


The logo for starrag, featuring the word "starrag" in white lowercase letters on a red rectangular background with a white arrow-like shape pointing to the right.

Starrag Group

Welcome to the Media and Analysts Conference

Zurich, 4 March 2016

A large background image showing a view of the Earth from space, with the sun rising over the horizon, creating a bright glow and lens flare effects. The Earth's surface shows continents and oceans. The image is partially obscured by a dark blue triangular shape in the top right corner.

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

Agenda

➤ **Overview**

Daniel Frutig, Chairman

➤ **Markets and technologies**

Walter Börsch, CEO

➤ **Financial review**

Gerold Brütsch, 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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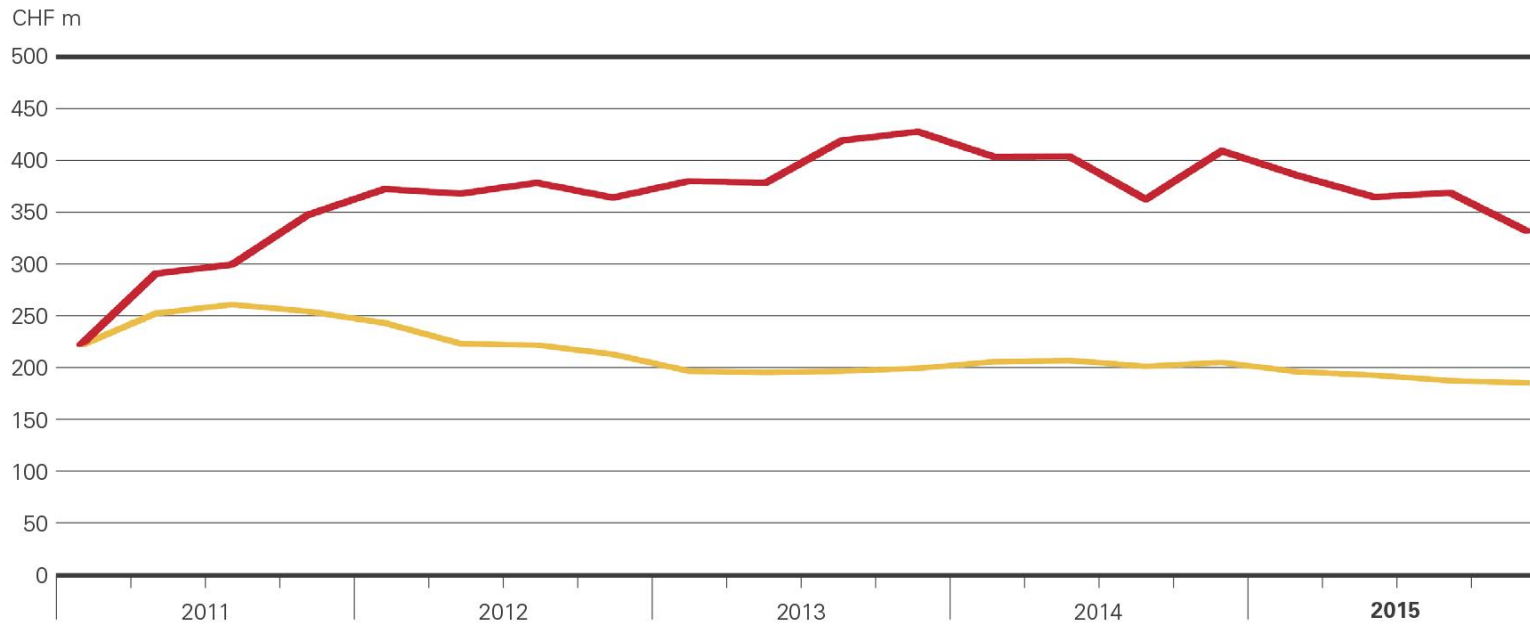
Walter Börsch, CEO

➤ **Questions and answers**

Sales steady at constant exchange rates and solid order backlog

- Sales CHF 364 million – in local currency -0.1%
- Order intake CHF 333 million – in local currency -11% (-18% nominal)
- Order backlog of CHF 238 ensuring capacity utilisation over 3 quarters
- EBIT CHF 15 million (-23%) – Operating margin 4.0%
- Net profit to CHF 9.5 million (-35%) – Profit per share CHF 2.78
- Solid balance with 55% equity ratio – Return on equity 4.9%
- Dividend payout of 1.20 CHF per share, dividend payout ratio 43%

Order intake benchmark: Starrag Group vs. sector



Starrag Group Sector Germany indexed (Source: VDW)

- **Starrag order intake year-on-year -11% (in local currencies)**
- **Sector Germany order intake year-on-year +1.8%**

Share information

	2015	2014
Earnings per share (CHF)	2.78	4.26
Profit distribution per share (CHF) ¹⁾	1.20	1.80
Share price at year end (CHF)	46.00	64.50
Market capitalization (CHF million)	155	217
- as% of shareholders' equity	83%	111%
Total shareholder return	-25.9%	-12.5%

1) Withholding tax free from capital contribution reserves.

Main developments in 2015 (I)

- Caution and volatility on order
- Strengthen sales and product portfolio
- Reorganization targeting market segments
- „Engineering precisely what you value“

Main developments in 2015 (II)

- Innovations

- Changes in Board

- Abandoning quarterly reporting

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

Confidence towards a successful future

Attractive markets



Aerospace & Energy



Transportation & Industrial Components

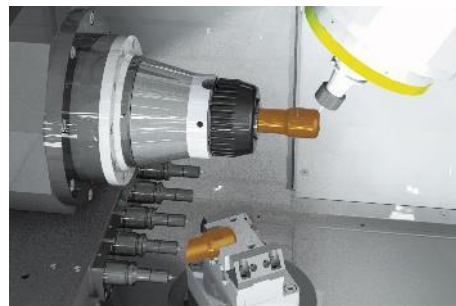


Precision Engineering

Top people



Great customer references



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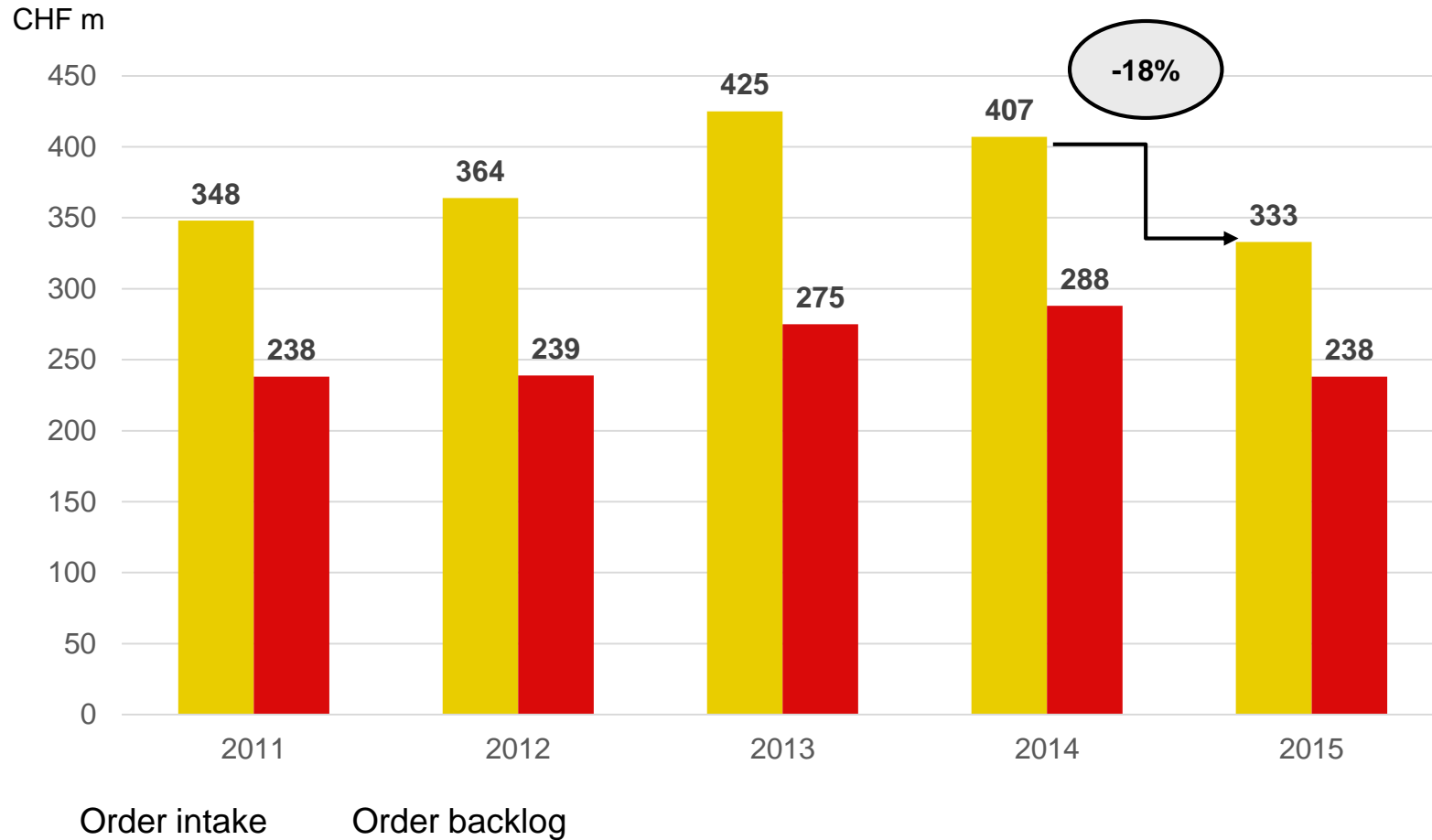
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▀ Outlook

Walter Börsch, CEO

▀ Questions and answers

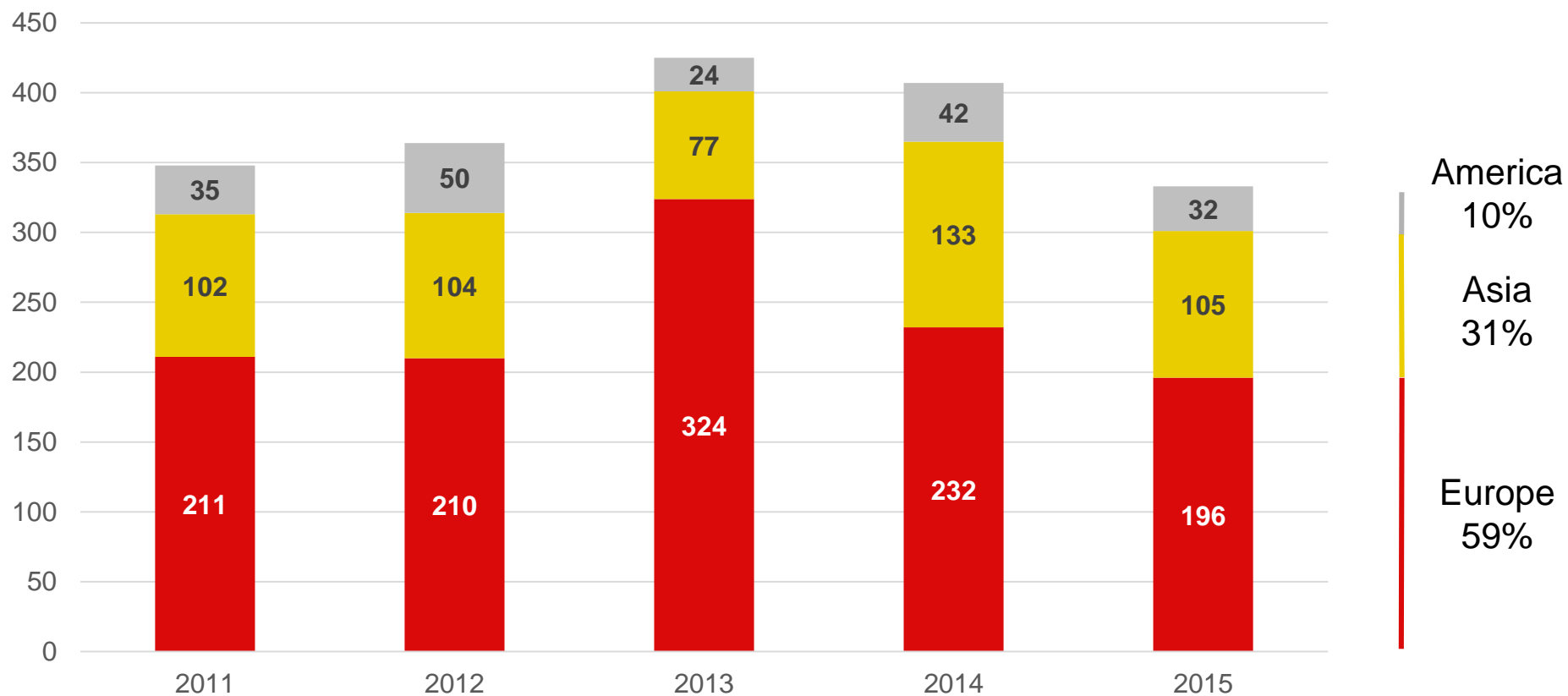
Order intake reflects slack business investment



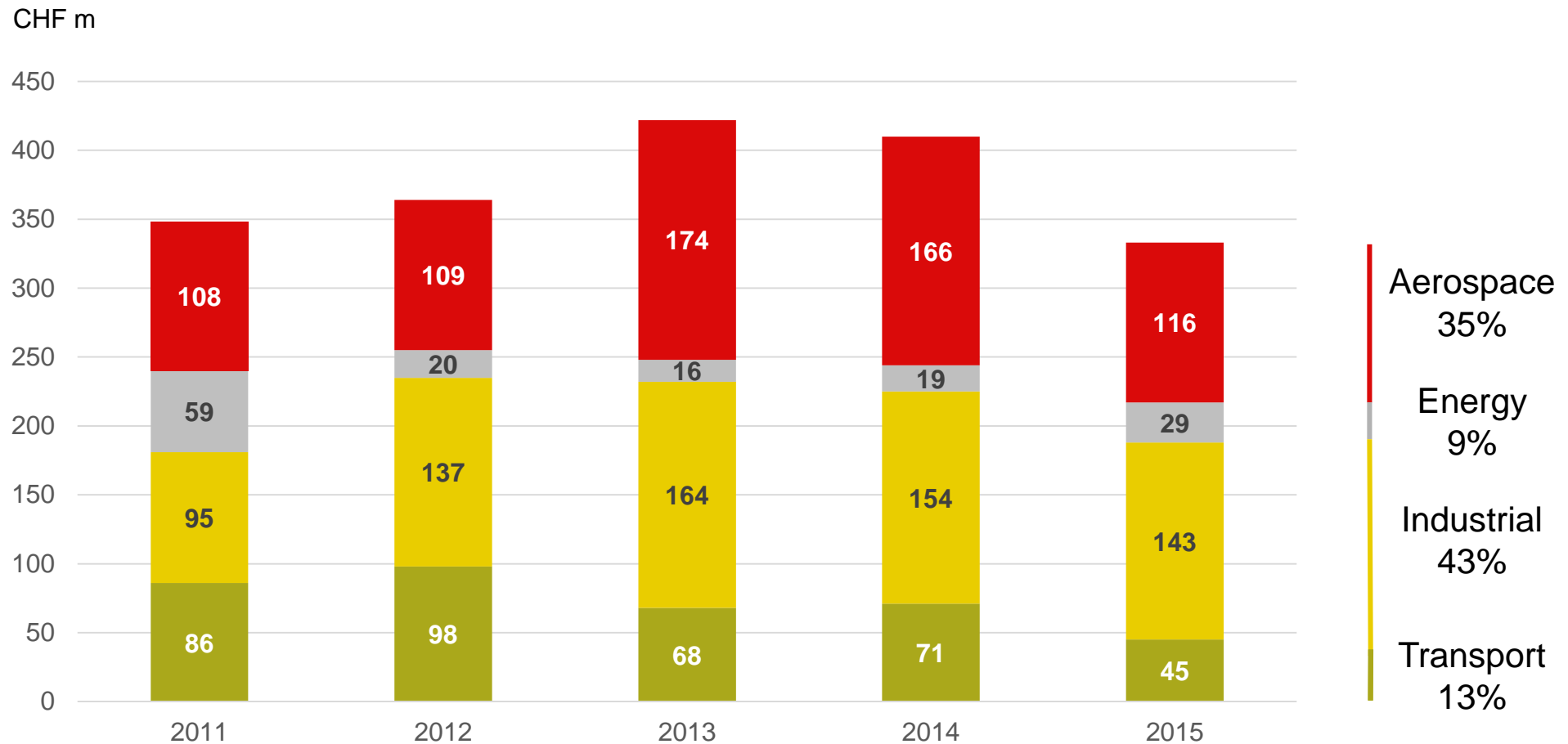
- **Order intake year-on-year -11% (in local currencies)**

Order intake by region: one third from Asia

CHF m



Order intake by industry: 80% from Aerospace and Industrial



Trends by industry

Aerospace
36 %



- Solid civil aircraft market
- Asian market developing positive
- Increasing interest in Life cycle solutions

Energy
7 %



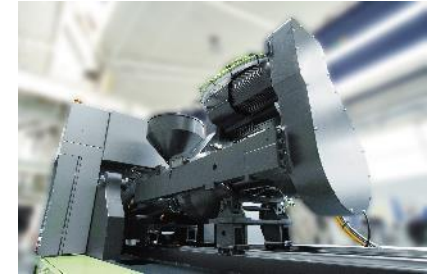
- Power plant investments concentrated in Asia
- New investments in Wind Energy
- Oil/Gas/Fluids slow

Transportation
20 %



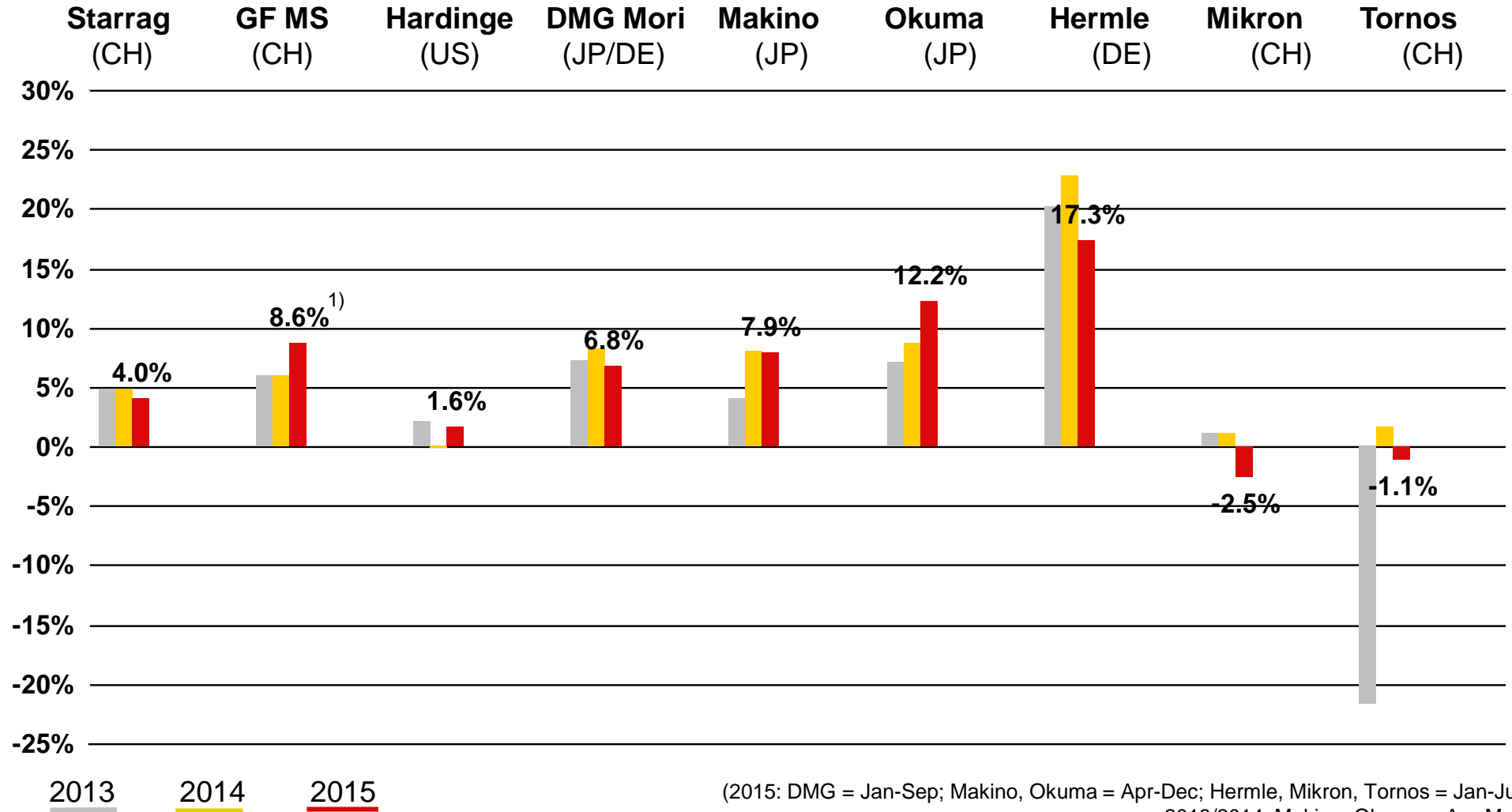
- Rising demand in Asian Railway Market
- Modest improvement in construction equipment
- Agriculture slowly recovering

Industrial
37 %



- Continuous miniaturization trend drives micromechanics
- Luxury goods market tightened
- Increasing machine production with positive influence on component and tooling market

EBIT margin peer group



(2015: DMG = Jan-Sep; Makino, Okuma = Apr-Dec; Hermle, Mikron, Tornos = Jan-Jun, 2013/2014: Makino, Okuma = Apr-Mar).

1) 7.1% before one-time effects.

Measures taken to mitigate impact of strong CHF

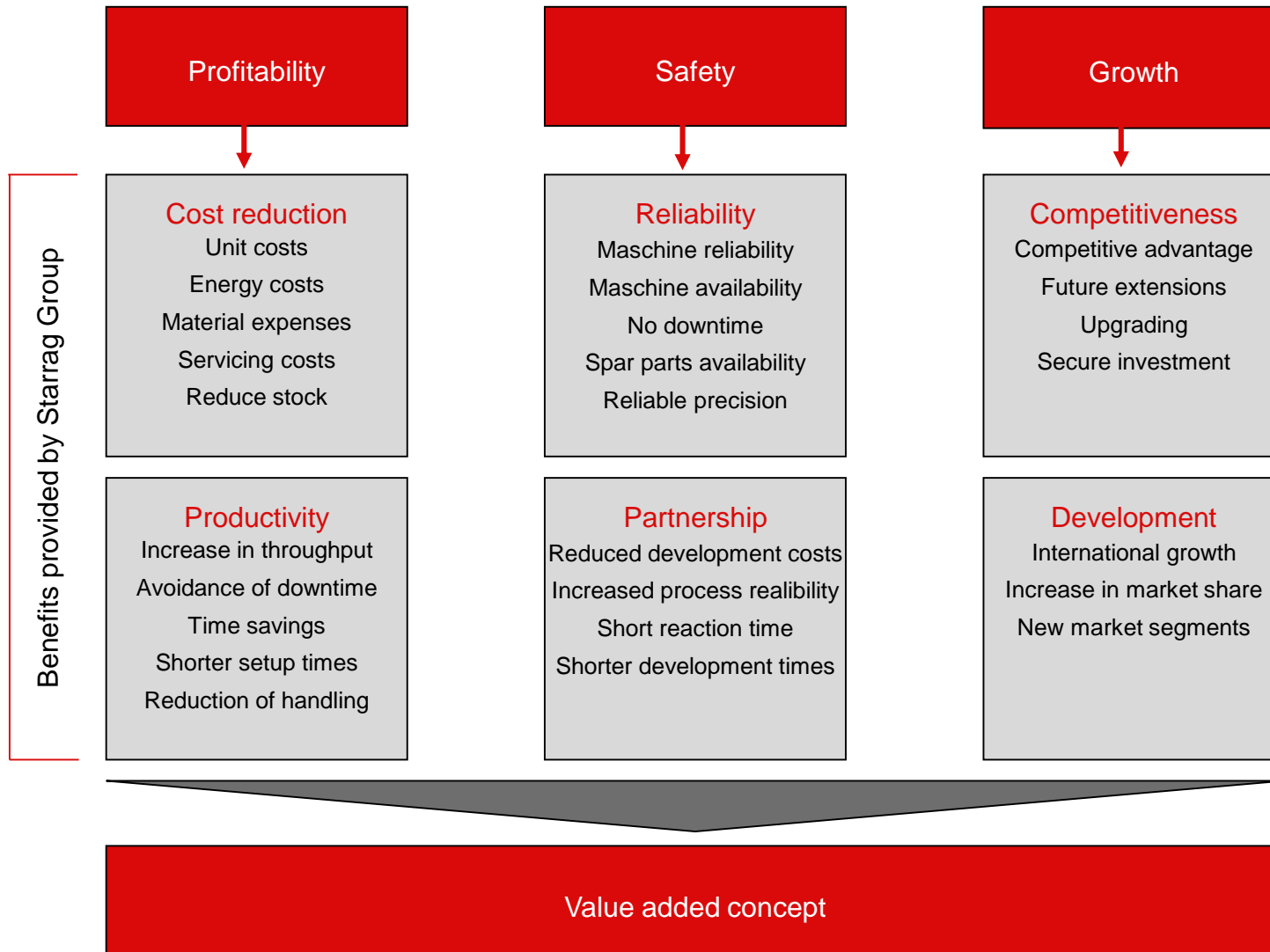
Targets

- Ensure the competitiveness of the Swiss plants
- Offset the effects of the Swiss franc flotation with further productivity gains

Comprehensive range of measures implemented

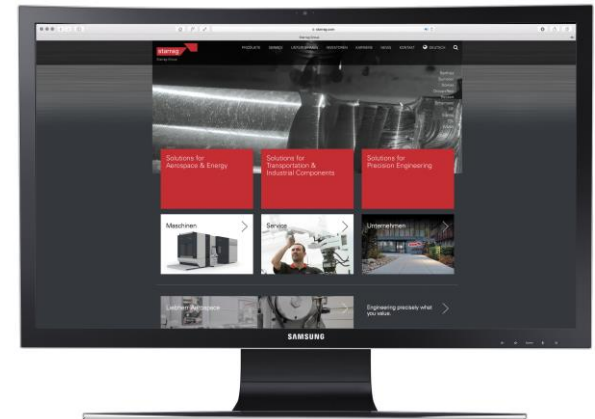
- Procurement contracts renegotiated
- Recruitment frozen
- Extended working hours
- Even stricter cost management

Engineering precisely what you value



Optimisation of marketing tools on all levels

- Goal: communicate value added of Starrag Group's competence to solve clients' problems
- New website as global information platform
- New client magazine "Starrag Star"
 - Latest trends, professional information, users' reports



Successful participation in key trade fairs

- CIMT Beijing (Chinese International Machine Tool Show):
 - Rising demand for high quality production facilities

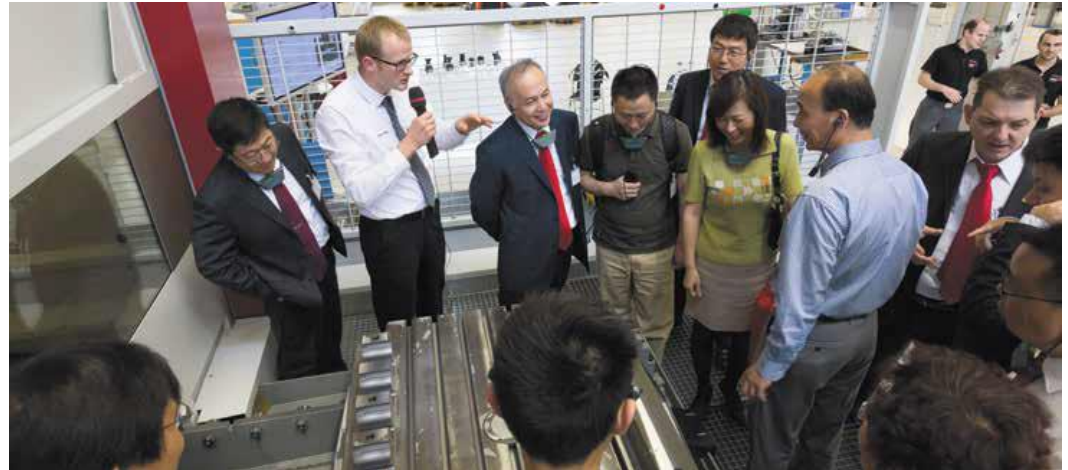
- EMO Milan:
 - World premiere with Bumotec modular machining center S181 for medical technology industry
 - World premiere with new ECOFORCE Ti series for aerospace industry

- Metalloobrabotka Moscow



Successful Turbine Technology Days: where the worldwide experts meet

- Most important gathering of turbine experts from power generation, aviation and aerospace technology sectors as well as key trade magazines
- 250 attendees from whole Europe, China, India and Russia – the key growth markets in this field



Event „Essentials for Excellence in Aerospace Manufacturing“

- Organised by Starrag Group company TTL, Coventry/UK
- More than 50 production experts from leading turbine manufacturers
- Mark Heyman, Chief of Manufacturing Engineering CAM & SFS at Rolls Royce as guest speaker



Win of benchmarking process for Pilatus' new PC-24 business jet

- Challenge by Pilatus: exceptionally productive and versatile manufacturing system for production
- Answer of Starrag Group: flexible machining center with two interconnected Ecospeed machining centers
- Starrag Group's technology as enabler to produce cost-effectively, even in Switzerland



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Financial review

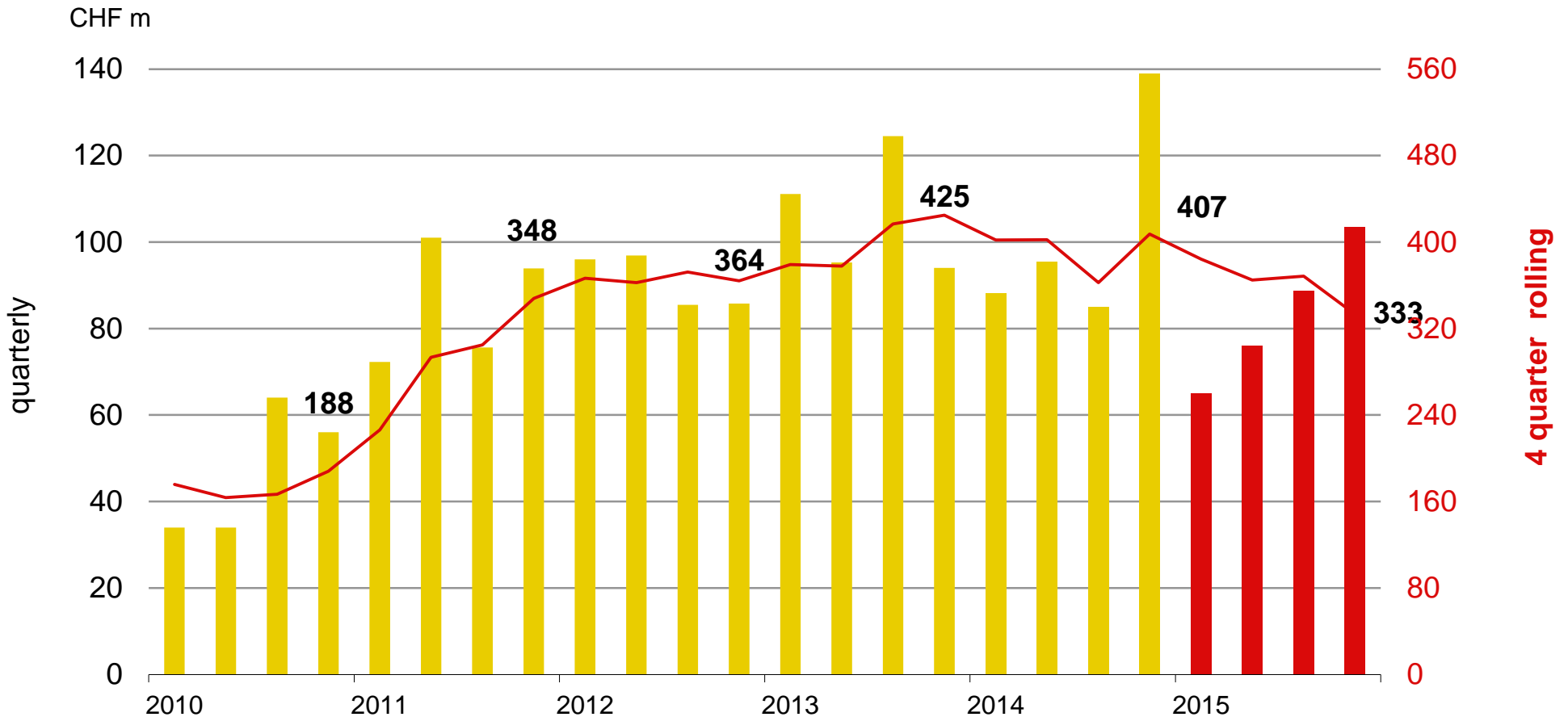
Gerold Brütsch, CFO

Outlook

Walter Börsch, CEO

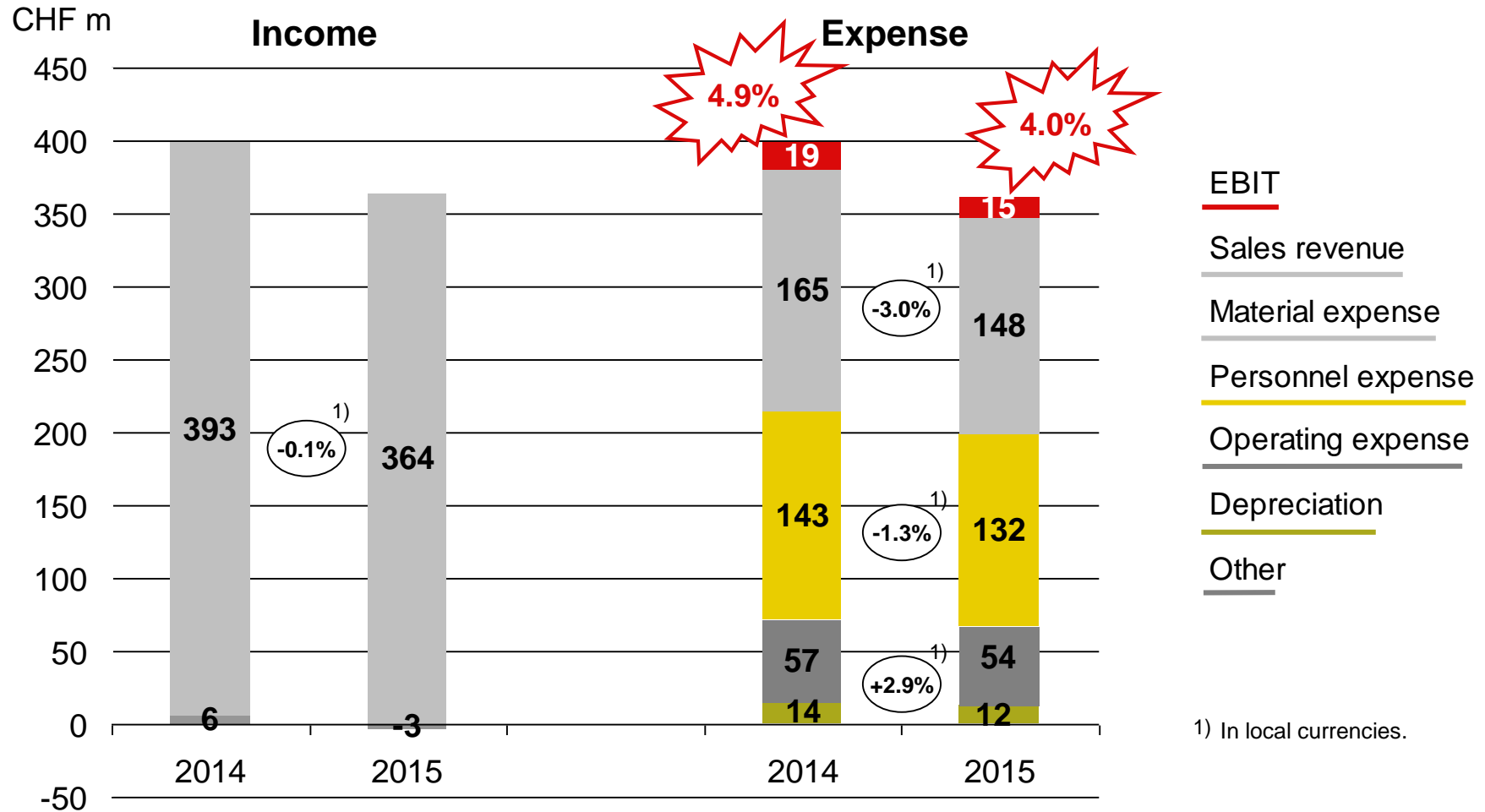
Questions and answers

Order intake



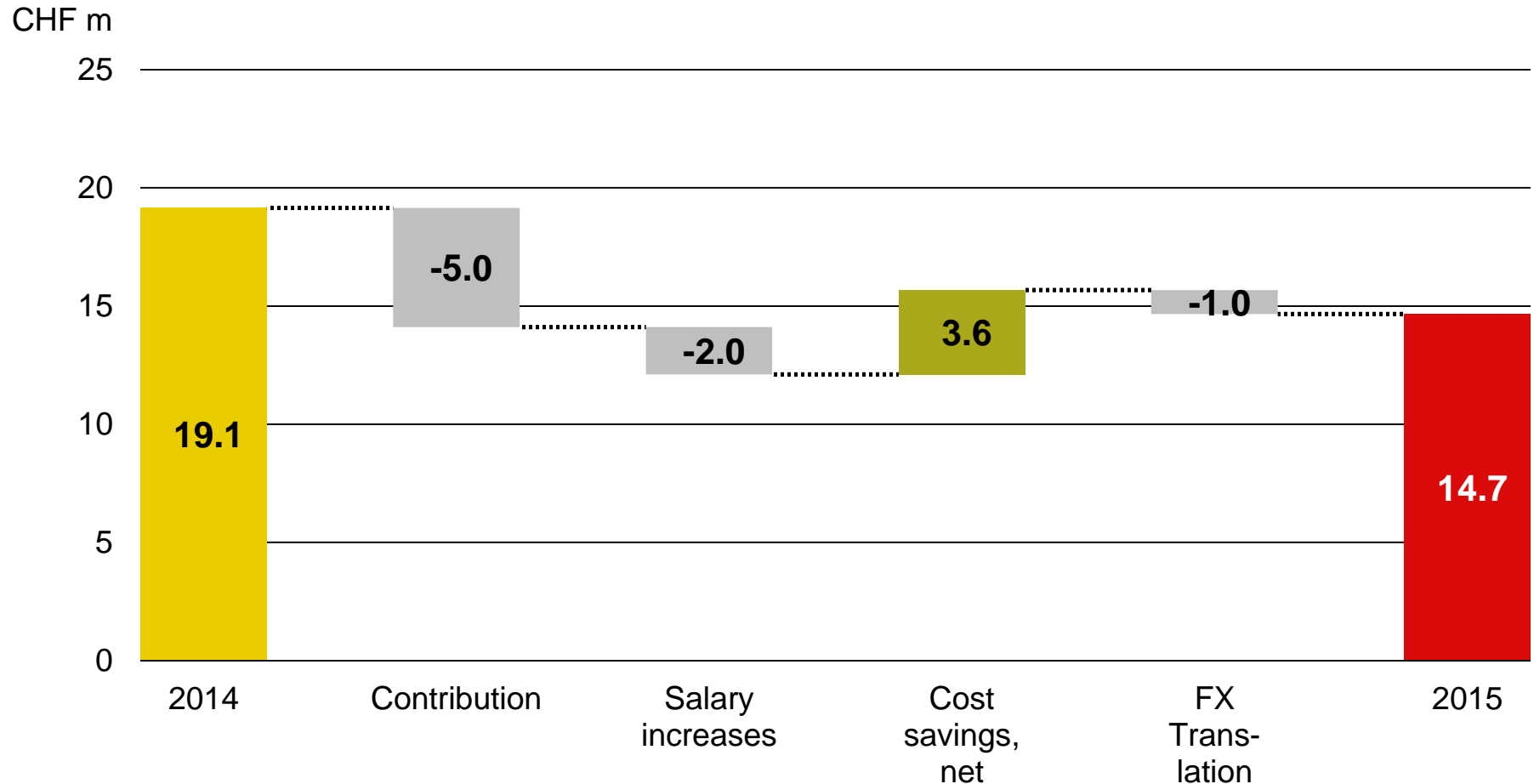
- Currency adjusted 11% below 2014
- Order intake Q4 2015 > 100m CHF

Income statement to EBIT



▪ Lower EBIT margin caused by lower capacity utilisation and strong CHF reflected in lower gross margin and higher order related operating expenses

Main drivers of EBIT development



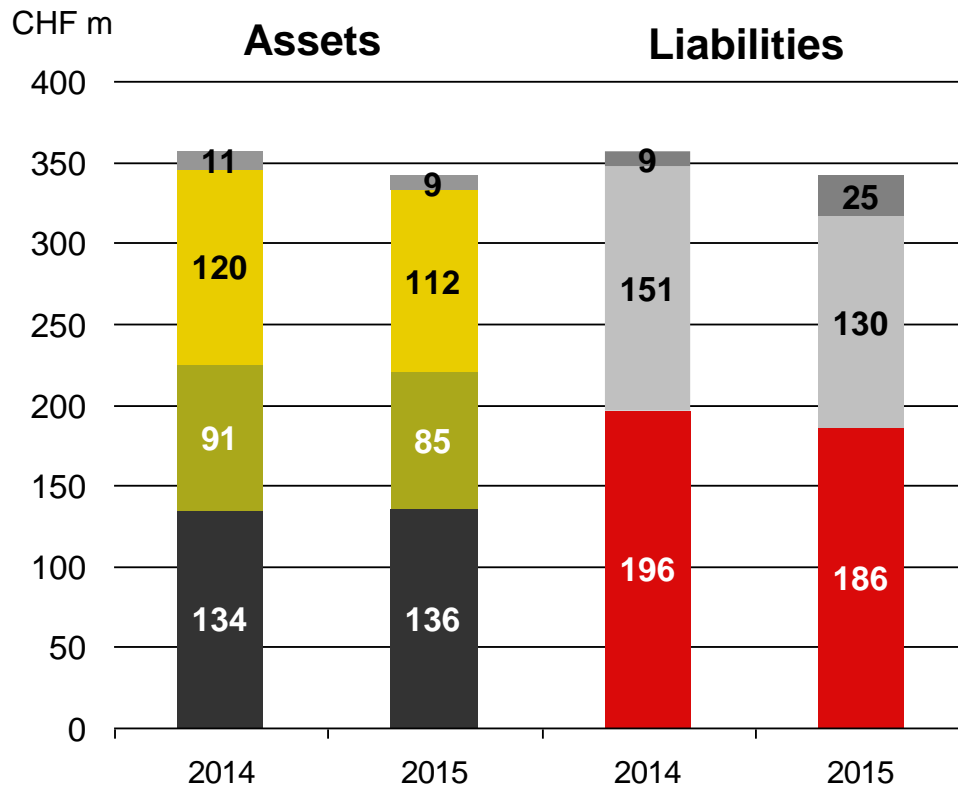
- Lower contribution from orders due to lower rate of capacity utilization and strong CHF
- FX translation impact on EBIT margin limited to -0.3%

Net income impacted by lower EBIT and FX adjustment

	CHF m	2015	2014
<i>EBIT</i>		14.7	19.1
Interest		-0.4	-0.3
FX result		-1.5	0.5
Other		-0.9	-1.1
<i>Earnings before tax EBT</i>		11.9	18.2
Income tax		-2.4	-3.8
Net income EAT		9.5	14.4
Tax rate		19.9%	20.7%
Earnings per share		2.78	4.26

- Net income down by 33.9% – Earnings per share down by 34.7%
- Lower effective tax rate due to higher earnings share from countries with lower tax burden (expected future tax rate 22% to 25%)

Balance sheet remains strong



Total assets	356	342
Equity ratio	55%	55%

Cash and cash equivalents

Receivables

Inventories

Fixed assets

Financial liabilities

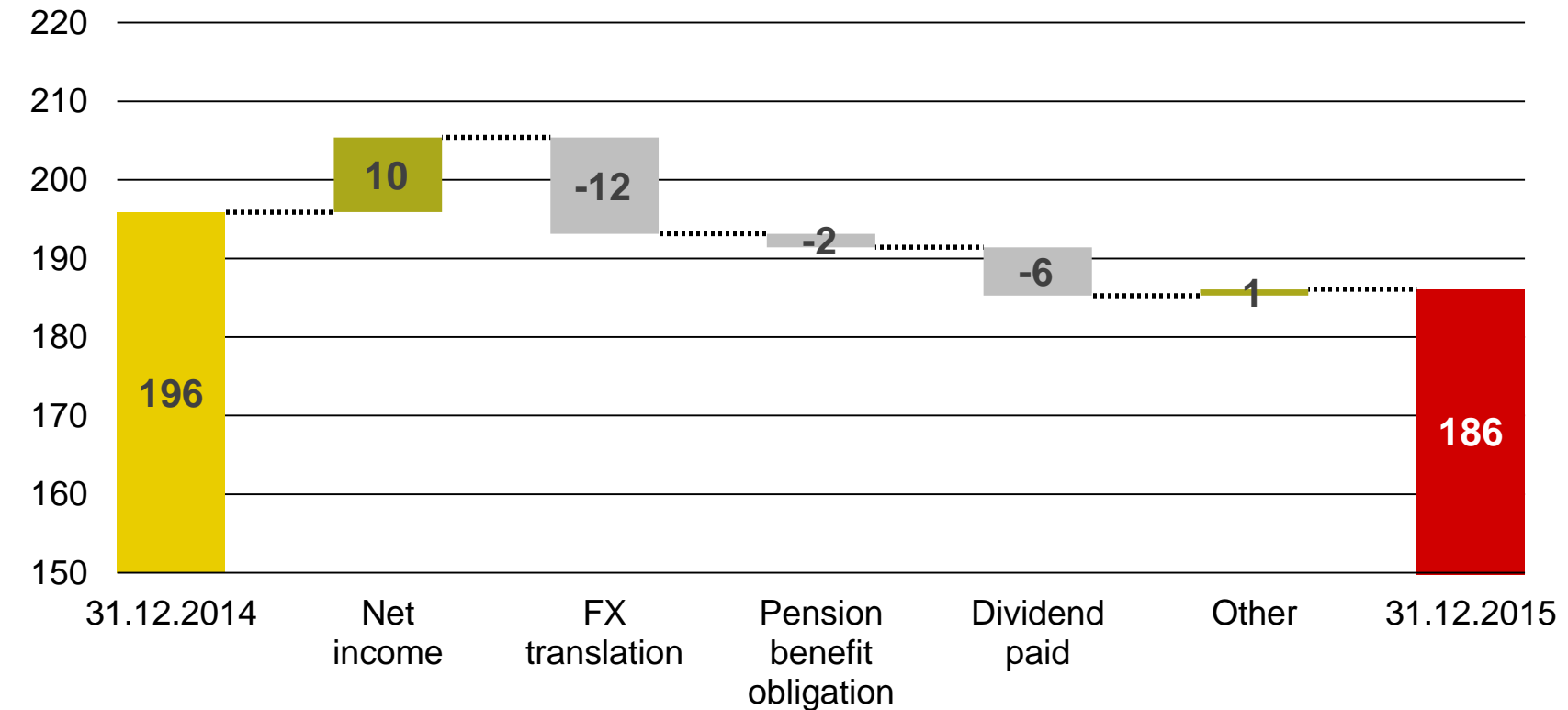
Operating liabilities

Shareholders' equity

- **Solid financing with stable balance sheet structure**
- **FX driven decrease in current assets**
- **High investments in fixed assets**

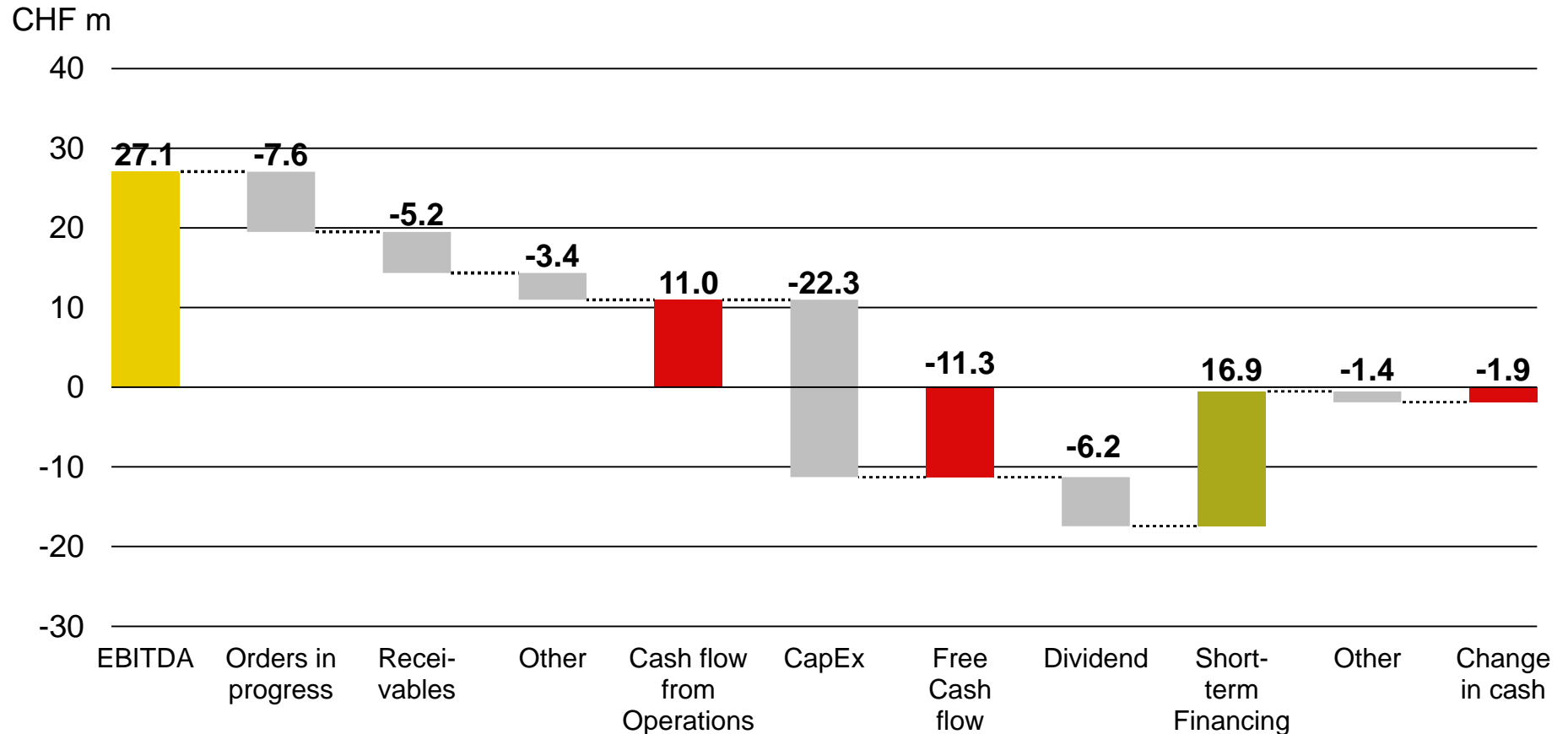
Solid shareholders' equity base

CHF m



- **Solid equity ratio of 55% unchanged**
- **Strong CHF leads to FX translation impact of CHF -12 million**

Cashflow 2015 impacted by financing of orders



Reduction in net cash from 2.4m to -15.9m CHF as a result of

- investment in modernisation and capacity expansion of Bumotec of 17m CHF
- and lower financing of orders in progress

De-pegging of Swiss franc

Translation impact resulting in reduction of

- Sales revenue by 29m CHF
- EBIT by 1.0m CHF
- Net equity by 12m CHF (Equity ratio of 55% unchanged)

Transaktion risk

- Foreign currency loss of 1.4m CHF on unhedged Euro positions recognized in financial result

Economical currency risk

- Competitive pressure and lower investment activity with negative impact on price and margin quality
- Share of cost in CHF was 25% in 2015, slightly higher than in 2014 (24%) due to strong CHF

- **Vast range of measures implemented (see slide 17).**

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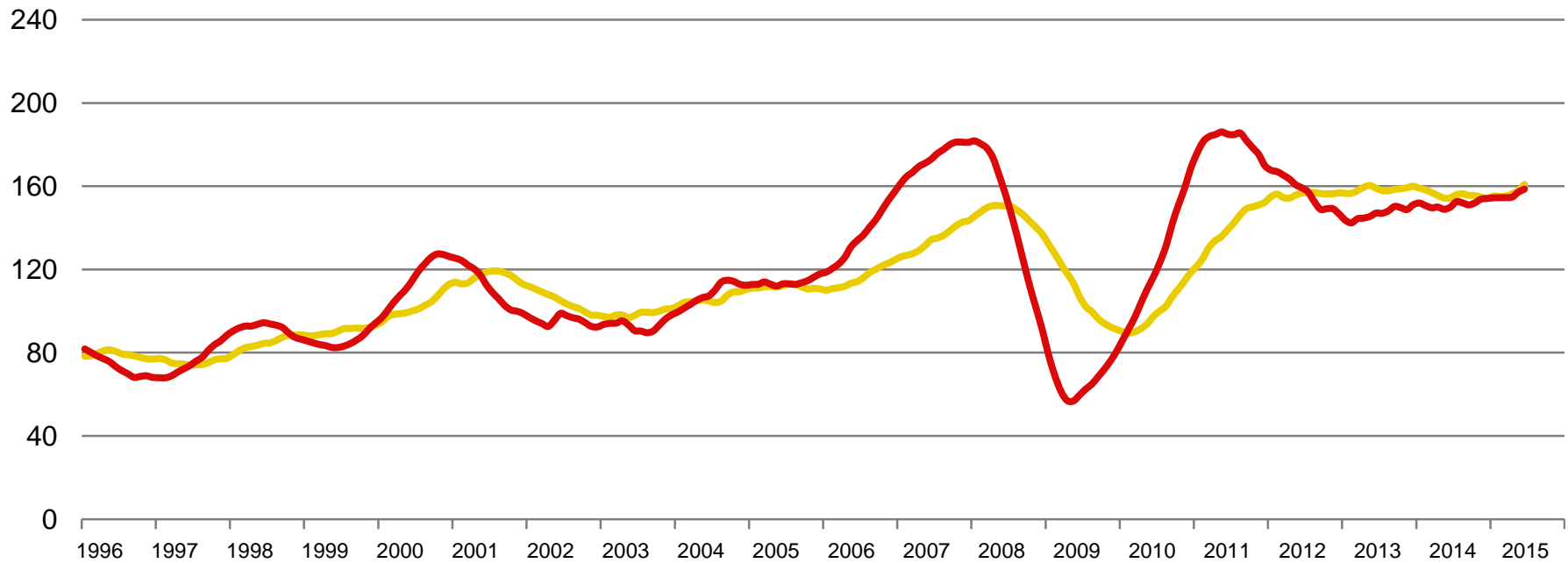
Economic outlook

- Ongoing economic and geopolitical uncertainty
- Weak stock markets in 2016 to date
- Low oil prices with negative impact on investment levels
- Global purchasing managers index: slightly positive driven by Europe
- Business climate Germany: overall slightly positive
- VDW forecast 2016: “Moderate growth of 1%”
- Impact of CHF below industry’s average

Machine tool industry Germany (cutting)



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



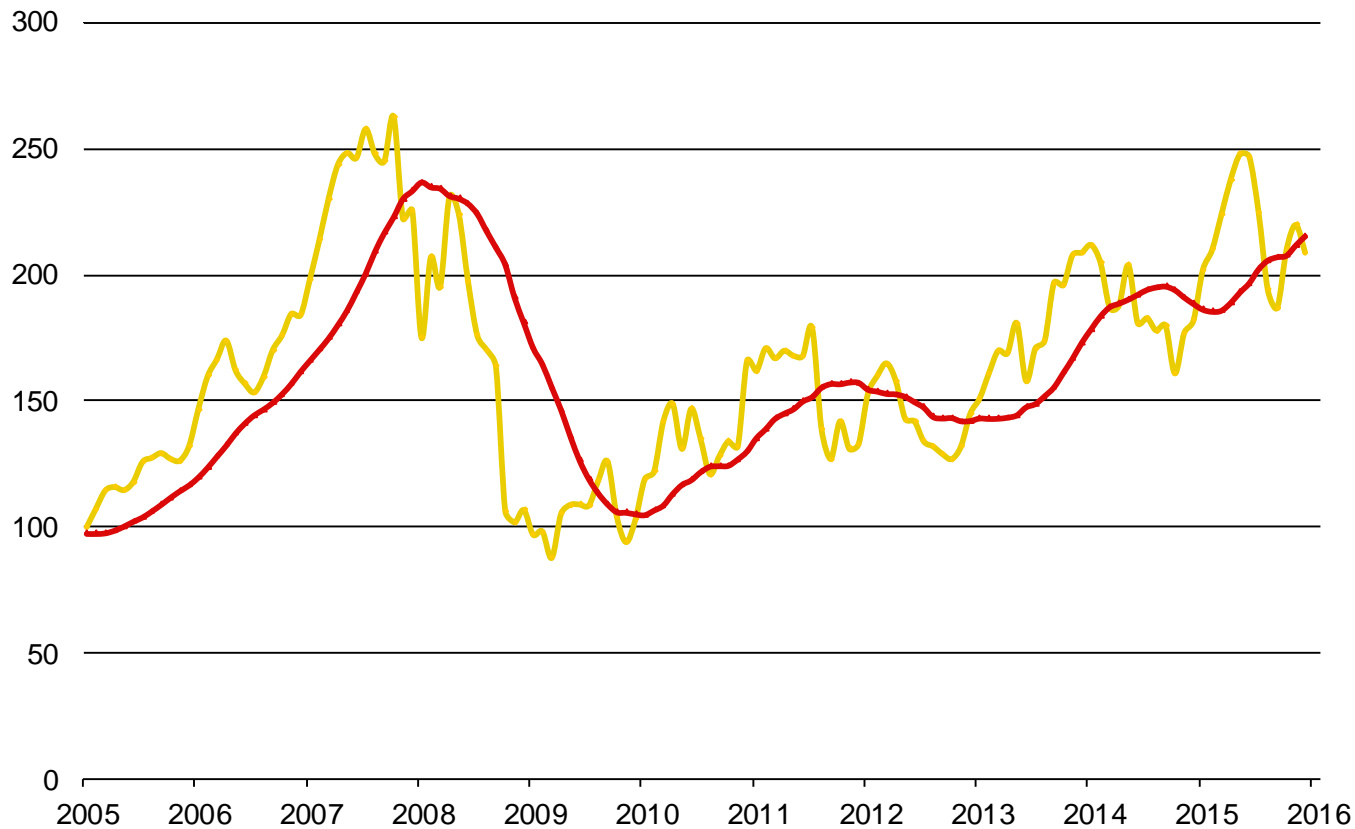
[Jan-Dez 15/14: Sales +4%, Order intake +3% (+1.8% in local currencies)]

Order Intake

Sales

Note: Indexed base sales 2010=100, Data till December 2015.
 Source: Monthly order intake statistics VDMA, VDW, 23 February 2016.

Cecimo MTIX confirms outlook



CECIMO MTIX

12mths MTIX moving average

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.

Measures to strengthen marketing/sales and reduce costs

- Accelerated implementation of 1st half 2015 action plan to strengthen sales and marketing activities in newly defined market segments
- Rounding up integrated product portfolio
- Additional investments in technology for networking manufacturing systems
> „Industry 4.0“
- These projects entailing numerous individual measures to lower costs even further and achieve sustainable improvement in profitability

Financial targets

	Guidance 2016 ¹⁾	Mid-term target
Order intake growth	FY 2016 > FY 2015	> 5% p.a.
Sales growth	FY 2016 ≈ FY 2015	> 5% p.a.
EBIT margin	FY 2016 ≥ FY 2015	8% p.a. over the cycle
Dividend policy	35 - 50% of net income	35 - 50% of net income

1) organic, in local currencies.

Corporate calender / Contact

- 23.04.2016 Annual general meeting in Rorschach
- 27.07.2016 Letter to shareholders on H1 2016 results
- 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

Walter Börsch, CEO

Phone +41 71 858 81 11

Gerold Brütsch, CFO

Phone +41 71 858 81 11

Further Information:

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

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We look forward to your questions!




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Starrag Group

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

Thank you for your interest!

A background image showing a view of Earth from space, with the sun rising over the horizon, creating a bright glow and lens flare. The Earth's surface shows continents and oceans. A dark, semi-transparent triangular shape is overlaid on the right side of the image.

berthiez
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wmw

High-precision machine tools for greater productivity

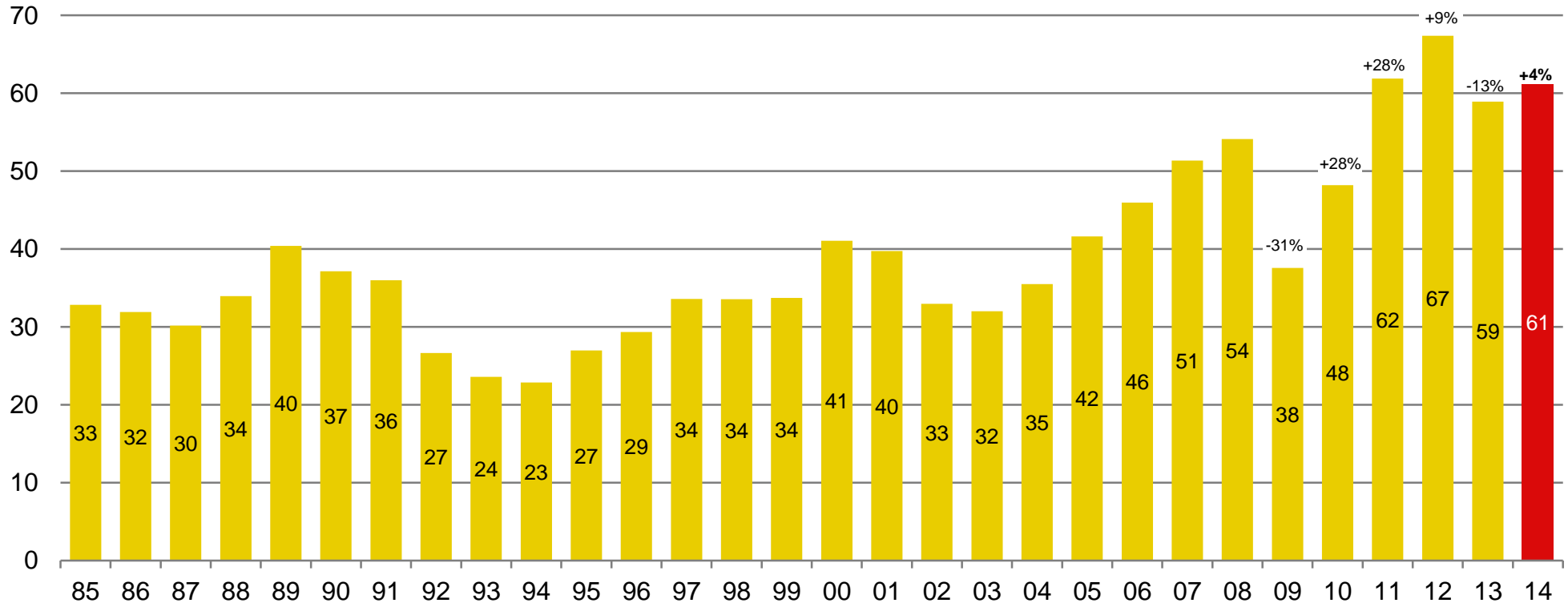
Starrag Group is a global technology leader in manufacturing high-precision machine tools for milling, turning, boring and grinding workpieces of metallic, composite and ceramic materials. Principal customers are internationally active companies in the target market Aerospace & Energy, Transportation & 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).

World production machine tools 1985 - 2014

EUR b

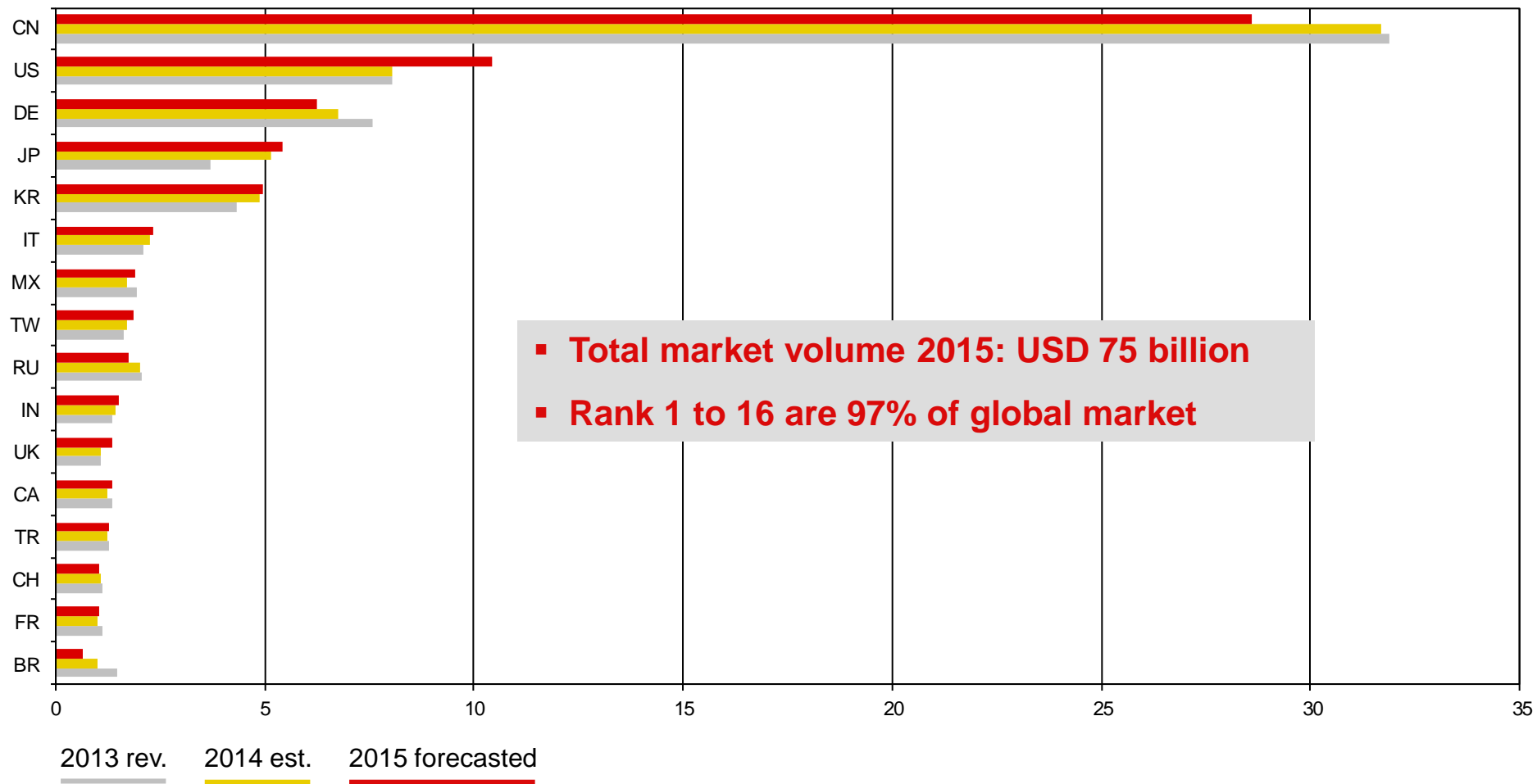


World production machine tools 1985 – 2013

World production machine tools 2014 forecast

World machine tool consumption 2013 to 2015 (as of April 2015)

USD billion



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	●	●	●								
tll	●										
heckert		(●)	(●)		●	●	●	●			
wmw		(●)			(●)	●	●	●			
bumotec									●	●	●
sip	(●)							(●)			●

Industry

Aerospace	●	●									●
Energy			●	●	●						
Transportation				●		●	●				
Industrial				●				●	●	●	●

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

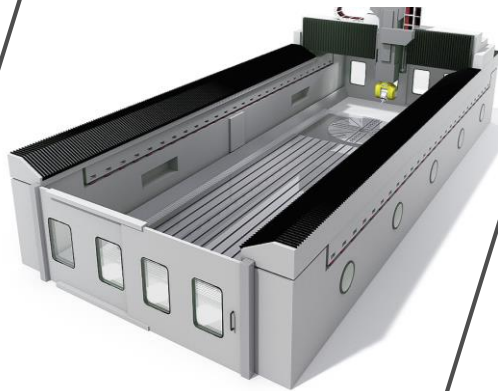
scharmann

starrag



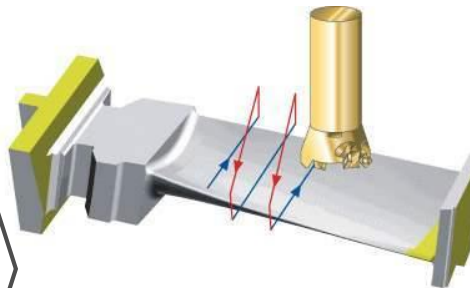
Common strategy based on three pillars

Leading metal cutting machine tools



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

Leading cutting technology support



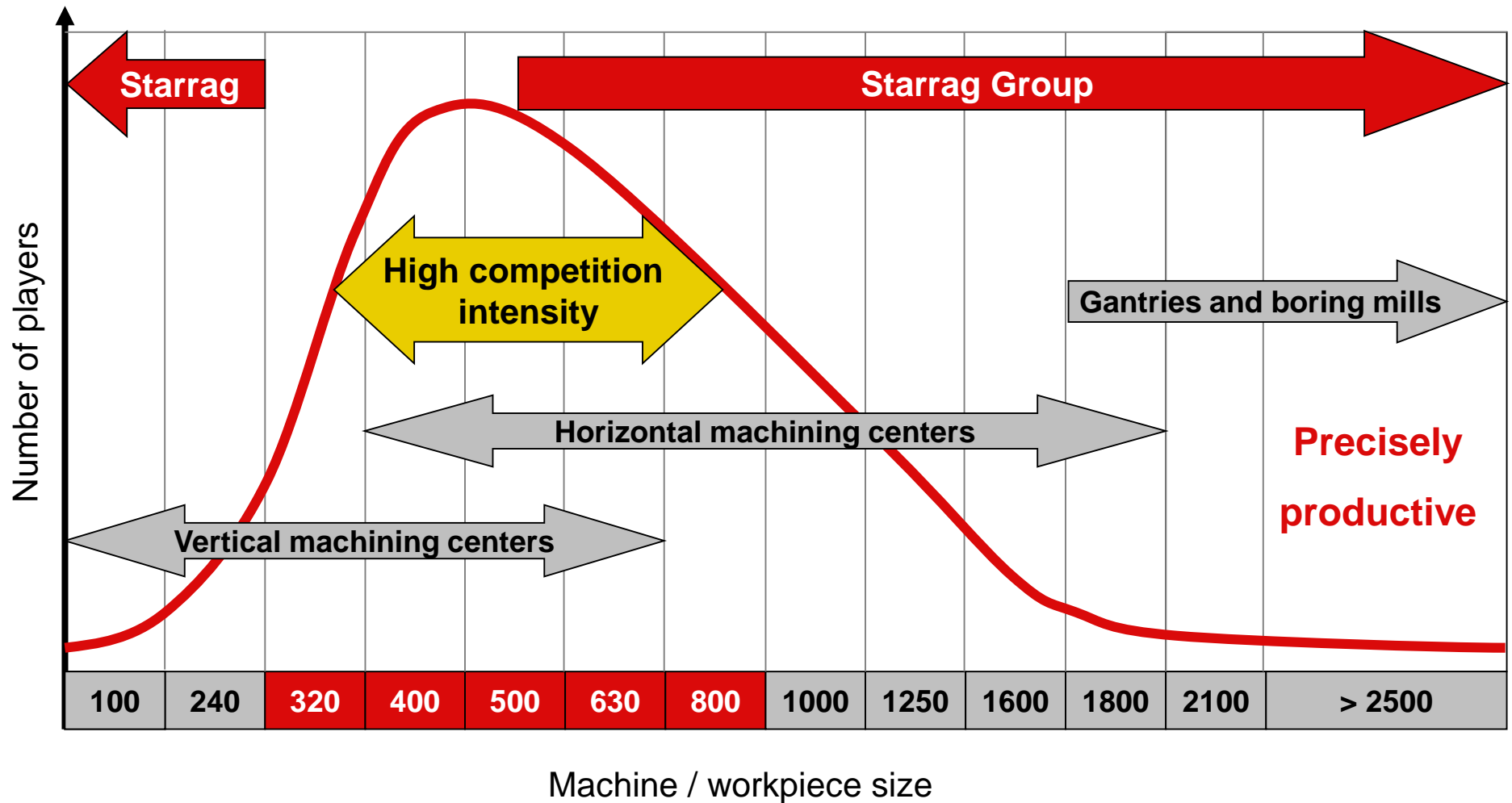
- Center of Production Excellence
- Engineering services
- Software, programming
- Multi tasking machines

Leading global customer service

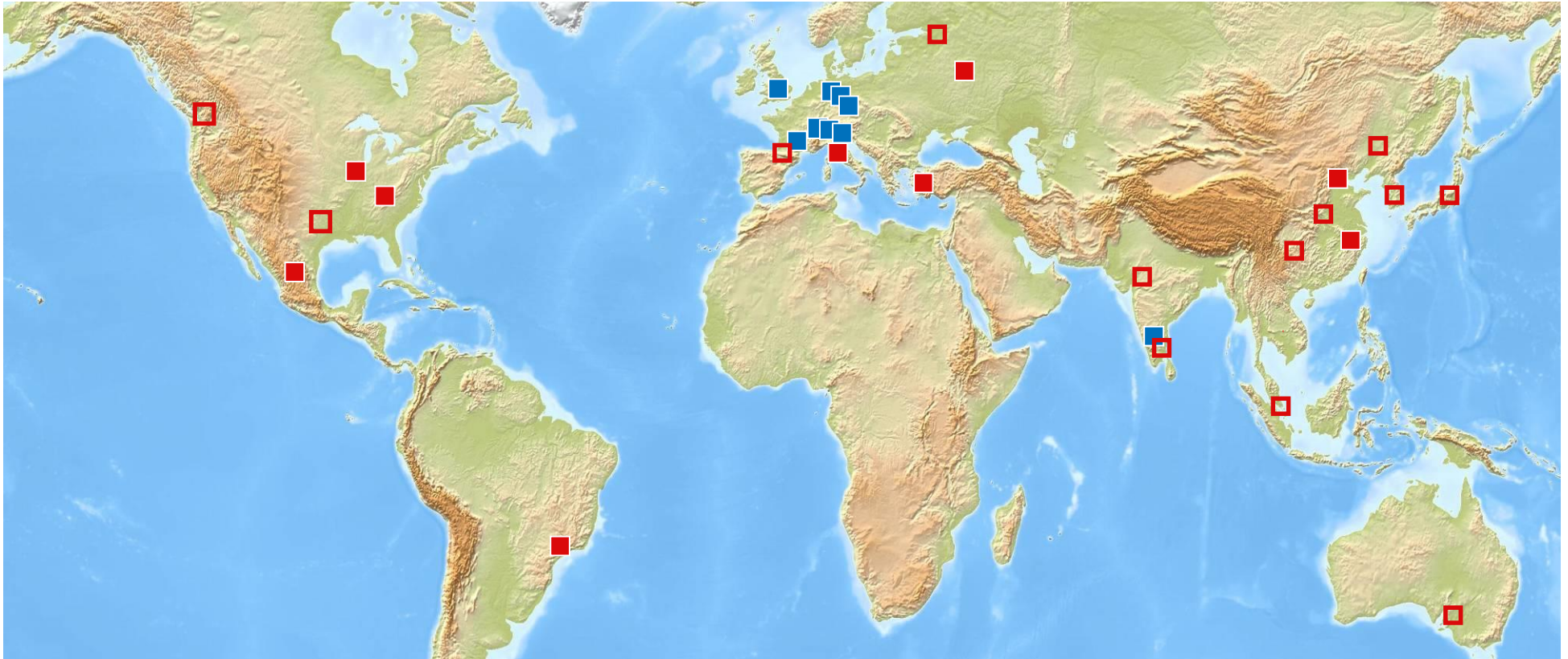


- Through life cycle support
- Preventive maintenance programs
- Global spare parts availability

Multi-niche strategic positioning



Global presence in sales, application and service support












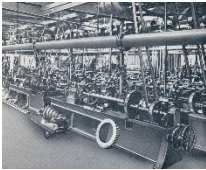

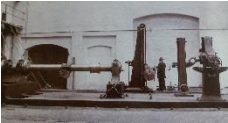

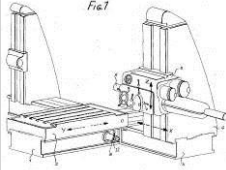


■ Manufacturing plant, Sales and service organization

■ Sales and service organization

□ Service hubs

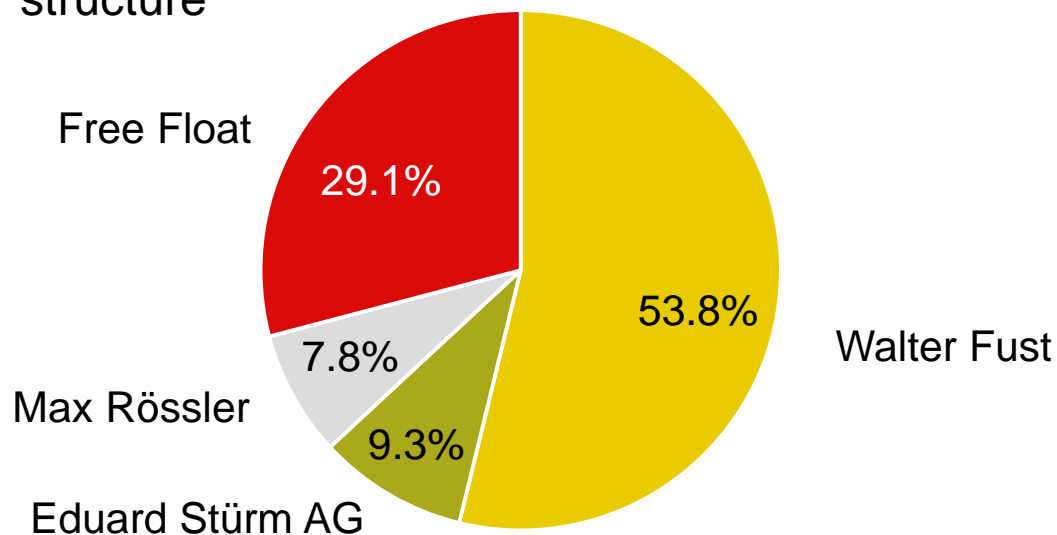


Our pedigree, 150 years tradition for innovation

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
							

Share details

- Market capitalisation year-end 2015: CHF 155 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 a member of the Board of Directors of Eugster / Frismag AG, Amriswil/Switzerland. From 2011 to February 2014 Daniel Frutig was CEO of AFG Arbonia-Forster-Holding AG. From 2005 to 2011 he headed the global Support Services Division of the British Compass Group, based in London, UK. From 2003 to 2005, Daniel Frutig was CEO of Swisscom Real Estate Inc., from 1998 to 2003 he served as Associate Partner for the consultancy firm Accenture, ultimately as Global Head of Services & Technology. Before that, Daniel Frutig worked at Sulzer AG, where he began his professional career in 1987. Daniel Frutig graduated from the Lucerne University of Applied Sciences in 1987 with an engineering degree in heating, ventilation and air conditioning systems.

He earned an MBA from the University of St. Gallen in 1994 and completed the Top Management Executive Program at INSEAD in Fontainebleau in 2004/05. He has never held an executive management position with Starrag Group and he does not have any significant business relationships with the Group.



Walter Börsch (1959, German) has been CEO of Starrag Group and Head of Regional Sales since 2014.

He previously served as Head of the former Business Unit 1 from January 2012 to the end of 2013 with responsibility for the Starrag brand in Rorschacherberg (Switzerland) and as well as for the TTL subsidiary in Haddenham (UK). Prior to that he held the position of Head of Operations at Starrag Group since 2007 and from 2005 to 2007 Mr. Walter Börsch was Head of Sales and Engineering at an internationally active machine tool manufacturer. From 2000 to 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.

Mr. Brüttsch previously served as Chief Financial Officer of an international machine manufacturing company 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.



starrag

Starrag Group