Annual Report
2022

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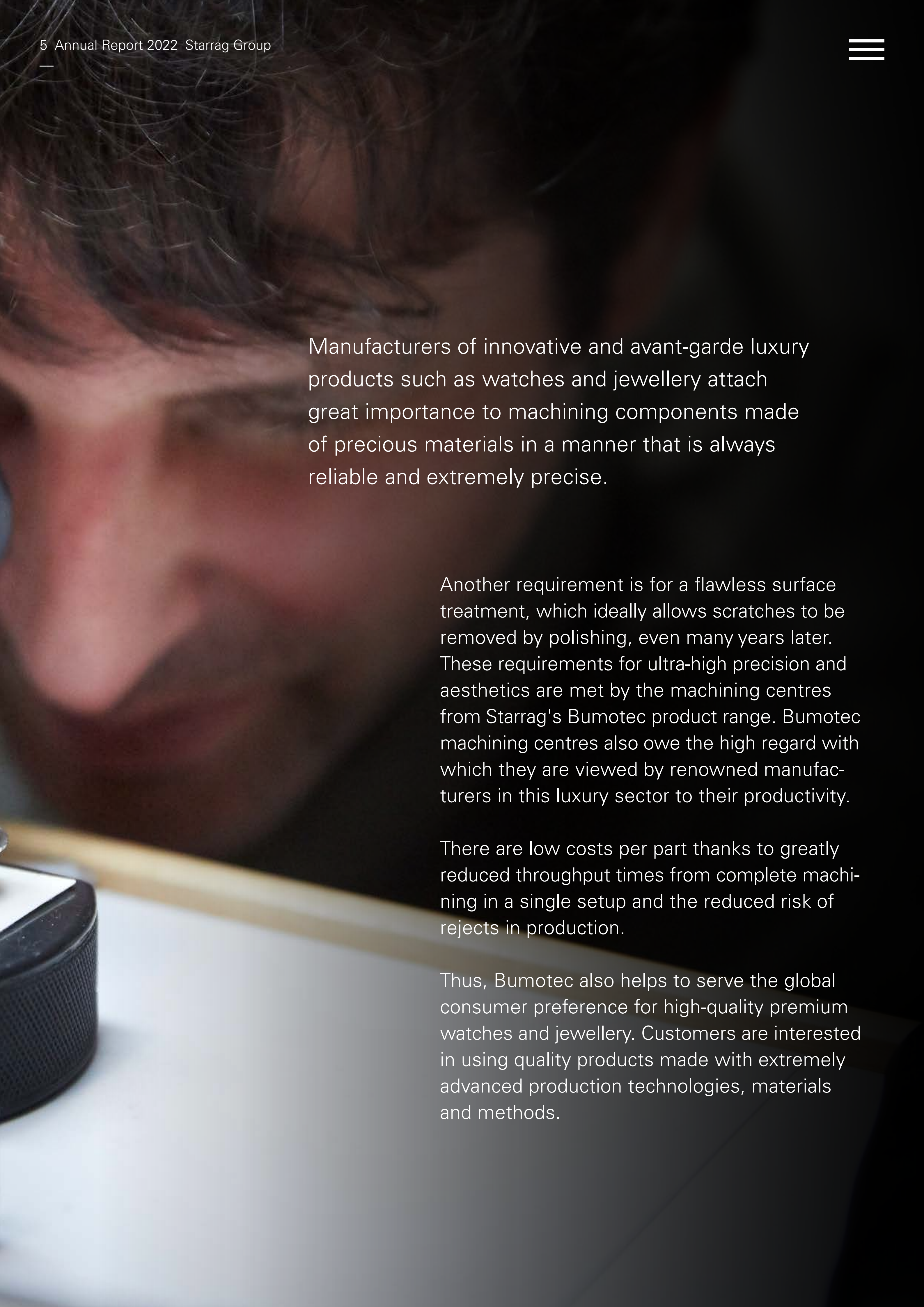
Financial Report

2022
Precision in perfection
“Luxury Goods”



Manufacturers of innovative and avant-garde luxury products such as watches and jewellery attach great importance to machining components made of precious materials in a manner that is always reliable and extremely precise.

Another requirement is for a flawless surface treatment, which ideally allows scratches to be removed by polishing, even many years later. These requirements for ultra-high precision and aesthetics are met by the machining centres from Starrag's Bumotec product range. Bumotec machining centres also owe the high regard with which they are viewed by renowned manufacturers in this luxury sector to their productivity.

There are low costs per part thanks to greatly reduced throughput times from complete machining in a single setup and the reduced risk of rejects in production.

Thus, Bumotec also helps to serve the global consumer preference for high-quality premium watches and jewellery. Customers are interested in using quality products made with extremely advanced production technologies, materials and methods.

Content

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. Principle customers are internationally active companies in the Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech). In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer quality and productivity.

The umbrella brand Starrag unites the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, Heckert, Scharmann, SIP, Starrag and TTL. Headquartered in Rorschacherberg/Switzerland, Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and has established a network of sales and services subsidiaries in the most important customer countries.

The shares of Starrag Group Holding AG are listed on the SIX Swiss Exchange.

Dear shareholders

Starrag Group successfully continued its course to further strengthen the company in the 2022 financial year. All relevant key figures exceeded the previous year's values, with the result and the EBIT margin standing out with significant growth.

After almost doubling in the previous year, order intake in 2022 increased by a further 5% to CHF 396 million (currency-adjusted plus 8%). This increase is mainly due to the market success of the new machine series developed in recent years and specifically tailored to customer needs, as well as the service area.

Success with numerous innovations

With the launch of the new Bumotec 191 NEO, for example, it has been possible to develop a turning/milling machining centre for the luxury goods (watches/jewellery) and medical technology segments that fully meets the extremely high demands of these target customers in terms of precision and surface finish as well as productivity in conjunction with the demand for autonomous (automated) production.

The sales of the compact machines of the new H-series of the Heckert product division have developed just as positively. The positive market response, a high proportion of repeat customers and the imminent launch of further product variants make us confident for the future.

As the Starrag Group offers complete solutions in the area of wind turbines, important orders were also won here. The Berthiez, Droop & Rein and Doerries product areas benefited most from this.

In the aerospace sector (space, civil aviation, defence), strategically important orders were also booked. The machines of the STC series from Starrag in Rorschacherberg were particularly well received by the market. The product transfer of the Ecospeed line from Mönchengladbach to Rorschacherberg was completed in the year under review, and the first machines are being successfully installed.

The service business contributed disproportionately to the Group's growth with an increase of 14%. A historic high in the order book guarantees good capacity utilisation for 2023.

Compared to the previous year, sales rose by 9% to CHF 318 million (currency-adjusted plus 12%). The book-to-bill ratio (ratio of incoming orders to sales) of 1.25 was again well above the value of one (previous year 1.29).

Significant progress in earnings

In the year under review, the operating income is now clearly moving towards the targeted return of 8%; this is mainly due to the sustainably reduced cost base, the profitable service business and the market success of the new products mentioned above. While in the previous year, before restructuring, an operating EBITR of 4.8 million CHF with a corresponding return of 1.6% was achieved, the year 2022 closed with an EBIT of 18.6 million CHF and an EBIT margin of 5.8%. The net profit of CHF 11.1 million also significantly exceeded the previous year's result (net loss of CHF 5.4 million).

At 51.7%, the equity ratio was lower than in the previous year (56.0%), but remained within the long-term average. Net liquidity increased by CHF 2.5 million to CHF 20.1 million in 2022 (previous year CHF 17.6 million). Free cash flow amounted to CHF 6.4 million (previous year CHF 11.0 million).

Changes in the Board of Directors and Executive Board

The 2022 General Assembly elected Christian Androschin and Bernhard Iseli as new members of the Board of Directors. They replace the long-standing members Christian Belz and Erich Bohli. The Board of Directors and the Executive Board owe them a great debt of gratitude, as they have repeatedly provided valuable impetus to the Starrag Group during their term of office.

As announced in December 2022, Christian Walti was relieved of his duties as CEO at the end of the financial year after deciding to leave the company for personal reasons. The Board of Directors appointed Martin Buyle, who has many years of experience in the management of medium-sized industrial companies, as his successor as of 1 April 2023. He has already been working for our Group for the last two years as Managing Director of Starrag Technology GmbH, where he was responsible for the realignment of the large-scale machine business and successfully implemented the restructuring tasks.

Since 1 November 2022, Rainer Hansjürgens has been the new Head of the Large Parts Manufacturing Systems (LPMS) business unit and Managing Director of Starrag Technology GmbH. In December, Christian Kurtenbach succeeded Bernhard Bringmann as the future head of the High Performance Systems (HPS) business unit and at the same time became a member of the Executive Board. He was originally scheduled to take up his post on 1 July 2023, but his appointment was brought forward to 1 February.

Positive outlook

Assuming that business activity in 2023 will not be impaired by external factors beyond our control, such as geopolitical turbulence, we are also positive about the current year 2023. The restructuring measures of the last two years with the resulting lower cost base will continue to bear fruit in 2023 on the way to the medium-term target return.
In the current 2023 business year, the focus is on sustainability, both in terms of management and the orientation of our Group. We have started the certification according to ISO 14001 and orient our actions towards sustainable environmental management within the framework of this standard. The management has been sustainably strengthened by the two new business unit heads Christian Kurtenbach and Rainer Hansjürgens as well as the appointment of Martin Buyle as the new CEO.

In addition to the aforementioned structural changes, the strengthening of operational excellence will further advance our Group. The focus is on optimising the product portfolio and realising internal synergy potential.

We are therefore all the more committed to our previous medium-term goals, i.e. sales growth of 5% and an operating margin of 8% - which we came a big step closer to achieving in the year under review. Together with our technological application competence and in consistent pursuit of our strategy of concentrating on the market segments with the strongest growth and earnings, we are therefore convinced that we will achieve our objectives as planned.

After the pleasing new orders of the two previous years, we expect order intake for 2023 to be in line with 2022. Sales should exceed the previous year's figure due to the comfortable order backlog. We expect further improvements in the operating result and the corresponding margin.

Higher dividend

Due to the further improvement of the earnings situation in the 2022 business year, the Board of Directors will propose to the Annual General Meeting on 21 April 2023 a dividend per share increased by CHF 1.00 to CHF 2.00, which corresponds to a payout ratio of 60.5%. For the shareholders, this results in a pleasing total return (price gain plus dividend) of 11.6%.

Thanks to

The Board of Directors and the Executive Board would like to thank our employees at all locations for their great commitment in the past business year. It is only thanks to them that we were able to successfully continue our course of long-term profitable growth in 2022. Thanks are also due to our customers and suppliers as well as our valued shareholders.

Michael Hauser
Chairman of the Board Directors

At a glance

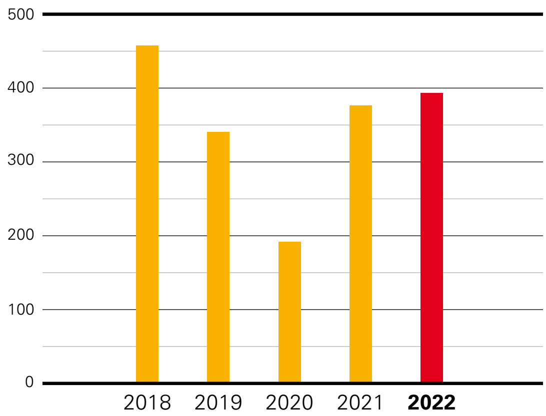
Further increase in order intake – Continued increase in order backlog – Sales up 9% – Operating income significantly improved – Dividend proposed

- Order intake up 5% to CHF 396 million, currency-adjusted up 8%
- Order backlog of CHF 327 million (plus 28%) ensures capacity utilisation well into 2024
- Sales up 9% to CHF 318 million, up 12% adjusted for currency effects
- Operating result EBIT at CHF 18.6 mllion, EBIT margin 5.8%
- Net profit CHF 11.1 million, earnings per share CHF 3.31
- Solid balance sheet with 52% equity ratio
- Dividend of CHF 2.00 per registered share proposed

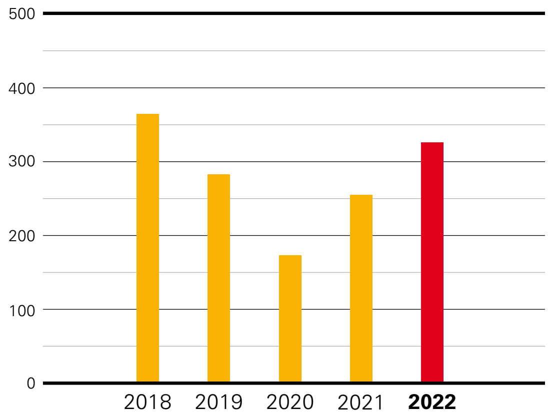
CHF m	**2022**	2021	Change
Order intake	395.8	378.7	4.5%
Order backlog end of the year	327.0	255.8	27.8%
Sales revenue	317.6	292.6	8.5%
Operating result EBIT	18.6	-8.5	318.7%
Net result	11.1	-5.4	306.5%
EBIT as percentage of sales revenue	5.8%	-2.9%	n/a
Cash flow from operating activities	12.3	16.4	-33.8%
Capital expenditure in non-current assets	7.0	6.2	13.5%
Free cash flow	6.4	11.0	-42.2%
Employees (full-time positions at the end of period)	1'280	1'316	-2.7%
Total assets	333.9	300.4	11.2%
Net cash	20.1	17.6	14.2%
Shareholders' equity	172.5	168.3	2.5%
Equity ratio	51.7%	56.0%	n/a
Return on equity ROE	6.6%	-3.1%	n/a
Earnings per share (in CHF)	3.31	-1.61	n/a
Profit distribution per share (in CHF) [1]	2.00 [2]	1.00	n/a

[1] Whereby 50% each be paid out 1.00 CHF tax-free from reserves from capital contributions and 1.00 CHF from retained earnings.
[2] Proposal of the Board of Directors to the Annual General Meeting on 21.04.2023.

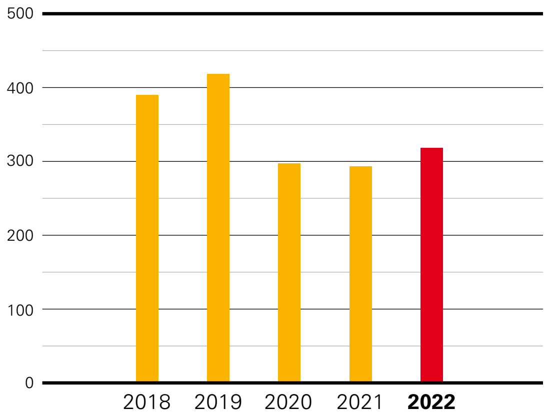
Order intake
CHF m



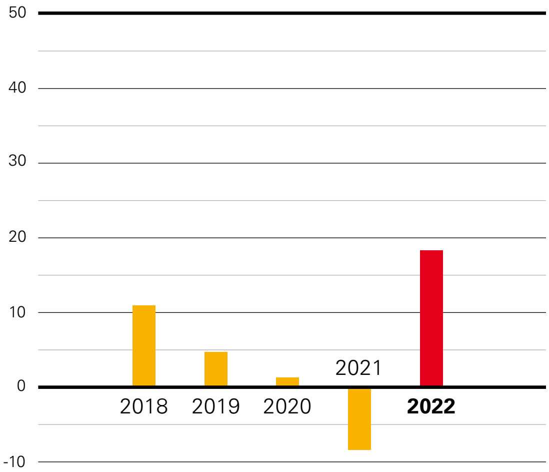
Order backlog
CHF m



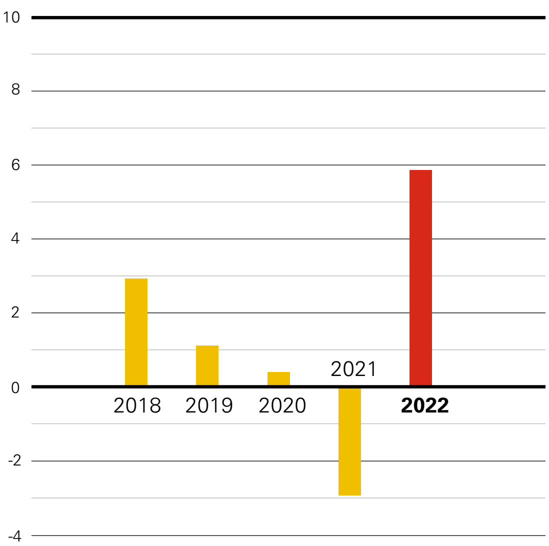
Sales revenue
CHF m



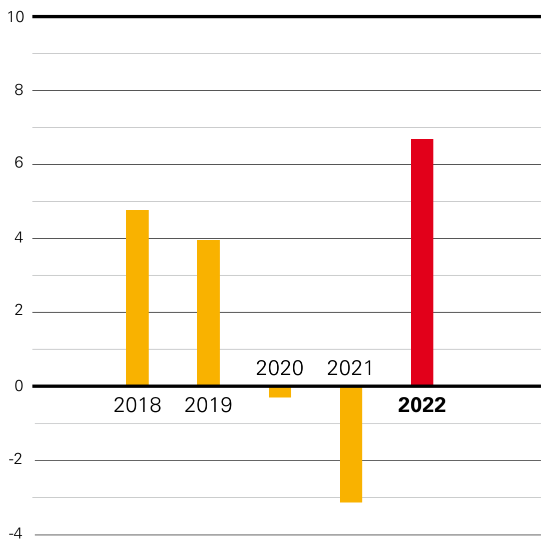
Operating result EBIT
CHF m



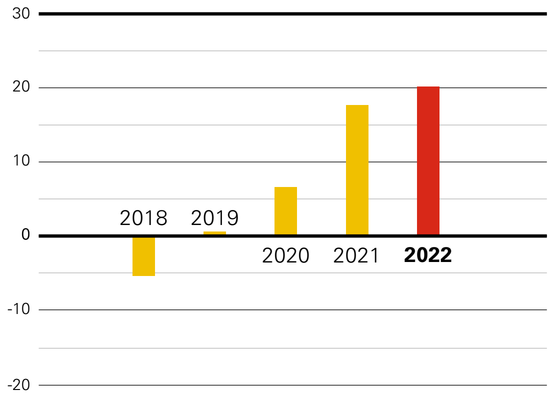
EBIT as percentage of sales revenue
%



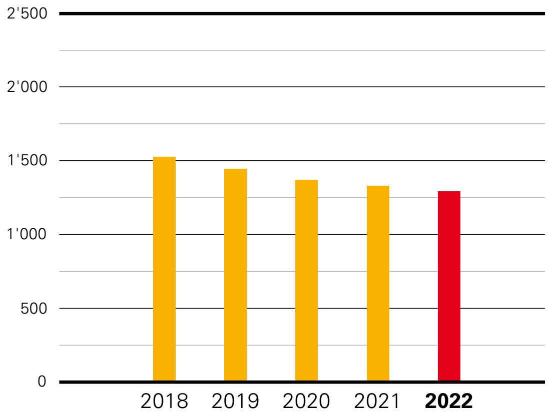
Return on equity
%



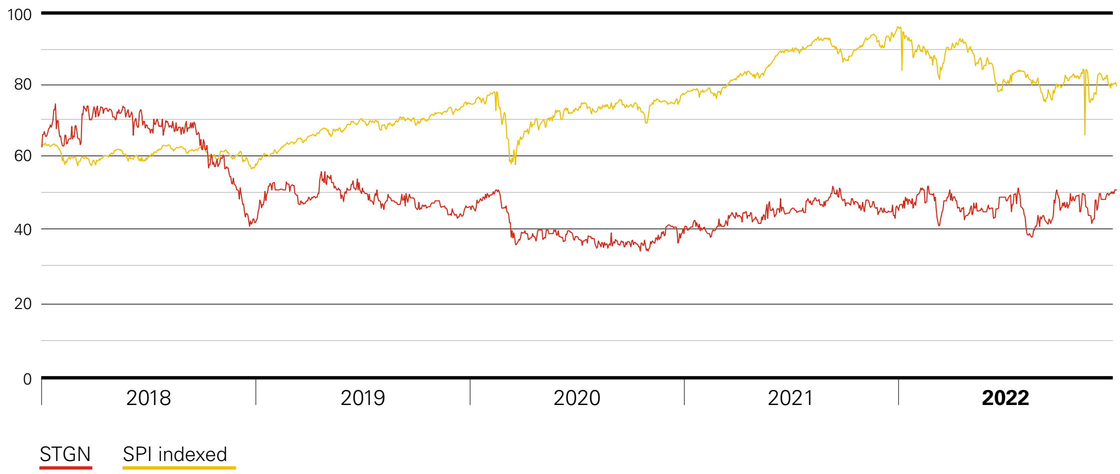
Net cash
CHF m



Employees
Full-time positions at the end of period



Share price
CHF

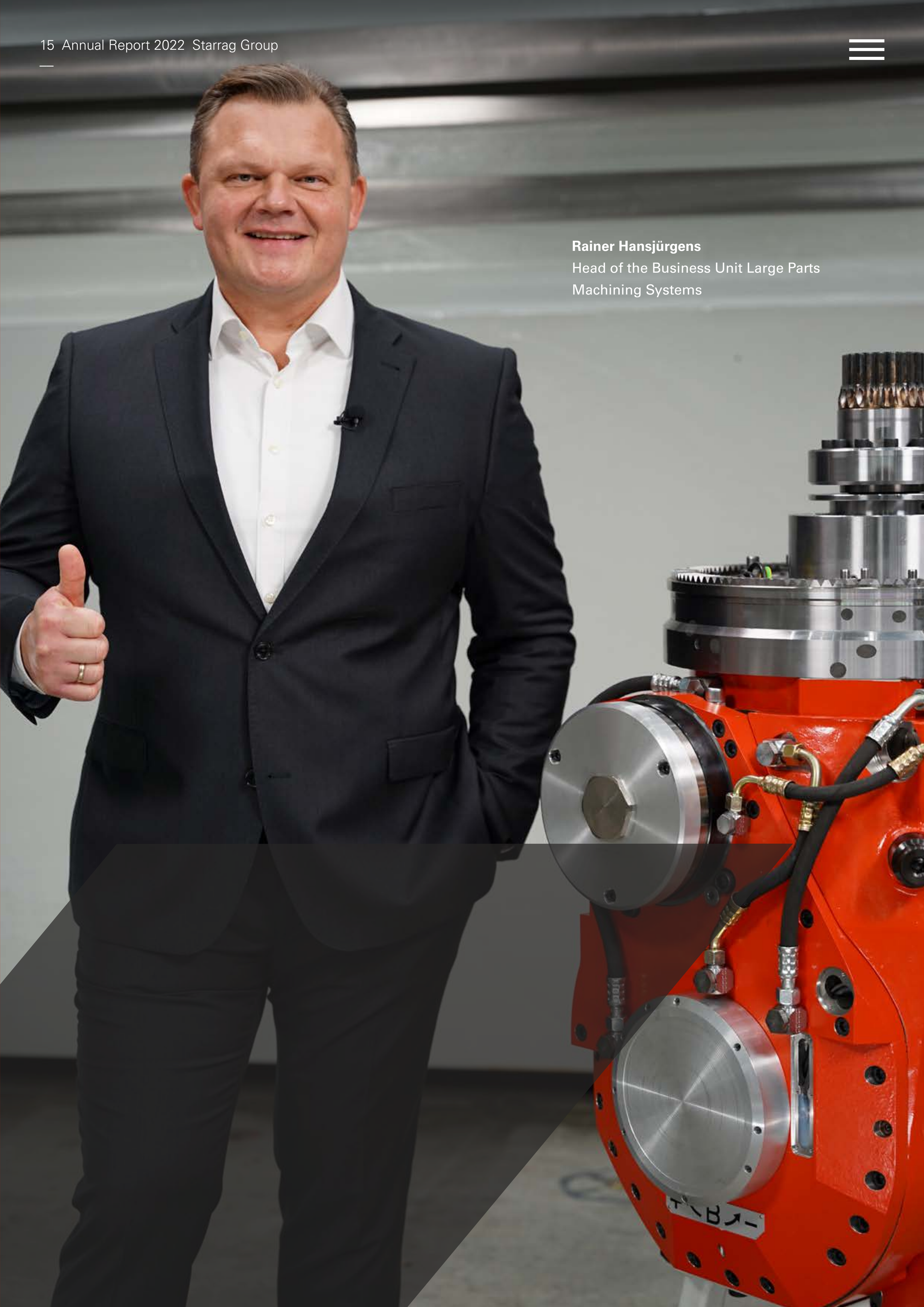


Highlights

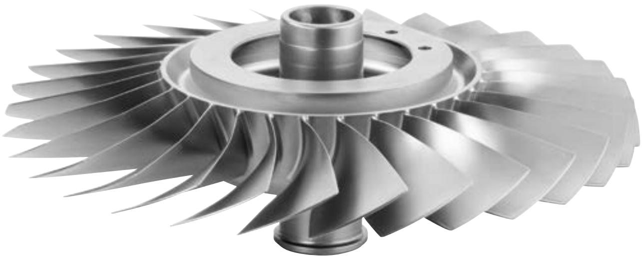
Rainer Hansjürgens is Head of the Business Unit Large Parts Machining Systems (LPMS) since 1 November 2022. He knows the machine tool industry from the ground up. With 35 years in the industry, Starrag was able to attract a proven expert for LPMS.

Mr Hansjürgens, what sets the Starrag solutions for large part machining apart from competitor machines?

"Within the LPMS business unit we combine the excellent milling competence of Droop+Rein, the turning competence of Dörries and the grinding competence of Berthiez. We bundle this comprehensive know-how and jointly develop new machine, automation and machining concepts and combine the experience also in the performance for our joint customers. Our machines are the benchmark in terms of performance, accuracy and long-term-stability, with our application engineers we set standards in terms of turn-key applications and we offer an excellent 24-7 service. And all in all we are integrated in the possibilities and strength of the Starrag Group. Thus we offer our customers maximum investment security and future viability."



Rainer Hansjürgens
Head of the Business Unit Large Parts Machining Systems



Concentrated manufacturing expertise for the aerospace industry

The Starrag site in Rorschacherberg, Switzerland, has long been a byword for highly productive, durable machining solutions in the aerospace industry. It was therefore only logical to build the Starrag Aerospace and Turbine Competence Center at the site and thus to pool the Group's expertise in the manufacture of turbines and structural components.

Starrag has been building machine tools at Rorschacherberg since the early 20th century, and the aerospace industry has been one of the core markets it has served from the outset. Over many years, Starrag has built up considerable, wide-ranging expertise in this area, not only in relation to the machines, but also the entire manufacturing process for aviation-related components.

The Centre of Production Excellence (CPE), which covers an area of approximately 2000 m^2, is equipped with current five-axis machining centres from the NB, LX and STC series, which can be used to produce a wide variety of flow surfaces as well as complex structural components. Starrag technologists test and optimise sophisticated new machining processes at the site – mostly on behalf of customers and under production conditions – and continuously gain valuable experience.

A unique range of applications

In 2022, an Ecospeed machine with a four-metre-long pallet was also commissioned at the CPE to demonstrate expertise in structural parts on this scale. In order to achieve the greatest possible synergy effects, the development and production of the Ecospeed series has been relocated from Mönchengladbach in western Germany to Rorschacherberg in Switzerland. Starrag offers the aerospace industry a wider range of applications from a single source than almost anyone else in the world. In the turbine sector, this includes manufacturing solutions for blades and vanes, blisks and impellers as well as casings, gearboxes and housings. In addition, the range extends to structural components of various sizes made of aluminium and titanium and even includes chassis components.

Over an area measuring approximately 2000 m^2, Starrag offers the aerospace industry a wider range of applications from a single source than almost anyone else in the world.

Processes – optimised, tested, implemented and supported

However, it is not just the scope that makes the difference. Starrag sees itself less as a machine supplier and more as a solution provider. The aim is always to produce the required parts with the highest production reliability at the lowest unit costs. To achieve this, customer applications are tested and optimised at the CPE under real conditions. In addition, our technologists support their implementation worldwide on-site and subsequently offer support for the ongoing process.

Starrag technologists test and optimise sophisticated new machining processes under production conditions.

New addition to the ATCC: The Ecospeed F1514 is considered the most productive solution for high-performance milling of monolithic aluminium aircraft components.

Starrag doubles its training capacity at the Rorschacherberg site in Switzerland

Investment in the future
With double the space, additional vocational trainers (instructors) and expanded training expertise, Starrag AG is continuing to expand the training centre at its headquarters in Rorschacherberg. The aim is to optimise basic vocational training not only for the company's own junior staff, but also for learners from the entire region. Starrag is thus taking account of current developments in the labour market, in particular the shortage of skilled workers.

Starrag AG is currently training 26 apprentices, the majority of whom are polymechanics and design engineers – but this group also includes IT specialists, logistics specialists, automation specialists and commercial employees. "Out of the total of around 200 employees working at the headquarters, this makes up a considerable proportion," says Sasa Colic, Head of Group Human Resources at Starrag Group.

Marcel Capeder, Team Leader at the Starrag training centre, emphasises "with the reorganisation, we're already creating the necessary structure for the vocational training reform currently underway in the MEM sector (mechanical, electrical and metal industry), which is also reflected in the training. With the expanded training centre, optimised training conditions are established not only for our own employees, it should also support other companies from the region with vocational training."

The new training centre extends over two floors, with the additional space filled with welding, manual labour and automation workstations. In addition, there are flexibly configurable training walls which can be used to provide training about, for example, the logic of PLC controls using pneumatic assemblies. The existing CNC-controlled and conventional machinery is also being expanded.

"However, it's not only our equipment that's crucial to successful training. It's also important that we generate enthusiasm for the profession".
Training manager Marcel Capeder and Sasa Colic, Head of Group Human Resources at Starrag Group.

How to make training fun – with exciting project work

"However, it's not only our equipment that's crucial to successful training. It's also important that we generate enthusiasm for the profession," says training manager Capeder. "This works particularly well with project work. A big hit is refurbishing old machines – preferably from the company's history, which extends over 100 years. But learners are also enthusiastic about developing and producing a robot arm, with its own control system, or an extremely smooth-running turning reel for fishing."

Success at Swiss cantonal level

The fact that the training at Starrag AG has already been very successful can easily be seen in the results of final and module examinations, in which Starrag trainees have consistently achieved excellent grades. "In recent years, our polymechanics and design engineers in particular have repeatedly finished top of the canton," says Marcel Capeder, who also points out another factor for success. "While final grades are one thing – the other, in my eyes more important, aspect is transferring this to the professional world. You can see that we do this particularly well in our current workforce, about a third of whom come from our own apprenticeship programme."

Bumotec 191$^{\text{neo}}$ – New version of the s191 top model
The digital and ergonomic multitasker

The Starrag Bumotec s191 turning-milling centre has earned the title of the "Swiss army knife for machinists" thanks to its versatility. The three small letters added at the end of its name indicate a further development of the top model from Switzerland – while the Bumotec 191$^{\text{neo}}$ is just as versatile as its predecessor, it makes operation easier, above all thanks to the new Human Machine Interface.

Concentrated expertise – in an ergonomic package

The new addition brings together concentrated expertise in very ergonomic housing. With its large glass panes and optimally positioned access doors, it offers a good view of the various areas of the machine and improved access for operators. The progress of ongoing machining operations, the configuration of programming or the monitoring of production can be tracked in real time. All in all, the turn-mill centre is intuitive and easy to learn to use.

The Bumotec 191$^{\text{neo}}$ is not just one machining solution, but twelve different machines on a single platform. Only with this variety can the special requirements of typical users from medical technology, the luxury goods industry and micromechanics be optimally fulfilled both from an economical and a technological perspective.

Easier operation thanks to the newly designed user interface

Unproductive downtime significantly reduced

The Bumotec 191$^{\text{neo}}$ operates with great stability, reliability and productivity even without user intervention. Thanks to the reduction in tool change time by about 15%, it meets high cycle time requirements and thus reduces unproductive downtime.

The Bumotec tool magazine with over 90 tool places as standard has a broken tool sensor working in parallel, just in case. When used in combination with a Bumotec palletiser or a robotic automation cell, continuous production around the clock can be achieved. Users can machine numerous complex and demanding workpieces in a single setup because the Bumotec 191$^{\text{neo}}$ can not only turn, mill, grind and polish, but can also handle less frequent machining operations such as gear hobbing, engine turning and diamond cutting.

Machining centre with built-in remote control

The 191$^{\text{neo}}$ offers the proven reliability and production stability of the Bumotec s191. It is geared to the challenges of the digital transition and can be used in combination with the latest production technologies.

Glassy, ergonomic and productive:
The Bumotec 191^{neo}, with its large glass panes and optimally positioned access doors, offers a good view of the different areas of the machine and improved access for operators.

Flexibility to the power of 12:
The Bumotec 191^{neo} is not just one machining solution, but essentially twelve different machines on a single platform.
Only with this variety can the special requirements of typical users from medical technology, the luxury goods industry and micromechanics be optimally fulfilled both from an economical and a technological perspective.

Company profile

Vision and strategy

Starrag Group is a leading manufacturer of highly productive and sustainable comprehensive solutions for precision milling machine tools. Its preferred partners are internationally active companies in the Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech) sectors. It offers a comprehensive range of high-end precision machine tools, which includes the most up-to-date technology and services and generates significant and lasting quality and productivity gains for the customer. Starrag Group is pursuing the following strategic objectives to make this vision a reality:

- Concentration on clearly defined market segments
- Consistent focus on customers and their individual needs
- Concentration on the top-quality segment through technological and service-orientated leadership
- Qualified and motivated employees
- High internal flexibility
- Solid financial basis
- Innovative management

We focus on the most promising market segments and regions – i.e. those with the best growth and earnings potential, namely the priority markets that are Europe, the US and China – paying particular attention to the aspect of services.

"Programme 2021"

In order to be able to exploit the Group's inherent growth and earnings potential more consistently, the "Programme 2021" was launched in 2019 with the clear ambition to achieve the medium-term growth and earnings targets as quickly as possible and sustainably. The focus was on further intensifying the focus on the needs of the customer, increasing competitiveness and comprehensively optimizing the entire value chain in order to susainably increase operational excellence throughout the Group and ultimately a clear and long-term improvement in profitability. Specifically, "Programme 2021" focusses on optimising the product portfolio, taking full advantage of potential synergies, strengthening corporate governance and improving project management. The major project was largely completed in the 2021 financial year and has since visibly shown noticeable success, with the full impact mainly in the medium term.

Accordingly, the management structure is composed of four operating business units that are geared towards products and applications, as well as three group-wide areas. The business units have been restructured according to product areas (clusters) with a view to exploiting synergies:

- High performance systems: Product areas Starrag, Ecospeed, TTL
- Horizontal machining systems: Product areas Heckert, Scharmann/Ecoforce
- Large parts machining systems: Dörries, Berthiez, Droop+Rein
- Ultra precision machining centres: Bumotec, SIP

These four business units concentrate on development, project engineering, order fulfillment, design, operational purchasing, final assembly, delivery and customer acceptance in terms of the services offered.

The three areas under group-wide management are Customer Service, Group Operations (synergy exploitation in supply chain management, strategic purchasing, manufacturing and assembly of components) and Sales with three teams for the Aerospace, Energy, Transportation and Industrial sectors. The regional sales organisations are also allocated to the central sales area.

As part of the "Programme 2021", a restructuring was also decided with regard to the Mönchengladbach and Bielefeld sites. Among other things, the concept provides for the closure of production in Mönchengladbach. At the same time, the Ecospeed competence centre (market leader for flexible manufacturing systems in the aerospace target market) is to be relocated to the Rorschacherberg site to make greater use of Group synergies.

Market positioning

The strategic focus determines Starrag Group's market positioning, which can be summarised in the following claim:

"Engineering precisely what you value". On the one hand, this claim expresses one of Starrag Group's most important core competencies: Engineering – the outstanding capabilities of our employees enable us to manufacture machine tools for the upper quality segment which stand out for the top performance that they provide and, in particular, their precision. We also offer all associated services for this segment.

Precisely – stands on the one hand for precisely this precision and on the other hand for our consistent customer focus. Our customers receive individual solutions that provide them with added value and for which they are also willing to pay: What you value!
No more, but also no less. We work consistently to focus our work on bringing profitability, growth and security to our customers and their needs, in the sense of a partnership that is reliable in every respect.

Brand strategy

The umbrella brand Starrag unites the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, Heckert, Scharmann, SIP, Starrag and TTL. The common brand stands for the four core values that apply throughout the Group and are lived by: competent, focussed, dynamically and successful in partnership. It expresses a shared understanding of our objectives, values and services. With regard to the market, this means individual customer solutions based on common values.

Customer sectors

The Starrag Group concentrates its range of products on the four customer sectors Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech). These sectors are sub-divided into market segments according to the specific applications required.

Aerospace

Aerospace comprises the market segments Aero Engines, Aero Structures and Avionics.

The Aero Engines market segment
Aircraft engines are constantly being redeveloped to meet the demand for higher efficiency, lower kerosene consumption and fewer noise emissions. As a long-term partner to the jet engine industry, the Starrag Group offers state-of-the-art production solutions and technologies for machining engine blades, blisks and casings made from the most sophisticated materials. These solutions cover not only machinery but the entire process, including fixtures, tools and CAM solutions.

The Aero Structures market segment
The trend towards increasingly complex and larger structural parts and components, which have to be manufactured within narrow tolerances and very short cycle times, is heightening the need for

innovative manufacturing technologies. The services offered by the Starrag Group range from five-axis machining of high-tensile titanium alloys to high-performance cutting of aluminium through to precision machining of transmission housings.

The Avionics market segment
Avionics refers to all the electrical and electronic equipment on board of aeroplanes and satellites. This primarily includes control, management, communication and navigation systems. The workpieces for applications like these are highly complex, which means that the utmost accuracy is required. The Starrag Group boasts extensive expertise in injection systems, combustion chambers, gyroscopes and control components.

Energy

Energy comprises the market segments Oil & Gas, Power Turbines and Renewables.

The Oil & Gas market segment
In the field of oil and gas exploration, large ball valves for gas and oil pipelines, boring heads and other safety components are manufactured on our machines. Furthermore, the Starrag Group offers specific technical solutions such as attachment heads or interchangeable milling heads. This segment covers the entire value chain from extraction and conveying to transport and storage, through to further processing and refinement.

The Power Turbines market segment
In the area of turbine engineering, the Starrag Group has decades of experience in the machining of high-precision turbine blades and in creating complex housings for steam and gas turbines. The components to be manufactured are becoming more and more complex and are increasingly manufactured from materials that are difficult to machine. As a result, the combination of multiple machining technologies in one machine is also becoming increasingly important.

Renewables market segment
Thanks to having a clear focus on applications such as gearbox housing, planetary carriers, torque arms, large bearings or Pelton turbines, Starrag is focusing more on creating measurable added value in the field of renewable energies.

Transportation

Transportation comprises the market segments Agriculture, Passengers Cars & Motorcycles, Trucks & Buses and Railway & Marine.

The Agriculture market segment
The Starrag Group's machining centres are designed for highly productive machining of drive components such as transmission parts, engine parts, axes and other prismatic chassis parts. To reduce manufacturing times and increase workpiece quality, complete machining is becoming increasingly important. We have responded to this trend with our special quills and continuous swivel heads. Our extensive expertise in the relevant applications leads to innovative technologies, culminating in automation solutions.

The Passengers Cars & Motorcycles/ Trucks & Buses market segment
The Starrag Group offers highly efficient solutions for the automated series production of high-precision vehicle components for cars, trucks, buses and motorcycles. The focus here is on reducing the unit costs of precision components such as cylinder blocks and heads, transmission housings, crankshafts and other drive train components made from aluminium, steel or cast iron alloys.

The Railway & Marine market segment
The Starrag Group's machining centres are designed for highly productive machining of drive components such as transmission parts, engine parts, axes and other prismatic chassis parts to reduce manufacturing times and increase workpiece quality.

Industrial

The Starrag Group's machining centres are designed for highly productive machining of drive components such as transmission parts, engine parts, axes and other prismatic chassis parts to reduce manufacturing times and increase workpiece quality.

The Construction & Mining, Hydraulics & Pneumatics, Industrial Drives, Job Shops, Machine Parts, Micromechanics market segment
The trend towards more complex workpieces is evident in these market segments too. Optimised components require innovative new production concepts that ensure maximum precision and quality while simplifying the production process, increasing cost-effectiveness and being extremely flexible in how they are used. The Starrag Group meets these requirements with machining centres where different machining technologies are combined on a single machine.

The Luxury Goods market segment
Materials such as hard ceramic, precious metals and stainless steel are used in the manufacture of watches and jewellery components. Frequent changes in the product being manufactured and smaller batch sizes require maximum flexibility in production. The Starrag Group offers solutions for most watch and jewellery components, allowing high-precision production to take place in a single clamping operation.

The Med Tech market segment
Cost pressure is high in the medical technology sector. Starrag Group helps to relieve this pressure by using fully automated, highly efficient machines to manufacture implants, medical instruments and dental components. Our machining solutions enable the simplification of machining steps and shortening of the production chain while also guaranteeing that demanding technical safety and regulatory standards are met.

Product ranges

As a result of organic growth and various mid and larger-sized acquisitions since the turn of the century, we have built a solid portfolio of business activities covering a comprehensive range of technologies and competencies. Throughout our various stages of expansion, we have always followed the logic that new developments must effectively complement the old and thereby reinforce the competitiveness of the Group as a whole. This has made Starrag Group what it is today – a combination of 11 precision machining product ranges under one roof, boasting a wide range of competencies that few rivals can match.

The product ranges operate under the name of Starrag, together with the figurative mark in red denoting high-precision machining capabilities. Both are registered and protected nationally and internationally. The product ranges are used in all corporate and marketing communications, especially at leading fairs with a high international standing, at specialised trade fairs with a strong regional attraction and in our new customer magazine “Starrag Star”. The best trademark ambassadors can be found in our installed base at customer sites around the world, where every day our machine tools substantiate our claim of engineering precisely what the customer values. We assess perception of our appearance in the marketplace during our regular contact with customers.

Berthiez
Maximum precision in vertical turning and cylindrical grinding: Outstanding solutions for the aircraft engine and roller bearing industry based on specialised vertical lathes and grinding machines.
Bumotec
Multifunctional machine tools: High-precision complete machining of small workpieces in sectors such as watches and jewellery, medical technology and micromechanics.

Dörries
Synonym for vertical lathes ranging from single column machines with a turning diameter of 1.6 metres or more to large gantry machines with a 12-metre turning diameter, 10-metre turning height and workpieces weighing up to 450 tonnes.

Droop+Rein
Maximum precision for large workpieces: Machine tools for machining large to ultra large workpieces (up to 250 t in weight) such as large format and bodywork machine tools, diesel engines, power plant components and large aircraft landing gear components.

Ecospeed
The most productive solution for high performance machining of aluminium structural components on the market: The patented parallel kinematic machining head Sprint Z3, the heart of the Ecospeed series, surpasses the performance of all conventional bent axis and fork milling heads and enables performance increases of up to 87%.

Heckert
The perfect balance between long-lasting precision and productivity: Scaled range of high-precision and highly productive horizontal machining centres for milling, turning and boring medium and high quantities of workpieces.

Scharmann/Ecoforce
Complete machining solutions with the shortest possible cycle times: Specialist solutions for heavy-duty cutting and the complete machining of extremely large workpieces based on high performance, automatically interchangeable head attachments.

SIP
Uncompromising commitment to precision: Jig boring machines and machining centres to meet the most stringent demands for accuracy of research institutes, aerospace companies, the aircraft industry and leading precision engineering firms.

Starrag
Maximum precision flow components: Five-axis, robust and high tensile-strength machines with high metal removal rates for maximum precision manufacturing of turbines, compressor blades, impellers, blisks and complex structural components.

TTL
The home of adaptive machining: Internationally renowned, software-supported manufacturing solutions for the machining and repair of components for gas turbines and aircraft engines.

Flexible production at seven locations

Starrag Group manufactures its machines and production systems at seven production plants in Switzerland, Germany, France, Great Britain and India. All production facilities are part of our production network, which enables us to balance capacity and risk. Our development and technology centres are also situated in these locations. We use our exemplary technological expertise across all segments throughout the Group.

Keys to success

Sustainable commercial success, as Starrag Group has distinguished it for many years, is based on a number of strategic success factors that we continue to nurture consistently: individual customer focus, global presence, continuous innovation, consistent efficiency enhancement and profitable, long-term orientated management.

Individual customer focus
Starrag Group largely operates discrete manufacturing according to the individual, and therefore very different, needs of its customers. In addition to stand-alone machines, there is a growing focus on system solutions in which individual Starrag machines are integrated into customer-specific, flexible manufacturing systems. As a result, almost all the machines delivered are distinct items.

Global presence

Starrag Group is represented in the most important industrial centres (Europe, Asia and North America). Our international customers value short and direct communication channels. Experienced local sales, application and service specialists are therefore familiar with local cultures and customs, and are in a position to respond rapidly. They ensure a close and lasting customer relationship based on trust. The global service team receives constant training and development and is being expanded. The global logistics system with its optimised transport routes and decentralised spare parts warehouses ensures fast and efficient parts supply. The intensive customer contact up to the delivery and commissioning of the machines, as well as the operating phase, enable a continuous and comprehensive survey of customer satisfaction. This is all the more so as Starrag Group tends to serve specialised larger customers. Customer care is supported by a global CRM system.

Continuous innovation

Measured as a percentage of sales, our investments in the development of new products, components and processes is usually higher than average for our industry as we aim to maintain and extend our technology leadership. We view market-orientated innovation as the central driving force of our business. We operate research and development centres in Switzerland, Germany, France, Great Britain and India, and protect our technological developments with a broad patent portfolio. Development work carried out by the Group is supported by close cooperation with our customers as well as leading technical universities and research institutes.

Systematic increase in efficiency

As the overarching link, the Group ensures Starrag's high quality expectations and opens up synergies along the added value chain – from product development and purchasing to sales and service. This includes, for example, the development of joint modules that can be used and processed in various companies throughout the Group. Internally, this requires continuous improvement in procedures and processes to increase productivity. This is the task of our Business Process Management, which simplifies and standardises processes wherever it makes sense. Defined key processes are regularly checked and improved. The best possible distribution of risk in terms of markets and regions, as well as a solid financing structure, should ensure growth and innovation over the long term.

Attractive for shareholders

Five key components make shares in Starrag Group attractive for long-term, value-orientated investors.

Positioned in sustainable megatrends

We serve markets that are characterised by sustainable growth potential due to global trends and challenges: increased mobility (aviation and land transport with their demands on safety and fuel efficiency), investment needs in the global infrastructure (lorries and construction machinery), nutrition for a globally growing population (efficiency in agriculture), increasing need for energy with improved energy efficiency at the same time. In addition, increasing demands on the production efficiency require higher precision in production, both with larger workpieces such as structural parts for aircraft or ship propellers and with increasingly small and complex workpieces such as precision mechanics, watches and medical technology. This is exactly in line with the core competencies of Starrag Group. Experts estimate that we have access to a market potential of around CHF 4.5 billion worldwide in our four customer sectors, which is more than ten times the current sales revenue. This means that substantial growth opportunities still open up for Starrag in these long-term growing markets.

Innovation leadership as a key differentiating element to the competition
Starrag Group focusses its innovation activities systematically on customers and their individual needs, with a focus on the high-quality segment and the Group's own expectation of technological and service-orientated leadership. Every year, we invest a disproportionate share of, on average, around 7% of our sales in research and development and, in addition, maintain close contact with the science sector. Our customers and other market experts confirm this technology leadership of the globally recognised brand Starrag – but also of our individual product ranges. We are also well on the way to "Industry 4.0", for example by networking with our customers' production systems. We systematically modularise our machines in order to expand the application possibilities of existing machine series to other market segments served by Starrag Group while reducing complexity. Thanks to the core competency of Starrag Group in optimising the overall system of machine – software – application – system integration – customer service, we not only create added value for our shareholders, but also for our customers.

Focussed strategy – reduced to the max, but this from A to Z
As part of its clear brand strategy, Starrag Group focusses on the most promising market segments and regions – i.e. those with the strongest growth and those that are the most profitable – committed to providing our customers with our solutions for profitability, growth and security, in the spirit of a partnership that is reliable in every respect. We support our customers through professional customer service organisation, which makes a significant contribution to the profitability and stability of Starrag Group with its innovative service products. Operational excellence with clear processes and reduced complexity is a key element for us. In this way, we can differentiate ourselves from our competitors and provide our customers with tailor-made added value.

Forward-looking management with undisputed track record – major shareholder ensures continuity
The entrepreneurial members of our management team and Board of Directors have many years of professional and managerial experience in industry, in particular the machine tool industry, and are therefore very familiar with its specific challenges and cycles. This is not only an important basis for careful planning, but also for the corresponding reliable external communication, for example with our investors. The focus on four customer sectors means the Starrag leadership team already occupies a top ten position in all four sectors today. With Walter Fust, Starrag Group has a majority shareholder with a long-term focus who, as an engineer, is very familiar with industry and its challenges and has successfully created a group of companies that specialises, among other things, in customer service.

Solid financial basis and management with long-term orientation using modern, value-based instruments
Primarily, the financial management of Starrag Group is consistently focussed on growth and increasing profitability. We measure these by the following key performance indicators: growth in sales revenue and order intake, operating profitability (EBIT margin) and return on equity (ROE). Starrag Group's history of reliably distributing a dividend year after year with a planned payout ratio of 33% to 50% of net profit results in an attractive dividend yield . For many years, Starrag Group has been able to report sustainable positive results. Even during the 2008-09 financial crisis, we were able to continue to distribute dividends. Dividends were only waived in 2019, due to restructuring measures, and in 2020, due to the effect of the Corona Pandemic.

Starrag Group's extremely sound financing and capital structure – with an equity ratio traditionally of around 50% – is not only the basis for reliable dividend payments. It is also a valuable foundation for the long-term capital goods business and the successful conclusion of suitable, complementary acquisitions.

Outlook: Creating long-term value

Starrag Group aims to achieve profitable growth in the interest of its sustainable, value-enhancing positioning, based on a strong financial base and a stable shareholder structure with a renowned anchor shareholder. We expect our activities to generate an EBIT margin of at least 8% on average over economic cycles and to earn the cost of capital. We intend to achieve this financial requirement in the future by means of clear strategic positioning, a further improvement in operational excellence and the use of economies of scale – operating leverage – with increasing sales and consistent cost management.

Although recent growth has been driven primarily by acquisitions, organic growth will take precedence over the coming years, with potential synergies across the Group being exploited consistently. In the medium term, we aim for an annual increase in sales of 5%. We expect this growth as a result of the worldwide scalability of our expertise in areas of activity and markets in which we have not yet achieved the desired leading market position. In addition, we are focussing on further strengthening and expanding our service business.

The focus on organic growth does not rule out further complementary acquisitions in individual cases. The basic prerequisites for this continue to be the strategic "fit", an attractive and complementary market and product portfolio, cultural compatibility and, last but not least, an attractive valuation.

We remain committed to our sustained ambition to play a leading role in all four of our customer sectors.

Milestones in the company's history

1890 1910 1920 1950 1960 1970 1980 1990 2000

1897

The company is founded in Rorschacherberg, Switzerland under the name “Henri Levy Mechanische Werkstatt” and manufactures threading machines for the textile industry.

1921

The company is renamed Starrfräsmaschinen AG. Manufacturing of copy milling machines for automotive, aircraft and mould-manufacturing companies begins in the mid-1930s.

1952

Post-war period: The company establishes itself as a manufacturer of turbine milling machines.

1973

The world's first five-axis milling machine is introduced by the company.

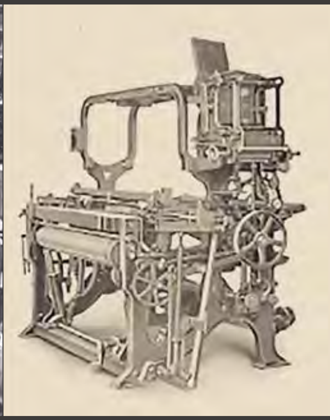
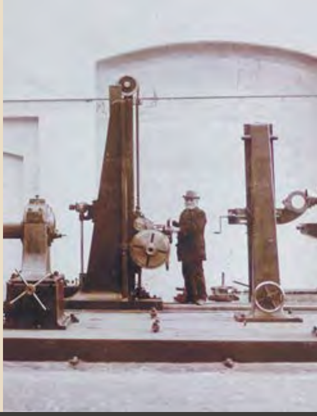
1998

Stock-market listing and acquisition of Heckert in Chemnitz, Germany.

2002

Acquisition of TTL in the UK and SIP in Geneva, a company whose roots go back to 1862.



2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

2011

Acquisition of Dörries Scharmann Group, comprising Berthiez (Saint-Etienne, France), Dörries (Mönchengladbach, Germany), Droop+Rein (Bielefeld, Germany) and Scharmann (Mönchengladbach, Germany). Brand concept is updated and the company name is changed to Starrag Group.

2012

Acquisition of Bumotec, Freiburg, Switzerland.

2015

Sales operations are reorganized with a focus on ten market segments within the four target industries of Aerospace, Energy, Transportation and Industrial.

2019

New group structure: composed of four operating business units that are geared towards products and applications, as well as three group-wide areas: Sales, Group Operations and Customer Service.

2020/21

“Programme 2021” for the permanet increase in earnings.





Management Report

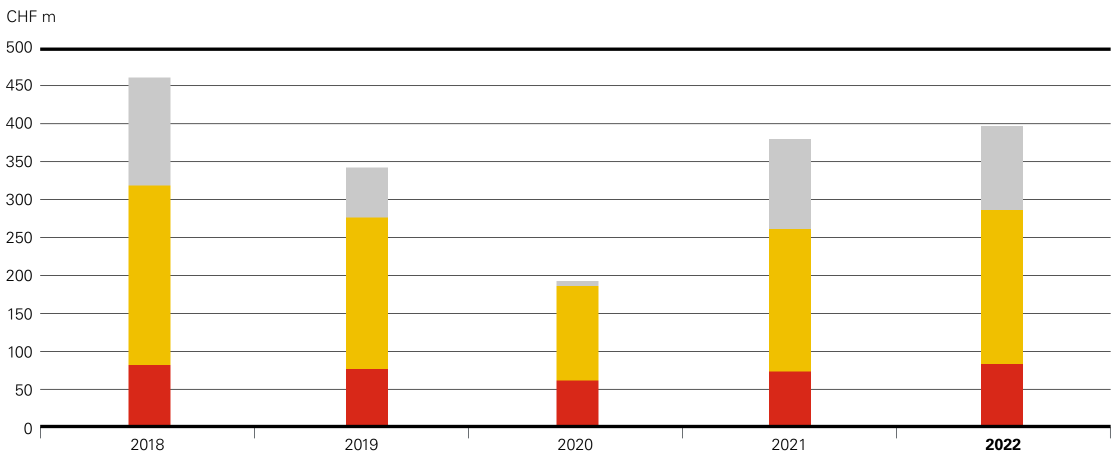
Clearly and sustainably strengthened

In 2022, Starrag Group recorded a significant improvement in all key figures. The restructuring measures initiated in the previous years and completed in 2021 have contributed to a lasting optimisation of earnings and have already shown their effect in 2022. Starrag Group has thus created the conditions for lasting earnings optimisation, investment and innovation strength and long-term growth. At the same time, the strategy of focusing on market segments of customers with high growth potential has proven its worth. A secure value is also the recurring and, in trend, increasingly important service business, which now accounts for more than 20% of Group sales.

New orders further increased

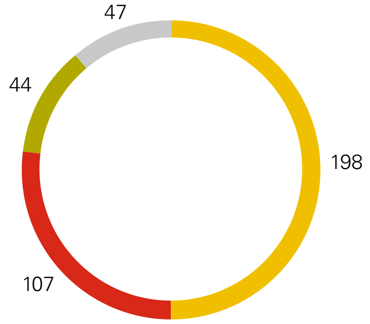
After almost doubling in the previous year, incoming orders increased by another 5% to CHF 396 million in the reporting year (currency-adjusted plus 8%). Excluding the CHF 13 million in cancellations (Ukraine/Russia effect) already communicated in the half-year report, growth was around 12% adjusted for currency effects. By far the largest share of new orders came from the main customer segment Industrial, with incoming orders from the luxury segment in particular developing very positively.

Order intake by order size



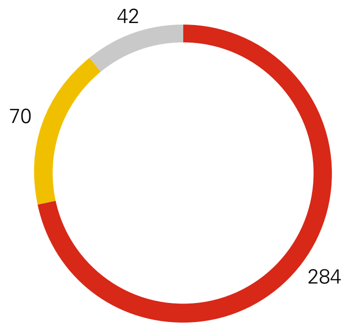
CHF m	2018	2019	2020	2021	**2022**
Large orders (> CHF 5 million)	143	67	6	119	111
Small/medium orders	237	199	125	189	204
Recurring service	80	77	60	71	81

Order intake by sector



	CHF m	2022		2021	
Industrial		198	50%	166	44%
Aerospace		107	27%	127	33%
Transportation		44	11%	46	12%
Energy		47	12%	40	11%

Order intake by region



	CHF m	2022		2021	
Europe		284	72%	237	63%
Asia		70	17%	80	21%
Americas		42	11%	62	16%

Industrial with largest growth

The trend in the four main customer industries varied. The strongest growth was in the industrial sector – especially in the luxury goods and medical submarkets – which accounted for half of the group-wide order intake in the reporting year. Fewer orders were received from customers in the aerospace sector, although it should be noted that the previous year was characterised by above-average demand from the space sector. Energy was slightly up, and Transportation was just able to maintain the previous year's level.

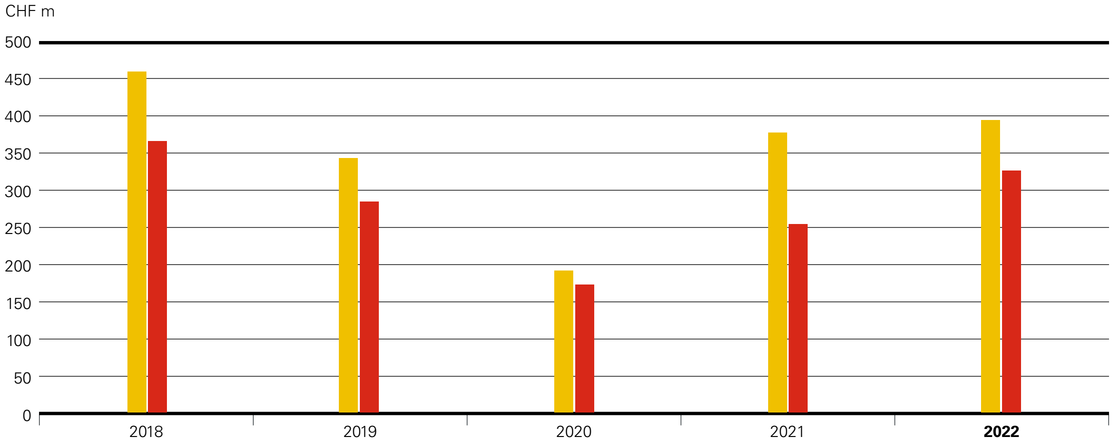
Europe as a driver

In regional terms, Europe was the only region to grow, but with a significant increase in orders of almost 20%. Europe, which remains the most important sales region for the Starrag Group, accounted for 72% of new orders throughout the Group. This more than compensated for the decline in the Asian and North American markets.

Worklist until 2024

The encouraging growth in order intake is reflected in an order backlog of CHF 327 million at the end of 2022. This corresponds to an increase of 28% (31% adjusted for currency effects) compared to the end of 2021. On this solid basis and thanks to the longer-term projects, capacity utilisation is ensured until well into the 2024 financial year. Thanks to the increase in new machine business, the group of companies continues to generate long-term increased demand for services.

How order intake and order backlog have performed over recent years



CHF m	2018	2019	2020	2021	**2022**
Order intake	461	343	192	379	396
Order backlog	366	284	174	256	327

Sales plus 9%

Compared to 2021, sales increased by 9% to CHF 318 million (plus 12% adjusted for currency effects), which is mainly due to the strong second half of the year. The book-to-bill ratio (ratio of incoming orders to sales) of 1.25 was again well above the value of one (previous year 1.29).

Significant improvement in profitability

Operating income increased substantially in 2022. Compared to the previous year, an increase in sales of CHF 24.9 million to CHF 317.6 million (previous year CHF 292.6 million) led to an increase in profit of CHF 26.7 million to CHF 18.6 million (previous year CHF-8.5 million). An essential part of the increase in results is the positive effect from the restructuring of the past years: the changed cost basis, as well as a slight improvement in the gross profit margin, lead to improved profitability. The pleasing net profit of 11.1 million CHF stands in stark contrast to the net loss of 5.4 million CHF in the 2021 financial year.

Solidly financed

At 51.7%, the equity ratio was lower than in the previous year (56.0%), but still within the range of the long-term solid average. Net liquidity increased by CHF 2.5 million to CHF 20.1 million in 2022 (previous year CHF 17.6 million). Free cash flow amounted to CHF 6.4 million (previous year CHF 11.0 million). Investments in fixed assets of CHF 7.0 million exceeded the previous year's value by CHF 0.8 million. Investments in research and development amounted to CHF 35.3 million or 11.1% of sales revenue.

At the end of the reporting year, Starrag Group employed 1,280 people (full-time equivalents) or 36 fewer than in the previous year. The average number of apprentices and students during the year was 104 (previous year 118).

Trade fairs and customer events

After most of the relevant trade fairs were cancelled in the two previous years due to Corona, the AMB Stuttgart took place again in the reporting year. The leading trade fair for metalworking gave the Starrag Group the opportunity to present its latest products and innovations to an interested trade audience. Fortunately, the “Technology Days”, which are well established among customers and the rest of the trade, were also continued in the year under review. More than 200 experts made their way to Lake Constance in September for the Aerospace Technology Days 2022, which the Starrag Group organised in collaboration with Carl Zeiss Industrielle Messtechnik GmbH. At the new "Aerospace and Turbine Competence Center" in Rorschacherberg, interested customers were able to find out about the latest in the interaction between machining and metrology. In addition to these physical events, digital marketing, which has long since found its way into the capital goods industry, was further intensified.

Risk management

For our holistic risk management process, please refer to page 46.

Limited currency impact

In a Swiss industry comparison, the Starrag Group is less affected than average by currency fluctuations. Currently, approximately 58% of sales are generated at foreign locations. The majority of production and costs are incurred in the euro zone. This natural hedge stabilises the Group's currency fluctuations. In order to further reduce the economic currency risk and thus maintain the competitiveness of the Swiss plants, Starrag Group relies on continuous productivity increases as well as cost reductions at the Swiss locations in order to counteract the pressure of the fundamentally strong Swiss franc.

Positive outlook 2023

Assuming that business activity in 2023 is not affected by external factors beyond our control, such as geopolitical turbulence, we are also positive about the current year 2023.

The recovery of the global aviation industry should continue to strengthen in the current year and in the medium term, with correspondingly positive prospects for our Aerospace division, which also includes the increasingly interesting space segment. We also expect fundamentally intact growth opportunities for our customer industry Transportation. In the rather heterogeneous Industrial segment, our opportunities lie primarily in the significantly growing demand for automated solutions, but also in the luxury segment, which has been sending out increasingly positive signals since 2020. Finally, in the Energy segment, whose volume has more than doubled in the last two years, additional new orders are expected, not least due to future investments in wind power.

From a geographical perspective, fundamental factors suggest that Asia will remain the fastest-growing sales region. The recent, primarily Corona-related restrictions in China do not change this. In North America, economic development depends not least on the consistency with which the US Federal Reserve will continue to fight inflation. The forecast for Europe is difficult in that securing the necessary energy supply and the further development of the Ukraine/Russia conflict will be an important factor in the course of the economy.

Medium-term earnings target approached

The previous medium-term goals, i.e. sales growth of 5% and an operating margin of 8% – which we came a big step closer to in the reporting year – are all the more valid. Together with our technological application competence and in consistent pursuit of our strategy of concentrating on the market segments with the strongest growth and earnings, we are therefore convinced that we will achieve our objectives as planned.

After the pleasing new orders of the two previous years, we expect order intake for 2023 to be in line with 2022. Sales should exceed the previous year's figure due to the comfortable order backlog. We expect further improvements in the operating result and the corresponding margin.

Sustainability

The Starrag Group's industrial and social commitment is long-term. We maintain an open dialogue with all stakeholders and take their needs into account in a balanced manner. The sustainability measures relate to the economic, social and ecological environment.

Strategy

Starrag Group has been recognised by customers for years for its excellent production solutions and outstanding service. In 2023, our focus topics will be supplemented by a sustainability strategy, which will be reflected in our values, products, services and processes. In the last few business years, individual measures have already laid the foundation for our sustainable orientation and will serve as a basis for further improvements and developments.

Process management

The development of a central sustainability management is directly driven and monitored by the Executive Board. For the implementation of the goals, a responsibility has been installed at each production site of the Group, which takes over the coordination and progress control of the measures. In addition, all employees are involved in the process of setting and implementing goals. This ensures that sustainability is integrated into all areas of the company.

As part of the Strategy 2021, various measures were implemented in the area of development and purchasing to make the procurement of strategically important purchased parts and their use more efficient.

Environment

As a participant in the Energy Agency for Industry programme, we are committed to actively reducing CO_2 emissions. At the Rorschacherberg site, it was decided to install a new photovoltaic system in 2023. This will be connected to the grid in the second quarter. We expect this investment to cover about half of the site's electricity needs with renewable energy.

We will subject our sites to environmental management certification according to ISO 14001 one after the other from 2023 onwards. By the end of 2025, all sites should have achieved this certification.

Vuadens, as one of the first sites of the Starrag Group, has dealt with the preparation of the Ecovadis certification. To this end, an interdisciplinary team carried out analyses and drew up the necessary documentation. In parallel, we are examining the possibility of extending certification to other locations. The project also resulted in the revision of our group-wide purchasing conditions and the addition of sustainability to them. In order to comply with these and other guidelines, the introduction of corresponding safety and control mechanisms is planned for the near future.

As an international company with over 1'200 employees, a significant part of our CO_2 emissions is due to the mobility of our employees. Therefore, in 2022, 8 electric vehicles were purchased for our service and sales employees to replace their combustion vehicles. The Chemnitz, Vuadens and Rorschacherberg sites are equipped with charging stations for electric vehicles where employees can charge their private vehicles. At our German sites in Bielefeld, Chemnitz and Mönchengladbach, we support employees in leasing job bicycles, which they can use to commute to work in an environmentally friendly and healthy way. For the Swiss locations in Rorschacherberg and Vuadens, various mobility concepts are currently being examined in order to offer employees an alternative to commuting to work by car.

As part of energy optimisation measures, lights in several of the Group's halls were replaced with energy-efficient LED lighting. After the expansion of the training centre in the previous year, the energy-efficient renovation of the apprentice workshop at the Rorschacherberg site will take place in 2023.

In distribution, we will switch to electronic advertising brochures from the third quarter of 2023. This will reduce the number of printed brochures by 90%.

In our own paint shops, environmentally friendly water-soluble paints containing solvents are used wherever possible. We systematically recycle materials and waste such as oils, greases and chips. In addition, splitting plants for cooling lubricants ensure that they are disposed of according to type or returned to the cycle.

Society

Workers' rights, equity, skills, human rights, community, legal and policy compliance.

Starrag Group attaches great importance to the observance and protection of human rights, employee rights, equal opportunities and compliance with applicable laws- this is an important part of our sustainability strategy. With our suppliers, we currently often maintain long-standing contacts based on respect and trust, where we are certain of compliance with the aforementioned standards.

Our employees are a decisive factor in the success of our business. In addition to an open and modern working environment, salaries in line with the industry, and numerous training opportunities, we offer our employees various possibilities for participation and personal development. We place a special focus on cultivating the professional knowledge of our employees. Within the framework of the annual, formalised employee appraisals for performance assessment and target agreement, the need for further training is also assessed. Our Starrag Training Centre is particularly useful in supporting managers in planning and implementing further training measures for their employees. In recent years, numerous training courses from various production sites have been bundled here and offered as part of a training catalogue. In addition to technical training such as control technology and maintenance courses for our machining centres, language and software training is also offered. In addition, we invest substantially in the further training of salespersons and focus on the increased training of skilled workers. Among other things, we are focusing on actively shaping the age succession of retiring skilled workers and further improving practical training in-house. In addition, a training course was held for our managers in 2022 in cooperation with "Great Place 2 Work".

To expand the training programme at the Rorschacherberg site, a renovation of the training centre was carried out together with the apprentices in 2022. This not only enabled the training of the 26 internal apprentices. Thanks to the expansion, a total of 144 participants from 14 local companies were able to receive further training in partial exam preparations and inter-company courses last year. We thus share our expertise in production mechanics, plant and apparatus engineering, construction, automatic assembly and mechanics practice with companies from the surrounding area. Another 10 participants were prepared for vocational training through an integration pre-apprenticeship.

Our company sports events such as ski day, bike-to-work and company run as well as the family events and Christmas parties could be resumed after a two-year break.

In addition to purchasing, our guidelines were also modernised in other corporate areas. With the update of our Business Conduct Guidelines, our ethical requirements were clearly defined and a reporting procedure introduced.

Production network with substance

Switzerland

Germany

France

India

	Land area m²	Floor area m²	Year of manufacture	Year of acquisition	Acquisition value CHF m	Net book value CHF m	Insurance value CHF m
Rorschacherberg	50'000	25'000	1925 – 2007	1925 – 2007	29.87	13.64	47.9
Vuadens	33'000	18'000	2016	2016	38.57	33.70	27.7
Chemnitz	85'000	46'000	1967 – 1973	1998	13.16	3.99	41.8
Mönchengladbach	28'000	21'000	1884 – 1998	2011	17.68 *	17.55 *	61.7 *
Bielefeld	22'000	11'000	1999/2009	2011			
Bangalore	32'000	11'000	2013	2013	5.85	4.59	6.2

*transferred to property rental company

Corporate Governance

Corporate structure and shareholders

Management organisation

Board of Directors
Michael Hauser, Chairman
Walter Fust, Vice-Chairman
Christian Androschin from 23.04.2022
Prof. em. Dr. Christian Belz until 23.04.2022
Dr. Erich Bohli until 23.04.2022
Bernhard Iseli from 23.04.2022
Adrian Stürm

CEO
Dr. Christian Walti until 31.12.2022
Martin Buyle from 01.04.2023

Sales
Alexander Attenberger
Aerospace and Turbines / Industrial and Transportation / Luxury Goods and Med Tech / Regional Sales

High Performance Systems	Horizontal Machining Systems	Large Parts Machining Systems	Ultra Precision Machining Centers
Günther Eller ad interim vom 01.07.2022 bis 31.01.2023 Christian Kurtenbach ab 01.02.2023	Dr. Stefan Breu	Rainer Hansjürgens	Jean-Daniel Isoz
Product ranges: ‣ Ecospeed ‣ Starrag ‣ TTL	**Product ranges:** ‣ Heckert ‣ Scharmann/Ecoforce	**Product ranges:** ‣ Berthiez ‣ Dörries ‣ Droop+Rein	**Product ranges:** ‣ Bumotec ‣ SIP

Customer Service
Günther Eller

Operations
Dr. Stefan Breu
Supply Chain Management / Strategic procurement / Manufacturing / Subassemblies

CFO / Corporate Center
Thomas Erne

Participation structure

- **Starrag Group Holding AG**, Rorschacherberg / CH
  - **Starrag AG**, Rorschacherberg / CH
  - **Starrag Group Holding GmbH**, Chemnitz / DE
    - **Starrag GmbH**, Chemnitz / DE
    - **Starrag Technology GmbH**, Mönchengladbach / DE
      - **Starrag S.A.S.**, Saint-Etienne / FR
      - **Starrag Service Center GmbH & Co. KG**, Ichtershausen / DE
      - **Scharmann GmbH**, Mönchengladbach / DE
    - **Starrag Grundstücksvermietungs-gesellschaft mbH**, Mönchengladbach / DE
    - **Starrag Vermietungs-Service-gesellschaft mbH**, Mönchengladbach / DE
  - **Starrag India Private Limited**, Bangalore / IN
  - **Starrag Vuadens SA**, Vuadens / CH
  - **Starrag USA Inc.**, Hebron / USA
  - **Starrag Group Holdings Ltd.**, Birmingham / UK
    - **Starrag UK Ltd.**, Birmingham / UK
    - **Toolroom Technology Ltd.**, Haddenham / UK
  - **Starrag (Shanghai) Co. Ltd.**, Shanghai / PRC
  - **Starrag Makina Ticaret ve Servis Ltd.**, Ankara / TR
  - **Starrag RU Ltd.**, Moskau / RU (in the process of closing)
  - **Starrag Italia Srl**, Rivoli / IT
  - **Starrag Mexico, S. de R.L. de C.V.**, San Pedro Garcia / MX

Details of share capital and the equity interest held are given in the consolidated financial statements on page 96 of this annual report.

The registered shares of Starrag Group Holding AG (hereafter referred to as the "company") are traded at the SIX Swiss Exchange (securities number 236106, ISIN CH0002361068, ticker STGN). The market capitalisation on 31 December 2022 was CHF 171.4 million.

Shareholders

There were 858 shareholders registered in the company's share register on 31 December 2022, who held the following numbers of shares:

More than 100'000 shares	‣ 3 shareholders
10'001 to 100'000 shares	‣ 13 shareholders
1'001 to 10'000 shares	‣ 80 shareholders
1 to 1'000 shares	‣ 762 shareholders

170'178 shares or 5.1% were not registered in the share register on 31 December 2022 (cleared shares).

Significant shareholders with more than 3 percent of voting rights are known to the company as follows:

- Walter Fust, Freienbach, Switzerland 1'816'511 shares, 54.06%
- Eduard Stürm AG, Goldach, Switzerland 311'079 shares, 9.26%
- Max Rössler, Hergiswil / Parmino Holding AG, Goldach, Switzerland, 269'202 shares, 8.01%

We have received the following disclosure notifications during the 2022 financial year in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading.

- 15.01.2022: FundPartner Solutions (Suisse) AG Genf, Switzerland, 3.008%

In earlier financial years, the following current disclosure notifications were made in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading:

- 29/09/2011: Max Rössler, Hergiswil / Parmino Holding AG, Goldach, Switzerland, 5.25%
- 04/05/2011: Eduard Stürm AG, Goldach, Switzerland, 9.73%
- 04/05/2011: Walter Fust, Freienbach, Switzerland, 54.88%

Further information about the respective disclosure notifications is published on the website of the Disclosure Office of the SIX Swiss Exchange https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

The company is not aware of any agreements between shareholders.

Cross-shareholdings

There are no cross-shareholdings.

Capital Structure

Ordinary share capital
The company's issued share capital amounts to CHF 28'560,000 and is split into 3'360'000 fully paid-in registered shares with a nominal value of CHF 8.50 each.

Authorised share capital
There is no authorised capital.

Conditional share capital
The company has no outstanding conditional share capital.

Changes in capital
In the last three years under report, the share capital of Starrag Group Holding AG has not changed.

Shares
Shareholder rights of membership are stipulated in the Swiss Code of Obligations as well as in the company's Articles of Association. Each registered share with a nominal value of CHF 8.50 has one vote at the Annual General Meeting. The right to vote can only be exercised if the shareholder is registered in the company's share register as a shareholder with voting rights. Distribution of profit can be decided upon within the framework of the law by the General Meeting and can be carried out in proportion to the equity investment. The company's Articles of Association are published on www.starrag.com (click on Articles of Association under Investors) and can be obtained from the company at any time.

Participation and profit sharing certificates
The company has not issued any participation or profit sharing certificates.

Limitations on transferability and nominee registration
In general, there are no limitations to the transfer of shares. The registration of shareholders with voting rights or beneficiaries in the share register can be denied due to the following reasons:

- if the purchaser does not, at the company's request, explicitly confirm that they have acquired and are holding the shares on their own behalf, in their own interests and for their own account;
- if and as long as the recognition of the purchaser may, based on the available information, prevent the company from complying with Swiss law requiring proof of Swiss control of the company.

Nominees who are subject to recognised banking and financial market supervision are entered in the share register with voting rights for shares they acquire on behalf of third parties without limitation. If a nominee acquires more than 3% of the outstanding share capital, they must disclose the names, addresses, nationality and shareholdings of all persons for whose account they hold 0.5 % or more of the outstanding share capital prior to registration.

Convertible bonds and options
There are no outstanding convertible bonds or issued option rights.

Board of Directors

Michael Hauser (1961, Swiss and German) has been a member of the Board of Directors of Starrag Group Holding AG since 2018 and Chairman since April 2020.

Since 2011 he has been CEO of Tornos SA, based in Moutier, Switzerland and since 2017 he is also a member of the Board of Directors of Schlatter Industries AG, based in Schlieren, Switzerland. From 2008 to 2010, he was a member of the Executive Board of Georg Fischer AG and headed its division GF Agie Charmilles. From 2000 to 2008, he was a member of the Executive Board of the Agie Charmilles Group where he was responsible for the Milling Division. From 1996 to 2000 he was Chairman of the Milling Division of the Mikron Technology Group based in Biel, Switzerland. He also serves at the European Association of the Machine Tool Industries CECIMO as Delegate (2005 – today), as Board Member (2012–2017) and Chairman (2009–2010). He is a member of the Board of Directors of the Swiss Association of Mechanical, Metal and Electrical Engineering Industries SWISSMEM, where he has headed the Machine Tools division since 2005. Michael Hauser holds a degree in business administration from the University of Mannheim. He has never held an executive management position with the Starrag Group and he does not have any significant business relationships with the Group.

Walter Fust (1941, Swiss) has been a member of the Board of Directors of Starrag Group Holding AG since 1988 and its Vice-Chairman since April 2020 (Chairman from 1992 until 2015 and from 2019 until April 2020).

From left to right: Michael Hauser, Adrian Stürm, Walter Fust, Bernhard Iseli, Christian Androschin

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 had previously sold the company Dipl. Ing. Fust AG listed on the stock exchange in 1987 to Jelmoli Holding AG in 1994. Dipl. Ing. Fust AG was sold in 2007 by Jelmoli Holding AG to the Coop Group. Walter Fust has been a member of the Board of Directors of Tornos Holding AG in Moutier, Switzerland since 2014. Mr. 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 the Starrag Group and he does not have any significant business relationships with the Group.

Christian Androschin (1967, Austrian) has been a member of the Board of Directors of Starrag Group Holding AG since 23.04.2022.

Since 2005, he has been managing partner of Androschin & Partner Management Consulting GmbH (a consultancy focusing on mechanical and plant engineering as well as automation technology) based in Appenzell, Switzerland and is active in various advisory board of mechanical engineering companies. From 1989 to 2004 (except for 1992 – 1994), he was most recently a partner at Roland Berger, where he was involved in the global management of the Competence Center, which also focused on mechanical and plant engineering. From 1992 to 1994 he worked as a sales manager at that time (Deckel) Maho AG. Christian Androschin is a proven expert in the machine tool industry. In the last 30 years, he has carried out more than 100 projects for about 50 companies in the global machine tool (supply) industry – mainly with a strong focus on strategic and organizational issues and a global context (e.g. regarding China). Christian Androschin holds a degree in economics from the University of St. Gallen (lic. oec. HSG). He has never held an executive management position with Starrag Group and he does not have any significant business relationships with the Group.

Bernhard Iseli (1960, Swiss) has been a member of the Board of Directors of Starrag Group Holding AG since 23.04.2022.

Since 2021 he has been Co-Founder and Managing Partner of scenarioC GmbH for Innovation Management and since 2008 Member of the Board of Directors of Krämer AG, Bassersdorf. Previously, Mr. Iseli, within GF Machining Solutions AG, was Managing Director Technical Unit Liechti from 2019 to 2021 and before that Managing Director of the 'Technical Milling' business unit for over 10 years. In this role, he led the global milling machine business, including the establishment and management of the Chinese development and production site in Changzhou. He previously developed his in-depth business experience in various management positions in companies such as Tecan (Pharma), Mathys AG (Medical) and Fritz Studer AG (Grinding Machines). Bernhard Iseli completed his studies as a mechanical engineer (HTL) at the Engineering School, Berne and his postgraduate studies as a production engineer SIB/ISZ in Zurich. He has never held an executive management position with Starrag Group and he does not have any significant business relationships with the Group.

Adrian Stürm (1970, Swiss) has been a member of the Board of Directors of Starrag Group Holding AG since 2008.

He has worked in the areas of Operational Risk Control and Wealth Management Controlling at UBS AG since 2001 and in Risk Managment at UBS Wealth Management Switzerland AG since 2008. Prior to that, he was an auditor with KPMG Zurich and London from 1997 to 2000. He is Chairman of the Board of Directors of the family-owned company Eduard Stürm AG (Holding) and its subsidiaries Holz Stürm AG and Eduard Stürm Immobilien AG, which are all based in Goldach, Switzerland. Furthermore member of the Board of Directors of Holz Michel AG, Hasle, Switzerland. Mr. Adrian Stürm holds a degree in Economics from the University of St. Gallen (lic. oec. HSG). He has never held an executive management position with the Starrag Group and he does not have any significant business relationships with the Group.

Maximum number of permissible mandates

The members of the Board of Directors may not hold more than ten mandates in other companies. Of these, a maximum of five mandates may be held in companies listed on the stock exchange. The following mandates are not subject to the aforementioned limitations:

1. Mandates in companies that are controlled by the company;
2. Mandates held at the request of the company or companies controlled by it; no member of the Board of Directors or the Executive Board shall hold more than ten such mandates; and
3. Mandates in associations, charitable foundations, staff welfare foundations and associations; no member of the Board of Directors or the Executive Board may hold more than six such mandates.

Mandates are defined as mandates in the supreme governing body of a legal entity that is required to be registered in the Swiss Commercial Register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed to be a single mandate.

Election and term of office

The members of the Board of Directors, the Chairman of the Board of the Directors, the members of the Compensation Committee and the independent proxies are elected annually at the Annual General Meeting of the Shareholders. There are no restrictions on terms of office. The terms of office of the incumbent members of the Board of Directors are as follows:

Board of Directors	**First time selection**	**Expiry of term of office**
Michael Hauser, President	2018	2023
Walter Fust, Vice-President	1988	2023
Adrian Stürm	2008	2023
Christian Androschin	23.04.2022	2023
Bernhard Iseli	23.04.2022	2023

Internal organisation

The Board of Directors shall constitute itself, unless otherwise provided by law. The Chairman shall convene meetings of the Board of Directors if and when the need arises or upon the written request of any other member. Except in urgent cases, callings for meetings are to be sent out five days before the meeting, stating the items for discussion.
Minutes are to be kept of the discussions, and are to be signed by the Chairman and the minute-taker. The minute-taker will be designated by the Board of Directors. They do not need to be a member of the Board of Directors. A majority of the Board of Directors must be present in order for resolutions to be validly adopted. No attendance quorum is required to determine the execution of a capital increase and to resolve the subsequent amendment of the Articles of Association. Resolutions shall be passed by a simple majority of the votes cast. In the event of a tied vote, the Chairman, who shall always cast a vote, shall have the casting vote. Resolutions can also be passed in writing by way of circular letter, provided no members request a verbal discussion of the item in question. These are to be included in the minutes.

There are usually six Board meetings a year, each lasting about five hours. Members of the Executive Board will be called in to these meetings if and when necessary. In the financial year 2022, six meetings of the Board of Directors took place, with an average duration of seven hours. All members of the Board of Directors attended all meetings.

The tasks and responsibilities of the Compensation Committee are presented in the Compensation Report (from page 56). The Board of Directors has not established any other committees. At our mid-sized company, the respective tasks are performed by the Board of Directors as a whole. Moreover, the Executive Board regularly consults with the Chairman of the Board of Directors and individual members on an informal basis regarding important aspects of specific topics.

Definition of areas of responsibility

The Board of Directors has the overall responsibility for the management of the company as well as the supervision of the executive management. The Board of Directors has delegated most of the executive management powers to the CEO. However, the Board of Directors remains responsible for tasks that legally cannot be delegated and other important business. These include in particular matters such as business strategy, approval of the annual budget, decisions with regard to acquisitions and important personnel matters.

Information and control instruments vis-à-vis the Executive Board

Executive management control is exercised primarily through regular reporting by the Executive Board to the Board of Directors, in particular by means of:

- monthly and quarterly financial reports including commentary on the corresponding key figures (incoming orders, sales revenues, margins, profits, investments, liquidity, capital commitment);
- regular information about market and business developments as well as important projects;
- detailed information about market and business developments at every Board meeting, which are partially attended by the CEO and CFO and by other members of the Executive Board as required.

In addition, the Chairman of the Board of Directors discusses current developments with the CEO on a regular basis. Walter Fust as a member of the Board of Directors of Starrag Vuadens SA.

Risk management

As a leading global manufacturer of precision machine tools, the Starrag Group is faced with various risks.

The most significant risks include:

- the weakening of the economic environment in customer markets as well as business cycles could lead to a reduction in demand,
- misjudgements of developments in customer markets or in the competitive environment could lead to missed business opportunities or losses,
- failure in research and development as well as other innovation-based activities could prevent business potential from being realised,
- a lack of availability of financial resources could impair the performance and operations of the Starrag Group and
- natural events (such as fires) could impair operating activities.

the Board of Directors and the Executive Board give high priority to the careful handling of strategic, financial and operational risks. The Starrag Group has a holistic risk management process which is analysed every year by the Executive Board and the Board of Directors.

The following goals are pursued:

- systematically identifying special risks,
- establishing processes to monitor, reduce and ideally to prevent risks and
- finding the right balance between risks and opportunities.

The risk management system is based on a classic risk matrix involving the probability of occurrence and possible extent of damage (identification and classification) and includes internal instructions as well as a risk log, in which operational data as well as action planning for risk management are documented.

The Executive Board has appointed an officer to implement and moderate risk management, who reports directly to the CFO, as well as a responsible member of the Executive Board for each risk area.

In the annual risk review, the risks are carefully identified, analysed and evaluated, and appropriate measures are defined to reduce the risks. This information is documented in a comprehensive group-wide risk matrix. The implementation of the measures is monitored by the risk management officer. In business processes with recurring risks, the resolved measures are integrated as process steps in the operative processes of the daily business.

On an annual basis, the Executive Board reports on the nature, extent and assessment of significant risks and the measures taken for risk minimisation to the Board of Directors. Risks in the area of accounting and financial reporting are monitored and reduced by a suitable internal control system.

Additional information on financial risk management can be found on page 76.

Internal auditing

In accordance with the simplifications stated in the Swiss Code of Best Practice for Corporate Governance, the Board of Directors has decided not to implement an internal audit.

The codex implies corresponding simplifications for small and medium companies as well as for companies with active majority shareholders.

Executive Board

Members of the Executive Board

The Board of Directors has appointed an Executive Board and has specified its powers and responsibilities in organisational guidelines and an accompanying functional chart.

Thomas Erne (1973, Swiss and German) has been Chief Financial Officer (CFO) and Head of Corporate Center of Starrag Group since 01.09.2020.

He previously served as CFO at DMG Mori since 2015. From 2007 to 2015, he was Regional Finance Director at Zimmer Biomet and was responsible for Eastern Europe, Russia, Middle East and Mediterranean as well as the European finance for the Business Units Trauma, Spine, Surgical and Computer Assisted Solutions. From 2006 to 2007, he was Senior Controller at Swissport, responsible for the US business. From 2004 to 2006, he worked in the USA for Altana Pharma, where he accompanied the market development of the American business in the finance department. From 2002 to 2004 he completed a trainee program in finance at Altana Pharma AG.

Thomas Erne holds a degree in business administration from the University of Constance/DE.

Alexander Attenberger (1977, German) has been responsible for the Sales division of the Starrag Group from April 2020.

He previously worked for the German Grob Group since 2013, first as a Head of Department and then as Division Manager of Sales of universal machines. From 2010 to 2012, he was the Executive Vice President of Sales Industrial Equipment at MAG IAS. Between 2007 and 2010, he worked for Deckel Maho Pfronten, first as the Head of Back Office Sales, then as Sales Director for horizontal machining centres. From 2003 to 2007, he was the Product Sales Manager Milling at DMG München Vertriebs und Service GmbH.

Alexander Attenberger is a Precision Engineering Master and an HWK (Chamber of Crafts) Business Economist.

Dr. Stefan Breu (1964, Swiss) joined Starrag Group on May 2019 and has been Head of Group Operations since July 2019, responsible for supply chain management, strategic procurement, manufacturing and sub-assemblies and Head of Business Unit Horizontal Machining Systems, which comprises the Heckert and Scharmann product lines.

He previously served in various executive positions with Bosch Packaging Systems, Beringen/Switzerland (former SIG Division SIG Pack), where he was finally responsible for the entire unit's operations as General Manager. Between 208 and 2016 he was COO of Schleuniger Group and Head of Global Production and Supply Chain of SIG Combibloc Group. His earlier professional career included operational responsibility of SIKA's China business and various executive positions in marketing, trading, sales and production at ATEL, where he ultimately served as Head of Group Operations and member of the Executive Board.

Stefan Breu hold a degree in mechanical engineering form ETH Zurich and a Ph.D. in economics from the University of St. Gallen. He also completed the International Executive Program at INSEAD Fontainebleau and the Stanford Executive Program at Stanford University, USA.

Günther Eller (1960, German) has been head of Customer Service at the Starrag Group since 2007 and was ad interim head of the Business Unit High Performance Systems from 1 July 2022 to 31 January 2023.

From 1986, he previously held various management positions at OC Oerlikon in Sales and Customer Service, 2001 to 2006 as Head of the business unit Customer Service in the Data Storage Division, 1995 to 2001 as Managing Director of a sales and service company for the investment business and prior to this various management positions in the areas of Sales and Key Account Management.

Gunther Eller holds an M.Sc. in Engineering Physics.

Jean-Daniel Isoz (1959, Swiss) has been Head of the business unit Precision Machining Centres (product areas Bumotec, SIP) since July 2019, which comprises the Bumotec and SIP product lines.

Previously, he was responsible for the market segments Luxury Goods, Micromechanics and Med Tech within the former Business Unit Precision Engineering since 2015. Before he was responsible for the former Business Unit 4 for the brand Bumotec in Sâles (Switzerland) and SIP in Geneva (Switzerland). Prior to that, he had served as Managing Director of SIP Société d'Instruments de Précision SA from 2006. After first working as director for SIP from 2000 and 2002, he took over as managing director of Bula Machines until end of 2005. Previously, he had acquired 15 year of experience in various management positions in production and customer services for Bobst SA in Lausanne, USA and Asia.

Jean-Daniel Isoz holds a degree in electrical engineering and has completed Finance and Marketing programs at INSEAD in Fontainebleau, France.

Rainer Hansjürgens (1970, German) is Head of Business Unit Large Parts Machining Systems since 1 November 2022, which comprises the Berthiez, Dörries and Droop+Rein product lines.

He had previously worked at DMG MORI since 2017, first as Managing Director of Deutschland GmbH and then as Managing Director of Gildemeister Drehmaschinen GmbH. From 2012 to 2016, as Head of Production and Logistics, he was responsible for 3 production plants of ARI Armaturen GmbH & Co. KG. From 2006 to 2012 he headed the division Manufacturing Systems at ELHA Maschinenbau Liemke KG. From 2002 to 2005 he was production manager at Droop + Rein and from 1996 to 2002 he worked at ELHA Maschinenbau Liemke KG, first as a constructor and later as plant manager for assembly and production.

Mr. Hansjürgens is an Industrial Mechanic and Dipl.-Ing. Mechanical engineering.

Maximum number of permissible mandates

The members of the Executive Board may not hold more than three mandates in other companies.

The following mandates are not subject to the aforementioned limitations:

1. Mandates in companies that are controlled by the company;
2. Mandates held at the request of the company or companies controlled by it; no member of the Board of Directors or the Executive Board may hold more than ten such mandates; and
3. Mandates in associations, charitable foundations, staff welfare foundations and associations; no member of the Board of Directors or the Executive Board may hold more than six such mandates.

Mandates are defined as mandates in the supreme governing body of a legal entity that is required to be registered in the Swiss Commercial Register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed to be a single mandate.

Acceptance of mandates/appointments outside the Starrag Group by members of the Executive Board requires prior approval by the Board of Directors.

Management contracts

There are no management contracts with companies outside the Starrag Group.

Compensation, shareholdings and loans

Information on compensation and loans are specified in the Compensation Report (page 61) and information regarding participation can be found in the Notes to the Financial Statement (page 97).

Shareholders' Participation Rights

Shareholders of Swiss stock corporations have extensive participation and protective rights. The protective rights include the right to inspection and information, the right to a special audit, the right to convene a General Meeting, the right to add topics to the agenda, the right to challenge resolutions and the right to raise claims regarding responsibility.

The participation rights include, in particular, the right to participate in General Meetings, the right to express opinions and the right to vote.

Voting rights restrictions and representation

There are no restrictions on the voting right for all shareholders whose right to vote is registered in the share register. Every shareholder is entitled to be represented at the General Meeting by another shareholder who is authorised to do so in writing, by their legal representative or by the independent voting representative.

The Board of Directors determines the requirements for proxy and the instructions given to the independent voting representative.

Statutory quorum

There is no statutory quorum.

Convening of the Annual General Meeting

There are no statutory regulations regarding the convening of General Meetings that deviate from the law. A notice convening a General Meeting must be sent in writing to shareholders at least 20 days before the scheduled date of the General Meeting.

Extraordinary General Meetings are to be called upon resolution of a General Meeting of shareholders or the Board of Directors, or at the request of the auditors, or if shareholders representing at least 3 percent of the share capital request in writing that a General Meeting be called, specifying the agenda items to be discussed and the proposals to be voted on.

Additions to the agenda

The notice convening a General Meeting shall state the agenda items and the motions of the Board of Directors as well as any proposals by shareholders who have duly requested that a General Meeting be called or that an item be included in the agenda. Shareholders representing at least 1% of the share capital can request the addition to the agenda of an item to be discussed. Such inclusion must be requested in writing at least 40 days prior to the next scheduled General Meeting, specifying the agenda items to be discussed and shareholder proposals to be voted on.

Registrations in the share register

The Board of Directors keeps a share register in which the shareholders and beneficiaries are entered with their names and addresses. With respect to the company, shareholders and beneficiaries are only recognised as such if they are registered in the share register. Any entry requires the approval of the Board of Directors, a committee determined by the Board of Directors or a single person determined by the Board of Directors. The Board of Directors may request from the applicant all information necessary for the assessment of the registration request that appears to be relevant to the request. The entry in the share register of a shareholder with the right to vote or a beneficiary can be denied for the following reasons:

- if the acquirer does not, at the company's request, explicitly confirm that they have acquired and are holding the shares on their own behalf, in their own interests and for their own account;
- if and as long as the recognition of the acquirer may, based on the available information, prevent the company from complying with Swiss law requiring proof of Swiss control of the company.

Acquirers who are not yet recognised by the company are to be registered in the share register as shareholders without voting rights after the transfer of rights. The corresponding shares are deemed not to be represented at the General Meeting.

After hearing the person in question, the Board of Directors can delete registrations in the share register if these have resulted from invalid information by the acquirer. The acquirer has to be informed immediately of this deletion.

The key date for the registration of registered shareholders in the share register with regard to attendance of the General Meeting will be set on a date shortly before expiry of the statutory period on the convention of the General Meeting.

Changes in control and defence measures

Obligation to make an offer

There are no statutory regulations regarding "opting out" and "opting-up" which differ from law.

Clauses on changes in control

There are no clauses on changes in control.

Auditors

Duration of the mandate and term of office of the auditor in charge

Pricewaterhouse-Coopers AG, St. Gallen, has been the statutory and consolidated financial statement auditor since 1981. They are elected for a term of office of one year by the General Meeting. The auditor in charge, Oliver Kuntze, was first assigned the auditing mandate with the auditing of the 2019 financial statement. The rotation rhythm of the leading auditor corresponds to the maximum duration of seven years legally applicable for Swiss companies.

Audit fees

Audit fees paid to PricewaterhouseCoopers AG during the 2022 financial year and charged to the consolidated financial statement amounted to TCHF 293.

Additional fees

No additional non-audit fees were paid to PricewaterhouseCoopers AG on the financial year 2022.

Supervisory and control instruments pertaining to the auditors

The external audit is supervised by the Board of Directors. The Board of Directors assesses the audit plan, the audit scope, the audit and the results of the audit. The auditor's report significant findings directly to the Board of Directors. In the reporting year, the auditor in charge attended two meetings of the Board of Directors. At these meetings, the audit plan, scope, and results of the audit, as well as other important aspects of auditing were discussed.

Information policy

The company informs its shareholders and the capital market in an open and timely fashion and with the highest possible levels of transparency. The most important information tools are the Annual and Half-Year Reports, the www.starrag.com website, media releases, balance sheet presentations for the media and analysts and the Annual General Meeting.

As a company listed on the stock exchange, the Starrag Group Holding AG is required to disclose information relevant to the share price in accordance with the ad hoc publicity guidelines of the listing regulations of the SIX Swiss stock exchange.

Any interested party can register at www.starrag.com (click on E-mail distribution under Investors) to receive potential information relevant to the share price directly from the company via the e-mail distribution list. This information is also available on the website (www.starrag.com, click on Media releases under Investors) and can be provided to any interested parties upon request.

Important Data:

- **21.04.2023**
  Annual General Meeting in Rorschach
- **27.07.2023**
  Half-Year Report 2023
- **26.01.2024**
  Sales and order situation 2023
- **08.03.2024**
  Annual Report 2023, analysts and media conference
- **20.04.2024**
  Annual General Meeting in Rorschach

The information mentioned will be published on our website www.starrag.com as far as possible.

Official announcements and invitations will be sent by post to shareholders using the addresses recorded in the share register. Public announcements prescribed by law are made by publication in the Swiss Official Gazette of Commerce.

Trading blackout periods

General trading restrictions

Purchase and sale of share of Starrag Group Holding AG and corresponding financial instruments is prohibited for members of the Board of Directors, members of the Group Management and employees of the accounting departments in Rorschacherberg, Vuadens, Chemnitz and Mönchengladbach from the beginning of the year until the announcement of the key figures of the annual financial statements as well as 30 days prior to the publication of the half-year report.

Special trading blackout periods

Both the Chairman (or the Vice-Chairman if the Chairman is prevented from attending or is absent) and the CEO are entitled in individual cases to set additional trading blackout periods for individual persons and to designate those persons who must comply with them. There trading blackout periods must be observed regardless of the personal assessment of their necessity and duration.

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Compensation report

Compensation report

Introduction

This Compensation Report contains information on the compensation of the members of the Board of Directors and the Executive Board. The report was prepared in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC). Furthermore, the report is consistent with the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation economiesuisse and Chapter 5 of the Appendix to the SIX Exchange Regulation Corporate Governance Directive.

The information included under the headings "Remunerations" and "Loans and Credits" was audited by the statutory auditors.

Compensation policy and principles

The Starrag Group ensures comprehensive transparency regarding the compensation of members of the Board of Directors and the Executive Board. Within the Starrag Group, compensation is based on the principles of value-based management with the aim of guaranteeing that management compensation is in line with market conditions and thus ensuring that qualified executives can be recruited and remain with the company in the long-term. Compensation policy also promotes entrepreneurial thinking and approaches and aligns the interests of executive bodies with those of the shareholders.

The compensation of the members of the Board of Directors and the Executive Board is determined on the basis of individual tasks and performance, the course of business of the company, market conditions in the respective global sales and local labour market as well as salary comparisons with regard to the function, business activity, size and internationality of employers with similar positions. These criteria are applied individually for each member of the Executive Board at their due discretion.

Responsibilities in determining compensation

The responsibilities in determining the compensation are regulated on the basis of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC) in the Articles of Association and Organisational Regulations of Starrag Group Holding AG.

General Meeting

The General Meeting has the non-transferable power to:

- elect and dismiss members of the Compensation Committee;
- approve the compensation of the Board of Directors and the Executive Board
- determine the statutory principles governing the performance-related compensation of the members of the Board of Directors and the Executive Board, as well as other provisions of the Articles of Association in accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations.

Each year, the ordinary General Meeting approves the maximum total compensation of the Board of Directors for the period until the next ordinary General Meeting and the maximum total compensation of the Executive Board for the financial year following the General Meeting.

In addition, the General Meeting approves the Compensation Report retrospectively in a non-binding consultative vote.

Board of Directors

Subject to the powers of the General Meeting, the Board of Directors is responsible, at the request of the Compensation Committee, for determining the compensation that is to be paid to the members of the Board of Directors and the members of the Executive Board. In particular, at the request of the Compensation Committee it has the following tasks and responsibilities:

- defining the compensation system for the members of the Board of Directors and the Executive Board in accordance with the Articles of Association;
- reviewing the fixed compensation of the members of the Board of Directors and the Executive Board and determining the same, within the framework of the total compensation approved by the General Meeting;
- determining any additional compensation for the members of the Board of Directors for special tasks and bonuses for extra services within the framework of the total compensation approved by the General Meeting;
- determining variable profit-sharing plans for the members of the Board of Directors and the Executive Board in accordance with the Articles of Association and within the framework of total compensation approved by the General Meeting;
- preparing the Compensation Report.

Compensation Committee

The Compensation Committee shall have the following tasks and responsibilities (fundamental principles):

- drafting and periodic review of the compensation policy and principles of the Starrag Group and periodic review of the implementation thereof, and submission of proposals and recommendations to the Board of Directors;
- preparing all relevant decisions of the Board of Directors relating to the compensation of the members of the Board of Directors and the Executive Board, and submitting proposals to the Board of Directors concerning the nature and amount of the annual compensation of the members of the Board of Directors and the Executive Board, and preparing a proposal for the maximum total amount of compensation.

The Compensation Committee held several meetings by phone and writing in the fulfilment of its statutory duties.

The Board of Directors and the Compensation Committee can engage external experts on compensation issues to obtain neutral advice and/or data as a basis for comparison of compensation levels. The Board of Directors and the Compensation Committee performed their duties during the past year without the involvement of external consultants.

Compensation elements

Board of Directors

The members of the Board of Directors each receive fixed compensation and variable profitbased compensation. The Board of Directors may grant additional compensation to individual members for extra duties (serving on committees, etc.).

In the financial years 2021 to 2023, the net profit is the basis of assessment for variable profit-sharing compensation for the members of the Board of Directors, reduced by an advance interest on equity capital depending on the development of interest rates. The amount of the advance interest and the shares of the individual members of the Board of Directors in the basis of assessment as well as the other details (payout terms and date, any limitation on the variable profit sharing, etc.) are determined by the Board of Directors. If net profit falls below the defined amount of advance interest, no variable profit-sharing compensation will be paid. Variable profit-sharing compensation for the members of the Board of Directors is capped at CHF 125’000 per member.

The fixed compensation is paid monthly in cash. The variable profit-sharing compensation is paid annually in cash after the consolidated financial statement has been approved by the General Meeting. The company does not have any share participation plans.

The members of the Board of Directors are not insured through pension plans or comparable schemes of the company or Group companies. Members of the Board of Directors are not entitled to severance pay or other benefits upon separation of service.

Executive Board

The members of the Executive Board receive fixed compensation and variable profit-sharing compensation. The Board of Directors may resolve special bonuses for exceptional performance.

The Board of Directors determines the variable profit-sharing compensation of the Executive Board members based on individual performance metrics pertaining to the areas of operation for which they are responsible and/or to collective performance metrics pertaining to the consolidated results.

In the financial years 2021 to 2023, the basis of assessment for the variable profit-sharing compensation of members of the Executive Board was calculated on the basis of the operating result EBIT minus minimum expected results. Group operating result EBIT was one measure of performance. For the business unit managers, a second measure based on the operating result EBIT of their particular area of responsibility was applied. In the average expected result distribution, this second component accounts for around two-thirds of the total variable compensation for the heads of the business units, while the percentage of their compensation based on the Group result amounts to approximately one-third. If the operating result EBIT falls below the specified minimum threshold, no variable compensation will be paid. The variable profit-sharing compensation for the members of the Executive Board is limited to 150% of the fixed compensation.

The fixed compensation is paid monthly in cash. The variable profit-sharing compensation is paid annually in cash after the consolidated financial statement has been approved by the General Meeting. The company does not have any share participation plans. Pension benefits are only paid to members of the Executive Board within the framework of domestic and foreign pension plans and comparable plans of the company or Group companies. The benefits to insured parties and the employer's plan contributions are defined in the aforementioned plans or the corresponding plan regulations.

An additional amount of compensation as defined in Art. 19 of the OaEC equivalent to 40% of the approved total amount of compensation of the Executive Board is available for members appointed to the Executive Board after the maximum total amount is approved.

Compensation may be paid by the company or the corresponding Group company for services rendered at companies that are directly or indirectly controlled by the company. Such compensation must be consolidated at Group level and included in the votes on compensation at the General Meeting.

Company loans and credits to a member of the Executive Board and any guarantees or other collateral offered to secure the obligations of an Executive Board member may not exceed three times the annual salary of the respective member of the Executive Board.

Members of the Executive Board are not entitled to severance pay or other benefits upon separation of service.

Remuneration

Audited by the statutory auditors.

CHF 1'000	**2022**					2021				
	Fixed	Additional services	Variable	Pension and other	Total	Fixed	Additional services	Variable	Pension and other	Total
Christian Androschin (from 23.04.2022)	33	-	18	3	54	-	-	-	-	-
Prof. em. Dr. Christian Belz (until 23.04.2022)	17	-	9	1	27	50	-	-	2	52
Dr. Erich Bohli (bis 23.04.2022)	17	9	9	1	36	50	9	-	3	62
Walter Fust	50	10	27	2	89	50	25	-	2	77
Michael Hauser	130	-	27	10	167	130	27	-	12	169
Bernhard Iseli (ab 23.04.2022)	33	-	18	3	54	-	-	-	-	-
Adrian Stürm	50	5	27	4	86	50	12	-	4	66
Total Board of Directors	**330**	**24**	**135**	**24**	**513**	**330**	**73**	**-**	**23**	**426**
Variable as percentage of total compensation			29%					0%		
Total Executive Board	**1'818**	**-**	**1'411**	**564**	**3'793**	**1'892**	**28**	**1'130**	**514**	**3'564**
Variable as percentage of total compensation			44%					37%		
Thereof:										
‣ Dr. Christian Walti, CEO	390	-	335	131	856	390	-	300	132	822
Variable as percentage of total compensation			46%					43%		

Remuneration is reported on a gross basis (incl. 13th month's salary and salary share of company car).
The reported contributions to pensoin and social insurance schemes include the employer's contributions.

Notes regarding compensation

Compensation for additional duties performed by members of the Board of Directors is owed in connection with the service of Walter Fust on the Board of Directors of Starrag Vuadens SA and as well as for the work of the Compensation Committee.

The variable compensation, both for the Executive Board and the Board of Directors, will increase in relation to 2021 due to the higher EBIT.

All compensation was assigned to the appropriate period in accordance with the Swiss GAAP FER accounting and reporting recommendations (accrual basis).

Loans and credits

In the year under review, as well as in previous years, the Starrag Group granted no loans or credits to current or former members of the Board of Directors or the Executive Board. Neither did the Starrag Group provide compensation or any loans or credit to any related parties of current or former members of the Board of Directors or the Executive Board at non-market rates or conditions.

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Starrag Group Holding AG

Rorschacherberg

Report on the audit of the remuneration report

Opinion

We have audited the remuneration report of Starrag Group Holding AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in the table marked "audited" on page 62 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (page 62 and 63) complies with Swiss law and article 14 to 16 of the Ordinance.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the remuneration report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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Auditor’s responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG

Oliver Kuntze	Oscar Maier
Licensed audit expert Auditor in charge	Licensed audit expert

St. Gallen, 9 March 2023

Financial Report

Financial commentary

Further increase in order intake – Continued increase in order backlog – Sales up 9% – Operating income significantly improved – Dividend proposed

- Order intake up 5% to CHF 396 million, currency-adjusted up 8%
- Order backlog of CHF 327 million (plus 28%) ensures capacity utilisation well into 2024
- Sales up 9% to CHF 318 million, up 12% adjusted for currency effects
- Operating result EBIT at CHF 18.6 mllion, EBIT margin 5.8%
- Net profit CHF 11.1 million, earnings per share CHF 3.31
- Solid balance sheet with 52% equity ratio
- Dividend of CHF 2.00 per registered share proposed

CHF m	**2022**	2021	Change
Order intake	395.8	378.7	4.5%
Order backlog end of the year	327.0	255.8	27.8%
Sales revenue	317.6	292.6	8.5%
Operating result EBIT	18.6	-8.5	318.7%
Net result	11.1	-5.4	306.5%
EBIT as percentage of sales revenue	5.8%	-2.9%	n/a
Cash flow from operating activities	12.3	16.4	-33.8%
Capital expenditure in non-current assets	7.0	6.2	13.5%
Free cash flow	6.4	11.0	-42.2%
Employees (full-time positions at the end of period)	1'280	1'316	-2.7%
Total assets	333.9	300.4	11.2%
Net cash	20.1	17.6	14.2%
Shareholders' equity	172.5	168.3	2.5%
Equity ratio	51.7%	56.0%	n/a
Return on equity ROE	6.6%	-3.1%	n/a
Earnings per share (in CHF)	3.31	-1.61	n/a
Profit distribution per share (in CHF) [1)]	2.00 [2)]	1.00	n/a

[1)] Whereby 50% each be paid out 1.00 CHF tax-free from reserves from capital contributions and 1.00 CHF from retained earnings.
[2)] Proposal of the Board of Directors to the Annual General Meeting on 21.04.2023.

Starrag Group achieved an operating result of CHF 18.6 million and a net result of CHF 11.1 million in the 2022 financial year. The EBIT margin was 5.8% of sales revenue (previous year -2.9%).

At CHF 396 million, order intake was slightly above the previous year by 4.5%. The order backlog of CHF 327 million shows a clear recovery and secures the basic capacity utilisation for 2023 into 2024.

Due to the significant improvements in the operating business and the positive expectations for the 2023 business year, the Board of Directors proposes to distribute a dividend of CHF 2.00 per share at the Annual General Meeting on 21 April 2023.

Sales up 9%

Compared to the previous year, sales rose by 9% to CHF 318 million (currency-adjusted plus 12%). The book-to-bill ratio (ratio of incoming orders to sales) of 1.25 was again well above the value of one (previous year 1.29).

Order intake slightly above previous year's level due to recovery of economic demand

After almost doubling in the previous year, incoming orders increased by another 5% to CHF 396 million in the reporting year (currency-adjusted plus 8%). Excluding the CHF 13 million in cancellations (Ukraine/Russia effect) already communicated in the half-year report, growth was around 12% adjusted for currency effects. By far the largest share of new orders came from the main customer segment Industrial, with incoming orders from the luxury segment in particular developing very positively.

The trend in the four main customer industries varied. The strongest growth was in the industrial sector – especially in the luxury goods and medical submarkets – which accounted for half of the group-wide order intake in the reporting year. Fewer orders were received from customers in the aerospace sector, although it should be noted that the previous year was characterised by above-average demand from the space sector. Energy was slightly up, and Transportation was just able to maintain the previous year's level. Europe recorded the largest increase, compensating for the slight decline in Asia and North America.

The standard service share of order intake was CHF 81 million (previous year CHF 71 million) and is significantly higher than the previous year's value in 2021. While the business with medium and small orders (< CHF 5 million) was able to grow by 8% to CHF 204 million in 2022, the investment requirement for large projects (> CHF 5 million) shows a slight decrease of CHF 8 million in 2022 to CHF 111 million (in 2021 CHF 119 million).

The starting position for 2023 is characterised by an increased order backlog at the end of the year, which stands at CHF 327 million. This is a significant increase compared to 2021, at CHF 71 million, and represents an improvement of 28%. The recurring substantial service business will continue to contribute to a recovery of the order book in 2023. The book-to-bill ratio (ratio of incoming orders to sales) remains at a high level of 1.25 (1.29 in the previous year).

The operating result EBIT is on course to meet expectations

Gross profit (sales revenue minus cost of materials plus/minus change in inventory) amounted to CHF 179 million and was thus CHF 6.5 million or 3.6% above the previous year's value of CHF 173 million. At 61.0%, the gross margin was above the previous year's value of 59.6%. The improvements in project management stabilised the margin situation in a challenging environment.

At CHF 121 million, personnel costs were CHF 10 million lower than in 2021. In 2021, personnel costs amounted to CHF 131 million, whereby these were influenced by CHF 5.7 million in the use of short-time work and restructuring costs of almost CHF 8 million.

Compared to 2022, staff costs were further adjusted by reducing 36 full-time positions at the end of the period to improve profitability.

General expenses amounted to CHF 46 million and were thus 12.5% higher than in the previous year, adjusted for currency effects. The increase in expenses is due to the recovery of the markets. Slightly higher travel expenses and changes in warranty provisions increased costs. Active cost management, which was pushed forward in 2021 and 2022, will continue to ensure close cost control in the future.

Investment in development at a high level

Expenditure on development remained at a high level. In the year under review, CHF 35.3 million or 11.1% of sales revenue was used for the development of innovative products and processes and for customer-specific further development, laying a solid foundation for the competitiveness of the products.

Net income clearly positive

The financial result in 2022 deteriorated by CHF 0.4 million compared to 2021 and amounted to CHF-0.5 million. The deterioration is mainly due to an effect from currency losses in 2022.

Income taxes in 2022 were significantly higher than in the previous year at CHF 7.0 million. Due to the retroactive disclosure of hidden reserves in the newly founded Starrag Grundstücksvermietungsgesellschaft mBH, a large part of the deferred taxes on loss carryforwards of the spinning-off parent company Starrag Technology GmbH were used retroactively as of 31 December 2021. With this effect, the 2022 income taxes at Starrag Technology GmbH were significantly higher at around CHF 4 million. Without this spin-off effect, no tax would have been incurred. The significant positive deferred tax effect from the previous year could be fully realised retroactively.

As a result, the net result for the Group was CHF 11.4 million.

Balance sheet remains healthy

Total assets were CHF 333 million at 31 December 2022, an increase of 11.2% compared to 2021.

Capital tied up in work in progress decreased from CHF 27 million to CHF-1 million, with CHF 66 million reported under receivables (previous year CHF 56 million) and CHF 67 million under payables (previous year CHF 29 million). This results from high pre-financing due to advance payments received from major customer machine packages.

The capital commitment is composed of contract costs and reported profit shares of CHF 201 million (previous year CHF 242 million) less advance payments received of CHF 202 million (previous year CHF 215 million). The financing ratio of construction contracts in progress thus increased from 88.8% to 100.3%.

Current assets increased by 17.8% to CHF 254 million in the reporting year (previous year CHF 216 million). Improvements in incoming orders led to higher customer receivables, which rose from CHF 30 million to CHF 33 million. The tense delivery situation in 2022 due to the geopolitical upheavals led to an increase in the inventory from CHF 92 million in 2021 to CHF 122 million in 2022.

Fixed assets decreased to CHF 80 million (previous year CHF 85 million). Investments in fixed assets amounted to CHF 7.0 million and are almost CHF 1 million higher than in 2021.

Liabilities increased by 22.0% to CHF 161 million (previous year CHF 132 million). The increase is mainly due to the increase in liabilities through percentage of completion (POC) offsetting (+32 million CHF).

Equity increased from CHF 168 million to CHF 172 million and the equity ratio at the end of the reporting year deteriorated slightly to 52% (previous year 56%).

Intact free cash flow

Cash flow from operating activities deteriorates to CHF 12 million (previous year CHF 16 million) and is mainly driven by changes in net working capital. Cash flow from investing activities is CHF 7 million and is slightly above the previous year's level of CHF 5 million. In 2022, fixed assets of CHF 1.0 million were sold (previous year CHF 0.7 million).

The significantly increased portfolio, as well as the distribution of the 2021 dividend in 2022, result in lower free cash flows of CHF 6 million in 2022, compared to CHF 11 million in 2021.

Currency effects

The financial result 2022 was not burdened by currency gains from machine transactions settled in foreign currency.

The slump in the year-end exchange rate compared to the previous year led to negative currency translation effects in the balance sheet, which slightly reduced equity by 3%. The average exchange rate for the year in EUR for translating the income statement and the cash flow statement was 1.0162, slightly above the previous year (1.0935), while the year-end exchange rate for translating the balance sheet was significantly below the previous year (0.99384 compared to 1.04525).

The majority of Starrag Group's production and costs are incurred in the euro zone. This natural hedge stabilises the Group's currency fluctuations. In order to further reduce the economic currency risk and thus maintain the competitiveness of the Swiss plants, Starrag Group relies on continuous productivity increases and cost reductions in the Swiss area to counteract the pressure of the continuing strong Swiss franc.

Order intake

Order intake include all the orders that have been received during the reporting period, including products (new machines, modernisation, maintenance and repairs).

Order backlog

The order backlog include all orders that have not yet been completed, net after deduction of the revenue already recognised.

Currency-adjusted changes

To calculate the currency-adjusted changes, the corresponding key indicators are translated at the exchange rates of the comparative period.

Restructuring costs

Restructuring costs include costs in conjunction with strategic restructuring.

EBITDA

The operating result before depreciation and amortisation of property, plant and equipment and intangible assets.

Free cash flow

The free cash flow is calculated as follows:
+ Cash flow from operating activities, net
+ Cash flow from investment activities, net

Net liquidity

The net liquidity is calculated as follows:
+ Liquid assets
– Current financial liabilities
– Non-current financial liabilities

Equity ratio

To calculate the equity ratio, the equity is divided by the total of the assets.

Return on equity ROE

To calculate the return on equity, the net profit is divided by the equity at the start of the reporting period.

Total shareholder return TSR

To calculate the total shareholder return, the share price at the start of the reporting period is subtracted from the share price at the end of the reporting period and added to the dividend distribution that has taken place in the reporting period. This interim result is divided by the share price at the start of the reporting period.

Consolidated income statement

CHF 1'000		**2022 01.01. – 31.12.**	2021 01.01. – 31.12.
Sales revenue	1	317'592	292'605
Other operating income	2	14'733	1'769
Change in inventory of finished and unfinished goods		9'602	-1'720
Cost of materials and components		-148'105	-118'245
Personnnel expenses	3	-121'099	-118'465
Restructuring expenses		-	-13'290
Other operating expenses	4	-46'432	-42'849
Earnings before interest, taxes, depreciation and amortization EBITDA		**26'291**	-195
Depreciation of tangible fixed assets		-6'529	-7'135
Depreciation of intangible assets		-1'199	-1'157
Ordinary Operating result EBIT		**18'563**	-8'487
Financial result	5	-494	-117
Profit before taxes		**18'069**	-8'604
Income tax expenses	16	-6'955	3'223
Net result		**11'114**	-5'381
Thereof:			
‣ Shareholders of the company		11'114	-5'399
‣ Minority shareholders		-	18
Earnings per share in CHF	6	3.31	-1.61
Diluted earnings per share in CHF		3.31	-1.61

The enclosed notes are part of the consolidated financial statements.

Consolidated balance sheet

	CHF 1'000	**31.12.2022**	31.12.2021
Cash and cash equivalents		21'482	29'799
Receivables from goods and services	7	98'485	84'963
Other receivables		9'321	6'960
Inventories	8	121'784	92'188
Prepaid expenses and accrued income		2'795	1'664
Total current assets		253'867	215'574
Tangible fixed assets	9	77'940	82'576
Intangible assets	10	2'107	2'257
Total non-current assets		80'047	84'833
Total assets		**333'914**	300'407

	CHF 1'000	**31.12.2022**	31.12.2021
Financial debts	11	874	9'983
Payables for goods and services		21'696	11'665
Other liabilities		13'436	15'766
Provisions	12	6'606	15'209
Accrued expenses and deferred income	13	107'924	68'987
Total current liabilities		150'536	121'610
Financial debts	11	500	2'210
Provisions	12	10'398	8'329
Total non-current liabilities		10'898	10'539
Total liabilities		**161'434**	132'149
Share capital		28'560	28'560
Additional paid-in capital		50'204	51'884
Retained earnings		93'716	87'770
Total shareholders' equity, shareholders of the company		172'480	168'214
Minority shareholders		-	44
Total shareholders' equity	14	**172'480**	168'258
Total liabilities and shareholders' equity		**333'914**	300'407

The enclosed notes are part of the consolidated financial statements.

Consolidated cash flow statement

CHF 1'000	**2022 01.01. – 31.12.**	2021 01.01. – 31.12.
Net result	11'114	-5'381
Depreciation of tangible fixed assets	7'728	8'292
Change in non-current provisions	1'883	-5'721
Other non-cash items	-736	685
Change		
‣ Receivables from goods and services	-15'163	-5'042
‣ Inventories	-30'974	13'741
‣ Other receivables and deferred expenses	-3'753	-2'679
‣ Payables from goods and services	10'463	-1'613
‣ Other liabilities, accrued expenses and deferred income	31'754	14'104
Cash flow from operating activities, net	**12'316**	16'386
Capital expenditure for:		
‣ Tangible fixed assets	-5'925	-4'740
‣ Intangible assets	-1'079	-1'432
Disposals of fixed assets	1'060	741
Cash flow from investing activities, net	**-5'944**	5'431
Change in current financial liabilitites	-9'147	-13'295
Repayment of non-current financial liabilities	-1'638	-273
Dividend payment	-3'360	-5
Cash flow from financing activities, net	**-14'145**	-13'573
Currency translation	-544	-90
Net change in cash and cash equivalents	-8'317	-2'707
Cash and cash equivalents at beginning of period	29'799	32'506
Cash and cash equivalents at end of period	**21'482**	29'799

The enclosed notes are part of the consolidated financial statements.

Consolidated statement of shareholders' equity

CHF 1'000	Share capital	Additional paid-in capital	Retained earnings: Currency translation	Retained earnings: Goodwill offset	Retained earnings: Others Retained earnings	Total Retained earnings	Shareholders' equity shareholders of the company	Minority share-holders	Total Share-holders' equity
31.12.2020	**28'560**	**51'884**	**-2'719**	**-28'433**	**126'169**	**95'017**	**175'461**	**33**	**175'494**
Net income	-	-	-	-	-5'399	-5'399	-5'399	18	-5'381
Currrency translation	-	-	-2'900	1'052		-1'848	-1'848	-2	-1'850
Dividend payment	-	-	-	-	-	-	-	-5	-5
31.12.2021	**28'560**	**51'884**	**-5'619**	**-27'381**	**120'770**	**87'770**	**168'214**	**44**	**168'258**
Net income	-	-	-	-	11'114	11'114	11'114	-44	11'070
Currency translation	-	-	-4'831	1'175	168	-3'488	-3'488	-	-3'488
Dividend payment	-	-1'680	-	-	-1'680	-1'680	-3'360	-	-3'360
31.12.2022	**28'560**	**50'204**	**-10'450**	**-26'206**	**130'372**	**93'716**	**172'480**	**-**	**172'480**

The enclosed notes are part of the consolidated financial statements.

Notes to the consolidated financial statement

Machine tools for greater accuracy and 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. Principle customers are internationally active companies in the Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech). In addition to its portfolio of machine tools, Starrag Group provides integrated technology and maintenance services that significantly enhance customer quality and productivity.

The umbrella brand Starrag unites the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, Heckert, Scharmann, SIP, Starrag and TTL. Headquartered in Rorschacherberg/Switzerland, Starrag Group operates manufacturing plants in Switzerland, Germany, France, the UK and India and has established a network of sales and services subsidiaries in the most important customer countries.

The shares of Starrag Group Holding AG are listed on the SIX Swiss Exchange.

As per 31 December and as per the end of the previous year, Starrag Group Holding AG held the following fully consolidated participations directly or significantly indirectly with a capital share of 100% (provided not otherwise specified):

- Starrag Group Holding GmbH, Chemnitz, Germany
- Starrag Group Holdings Ltd., Birmingham, UK
- Starrag AG, Rorschacherberg, Switzerland
- Starrag GmbH, Chemnitz, Germany
- Starrag SAS, Saint-Etienne, France
- Starrag Service Center GmbH & Co. KG, Ichtershausen, Germany (capital share 100% / as of 30.06.2022 the minority share of 20% was reacquired)
- Starrag Technology GmbH, Mönchengladbach, Germany
- Starrag Vuadens SA, Vuadens, Switzerland
- Toolroom Technology Limited, Haddenham, UK
- Starrag (Shanghai) Co. Ltd., Shanghai, China
- Starrag India Private Limited, Bangalore, India
- Starrag Italia Sri, Rivoli, Italy
- Starrag RU Ltd., Moscow, Russia (in the process of closing)
- Starrag UK Limited, Birmingham, UK
- Starrag USA Inc., Hebron USA
- Starrag Makina Ticaret ve Servis Ltd., Ankara, Turkey
- Starrag Mexico, S. de R.L. de C.V., San Pedro Garcia, Mexico
- Starrag Grundstücksvermietungsgesellschaft mbH, founded 31.10.2022, Mönchengladbach, Germany
- Starrag Vermietungs-Servicegesellschaft mbH, founded 31.10.2022, Mönchengladbach, Germany

Capital management

The managed capital corresponds to the shareholders' equity shown in the consolidated balance sheet. The main goals of capital management are to ensure the necessary financial flexibility and to optimise the capital structure for reducing capital costs in order to create additional value for shareholders and other stakeholders.

The equity base is periodically reviewed and adjusted, taking into consideration economic conditions and loan agreements (see Note 11). In particular, the General Meeting of the shareholders passes resolutions each year on the appropriation of profits and thus the dividend payment.

Business performance is measured using an internal income statement. The results can then be classified and analysed in various different ways within this income statement. The primary control key figure is the earnings before interest and taxes (EBIT). Additionally, a balanced set of key figures is reported on a regular basis, which gives consideration to the areas of conflict of liquidity, growth and profitability.

Segment information

Internal reporting to the Board of Directors is carried out according to the existing operational business units. The business unit High Performance Systems is responsible for the product areas Starrag and Ecospeed. The business unit Horizontal Machining Systems processes the product areas Heckert and Scharmann/Ecoforce. The business unit Large Parts Machining Systems includes the product areas Dörries, Berthiez and Droop+Rein. The business unit Ultra Precision Machining Centres is responsible for the product areas Bumotec and SIP. A significant proportion of the employees are responsible for the central functions distributed among the locations and regions for all business units and brands.

Risk management

As a leading global manufacturer of precision machine tools, the Starrag Group is faced with various risks.

The most significant risks include:

- The weakening of the economic environment in customer markets as well as business cycles could lead to a reduction in demand,
- misjudgements of developments in customer markets or in the competitive environment could lead to missed business opportunities or losses,
- failure in research and development as well as other innovation-based activities could prevent business potential from being realised,
- a lack of availability of financial resources could have an impact on the performance and operating activity of the Starrag Group and
- natural events (such as fires) could impair operating activities.

The Board of Directors and the Executive Board give high priority to the careful handling of strategic, financial and operational risks. The Starrag Group has a holistic risk management process which is analysed every year by the Executive Board and the Board of Directors.

The following goals are pursued:

- systematically identifying special risks,
- establishing processes to monitor, reduce and ideally to prevent risks and
- finding the right balance between risks and opportunities.

The risk management system is based on a classic risk matrix involving the probability of occurrence and possible extent of damage (identification and classification) and includes internal instructions as well as a risk log, in which operational data as well as an action plan for risk management are documented. The Executive Board has designated an officer for implementing and moderating risk management, who reports directly to the CFO.

An annual risk review includes diligent identification, analysis and evaluation of risks and a definition of appropriate measures to reduce the risks. This information is documented in a group-wide risk matrix. The risk management officer monitors the implementation of the measures. In business processes with recurring risks, the resolved measures are integrated as process steps in the operative processes of the daily business. On an annual basis, the Executive Board reports on the nature, extent and assessment of significant risks and the measures taken for risk minimisation to the Board of Directors. Risks in accounting and financial reporting are monitored and reduced by a suitable internal control system.

Financial risk management

The main risks occurring from the group's financial instruments consist of risk of receivables default, counterparty risk, foreign currency risk, interest rate risk and liquidity risk.

Risk of receivables default

The risk of receivables default is limited by the number and the geographical spread of customer credit balances. In addition, it is limited by adequately examining the financial circumstances of customers before entering into a contract. In most transactions, customers make advance payments upon order confirmation. Delivery might only follow against prepayment or credit. The outstanding receivables are continuously monitored.

Counterparty risk

The Starrag Group mainly holds its liquid assets as deposits or current account deposits with major creditworthy banks. These deposits generally have a term of less than three months. Transactions with derivative financial instruments are also only concluded with major creditworthy banks.

Foreign currency risk

The Starrag Group does not engage in business operations in foreign currencies which show an unusual volatility. The foreign currency risk results mainly from sales and purchases which are not made in a functional currency. In the case of orders in foreign currencies, hedging transactions (forward exchange contracts and currency options) are sometimes deployed with major credit institutions as a counterparty in order to hedge foreign currency risks. Probable future orders will also be hedged in certain cases. Foreign currency risks arising from the conversion of income statement and balance sheet items of foreign group companies are not hedged.

Interest rate risk

Interest rate risk results primarily from variable interest rates for financial liabilities. In some cases, these interest rates are fixed through fixed advances and fixed interest rates in the short- or long-term.

Liquidity risk

The liquidity risk is limited by contractually agreed cash lines which cover the peak demand for operating resources. It is continuously monitored by liquidity status reports.

Management assumptions and estimates

Estimates and assumptions are continually evaluated and are based on experience values and other factors, including the expectation and assessment of future events that are believed to be reasonable under the prevailing circumstances. The resulting accounting estimates will by definition seldom comply with the actual subsequent outcome. The main sources of estimation uncertainties are:

Determination of net realisable values and profit shares in the case of construction contracts valued with percentage of completion
While preparing the financial statement, the Group continuously examines the valuation of various balance sheet items which are connected with the regular machine tool business. In this connection, assumptions must be made with regard to costs for completion and realisable market prices. Should situations occur which change original assumptions regarding realisable income, costs that are still necessary or work progress, these assumptions will be adjusted.

These adjustments may lead to adjustments affecting the net income of the balance sheet items concerned. The book value of the balance sheet items concerned is shown in Note 15 (Construction Contracts).

Provisions for warranty obligations and onerous contracts
In the ordinary course of business, the Group may be involved in legal disputes. Provisions for pending disputes are measured on the basis of available information based on a realistically expected cash outflow. The final outcome of such a dispute might require recognition of adjustments in provisions in the income statement (see Note 12).

Income taxes
The evaluation of current tax liabilities is subject to an interpretation of the tax laws in the respective countries, the suitability of which will be mostly assessed retrospectively for several financial years in the context of the final assessment and during tax audits by the tax authorities. Substantial adjustments in tax expenses may occur as a result (see Note 16).

Significant accounting principles

Principles of presentation

The consolidated financial statement of the Starrag Group has been prepared in accordance with the Guidelines of the Accounting Regulations (Swiss GAAP FER). In addition, the provisions of the Listing Rules of the SIX Swiss Exchange as well as Swiss accounting legislation have been complied with. This consolidated financial statement is based on historical costs, with the exception of liquid assets and derivative financial instruments, which are valued at market value. Reporting is in Swiss Francs (CHF). This financial statement includes estimates and assumptions that affect the reported figures and related disclosures. Actual results may differ from these estimates.

Principles of consolidation

The scope of consolidation comprises the annual annual statements of Starrag Group Holding AG and all directly or indirectly controlled subsidiaries. Assets and liabilities as well as income and expenses are fully included in the consolidated financial statement using the full consolidation method. All intra-group relationships (income and expenses, receivables and liabilities) as well as intercompany profits on intra-group transactions and inventories are eliminated.

Capital consolidation is based on the purchase method, i.e. the acquisition costs of an acquired company are offset against the net assets measured at fair value at the time of acquisition. Any resulting goodwill is offset directly with the retained earnings in shareholders' equity by purchase. In the Notes to the Financial Statement, the effects of a theoretical capitalisation and any value impairment are shown by applying a depreciation period of five years. In the event of a possible subsequent sale, the goodwill offset against shareholders' capital at the time of the acquisition is calculated in profit or loss against the proceeds of the sale. The earnings of acquired companies are included in the consolidated accounts as of the acquisition date.

Currency conversion

Foreign currency transactions are converted at the exchange rate of the transaction date. Outstanding foreign currency receivables and payables at balance sheet date are converted using the exchange rate of that date. The resulting exchange rate differences are recorded in the income statement. Non-monetary items are not revaluated at the balance sheet date. Assets and borrowed capital of foreign subsidiaries are converted to CHF using the exchange rates at the balance sheet date. Annual average exchange rates are applied to convert the income statements. Conversion differences arising from the consolidation of foreign currency financial statements are recorded directly in retained earnings.

Sales revenue and profit realisation

Sales revenue is recorded at the transition of benefit and risk. Sales revenue from construction contracts at fixed prices is reported including a profit share, depending on the percentage of completion (percentage of completion method). Percentage of completion is defined by the direct order costs excluding material costs. In the balance sheet, the order value after deduction of advance payments received is reported under receivables or accrued expenses and deferred income from construction contracts valued using the percentage of completion method.

Research and development

Research costs are charged to the income statement on a continuous basis. Development costs will only be capitalised to the extent that the amount to be capitalised is covered by corresponding expected income. Capitalised developments are reassessed annually with regard to impairment. All other research and development costs are charged to the income statement.

Income taxes

Income tax expense includes all income tax levied on the taxable profits of the group. For tax, in particular withholding tax levied on dividend payments of retained earnings (mainly of group companies), provisions are only set up if the distribution of such profits is probable. Provisions for deferred income taxes will be set up according to the liability method.

This takes into account the income tax effects of temporary differences between the intercompany and the tax-related assets and liabilities. Tax losses carried forward are only taken into account in the calculation of deferred income tax to the extent that it is probable that sufficient future taxable profit will be available to be set off against the tax loss carry forward.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, postal cheque and bank balances as well as sight and deposit money with an original term of less than 3 months. These are valued at market value.

Receivables

Receivables are balanced at their nominal value less necessary value adjustments. The value adjustment is determined on the basis of due dates and recognisable credit risks. Receivables include the value from construction contracts valued according to percentage of completion after deduction of received payments.

Inventories

Raw materials and supplies as well as trading goods are assessed at average purchase costs, manufactured products at average manufacturing costs. Discounts are recognised as purchase cost reductions. If the realisable net value is lower, valuation adjustments are made accordingly. Manufacturing costs include the direct costs of materials used, labour and operating costs as well as an appropriate portion of production and construction overhead costs. Obsolete and slow-moving items are adjusted appropriately. Inventories also include advance payments to suppliers.

Tangible fixed assets

Tangible fixed assets are carried at acquisition costs or manufacturing costs less depreciation required for business purposes. Depreciation of tangible fixed assets is calculated using the straight line method for the estimated useful lives of: buildings 20 to 50 years, technical equipment and machines 4 to 12 years, IT hardware and communication 3 to 8 years. Land is not depreciated.

All gains and losses resulting from the disposal of tangible fixed assets are recognised in the income statement. Expenditure for goods of low value are debited directly to operating expenses in the income statement.

Intangible assets

Goodwill resulting from the acquisition of a company is offset against retained earnings in shareholders' equity at the time of an acquisition. In the Notes to the Financial Statement, the effects of a theoretical capitalisation and any impairment of value are shown using a depreciation period of five years.

Other intangible assets are carried at acquisition or manufacturing costs less depreciation required for business purposes. These intangible assets are amortised on a straight-line basis over their estimated useful lives, which is 3 to 8 years for software and 5 to 10 years for development costs.

Provisions

Provisions are made if a legal or constructive obligation resulting from a past event exists at the key date, the use of resources for the settlement of such an obligation is probable and a reliable estimation of the amount of the obligation can be made. The amount of provisions depends on the expected use of funds needed to cover the obligation.

Employee benefits

The professional pension situation for the Starrag Group companies' personnel is governed by the legal regulations and practices of the respective country and is correspondingly different.

The pension situation of the companies located in Switzerland is governed by the provisions of the Swiss Federal Law on Occupational Benefits. The Swiss pension funds of the Starrag Group are foundations which are legally independent of the Starrag Group, and which have re-insured the pension plans (according to the contribution plans defined by law) with an insurance company in a congruent manner. The plans are financed by employer and employee contributions, which are periodically determined such that the insurance premiums due can be financed.

The German companies do not maintain any professional pension plans. Staff are insured with the national pension insurance scheme of Germany.

The economic obligations or benefits of Swiss pension plans are determined on the basis of the financial statement prepared in accordance with Swiss GAAP FER 26 “Accounting for Pension Funds” accounting standard. The economic impact of pension plans of foreign subsidiaries is determined according to the valuation methods applied locally. Employer contribution reserves and comparable items are capitalised in accordance with Swiss GAAP FER 16.

Financial instruments

Financial assets include liquid assets and receivables. Financial liabilities mainly include financial debts and operating liabilities. These are valued according to the “effective interest method” at discounted costs. In addition to the effective interest payments, interest expenses also include the annual compound interest and pro-rata transaction costs.

In order to be able to react to short-term foreign exchange fluctuations, derivative currency hedge instruments can be held. Financial instruments held for trading are recognised at market value. Changes in market value are included in the financial result.

The hedging of future cash flows (“cash flow hedges”), whose underlying transactions have not yet been recognised in the balance sheet, are disclosed in the Notes to the Financial Statement, if future cash flows will occur with high probability.

1. Sales revenue by production site

CHF 1'000	**2022**	2021
Switzerland	133'480	108'634
Germany	147'293	151'880
Other countries	36'819	32'091
Total	**317'592**	292'605

2. Other operating income

Due to the project reversals, compensation for damages in the amount of CHF 12.8 million was recorded as “Other operating income”.
Other operating income may also include compensation payments for insurance companies, income from subleases, gains on the sale of fixed and government grants.

3. Personnel expenses

CHF 1'000	**2022**	2021
Wages and salaries	95'969	95'124
Pension benefit expenses	2'646	2'679
Other social benefit expenses	16'947	17'367
Restructuring expenses	935	-
Other personnel expenses	4'602	3'295
Total personnel expenses	**121'099**	118'465

Starrag Group did not make use of any government Corona subsidies in the extraordinary Corona pandemic year 2021. By using the possibilities of short-time work, as well as by reducing time accounts and temporary employees, a significant cost block in personnel costs could be saved.

4. Other operating expenses

Other operating expenses include in particular travel expenses, sales expenses, administration expenses, vehicle and transport charges, expenses for premises, repair and maintenance of tangible fixed assets as well as other expenses.

5. Financial result

CHF 1'000	**2022**	2021
Interest income	43	90
Interest expenses	-295	-589
Currency result	895	1'275
Other financial expenses	-1'137	-893
Total financial result	**-494**	-117

6. Information per share

Earnings per share are calculated from earnings after income taxes less share of minority interest based on the average number of shares outstanding. In 2022, this number of shares was 3'360'000 (unchanged from previous year). Based on the net result attributable to the shareholders of the company of CHF 11.1 million (prior year CHF-5.4 million) earnings per share amount to CHF 3.31 (prior year CHF-1.51). As the company has not issued any stock options or convertible bonds, earnings per share were not diluted.

7. Receivables from goods and services

	CHF 1'000	**31.12.2022**	31.12.2021
Trade receivables from goods and services		32'228	28'787
Receivables from construction contracts	15	66'257	56'176
Total receivables		**98'485**	84'963
Thereof:			
‣ not due		88'925	76'748
‣ past due < 90 days		8'198	7'739
‣ past due ≥ 90 days		1'362	476

Receivablres are stated net of value adjustments of CHF 1.1 million (prior year CHF 0.9 million).

8. Inventories

	CHF 1'000	**31.12.2022**	31.12.2021
Raw materials and components		73'111	50'930
Work in progress		30'322	29'426
Finished products		11'902	7'540
Prepayments to suppliers		6'449	4'292
Total inventories		**121'784**	92'188

Inventories are stated net of value adjustments of CHF 46.9 million (prior year 44.6 million).

9. Tangible fixed assets

	2022				2021			
CHF 1'000	Land and buildings	Machinery and equipment	Other tangible fixed assets	Total	Land and buildings	Machinery and equipment	Other tangible fixed assets	Total
Cost at beginning of year	112'187	42'824	13'625	168'636	113'167	49'794	14'028	176'989
Additions	1'141	3'208	1'649	5'998	650	2'822	1'215	4'687
Disposals	-1'595	-6'628	-2'105	-10'328	-	-8'885	-1'267	-10'152
Currency translation	-2'311	-1'256	-458	-4'025	-1'630	-907	-351	-2'888
Cost at year end	**109'422**	**38'148**	**12'711**	**160'281**	112'187	42'824	13'625	168'636
Accumulated depreciation at beginning of year	42'439	32'362	11'259	86'060	40'224	39'347	11'289	90'860
Depreciation	3'010	2'463	1'056	6'529	3'176	2'314	1'645	7'135
Disposals	-51	-5'684	-1'995	-7'730	-	-8'652	-1'377	-10'029
Currency translation	-1'221	-932	-365	-2'518	-961	-647	-298	-1'906
Accumulated depreciation at year end	**44'177**	**28'209**	**9'955**	**82'341**	42'439	32'362	11'259	86'060
Net carrying value at beginning of year	69'748	10'462	2'366	82'576	72'943	10'447	2'739	86'129
Net carrying value at year end	**65'245**	**9'939**	**2'756**	**77'940**	69'748	10'462	2'366	82'576
Fire insurance value at year end (unaudited)	176'777	112'383		289'160	184'173	111'412		295'585

10. Intangible assets

	2022			2021		
CHF 1'000	Software	Development cost	Total	Software	Development cost	Total
Cost at beginning of year	14'624	9'606	24'230	14'340	9'676	24'016
Additions	1'035	44	1'079	1'359	73	1'432
Disposals	-832	-	-832	-733	-	-733
Currency translation	-348	-150	-498	-342	-143	-485
Cost at year end	**14'479**	**9'500**	**23'979**	14'624	9'606	24'230
Accumulated amortization at beginning of year	12'438	9'535	21'973	11'928	9'676	21'604
Depreciation	1'184	15	1'199	1'156	1	1'157
Disposals	-832	-1	-833	-337	-	-337
Currency translation	-318	-149	-467	-309	-142	-451
Accumulated depreciation at year end	**12'472**	**9'400**	**21'872**	12'438	9'535	21'973
Net carrying value at beginnig of year	2'186	71	2'257	2'412	-	2'412
Net carrying value at year end	**2'007**	**100**	**2'107**	2'186	71	2'257

11. Financial liabilities

CHF 1'000	**31.12.2022**	31.12.2021
Current financial liabilities	874	9'983
Non-current financial liabilities	500	2'210
Total financial liabilities	**1'374**	12'193
Thereof in:		
‣ EUR	1'374	12'193
Average interest rate	1.28%	0.8%
Unused short-term cash credit line	86'793	86'295

Credit agreements contain partly financial covenants and other conditions under which banks are able to terminate financial liabilities which are recorded as non-current at short notice. These financial covenants are based on key figures, resulting from EBITDA, net equity and net debt. The financial covenants were complied with in 2022 and 2021.

12. Provisions

	2022				2021			
CHF 1'000	Deferred income taxes	Warranty	Other provisions	Total	Deferred income taxes	Warranty	Other provisions	Total
Carrying value at beginning of year	5'921	6'875	10'742	23'538	11'363	6'410	-	17'773
Addition	8'172	2'613	-	10'785	656	6'849	11'238	18'743
Utilization	-5'938	-1'732	-9'092	-16'762	-6'113	-5'859	-	-11'972
Release	-	-237	-	-237	-	-262	-	-262
Currency translation	291	-283	-328	-320	15	-263	-496	-744
Carrying value at year end	**8'446**	**7'236**	**1'322**	**17'004**	5'921	6'875	10'742	23'538
Thereof:								
‣ current	-	5'284	1'322	6'606	-	4'467	10'742	15'209
‣ non-current	8'446	1'952	-	10'398	5'921	2'408	-	8'329

The provisions for deferred income taxes include a claim for unused tax loss carryforwards of CHF 8.7 million (previous year CHF 12.6 million), which does not expire.

In 2022, the restructuring was completed. CHF 9.1 million of the other provisions were used for this purpose.

In 2021, CHF 10.7 million was booked in other provisions for personnel costs from restructuring. In addition, employees in 2021 were compensated in the amount of CHF 0.8 million during the year. In addition, expenses of CHF 0.6 million for legal and consulting fees, CHF 0.9 million for depreciation on inventory and CHF 0.3 million in accrued expenses and deferred income for the dismantling of production facilities for service were posted. Total expenses (provisions + expenses) for restructuring amount to CHF 13.3 million (previous year CHF 0.2 million).

13. Accrued expenses and deferred income

CHF 1'000	**31.12.2022**	31.12.2021
Accrued costs for customer orders	11'800	12'932
Liabilities from construction contracts	66'761	29'116
Personnel expenses	12'853	10'899
Commissions	16	711
Current income taxes	8'043	5'323
Other	8'451	10'006
Total accrued expenses and deferred income	**107'924**	68'987

14. Shareholders' equity

The share capital of CHF 28.6 million consists of 3'360'000 registered shares with the nominal value of CHF 8.50 each. The company has no outstanding conditional capital and there is no authorised capital (previous year: no conditional capital / no authorised capital).

As at 31 December 2022, non-distributable reserves amounted to CHF 5.7 million, unchanged from the previous year.

Goodwill resulting from the acquisition of a company is offset against retained earnings in shareholders' equity at the time of an acquisition.

15. Construction contracts

CHF 1'000	**2022**	2021
Revenue from construction contracts valued using the Percentage of completion method	232'794	202'136

CHF 1'000		**31.12.2022**	31.12.2021
Contract costs incurred and recognized profit share		200'546	241'777
Advance payments received		-201'050	-214'717
Net carrying value		**-504**	27'060
Thereof:			
‣ Receivables from goods and services	7	66'257	56'176
‣ Accrued expenses and deferred income	13	-66'761	-29'116

16. Income tax expenses

CHF 1'000	**2022**	2021
Ordinary income before taxes	18'069	-8'604
Expected tax rate	14.3%	14.4%
Expected income tax expenses	2'584	-1'239
Debits/credits from prior reporting period	176	176
Non-deductable expenses/non-taxable income	222	4'176
Non-capitalised tax loss carry forwards	526	-1'174
Effects from the application of different tax rates	3'447	-5'162
Income tax expenses	**6'955**	-3'223
Thereof:		
‣ Current income tax expenses	4'677	-2'506
‣ Deferred income tax expenses	2'278	5'729

The applicable tax rate of the municipatlity of Rorschacherberg SG, domicile of Starrag Group Holding AG, was used for the calculation of the expected income tax expense. Due do the volatility of the results of the various Group companies, the Group considers the tax rate of 14.3% (previous year 14.4%) to be appropiate.

In the Starrag Group has unexpired loss carryforwards of CHF 52.9 million, of which CHF 12.6 million has been recognized.

The claims for unused tax loss carry for forwards have developed as follows:

CHF 1'000	**2022**	2021
Opening balance	12'589	8'583
Addition of loss carry forwards	1'533	4'282
Used loss carry forwards	-3'774	-
Used non-capitalised loss carry forwards	-	-
Expiring (non-capitalised) loss carry forwards	-	-
Currency effects	-647	-
There of not activated	-1'033	-275
Capitalised loss carry forwards **12**	**8'668**	12'589

In India the loss carry forwards expire after 7 years at the latest.

There are unrecognized claims for unused tax losses carried forward of CHF 1.1 million (prior year CHF 2.0 million). Of this, CHF 1.0 million (prior year CHF 1.7 million) within four to seven years.

The average applicable tax rate in relation to the ordinary result, calculated using absolute values excluding the holding company, is 23.3% (prior year 29.1%).

17. Pension benefits

CHF 1'000	2022 Patronage funds	2022 Employee benefit plans without surplus/deficit	2022 Employee benefit plans with surplus	2022 Total	2021 Patronage funds	2021 Employee benefit plans without surplus/deficit	2021 Employee benefit plans with surplus	2021 Total
Surplus/deficit pension benefit plan at end of year	7'122	-	-	**7'122**	1'660	-	8'902	10'562
Economic benefit at end of year	-	-	-	**-**	-	-	-	-
Change in economic benefit	-	-	-	**-**	-	-	-	-
Accrued contributions	-	2'646	-	**2'646**	-	411	2'268	2'679
Pension benefit expenses	-	2'646	-	**2'646**	-	411	2'268	2'679

Starrag's pension fund has been affiliated with the ALSA pension fund since 2022. The employee pension fund operates the occupational pension scheme for both the statutory minimum benefits (BVG) and for non-compulsory benefits. The pension fund of Starrag has not entered into any futher financial obligations towards the employee benefit institution and does not bear any investment or actuarial risks. According to the latest actuarial balance sheet of the ALSA pension fund, the economic coverage ratio (BW2) as at 30.09.2022 is 98% (previous year: 112.74%); the technical interest rate applied is 1.25% (previous year: 1.55%) A welfare fund was established from the Starrag pension fund as at 01.01.2022. This has an endowment capital of CHF 7'122 million as at 31.12.2022.

18. Pledged assets

CHF 1'000	**31.12.2022**	31.12.2021
To ensure financial debts in the amount of the following land and buildings are mortgaged:	-	2'127
‣ Net carrying value	-	4'700
‣ Charge	-	4'700

No land and buildings are mortgaged as of 31.12.2022.

19. Derivative financial instruments

CHF 1'000	**31.12.2022**	31.12.2021
Forward currency exchange contracts: Contract value	**13'887**	34'267
Replacement value:		
‣ positive	-	25
‣ negative	-814	-113
Options: Contract value	**-**	-
Replacement value:		
‣ positive	-	-
‣ negative	-	-

20. Operating lease liabilities

CHF 1'000	**31.12.2022**	31.12.2021
‣ Due within 1 year	1'865	1'835
‣ Due within 2 to 5 years	1'560	1'166
‣ Due after 5 years	-	52
Total operating lease liabilities	**3'425**	3'053

The lease contracts are for premises, cars and IT equipment.

21. Other unrecognised obligations

The Starrag Group is occasionally confronted with claims for damages, which are to be regarded as a normal side effect of ordinary business activities. These mainly relate to warranties, property and financial damages as well as product liability. Provisions and sureties exist for these claims, which the Starrag Group assumes will cover all foreseeable risks.

22. Exchange rates

	2022	2021
Average rates (for income statement and cash flow statement)		
1 EUR	1.0162	1.0935
1 USD	0.9642	0.9230
1 GBP	1.1938	1.2698
1 CNY	0.1437	0.1431

	31.12.2022	31.12.2021
Year end rates (for balance sheet)		
1 EUR	0.9938	1.0453
1 USD	0.9325	0.9233
1 GBP	1.1237	1.2469
1 CNY	0.1340	0.1449

23. Events after the balance sheet date

The consolidated financial statement was approved and released for publication by the Board of Directors on 9 March 2023. It is also subject to approval by the Annual General Meeting of the shareholders scheduled for 21 April 2023.

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Starrag Group Holding AG

Rorschacherberg

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Starrag Group Holding AG and its subsidiaries (the Group), which comprise the consolidated income for the year ended 31 December 2022, the consolidated balance sheet as at 31 December 2022, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 72 to 90) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 1'500'000

We concluded full scope audit work at six reporting units in two countries. Our audit scope addressed over 82% of the Group's revenue.

As key audit matter the following area of focus has been identified:

Accounting construction contracts

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due

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to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 1'500'000
Benchmark applied	sales revenue
Rationale for the materiality benchmark applied	We chose sales revenue as the benchmark for determining materiality. This benchmark takes into account the volatility of the business environment and it is a generally accepted benchmark for materiality considerations.

We agreed with the Board of Directors that we would report to them misstatements above CHF 150'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the component auditors in the PwC network. As Group auditor, we performed the audit of the consolidation and the disclosures and the presentation of the consolidated financial statements. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. Our involvement comprised the inspection of the reporting, taking part in telephone calls with the component auditors during the interim audit and the year-end audit, communicating the risks identified at Group level, specifying the audit procedures relating to the recognition and measurement of term construction contracts and specifying the materiality levels to be applied.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting construction contracts

Key audit matter	How our audit addressed the key audit matter
Starrag Group has construction contracts, which it recognises and measures using the percent-age-of-completion (PoC) method in accordance with Swiss GAAP FER 22 – Long-term contracts. The degree of completion is determined on the basis of the direct contract costs excluding costs of materials. Management has to estimate the progress of projects as of the balance sheet date and the costs to be incurred in the future until their completion. An incorrect estimate could have a significant impact on the result for the period (Receivables from construction contracts in progress	Our audit procedures regarding the recognition and measurement of construction contracts using the percentage-of-completion (PoC) method comprised in particular the following: • We assessed the design and the existence of the key controls regarding the production orders and tested the effectiveness of selected controls. • We selected various production orders (sample testing based on the contract volumes, the contribution margin and changes in the margin compared with the

CHF 66.3 million and liabilities from construction contracts in progress CHF 66.8 million, see Note 15).

Please refer to page 79 (Management assumptions and estimates), page 80 (Key accounting principles – Sales revenue and profit realisation) and page 87 (Other notes – Percentage-of-completion-valued construction contracts) in the notes to the consolidated financial statements.

planning phase) and focussed our testing on the following, in particular:

- We assessed the contract related calculations to determine whether the contractual terms – including sale proceeds and penalties for non-performance – had been recorded appropriately.
- We discussed with the project controllers and project managers the progress of the projects based on the latest project accounts, the costs still to be incurred until their completion and changes in the margin.
- We obtained written information from the legal representatives of the Group. We inspected this writ-ten information with regard to indications of potential quality deficiencies or penalties for non-performance and assessed whether these matters were present-ed appropriately in the consolidated financial statements.

- During the audit, we conducted on-site inspections of various machines still under construction and assessed the progress of the projects.
- For the production orders completed during the year under review, we compared various final parameters with the estimates made in the planning phase or those as of the previous balance sheet date in order to assess, with hindsight, the accuracy of the estimates made by Management.
- We checked the arithmetical correctness of the key assessments relating to the progress of projects, costs to be incurred in the future and sales revenue.
- We checked whether the disclosures in the consolidated financial statements were made in accordance with Swiss GAAP FER 22 – Long-term contracts.

The results of our audit support the recognition and measurement of construction contracts and their disclosure in the 2022 consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Oliver Kuntze	Oscar Maier
Licensed audit expert Auditor in charge	Licensed audit expert

St. Gallen, 9 March 2023

Income statement

CHF 1'000	**2022** **01.01. – 31.12.**	2021 01.01. – 31.12.
Financial income	3'015	3'040
Total revenue	**3'015**	3'040
Fees	-541	-433
Other operating expenses	-980	-479
Depreciation and value adjustments of fixed assets	-15'547	431
Financial expenses	-3'600	-3'294
Income tax expenses	-411	-120
Net income	**-18'064**	-1'718

Due to the restructuring measures and the relocation of Ecospeed to Switzerland, the German investments were devalued by CHF 15 million.

Balance sheet

CHF 1'000		**31.12.2022**	31.12.2021
Cash and cash equivalents		8	1'380
Other receivables:			
‣ from group companies		9'545	10'160
‣ from third parties		10	4
Prepaid expenses		187	94
Total current assets		**9'751**	11'638
Financial assets:			
‣ Loans to group companies		61'563	65'692
Investments	7	129'058	144'174
Total fixed assets		**190'621**	209'865
Total assets		**200'371**	221'503

CHF 1'000		**31.12.2022**	31.12.2021
Other liabilities:			
‣ to group companies		21'954	21'426
‣ to third parties		55	472
Accrued expenses and deferred income		296	116
Total current liabilities		**22'305**	22'014
Total liabilities		**22'305**	22'014
Share capital	8	28'560	28'560
Legal capital reserves:			
‣ Capital contribution reserves	12	49'441	51'121
‣ Other legal capital reserves		1'222	1'222
Voluntary retained earnings			
‣ Retained earnings		116'907	120'305
‣ Net income		-18'064	-1'718
Total shareholders' equity		**178'066**	199'490
Total liabilities and shareholders' equity		**200'371**	221'503

Notes to the financial statement

Key accounting principles

1. Principles of presentation

The financial statement of Starrag Group Holding AG, Rorschacherberg was prepared in accordance with the provisions of the Swiss Law on Commercial Accounting defined by the Swiss Code of Obligations.

The company prepares a consolidated financial statement in accordance with the Swiss GAAP FER accounting standards. Correspondingly, the company does not prepare any additional Notes to the Financial Statement, a management report or a cash flow statement.

The main balance sheet items are accounted for as explained below.

2. Other current receivables and liabilities

Other current receivables and liabilities are carried at their nominal value. Individual value adjustments on other current receivables are recognised taking into account the maturity structure and identifiable credit risks. For the remainder, general value adjustments are created at the discretion of the Board of Directors as permitted by tax legislation.

3. Financial assets

The financial assets include long-term loans to Group companies. Loans granted in foreign currency are valued at the current year-end exchange rate, whereby unrealised losses are recognised but unrealised gains are not recognised.

4. Shareholdings

Shareholdings are reported in the balance sheet at the cost of acquisition less appropriate value adjustments for impairments that are anticipated to be permanent.

5. Currency conversion

Transactions in foreign currencies are converted into Swiss Francs at the exchange rate valid at the time of the transaction. Pursuant to the imparity principle, assets and liabilities in foreign currencies are converted into Swiss Francs at the year-end rate.

Supplementary information and explanations on the financial statement

6. Full-time employees

The company does not have any employees.

7. Shareholdings

On 31 December 2022 and as per the end of the prior year, the company held the following direct or significantly indirect shareholdings with an equity share and percentage of voting rights of 100% each (unless otherwise indicated):

- Starrag Group Holding GmbH, Chemnitz, Germany (share capital 4.5 Mio. EUR)
- Starrag Group Holdings Ltd., Birmingham, UK (share capital 0.1 Mio. GBP)
- Starrag AG, Rorschacherberg, Switzerland (share capital 10 Mio. CHF)
- Starrag GmbH, Chemnitz, Germany (share capital 5.1 Mio. EUR)
- Starrag SAS, Saint Etienne, France (share capital 1.3 Mio. EUR)
- Starrag Service Center GmbH & Co. KG, Ichtershausen, Germany (share capital 0.1 Mio. EUR) (share capital 100% / as of 30.06.2022 the minority share of 20% was reacquired)
- Starrag Technology GmbH, Mönchengladbach, Germany (share capital 22 Mio. EUR)
- Starrag Vuadens SA, Vuadens, Switzerland (share capital 0.5 Mio. CHF)
- Toolroom Technology Limited, Haddenham, UK (share capital 0.02 Mio. GBP)
- Starrag (Shanghai) Co. Ltd., Shanghai, China (share capital 1.5 Mio. CNY)
- Starrag India Private Limited, Bangalore, India (share capital 848 Mio. INR)
- Starrag Italia Srl, Rivoli, Italy (share capital 0.01 Mio. EUR)
- Starrag RU Ltd., Moskau, Russia (share capital 2 Mio. RUB – in the process of closing)
- Starrag UK Limited, Birmingham, UK (share capital 1 Mio. GBP)
- Starrag USA Inc., Hebron, USA (share capital 0.03 Mio. USD)
- Starrag Makina Ticaret ve Servis Ltd., Ankara, Turkey (share capital 5 TTRY)
- Starrag Mexico, S. de R.L. de C.V., San Pedro Garcia, Mexico (share capital 3 TMXN)
- Starrag Grundstücksvermietungsgesellschaft mbH, founded 31.10.2022, Mönchengladbach, Germany (share capital 2.5 Mio. EUR)
- Starrag Vermietungs-Servicegesellschaft mbH, founded 31.10.2022, Mönchengladbach, Germany (share capital 0.02 Mio. EUR)

8. Share cpaital

The share capital of CHF 28.6 million consists of 3'360'000 registered shares with the nominal value of CHF 8.50 each.

9. Major shareholders

The following major shareholders hold more than three per cent of the voting rights:

	31.12.2022	31.12.2021
Walter Fust, Freienbach, Switzerland	54.06%	53.87%
Eduard Stürm AG, Goldach, Switzerland	9.26%	9.26%
Max Rössler / Parmino Holding AG, Goldach, Switzerland	8.01%	8.01%

10. Compensations

Compensations to the Board of Directors and to the Executive Board are disclosed in the compensation report from page 56 of the annual report.

11. Participations of the Board of Directors and Executive Board

Number of shares	**31.12.2022**	31.12.2021
Prof. Dr. Christian Belz, Member	n/a	2'800
Walter Fust, Vice-President	1'816'511	1'810'147
Adrian Stürm, Member	38'993	27'150
Alexander Attenberger, Head Sales	230	230
Dr. Bernhard Bringmann, Head BU High Performance Systems	n/a	121
Günther Eller, Head Customer Service	200	200
Thomas Erne, CFO	440	n/a
Dr. Christian Walti	1'000	n/a

12. Capital contribution reserves

The reported legal capital contribution reserves at 31 December 2022 amounted to CHF 49.4 million (prior year CHF 51.1 million), of which CHF 49.2 million (prior year CHF 50.9 million) were recognized by the Swiss Federal Tax Administration within the meaning of Article 20 (3) of the Federal Income Tax Act and Article 5 (1) of the Federal Withholding Tax Act.

13. Securities for the benefit of Group companies

The total amount of securities furnished for third-party liabilities amounts to CHF 277.6 million (prior year CHF 277.8 million).

14. Contingent liabilities

The company is part of the VAT group of Starrag AG and thus jointly liable for VAT debts of the whole group to the Swiss Federal Tax Administration.

Appropriation of retained earnings

Proposal of the Board of Directors for the appropriation of retained earnings

CHF 1'000	2022	2021
Retained earnings	116'907	120'305
Net income	-18'064	-1'718
Retained earnings	**98'843**	118'587
Dividend CHF 1.00 (50%), prior year CHF 0.50	-3'360	-1'680
To be carried forward	**95'483**	116'907

Proposal of the Board of Directors for the appropriation of legal capital contribution reserves

CHF 1'000	2022	2021
Available capital contribution reserves	**49'441**	51'121
Withholding tax free distribution CHF 1.00 per registered share (50%), prior year CHF 0.50	-3'360	-1'680
To be carried forward	**46'081**	49'441

The Board of Directors proposes to pay out to the Annual General Meeting of 21 April 2023 a dividend of CHF 2.00 CHF, 1.00 CHF tax-free from reserves from capital contributions and CHF 1.00 from retained earnings Due to the newly applicable tax law, no more than 50% of the dividend may be paid from be distributed from tax-advantaged reserves from capital contributions.

Report of the statutory auditor

Report of the statutory auditor

to the General Meeting of Starrag Group Holding AG

Rorschacherberg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Starrag Group Holding AG (the Company), which comprise the income statement for the year ended 31 December 2022, the balance sheet as at 31 December 2022 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 95 to 100) comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 1'000'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

Impairment testing of investments in subsidiaries

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1'000'000
Benchmark applied	total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant benchmark for holding company, and it is a generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 100'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries is a significant asset category on the balance sheet (CHF 129.1 million). Impairment testing of investments whose book value is greater than the book value of the underlying net assets requires Management to consider capitalised earnings. Doing so involves significant scope for judgement, particularly to determine the assumptions to use concerning future business results. In identifying the potential need for impairment of investments in subsidiaries, Management uses a predefined impairment testing process. Please refer to page 96 (participations) and the notes to the financial statements.	In our audit of investments in subsidiaries, we performed the following main audit procedures: • We compared the book value of the investments in the year under review with their pro-rata share of the respective company's equity or the company's valuation, based on capitalised earnings. • We checked for plausibility the key assumptions applied by Management (revenue, margin growth and discount rate). We consider the valuation process and the assumptions used to be an appropriate and adequate basis for the impairment testing of the goodwill as at 31 December 2022.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and the proposed repayment of the legal capital reserve comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Oliver Kuntze	Oscar Maier
Licensed audit expert Auditor in charge	Licensed audit expert

St. Gallen, 9 March 2023

Five-year overview

CHF 1'000	**2022**	2021	2020	2019	2018
Order intake	395.8	378.7	192.5	343.2	461.0
Order backlog at year end	327.0	255.8	173.7	284.3	365.9
Sales revenue	317.6	292.6	297.1	418.1	388.8
Operating result before deprecation and amortization EBITDA	26.3	-0.2	9.8	16.8	22.2
Operating result EBIT	18.6	-8.5	1.3	4.8	11.1
Net result	11.1	-5.4	-0.6	6.9	8.4
EBITDA as % of sales revenue	8.3%	-0.1%	3.3%	4.0%	5.7%
EBIT as % of sales revenue	5.8%	-2.9%	0.4%	1.1%	2.9%
Cash flow from operating activities	10.9	16.4	11.0	10.5	26.9
Capital expenditure in non-current assets	7.0	6.2	5.2	5.1	7.3
Free cash flow	6.4	11.0	6.2	8.3	19.7
Employees (full-time positions at the end of period)	1'280	1'316	1'356	1'492	1'511
Total assets	333.9	300.4	317.5	334.6	369.7
Capital Employed	162.9	159.0	183.1	193.5	205.0
Return on capital employed ROCE	8.8%	-3.5%	0.5%	1.8%	5.7%
Net cash	20.1	17.6	6.6	0.6	-5.3
Shareholders' equity	172.5	168.3	175.5	178.1	176.6
Equity ratio	51.7%	56.0%	55.3%	53.2%	47.8%
Return on equity ROE	6.6%	-3.1%	-0.3%	3.9%	4.7%
Earnings per share (in CHF)	3.31	-1.61	-0.19	2.02	2.49
Share price at year end (in CHF)	51.00	46.60	39.20	46.20	43.00
Profit distribution per share (in CHF)	2.00 [1)]	1.00	-	-	1.00
Total shareholder return TSR	11.6%	18.9%	-13.0%	9.8%	-31.9%

[1)] Proposal of the Board of Directors to the Annual General Meeting on 21.04.2023.

Financial calendar

21 April 2023	Annual General Meeting
27 July 2023	Half year report 2023
26 January 2024	Sales and orders 2023
8 March 2024	Annual report 2023, analysts and media conference
20 April 2024	Annual General Meeting

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Imprint

Publisher
Starrag Group Holding AG, Rorschacherberg, Switzerland

Concept and Design
Level East AG, Rorschach, Switzerland

Copywriter
PEPR, Oetwil am See, Switzerland

Printer
Buchdruckerei Lustenau GmbH, Austria

This annual report is also available in German. In case of any discrepancy between the two versions, the German text shall prevail. The annual report may also be viewed online on our website: www.starrag.com

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