



TORNOS

Pro forma financial information of Starrag
Group Holding AG (to be renamed:
StarragTornos Group AG) for the six-
month period ended 30 June 2023

Unaudited pro forma financial information

Pro forma income statement from 1 January to 30 June 2023

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 2023 - 30 June 2023						
Sales revenue	199'878	95'727	295'605				295'605
Other operating income	1'396	229	1'625				1'625
Change in inventory of finished and unfinished goods	7'062	-2'793	4'269	-1'734			2'535
Cost of materials and components	-98'674	-38'659	-137'333				-137'333
Personnel expenses	-65'879	-29'556	-95'435				-95'435
Other operating expenses	-24'692	-15'412	-40'104	-1'600			-41'704
Earnings before interest, taxes, depreciation and amortization EBITDA	19'091	9'536	28'627	-3'334	-	-	25'293
Depreciation of tangible fixed assets	-3'061	-1'240	-4'301	-386			-4'687
Depreciation of intangible assets	-604	-261	-865				-865
Ordinary Operating result EBIT	15'426	8'035	23'461	-3'720	-	-	19'741
Financial result	-446	-1'238	-1'684				-1'684
Non-operating result	-	-43	-43				-43
Profit before taxes	14'980	6'754	21'734	-3'720	-	-	18'014
Income tax expenses	-1'364	-2'078	-3'442	785			-2'657
Net result	13'616	4'676	18'292	-2'935	-	-	15'357
Thereof:							
Shareholders of the company	13'616	4'676	18'292				15'357
Earnings per share in CHF							
Earnings per share in CHF	4.05	0.24					2.81
Diluted earnings per share in CHF	4.05	0.24					2.81

Pro forma balance sheet as of 30 June 2023

Pro forma balance sheet				Pro forma adjustments			
	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	Pro forma financial information
	a)	b)	a) + b)	c)	d)	e)	a)+b)+c)+d)+e)
Assets (CHF 1'000)				30 June 2023			
Cash and cash equivalents	25'964	14'042	40'006				40'006
Receivables from goods and services	112'338	23'404	135'742				135'742
Other receivables	9'227	2'945	12'172				12'172
Inventories	127'692	94'074	221'766	3'468			225'234
Prepaid expenses and accrued income	3'629	1'538	5'167				5'167
Settlement account	-	-	-	23'814	109'362	-133'176	-
Total current assets	278'850	136'003	414'853	27'282	109'362	-133'176	418'321
Tangible fixed assets	77'982	29'316	107'298	18'689			125'987
Intangible assets	1'758	897	2'655				2'655
Financial assets	-	6'752	6'752				6'752
Total non-current assets	79'740	36'965	116'705	18'689	-	-	135'394
Total assets	358'590	172'968	531'558	45'971	109'362	-133'176	553'715
Liabilities (CHF 1'000)							
Financial debts	38'528	5'021	43'549				43'549
Payables for goods and services	15'843	18'205	34'048				34'048
Other liabilities	13'651	12'884	26'535	1'600			28'135
Provisions	6'292	2'328	8'620				8'620
Accrued expenses and deferred income	94'413	9'506	103'919				103'919
Total current liabilities	168'727	47'944	216'671	1'600	-	-	218'271
Financial debts	521	8'301	8'822				8'822
Provisions	10'640	1'029	11'669	4'675			16'344
Total non-current liabilities	11'161	9'330	20'491	4'675	-	-	25'166
Total liabilities	179'888	57'274	237'162	6'275	-	-	243'437
Share capital	28'560	19'878	48'438		17'859	-19'860	46'437
Additional paid-in capital	46'844	78'726	125'570		91'375	-78'615	138'330
Retained earnings	103'298	17'219	120'517	39'696		-34'701	125'512
Treasury shares	-	-129	-129		129		-
Total shareholders' equity	178'702	115'694	294'396	39'696	109'362	-133'176	310'278
Total liabilities and shareholders' equity	358'590	172'968	531'558	45'971	109'362	-133'176	553'715

Notes to the pro forma financial information of Starrag Group for the six-month period ended 30 June 2023

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 six-month period ended 30 June 2023 (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 at 30 June 2023.

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 2023 for purposes of the pro forma income statement for the reporting period ended 30 June 2023. In contrast, for purposes of the pro forma balance sheet as of 30 June 2023, the Transaction is presented as if it had occurred on 30 June 2023.

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 six-month period ended 30 June 2023.

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 unaudited interim consolidated financial statements of Starrag and Tornos for the six months ended 30 June 2023, each prepared in accordance with Swiss GAAP FER 31. 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 half year figures as of 30 June 2023 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	95'727	-		-		95'727
Cost of sales	-58'944	58'944	1)	-		-
Gross profit	36'783	58'944		-		95'727
Marketing and sales	-16'802	16'802	1)	-		-
General and administrative expenses	-8'609	8'609	1)	-		-
Research and development	-3'485	3'485	1)	-		-
Other operating income	229	-		-		229
Other operating expenses	-81	-15'331	1)	-		-15'412
Cost of materials and components	-	-38'659	1)	-		-38'659
Personnel expenses	-	-29'556	1)	-		-29'556
Change in inventory of finished and unfinished goods	-	-2'793	1)	-		-2'793
Operating expenses	-28'748	-57'443		-		-86'191
Earnings before interest, taxes, depreciation and amortization EBITDA	8'035	1'501		-		9'536
Depreciation of tangible fixed assets	-	-1'240	1)	-		-1'240
Depreciation of intangible assets	-	-261	1)	-		-261
Financial income	40	-40	2)	-		-
Financial expense	-47	47	2)	-		-
Exchange result, net	-1'231	1'231	2)	-		-
Financial result	-	-1'238	2)	-		-1'238
Ordinary result	6'797	-1'501		-		6'797
Non-operating result	-43	-		-		-43
Profit before taxes	6'754	-1'501		-		6'754
Income tax expenses	-531	-		-1'547	9)	-2'078
Net result	6'223	-		-1'547		4'676
Thereof attributable to shareholders of Tornos Holding AG	6'223	-		-1'547		4'676
Earnings per share in CHF						
Earnings per share in CHF	0.32					0.24
Diluted earnings per share in CHF	0.32					0.24

In this context, the individual adjustments to presentation and accounting policies are 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") 40, "Financial expenses" in the amount of TCHF 47 and "Exchange result, net" in the amount of TCHF 1'231 to "Financial result";
- 9) Decrease in deferred income tax assets on tax loss carryforwards as of 30 June 2023 in the amount of TCHF 1'547 (for further details on the capitalization of tax loss carryforwards see comment 10 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	Adjustments presentation	Explanations	Adjustments accounting policies		Tornos Group adjusted historical financial information
				Explanations		
Cash and cash equivalents	14'042	-	-	-	-	14'042
Receivables from goods and services	23'404	-	-	-	-	23'404
Inventories	93'744	330	3)	-	-	94'074
Other receivables	2'945	-	-	-	-	2'945
Prepaid expenses and accrued income	1'868	-330	3)	-	-	1'538
Total current assets	136'003	-	-	-	-	136'003
Tangible fixed assets	29'316	-	-	-	-	29'316
Intangible assets	897	-	-	-	-	897
Deferred tax assets	446	-446	4)	-	-	-
Financial assets	-	446	4)	6'306	8) / 9)	6'752
Total non-current assets	30'659	-	-	6'306	-	36'965
Total assets	166'662	-	-	6'306	-	172'968
Financial debts	5'021	-	-	-	-	5'021
Payables for goods and services	18'205	-	-	-	-	18'205
Current tax liabilities	536	-536	5)	-	-	-
Other liabilities	12'884	-	-	-	-	12'884
Accrued expenses and deferred income	8'970	536	5)	-	-	9'506
Provisions	2'328	-	-	-	-	2'328
Total current liabilities	47'944	-	-	-	-	47'944
Financial debts	8'301	-	-	-	-	8'301
Retirement benefit obligations	1'021	-1'021	6)	-	-	-
Provisions	-	1'029	6) / 7)	-	-	1'029
Deferred tax liabilities	8	-8	7)	-	-	-
Total non-current liabilities	9'330	-	-	-	-	9'330
Total liabilities	57'274	-	-	-	-	57'274
Share capital	19'878	-	-	-	-	19'878
Additional paid-in capital	78'726	-	-	-	-	78'726
Treasury shares	-129	-	-	-	-	-129
Retained earnings	6'546	-1'856	8)	7'853	10)	12'543
Currency translation adjustments	-1'856	1'856	8)	-	-	-
Net result	6'223	-	-	-1'547	9)	4'676
Total shareholders' equity	109'388	-	-	6'306	-	115'694
Total liabilities and shareholders' equity	166'662	-	-	6'306	-	172'968

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 330 from "Prepaid expenses and accrued income" to "Inventories";
- 4) Reclassification of deferred tax assets in the amount of TCHF 446 from "Deferred tax assets" to "Financial assets";
- 5) Reclassification of accruals for current income taxes of the closed fiscal year in the amount of TCHF 536 from "Current tax liabilities" to "Accrued expenses and deferred income";
- 6) Reclassification of pension obligations in the amount of TCHF 1'021 from "Retirement benefit obligations" to "Provisions" (non-current);
- 7) Reclassification of deferred tax liabilities in the amount of TCHF 8 from "Deferred tax liabilities" to "Provisions" (non-current);
- 8) Reclassification of translation differences in the amount of TCHF 1'856 from "Currency translation adjustments" to "Retained earnings";
- 9) Decrease in deferred income tax assets on tax loss carryforwards as of 30 June 2023 in the amount of TCHF 1'547 (for further details on the capitalization of tax loss carryforwards see note under comment 10));
- 10) Recognition of deferred tax assets on tax loss carryforwards as of 1 January 2023 in the amount of TCHF 7'853.

Tornos decided for its consolidated financial statements not to capitalize the 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 2023 to 30 June 2023 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 30 June 2023	133'176
Negative goodwill	-23'814

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 133'176 result from:

- Net assets according to adjusted historical financial information in the amount of TCHF 115'694 (see note 2.2.2., "Total shareholders' equity");
- Remeasurements of inventories amounting to TCHF 3'468 and tangible fixed assets amounting to TCHF 18'689 after deduction of deferred tax effects (as part of non-current provisions) amounting to TCHF 4'675 - Total effect of remeasurements TCHF 17'482.

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 23'814 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, half of the remeasurement of inventories of TCHF 3'468 was expensed in the pro forma income statement. In contrast, deferred tax income of TCHF 366 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 a half year based on the useful life determined by Starrag. This results in pro forma depreciation of

TCHF 386 in "Depreciation of tangible fixed assets". In contrast, deferred tax income of TCHF 82 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 30 June 2023 (TCHF 129). This results in a reduction of "Share capital" in the amount of TCHF 18 and a reduction of "Additional paid-in capital" in the amount of TCHF 111.

In total, the above effects result in an adjustment of TCHF 17'859 in share capital, TCHF 91'375 in additional paid-in capital and TCHF 129 in treasury shares.

e) Eliminations

The technical "Settlement account" is fully eliminated against equity as part of the capital consolidation. As of 30 June 2023, shareholders' equity of TCHF 310'278 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 138'330, consisting of the historical capital reserves of Starrag Group in the amount of TCHF 46,844 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 125'512, consisting of the historical retained earnings of Starrag Group in the amount of TCHF 103'298 plus the offset of the negative goodwill from the transaction in the amount of TCHF 23'814 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 2023 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 in this PFFI as of 1 January 2023, the new number of shares corresponds to the average time-weighted number of shares outstanding for the first half of 2023.

For the calculation of diluted earnings per share, the existing options from MBP07 existing as of 30 June 2023 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 for the year ended 31 December 2022.

Derivation of basic earnings per share	First half year 2023
Net result attributable to shareholders of the company (in TCHF)	15'357
Average time-weighted number of shares outstanding (units) for earnings per share	5'463'121
Basic earnings per share in CHF	2.81

Derivation of diluted earnings per share	First half year 2023
Net result attributable to shareholders of the company (in TCHF)	15'357
Average time-weighted number of shares outstanding (units) for basic earnings per share	5'463'121
Adjustment for options	805
Average time-weighted number of shares outstanding (units) for diluted earnings per share	5'463'926
Diluted earnings per share in CHF	2.81