

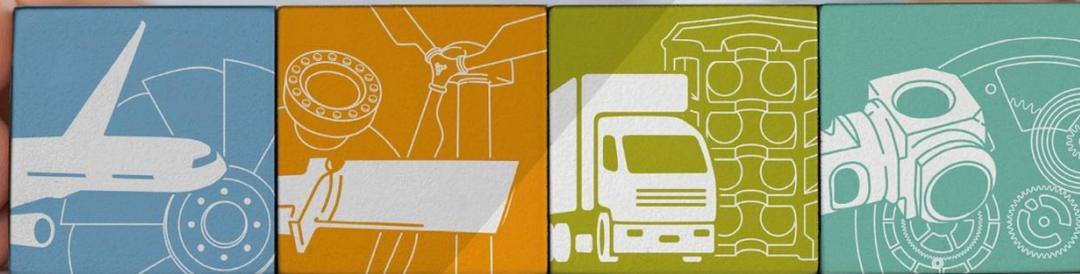
starrag


investorazürich
Die Schweizer Aktienkonferenz

Engineering precisely what you value

21 September 2017

Solutions for
Aerospace
Energy
Transportation
Industrial



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Engineering precisely what you value

▀ **Starrag Overview**

▀ **Market Trends**

▀ **Strategy**

▀ **Key developments**

▀ **Outlook**

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■ Outlook

A global leader in high precision machine tools

to ensure our internationally based customers
safety, profitability and growth



Machining is in our DNA

Milling, Turning, Boring and Grinding

of small to large workpieces of metallic, composite and ceramic materials
to provide the highest innovative capacity with
excellent precision



One partner for all your applications

to provide the whole value chain from a single source
with a clear focus on market segments

Aerospace



Aero Engines

Aero Structures

Avionics

Energy



Power Turbines

Oil & Gas

Renewables

Transportation



Heavy Duty Vehicles
& Engines

On-Road Vehicles

Industrial



Industrial Components

Luxury Goods

Med Tech

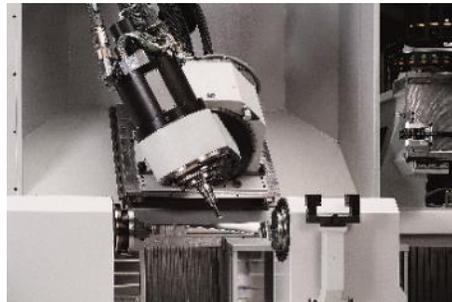
Dedicated solutions for our target industries

Aerospace



ECOSPEED Serie

Energy



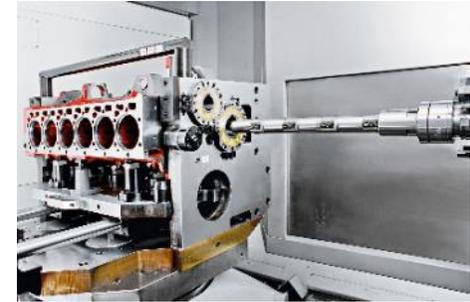
LX Serie

Industrial



ECOFORCE Serie

Transportation



HEC Serie



NB Serie



G/GF Serie



S191 Serie



CONTUMAT Serie

Engineering precisely what you value



We are specialists in manufacturing precision machine tools and **engineer** solutions with the complete portfolio of Starrag

Specifies the premium position of Starrag and also the **precision** of our machines, which meet precisely our customers' needs

We place our **customers** at the heart of our philosophy and provide them the highest level of benefit

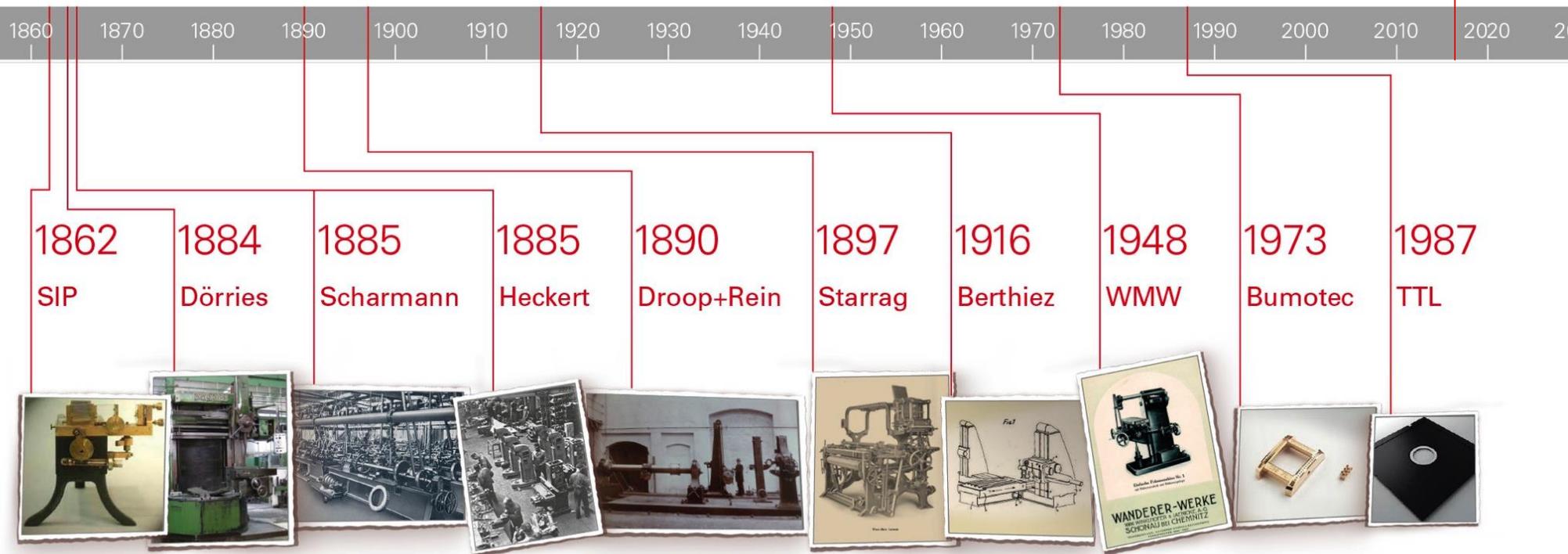
We exactly meet our customers' needs and offer the added **value** in form of profitability, safety and growth

150 years tradition in innovation

enables the Starrag to be a reliable long-term partner

2017

The ten individual brands have been combined into one large Starrag

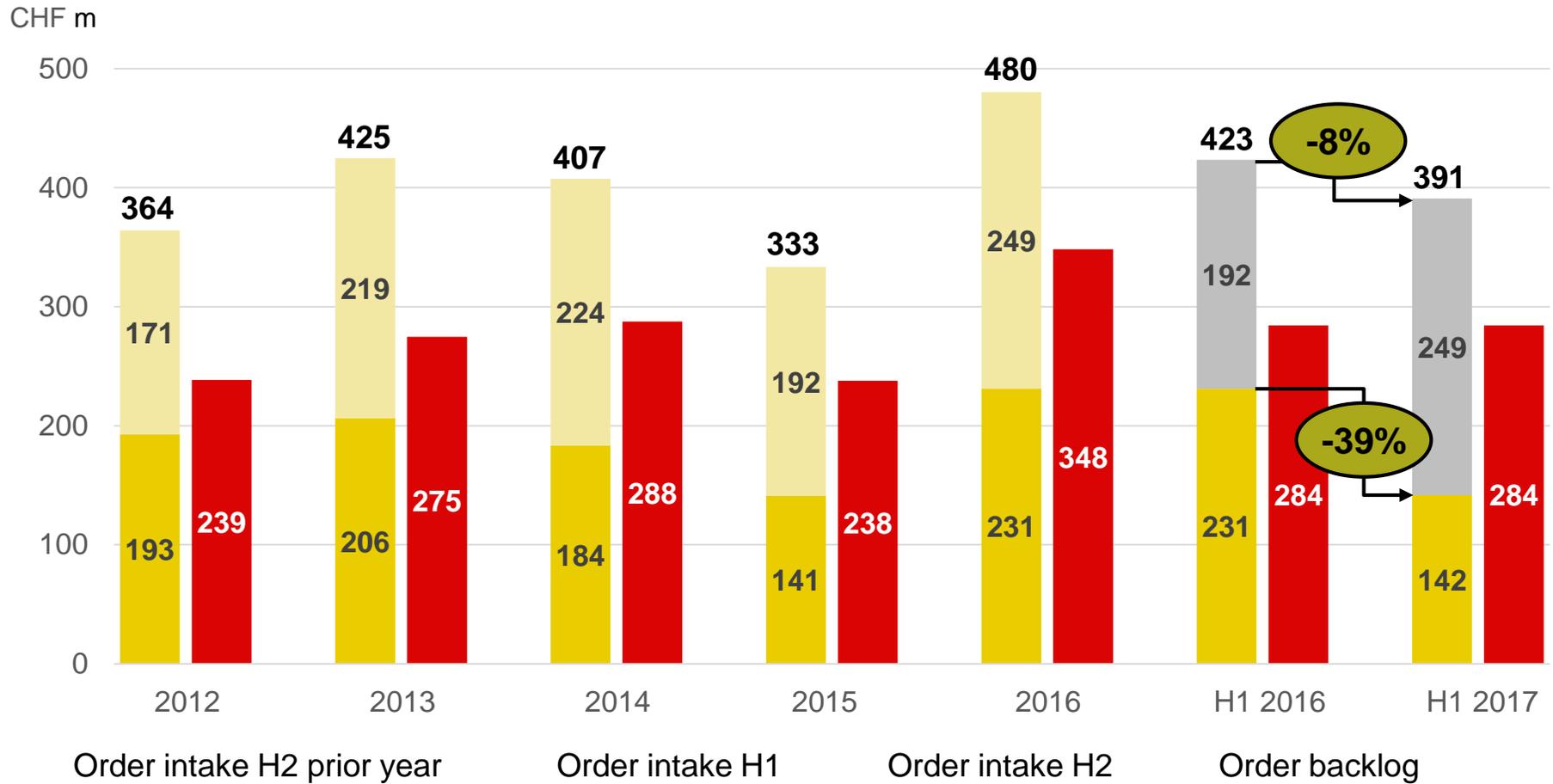


Global at your service



- Production site
- Logistic center
- Service center

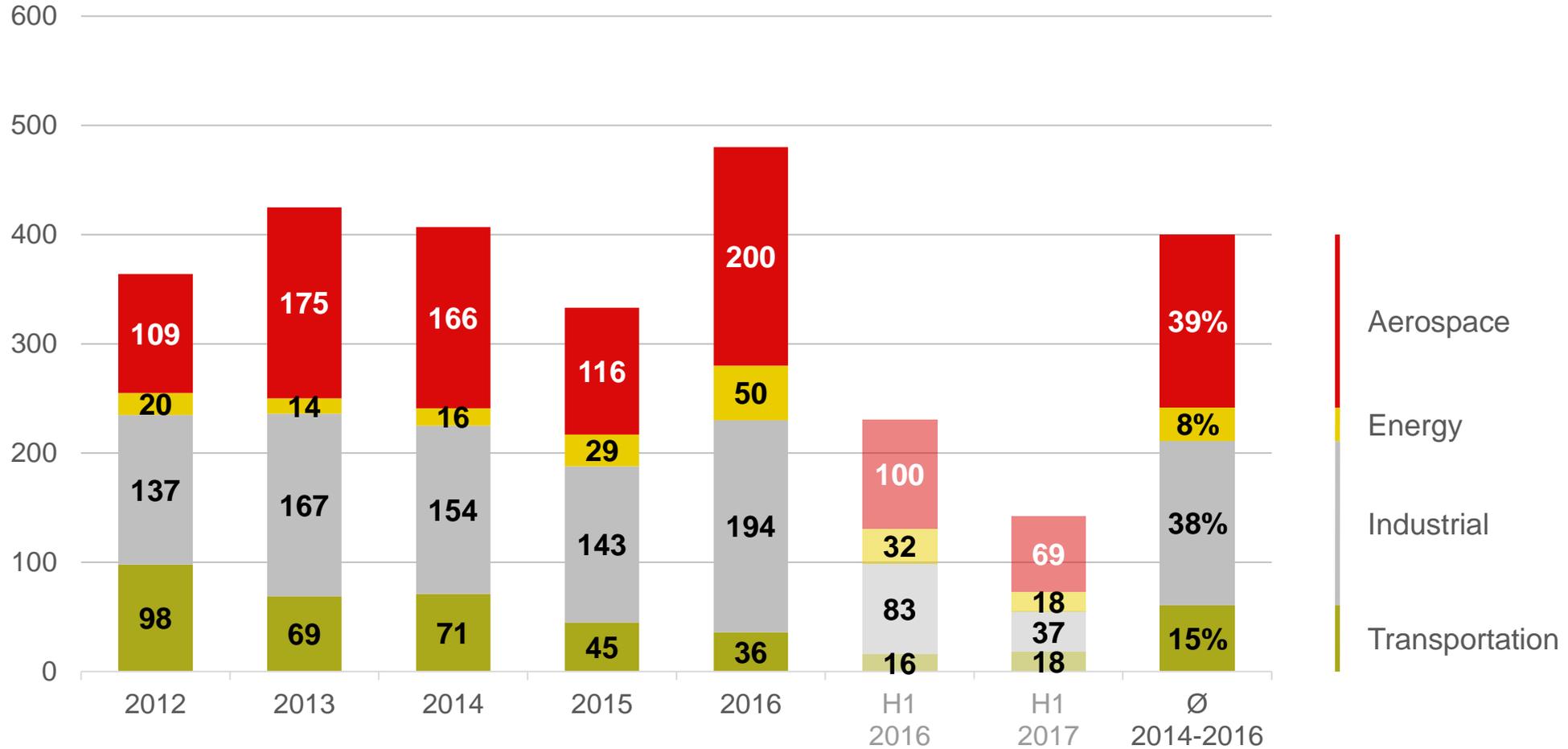
Order backlog good despite low H1 order intake



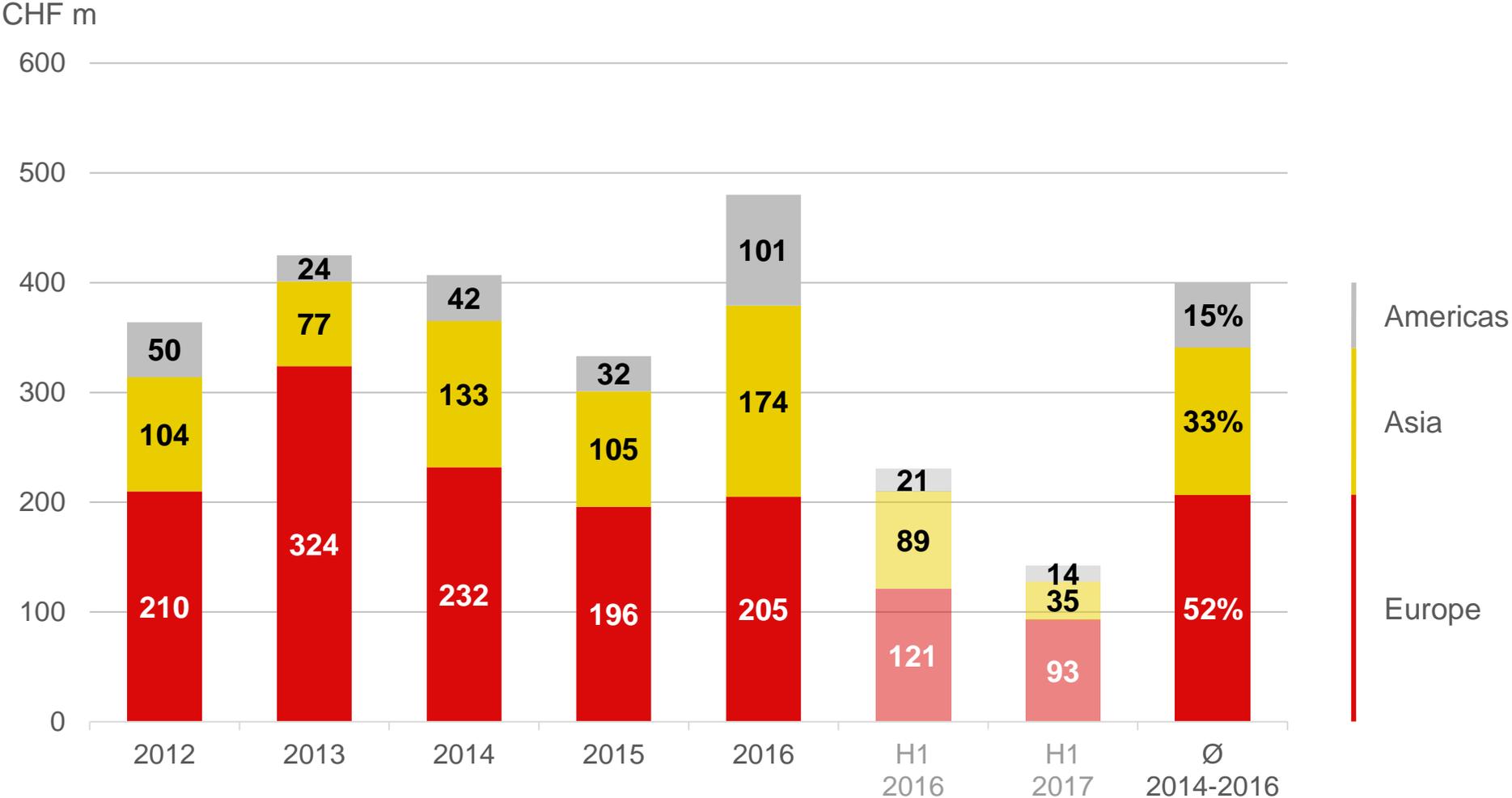
- Order intake Last Twelve Months 391m CHF or -5% to same prior year period (fx adjusted)
- Order backlog normalized with -18%, unchanged to H1 2016
- New EUR-CHF fx rate from Jan-2015 (due to depegging of CHF)

Order intake by customer industry

CHF m

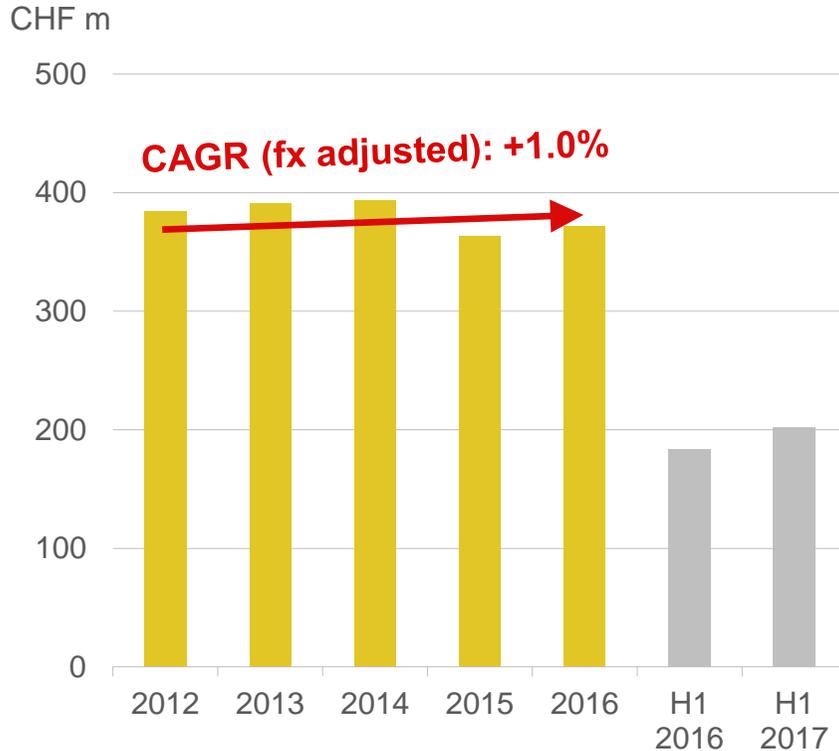


Order intake by region

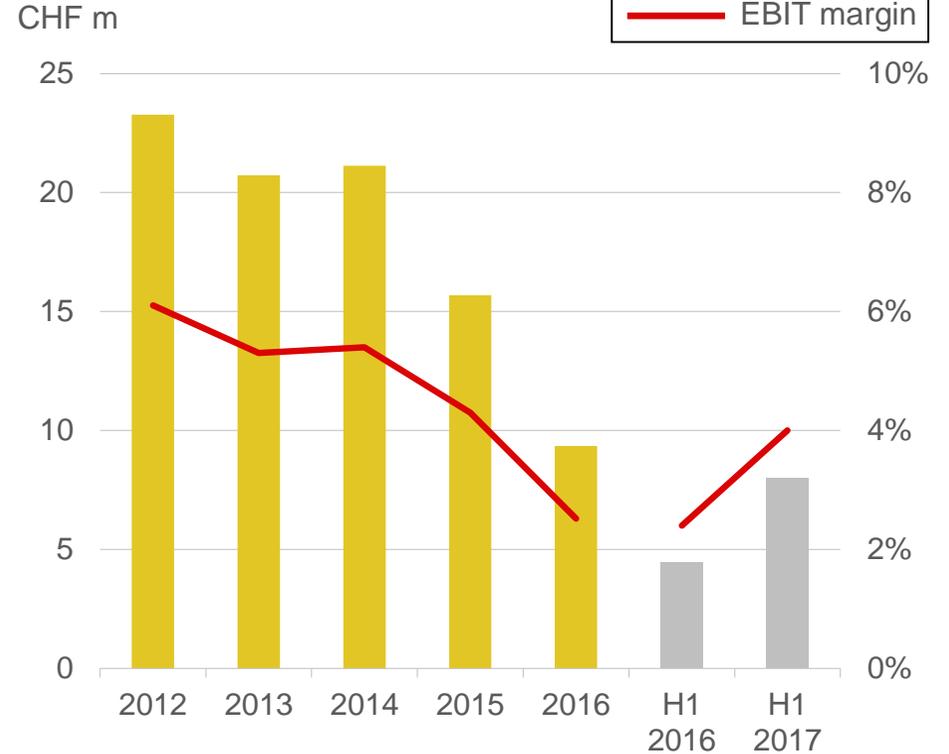


Financial development

Sales revenue



EBIT

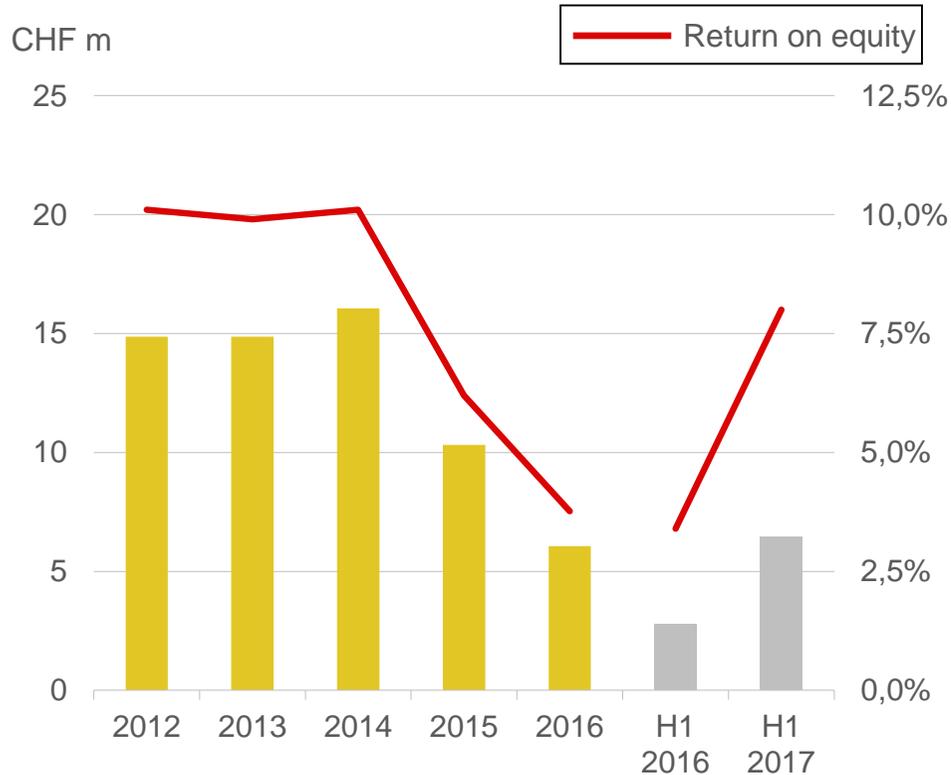


- May 2012 Bumotec acquisition with annual sales of 40m CHF
- EUR-CHF decreasing from 1.22 in 2012 to 1.10 in H1 2017

Accounting standard Swiss GAAP FER from 1 January 2017, prior periods restated accordingly.

Net profit and share performance

Net profit



Share price

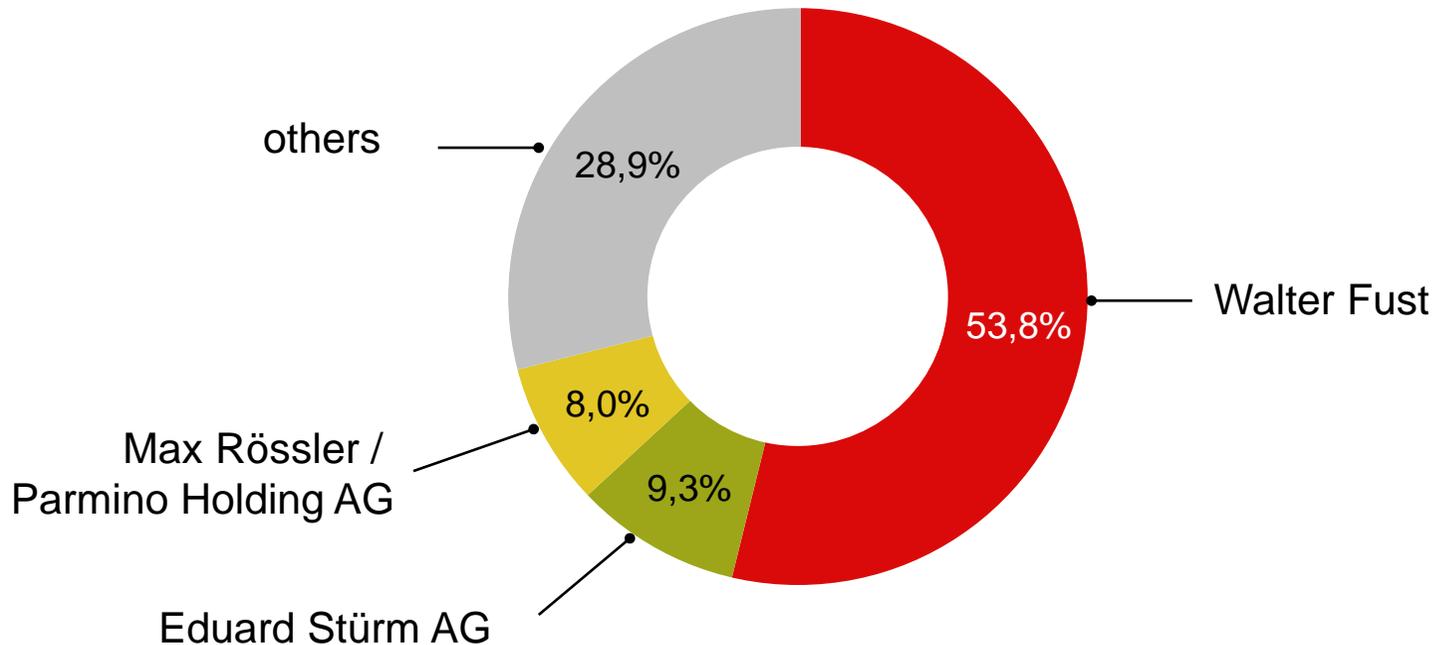


- One-time tax credit in H1 2017 of 0.8m CHF / De-pegging of CHF resulting in fx losses in 2015 of 1.3m CHF
- Total shareholder return 2017 21.2% (as of 08.09.2017)

Accounting standard Swiss GAAP FER from 1 January 2017, prior periods restated accordingly.

Share details (as of 30 June 2017)

- Market capitalization CHF 232 million
- Listed at SIX Swiss Reporting 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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Market trends by industry

Global economic and political environment remains a challenge

Aerospace 39%



- Solid market development globally
- Asian market developing positive
- Strong product and regional positioning
- Increasing interest in Life cycle solutions

Energy 8%



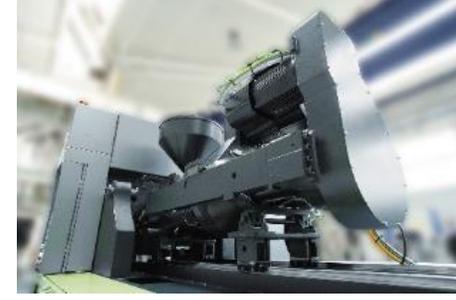
- Power plant investments concentrated in Asia, further slow recovery
- New investments in Wind Energy
- Oil & Gas slow recovery
- Best in class technical solutions

Transportation 15%



- Agriculture slowly recovering
- Modest improvement in construction equipment but still slow
- Rising demand in Asian Railway Market
- On-Road vehicles with moderate growth

Industrial 38%



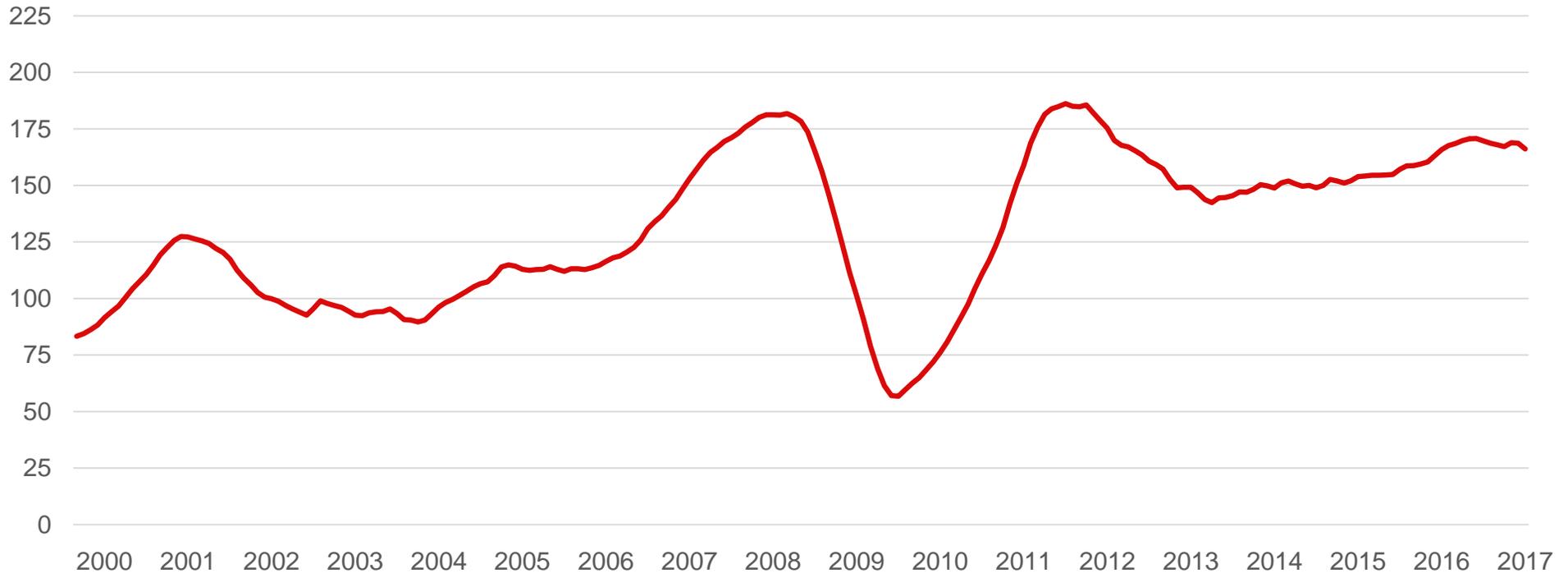
- Stationary Machines still growing with positive influence on component market
- Strengthened market coverage in China and USA
- Luxury goods market on low level with recovery visible
- Gaining market share in dedicated Med Tech applications

Note: Percentages based on average order intake 2014-2016 (at 2016 fx rates)

Flat development of German machine tool industry supported by automotive

Order intake machine tool industry Germany (cutting) as of May 2017

Index



Note: 12 month moving; index base sales 2010 = 100; Source: monthly index statistics VDMA, VDW.

■ Order intake Last Twelve Months to same prior year period +0.2%.

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Starrag „Strategy 2020“ to better exploit Group-wide potential

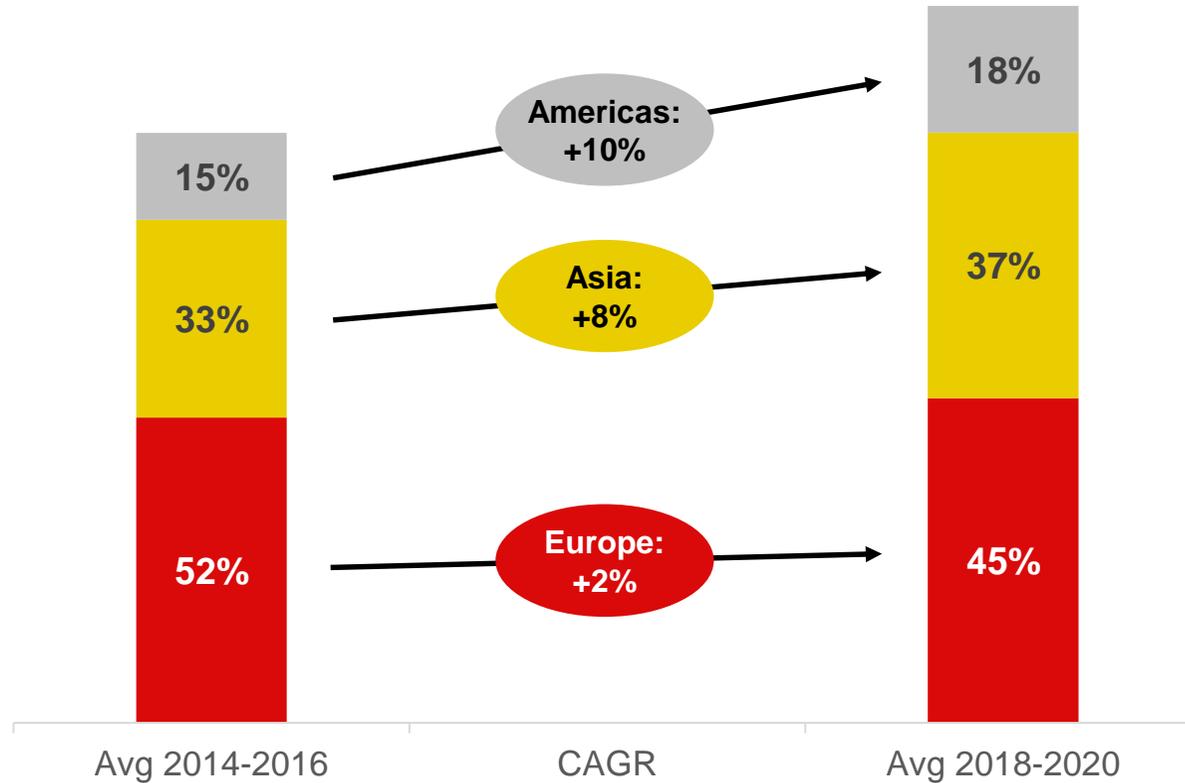
- Strengthen **existing business model**
- Focus on **profitable growth** and **most attractive market/product segments**
- Differentiate through **application competence, technology, service capabilities** and **premium** market positioning
- Better **scale existing product portfolio** and competencies **globally**
- Improve **operational excellence** across the entire value chain
- Simplify „**Go to market**“

Market positioning

	Aerospace	Energy	Industrial	Transportation	Total
Market segments	<ul style="list-style-type: none"> • Aero Engines • Aero Structures • Avionics 	<ul style="list-style-type: none"> • Oil & Gas • Power Turbines 	<ul style="list-style-type: none"> • Industrial Components • Luxury Goods • Med Tech 	<ul style="list-style-type: none"> • Heavy Duty Vehicles & Engines • On-Road Vehicles 	
Addressed market size (m CHF)	1'000	500	2'000	1'000	4'500
Estimated market growth CAGR	4%	2%	3%	2%	3%
Average order intake 2014-2016 (m CHF, at 2016 fx rates)	158	31	150	61	400
Market share	16%	6%	8%	6%	9%
Market position	Top 3	Top 3	Top 8 (Top 3 in Luxury Goods)	Top 8	
Focus	<ul style="list-style-type: none"> • Regional market expansion North America and Asia • Comprehensive product range 	<ul style="list-style-type: none"> • Strengthen market position Asia • Maintain technology leadership 	<ul style="list-style-type: none"> • Leverage full range high precision applications • Regional market expansion Asia for Luxury Goods 	<ul style="list-style-type: none"> • Specialized solutions for small and medium series applications • Leverage references with machining systems 	

Geographic development of order intake

Targeted growth rate Starrag Group: +5% CAGR



Note: 3 year order intake average at constant exchange rate used to eliminate potential impacts of individual large orders and FX fluctuations.

Focus of strategic actions

Innovation

- Leading application competence
- Starrag Integrated Production System (Industry 4.0)
- Next generation of machine tools
- Dedicated automation concepts

Geographical footprint

- USA
- China
- Dealer network in key markets

Operational excellence

- Simplifying go to market
- Sales effectiveness
- Customer service readiness
- Project management
- People development

Financial mid-term targets

- Growth Rate 5% per annum
- Profitability 8% EBIT margin
- Dividend ratio 35-50% of net profit

Measured in local currency and as average over the business cycle.

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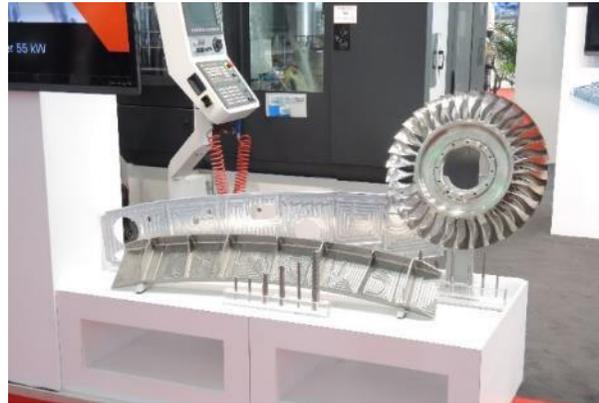
■ **Key developments**

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Leading application competence attracts many interests

Major customer events in H1: from first contacts to closed orders

- February: Technology Days Precision Engineering in Tuttlingen/DE
- April: CIMT China International Machine Tool Show Beijing in Beijing/CN
- June: Turbine Technology Days in Rorschacherberg/CH



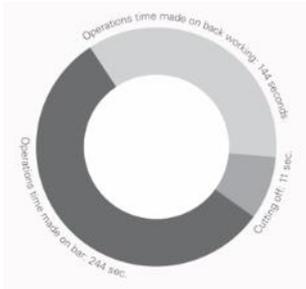
Showcase: Innovation on the move

Compact Bumotec s181 Mill-turn machining center with two working stations



Example of Application

- Endoscopic clamp (surgical instrument)
- Stainless steel AISI 316L



Machining process

- 5 axis simultaneous machining
- Bar machining (\varnothing 14mm)
- Cycle time 399 seconds

Result

- 38% Increase in productivity
- Smallest footprint (3.5 m²)



New plant in Vuadens/CH with many advantages

Plant for manufacturing ultra precision machine tools with latest manufacturing processes

- Move from Geneva and Sâles completed
- More production space at unchanged cost
- 33'000 m² land ideally located along highway Bern-Lausanne
- 16'000 m² in shopfloor and 2'500 m² in office space
- Zero CO₂ footprint thanks to extensive geothermal probes and 8'000 m² of solar panels
- Capacity reserve shall be rented out
- Old plant in Sâles/CH for sale



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Generally positive economic environment despite uncertainties but Starrag target markets with different trends

➤ Aerospace

- Positive market development with solid opportunity pipeline
- Timing of decisions varying for customer internal reasons

➤ Energy

- Bottom overcome but still on low level
- Limited visibility continuing

➤ Transportation

- Agriculture and construction equipment remain slow
- Electric mobility with no impact

➤ Industrial

- Strengthened market coverage in US and CN
- Luxury goods bottoming out and first signs of recovery

Main focus of Starrag Group

Clear strategic positioning

- Focus on prioritized market segments and regions
- Value proposition (solutions)
- International footprint (China, USA)

Reliable operational performance

- Simplification
- Accountability
- Speed

Creation of long-term value

- Innovation
- All stakeholders

Financial outlook

	2016	H1 16	H1 17	Guidance 2017 (in local currencies)
Order intake	480.3	231.2	141.7	FY 2017 << FY 2016
Sales revenue	371.6	183.4	202.3	FY 2017 >> FY 2016
EBIT margin	2.5%	2.4%	4.0%	FY 2017 >> FY 2016
Net profit margin	1.6%	1.5%	3.2%	

- From the current standpoint, the operating margin for 2017 is expected to be much higher than the 2016 margin.

Corporate calendar / Contact

- 26.01.2018 Preliminary information on annual results 2017
- 09.03.2018 Presentation of 2017 results for analysts and media in Zurich
- 28.04.2018 Annual general meeting in Rorschach
- 27.07.2018 Half-year report 2018

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starrag

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We are pleased to answer your questions.

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Energy
Transportation
Industrial

