

Welcome to the Media and Analysts Conference

Zurich, 6 March 2015

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

Agenda

- | | |
|----------------------------|-----------------------|
| ■ Overview | Walter Fust, Chairman |
| ■ Markets and technologies | Walter Börsch, CEO |
| ■ Financial review | Gerold Brüttsch, CFO |
| ■ Outlook | Walter Börsch, CEO |
| ■ Questions and answers | |

Legal note

The economic projections and predictions contained in this presentation 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 publisher. 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.

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■ Questions and answers	

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Slight decline in order intake – Operating income maintained – Considerably higher net profit

- Order intake down by 4 % to CHF 407 million – Sales up by 1 % to CHF 393 million
- EBIT up 1 % to CHF 19 million – Operating margin 4.9 %
- Net profit up 7 % to CHF 14.4 million – Profit per share CHF 4.26
- Solid balance with 55 % equity ratio – Return on equity 7.5 %
- Unchanged dividend payout of 1.80 CHF per share, dividend payout ratio 42 %

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Order intake benchmark: Starrag Group vs. sector



Note: Four quarter moving.

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Share information

	2014	2013
Earnings per share (CHF)	4.26	3.97
Profit distribution per share (CHF) ¹⁾	1.80	1.80
Share price at year end (CHF)	64.50	75.75
Market capitalization (CHF million)	217	255
- as % of shareholders' equity	111 %	132 %
Total shareholder return	-12.5 %	25.9 %

¹⁾ Withholding tax free from capital reserve

▪ **Total shareholder return:** 1 year = -12.5 % p.a.
3 years = 13.3 % p.a.
5 years = 6.7 % p.a.

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Main developments in 2014

- Reorganization targeting strategic market segments for more growth and profitability
- For the first time one third of order intake from Asia
- New machine range specially adapted for emerging countries introduced to market
- Capacity expansion at Bumotec on track – new factory as from 2016 together with SIP
- Ongoing investments in product and process innovations
- Planned changes in the Board of Directors and Executive Board according to reorganization

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Reorganization targeting strategic market segments

Aerospace & Energy

Dr. Norbert Hennes

Market Segments:

- Aero Engines
- Aero Structures
- Power Turbines
- Large Components
- Oil/Gas/Fluids

Brands:

- Berthiez
- Dörries
- Droop+Rein
- Scharmann
- Starrag
- TTL

Transportation & Industrial Components

Dr. Eberhard Schoppe

Market Segments:

- Heavy Duty Vehicles & Engines
- On-Road Vehicles
- Industrial Components

Brands:

- Heckert
- WMW

Precision Engineering

Jean-Daniel Isoz

Market Segments:

- Luxury Goods
- Med Tech
- Micromechanics

Brands:

- Bumotec
- SIP

Customer Service

Günther Eller

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Agenda

Overview

Walter Fust, Chairman

Markets and technologies

Walter Börsch, CEO

Financial review

Gerold Brüttsch, CFO

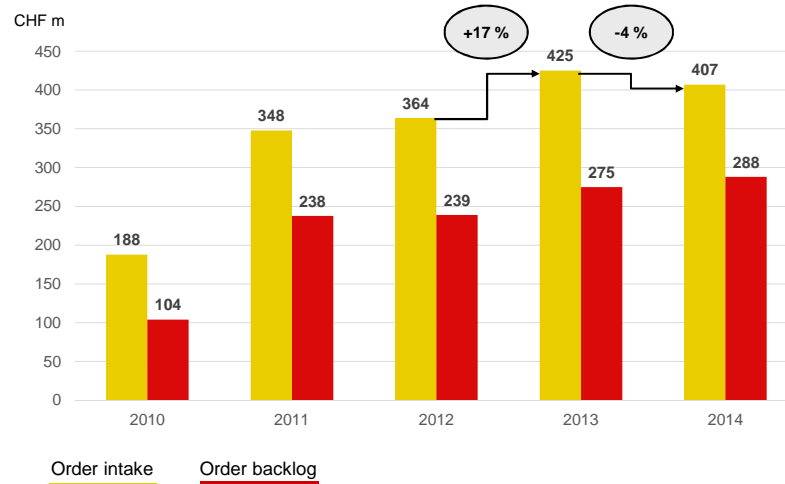
Outlook

Walter Börsch, CEO

Questions and answers

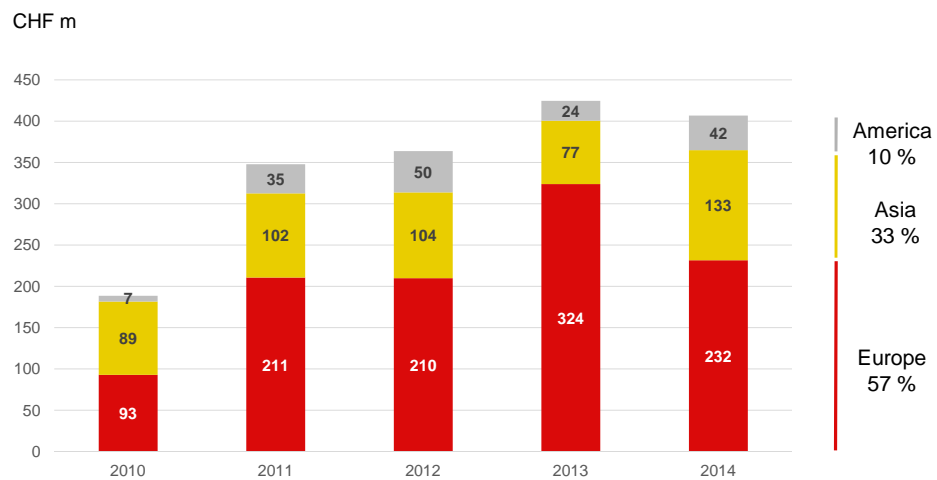
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Order intake slightly down – order backlog up again



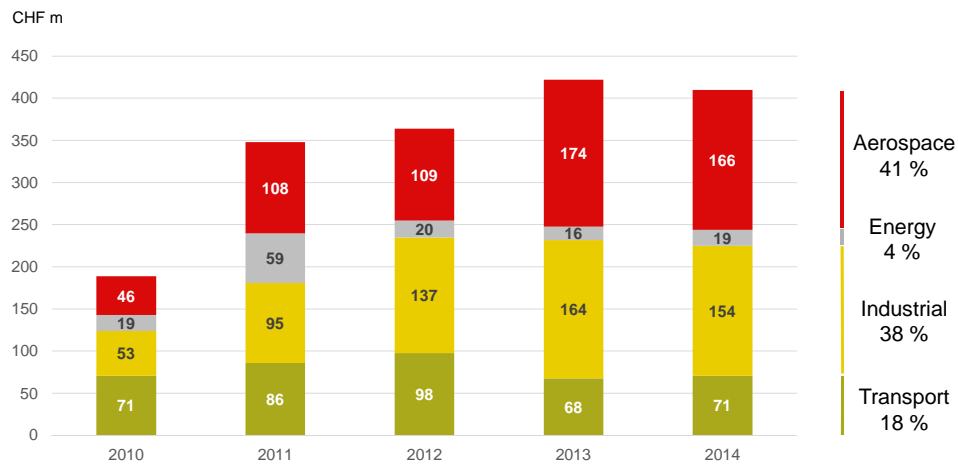
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Order intake by region: for the first time one third from Asia



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Order intake by industry



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Trends by industry

Aerospace 35 %



- Solid civil aircraft market
- Boeing / Airbus build rate increases
- Military programs are getting stabilized
- Increasing interest in Life cycle solutions

Energy 7 %



- Power plant investments concentrated in Asia
- Insignificant conventional power plant investments in Europe
- No additional investments in Wind Energy
- Oil/Gas/Fluids inconsistent

Transportation 23 %



- Rising demand in Asian Truck and Railway Market
- Modest improvement in construction equipment
- Passenger Cars, increased demand in Asian and American market
- Agriculture still slow

Industrial 35 %

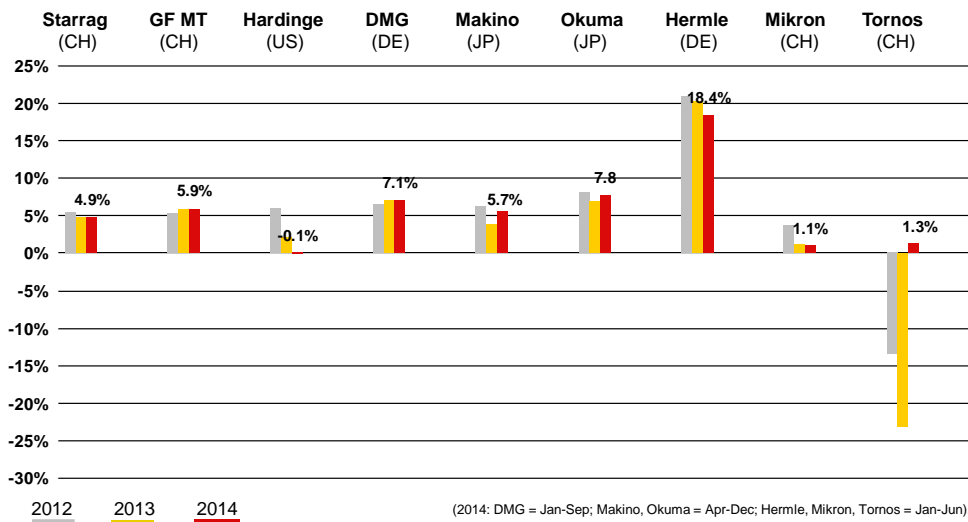


- Increasing machine production with positive influence on component and tooling market
- High investments in watch movements production facilities
- Continuous miniaturization trend drives micromechanics
- Pricing pressure in medical leads to investments

Note: Percentages based on order intake 2010 – 2014.

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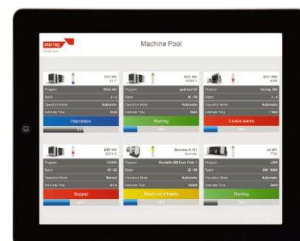
EBIT margin peer group



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Successful participation in AMB trade fair in Stuttgart

- ✓ AMB as leading trade fair in German-speaking countries – Starrag Group presents several highlights
- ✓ Excellent customer response from customers in all market segments
- ✓ «Starrag Connect»
 - New solution for monitoring whole machine parks
 - Reliable visualisation of machine status on tablets and smartphones



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Creative Thinking - The Starrag "Dengeling" Process

- Innovation award from German trade magazin MM Maschinenmarkt at AMB fair in Stuttgart
- "Dengeling" is a well-known process to harden and sharpen cutting edges (e.g. on a scythe)
- The process is industrialised by Starrag for blade and mold & die manufacturing
 - A USP for our customers
 - Shortens the process chain by substitution of polishing, shot peening and barrel finishing
 - Lifetime extension by introducing residual stresses in the material



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Open House at Heckert shows future production technology

- «Heckert Machining Centers – Intelligence in Cutting»
250 customers at Heckert plant
- Presentation of latest technological developments in milling, boring and turning on Heckert machining centers
- Market introduction of HEC 500 U5 with ideal axis configuration for typical cubical and rotationally symmetrical parts in the target market Transportation & Industrial Components
- Any part can be milled, turned and measured on smallest footprint



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New collaboration with Hongkong Polytechnic University

Boeing / ASRC
Hong Kong Polytechnic University



Starrag Group – Tier 2 Member
Development of improved aviation service technologies and processes



Further enhances the Starrag Group collaboration with leading universities such as:

Boeing / AMRC
Sheffield, UK



RWTH
Aachen, Germany



TU
Chemnitz, Germany



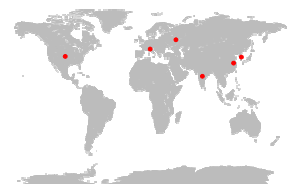
ETH
Zurich, Switzerland



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Spare parts available within 24 hours for all customers in Asia

- ✓ Start-up of new Korea logistic center in Seoul free trade area
- ✓ Even faster delivery throughout Asia, opened 7/24
- ✓ All parts classified based on risk of failure
- ✓ Provisioning for our rapidly growing installed base in Korea
- ✓ Integration into global spare parts logistics through global Starrag Group ERP



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Heckert awarded as a model training organisation

■ SACHSENMETALL-Forum Dresden: second best training center in the federal state of Saxony in 2014

■ Criteria:

- Trainee ratio
- Trainee support within the scope of professional training and academic education
- School sponsorship programs
- Mentoring during training

■ Conscious commitment to excellent technical basic training



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New Bumotec factory on track

■ Groundbreaking ceremony for the new Bumotec and SIP factory

■ Relocation of Sâles and Geneva to nearby Vuadens in 2016

■ Total area of 20'000 m² to manufacture ultra precision machine tools for the production of high-end components, primarily for the Luxury Goods, Med Tech and Micromechanics market segments

■ Shopfloor capacity for future growth

■ Air-conditioning using renewable energy

- Geothermal probes
- Large solar system on roof



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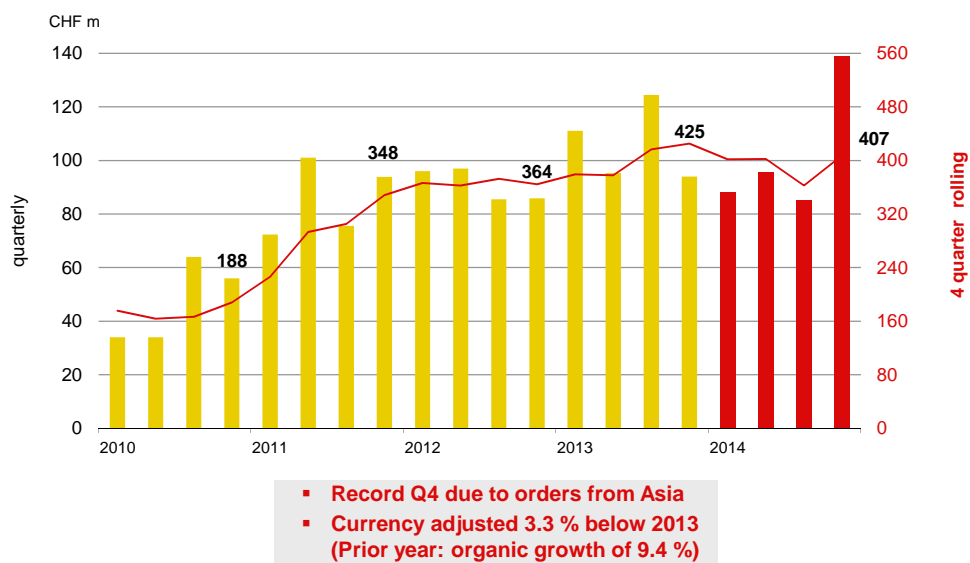
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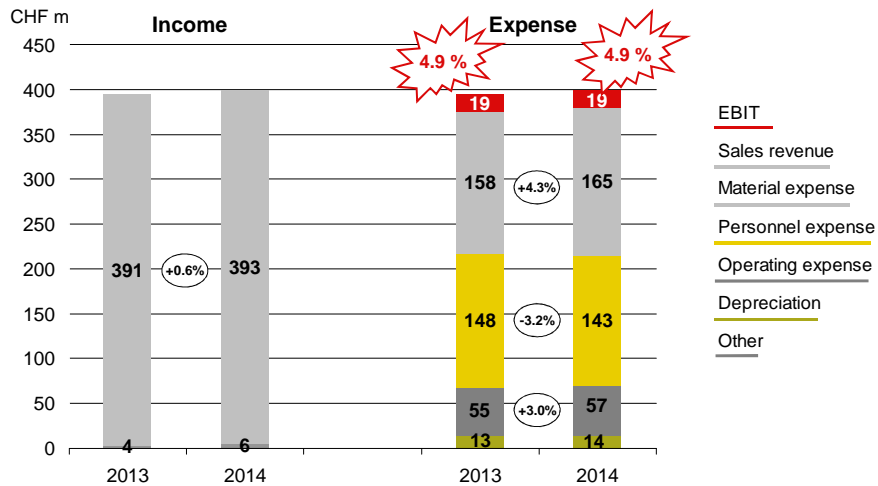
Quelle/Legende

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Order intake: Strong Q4 2014



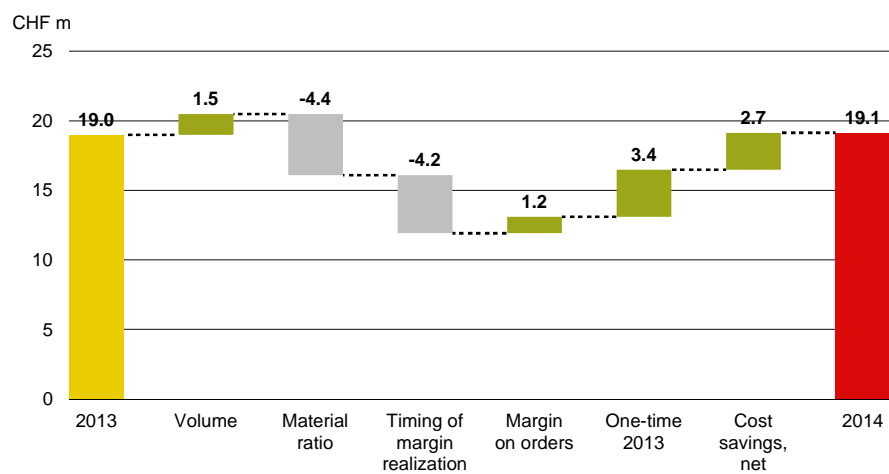
Income statement to EBIT



- EBIT unchanged:
Normalized lower gross margin compensated by lower personnel expense

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Main drivers of EBIT development



- Lower margin realization at the beginning of order processing leads to negative timing impact on EBIT margin

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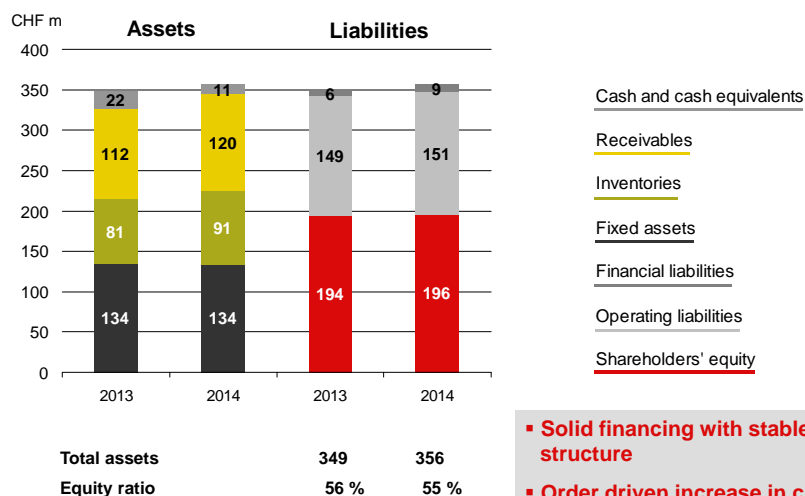
Significant increase in net income

	CHF m	2014	2013
EBIT		19.1	19.0
Interest		-0.3	-0.3
FX result		0.5	0.3
Other		-1.1	-1.0
Earnings before tax EBT		18.2	18.0
Income tax		-3.8	-4.5
Net income EAT		14.4	13.5
Tax rate		20.7 %	25.2 %
Earnings per share		4.26	3.97

- Net income up by 7.0 % – Earnings per share up by 7.3 %
- Lower effective tax rate due to higher earnings share from countries with lower tax burden (expected future tax rate 24 % to 27 %)

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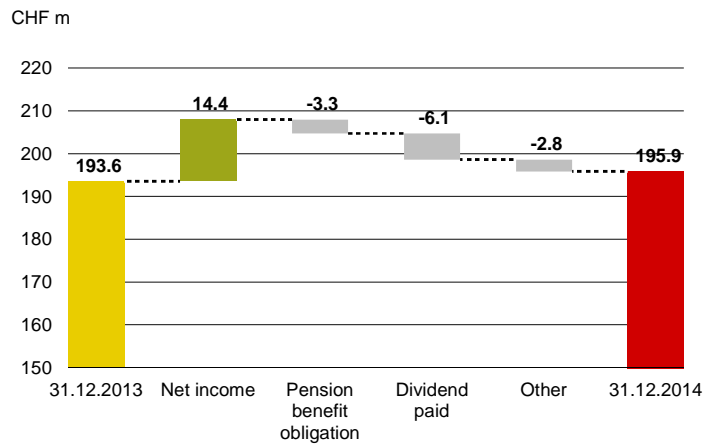
Balance sheet remains strong



- Solid financing with stable balance sheet structure
- Order driven increase in current assets
- Decrease in operating liabilities

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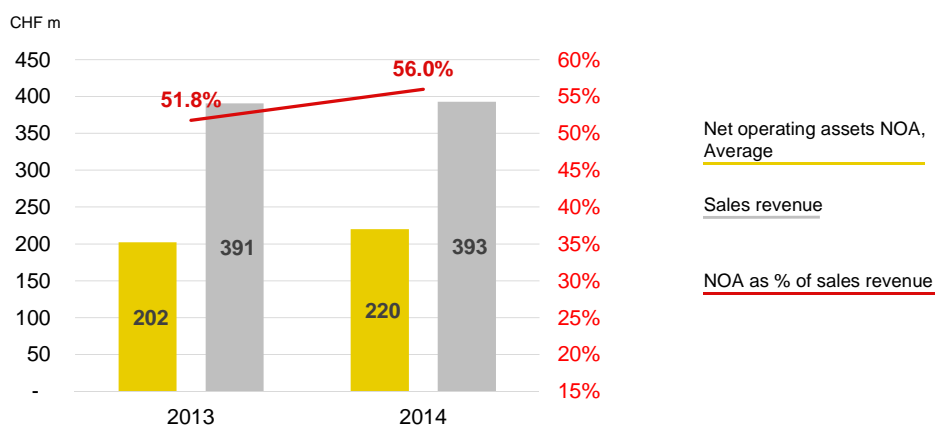
Solid shareholders' equity base



- Net equity reduced by increase in pension benefit obligation, caused by low interest levels despite full insurance coverage at balance sheet date
- 12 % stronger CHF leads to -14 m CHF net equity, equity ratio of 55 % unchanged

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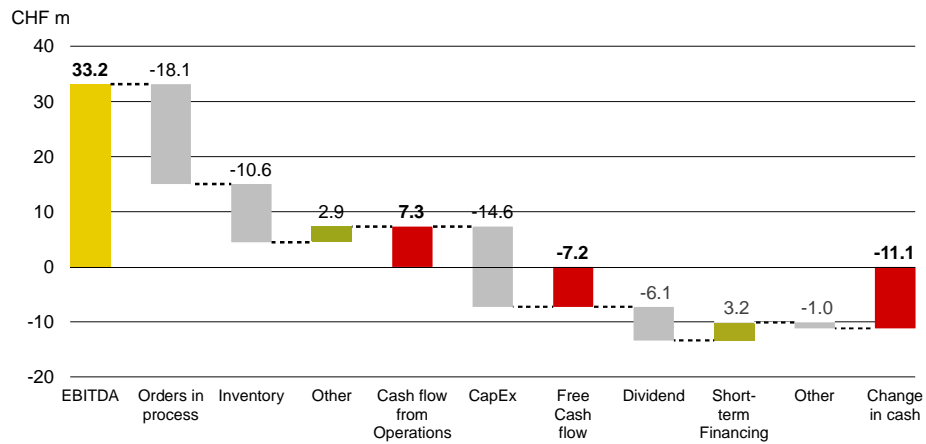
Increase in capital employed due to lower advance payments received



- Decrease of finance ratio of orders in process from 93 % to 86 % leads to increase in net operating assets of 18m CHF

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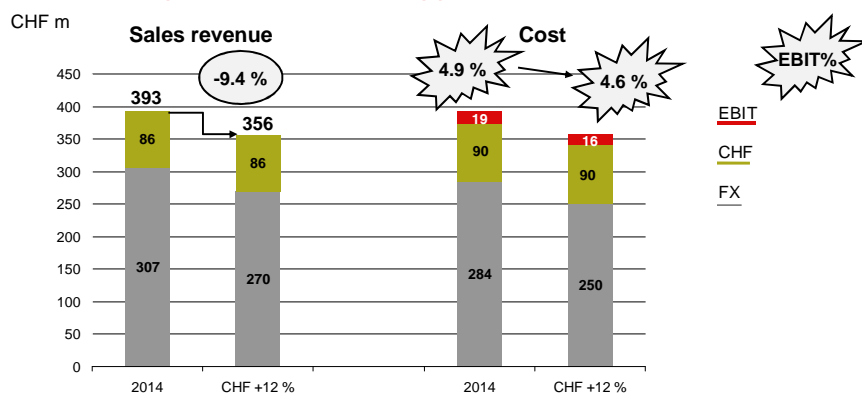
Cashflow 2014 impacted by pre-financing of new orders



- Free cashflow impacted by lower finance ratio of orders in process and increased spare parts and showroom machine inventory

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Theoretical impact of 12 % CHF appreciation on 2014 results limited



- Impact on sales revenue of 9.4 %
- Limited transaction impact on EBIT margin of -30 bps thanks to good natural hedge (22 % of revenue and 24 % of cost in CHF)
- Competitive pressure and possibly lower investment activity can not be estimated and is not considered

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Bottom-line increase of Earnings per share by 7.3 % – Solid base for future success

- Order intake down by 4 % to CHF 407 million –
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Economic outlook

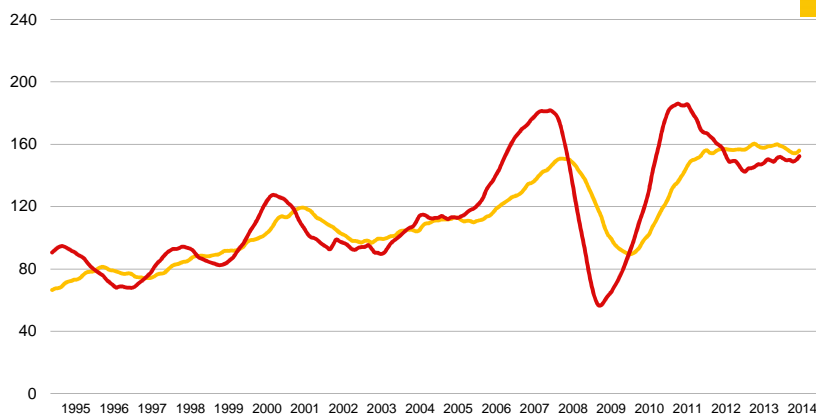
- Global purchasing managers index positive
- Business climate Germany significantly improved
- VDW prognosis +3 % in German Machine tool production 2015
- Impact of CHF appreciation on Swiss plants remains uncertain

Source: VDW.

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Machine tool industry Germany (cutting)

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



Order Intake

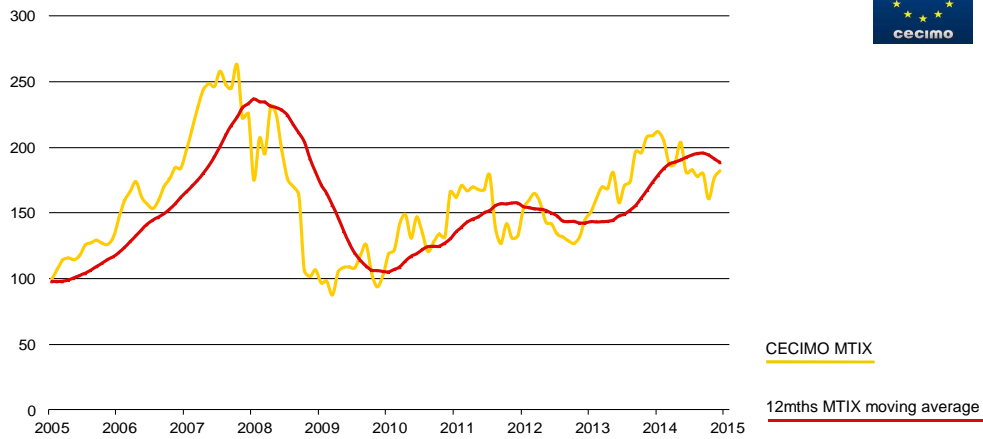
Sales

[Jan-Jan 15/14: Sales +23 %, Order intake -6 %]

Note: indexed base sales 2010=100, Data till January 2015.
Source: monthly order intake statistic VDMA, VDW.

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Cecimo MTIX confirms outlook



Note: MTIX is an index based on the capitalization of 23 leading, publicly listed machine tool producing companies. There is a 73% correlation between MTIX 12 month moving average and CECIMO orders.

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Focus on all spices for success

- S Sales
- P Production excellence
- I Innovation
- C Customer Service
- E Employees



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Measures to mitigate impact of strong CHF

Material

- Re-negotiation of supplier contracts

Personnel

- Productivity increase, continuing improvement
- Hiring and replacement only to fill business-critical positions
- Personnel cost reduction through increased working hours and reduction in variable salaries

Operating cost

- Even tighter cost control
- Review all CHF expenses

Mid-term measures

- Further optimisation of cost base
- Increasing sourcing share in Euro

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Financial targets

	Guidance 2015 ¹	Mid-term target
Order intake growth	FY 2015 = FY 2014	> 5 % p.a.
Sales growth	FY 2015 > FY 2014	> 5 % p.a.
EBIT margin	FY 2015 ≤ FY 2014	8 % p.a. over the cycle
Dividend policy	35 - 50 % of net income	35 - 50 % of net income

¹ organic, FX adjusted

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Corporate calender / Contact

- 24.04.2015 Annual general meeting in Rorschach
- 07.05.2015 Key figures Q1 2015
- 24.07.2015 Letter to shareholders on H1 2015 results
- 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

Walter Börsch, CEO

Phone +41 71 858 81 11, Fax +41 71 858 82 09

Gerold Brüttsch, 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!



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

Thank you for your interest!

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 workpieces of metallic, composite and ceramic materials. Principal customers are internationally active companies in the target market Aerospace & Energy, Transportation & Industrial Components and Precision Engineering. In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer productivity.

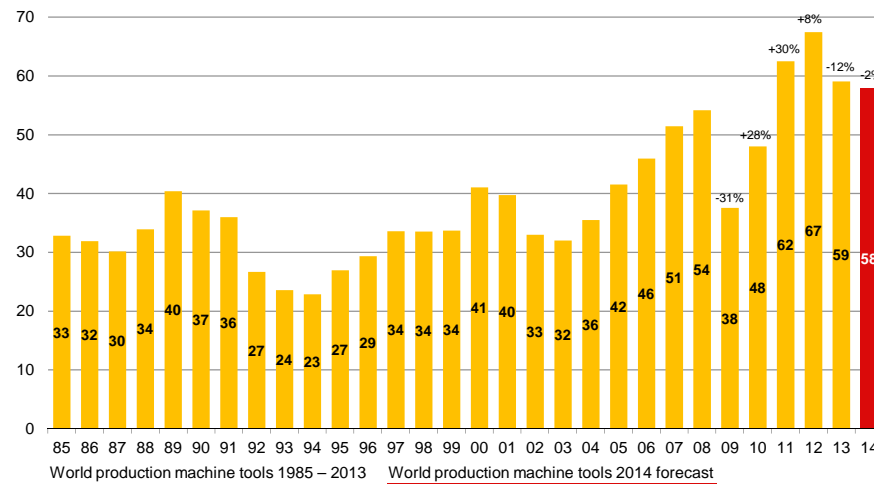
Starrag Group products are marketed under the following strategic brands: Berthiez, Bumotec, Dörries, Droop+Rein, Heckert, Scharmann, SIP, Starrag, TTL, and WMW. Headquartered in Rorschach/Switzerland, the Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and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

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

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World production machine tools 1985 - 2013

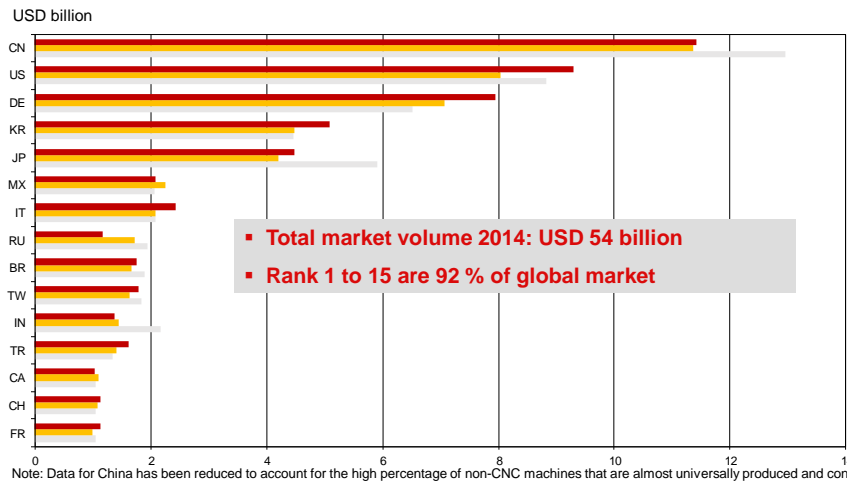
EUR b



* Source: VDW, Oxford Economics, autumn 2014; currency adjusted: -0.6%
Note: Without Parts/accessories; 2013 = revised.

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World machine tool consumption 2012 to 2014 (Status Feb-2014)



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

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Organization focussed on target markets and market segments

Business Unit	Aerospace & Energy					Transportation & Industrial Components			Precision Engineering		
Market Segment	Aero Engines	Aero Structures	Power Turbines	Large Components	Oil/Gas/Fluids	Heavy Duty Vehicles & Engines	On-Road Vehicles	Industrial Components	Luxury Goods	Med Tech	Micro Mechanics
Product Brand											
berthiez	●							●			
dörries	●			●	●	●		●			
droop+rein		●	●	●		●		●			
scharmann		●	●		●	●		●			
starrag	●	●	●								
titl	●										
heckert		●	●		●	●	●	●			
wmw		●			●	●	●	●			
bumotec									●	●	●
sip	●							●	●	●	●
Industry											
Aerospace	●	●									●
Energy			●	●	●						
Transportation				●		●	●				
Industrial				●				●	●	●	●

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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

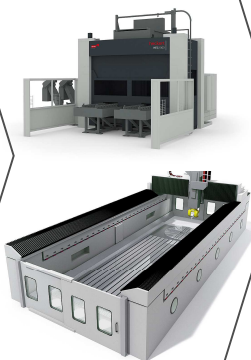
berthiez
bumotec
dörries
droop+rein
heckert
scharmann
starrag



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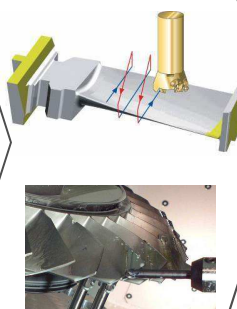
Common strategy based on three pillars

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

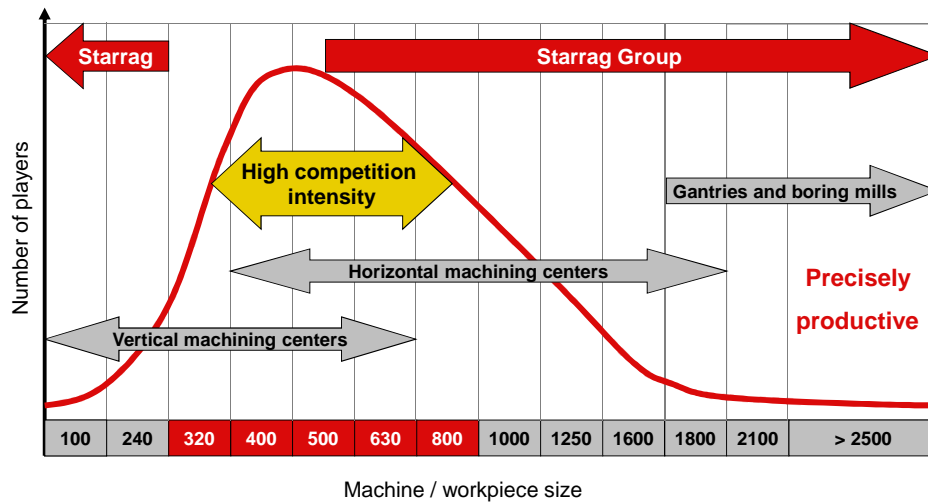
Leading global customer service



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

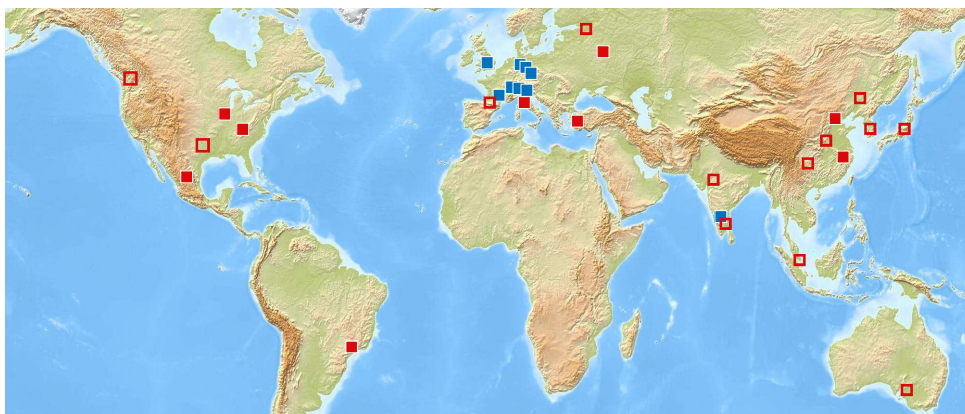
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Multi-niche strategic positioning



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Global presence in sales, application and service support














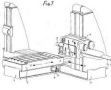

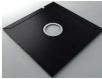


- Manufacturing plant, Sales and service organization
- Sales and service organization
- Service hubs



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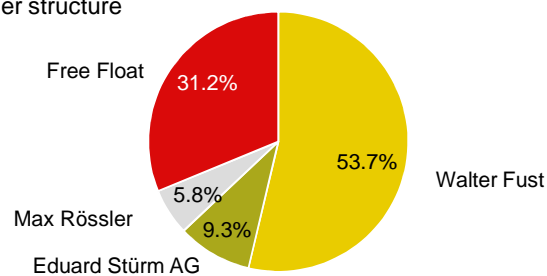
Our pedigree, 150 years tradition for innovation

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
							

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Share details

- Market capitalisation year-end 2014: CHF 217 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



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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 of which Jelmoli Holding AG acquired a majority stake in 1994, which later sold Dipl. Ing. Fust AG to Coop in 2007. Mr. Walter Fust has been a member of the Board of Directors of Tornos Holding AG in Moutier, Switzerland since April 2014.

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 of Starrag Group since April 2014 and since January 2014 is Head of Regional Sales.

Before he has been Head of the former 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 Brütisch (1966, Swiss)
has been Chief Financial Officer (CFO) of Starrag Group since 2000 and since 2005 Deputy CEO and Head of Corporate Center.

Gerold Brütisch 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 Brütisch 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.

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