



TORNOS

Pro forma financial information of Starrag
Group Holding AG (to be renamed:
StarragTornos Group AG) for the year
ended 31 December 2022

Unaudited pro forma financial information

Pro forma income statement from 1 January to 31 December 2022

Pro forma income statement	Pro forma adjustments						Pro forma financial information
	Starrag Group historical financial information	Tornos Group adjusted historical financial information	Subtotal adjusted historical financial information	Remeasurements/ goodwill from acquisition	Adjusted capital structure	Eliminations	
	a)	b)	a) + b)	c)	d)	e)	a)+b)+c)+d)+e)
CHF 1'000	1 January 2022 - 31 December 2022						
Sales revenue	317'592	181'435	499'027				499'027
Other operating income	14'733	411	15'144				15'144
Change in inventory of finished and unfinished goods	9'602	-32'830	-23'228	-3'158			-26'386
Cost of materials and components	-148'105	-45'232	-193'337				-193'337
Personnel expenses	-121'099	-54'592	-175'691				-175'691
Other operating expenses	-46'432	-29'264	-75'696	-1'600			-77'296
Earnings before interest, taxes, depreciation and amortization EBITDA	26'291	19'929	46'220	-4'758	-	-	41'462
Depreciation of tangible fixed assets	-6'529	-2'860	-9'389	-759			-10'148
Depreciation of intangible assets	-1'199	-565	-1'764				-1'764
Ordinary Operating result EBIT	18'563	16'504	35'067	-5'517	-	-	29'550
Financial result	-494	-1'193	-1'687				-1'687
Non-operating result	-	-62	-62				-62
Profit before taxes	18'069	15'249	33'318	-5'517	-	-	27'801
Income tax expenses	-6'955	-1'171	-8'126	1'164			-6'962
Net result	11'114	14'078	25'192	-4'353	-	-	20'839
Thereof:							
Shareholders of the company	11'114	14'078	25'192				20'839
Earnings per share in CHF							
Earnings per share in CHF	3.31	0.71					3.81
Diluted earnings per share in CHF	3.31	0.71					3.81

Pro forma balance sheet as of 31 December 2022

Pro forma balance sheet			Pro forma adjustments				Pro forma
	Starrag Group historical financial information	Tornos Group adjusted historical financial information	Subtotal adjusted historical financial information	Remeasure- ments/ goodwill from acquisition	Adjusted capital structure	Eliminations	financial information
	a)	b)	a) + b)	c)	d)	e)	a)+b)+c)+d)+e)
Assets (CHF 1'000)			31 December 2022				
Cash and cash equivalents	21'482	22'703	44'185				44'185
Receivables from goods and services	98'485	21'311	119'796				119'796
Other receivables	9'321	2'688	12'009				12'009
Inventories	121'784	88'750	210'534	3'158			213'692
Prepaid expenses and accrued income	2'795	2'017	4'812				4'812
Settlement account	-	-	-	23'750	109'362	-133'112	-
Total current assets	253'867	137'469	391'336	26'908	109'362	-133'112	394'494
Tangible fixed assets	77'940	25'643	103'583	18'261			121'844
Intangible assets	2'107	782	2'889				2'889
Financial assets	-	8'314	8'314				8'314
Total non-current assets	80'047	34'739	114'786	18'261	-	-	133'047
Total assets	333'914	172'208	506'122	45'169	109'362	-133'112	527'541
Liabilities (CHF 1'000)							
Financial debts	874	30	904				904
Payables for goods and services	21'696	20'348	42'044				42'044
Other liabilities	13'436	18'990	32'426	1'600			34'026
Provisions	6'606	2'967	9'573				9'573
Accrued expenses and deferred income	107'924	7'502	115'426				115'426
Total current liabilities	150'536	49'837	200'373	1'600	-	-	201'973
Financial debts	500	5'043	5'543				5'543
Provisions	10'398	1'116	11'514	4'519			16'033
Total non-current liabilities	10'898	6'159	17'057	4'519	-	-	21'576
Total liabilities	161'434	55'996	217'430	6'119	-	-	223'549
Share capital	28'560	19'878	48'438		17'728	-19'729	46'437
Additional paid-in capital	50'204	84'783	134'987		90'578	-83'875	141'690
Retained earnings	93'716	12'608	106'324	39'050		-29'508	115'866
Treasury shares	-	-1'057	-1'057		1'057		-
Total shareholders' equity	172'480	116'212	288'692	39'050	109'362	-133'112	303'992
Total liabilities and shareholders' equity	333'914	172'208	506'122	45'169	109'362	-133'112	527'541

Notes to the pro forma financial information of Starrag Group for the year ended 31 December 2022

1. Introduction

Starrag Group Holding AG ("**Starrag**") is a company headquartered in Rorschacherberg, Switzerland, and is listed on the Swiss Reporting Standard of the SIX Swiss Exchange in Zurich. The Starrag group, which consists of Starrag and all its subsidiaries ("**Starrag Group**"), is a technologically leading global manufacturer of precision machine tools for milling, turning, drilling and grinding of workpieces made of metal, composites and ceramics. Its customers include the leading companies in the customer industries Aerospace, Energy, Transportation and Industrial (Industrial Components, Luxury Goods, Med Tech). The portfolio of machine tools combined with extensive technology and services enables customers to make substantial progress in quality and productivity.

Tornos Holding AG ("**Tornos**") is a company headquartered in Moutier, Switzerland, and is listed on the Swiss Reporting Standard of the SIX Swiss Exchange in Zurich. The Tornos group, which consists of Tornos and all of its subsidiaries ("**Tornos Group**"), is engaged in the development, manufacturing, marketing, sale and servicing of machines and related spare parts. The Tornos Group manufactures in Moutier (Switzerland), in Taichung (Taiwan), Xi'an (China) and Milan (Italy) and distributes its product lines worldwide. Outside Switzerland, the Tornos Group distributes its products mainly in Europe, North and South America and Asia.

The extraordinary general meetings of Starrag and Tornos on 29 November 2023 (Starrag) and 30 November 2023 (Tornos), respectively, will have to approve the merger of Starrag (as acquiring company) with Tornos (as acquired company) and the merger agreement dated 25 October 2023 (the "**Merger**").

The Merger is expected to close on 8 December 2023 (the "**Transaction**").

2. Principles of preparation

The unaudited pro forma financial information for the year ended 31 December 2022 (the "**PFFI**") comprises Starrag Group and Tornos Group (together the "**Group**"). This PFFI represents the aggregated financial information of the individual financial statements of those legal entities that were part of the Group as of 31 December 2022.

The PFFI has been prepared solely for the purpose of the Starrag Group Holding AG (to be renamed: StarragTornos Group AG) prospectus dated 7 December 2023 (the "**Prospectus**") and complies with the requirements of the Directive Pro Forma-Financial Information for Trading Admission of SIX Exchange Regulation AG dated 28 June 2023 (entry into force 15 August 2023).

The PFFI has been prepared to present the Transaction as if it had occurred on 1 January 2022 for purposes of the pro forma income statement for the year ended 31 December 2022. In contrast, for purposes of the pro forma balance sheet as of 31 December 2022, the Transaction is presented as if it had occurred on 31 December 2022.

Starrag is identified as the acquiring company in the transaction in accordance with Swiss GAAP FER requirements. The excess of the purchase price paid over the net assets acquired of the Tornos Group is recognized as goodwill. Goodwill is directly offset against equity (retained earnings) at the date of the transaction in accordance with the accounting policy applied by Starrag. Since in past transactions the acquisition-related transaction costs were recognized in the income statement at the time of the transaction, the acquisition-related transaction costs are also recognized in the income statement for the purpose of this PFFI for consistency reasons.

The pro forma adjustments have been made solely for the purpose of preparing the PFFI and are therefore hypothetical. The pro forma adjustments are based on information available at the time of their preparation and certain assumptions that are considered reasonable. These adjustments are disclosed in note 3. Only pro forma adjustments that are objectively reasonable and reliably estimable have been considered. For example, the PFFI does not reflect any restructuring or integration costs that may be incurred in connection with the merger. The PFFI also does not include cost or tax savings that may result from the elimination of certain expenses or from synergies.

The PFFI therefore reflects a hypothetical situation and is for illustrative purposes only. As such the PFFI does not provide any indication of the Group's financial position or results of operations if the transaction had actually occurred at an earlier date. Likewise, it does not give any indication as to the future results of the Group's operations.

There were no material transactions between Starrag Group and Tornos Group in the financial year 2022.

The PFFI is only available in English.

2.1. Historical financial information utilized

The historical financial information in the pro forma presentation is based on the audited consolidated financial statements of Starrag and Tornos for the year ended 31 December 2022, each prepared in accordance with Swiss GAAP FER. The significant valuation principles and accounting policies, except for deferred tax assets, were applied uniformly for both parties and can be found in their respective consolidated financial statements for the year ended 31 December 2022, which are also included in the Prospectus.

The historical financial information of Starrag Group can be found under reference a) in the pro forma income statement and in the pro forma balance sheet.

2.2. Adjustments to Tornos' historical financial information to align with Starrag's presentation and accounting policies

The following notes and tables show the reconciliations of the annual financial statements as of 31 December 2022 of the Tornos Group to the presentation and to the accounting policies of the Starrag Group.

The adjusted historical financial information of the Tornos Group can be found under reference b) in the pro forma income statement and in the pro forma balance sheet.

2.2.1. Income statement

The following reclassifications and adjustments to accounting policies were made in the income statement:

Income statement	CHF 1'000	Adjustments presentation	Explanations	Adjustments accounting policies	Explanations	Tornos Group adjusted historical financial information
Sales revenue	181'435	-		-		181'435
Cost of sales	-111'292	111'292	1)	-		-
Gross profit	70'143	111'292		-		181'435
Marketing and sales	-29'857	29'857	1)	-		-
General and administrative expenses	-16'512	16'512	1)	-		-
Research and development	-6'999	6'999	1)	-		-
Other operating income	411	-		-		411
Other operating expenses	-682	-28'582	1)	-		-29'264
Cost of materials and components	-	-45'232	1)	-		-45'232
Personnel expenses	-	-54'592	1)	-		-54'592
Change in inventory of finished and unfinished goods	-	-32'830	1)	-		-32'830
Operating expenses	-53'639	-107'867		-		-161'506
Earnings before interest, taxes, depreciation and amortization EBITDA	16'504	3'425		-		19'929
Depreciation of tangible fixed assets	-	-2'860	1)	-		-2'860
Depreciation of intangible assets	-	-565	1)	-		-565
Financial income	186	-186	2)	-		-
Financial expense	-158	158	2)	-		-
Exchange result, net	-1'221	1'221	2)	-		-
Financial result	-	-1'193	2)	-		-1'193
Ordinary result	15'311	-		-		15'311
Non-operating result	-62	-		-		-62
Profit before taxes	15'249	-		-		15'249
Income tax expenses	-805	-		-366	10)	-1'171
Net result	14'444	-		-366		14'078
Thereof attributable to shareholders of Tornos Holding AG	14'444	-		-366		14'078
Earnings per share in CHF						
Earnings per share in CHF	0.73					0.71
Diluted earnings per share in CHF	0.73					0.71

In this context, the individual adjustments to presentation and accounting policies were as follows:

- 1) Reclassification of various items due to change from application of function of expense method to nature of expense method;
- 2) Reclassification of income statement items "Financial income" in the amount of thousand Swiss francs ("**TCHF**") 186, "Financial expenses" in the amount of TCHF 158 and "Exchange result, net" in the amount of TCHF 1'221 to "Financial result";
- 10) Decrease in deferred income tax assets on tax loss carryforwards as of 31 December 2022 in the amount of TCHF 366 (for further details on the capitalization of tax loss carryforwards see comment 11 in note 2.2.2.)).

2.2.2. Balance sheet

The following reclassifications and adjustments to accounting policies were made in the balance sheet:

Balance sheet	CHF 1'000 presentation	Adjustments	Explanations	Adjustments		Tornos Group adjusted historical financial information
				accounting policies	Explanations	
Cash and cash equivalents	22'703	-	-	-	-	22'703
Receivables from goods and services	21'311	-	-	-	-	21'311
Inventories	88'180	570	3)	-	-	88'750
Other receivables	2'688	-	-	-	-	2'688
Prepaid expenses and accrued income	2'781	-764	3) / 4)	-	-	2'017
Total current assets	137'663	-194				137'469
Tangible fixed assets	25'449	194	4)	-	-	25'643
Intangible assets	782	-	-	-	-	782
Deferred tax assets	461	-461	5)	-	-	-
Financial assets	-	461	5)	7'853	10) / 11)	8'314
Total non-current assets	26'692	194		7'853		34'739
Total assets	164'355	-		7'853		172'208
Financial debts	30	-	-	-	-	30
Payables for goods and services	20'348	-	-	-	-	20'348
Current tax liabilities	423	-423	6)	-	-	-
Other liabilities	18'990	-	-	-	-	18'990
Accrued expenses and deferred income	7'079	423	6)	-	-	7'502
Provisions	2'967	-	-	-	-	2'967
Total current liabilities	49'837	-				49'837
Financial debts	5'043	-	-	-	-	5'043
Retirement benefit obligations	1'071	-1'071	7)	-	-	-
Provisions	-	1'116	7) / 8)	-	-	1'116
Deferred tax liabilities	45	-45	8)	-	-	-
Total non-current liabilities	6'159	-				6'159
Total liabilities	55'996	-				55'996
Share capital	19'878	-	-	-	-	19'878
Additional paid-in capital	84'783	-	-	-	-	84'783
Treasury shares	-1'057	-	-	-	-	-1'057
Retained earnings	-8'173	-1'516	9)	8'219	11)	-1'470
Currency translation adjustments	-1'516	1'516	9)	-	-	-
Net result	14'444	-	-	-366	10)	14'078
Total shareholders' equity	108'359	-		7'853		116'212
Total liabilities and shareholders' equity	164'355	-		7'853		172'208

In this context, the individual adjustments to presentation and accounting policies were as follows:

- 3) Reclassification of prepayments for inventories in the amount of TCHF 570 from "Prepaid expenses and accrued income" to "Inventories";
- 4) Reclassification of prepayments for tangible fixed assets in the amount of TCHF 194 from "Prepaid expenses and accrued income" to "Tangible fixed assets";
- 5) Reclassification of deferred tax assets in the amount of TCHF 461 from "Deferred tax assets" to "Financial assets";
- 6) Reclassification of accruals for current income taxes of the closed fiscal year in the amount of TCHF 423 from "Current tax liabilities" to "Accrued expenses and deferred income";
- 7) Reclassification of pension obligations in the amount of TCHF 1'071 from "Retirement benefit obligations" to "Provisions" (non-current);
- 8) Reclassification of deferred tax liabilities in the amount of TCHF 45 from "Deferred tax liabilities" to "Provisions" (non-current);
- 9) Reclassification of translation differences in the amount of TCHF 1'516 from "Currency translation adjustments" to "Retained earnings";
- 10) Decrease in deferred income tax assets on tax loss carryforwards as of 31 December 2022 in the amount of TCHF 366 (for further details on the capitalization of tax loss carryforwards see note under comment 11));
- 11) Recognition of deferred tax assets on tax loss carryforwards as of 1 January 2022 in the amount of TCHF 8'219.

Tornos decided for its consolidated financial statements not to capitalize tax loss carryforwards. According to Starrag's accounting policies tax loss carryforwards are capitalized and therefore the previously unrecognized tax loss carryforwards of Tornos were recognized in this PFFI. The decrease in tax loss carryforwards from the Tornos Group

recognized for the PFFI from 1 January 2022 to 31 December 2022 was recognized in the income statement.

3. Pro forma adjustments

The following references c) - e) refer to the pro forma income statement and the pro forma balance sheet.

c) Remeasurements/goodwill from acquisition

Pro forma balance sheet

Under the purchase method of accounting, goodwill is defined as the excess of the consideration transferred over the fair value of the previously recognized net assets at the date of acquisition. As the fair value of the net assets of the Tornos Group exceeds the consideration transferred, the transaction results in negative goodwill for PFFI purposes.

The negative goodwill is calculated as follows:

Derivation of negative goodwill	TCHF
Purchase price	109'362
Net assets Tornos Group as of 31 December 2022	133'112
Negative goodwill	-23'750

The purchase price of CHF 109'362 corresponds to the market value of the newly issued shares (see "d) Adjusted capital structure").

For the purpose of the PFFI, acquisition-related transaction costs in the amount of TCHF 1'600 are assumed, which were recognized directly against retained earnings in the pro forma balance sheet with a corresponding offsetting entry in other liabilities.

The net assets of the Tornos Group measured at current values in the amount of TCHF 133'112 result from:

- Net assets according to adjusted historical financial information in the amount of TCHF 116'212 (see note 2.2.2., "Total shareholders' equity");
- Remeasurements of inventories amounting to TCHF 3'158 and tangible fixed assets amounting to TCHF 18'261 after deduction of deferred tax effects (as part of non-current provisions) amounting to TCHF 4'519 - Total effect of remeasurements TCHF 16'900

For the calculation of deferred tax effects, a weighted income tax rate of 21.1% was used as a large part of the revaluations relates to assets in Moutier.

The negative goodwill in the amount of TCHF 23'750 was directly offset against equity (retained earnings) at the time of the transaction in accordance with the accounting policies applied by Starrag.

Pro forma income statement

On the pro forma income statement, the remeasurements described above have the following effects:

- Remeasurement of inventories: As the remeasured inventories are work in progress and finished goods an inventory reach of one year was assumed for the remeasured inventories for the purpose of the pro forma income statement. As a result, the remeasurement of inventories of TCHF 3'158 was fully expensed in the pro forma income statement. In contrast, deferred tax income of TCHF 666 was recognized in "Income tax expenses".

- Remeasurement of tangible fixed assets: For the purpose of the pro forma income statement it was assumed that the remeasured tangible fixed assets were already depreciated for one year based on the useful life determined by Starrag. This results in pro forma depreciation of TCHF 759 in "Depreciation of tangible fixed assets". In contrast, deferred tax income of TCHF 160 was recognized in "Income tax expenses".
- In the pro forma income statement, the acquisition-related transaction costs of TCHF 1'600 were recognized in "Other operating expenses". In contrast, deferred tax income of TCHF 338 were recognized in "Income tax expenses".

d) Adjusted capital structure

Planned adjustments to the capital structure

In order to complete the merger, the Board of Directors of Starrag proposes the following to the general meeting of shareholders on 29 November 2023: The share capital of Starrag shall be increased by TCHF 17'877 from TCHF 28'560 to TCHF 46'437 by issuing 2'103'121 fully paid-in new shares ("New Shares") with a nominal value of CHF 8.50, excluding the subscription rights of the existing shareholders of Starrag. The New Shares will be created for the exchange of the existing registered shares of Tornos in accordance with the exchange ratio set forth in the merger agreement (according to the merger agreement 1 registered share of Tornos corresponds to 0.1059 registered shares of Starrag). 19'859'502 registered shares of Tornos with a par value of CHF 1.00 will be exchanged for 2'103'121 New Shares with a par value of CHF 8.50. The exchange of the Tornos shares into New Shares and the book-entry delivery of the 2'103'121 New Shares as intermediated securities is expected to take place on 8 December 2023. The capital increase amount will be paid by the surplus of assets resulting from the transfer of all net assets of Tornos to Starrag. In the case of shareholders of Tornos for whose participation no whole number of Starrag shares results according to the exchange ratio, Starrag will take over the corresponding fractions of a Starrag share against a payment in cash corresponding to the value of the corresponding fraction, valued at the volume weighted average price of the Starrag share on the SIX Swiss Exchange over the five trading days leading up to the registration of the merger in the commercial register, multiplied by the respective fraction (fraction adjustment). The fraction adjustment is not included in the PFFI.

Reflection of adjusted capital structure in PFFI

For the purpose of illustration in the PFFI, the 19'877'671 registered shares of Tornos with a par value of CHF 1.00 were adjusted by the treasury shares as of 30.06.2023 (18'169) to reflect the above described planned adjustments to the capital structure most appropriately. Therefore, 19'859'502 Tornos shares with a nominal value of CHF 1.00, corresponding to 2'103'121 Starrag shares with a nominal value of CHF 8.50 by applying the exchange ratio of 0.1059, were used in the PFFI to calculate the capital increase.

As part of the transaction-related pro forma adjustments, the capital increase is valued at the current values of the New Shares. For the purpose of illustration in the PFFI, the closing price of the Starrag share as of 30 September 2023 of CHF 52 is used. As the goodwill is directly offset against equity, this has no impact on the balance sheet, income statement or earnings per share.

As of 30 September 2023, the closing price of the Starrag share was CHF 52, resulting in a total capital increase of TCHF 109'362 (thereof TCHF 17'877 share capital and TCHF 91'486 additional paid-in capital). The capital increase is carried out via the technical "settlement account", which is again eliminated in the following transaction-related pro forma adjustment.

As part of the transaction, it was decided to phase out the existing Management and Board Participation Plan ("**MBP07**") of Tornos. This means that the options already granted will remain in place, but no new options will be issued under the MBP07 in the future. The MBP07 granted options, with one Tornos share granted per option. The decision to let the MBP07 expire has the consequence that the treasury

shares of Tornos will be cancelled and the MBP07 will be serviced with shares of Starrag in the future. For the purpose of the PFFI it is therefore assumed that all treasury shares of Tornos will be cancelled at year-end 31 December 2022 (TCHF 1'057). This results in a reduction of "Share capital" in the amount of TCHF 149 and a reduction of "Additional paid-in capital" in the amount of TCHF 908.

In total, the above effects result in an adjustment of TCHF 17'728 in share capital, TCHF 90'578 in additional paid-in capital and TCHF 1'057 in treasury shares.

e) Eliminations

The technical "Settlement account" is fully eliminated against equity as part of the capital consolidation. As of 31 December 2022, shareholders' equity of TCHF 303'992 remains in the pro forma balance sheet. The pro forma shareholders' equity is composed as follows:

- Share capital in the amount of TCHF 46'437, consisting of the historical share capital of Starrag in the amount of TCHF 28'560 plus the newly created share capital in the amount of TCHF 17'877 (see "d) Adjusted capital structure");
- Additional paid-in capital in the amount of TCHF 141'690, consisting of the historical capital reserves of Starrag Group in the amount of TCHF 50'204 plus the newly created capital reserves in the amount of TCHF 91'486 (see "d) Adjusted capital structure");
- Retained earnings in the amount of TCHF 115'866, consisting of the historical retained earnings of Starrag Group in the amount of TCHF 93'716 plus the offset of the negative goodwill from the transaction in the amount of TCHF 23'750 less the transaction costs of TCHF 1'600 recognized in retained earnings (see "3c) Revaluations/goodwill from acquisition").

4. Further information

Earnings per share

The PFFI assumes an increase in the number of shares in connection with the capital increase of Starrag as of 1 January 2022 by 2'103'121 registered shares from formerly 3'360'000 to newly 5'463'121 shares, with a nominal value per share of CHF 8.50. As this capital increase is assumed for the purpose of calculating earnings per share in this PFFI as of 1 January 2022, the new number of shares corresponds to the average time-weighted number of shares outstanding for the financial year 2022.

For the calculation of diluted earnings per share, the existing options from MBP07 as of 31 December 2022 are taken into account, whereby the intended share exchange ratio (1 registered share of Tornos corresponds to 0.1059 registered shares of Starrag) is taken into account in the adjustment for the options according to note 28.2 of the consolidated financial statements of Tornos as of 31 December 2022.

Derivation of basic earnings per share	2022
Net result attributable to shareholders of the company (in TCHF)	20'839
Average time-weighted number of shares outstanding (units) for earnings per share	5'463'121
Basic earnings per share in CHF	3.81

Derivation of diluted earnings per share	2022
Net result attributable to shareholders of the company (in TCHF)	20'839
Average time-weighted number of shares outstanding (units) for basic earnings per share	5'463'121
Adjustment for options	3'032
Average time-weighted number of shares outstanding (units) for diluted earnings per share	5'466'153
Diluted earnings per share in CHF	3.81