (IKV) in Aachen, he joined Georg Fischer as Product Manager and then served as a Business Unit Head at Alusuisse-Lonza before accepting the position of CEO at Maag Pump Systems AG in 1995. Frank Brinken has been a member of the Board of Directors of Tornos Holding AG in Moutier, Switzerland since April 2011.

He earned a degree in mechanical engineering at the University of Aachen and later completed a marketing program at the University of St. Gallen and an international management program at the Wharton Business School of the University of Pennsylvania.



Walter Börsch (1959, German)
will be CEO of Starrag Group from 12th April 2014 and is Head of Regional Sales since 1st January 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








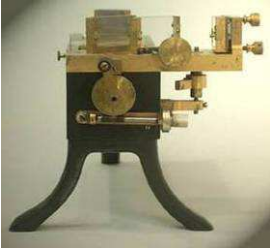
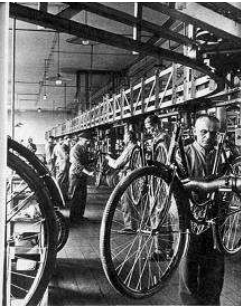
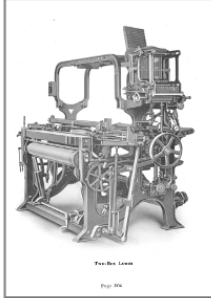
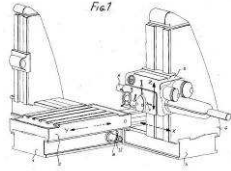


Gerold Brüttsch (1966, Swiss)
has been Chief Financial Officer (CFO) of Starrag Group since 2000 and since 2005 Deputy CEO and Head of Corporate Center.

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
Geneva	Mönchen- gladbach	Chemnitz	Bielefeld	Rorschach	St. Etienne	Sâles
						
1862	1884	1885	1890	1897	1916	1973
Scientific instruments	Machine tools	Bicycle manufacturing	Machine tools	Textile machinery	Machine tools	
						

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