



# Annual Report 2023

## Impressum

### Forward-looking statements

The present Annual Report contains forward-looking statements in relation to the StarragTornos Group which are based on current assumptions and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated.

The StarragTornos 2023 Annual Report is published in English only.

An online version is also available, see: [report.starragtornos.com](https://report.starragtornos.com)

### Responsible for contents

StarragTornos Group AG,  
Rorschacherberg, Switzerland

### Concept

Zoebeli Communications AG,  
Bern, Switzerland

### Design

Luidspreker – Creative Studio,  
Venlo, Netherlands

# StarragTornos Group

## Competent, focused, dynamic, and successful in partnership

**StarragTornos Group** is one of the world's leading suppliers in the machine tool industry. In its two divisions, Starrag and Tornos, the Group develops, manufactures, and distributes precision machine tools for milling, turning, boring, grinding, and complete machining of workpieces made of metal, composite materials, and ceramics.

StarragTornos' customers include leading companies in the medical and dental technology, luxury goods, aerospace, energy, and transportation industries. In addition to its machine tool portfolio, StarragTornos Group offers comprehensive technology and after-sales services. StarragTornos Group employs a total of around 2,000 people.

The Group's headquarters are located in Rorschacherberg (Switzerland). StarragTornos Group operates sales and service, production and development sites in Switzerland, Germany, France, Italy, Spain, Poland, the UK, the USA, Mexico, Brazil, China, Thailand, the Taiwan region, and India. The Group also has sales and service companies in all major customers' countries. StarragTornos Group AG is listed on SIX Swiss Exchange (ticker symbol STGN, security number 236106, ISIN CH0002361068).



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# Key Figures

	CHF 1 000	Pro forma <sup>4)</sup>			Annual Financial Statements <sup>5)</sup>		
		2023	2022	Change (%)	2023	2022	Change (%)
Order intake <sup>2)</sup>		528 700	589 900	-10.4%	392 185	395 802	-0.9%
Net sales		564 693	499 000	13.2%	409 000	317 592	28.8%
EBITDA <sup>2)</sup>		56 912	41 500	37.1%	43 491	26 291	65.4%
as % of net sales		10.1%	8.3%		10.6%	8.3%	
EBIT <sup>2)</sup>		46 410	29 600	56.8%	35 686	18 563	92.2%
as % of net sales		8.2%	5.9%		8.7%	5.8%	
Net profit		32 439	20 800	56.0%	25 176	11 114	126.5%
as % of net sales		5.7%	4.2%		6.2%	3.5%	
Cash flow from operating activities		n/a	n/a	n/a	22 439	12 316	82.2%
Cash flow from investing activities		n/a	n/a	n/a	5 755	-5 944	n/a
Free cash flow <sup>2)</sup>		n/a	n/a	n/a	28 194	6 372	342.5%
		31.12.2023 <sup>4)</sup>	31.12.2022 <sup>4)</sup>		31.12.2023 <sup>5)</sup>	31.12.2022 <sup>6)</sup>	
Order backlog <sup>2)</sup>		340 792	395 346	-13.8%	340 792	326 953	4.2%
Net liquidity		n/a	n/a	n/a	19 831	20 108	-1.4%
Total equity		n/a	n/a	n/a	316 310	172 480	83.4%
as % of balance sheet		n/a	n/a		57.8%	50.8%	
Total balance sheet		n/a	n/a	n/a	547 186	339 458	61.2%
Employees (full-time equivalents) <sup>3)</sup>		n/a	n/a	n/a	1 974	1 280	54.2%
<b>Selected key figures per share</b>							
Net profit (CHF)		n/a	n/a	n/a	7.21	3.31	117.8%
Dividend		n/a	n/a	n/a	2.50 <sup>7)</sup>	2.00	25.0%
Payout ratio %		n/a	n/a	n/a	34.7%	60.4%	-42.6%
P/E ratio on December 31		n/a	n/a	n/a	6.88	15.41	-55.4%

<sup>1)</sup> Where not otherwise specified

<sup>2)</sup> Non-GAAP financial measure, refer to page 125

<sup>3)</sup> Excluding apprentices and interns

<sup>4)</sup> Pro forma consolidated key figures, representing 12 months of Starrag Group and Tornos Group

<sup>5)</sup> 2023 consolidated financial key figures, representing 12 months of Starrag Group, 1 month of Tornos Group

<sup>6)</sup> 2022 financial key figures, representing 12 months of Starrag Group

<sup>7)</sup> Proposed by the Board of Directors



# Letter to Shareholders

## StarragTornos records year-on-year increase in sales and leap in profits on a pro forma basis

### Dear Shareholders,

Following the successful merger of Starrag and Tornos to form the StarragTornos Group in December 2023, we are delighted to present to you today the first Annual Report for our new Group. We are very pleased that the shareholders of Starrag and Tornos approved the merger by an overwhelming majority at the end of November 2023 and that we will now together be shaping the future of the global metal-cutting machine tool industry as the StarragTornos Group. Since the fusion was technically an absorption merger, the annual figures of Starrag are consolidated with the results of Tornos for the month of December 2023 in the financial report from page 120 onwards (12 months of Starrag Group plus 1 month of Tornos Group).

To give you a realistic picture of the overall development of the StarragTornos Group with the two divisions Starrag and Tornos, you will also find the pro forma figures for StarragTornos on an annual basis for 2023 and 2022 in the first part of this report (12 months of Starrag Group plus 12 months of Tornos Group). These show a significant increase in sales and a leap in profit.

Compared to the previous year, and based on the pro forma figures, StarragTornos increased net sales by 13.2% to CHF 564.7 million, EBIT\* by an impressive 56.8% to CHF 46.4 million and net profit by 56.0% from CHF 20.8 million to CHF 32.4 million. The EBIT margin rose from 5.9% to 8.2%. Substantial growth was achieved by the Group in

2023 in the Aerospace and Transportation market segments (especially Truck & Bus) as well as in the service and spare parts business. After both Starrag and Tornos posted outstanding order backlogs at the end of 2022, the StarragTornos Group reported a consolidated order backlog\* of CHF 340.8 million on a pro forma basis at the end of 2023 (previous year: CHF 395.3 million).

### Starrag division

The pleasing further improvement in Starrag's profitability is due on the one hand to the structural cost reductions implemented in 2021 and the resulting lower cost base. On the other, Starrag was able to process the high order backlog efficiently and profitably throughout the year.

In its target market Aerospace, Starrag was able to achieve the highest sales volume in 2023. It also made significant gains in the Transportation target market, especially in the Truck & Bus segment. The Energy target market, on the other hand, was characterized by significantly lower demand.

At Starrag, the Bumotec high-precision machines (191 neo and S1000c) for the production of small workpieces for watches, jewelry, medical technology, and micromechanics were in particularly high demand. Starrag also made significant gains with the ECOSPEED line, and especially with the new Starrag STC 1250HD which was developed for machining complex structural titanium parts for the Aerospace industry.



# The successful merger to form the StarragTornos Group offers us the opportunity to significantly increase our market presence worldwide.

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Another success story is the new Heckert H75 and H85 which are perfectly tailored to the needs of the demanding agricultural machinery market.

## **Tornos division**

In terms of new investments on the customer side, Tornos noticed a great deal of uncertainty in some sales markets, which was reflected in various project postponements.

In 2023 Industrial was the largest target market for Tornos. This includes the Electronics market segment and the job shops, which themselves serve other Tornos target markets on a larger scale. The Industrial target market was followed by MedTech & Dental and Luxury Goods. In general, Tornos' dependence on the automotive industry has decreased massively over the past few years. In 2023, Tornos generated only around 10% of its net sales in this sector.

The SwissNano Swiss-type automatic lathe produced in Switzerland continued to enjoy good demand in 2023, while the MultiSwiss multispindle machines were most affected by project postponements. It is pleasing to note that MultiSwiss machines are also increasingly in demand outside the automotive industry.

For the machines produced by Tornos in the Taiwan region and in China, demand was slightly lower in 2023 than in the previous year.

## **Service business expanded further**

Starrag's and Tornos' service business continued to perform well in 2023, with sales in this area rising by 6.8% compared with 2022 on a pro forma basis. This business now accounts for 24.1% of total net sales at StarragTornos.

## **Growing sustainable**

Over the past few weeks, following the successful merger of Starrag and Tornos to form the StarragTornos Group, we have integrated the existing sustainability programs of Starrag and Tornos into a joint program called Growing sustainable. This is the beginning of a holistic approach to our Group's environmental, social, and governance initiatives, providing a fundamental framework for ongoing development and impactful activities. Together, we want to shape a sustainable future. Detailed information on this can be found in the StarragTornos Sustainability Report, which is an integral part of this Annual Report (pages 46 to 81).

\* Non-GAAP financial measure, refer to page 125



### **Board of Directors and Executive Board**

In the course of the merger between Starrag and Tornos, in addition to the elected members of the Board of Directors of Starrag Group Holding AG, the members of the Board of Directors of Tornos Holding AG were elected to the Board of Directors of StarragTornos Group AG at the Extraordinary General Meeting of Starrag Group Holding AG on November 29, 2023: François Frôté, Till Fust, and Michel Rollier. The Executive Board of the new StarragTornos Group has been composed as follows: Michael Hauser (CEO), Stéphane Pittet (CFO), Martin Buyle (Division CEO Starrag) and Jens Thing (Division CEO Tornos).

### **Distribution to shareholders**

At the General Meeting on April 20, 2024, the Board of Directors will propose to the shareholders a dividend of CHF 2.50 per share, which corresponds to a payout ratio of 34.7%.

#### **Michael Hauser**

Chairman of the Board of Directors and  
Chief Executive Officer

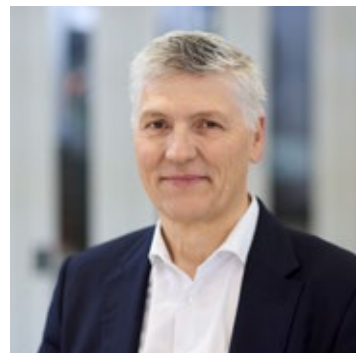
Rorschacherberg, March 2024

### **Outlook**

In view of our good order backlog and the promising prospects offered by the merger between Starrag and Tornos, we are very well positioned for 2024. However, it is difficult to make specific forecasts due to the fact that global economic developments remain unpredictable. The ongoing war in Ukraine and the numerous political and social conflicts and unrest in other regions bring with them many uncertainties. This also includes inflationary and recessionary trends in various sales regions. However, the successful merger to form the StarragTornos Group offers us the opportunity to significantly increase our market presence worldwide and further expand attractive customer segments.

### **Thanks**

The Board of Directors and the Executive Board would like to thank our employees at all locations for their great commitment over the past financial year. Many thanks also go to our customers and suppliers for their excellent cooperation during the past year. And in particular, we would like to thank you, our shareholders, whose generous trust and support at the end of last year made the merger of Starrag and Tornos possible in the first place.







# The Year 2023 at a Glance

The shareholders of Starrag and Tornos approved the merger to form the StarragTornos Group by an overwhelming majority at the end of November 2023.

Consolidated pro forma figures show **an increase in sales and leap in profits**

↗ **13.2%**

**Net sales** up from CHF 499.0 million to CHF 564.7 million

↗ **56.8%**

**EBIT\*** from CHF 29.6 million to CHF 46.4 million

**CHF 340.8 m**

**Order backlog\*** at the end of the year at a high level

↗ **56.0%**

**Net profit** up from CHF 20.8 million to CHF 32.4 million

**CHF 2.50**

**Dividend** per share, proposed by the Board of Directors at AGM 2024

\* Non-GAAP financial measure, refer to page 125



# Strategy Report

## Shaping the future of the global metal-cutting machine tool industry

The successful merger of Starrag and Tornos in December 2023 offers promising prospects for all stakeholders of the StarragTornos Group: customers will benefit from technical innovations, new products, and expanded services, employees will gain new opportunities for personal development, and shareholders will enjoy an excellent foundation for sustainable shareholder value.

### The StarragTornos vision

The StarragTornos Group AG is a strong group of companies that play a key role in shaping the future of the global metal-cutting machine tool industry—innovative, customer-oriented, sustainable, and economically successful.

### The StarragTornos way

As a leading manufacturer of highly productive and sustainable comprehensive solutions for precision machine tools, StarragTornos is a preferred partner of internationally active companies in the Aerospace, MedTech & Dental, Luxury Goods, Energy, Transportation, and Industrial sectors. It offers a wide range of high-end precision machine tools, which includes the most up-to-date technologies and services, and generates significant, lasting quality and productivity gains for customers.

### Megatrends offer excellent development opportunities

Megatrends are changing the world. They affect all levels of society and also influence StarragTornos in all its business activities. Megatrends that are particularly relevant for StarragTornos are **climate change, urbanization, demographic change, and the increasing global demand for mobility**. All these trends offer StarragTornos excellent development opportunities.

## Cornerstones of the StarragTornos Strategy

### 1 - Customer and Market-oriented Innovation

The technologies and solutions of Starrag and Tornos are “Rooted in Switzerland” and world-leading. The combination of this technical expertise in the field of precision machine tools and complementary technologies provides StarragTornos with an excellent basis for customer and market-oriented innovations and technological progress.

In our development activities, we work closely with our customers as well as with leading technical universities and research institutes. We systematically modularize our products in order to extend the possible applications of the existing machine series to other market segments. Thanks to StarragTornos’ core expertise in entire machining systems – from software development to application and system integration through to after-sales service – we create added value for our customers.



## 2 - Worldwide Geographical Presence

StarragTornos operates sales and service, production, and research and development centers in Switzerland, Germany, France, Italy, Spain, Poland, the UK, the USA, Mexico, Brazil, China, Thailand, the Taiwan region, and India. Our international customers value short and direct communication channels. Our experienced local sales, application, and service specialists are familiar with local cultures and customs, and are able to respond quickly. Our integrated global logistics system with optimized transport routes and decentralized spare parts warehouses ensures a fast and efficient supply of parts.

## 3 - Comprehensive Services

Meeting customer needs with foresight—with its enlarged product range, StarragTornos is addressing the diverse needs and opportunities of its customers on a much broader basis. However, services are also becoming more and more important—in line with sustainability requirements and the circular economy. StarragTornos strives to stay one step ahead of the competition – this also applies to the increasingly demanding and constantly growing after-sales business.

## 4 - Operational Excellence

As an overarching link, the StarragTornos Group ensures high quality standards, and taps into synergies along the entire value chain. The successful merger of Starrag and Tornos is opening up further operational synergies, particularly in the areas of research and development, manufacturing, assembly, procurement, logistics, and sales. Sharing resources and streamlining processes increases our efficiency. We are strengthening our position through the targeted use of operational synergies.

## Strategic Target Markets of the StarragTornos Group

The StarragTornos Group concentrates its range of products on six main target markets: Aerospace, MedTech & Dental, Luxury Goods, Energy, Transportation, and Industrial. These target markets are subdivided into individual market segments depending on the specific applications required.

StarragTornos' six target markets are characterized by sustainable growth potential based on megatrends and changing social expectations. In addition, increasing demands for 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 StarragTornos Group. Experts estimate that we have access to market potential of around EUR 14 billion worldwide, which is more than twenty times the current sales revenue. This means that substantial growth opportunities are still opening up for StarragTornos in these long-term growth markets.

### Aerospace

StarragTornos' target market Aerospace comprises the market segments aero engines, aero structures, and avionics. *Aero engines* are constantly being redeveloped to meet demand for higher efficiency, lower kerosene consumption, and lower noise emissions. As a long-term partner to the jet engine industry, the StarragTornos 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. In the *aero structures* market, 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 StarragTornos Group range from five-axis machining of high-tensile titanium alloys to high-performance cutting of aluminum, through



Target markets	 <b>Aerospace</b>	 <b>MedTech &amp; Dental</b>	 <b>Luxury Goods</b>
Growth drivers	<ul style="list-style-type: none"> <li>• Globalization and desire for mobility</li> <li>• Increasing environmental demands</li> <li>• Satellite technology</li> <li>• Space travel</li> <li>• Defense</li> </ul>	<ul style="list-style-type: none"> <li>• Demographic change</li> <li>• Technical progress</li> <li>• Leisure sports accidents</li> <li>• Cost pressure</li> </ul>	<ul style="list-style-type: none"> <li>• Rising incomes and the pursuit of wealth</li> <li>• Financial investments</li> </ul>
Sectors (examples)	<ul style="list-style-type: none"> <li>• Civil and military OEMs</li> <li>• Suppliers to the aircraft industry</li> </ul>	<ul style="list-style-type: none"> <li>• Orthopedics</li> <li>• Dental industry</li> <li>• Medical instruments</li> </ul>	<ul style="list-style-type: none"> <li>• Watchmaking industry</li> <li>• Luxury goods</li> </ul>

to precision machining of transmission housings. *Avionics* refers to all the electrical and electronic equipment on board airplanes 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 StarragTornos Group boasts extensive expertise in injection systems, combustion chambers, gyroscopes, and control components.

### MedTech & Dental

Cost pressure is high in the medical technology sector. StarragTornos 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.

### Luxury Goods

Materials such as hard ceramic, precious metals, and stainless steel are used in the manufacture of watches and jewelry components. Frequent changes to the product to be manufactured, smaller batch sizes, and the highest surface quality

requirements demand maximum flexibility in production. The StarragTornos Group offers solutions for most watch and jewelry components, allowing high-precision production in a single clamping operation.

### Energy

The target market Energy comprises the market segments Oil & Gas, Power Turbines, and Renewables (e.g. wind power). 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. In the area of *turbine engineering*, the StarragTornos 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. Thanks to having a clear focus on applications such as gearbox housing, planetary carriers, torque arms, large bearings, and Pelton turbines, StarragTornos is focusing more on creating measurable added value in the field of *renewable energies*.



### Energy

- Substitution of fossil energy
- Growing global energy demand
- Compliance with international standards

- Wind turbines
- Steam and gas turbines
- Oil & gas



### Transport

- Increasing demand for food
- Changing customer preferences

- Construction and agricultural machinery
- Truck & Bus



### Industrial

- Increasing urbanization
- Stricter environmental regulations
- Increasing miniaturization and more complex workpieces

- Large machine parts
- Job Shops
- Locking and connector industries
- Hydraulics & Pneumatics industries

## Transportation

The target market Transportation comprises the market segments Agriculture, Passenger Cars & Motorcycles, Truck & Bus, and Railway & Marine. For the *agriculture* market, StarragTornos' machining centers are designed for the 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 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 aluminum, steel, or cast-iron alloys. For the *Railway & Marine* market segment, StarragTornos' machining centers are designed for the highly productive machining of drive compo-

nents such as transmission parts, engine parts, axes, and other prismatic chassis parts to reduce manufacturing times and increase workpiece quality.

## Industrial

The target market Industrial comprises the market segments Construction & Mining, Hydraulics & Pneumatics, Industrial Drives, Electronics, the Locking industry, Job Shops, Machine Parts, and Micromechanics. The trend towards more complex workpieces is evident in these market segments too. Optimized 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 StarragTornos Group meets these requirements with machining centers in which different machining technologies are combined in a single machine.



## Brand Strategy and Product Ranges

The Starrag and Tornos divisions pursue their own brand strategies. The best trademark ambassadors can be found in StarragTornos' installed base at customer sites around the world. We assess how we are perceived in the marketplace during our regular contact with customers.

In the **Starrag division**, the umbrella brand Starrag unites the product ranges Berthiez, Bumotec, Dörries, Droop+Rein, Ecospeed, Heckert, Scharmann/Ecoforce, SIP, Starrag, and TTL.

As a result of organic growth and various mid-sized and larger acquisitions since the turn of the century, Starrag has built a solid portfolio of business activities covering a comprehensive range of technologies and competencies. The product ranges operate under the name of Starrag, together with the red logo 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 specialized trade fairs with a strong regional attraction, and in the division's customer magazine "Starrag Star".

### Starrag's product ranges

<b>Berthiez</b>	Maximum precision in vertical turning and cylindrical grinding: Outstanding solutions for the aircraft engine and roller bearing industries based on specialized vertical lathes and grinding machines.
<b>Bumotec</b>	Multifunctional machine tools: High-precision complete machining of small workpieces in sectors such as watches and jewelry, medical technology, and micromechanics.
<b>Dörries</b>	A synonym for vertical lathes ranging from single column machines with a turning diameter of 1.6 meters or more to large gantry machines with a 12-metre turning diameter, 10-metre turning height, and workpieces weighing up to 450 tons, mainly for the wind power industry.
<b>Droop+Rein</b>	Maximum precision for large workpieces: Machine tools for machining large to ultra-large workpieces (up to 250 tons in weight) such as large-format and bodywork machine tools, diesel engines, power plant components, and large aircraft landing gear components.
<b>ECOSPEED</b>	The most productive solution for the high-performance machining of aluminum 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%.
<b>Heckert</b>	The perfect balance between long-lasting precision and productivity: A scaled range of high-precision and highly productive horizontal machining centers for milling, turning, and boring medium and high quantities of workpieces.
<b>Scharmann/Ecoforce</b>	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.
<b>SIP</b>	Uncompromising commitment to precision: Jig boring machines and machining centers to meet the most stringent demands for accuracy from research institutes, aerospace companies, the aircraft industry, and leading precision engineering firms.
<b>Starrag</b>	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.
<b>TTL</b>	The home of adaptive machining: Internationally renowned, software-supported manufacturing solutions for the machining and repair of components for gas turbines and aircraft engines.



In the **Tornos division**, the Tornos brand identifies every machine manufactured by this division. Tornos has built up a solid portfolio of business activities covering a comprehensive range of technologies and competencies in the field of Swiss-type automatic lathes, multispindle machines, and milling systems, including peripheral equipment and cutting-edge software.

The brand and machine names are used in all corporate and marketing communications, especially at leading fairs with a high international standing, at specialized trade fairs with a strong regional attraction, and in the division's customer magazine "Decomagazine".

### Tornos' product ranges

<b>Swiss-type automatic lathes</b>	Tornos' Swiss-type automatic lathes are renowned for their precision, flexibility, and ability to produce both complex and long parts with exceptional accuracy. These machines are adept at handling intricate machining tasks required in industries such as medical and dental, micromechanics, and electronics.	Product names: SwissDECO, EvoDECO, Swiss XT, Swiss GT, Swiss DT, SwissNano
<b>Multispindle machines</b>	The MultiSwiss line from Tornos combines the efficiency of multispindle machining with unparalleled ease of use. These machines are perfectly suited for high-volume production of small, precision parts.	Product name: MultiSwiss
<b>Milling systems</b>	The BA 1008 bar milling machine from Tornos is a reliable workhorse, acclaimed for its ability to efficiently manufacture and drill parts in exotic materials. This machine has demonstrated significant success in high-end applications, such as in the luxury watchmaking industry, due to its precision and robust performance.	Product name: BA



## Management Structure

The entrepreneurial members of our management team and Board of Directors have many years of professional and managerial experience in industry, particularly the machine tool industry, and are therefore very familiar with its specific challenges and cycles. This is an important basis not only for careful planning, but also for correspondingly reliable external communication, for example with our investors. With Walter Fust, StarragTornos 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 specializes, among other things, in customer service.

The financial management of StarragTornos Group is consistently focused on growth and increasing profitability. We measure these with the following key performance indicators: growth in sales revenue and order intake, operating profitability (EBIT margin), and return on equity (ROE).

## Financing and Capital Structure

StarragTornos Group's extremely sound financing and capital structure—with an equity ratio of over 50%—not only forms 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.

## Shareholder Value

The successful merger of Starrag and Tornos has created a globally active and powerful group that will significantly influence and shape the future of the global machine tool industry. With the larger market capitalization and higher trading volumes, the attractiveness of the StarragTornos share is increasing. However, StarragTornos shareholders will not only benefit from a good share price performance. We also want to offer them an attractive dividend with a payout ratio of 35 to 50% of the annual profit.

## Sustainability

In light of the recent merger between Starrag and Tornos, the respective sustainability programs have been integrated into a common program called Growing Sustainable. For more details, see the Sustainability Report on pages 46 to 81 of this Annual Report.

## Risk Management

StarragTornos carefully monitors and evaluates the handling of its strategic, financial, and operational risks. It also considers risks in connection with compliance and political or regulatory changes.

A comprehensive risk management process ensures that risks with a potentially relevant impact on the business and financial position, as well as risk mitigation measures, are regularly reviewed. A description of how the risk management process works and of the main risks is provided in the Corporate Governance Report (pages 82 to 102), whereas financial risk management is presented in the Financial Report (pages 120 to 168).

## Outlook

The successful merger to form the StarragTornos Group has given us the opportunity to significantly increase our market presence globally and to further expand attractive customer segments. In the medium term, StarragTornos is aiming for an annual increase in sales of 5% and an EBIT of more than 8% on a regular basis. We are also expecting 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 the medium term, StarragTornos is aiming for an annual increase in sales of 5% and an EBIT of more than 8% of net sales on a regular basis.

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# Corporate Structure

## Board of Directors

CEO\*  
CFO\*

### Division CEO Starrag\*

### Division CEO Tornos\*

High Performance  
Machining Systems

Ultra Precision  
Machining Systems

Large Parts  
Machining Systems

Multispindle  
Machines

Swiss-type  
Lathes

Sales & Marketing

Sales & Marketing

Customer Service

Customer Service

Corporate Center, HR

Corporate Center, HR

\* Member of Executive Board



# Executive Bodies



## Board of Directors

(from left to right:)

Adrian Stürm  
François Frôté  
Michael Hauser, *Chairman*  
Michel Rollier  
Till Fust  
Christian Androschin  
Walter Fust, *Vice-Chairman*  
Bernhard Iseli

## Executive Board

(from left to right:)

Martin Buyle, *Division CEO Starrag*  
Michael Hauser, *CEO*  
Stephane Pittet, *CFO*  
Jens Thing, *Division CEO Tornos*

## Statutory Auditors

PwC, St. Gallen





# Highlights 2023

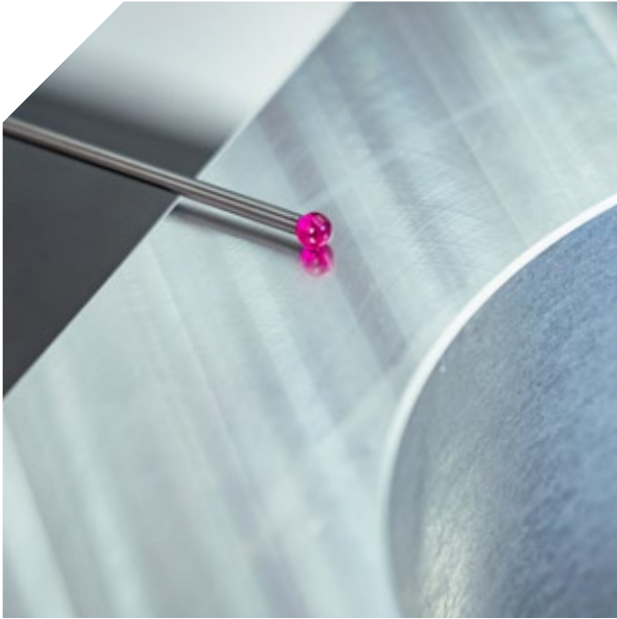
## Tornos is committed to having a positive environmental impact

Tornos has been resolutely committed to the environment for several years and at the beginning of 2023 launched its program internally with three strategic areas aimed at creating sustainable value for its stakeholders and shaping a greener future. In terms of climate and energy, the company strives to reduce its carbon footprint, notably by cutting emissions; improving energy efficiency; reducing fossil fuel consumption; and promoting renewable energies. This approach includes optimizing transport and relocating activities. On the human front, Tornos promotes respect for human rights and equal treatment, while offering its employees an environment conducive to the development of their talents. In terms of the supply chain, Tornos works with its global suppliers to ensure compliance with its sustainability principles, thereby strengthening sustainable and responsible relationships with its business partners.



## Precision as a sole focus: celebrating 160 years of SIP

One hundred and sixty years ago, Auguste de la Rive and Marc Thury from Geneva founded the Société Genevoise d'Instruments de Physique (SIP). They built scientific instruments that could accurately measure to hundredths of a millimeter. Now a Starrag subsidiary, the company entered the global machine business in 1921 with the introduction of a jig boring machine, which was the world's first mass-produced machine tool and the first production machine capable of boring to micron accuracy. SIP has maintained its focus on mechanical accuracy. The company remains loyal to precision through solid mechanics at its new site in Vuadens in the Swiss canton of Fribourg. The spirit of the famous watch-making metropolis lives on after the relocation and SIP machines now rank as top products for the very highest quality standards.



## Precision check: the truth lies in the Chemnitz measuring center

When it comes to high-precision parts, quality assurance is the moment of truth—it depends crucially on meticulously planned measurement with seamless documentation. The Chemnitz measuring center, which works not only internally for the Starrag Group but also for external customers, has played an important role in terms of micron precision. A highlight was a simultaneous precision check in the night shift in February. Experienced experts not only checked the dimensional accuracy of small and medium-sized workpieces with four 3D measuring machines and programming workstations from ZEISS, but they also measured gigantic major parts weighing up to 12 tons. When ultrahigh precision is required, the workpiece goes into the separate, fully air-conditioned area, which keeps the temperature constant at 20 degrees Celsius, with a maximum difference of 0.2 degrees Kelvin.

## Brazil: partnership with the National Industrial Apprenticeship Service (SENAI)

Tornos highly values training for the next generation, as demonstrated by its apprenticeships in Switzerland and other concrete actions around the world. In early 2023, Tornos entered into a partnership with SENAI Paraná, in Southern Brazil, to establish the first micro-machining training center, equipped with the high-precision SwissNano 7, designed for producing small parts for industries like medical and dental, electronics, and micromechanics. Involving leaders from Tornos, SENAI Paraná, and SolidCAM, the initiative marks a significant advancement in professional training for the industry. It aims to prepare students for future manufacturing challenges by providing access to cutting-edge technology and software, ensuring they are well-equipped for high-value, precision-driven roles. This collaboration is expected to lead to around 800 registrations for computer numerical control (CNC) courses to create new employment opportunities and contribute to the skilled workforce in relevant industries.





## In search of increased productivity

In June 2023, 150 customers from 17 countries attended the 14th Aerospace & Turbine Technology Days at Starrag in Rorschacherberg, Switzerland. Visitors had a chance to collect information and exchange experiences at 12 stations at this Group event, now involving Droop+Rein and Berthiez machines in addition to the ECOSPEED, Heckert, Starrag and TTL product ranges. A Starrag flexible manufacturing system (FMS) combined different technologies such as milling (on a Starrag STC) and turning (on a Berthiez TVU) into one FMS. Additionally, automated manufacturing solutions were presented on a Starrag LX 021 and ECOSPEED machining center. A world premiere was the Starrag STC 1250 HD horizontal machining center, ideal for five-axis, heavy machining of titanium structural components and excellent precision and surface quality. Many event partners completed the program.

## Innovating MedTech manufacturing: Tornos' groundbreaking Mini Factory event in Barcelona

The Mini Factory: MedTech event, hosted by Tornos in Barcelona, Spain, successfully showcased innovative solutions for medical technology manufacturing. Held from July 4 to 6, 2023, the event was an exclusive, invitation-only gathering of medical technology sector decision-makers. Attendees experienced the complete dental part manufacturing process, from scanning a patient's tooth to the final quality control and surface treatment, thanks to Tornos and its 13 partners. The event featured Tornos' Swiss GT 26 and Swiss DT 26/6 HP machines, highlighting the latest in Swiss-type and multispindle lathes, micro-milling solutions, and peripherals. This unique event provided guided tours and detailed presentations, and demonstrated Tornos' comprehensive technical expertise in training, services, and machining. The successful reception of the Mini Factory: MedTech in Spain inspired Tornos to consider extending this concept to other industries and markets.





## Tornos at SIAMS TV Days: shaping the future of microtechnology in the Jura Arc

The SIAMS trade fair is a key event for industrial players in the Jura Arc region. It takes place in Moutier, at the Forum de l'Arc, which is just across the street from Tornos headquarters. After successfully presenting its new SwissNano 10 at SIAMS 2022, Tornos in April 2023 took part in the series of special programs organized for the first time between two editions of the microtechnology trade fair, which—through this formula—responds to the concrete needs expressed by entrepreneurs in the world of precision. Tornos was represented at this unifying program by Tornos Corporate Sustainability Manager, who detailed the company's views on the issues and challenges facing the industry today and in the future.



## Heckert NC quills for higher cutting values and improved process reliability

Metalworking can be demanding in many ways. Mold elements situated inside the workpiece pose a particular challenge. To machine these precisely and economically, a horizontal machining center with a numerical control (NC) quill is recommended. Since May, Starrag's Heckert plant in Chemnitz, Germany, has offered even more machining centers with such quill support. The success of quill technology is based on the fact that there is virtually no competitive alternative. Quills can machine deep surfaces and bores with short standard tools, thus saving tool costs. The Heckert developers recognized the potential of NC quills and developed a 125 mm quill and a 150 mm quill. The investment is definitely worth it when considering the possibilities that it opens up, such as complete machining, savings on tooling costs, and benefits in terms of productivity and unit costs.



## EMO Hannover 2023: “Push your productivity”

EMO Hannover is always the most important meeting place for the metalworking industry. Under the theme, “Push your productivity,” Starrag presented an array of highlights and innovations at the event in September 2023. New developments from all product areas were presented. In addition to workpieces and technological solutions, numerous machines were showcased: STC 1250 HD, a five-axis, heavy-duty machining center with hydrostatic guideways. Customers were able to move a 12-tons column for themselves. Heckert H95, the new horizontal machining center in quill design. Sprint Z3 parallel kinematic machining head from the ECOSPEED series. Bumotec 191neo, a high-precision, multitasking machining center for the watch and jewelry industry as well as medical technology. Visitors’ interest in innovations from Starrag was overwhelming, with EMO Hannover once again serving as a stage for technical innovation.



## Forging the future of manufacturing: Tornos and TITANS of CNC's landmark VIP event

The exclusive August 24, 2023, event—hosted at TITANS of CNC headquarters in Texas (United States) for Tornos’ VIP American customers—highlighted the successful partnership between these two manufacturing powerhouses. This unique gathering offered around 50 VIP guests an insider’s view of TITANS of CNC, renowned for their comprehensive, free online academy that enhances bar turning skills. The collaboration between TITANS of CNC, an educational initiative led by Titan Gilroy, and Tornos represents a fusion of creativity, innovation, and manufacturing expertise. Gilroy’s journey from overcoming adversity to becoming a master machinist and educator underpins the ethos of TITANS of CNC, which aims to democratize CNC machining education for all skill levels. This event showcased the state-of-the-art Tornos machines used by TITANS of CNC in their mission to revolutionize technical education, providing Tornos’ VIP guests with firsthand experience of the latest manufacturing technologies well as networking opportunities and industry insights.





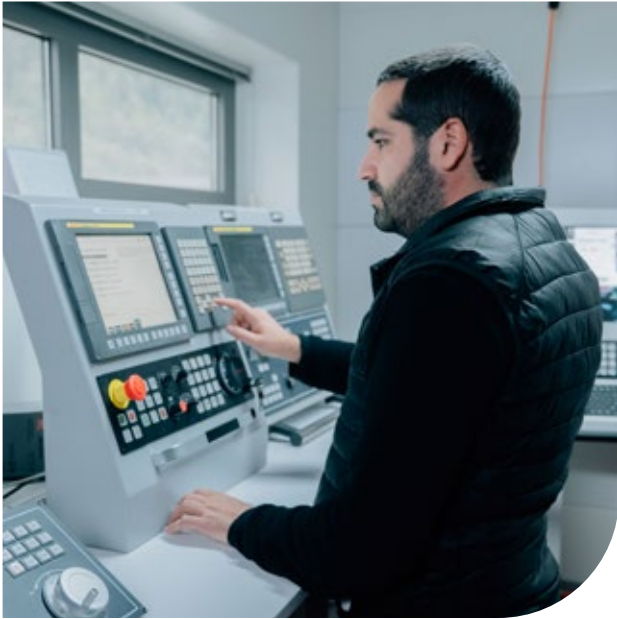
## Advancing precision: Tornos triumphed at EMO Hannover 2023 with innovative Swiss XT Series

At EMO Hannover 2023, Tornos showcased its pioneering Swiss XT range, marking a significant advancement for metalworking industry sectors including medical, automotive, and hydraulic/pneumatic. The Swiss XT 16 and Swiss XT 32 models drew interest for their versatility, flexibility, and modular design. Tornos also presented its SwissDECO and SwissNano series, acclaimed for their long, complex part production capabilities and high-precision machining of small parts, respectively. The event also featured the Swiss GT 13 B and Swiss DT 38 HP, underscoring Tornos' expertise in producing intricate parts with high precision. Additionally, Tornos celebrated a decade of its TISIS software, showcasing its ongoing evolution in programming and control, and emphasized its commitment to sustainability through its machine remanufacturing initiative, displaying refurbished models like the DECO 10 Plus and SAS 16 Plus.

## Machines that inspire: trendsetting Heckert open house in Chemnitz

Seven years after its last in-house exhibition in Chemnitz, Starrag GmbH presented its new, compact Heckert product range—along with other latest developments—at an open house in July 2023. A lot has changed in those seven years, and new, compact machines in particular are causing a stir. The weeklong event was an opportunity to present the Heckert product range and latest developments to customers, employees and other visitors. Starrag also used the open house for employee training and temporarily opened the factory halls for family members and interested parties. The Heckert H85 and H95 machining centers—which replaced the four-axis Heckert HEC 630 and HEC 800 centers and are easier to automate—were presented for the first time. These solutions were shown in action with actual practical components such as gearbox and axis housings.





## In search of increased productivity

Celebrating its 10th anniversary in 2023, TISIS—Tornos' advanced programming and monitoring software—has become a must-have in CNC machining, reflecting the increasing importance of digitalization in manufacturing. As part of the broader trend toward Industry 4.0, TISIS enhances automation and digitalization in manufacturing, playing a pivotal role in improving efficiency and quality while reducing costs. With over 3,000 licenses in use, TISIS stands out for its advanced programming capabilities, real-time machine diagnostics, and comprehensive production monitoring. It simplifies the programming process with intuitive interfaces and sophisticated error-checking, while its real-time monitoring capabilities enable early detection of potential issues, ensuring reliable production. TISIS not only enhances operational efficiency by optimizing machine utilization and reducing downtime but also improves part quality by detecting errors early and aids in strategic decision-making.

## Number seven sets new standards

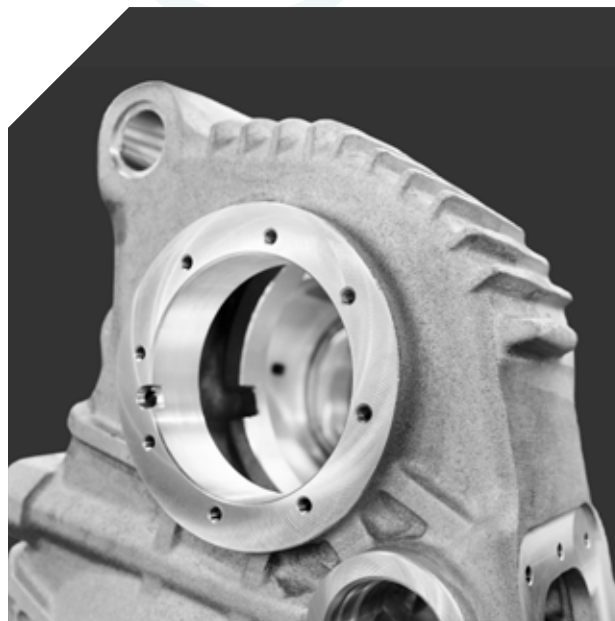
Known as a global pioneer in the manufacture of slewing bearings for wind turbines, thyssenkrupp rothe erde increased its production capacities with a technically revised machine. A total of seven Dörries CONTUMAT vertical turning-grinding machines since December 2023 have been responsible for the sophisticated finishing of the bearings. The latest machine was further improved, thanks in part to feedback from the shop floor. Although the basic machine configuration corresponds to the predecessor model, the supports were completely revised at the customer's request. Feedback from operating personnel was also the impetus for numerous improvements. Starrag changed, for example, the dressing position to eliminate the previous bottleneck to the protective cover. The new machine fits in with the current trend toward even larger wind turbines and thus larger antifriction bearings.





## Setting the course for high precision

Switzerland's AMMANN Components, a system supplier specializing in complex, high-precision workpieces, attributes its success and growth to encouraged employees and their expertise as well as the high-quality machinery, which is dominated by several Heckert compact machines. In recent years, they continuously invested in additional Heckert compact machines. A Heckert H75 was delivered in 2023, for example. The successor model to the successful Heckert HEC 500 comes with various improvements and promising options. It is equipped with a preparatory cooling system in the setup room and with a universal spindle. With its maximum torque of 950 Nm and a speed of up to 12,500 rpm, the machining center is since October equally suitable for aluminum and heavy-duty machining.



## Tornos and Starrag unite: a new era of innovation in precision machine tools

The merger of Tornos with Starrag Group Holding AG, creating the StarragTornos Group AG, is a milestone in the metal-cutting machine tool industry. Led by Chairman and CEO Michael Hauser, this strategic union has earned great stakeholder support, signaling a new era of innovation and growth. This customer-centric merger enhances value for customers by combining both companies' expertise and resources, offering a richer product portfolio and comprehensive solutions. The merger promises service continuity and a commitment to precision, quality, and reliability. With a broader resource base and network, the Group is poised to more effectively meet client needs and strengthen its global presence and responsiveness. This integration fosters synergistic growth with a focus on expanding in the Americas and Asia and collaborative innovation through pooled technological expertise and research and development capabilities. The merger also offers opportunities for employee development in a culture of learning and excellence.



# Management Report

Following the successful merger of Starrag and Tornos to form the StarragTornos Group in December 2023, the first joint annual figures—consolidated on a pro forma basis for the whole 2023 financial year—show a very pleasing performance. Compared to the pro forma figures for 2022, EBIT\* increased by 56.8% from CHF 29.6 million to CHF 46.4 million, net profit by 56.0% from CHF 20.8 million to CHF 32.4 million, and net sales by 13.2% from CHF 499.0 million to CHF 564.7 million. The StarragTornos Group thus has an excellent basis for significantly expanding its market presence in the global metal-cutting machine tool industry and further expanding attractive customer segments.

## Order intake\* by target market in CHF million

	2023	2022	+/- %
Aerospace	83.8	71.5	+17%
MedTech & Dental	43.1	50.5	-15%
Luxury Goods	101.1	113.7	-11%
Energy	16.4	45.1	-64%
Transportation	52.0	48.6	+7%
Industrial	91.2	121.5	-25%
<b>Total Machines</b>	<b>387.6</b>	<b>450.9</b>	<b>-14%</b>
Service	141.1	139.0	+2%
<b>Total</b>	<b>528.7</b>	<b>589.9</b>	<b>-10%</b>

All figures on a pro forma basis

\* Non-GAAP financial measure, refer to page 125

The recurring service business, which is becoming increasingly important in terms of sustainability and accounts for over 24% of Group sales, is of great significance for both divisions.

In the 2022 financial year, both Starrag and Tornos achieved a very high order intake. In the Aerospace target market, Starrag succeeded in once again increasing the very high order intake of 2022 in the reporting year. And the prospects in this target market remain promising: the latest edition of Airbus' Global Market Forecast (GMF) for the period 2023–2042 shows future traffic growth and demand for aircraft. Airbus forecasts that demand in passenger traffic will increase by 3.6% annually over the next 20 years. Air freight volumes are also expected to increase significantly. Demand for precision machine tools for workpieces made of metal, composite materials and ceramics will be correspondingly promising. Increased environmental regulations with regard to emissions and noise, the trend towards more economical engines and lighter structures as well as the use of new materials and technologies will also have a positive impact on demand in the Aerospace target market.

For Tornos, Industrial was the largest target market in 2023. It includes the Electronics market segment and the job shops, which themselves serve other Tornos target markets on a larger scale. The Industrial target market was followed by MedTech & Dental and Luxury Goods.



## Order intake\* by region

in CHF million

	2023	2022	+/- %
Europe	264.1	307.1	-14%
<i>Switzerland</i>	94.2	118.7	-21%
Americas	50.1	53.2	-6 %
Asia	73.4	90.6	-19%
<b>Total Machines</b>	<b>387.6</b>	<b>450.9</b>	<b>-14%</b>
Service	141.1	139.0	+2%
<b>Total</b>	<b>528.7</b>	<b>589.9</b>	<b>-10%</b>

All figures on a pro forma basis

Starrag and Tornos are also a good fit in terms of geography. By merging, the Group has set a course for further growth in promising target markets. In Europe, StarragTornos is the fourth largest manufacturer of metal-cutting machine tools with a focus on turning and milling. The merger has also led to a significant improvement in its market position in North America and Asia. Thanks to the Group's global presence—also in the USA and India, for example—StarragTornos is ideally equipped for de-globalization and reshoring trends in the various target markets.

### Starrag and Tornos at EMO – the world's leading trade fair for production technology

At EMO Hannover 2023, the world's leading trade fair for production technology, Starrag was able to present a whole host of highlights and innovations: The STC 1250 HD—a new benchmark for 5-axis heavy-duty machining with hydrostatic guideways; the Heckert H95—the new horizontal machining center; and last but not least, the Bumotec 191neo—a high-precision multi-task machining center for workpieces from the watch and jewelry industry, as well as medical technology.

Tornos showcased its pioneering Swiss XT range, marking a significant advancement for metalworking industry sectors including medical, automotive, and hydraulic/pneumatic. The Swiss XT 16 and Swiss XT 32 models drew interest for their versatility, flexibility, and modular design.

## Net sales (machines and service)

in CHF million

	2023	2022	+/- %
Machines	428.4	371.3	+15%
Service	136.3	127.7	+7%
<b>Total</b>	<b>564.7</b>	<b>499.0</b>	<b>+13%</b>

All figures on a pro forma basis

Both Starrag and Tornos met with a great deal of interest and received excellent feedback with their presentations and range of products.

### Net sales up 13.2%

Compared to 2022, net sales increased by 13.2% to CHF 564.7 million on a pro forma basis (plus 9.8% adjusted for currency effects).

### Service business continues to grow

Starrag's and Tornos' service business continued to perform well in 2023, with sales in this area rising by 6.8% compared with 2022 on a pro forma basis. This business now accounts for 24.1% of total net sales at StarragTornos.

Starrag has further expanded its product range with predictive and preventive service solutions, ranging from the automated Remote Fingerprint to the all-inclusive ServicePLUS. With its automated Remote Fingerprint, Starrag machines can be examined remotely during operation and the smallest performance variances can be detected predictively. In total, its proactive service products contribute more than 10% to Starrag's service business.

The DECO 10 Plus offer, whereby Tornos customers could have their older DECO 10 machines upgraded to the latest technology, made a major contribution to the favorable development of the service business. Tornos also buys older systems back and—after fully reconditioning them—puts them back on the market in the spirit of a circular economy.



### Significant improvement in profitability

The StarragTornos Group achieved a significant improvement in profitability compared to the previous year. On the basis of pro forma figures, StarragTornos increased EBIT\* by an impressive 56.8% to CHF 46.4 million and net profit by 56.0% from CHF 20.8 million to CHF 32.4 million. This already includes the merger costs of CHF 1.7 million. The EBIT margin rose from 5.9% to 8.2%. The Starrag division made the largest contribution to this improvement. Starrag's profitability development is due on the one hand to the structural cost reductions implemented up to 2021 and the associated lower cost base. On the other hand, Starrag was able to process the high order backlog efficiently and profitably throughout the year.

### Solidly financed

At 57.8%, the StarragTornos Group's equity ratio is at a very high level. Net liquidity was CHF 19.8 million at the end of 2023. Free cash flow\* amounted to CHF 28.2 million, and investments in fixed assets to CHF 10.1 million, whereas investments in research and development amounted to CHF 29.2 million or 7.1% of net sales.

### Share price and dividend

The year-end price of the StarragTornos share on December 31, 2023, was CHF 49.60. With a weighted average net profit per share of CHF 7.21, the P/E ratio is 6.88. There is thus great potential for a positive share price performance. At the General Meeting on April 20, 2024, the Board of Directors will propose to the shareholders a dividend of CHF 2.50 per share, which corresponds to a payout ratio of 34.7%.

### Number of employees

At the end of the reporting year, StarragTornos Group employed 1,974 people (full-time equivalents). The average number of apprentices and interns during the year was 121.

### Infrastructure projects and investments

The Starrag plant in Chemnitz is not only Heckert's development and production site, but also the competence center for mechanical production for the entire Starrag division. This is where particularly large, high-precision and valuable components are manufactured. In order to make this important department even more efficient, flexible, and versatile, we have invested in a flexible production line over 30 meters long. It consists of two Heckert HEC 800 X5 MT machining centers with space for a third. The second important part of the investment is a Droop+Rein FOGS HD large machining center with a footprint of 22 x 4 meters. This investment goes hand in hand with the bundling of all mechanical production activities in a completely modernized hall.

In the Taiwan region, the construction of a new production hall for Tornos was successfully completed in the reporting year. The grand opening of the new plant is planned for March 2024. It not only offers optimum conditions for the continued successful production of Tornos machines in the medium and lower price segments, but also opens up excellent development opportunities for the entire StarragTornos Group in the region.

### Risk management

For our holistic risk management process, please refer to page 92.

### Sustainability

In recent weeks, we have integrated the existing Starrag and Tornos sustainability programs into a joint program called Growing sustainable. This is the beginning of a holistic approach to our StarragTornos' environmental, social, and governance initiatives. It provides a fundamental framework for further development and impactful activities. Detailed information on this can be found in the StarragTornos Sustainability Report, which is an integral part of this Annual Report (pages 46 to 81).

\* Non-GAAP financial measure, refer to page 125



### Limited currency impact

The StarragTornos Group is less affected by currency fluctuations than the Swiss industry average, as the majority of production and costs are incurred in the euro zone. This natural hedge stabilizes the Group's currency fluctuations. In order to further reduce the economic currency risk and thus maintain the competitiveness of the Swiss plants, the StarragTornos Group is focusing on continuous productivity increases and cost reductions at the Swiss sites in order to counteract the pressure of the fundamentally strong Swiss franc.

### Positive outlook 2024

In view of the good order backlog and the promising prospects offered by the merger between Starrag and Tornos, StarragTornos is very well positioned for 2024. However, it is difficult to make specific forecasts due to the fact that global economic developments remain unpredictable. The ongoing war in Ukraine and the numerous political and social conflicts and unrest in other regions bring with them many uncertainties. This also includes inflationary and recessionary trends in various sales regions. However, the successful merger to form the StarragTornos Group offers the opportunity to significantly increase market presence worldwide and further expand attractive customer segments.

StarragTornos has set up a project organization to make optimum use of growth opportunities and efficiently realize synergy potential. A number of project teams with members from both divisions are working on defined projects in the areas of Procurement, Service, Innovation, Footprint Optimization at Production Sites, and Sales & Marketing.

StarragTornos has set up a project organization to make optimum use of growth opportunities and efficiently realize synergy potential.

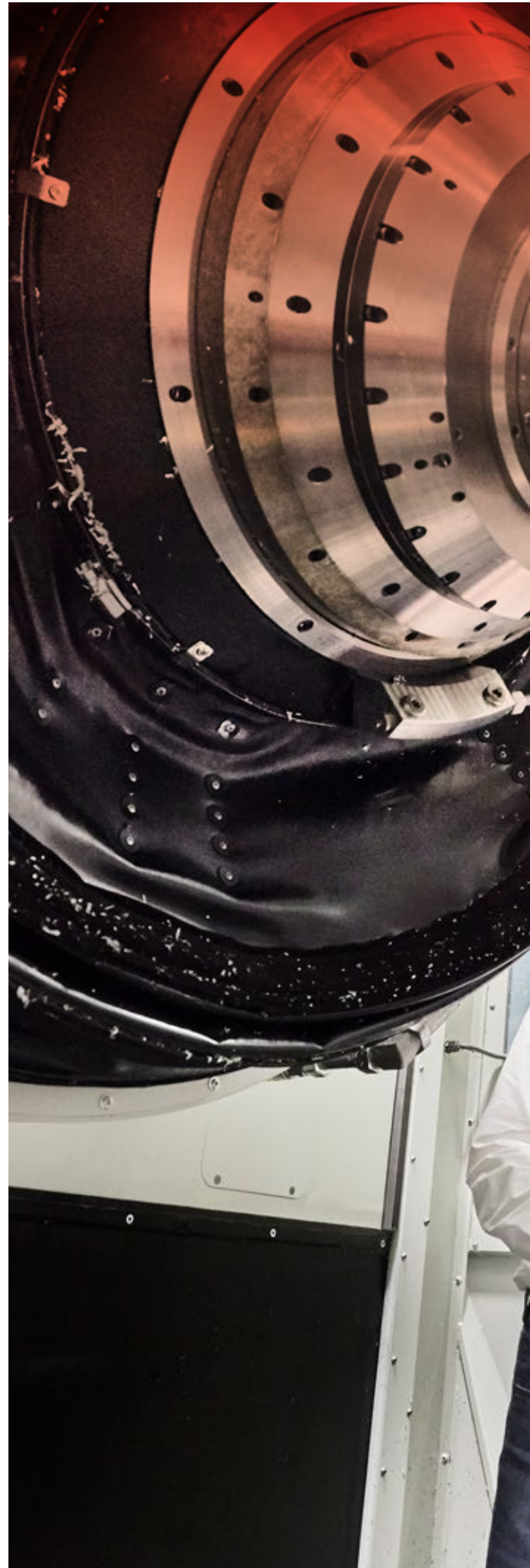
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## Stories

# Innovation and precision: at the heart of industry, from aeronautics to fine watchmaking and ultrasonic surgery

To illustrate what Starrag and Tornos machines enable our customers to achieve, we invite you to take a look at three sectors where precision, innovation and cutting-edge technology are redefining the boundaries of possibility. Discover in these pages how Starrag is shaping the future of the aerospace industry at AEROTEC and revolutionizing fine watchmaking workshops of Niru Swiss, while Tornos is contributing to the advancement of ultrasonic surgery at ACTEON®. These stories highlight our commitment to excellence, precision and innovation, demonstrating our crucial role in developing cutting-edge solutions to tomorrow's challenges.





# A highly dynamic duo

Benchmark in the  
aircraft industry





Premium AEROTEC's Varel plant in north Germany produces highly complex machining components made of aluminum and titanium using one of Europe's most advanced pool of machines. And this pool has recently been boosted by a new, highly dynamic duo: A Starrag ECOSPEED F 2040 flexible manufacturing system (FMS) consisting of two linked machining centers.

**I**t was more than 20 years ago that Europe's largest aircraft manufacturer first took a chance on the parallel kinematics of the ECOSPEED product lines—a technology that was revolutionary at the time. Thanks to highly dynamic 5-axis simultaneous cutting with a tripod head, these machines still set the benchmark for machining large, complex aluminum structural components today, especially in the aviation industry. Daily tasks include cutting pocket corners with an only slightly inclined land, which requires the angular position to be changed. While standard fork-type milling heads typically make huge swivel movements to do this, parallel kinematics are significantly faster and more dynamic. This is one of the main reasons why 13 ECOSPEED centers are now in use at the Varel site.

"In addition to their reliability, it was the high overall dynamism of the ECOSPEED machines that won us over," explains Christian Welter, Head of Large-Part Production at Premium AEROTEC. "This is why we chose two ECOSPEED F 2040 machines, which have been linked to create a flexible manufacturing system, as our latest investment." This is the highlight of Hall 8, where Starrag machining center with a drive power of 120 kW currently take centre stage. Having a large number of similar centers makes it easier to train staff, operate

the machinery and perform maintenance, explains Welter, but with each new investment, Starrag and its ECOSPEED product lines must once again face the competition. He adds: "In this tender, we once again saw that the dynamism of the machine is still in a league of its own. But despite this, in the future we will continue to explore other options on the market."

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**"In addition to their reliability, it was the high overall dynamism of the ECOSPEED machines that won us over."**

An angled milling head that can be changed automatically now enables aluminum workpieces measuring up to four meters long to be machined on the FMS—not just completely but in a single clamping position too. Flexibility is a must, since the aircraft manufacturer currently machines 700 different components on its ECOSPEED machining centers alone, for clients including Airbus and the European Space Agency (for Ariane 6). What's more, this investment in even more productive technology is happening in a production environ-



ment that is currently undergoing big changes. "This is a permanent construction site," says Welter, smiling. "More and more sensors are being built into the machines, which generate a lot of data. We're currently in the process of learning how to handle and utilize this huge quantity of data." One of the key aims of digitalizing production is to allow the process to be carried out with only a few operators, or even no operators at all.

The new Starrag manufacturing system complements this strategy perfectly because the Varel plant has recently switched to using linked systems. "We want to keep setup separate from actual machining," says Welter. "And this works extremely well with the new ECOSPEED F 2040 FMS, where we have operators work at separate setup stations." The Varel plant has been pursuing digitalization for a long time now, since before the term "Industry 4.0"



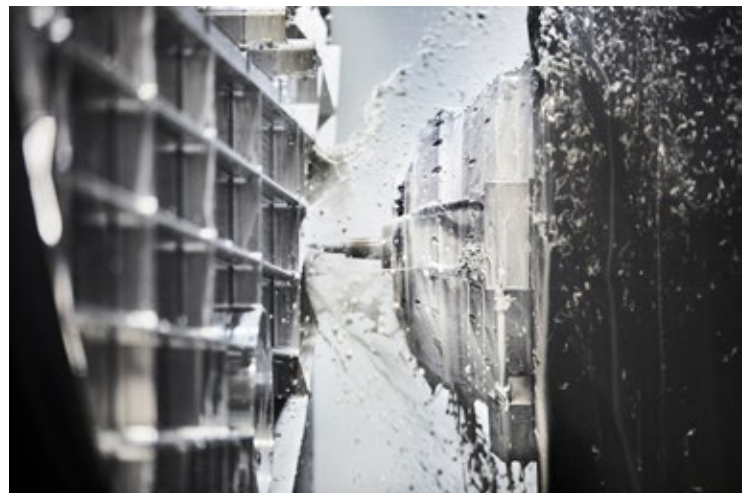
Complete process: This fuselage side panel for the Airbus A320, made from an aluminum blank, was machined in a single clamping position. Thanks to parallel kinematics, the ECOSPEED F 2040 FMS can even cut pockets with an only slightly inclined land quickly and elegantly.

↓ Concentrated parallel kinematics: ECOSPEED machining centers with a tripod drive head dominate large-part production at Premium AEROTEC.

↓ Small footprint: Auxiliary units and control cubicles are installed on a peripheral platform above the conveyor system to save space and facilitate maintenance.

was even coined. Consequently, the company has a systematic focus on networking. “For example, we don’t have any standalone Starrag machining centers; they are all networked or linked to each other”, explains Welter. “There is also the factor of security of supply, which we must be able to offer as a manufacturer of Airbus components. This is why, next to each machine, there’s another one that can perform the same tasks.”

Machine availability plays an equally big part in production at Varel, and it all comes down to manufacturer support. “Overall, we are extremely happy with the service that Starrag offers compared to that of other manufacturers,” says Welter. “We’ve developed an excellent relationship with staff at Starrag over a very long period of time. In particular with regard to certain companies, where, due to rebranding, it’s not always clear who’s responsible for what.”



# The specialist

in high-power  
ultrasound  
for dentistry and  
surgery



ACTEON® is a large international group active in the manufacture of ultrasonic dental and surgical equipment. The solutions that have required years of development a many turned parts, in particular inserts and accessories that are all manufactured in Mérignac, France, using Tornos machines.

#### **A multinational company with unique expertise**

The company's mission is to provide complete solutions for the daily operations of practitioners, providing the most effective, practical, and comfortable care to millions of patients around the world. ACTEON®'s history began in 1970 with the first generation of ultrasonic devices designed for dentists. Today, ACTEON® provides complete solutions not only for dental surgeons but also for cosmetic surgeons in rhinoplasty and veterinarians. Thanks to their precision, these

ultrasonic devices, originally designed for dentistry, became popular for bone surgery operations. For example, in rhinoplasty operations, ACTEON® technology makes it possible to sculpt bone with great precision. The use of this type of system in bone surgery is revolutionary and ACTEON® is the market leader. The first system for this application was unveiled in 2006 and since then, the company has enjoyed exponential success with its product range, which perfectly fits the current trend for noninvasive surgery.

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**“The Swiss DT 13 has become the ideal partner for young technicians. This little machine is very efficient.”**

#### **A comprehensive approach**

The Group's philosophy is to provide practitioners with the possibility to control all the stages of a surgical procedure, from the diagnosis to treatment right up to follow-up within the same workflow. This approach requires significant investment, and it is why the company has several research centers. →



To find out more about ACTEON®, watch our video report.



The Newtron is a flagship product of the Acteon group.

**The vast majority of our machine inventory consists of the EvoDECO 16 and 10, as well as the DECO 10 and DECO 13.”**

The Group also actively develops relationships with many universities and international experts that share the same vision as ACTEON®. ACTEON® supports practitioners in all phases of treatment, as the company's expertise is not limited to surgical and conventional ultrasounds, but also includes digital imaging solutions, software, and pharmaceuticals as well as precision manual instruments. Ultrasonic tools and generators enable varied treatments in dentistry, from descaling to complex surgeries such as implantology.

#### **The inserts at the core of the ACTEON® system**

For every ACTEON® ultrasonic device, there is a vast range of inserts available, which are either titanium or stainless steel depending on the specific and clinical requirements. These inserts are primarily machined with Tornos machines at the Mérignac workshop. Recently, the company has invested heavily in Tornos production equipment and has acquired several EvoDECO 10 and EvoDECO 16 machines as well as a Tornos Swiss DT 13. Each of these machines is in constant use to meet market demands.

In the workshop, ACTEON® is faced with the thorny issue of a workforce shortage, but they have been focusing particularly on training. “The Swiss DT 13 has become the ideal training partner for young technicians. This little machine is very efficient,” notes Jean-Michel Richer, Executive Engineer with ACTEON®. “To begin with, the Swiss DT 13 was intended for the production of simple parts to free up the DECO and EvoDECO, but very quickly we were surprised by the capabilities of this little machine. We use it to make relatively complex parts also. It is simple to operate and allows the younger generations to learn the trade easily, and using these machines means we aren't taking any big risks.”

“The vast majority of our machine inventory consists of the EvoDECO 16 and 10, as well as the DECO 10 and DECO 13. They are quick, precise, and modular and make for reliable machining partners, which makes it possible to make any type of part, no matter how complex. Year after year, they continue to operate as they did when new. These machines are of the highest quality.”



### Shared values

The history between Tornos and ACTEON® goes back several decades. At the time, Jean-Michel Richer was looking for the right partner to produce his famous inserts. Very quickly, Tornos stood out from the competition because of the quality of its product and of the people that make up the company. “My contacts at Tornos are always qualified and able to resolve even the most complex machining problems,” notes Richer. “Whenever there is a problem, we can count on the Tornos France after-sales service, which is extremely responsive and competent. The machines themselves are also very reliable. We have a DECO 13a machine that has been operating since 2008 making titanium parts exclusively, which we are still very happy with.”

ACTEON® is very attentive to practitioner feedback. The company also regularly prototypes inserts to meet the needs of the market and respond to constant developments in the dental, medical and veterinary fields. For example, certain morphologies are specific to certain parts of the world and require specific insert shapes. ACTEON® is also active in the veterinary field, so it has also developed inserts with specific shapes and lengths for this field. For almost every need that may exist, they have the insert for it. This necessitates unparalleled flexibility, and to meet this, the EvoDECO range is the perfect machine.

Acteon employs highly qualified specialists to meet the growing market demand.

↓ For each Acteon ultrasonic device, there is a wide range of inserts made of titanium or stainless steel.



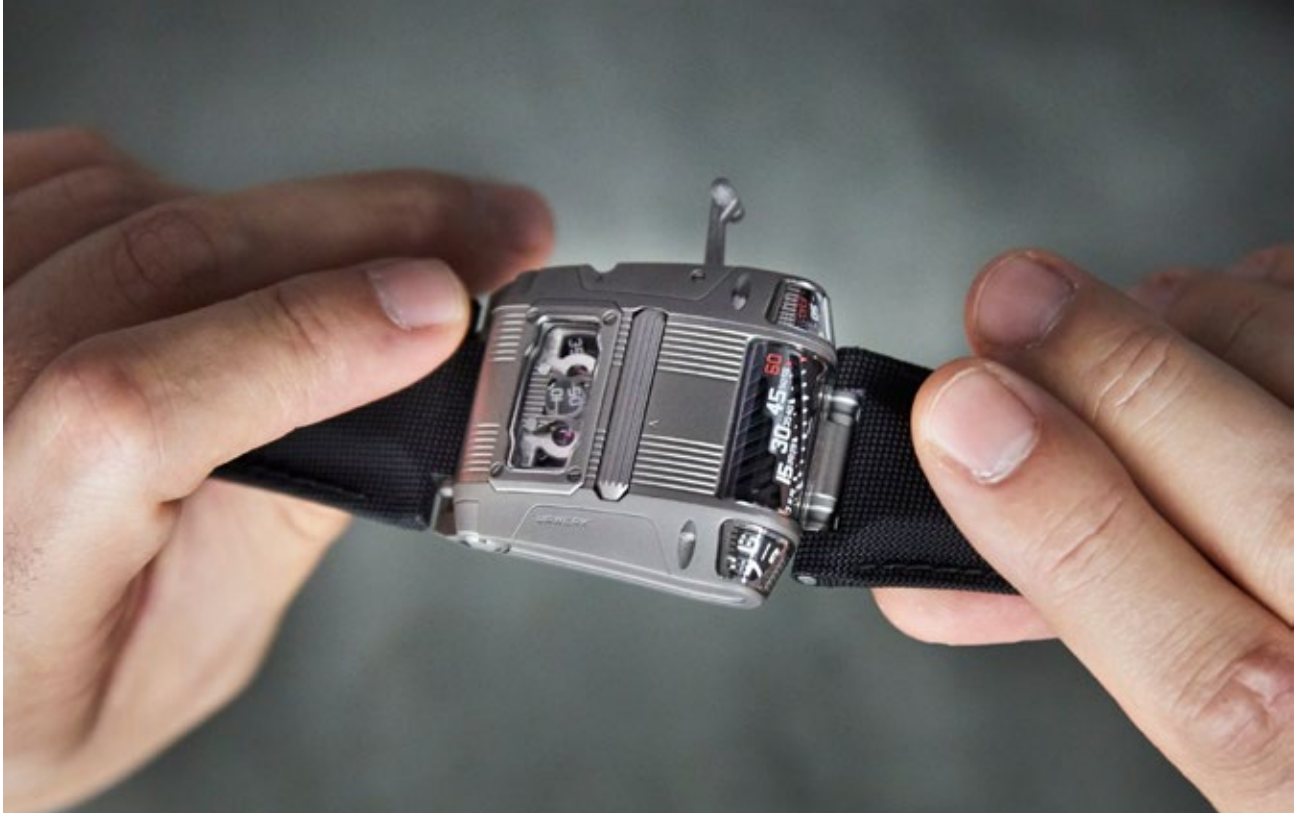




# Small sophisticated exclusive

and playing  
a starring role





Premium bodywork upstairs and high-tech production downstairs: There couldn't be a more perfect setting for a workshop producing luxury goods. The Lamborghini Genève showroom is used to showcase luxury Italian sports cars to wealthy customers, while in the basement Niru Swiss is busy machining highly complex components for the jewelry and watchmaking industry. For a decade now, the starring role in the basement operation has been played by a Bumotec s191V from Starrag.

**S** Small, sophisticated and exclusive—three words that perfectly sum up Niru Swiss, part of the Tel Aviv-based international company Niru Diamonds Israel Ltd. Niru Diamonds Israel Ltd. was founded four decades ago in India by Ranjeet Barmecha and has built a reputation for machining and finishing rough diamonds.

In 2009, the company established a state-of-the-art CNC factory in Geneva, Switzerland, with a view to extending its expertise into other sectors. In addition to taking on projects for the jewelry industry, Niru Swiss SA and its four employees now work primarily for premium Swiss watch brands. The work mainly consists of producing cases from all the established materials, such as aluminum, stainless steel, gold and titanium, and jobs generally involve between 10 and 300 units.

“Competition in this field is extremely tough here,” explains Managing Director Julien Ducommon. “We make our mark by focusing on producing incredibly complex components for the jewelry and watchmaking indus-

try; we use our Bumotec to produce these components to impressive standards of quality and precision, guaranteed.” The investment in the Geneva site has allowed Niru not only to gain a foothold in the watchmaking industry, but also to successfully tap into new industries. “I now occasionally even produce prototypes for medical technology,” says Ducommon. “And I machine not just metals, but also plastics such as PEEK (polyether ether ketone). Most of the prototypes are generally turned and cut in a single clamping operation.”

The team in Geneva uses a total of four computer numerical control (CNC) machine tools, three of which were already owned by a company that Niru acquired. When it came to selecting a fourth machine, Niru Swiss consciously opted for the Bumotec s191V vertical high-performance CNC machining center, which delivers precise, productive machining. The combination of linear motors, direct drives, nano interpolation and a high measurement resolution of 1/100  $\mu\text{m}$  supports excellent contouring accuracy (e.g. a roundness of 1.4  $\mu\text{m}$  with a radius of 50 mm). The “excel-



lent thermal stability” allows Julien Ducommon and his team to turn and cut components continuously from early in the morning until late at night without any loss of precision. With this technology, the team can work across five axes simultaneously and components are machined using a single clamping operation. “Used in conjunction with an automation unit, the Bumotec can also be operated without the need for human intervention—a bit like a ghost shift,” adds Stéphane Violante, Marketing Project Manager at Starrag Vuadens SA. “All in all, the costs per part are therefore significantly lower than with other machining centers that purport to be more economical.”

The sort of complex components that Niru is dealing with can generally only be manufactured effectively if there is close collaboration with the customer in relation to computer-aided design/ computer-aided manufacturing

(CAD/CAM) considerations. “The perfection level of each component we produce must always be documented. That is simply the reality of producing complex, high-quality components in small production runs”, says Violante. When new orders are received, the team in Geneva completes small test runs that involve producing a small number of test components. If the results are good, larger orders may be received.

But how does he view the importance of the Bumotec brand in this whole process, in particular with reference to the Starrag brand message “Engineering precisely what you value”? Ducommon: “For me, the most important requirements in this competitive field are the ability to deliver optimum productivity, precision and stability. And that’s why I can say with certainty that my next CNC machine will also be a Bumotec.”

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**“The most important requirements in this competitive field are the ability to deliver optimum productivity, precision and stability.”**

Niru Swiss uses its Bumotec s191V to produce incredibly complex components to the highest quality and precision standards for jewelry and watchmaking.





# StarragTornos Worldwide

The StarragTornos Group operates sales and service, production, and research and development centers in Switzerland, Germany, France, Italy, Spain, Poland, the UK, the USA, Mexico, Brazil, China, Thailand, the Taiwan region, and India.







# Sustainability Report

Report on non-financial matters



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# Message from our CEO

## Dear Readers,

In light of the recent merger between Starrag and Tornos, our respective sustainability programs have been integrated into a common program called Growing Sustainable.

This collaborative endeavor marks the beginning of a holistic approach to environmental, social, and governance initiatives, providing a foundational framework for ongoing development and impactful activities. By combining our strengths, our common objective is to forge a sustainable future that resonates with the values of our merged organizations. This initiative underscores our unwavering commitment to responsible business practices and ethical behavior with our stakeholders.

This report provides an insight into the initial activities launched within this unified program. Subsequent reports will incorporate additional Key Performance Indicators (KPIs) and measures currently being prepared, presenting a comprehensive overview of our evolving sustainability initiatives.

The journey has just begun and we are mindful of the path that lies ahead.

### **Michael Hauser**

Chairman of the Board of Directors and  
Chief Executive Officer

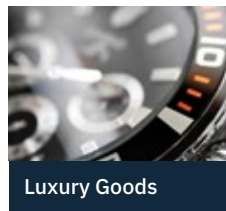
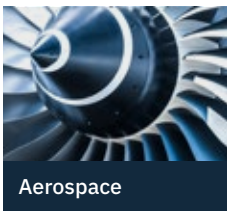
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# General Disclosures: StarragTornos Reporting Scope

StarragTornos Group was formed by the merger of the two Groups Starrag Group Holding AG and Tornos Holding Ltd in December 2023. This report includes information on the entire StarragTornos Group. For 2023, we have chosen to disclose information about all our worldwide entities. Individual information will be highlighted in the text when relevant.



The main industries of the StarragTornos Group

## StarragTornos Business Model

StarragTornos Group is one of the leading suppliers in the machine tool industry. It develops, manufactures, and distributes precision machine tools for milling, turning, boring, grinding, and complete machining of workpieces made of metal, composite materials, and ceramics. Its customers include leading companies in the medical technology, luxury goods, aerospace, energy, and transportation industries.

Starrag Tornos Group employs a total of 1974 people (full-time equivalent). The Group's headquarters are located in Rorschacherberg (Switzerland). StarragTornos Group has a strong footprint in Europe with operating production and development sites in Switzerland, Germany, France, Italy, Poland, the UK, and on a larger scale in China, the Taiwan region, and India. The Group also has sales and service companies in all major customers' countries.

## Business Results

Please refer to pages 5 and 9 of our Annual Report 2023.



# Sustainability at StarragTornos

## Corporate Responsibility

“Our Common Future: Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”<sup>1</sup>

For years, the Starrag Group and the Tornos Group have both been committed to sustainability, focusing on environmentally responsible manufacturing processes, ensuring fair and healthy working conditions, developing high-quality, efficient products along with long-term ethical partnerships with our suppliers and customers.

Numerous initiatives have been pursued by our entities.



### Silver EcoVadis Medal: Starrag Vuadens SA

The Starrag factory in Vuadens has been awarded a Silver EcoVadis Medal for its sustainable commitment to the environment, labor and human rights, ethics and sustainable procurement. EcoVadis is an independent and global leader in corporate sustainability rating. With a first score of 60 out of 100 in 2023, Starrag Vuadens is in the top quartile of all companies assessed and in the top 11% in the special-purpose machinery manufacturing sector. The rating will be reviewed annually and will stimulate a continuous improvement program.

[www.ecovadis.com](http://www.ecovadis.com)



### The Initiative: Blue Competence

Starrag Group is Alliance Member of the Sustainability Initiative Blue Competence. Blue Competence is an initiative of the VDMA for promoting and communication of sustainable solutions for the Mechanical Engineering Industry. By using the trademark “Blue Competence”, we commit ourselves to these twelve Sustainability Guidelines of the Mechanical Engineering Industry.

[www.vdma.org/bluecompetence](http://www.vdma.org/bluecompetence)

Our common future for StarragTornos Group will be to work together to strengthen our commitment to shaping the future of the global metal-cutting machine tool industry. Starting in 2024, all our sustainability efforts will be unified under our Growing Sustainable initiative, and the relevant topics and processes harmonized.

<sup>1</sup> Brundtland Report, 1987



## Growing Sustainable Initiative

Our sustainability program Growing Sustainable takes a holistic approach, addressing environmental, social, and governance (ESG) aspects across our products, facilities, and relationships with our suppliers, customers, and employees.



## Mission, Vision and Strategy

### Our Vision for a Sustainable StarragTornos Group

#### **Pioneering Sustainable Manufacturing Solutions**

We are dedicated to the development of sustainable and innovative manufacturing solutions, setting standards not only for high-quality products, but also for environmental responsibility and social impact in our industry.




### Our Mission for a Sustainable StarragTornos Group

We adopt environmentally friendly practices, ethical principles, and innovative solutions to embrace sustainability in our products and activities. We are committed to reducing our environmental impact, optimizing the use of resources, and helping our business partners shape a more sustainable future.

### Our Strategy for a Sustainable StarragTornos Group

We lead the way in sustainable machining, aligning our efforts with environmental, social, and economic responsibility. Our strategy is guided by the Sustainability Development Goals (SDGs) and the desire to minimize our impact on the planet and society while maximizing the value we bring to our customers, suppliers, and employees. To achieve this, we focus on the eight key themes described on the next page.



	Topics of our Growing Sustainable Strategy	Related material topics	SDGs
 <b>Environment</b>	<ol style="list-style-type: none"> <li>1 Work on energy and resource efficiency</li> <li>2 Reduce greenhouse gas (GHG) emissions</li> </ol>	<ul style="list-style-type: none"> <li>• Energy consumption and resource efficiency</li> <li>• GHG emissions</li> <li>• Optimizing transport</li> <li>• Materials</li> <li>• Water and waste</li> <li>• Biodiversity</li> </ul>	  
 <b>Products</b>	<ol style="list-style-type: none"> <li>3 Foster our culture of innovation and eco-design</li> <li>4 Uphold the highest standards of product quality and safety</li> <li>5 Acknowledge the significance of an ethical and responsible supply chain</li> </ol>	<ul style="list-style-type: none"> <li>• Circular economy</li> <li>• Innovation and eco-design</li> <li>• Product quality and safety</li> <li>• Responsible supply chain</li> </ul>	  
 <b>Social</b>	<ol style="list-style-type: none"> <li>6 Respect for human rights and equal treatment regardless of gender, race or religion</li> <li>7 Develop and value our employees</li> </ol>	<ul style="list-style-type: none"> <li>• Human rights and child labor</li> <li>• Diversity, equal opportunity and non-discrimination</li> <li>• Personnel development</li> <li>• Occupational health and safety</li> <li>• Employment</li> </ul>	  
 <b>Ethics and Governance</b>	<ol style="list-style-type: none"> <li>8 Apply the highest standards of business ethics and anti-corruption</li> </ol>	<ul style="list-style-type: none"> <li>• Anti-corruption and business ethics</li> <li>• Data security and customer privacy (incl. cybersecurity)</li> <li>• Risk management and ESG governance</li> </ul>	   

For our non-financial reporting 2023, we have focused on the priorities defined by our materiality assessment. More topics have been addressed whenever feasible.

## Measuring Progress and Impact

StarragTornos Group is currently in the process of establishing common targets and key performance indicators (KPIs) in the four pillars for the entire Group. Specific targets aimed at reducing our impact and improving the benefits of our activities will be disclosed in our Sustainability Report 2024.

## Sustainability Governance

The sustainability program is being developed, implemented, and monitored under the responsibility of the Board of Directors of StarragTornos Group. One Board Member is nominated as delegate to the Board of Directors.

Our Board of Directors plans to meet at least six times per year, and will supervise the program. Since the merger on December 7, 2023, the Board of Directors met once in 2023.

The Board is responsible for governance, program strategy, climate change risk management, and key indicators. The program is reviewed at Board of Directors' meetings and Executive Committee meetings, which take place at least 8 to 10 times a year.



The program is led by the Corporate Sustainability Manager, supported by the Growing Sustainable Steering Committee. The Steering Committee is made up of members from StarragTornos Group and meets regularly to ensure that the Group aligns with the goals and objectives defined. Its mission is to guide and support the success of the initiative, contributing to effective leadership and accurate decision-making.

Function	Mission
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Approves the sustainability strategy and assumes ultimate responsibility for it</li> <li>• Examines and approves targets for the Group in terms of sustainability</li> <li>• Oversees progress related to goals and targets</li> </ul>
<b>Board Member Delegate for Sustainability</b>	<ul style="list-style-type: none"> <li>• Follows matters linked to sustainability and reports to the Board of Directors whenever necessary</li> <li>• Is the link between the Corporate Sustainability Manager and the Board of Directors concerning sustainability topics</li> </ul>
<b>Executive Board</b>	<ul style="list-style-type: none"> <li>• Ensures that the sustainability is anchored in the company</li> <li>• Has a performance monitoring role of the sustainability strategy</li> <li>• Defines concrete objectives, measures, KPIs and action plan to reach targets of the Group</li> </ul>
<b>Corporate Sustainability Manager</b>	<ul style="list-style-type: none"> <li>• Identifies and periodically reviews materiality topics with the Board Member Delegate for Sustainability and the Executive Board</li> <li>• Aligns the sustainability program and company processes to the legal frame</li> <li>• Reviews the stakeholders engagement and aligns materiality</li> <li>• Oversees activities in accordance with the established processes and guidelines</li> </ul>
<b>Steering Committee</b>	<ul style="list-style-type: none"> <li>• Supports implementation and steers the measures defined by the Executive Board together with the Corporate Sustainability Manager</li> <li>• Supports the rollout of specific measures and actions in the Group</li> </ul>

Sustainability governance structure at StarragTornos

## Stakeholder Engagement

Our stakeholder engagement approach was initiated by the General Management of Starrag Group and Tornos Group through internal workshops and surveys with key stakeholders. The results were reviewed and aligned by the General Management of StarragTornos Group following its foundation on December 7, 2023.



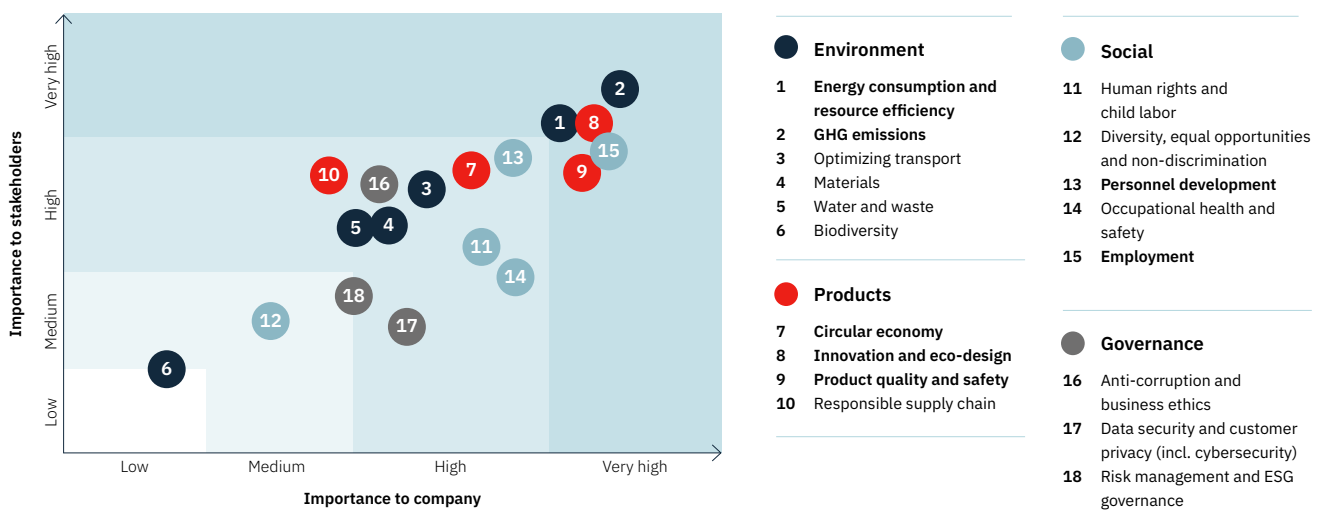
Stakeholders identified at StarragTornos Group



## Materiality Assessment

The StarragTornos Growing Sustainable program will focus on specific topics identified as material to our company and its stakeholders. In 2023, both Starrag and Tornos started to identify their own material topics through internal workshops and surveys with key stakeholders. For internal stakeholders, the sustainability steering committees of both companies and the Management Boards were involved. Starrag and Tornos also sent different questionnaires to some of their customers and suppliers. Both companies were then able to derive their own materiality matrix.

The materiality matrix presented in this first report combines the two company assessments. In line with the GRI recommendations, it will serve as an initial foundation for our Growing Sustainable Initiative.



The StarragTornos materiality matrix 2023

The topics 1, 2, 7, 8, 9, 13 and 15 have been identified as high priorities for StarragTornos and are related to the eight strategic key themes of our Sustainability Initiative. Since the merger has recently taken place, these topics have been addressed as a priority in this report. The additional topics examined in our report are the subjects linked to the legal framework, namely Article 964 of the Swiss Code of Obligations.

Further subjects will be addressed with StarragTornos’s stakeholders in the coming years. For 2024, special attention will be paid to several topics, including a double materiality matrix, the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, due diligence, and the new Corporate Sustainability Reporting Directive (CSRD) regulations.



# Environment



StarragTornos Group is committed to minimizing its environmental impact and conserving resources. The Group continuously improves its processes to reduce emissions and maximize resource efficiency.

In the pursuit of operational excellence, StarragTornos Group is deeply committed to sustainability, recognizing the pivotal role that manufacturing plays in shaping our environmental impact. To address climate concerns, we started to implement measures to minimize our energy consumption and emissions across our machining processes, emphasizing the adoption of eco-friendly technologies and renewable energy sources.

Environmental stewardship guides our waste management practices, with a focus on recycling and responsible disposal in order to reduce our ecological impact. Through continuous process improvements, we strive to enhance resource efficiency, contributing to a circular economy where materials are used thoughtfully, and waste is minimized.

Our commitment to sustainability extends beyond the shop floor. We invest in eco-friendly facilities and prioritize the responsible sourcing of materials. Our dedication is evident in our energy and environment program, and our products and services are designed to promote resource efficiency. Our guiding motto, “Growing Sustainable”, shapes our actions at every level.

We will also complete our risk matrix, integrating the TCFD regulations from the 2024 reporting year and addressing its relevant topics.

## GHG Emissions

StarragTornos Group recognizes the importance of greenhouse gas (GHG) emissions and their impact on the environment and climate change. Our commitment to sustainability has driven us to conduct a comprehensive assessment of both our direct and indirect emissions. The calculation of our Company Carbon Footprint is based on the GreenHouse Gas Protocol (GHG Protocol)<sup>2</sup>, the internationally accepted standard for accounting and reporting GHG emissions.

Our methodology included using a commercial platform for data collection, and collaborating with an external consultant to calculate GHG-equivalent emissions.

Both direct (Scope 1) and indirect (Scope 2) emissions were evaluated individually for Starrag Group and Tornos Group. Scope 1 emissions comprise emissions from sources that we directly

<sup>2</sup> <https://ghgprotocol.org/>



own and operate, such as on-site energy sources and fleet vehicles. Scope 2 emissions consist of indirect emissions resulting from the consumption of purchased energy.

Due to the intricate nature of data collection, indirect emissions through our supply chain (Scope 3) have been partially estimated. For the purposes of preparing this report, we decided that their complete assessment disclosure will be included from 2024.

	<b>2023 Starrag</b>	<b>2023 Tornos</b>
Categories according to the Greenhouse Gas Protocol	tCO <sub>2</sub>	tCO <sub>2</sub>
<b>Scope 1</b>	<b>2 618</b>	<b>1 496</b>
Company equipment / company vehicles	1 463	675
Heating	1 155	821
<b>Scope 2</b>	<b>3 053</b>	<b>944</b>
Purchased energy / market-based	3 053	944
<b>Scope 1+2</b>	<b>5 671</b>	<b>2 440</b>

GHG emissions of Starrag Group and Tornos Group (Scopes 1 and 2) based on the GHG Protocol for 2023

In Scope 1, natural gas, heating oil, and fuel consumption for company vehicles accounted for a total of 4 114 tCO<sub>2</sub> in 2023 globally. Scope 2 relating to electricity purchases accounted for 3 997 tCO<sub>2</sub> in 2023.

### Measures to reduce GHG Emissions

The majority of our Scope 1 and 2 GHG emissions come from the energy sources used by our units (gas and oils, electricity, district heating). Based on this assessment, StarragTornos Group will accelerate the reduction of its climate impact by means of various measures that will be implemented worldwide. In particular, StarragTornos will prioritize the use of renewable energies and strive towards climate-neutrally produced machines.

StarragTornos also focuses on the eco-design of its machines, which is at the heart of its innovation strategy.

Our measures also encompass the topic of transportation. In Germany, Starrag has already implemented a procurement policy for its corporate fleet in favor of electric vehicles. Some of our entities such as Tornos Moutier and Starrag Vuadens have initiated the development of a mobility plan to reduce the environmental impact of employee commuting.

Since 2022 and 2017 respectively, Starrag Group and Tornos Group have been participating in the Swiss Confederation program to reduce their GHG emissions from fossil energy by a minimum of 1.5% per year. By implementing specific measures, particularly in the field of energy management, StarragTornos contributes to Switzerland's climate goals.





Specific strategies and a breakdown of the reduction targets will be thoroughly assessed in the coming years, providing a detailed roadmap for our ongoing commitment to environmental stewardship.



Adherence to Swiss programs for the reduction of CO<sub>2</sub> emissions

StarragTornos Group is committed to minimizing its environmental impact and has prioritized a strategic focus on reducing its CO<sub>2</sub> footprint. Currently, the company has chosen not to compensate for its emissions. This decision reflects our dedication to transparent representation.

Our approach emphasizes proactive measures to cut emissions at the source. Before considering emission compensation, we are actively working to implement sustainable practices and technologies to reduce our carbon footprint. By prioritizing our internal emission reduction efforts, we aim to address the root causes of our environmental impact, aligning with our core values of responsibility and sustainability.



## Resource Efficiency

To reach our goals, several major actions are being undertaken at StarragTornos Group, including:

- Reducing the use of hazardous substances
- Decreasing waste and paper consumption
- Recycling scrap material wherever possible
- Enhancing resource efficiency by promoting a circular economy

In 2023, our first production site in Chemnitz was certified to ISO 14001. StarragTornos will continue to certify further production sites as part of our ongoing activities to foster a culture of continuous improvement in resource efficiency and waste reduction.

With the introduction of refillable cleaners for our assembly in Chemnitz, we replaced our eight most commonly used cleaners with a single product. Refillable containers and a central refill station not only reduce waste, but also the variety of hazardous chemicals in our production operations. With one small change, we found a more effective, safer, and overall more environmentally friendly solution that we plan to implement at other production sites.

In Vuadens the implementation of a closed-loop cooling system enables optimized and efficient water usage during the production of Bumotec machines.

## Energy

The StarragTornos Group has a global presence, with operations spanning across various regions worldwide (refer to the map on pages 44-45 for specific locations). Our production facilities are strategically situated in Switzerland, Europe, and Asia.

In 2023, the total energy usage of StarragTornos amounted to 24 173.2 MWh, encompassing both purchased and self-generated electricity, as well as purchased and direct heating. More than 40% of our electricity consumption was covered by renewables.

Our overarching goal is to progressively enhance our energy efficiency policy and phase out our reliance on fossil energy in the coming years. Ongoing investigations within the Group are assessing the most effective means to achieve this objective. For this purpose, we will work on goal-setting and data collection in order to monitor our indicators.

### Measures for Renewable Energy

In 2023, both Starrag Group and Tornos Group invested in four large new photovoltaic installations worldwide. A total of 1 885.3 MWh was produced across our different production plants, each equipped with its own on-site solar electricity installation (Moutier, Rorschacherberg, Vuadens in Switzerland, and Rho in Italy). This amount represents more than 14% of our electricity needs in the Group (13 214.4 MWh).



In Rorschacherberg, the assembly hall roof underwent an upgrade in 2023 in the form of a new photovoltaic system. With 4 200 m<sup>2</sup> of solar panels, this system can generate 1 000 MWh per year, meeting approximately 40% of our local power requirements. This marks a significant stride towards a more sustainable energy supply at StarragTornos.

In 2023, a new factory was built for our production plant in the Taiwan region, incorporating state-of-the-art technologies. The facility includes a roof equipped with solar panels and utilizes the latest generation of heating/refrigeration units, underscoring our dedication to advanced and sustainable practices. This new plant will be operational from 2024.

<b>Solar installation StarragTornos</b>	<b>Surface installed (m<sup>2</sup>)</b>	<b>Solar electricity produced (kWh)</b>	<b>Max power planned/year (kWh)</b>
Rorschacherberg Installation running from June 2023	4 200	455 910	1 000 000
Vuadens	8 200	1 408 240	1 359 000
Moutier Installation running from November 2023	5 380	8 503	1 100 000
Rho Installation running from May 2023	49	12 626	19 000
<b>Total</b>	<b>17 829</b>	<b>1 885 279</b>	<b>3 478 000</b>

Total solar electricity produced in the StarragTornos Group in 2023

Our production plant in Vuadens has been a pioneer in “green manufacturing” since its implementation in 2016. With an on-site solar power plant (8 200 m<sup>2</sup>) and heat pump system, this modern production facility provides low-emission conditions for the production of the Bumotec and SIP machine lines. From 2024 onwards, the production will be powered by 100% renewable energy.



Solar installation on our manufacturing plant in Vuadens, Switzerland, that covers about 40% of the local electricity consumption



## Measures for Energy Efficiency

For several years, Starrag Group and Tornos Group have been actively undertaking various initiatives to enhance the efficiency of their buildings and infrastructure. These include:

- Modernization of lighting with LED technology
- Employee awareness campaigns to promote energy conservation
- Optimization of Heating, Ventilation, and Air Conditioning (HVAC) systems
- Upgrading of buildings with new windows and shutters
- Optimization of production areas for energy savings
- Centralization of storage to reduce transport and fuel consumption
- Energy refurbishment efforts



New Tornos buildings located in Taichung, Taiwan region



Tornos buildings located in Rho, Italy



Tornos buildings located in Moutier, Switzerland



# Products



Our goal is to optimize our machines to create more sustainable and eco-friendly products by focusing on the reduction of energy consumption, efficient resource usage, reduced carbon footprint, and the integration of eco-design and circular economy principles. Our Growing Sustainable program addresses the following key topics:

## Energy efficiency enhancement

- Conduct energy audits to identify areas of energy waste. Numerous measures were carried out at Tornos and Starrag in 2023 to identify possible improvements
- Implement technological and process improvements to lower our energy consumption
- Develop energy-efficient components and systems for our machines

## Resource optimization

- Analyze the use and sourcing of materials and resources in machine production wherever feasible
- Optimize designs to reduce material waste and resource consumption
- Promote the recycling and reuse of materials in the manufacturing process

## Carbon footprint reduction

- Evaluate the carbon emissions associated with machine production. The initial assessments were carried out in 2022 on Starrag machines manufactured in Chemnitz. Further estimations based on the ISO 14067 standard will be launched in 2024
- Invest in cleaner and more sustainable manufacturing processes

## Eco-design integration

- Further develop the integration of eco-design principles into the product development process
- Focus on designing machines with minimal environmental impact throughout their lifecycle
- Enhance product durability, reparability, and recyclability

## Circular economy initiatives

- Implement strategies for extending the lifespan of our machines
- Promote product refurbishment, remanufacturing, and recycling
- Develop programs to facilitate the exchange and reuse of machine components



## Innovation and Eco-Design

The StarragTornos Group consistently works on optimizing energy consumption, reducing product weight, embracing circular economy practices, integrating eco-design into new developments, and improving the recycling and refurbishment of our machines and products.

Among the most relevant actions, we would like to highlight the following:

### > Reduction in moving masses

For many years, Starrag and Tornos have employed digital calculations to optimize the behavior of key components in their machines. This has led to a reduction in moving masses, subsequently lowering energy consumption while improving acceleration. These analytical methods enable us to achieve up to 40% reduction in masses while improving machining performance.

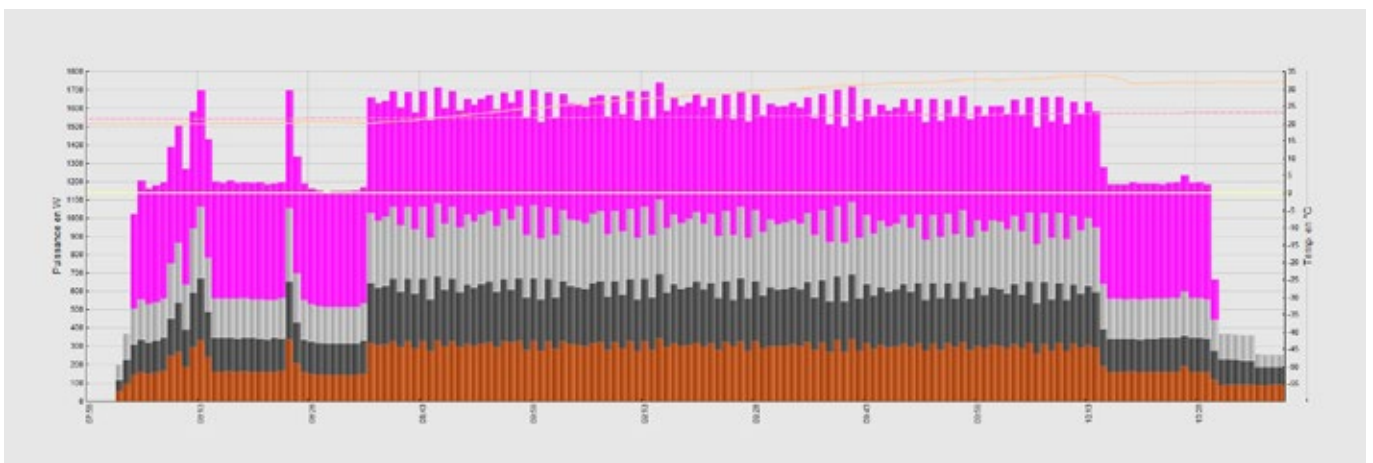
### > Pump actuation using a frequency converter

The use of frequency converters on high-pressure pumps enables the optimization of machining fluid supply. With the permanent optimization of the rotation speed of the pump motor, only the necessary amount of lubricant is supplied. This results in a substantial reduction in electrical energy drawn from the grid and significant cost savings.

### > TB-DECO energy optimization

The TB-DECO software option – available on Tornos machines – can calculate the minimum feed rate for each tool indexing procedure without modifying the cycle time of the part. This enables a reduction in electrical consumption of nearly 7%. In addition, remote programming and simulation also allow us to save a substantial amount of energy.

3.7 kWh tot.  
1.5 kWh air  
2.2 kWh élec.  
P: 0 \ 1.4 \ 1.7 kW  
02:41 m  
1 cycles (trig 0.872 kW)



Energy measures taken on one of our machines



### > Energy audits and ISO 14955

In the reporting year, Tornos conducted an internal audit to identify energy losses in its machines, resulting in a significant reduction in energy consumption.

In parallel, Starrag has started to conduct standardized measurements of electrical energy and compressed air, as well as operating states following the ISO 14955 guidelines. This initiative aims to provide both our company and our customers with reliable and accurate information regarding the energy consumption of our machines.

Moving forward, these assessments will be consolidated and the knowledge shared within the Group, as a proactive effort to enhance our innovation strength for more energy efficiency in our industry.

### > Weight optimization

Several measures were implemented on our machines for weight optimization. As an example, Tornos incorporated cutting-edge raw materials into the structural components of its compact machines. This innovation resulted in a remarkable 25% reduction in material usage, while maintaining the structural integrity of the machines. Beyond the immediate cost benefits and resource preservation, this initiative had further positive effects such as minimizing energy consumption during production and substantially shrinking the environmental footprint during transportation.

### > Footprint reduction

Starrag and Tornos have continually improved the overall footprint of their machines. Through technical developments, new machines can achieve a reduced footprint by up to 30-40%, even with the integration of the former freestanding cooling and lubrication system. This not only saves space in operations but, coupled with the higher performance of the machines, also yields significant increases in area productivity.

### > Integrated drive technique and energy reuse

The use of high-efficiency motors leads to enhanced machining performance on spindles and axes. This option enables the recovery and redistribution of up to 70% of the energy generated during braking, utilizing drive modules for an efficient energy cycle. It incorporates a power supply regeneration system, managed by numerical control, to repurpose regenerative energy across other machines or devices within the factory. This contributes significantly to energy cost savings.

### > Fingerprint

The remote-access Fingerprint is available on all Heckert machines. This user-friendly and resource-efficient maintenance option offers maximum flexibility for the customer, prevents unplanned machine failures, and positively impacts workpiece costs. Due to its undeniable advantages, the Fingerprint option is also being rolled out to other Starrag brands.

### > Power saving

This device monitors energy flows in real time, identifying potential energy-saving opportunities and providing insights into instantaneous consumption and its historical data. Key benefits include multi-energy capability, autonomy, and non-intrusiveness.



#### > **ECO mode**

In this mode, the motors power off after a period of inactivity, and there is an emergency stop after a period of inactivity in the pneumatic supply. This mode is fully configurable and is already integrated into all our machines. No additional hardware is required. The benefits include a reduction in the consumption of a machine that is not in production, with the potential to achieve energy savings of up to 75%.

#### > **Preheat function**

Starting production during off-peak periods involves preheating the machine and initiating production in a single function. The power supply to the motors is switched on automatically. During the preheat phase, the high-pressure pumps can be disabled. This function is already available on all machines as an option, and no additional hardware is needed. The benefits include the ability to carry out production during off-peak periods.

#### > **Programmed Production Stop function**

Starting production during off-peak periods, combined with the preheat function, is available on T-MI (interface machines) as an option. No additional hardware is required. The advantages include the ability to carry out production during off-peak periods.

The ECO mode enables a reduction of energy consumption up to 75% when the machine is not in productive mode.





## Circular Economy

StarragTornos Group tries to follow a circular economy approach where products and materials are kept as much as possible and economically reasonable in a circulation through processes like maintenance, reuse, refurbishment, remanufacture and recycling.

Circular economy accounts for more than 20% of the total Service revenue of the Group.

### Modernization and refurbishing of machines

With the DECO 10 Plus program, the Tornos Group refurbishes and partially remanufactures the DECO 10 machines running all over the world. The machine is upgraded with the latest-generation CNC, providing improved control over both productivity and energy consumption.

The focus of the Starrag Group is on high value and large machines. After modernization, these machines are equipped with the latest in CNC controls and cutting-edge technology, enabling them to operate effectively for another 10-15 years and perform like new machines. This longevity is achievable thanks to the inherently robust and sustainable design of the machines' basic structures.

Each of these machines has its own dedicated foundation, with its structure comprising tons of steel. Through these refurbishment activities, a substantial amount of concrete and steel is conserved, and tons of CO<sub>2</sub> emissions are prevented.



Retrofit operations at Starrag Mönchengladbach



Tornos DECO 2000 machine before and after retrofitting



## Standard Exchange of Machine Parts

StarragTornos Group also promotes a circular economy by overhauling machine components. Our customers have the option to return specific used parts and choose between purchasing a new part or a reconditioned one.



Components ready for replacement on a Tornos machine

<b>Circular economy</b>	<b>2023</b>
Number of machines retrofitted at Tornos	18
Number of machines refurbished at Tornos	11
Number of machine components retrofitted (standard exchange at Tornos)	845

Number of Tornos machines retrofitted or refurbished for our customers

## Product Quality and Safety

Quality and safety are fundamental prerequisites that are considered from the initial stages of the design process, with our developers collaborating closely with internal specialists. Our suppliers are actively involved in the development process right from the outset. Prior to market launch, all our products, including machines, undergo a series of rigorous stress tests that exceed real-world conditions at customer locations. This meticulous testing is paramount to safeguarding human health and safety.

### Quality

Both Starrag and Tornos have a long-standing commitment to product quality. We align our activities with ISO 9001 standards and continuously improve our assembly quality through a lean approach that involves our entire product team, from R&D to sales. Our Quality Management program actively involves service experts and suppliers, ensuring regular evaluations and action plans to boost quality. Throughout development and production, our quality team meticulously monitors product quality and safety. Our Quality Vision drives initiatives along the value chain, aiming for sustainable quality and 100% customer satisfaction. Rigorous quality standards also apply to final quality assessments, with every machine tested before leaving our factories. The same high standards are applied to our software solutions.



For new developments, we follow a structured process led by experts with extensive experience. We rigorously test the individual work steps, both independently and interactively, using automated and manual methods.

## Safety

Our machines adhere to the most rigorous safety regulations, including :

- Directive 2006/42/EC: The Machinery Directive 2006/42/EC is a European Union directive that governs the harmonization of essential health and safety requirements for machinery within the EU market. We apply the harmonized standard EN ISO 23125:2015 in order to be conform.
- Directive 2014/30/EU: The EMC Directive 2014/30/EU aims to ensure that any electrical and electronic equipment minimizes the emission of electromagnetic interference that may influence other equipment. We conform to the harmonized standards EN6100-6-4:2007 and EN 6100-6-2:2005.
- Directive 2014/35/EU: The Low Voltage Directive 2014/35/EU covers electrical equipment designed for use within certain voltage limits which is new to the Union market when it is placed on the market. We comply with the harmonized standard EN 60204-1:2018.

We also apply the principles of the international standard EN ISO 12100:2010 for achieving safety in machinery design, as well as several other ISO standards with a focus on safety, fluid power, and electromagnetic compatibility.

In addition to implementing and ensuring compliance with these standards, our engineers provide training to customers on safety aspects during machine delivery.

## Responsible Supply Chain

### Partner and Supplier Management

Our suppliers play a crucial role in our value chain, serving as the initial link. They must fulfill environmental and social standards for collaboration. We ensure the consistency of high-quality materials across all our facilities. Starting in 2024, we will organize regular training sessions for our procurement teams on compliance, sustainability, and anti-bribery measures.

The Tornos Code of Conduct for Business Partners and the Starrag Business Conduct Guidelines and General Purchasing Guidelines formalize our ethical standards. These standards include a firm stance against forced and child labor, support for human rights, and a commitment to environmental preservation. In some cases, audits are conducted to verify suppliers' adherence to these standards.

Maintaining strong supplier relationships is a top priority for StarragTornos Group. For example, the Tornos annual Suppliers Meeting, launched in 2011, illustrates the importance given to our business partners.

In the coming years, we will be actively working towards aligning our processes and policies. This is aimed at establishing an integrated, efficient, and responsible supplier management system throughout the entire group.



## **Our Commitment to our Partners and Suppliers**

Building long-term relationships with our business partners and ensuring fair treatment are fundamental principles at our company.

These relationships go beyond transactional engagements and are characterized by mutual trust, collaboration, and shared success. We believe that sustained partnerships not only contribute to the stability and growth of both parties, but also foster innovation.

Furthermore, we are committed to ensuring fair treatment in all our interactions with business partners. This involves transparent and equitable dealings, respect for contractual agreements, and a commitment to ethical business practices.

In summary, our dedication to cultivating long-term relationships and ensuring fair treatment reflects our commitment to ethical, collaborative, and mutually beneficial business practices. We are confident that this plays a crucial role in fostering a positive and sustainable business ecosystem.

## **Supplier Assessment**

In 2023, both the Starrag Group and the Tornos Group started to improve their supplier assessment policies and practices.

Tornos updated its internal processes to ensure a more responsible supply chain. All existing suppliers were asked to commit to the Tornos Code of Conduct for Business Partners, with an 88% return rate of completed and signed documents. Non-compliant suppliers will be interviewed, and audits will be conducted. Failure to adhere to the Code of Conduct can result in exclusion. Suppliers are now classified as direct (linked to machine production) or indirect. Tornos initially focused on a risk analysis for key direct suppliers, implementing targeted monitoring based on quality, environmental, and social aspects.

As part of its process improvements in Supplier Management, Tornos has set itself the goal of enhancing transparency in its supply chain and the importance of sustainability in the rating of its suppliers. New suppliers will undergo assessments using the same methodology, with the necessary action taken to address any identified issues.

On an annual basis, StarragTornos Group will conduct audits to ensure compliance with the Code of Conduct and relevant regulations.

Special attention has been and will continue to be paid to suppliers in countries that have not ratified the International Labor Organization (ILO) convention. In 2023, Starrag Group conducted a comprehensive assessment of this point, requiring all non-member suppliers to confirm or sign their commitment to complying with the convention. In the coming years, StarragTornos Group will strive to strengthen and harmonize these practices across the entire group.



<b>Subject</b>	<b>2023</b>
Number of Codes of Conduct signed	838
Supplier has its own Code of Conduct	89
Refused to sign the Code of Conduct	3
Not received yet	116
<b>Total Code of Conduct sent</b>	<b>1 046</b>

Number of Code of Conduct for Business Partners sent to Tornos Group suppliers

## Conflict Minerals

StarragTornos Group does not directly purchase raw conflict minerals such as gold, tantalum, tungsten or tin in their pure form or their derivatives.

However, we are committed to avoiding the procurement of conflict minerals, guided by Swiss (Art. 964 CO) and international regulations, and the perceived risk of legal violations or human rights abuses.

Due to the chemical composition of our processed components, the risk of using conflict minerals has been assessed and evaluated as very low by the StarragTornos Group. Although we avoid the direct sourcing of conflict minerals from non-European sources, trace amounts may be present in processed components. The global and multi-tier nature of these supply chains means it is challenging to definitively determine their origins.

In response to these challenges, we will continue to closely monitor our most high-risk suppliers, through our upcoming Supply Chain Management System, with appropriate and dedicated questionnaires.



# Social



## Employment

As of December 31, 2023, 1974 employees (full-time equivalent) were active in the StarragTornos Group. Our human resources strategy focuses on key pillars such as diversity, equal opportunities, training, personnel growth, occupational health and safety, holistic health management, satisfaction and overall well-being.

We offer competitive compensation packages and cultivate an open, trustworthy organizational culture on a global scale, all under effective leadership.

1. Company size (Switzerland only)	Rorschacherberg		Vuadens		Moutier	
	2022	2023	2022	2023	2022	2023
1.1 Number of employees	227	242	202	243	307	313
1.2 Thereof number of apprentices	28	24	8	7	36	33

2022 and 2023 figures for Starrag and Tornos Group Switzerland. We will align worldwide indicators from 2024.

2. Staff composition	Rorschacherberg		Vuadens		Moutier	
	2022	2023	2022	2023	2022	2023
2.1 Proportion of managers (%)	15.9%	15.3%	10.0%	8.0%	8.8%	9.3%
2.2 Proportion of women (%)	8.8%	7.0%	6.0%	6.0%	13.5%	13.6%
2.3 Proportion of part-time employees (%)	10.6%	12.8%	7.0%	10.0%	6.4%	5.2%
2.4 Proportion of apprentices (%)	14.0%	11.0%	3.0%	3.0%	11.7%	10.5%
2.5 Proportion of apprentices taken on after completing their apprenticeship (%)	57.0%	66.7%	0.0%	1.0%	54.5%	50.0%
2.6 Proportion of employees working in shifts (%)	5.0%	4.5%	0.0%	0.0%	0.0%	0.0%
2.7 Proportion of foreigners incl. cross-border commuters (%)	30.0%	32.2%	26.7%	30.0%	16.7%	19.8%
2.8 Proportion of cross-border commuters (%)	10.6%	10.3%	2.0%	2.3%	15.2%	16.6%

2022 and 2023 figures for Starrag and Tornos Group Switzerland. We will align worldwide indicators from 2024.



3. Staff age and loyalty	Rorschacherberg		Vuadens		Moutier	
	2022	2023	2022	2023	2022	2023
3.1 Average age of employees (years)	44	43.1	44	44	43	43
3.2 Average length of service (years)	11.49	10.66	11	11	13.07	12.73
3.3 Fluctuation rate (%)	4.2%	3.4%	5.0%	3.0%	7.2%	9.8%

2022 and 2023 figures for Starrag and Tornos Group Switzerland. We will align worldwide indicators from 2024.

## Occupational Health and Safety

For over two decades, we have been dedicated to enhancing occupational health and safety for our employees. The initiatives include the design of ergonomic workspaces in both office and production environments, the provision of ergonomic posture courses, and the promotion of healthy nutrition, for example in our company restaurants in Moutier and Chemnitz.

We ensure that all our employees worldwide are provided with the necessary protective gear such as gloves, glasses, helmets, ear and eye protection, safety shoes, etc., with regular checks. At our factory in India, fruit is grown directly on-site and then distributed free of charge to our employees. Through this initiative, we contribute not only to promoting healthy eating among our staff, but also to a collective environmental consciousness.

4. Absences due to illness and accident	Rorschacherberg		Vuadens		Moutier	
	2022	2023	2022	2023	2022	2023
4.1 Due to short and longterm illness (in %)	2.3%	2.6%	2.3%	2.4%	2.9%	2.0%
4.2 Due to short and longterm illness (in hours per year)	9 260	11 921	9 174	11 045	18 661	13 258
4.3 Due to occupational accident (in %)	0.0%	0.0%	0.4%	0.3%	0.3%	0.2%
4.4 Due to occupational accident (in hours per year)	15	121	1 408	1 163	2 163	1 517
4.5 Due to non occupational accident (in %)	0.4%	0.1%	0.8%	1.2%	0.5%	0.4%
4.6 Due to non occupational accident (in hours per year)	1 675	577	3 245	5 753	3 247	2 574
4.7 Number of absences in days (sickness and accident) per year per employee	5.4	5.6	4.4	5.7	9.8	6.9

2022 and 2023 figures for Starrag and Tornos Group Switzerland. We will align worldwide indicators from 2024.



Our company restaurant at Tornos Moutier.



## Personnel Development

Our commitment to personnel development is more than just words; it is a guiding philosophy. We prioritize training, mentorship, and continuous learning, inspiring our employees to become future leaders and contributors to our collective success. Their growth is our growth, reflecting our core values.

Continuous learning is part of our corporate culture. This includes taking on trainees and dual education students. Currently there are 132 apprentices and trainees undergoing training, which represents 5.9% of the FTE for the entire Group.

As members of Swissmem, focusMem, Verein Triebwerk, LVKR<sup>3</sup>, LMVA<sup>4</sup>, and more, we leverage these connections to provide our trainees with diverse perspectives and comprehensive knowledge.

We are proud to be personally training our future experts and heads of department. Thirty-five leader positions are occupied by former StarragTornos apprentices and trainees, who continue to share their knowledge within our organization and inspire us.

We offer personalized training opportunities for employees, tailored to individual needs and target groups. In 2024 we will introduce a dedicated learning platform to teach digitalization and other specialized subjects. This platform will include quizzes, a points system, ranking, and certificates to promote long-term learning achievements.

5. Personnel development	Rorschacherberg		Vuadens		Moutier	
	2022	2023	2022	2023	2022	2023
5.1 External training costs per employee (CHF)	1 080	740	286	156	335	430

2022 and 2023 figures for Starrag and Tornos Group Switzerland. We will align worldwide indicators from 2024.



Apprentices who finished their training in summer 2023 with the training staff and HR Manager at Tornos Moutier



Apprentices who finished their training in summer 2023 at Starrag Rorschacherberg

<sup>3</sup> Landesverband für Kriminalprävention und Resozialisierung Sachsen-Anhalt e. V.: [www.lvkr.de](http://www.lvkr.de)

<sup>4</sup> Lehrmeisterverband Automation: [www.lmva.ch](http://www.lmva.ch)





## Diversity, Equal Opportunities, and Non-Discrimination

### Our Commitment and Measures

Our commitment to diversity and equal opportunities is more than just a policy; it is a core value deeply embedded in our corporate ethos. We value the unique perspectives, experiences, and backgrounds that our employees bring to the table. By fostering an inclusive environment, we harness the collective power of our diverse workforce to drive innovation, creativity, and excellence. In this commitment, we stand firmly against discrimination in all its forms. We uphold the principles of fairness, equality, and respect, ensuring that every individual, regardless of their gender, race, ethnicity, age, religion, sexual orientation, disability, or any other characteristic, is treated with dignity and given the same opportunities to grow and succeed within our organization.

For KPI see point 2 on page 70.

### Gender Pay Equality

Ensuring equal pay and recognizing the equal value of work for all genders has been a longstanding commitment at StarragTornos Group. Over 12 years ago, we became the third company in Switzerland to conduct a study on this matter, and even then, no discrimination was found.

Today, in compliance with federal law, a new mandatory survey has been carried out and the results remain gratifying. We continue to serve as an example, consistently affirming our position in respecting equal pay for work of equal value between men and women.



Gender pay equality certificates



## Human Rights and Child Labor

StarragTornos Group is highly committed to respecting and protecting human rights throughout its entire supply chain. The Tornos Code of Conduct, the Tornos Code of Conduct for Business Partners, the Starrag Business Conduct Guidelines, and the Starrag General Purchasing Guidelines reflect this commitment.

Our standards encompass, but are not limited to:

- Adherence to global labor and social standards as defined by the International Labor Organization (ILO), including the UN Global Compact's Labor Principles which provide guidance on child labor, forced labor, and discrimination
- Advocacy for equitable working conditions
- Firm opposition to any form of child or forced labor
- Respect for freedom of association and collective bargaining rights

We apply the same standards to our suppliers and business partners, expecting them to uphold these standards throughout their supply chains. Our customers and employees also expect adherence to these standards from both us and our suppliers.

Thorough due diligence processes serve our primary strategy for mitigating risks. In 2023, Tornos took measures to fight against child labor and forced or compulsory labor, adapting its internal processes and conducting the first updated audits with its suppliers.

During the reporting year, Starrag conducted a comprehensive global assessment of its tier-1 suppliers to identify and address child labor risks and concerns. All high-risk direct suppliers have been identified and required to sign the Starrag General Purchasing Guidelines. Achieving comprehensive traceability throughout our supply chain will require significant efforts in the future, given the operational constraints.

In response to these challenges, we will maintain our vigilant oversight of our most high-risk suppliers and insist on confirmation of the referenced documents before initiating or continuing any business relationships.

Some alignment will be necessary for this purpose in the coming period, with further measures and specifics to be outlined in the 2024 report.

<b>Subject</b>	<b>2023</b>
Number of audits carried out in 2023	36
Non-conformity linked to human rights	0
Non-conformity linked to child labor	0
<b>Total</b>	<b>36</b>

Audits carried out by the Tornos Group for both human rights and child labor



Contest at i-moutier with students from the Engineering school in St-Imier



Citizen's Day clean-up action in Moutier



Tree planting by apprentices from Starrag in the Beutha region (Saxony)

## Social and Local Commitment

Our commitment to sustainability goes beyond our corporate boundaries, extending to our societal responsibilities, where we actively contribute through donations, sponsorships, and engagement with schools and associations. We empower our employees to participate in volunteer activities by offering flexible working hours to facilitate their involvement.

Our primary focus includes education, science, nurturing young talents, sports and community engagement, all overseen by our Executive Management. We proactively collaborate with local associations and initiatives to build networks and promote regional improvement.

Furthermore, we are spearheading a sustainability paradigm shift through the i-moutier initiative, launched by Tornos in 2018. In 2023, we initiated several successful sustainability workshops with professional and enthusiastic experts. These workshops covered topics such as energy, legal frameworks, and eco-design, with a high level of participation. Learn more at [www.i-moutier.ch](http://www.i-moutier.ch) Our commitment to the local community extends beyond social activities. We care deeply for our environment, as evidenced by our Chemnitz trainees planting 1500 trees at a local forest in May 2023. This initiative was aimed at addressing the significant damage caused by the bostrych, demonstrating our dedication to environmental stewardship.

In Moutier, the first Citizen's Day was conducted in May with volunteers from the whole company. The goal was to clean up a part of the city and the forest around the city. Over 300 kg waste was collected within a few hours.



# Ethics and Governance



Following the recent merger, action will be taken to harmonize governance-related matters. This harmonization process will start in 2024, with the aim of creating a unified framework that reflects the shared values, principles, and standards of the new StarragTornos Group organization. This framework will establish processes to proactively address Group-specific risks and efficiently handle compliance breaches.

Ethics and Governance addresses the following topics:

- Risk management
- Compliance
- Data protection
- IT security
- Anti-corruption and antitrust measures

Each of these subjects will undergo regular audits to ensure their ongoing effectiveness. In 2023, particular emphasis was placed on IT security topics, combating corruption, preventing child labor, and monitoring raw materials originating from high-risk countries such as gold, tantalum, tungsten, and tin. These focused efforts demonstrate our commitment to upholding the highest standards in ethical conduct and responsible business practices.

## Risk Management

In 2023, we took significant strides towards sustainable risk management by integrating sustainability risks into our company's comprehensive risk assessment process. This initiative has not only bolstered the efficiency of our risk evaluation, but has also elevated the overall quality of risk-related information. Commencing in the 2023 financial year, our commitment extends to a heightened level of analysis, incorporating the Task Force on Climate-related Financial Disclosures (TCFD) regulations from the 2024 reporting year onwards.

Within the spectrum of risks, climate-related concerns take center stage as a prominent risk category for our Group, and are overseen directly by the Board of Directors. Adhering to TCFD guidelines, our Chief Financial Officer (CFO) will initiate annual assessments to identify climate-related risks and opportunities.

The evaluation of these risks will be conducted across short, mid, and long-term horizons, carefully considering environmental laws, regulations, and stakeholder expectations. To address the identified risks and capitalize on opportunities, strategic actions will be determined during management meetings attended by directors and subsequently executed by the relevant departments under the vigilant oversight of the CFO.



Our commitment to transparency and accountability is evident in our pledge to report the outcomes of this sustainability risk analysis. The comprehensive report for 2024 will be made available in 2025, demonstrating our dedication to proactive risk management, sustainability, and compliance with evolving regulatory standards and stakeholder expectations.

## Data Protection and Information Security

We prioritize the personal rights and data confidentiality of our employees and business partners, integrating data protection and information security into our compliance management.

Given the substantial challenges associated with IT security, we recognize its critical importance. As part of our proactive approach, we make substantial investments in hardware, software, and continuous staff training. These measures are implemented to guarantee the integrity and confidentiality of information and data across our entire organization. Our dedication to robust IT security reflects our commitment to maintaining the trust of our stakeholders and ensuring the secure handling of sensitive information.

In addition to the ongoing efforts, a new framework is currently being developed under the supervision of our Chief Information Security Officers (CISO) at the Starrag Group and the Tornos Group, aiming to surpass the existing security standards. Internally, we have established a comprehensive framework for information and data protection. This initiative includes the formation of a dedicated IT security organization and a continuous focus on communication, awareness initiatives, and employee training to effectively address the associated risks. These internal measures collectively reflect our commitment to staying ahead of the evolving challenges and upholding the highest standards of data security and confidentiality across our organization.

## Anti-Corruption and Anti-Trust

The StarragTornos Group places a strong emphasis on adherence to rules and regulations for both employees and business partners, with a particular focus on anti-corruption measures. Bribery and corrupt behavior are strictly prohibited, as outlined in our Starrag Business Conduct Guidelines and Tornos Code of Conduct for Employees and Business Partners. Such actions are deemed incompatible with our corporate culture and philosophy, causing harm to all parties involved.

In the reporting year, the Tornos Group implemented anti-corruption training initiatives in Asia. Specifically, training programs addressing anti-corruption and anti-trust measures were organized and successfully completed by 111 employees at our subsidiaries in Shanghai and Xi'an. Additional training measures are underway in our Taiwanese location. As part of our ongoing commitment, the topics of anti-corruption and anti-trust were integrated into our employee handbooks in 2023. Looking ahead, we plan to conduct targeted audits at our production sites, suppliers, and agents to ensure alignment throughout our value chain. This proactive approach underscores our commitment to maintaining the highest standards of integrity, transparency, and ethical conduct across all facets of our operations.



## Whistleblower System

We actively encourage all internal and external stakeholders to report any suspected breaches of regulations or violations of our Code of Conduct and Code of Conduct for Business Partners. To facilitate this process, stakeholders can contact our Sustainability Helpdesk at [compliance@starrag.com](mailto:compliance@starrag.com) for the Starrag division or [code-of-conduct@tornos.com](mailto:code-of-conduct@tornos.com) for the Tornos division.

We greatly value whistleblowers for their essential role in identifying and addressing misconduct. We are dedicated to protecting them from discrimination or disciplinary action, and strictly prohibit retaliation. Our monitoring process ensures prompt and comprehensive action on sustainability matters.

In 2024, a single point of entry will be set up to address any problems in the StarragTornos Group.

Our reporting system is built on independent third-party verification, ensuring confidentiality and guaranteeing the integrity of the process. This underscores our commitment to transparency and accountability, and the importance we place on addressing any concerns raised by our stakeholders in a fair and objective manner.



## GRI index

GRI	GRI Content	Pages addressing topics
<b>GRI2</b>	General Disclosures 2021 (GRI 2-1, 2-2, 2-3, 2-6)	49
	(GRI 2-9, 2-12, 2-13, 2-14)	52 - 53
	(GRI 2-22)	50 - 52
	(GRI 2-26)	78
	(GRI 2-29)	53
	(GRI 2-7)	49 / 70
	(GRI 2-23)	68
	(GRI 2-25)	67 - 69 / 78
	(GRI 2-27)	From next report
<b>GRI3</b>	Material Topics 2021	53-54
	(GRI 3-1, 3-2, 3-3)	54
<b>GRI 201</b>	Economic Performance 2016	From next report
<b>GRI 203</b>	Indirect Economic Impacts 2016	From next report
<b>GRI 204</b>	Procurement Practices 2016	67 - 69
<b>GRI 205</b>	Anti-corruption 2016 (GRI 205-1)	77 - 78
<b>GRI 206</b>	Anti-competitive Behavior 2016	From next report
<b>GRI 207</b>	Tax 2019	123 / 126 - 127
<b>GRI 301</b>	Materials 2016	65 - 66
	GRI 301-2	
<b>GRI 302</b>	Energy 2016	58 - 59
<b>GRI 303</b>	Water and Effluents 2018	From next report
<b>GRI 304</b>	Biodiversity 2016	From next report
<b>GRI 305</b>	Emissions 2016	55 - 57
	(GRI-305-1, 305-2, 305-5)	
<b>GRI 306</b>	Waste 2020	58 / 61
<b>GRI 308</b>	Supplier Environmental Assessment 2016	From next report
<b>GRI 401</b>	Employment 2016	71
	(GRI 401-1)	
<b>GRI 403</b>	Occupational Health and Safety 2018	71
	(GRI 403-4, 403-5, 403-6, 403-8)	
<b>GRI 404</b>	Training and Education 2016	72
	(GRI 404-1)	
<b>GRI 405</b>	Diversity and Equal Opportunity 2016	73
	(GRI 405-1, 405-2)	
<b>GRI 407</b>	Freedom of Association and Collective Bargaining 2016	From next report
<b>GRI 408</b>	Child Labor 2016	74
<b>GRI 409</b>	Forced or Compulsory Labor 2016	74
<b>GRI 413</b>	Local Communities 2016	75
	(GRI 413-1)	
<b>GRI 414</b>	Supplier Social Assessment 2016	68 - 69
	(GRI 413-1, 413-2)	
<b>GRI 416</b>	Customer Health and Safety 2016	66 - 67
<b>GRI 418</b>	Customer Privacy 2016	77

Statement of use: StarragTornos Group has reported the information cited in this GRI content index for the period of January 1, 2023 to December 31, 2023 with reference to the GRI Standards in broad terms.



## Glossary

<b>CSRD</b>	Corporate Sustainability Reporting Directive	<a href="https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en">https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en</a>
<b>GHG</b>	Greenhouse gas	
<b>GHG protocol</b>	Greenhouse Gas Protocol	<a href="https://ghgprotocol.org">https://ghgprotocol.org</a>
<b>GRI</b>	Global Reporting Initiative	<a href="https://www.globalreporting.org">https://www.globalreporting.org</a>
<b>ILO</b>	International Labor Organization	<a href="https://www.ilo.org">https://www.ilo.org</a>
<b>DDTrO</b>	Ordinance of 3 December 2021 on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO)	<a href="https://www.fedlex.admin.ch/eli/oc/2021/847/fr">https://www.fedlex.admin.ch/eli/oc/2021/847/fr</a>
<b>SDGs</b>	Sustainable Development Goals	<a href="https://sdgs.un.org/goals">https://sdgs.un.org/goals</a>
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures	<a href="https://www.fsb-tcfd.org">https://www.fsb-tcfd.org</a>





Together, we want to shape  
a sustainable future for  
the global metal-cutting  
machine tool industry.

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# Corporate Governance

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# Corporate Structure and Shareholders

from 08.12.2023

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## Board of Directors

Michael Hauser, Chairman  
Walter Fust, Vice-Chairman  
Christian Androschin  
François Frôté  
Till Fust  
Bernhard Iseli  
Michel Rollier  
Adrian Stürm

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## Executive Board

CEO Michael Hauser	Division CEO Starrag Martin Buyle	Division CEO Tornos Jens Thing
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## CFO

Stéphane Pittet

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until 07.12.2023

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## Board of Directors

Michael Hauser, Chairman  
Walter Fust, Vice-Chairman  
Christian Androschin  
Bernhard Iseli  
Adrian Stürm

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## CEO

Martin Buyle from 01.04.2023

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## Sales

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

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## High Performance Machining Systems

Christian Kurtenbach  
from 01.02.2023

### Product ranges:

- Ecospeed
  - Heckert
  - Scharmann
  - Starrag
  - TTL
- 

## Large Parts Machining Systems

Rainer Hansjürgens

### Product ranges:

- Berthiez
  - Dörries
  - Droop+Rein
- 

## Ultra Precision Machining Systems

Jean-Daniel Isoz

### Product ranges:

- Bumotec
  - SIP
- 

## Customer Service

Günther Eller

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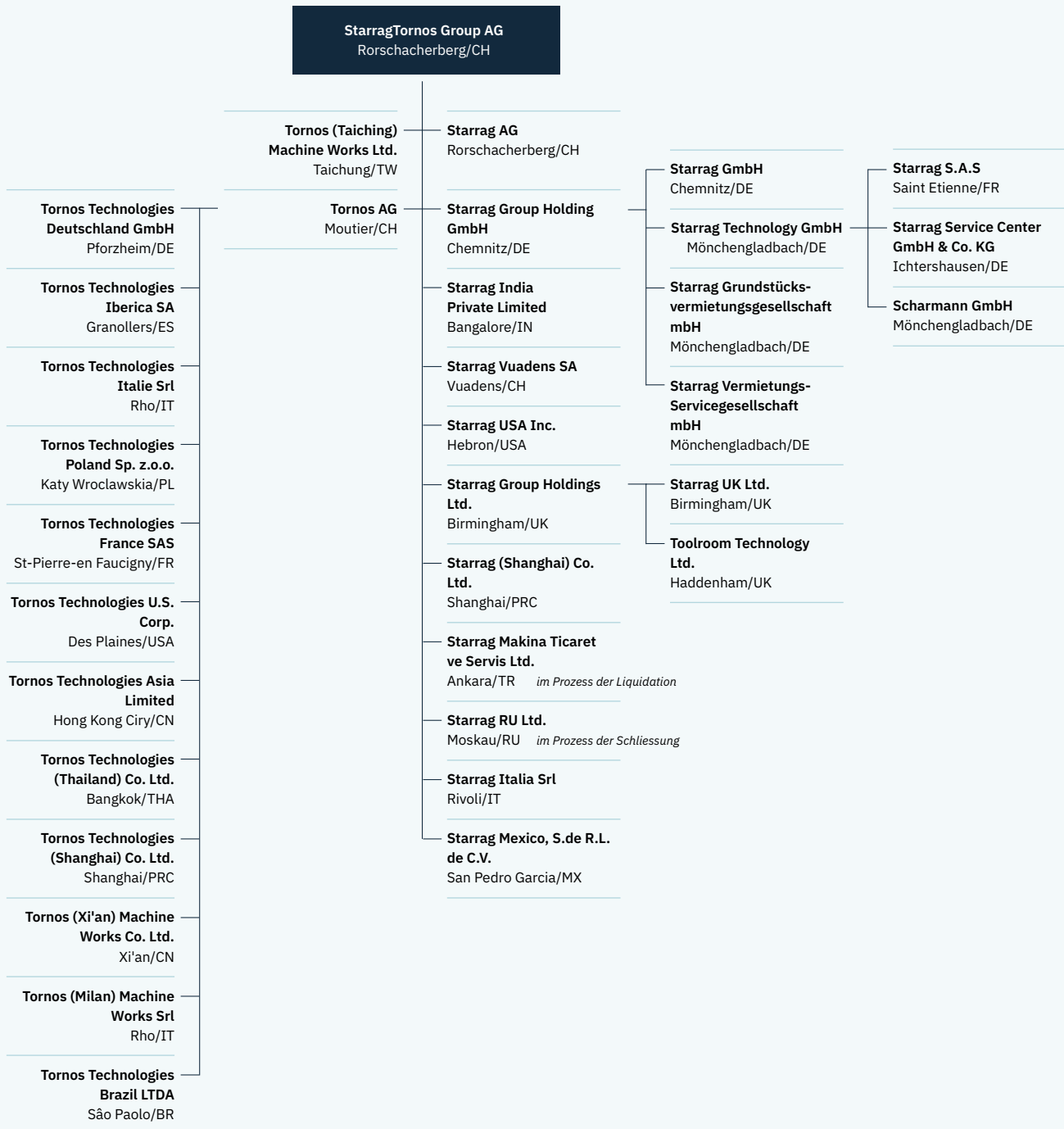
## CFO / Corporate Center

Thomas Erne until 29.02.2024

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## Participation Structure



Details of share capital and the equity interest held are given in the consolidated financial statements on pages 130 and 131 of this annual report.



The registered shares of StarragTornos Group 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 December 31, 2023 was CHF 271.0 million.

## Shareholders

There were 1’838 shareholders registered in the company's share register on December 31, 2023, who held the following numbers of shares:

More than 100’000 shares	▶ 6 shareholders
10’001 to 100’000 shares	▶ 19 shareholders
1’001 to 10’000 shares	▶ 131 shareholders
1 to 1’000 shares	▶ 1’682 shareholders

452’527 shares or 7.8% were not registered in the share register on December 31, 2023 (cleared shares).

The company knows significant shareholders with more than 5 percent of voting rights as follows:

- Walter Fust, Freienbach, Switzerland  
2’846’564 shares, 52.11%
- Eduard Stürm AG, Goldach, Switzerland  
311’079 shares, 5.69%
- Michel Rollier, Le Landeron / Rollomatic Holding SA, Le Landeron, Switzerland  
302’209 shares, 5.53%

We have received the following disclosure notifications during the 2023 financial year in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading.

- 15.12.2023: Michel Rollier / Rollomatic Holding  
Le Landeron, Switzerland, 5.53%
- 15.12.2023: Quaero Capital SA  
Genf, Switzerland, 3.7%

More detailed information regarding the above-mentioned or earlier publications are available on the website of the SIX Swiss Exchange’s Disclosure Office: <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 46'436'528.50 and is split into 5'463'121 fully paid-in registered shares with a nominal value of CHF 8.50 each.

## Authorised Share Capital

There is no authorised capital.

## Capital Band

There is no capital band.

## Conditional Share Capital

As at December 31, 2023, the share capital can be increased by up to CHF 595'000 by issuing a maximum of 70'000 fully paid-up registered shares with a par value of CHF 8.50 each to employees, freelance employees and members of the Board of Directors and Executive Management of the company and its Group companies by exercising the option granted to them under the employee participation plan for the Tornos Group of the former Tornos Holding Ltd., which was taken over by the company through merger. The subscription right or priority subscription right of the shareholders is excluded.

## Changes in Capital

In the last three years under report, the share capital of StarragTornos Group AG has changes as follows:

- 08.12.2023: Increase of the company's share capital from CHF 28'560'000 by CHF 17'876'528.50 to CHF 46'436'528.50 by issuing 2'103'121 fully paid-up registered shares with a par value of CHF 8.50 each to 5'463'121 fully paid-up registered shares.



## 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.starragtornos.com](http://www.starragtornos.com) (click on Articles of Association under Governance) 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. Shareholding plans for persons designated by the Board of Directors exist.



# Board of Directors

## **Michael Hauser, Swiss, German, 1961 – Chairman and CEO**

- Appointed Chairman to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Directors of Starrag Group Holding AG (2018-2023), Chairman (2020-2023); CEO of the Tornos Group (2011-2023)
- **Training – final qualification on completion of studies:** Degree in Business Administration (University of Mannheim)
- **Committees:** None
- **Mandates in listed companies:** Schlatter Industries AG (Member of the Board /Chair of the Remuneration and Compensation Committee)
- **Mandates in non-listed companies and organizations:** SWISSMEM: Swiss Association of Mechanical, Metal and Electrical Engineering Industries (Member of the Board); CECIMO: European Association of Manufacturing Technologies (Swiss Delegate and Member of the Board)
- **Previous professional activities:** Member of the Executive Board of Georg Fischer AG and Head of GF Agie Charmilles division (2008–2010). Member of the Executive Board of the Agie Charmilles Group (2000–2008), Chairman of the Milling Division of the Mikron Technology Group (1996–2000)

## **Walter Fust, Swiss, 1941 – Member of the Board / Vice-Chairman**

- Appointed to the Board of Directors (Vice-Chairman) of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Directors of Starrag Group Holding AG (1988 - 2023), Vice-Chairman (2020 - 2023) Chairman (1992 - 2015 and 2019 - 2020); Member of the Board of Directors of Tornos Holding Ltd. (2014 - 2023)
- **Training – final qualification on completion of studies:** Engineer ETHZ (Swiss Federal Institute of Technology Zurich)
- **Committees:** Remuneration Committee
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Immofust AG, (Chairman); Fraunhofer Institute IWU University of Chemnitz (Member of the council)
- **Previous professional activities:** Dipl. Ing. Fust AG (founder, 1966), Jelmoli Holding AG (Board member 1997–2009, Chairman until 2007)

## **Christian Androschin, Austrian, 1967 – Member of the Board**

- Appointed to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Starrag Group Holding AG (2022-2023)
- **Training – final qualification on completion of studies:** Lic. oec. HSG (University of St. Gallen)
- **Committees:** None





- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Androschin & Partner Management Consulting GmbH (Managing Director); A&P Consulting GmbH (Managing Director); Rhein Management AG (Member of the Board); Weber Ultrasonics AG (Member of the Board); Hübers Beteiligungs GmbH (Member of the Board); tmax Holding GmbH (Member of the Board)
- **Professional activities:** Managing partner of Androschin & Partner Management Consulting GmbH (since 2005)
- **Previous professional activities:** Partner at Roland Berger (1989–1992 and 1994–2004), Maho AG (1992–1994)

#### **François Frôté, Swiss, 1953 – Member of the Board**

- Appointed to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member and Chairman of the Board of Directors of Tornos Holding Ltd. (2002-2023); Legal adviser to Tornos Holding Ltd.
- **Training – final qualification on completion of studies:** Lawyer (University of Bern)
- **Committees:** None
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Groupe Parts Indus SA (Chair of the Board); AZ Acquisitions et Financement (Chair of the Board); Fondation Michel Rollier (Member of the Foundation Board); RIM Holding SA (Member of the Board); Daniel Charpillot holding (Member of the Board); Gegeco SA (Member of the Board); Gefco SA (Member of the Board); Dimension SA (Member of the Board); F&P Group SA (Chair of the Board); Schoeb Frôté SA (Chair of the Board); Groupe Bien-Air SA (Member of the Board); Eberhard SA (Member of the Board); GFIE SA (Chair of the Board); FFII SA (Chair of the Board); FFW SA (Chair of the Board)
- **Professional activities:** Law offices of Frôté & Partner: Lawyer and Chairman (since 1979)

#### **Till Fust, Swiss, 1993 – Member of the Board**

- Appointed to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Directors of Tornos Holding Ltd. (2019-2023)
- **Training – final qualification on completion of studies:** Master's degree in international economics (Graduate Institute Geneva)
- **Committees:** None
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** None
- **Professional activities:** Solarify GmbH, Co-Managing Director - Finance & Controlling
- **Previous professional activities:** Solarify GmbH, Sales Manager

#### **Bernhard Iseli, Swiss, 1960 – Member of the Board**

- Appointed to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Directors of Starrag Group Holding AG (2022 - 2023)
- **Training – final qualification on completion of studies:** Mechanical engineer HTL (Engineering School, Berne) and his postgraduate studies as an operation engineer SIB/ISZ in Zurich
- **Committees:** Remuneration Committee
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Krämer AG (Member of the Board)
- **Professional activities:** Since 2021 Co-Founder and Managing Partner of scenarioC GmbH for Innovation Management



- **Previous professional activities:** Within GF Machining Solutions AG, Managing Director Technical Unit Liechti (from 2019 to 2021) and Managing Director of the “Technical Milling” business unit (2009–2019). Various top management positions in companies such as Tecan (Pharma), Mathys AG (Medical) and Fritz Studer AG (Grinding Machines)

#### **Michel Rollier, Swiss, 1959 – Member of the Board**

- Appointed to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Directors of Tornos Holding Ltd. (2002-2023)
- **Training – final qualification on completion of studies:** Engineer EPFL (Swiss Federal Institute of Technology, Lausanne)
- **Committees:** None
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Group Parts Indus SA (Member of the Board); AZ Acquisition et Financement (Member of the Board); Fondation Michel Rollier (Chair of the Foundation); RIM Holding SA (Chair of the Board); ASA, Action Super Abrasive SA (Member of the Board)
- **Previous professional activities:** Various management functions at Rollomatic SA (from 1989–2018)

#### **Adrian Stürm, Swiss, 1970**

- Appointed to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Directors of Starrag Group Holding AG (2008 - 2023)
- **Training – final qualification on completion of studies:** Lic. oec. HSG (University of St. Gallen)
- **Committees:** None
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Family-owned company Eduard Stürm AG (Holding) and its subsidiaries Holz Stürm AG and Eduard Stürm Immobilien AG (Chairman); Holz Michel AG (Member of the Board)
- **Professional activities:** Operational Risk Control and Wealth Management Controlling at UBS AG since 2001 and Risk Management at UBS Wealth Management Switzerland AG since 2008
- **Previous professional activities:** Auditor with KPMG Zurich and London (1997–2000)

## **Maximum Number of Permissible Mandates**

The members of the Board of Directors may not hold more than 15 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:

<b>Board of Directors</b>	<b>First time election</b>	<b>Expiry of term of office</b>
Michael Hauser, President	2018	2024
Walter Fust, Vice-President	1988	2024
Adrian Stürm	2008	2024
Christian Androschin	2022	2024
Bernhard Iseli	2022	2024
François Frôté	12.2023	2024
Till Fust	12.2023	2024
Michel Rollier	12.2023	2024

## 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 2023, nine meetings of the Board of Directors took place, with an average duration of six hours. Four of the meetings were held by conference call. Walter Fust and Michel Rollier were excused at one meeting. Apart from that, all members of the Board of Directors attended all meetings.

During the merger process, Tornos Holding SA and Starrag Holding SA have established separate committees within their respective boards of directors to oversee governance and spearhead negotiations. Throughout the process, both parties have conducted regular meetings individually and jointly.

The tasks and responsibilities of the Compensation Committee are presented in the Remuneration Report (from page 104). The Board of Directors has set up a Merger Committee, which held



several meetings both via video link and in person. 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 exercises further control functions.

## Risk Management

As a leading global manufacturer of precision machine tools, the StarragTornos 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,
- misjudgments 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 StarragTornos Group,
- cyber attacks could affect operations across the 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 StarragTornos 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 minimization 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 133.

## 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.

### **Michael Hauser, Swiss, German, 1961 – Chairman and CEO**

- Appointed Chairman to the Board of Directors of StarragTornos Group AG in 2023, term ends in 2024
- **Previous activities for Starrag and Tornos:** Member of the Board of Directors of Starrag Group Holding AG (2018-2023), Chairman (2020-2023); CEO of the Tornos Group (2011-2023)
- **Training – final qualification on completion of studies:** Degree in Business Administration (University of Mannheim)
- **Committees:** None
- **Mandates in listed companies:** Schlatter Industries AG (Member of the Board /Chair of the Remuneration and Compensation Committee)
- **Mandates in non-listed companies and organizations:** SWISSMEM: Swiss Association of Mechanical, Metal and Electrical Engineering Industries (Member of the Board); CECIMO: European Association of Manufacturing Technologies (Swiss Delegate and Member of the Board)
- **Previous professional activities:** Member of the Executive Board of Georg Fischer AG and Head of GF Agie Charmilles division (2008–2010). Member of the Executive Board of the Agie Charmilles Group (2000–2008), Chairman of the Milling Division of the Mikron Technology Group (1996–2000)

### **Martin Buyle, Austrian, 1974 – Division CEO Starrag**

- **Previous activities for Starrag and Tornos::** CEO of the Starrag Group (2023)
- **Training – final qualification on completion of studies:** Degree in mechanical engineering, MBA (IESE Business School)
- **Committees:** None
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Mozaiq Switzerland AG (Member of the Board)
- **Previous professional activities:** Managing Director of Starrag Technology GmbH (2020–2022); CEO at Orell Füssli AG (2014–2019); CEO and member of the Group Management at Jakob Müller AG (2009 to 2014, from 2013 Chairman); Managing Director at Kramer Werke GmbH (2005–2009); Senior Consultant Competence Center Engineered Products/High-Tech at Roland Berger Strategy Consultants in Munich (2002–2005); Development Engineer at MTU Friedrichshafen GmbH (1997–2000).

### **Jens Thing, Swiss, Danish, 1964 – Division CEO Tornos**

- **Previous activities for Starrag and Tornos:** CSO and member of the Group Management (2020-2023)
- **Training – final qualification on completion of studies:** Executive Master of Business Administration (MBA) degree from the University of Toronto (Canada), the University of St. Gallen (Switzerland), and the Rotman School of Management (Canada)



- **Committees:** None
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** None
- **Previous professional activities:** Mikron Ltd., Nidau (CH): Regional Sales Manager (from 1987 to 1994); Mikron Ltd., Hannover (DE): Managing Director (from 1994 to 2000); Mikron Agie Charmilles Ltd., Nidau (CH): Head of Marketing and Sales Support Milling (from 2000 to 2008); GF Agie Charmilles Management Ltd., Geneva (CH): Head of Global Marketing (from 2008 to 2011); GF Agie Charmilles Management Ltd., Geneva (CH): Head of Business Unit Services and Group Management member (from 2011 to 2014); Haas Automation Europe NV, Brussels (BE): Managing Director (from 2014 to 2020)

### **Stéphane Pittet, Swiss, 1973 – Chief Financial Officer**

- **Previous activities for Starrag and Tornos:** CFO of the Tornos Group (2021 - 2023)
- **Training – final qualification on completion of studies:** Master of Business Administration (MBA) degree from the University of Lausanne (Switzerland)
- **Committees:** None
- **Mandates in listed companies:** None
- **Mandates in non-listed companies and organizations:** Institution de Prévoyance Tornos SA (Member of the foundation committee and of the investment committee)
- **Previous professional activities:** Interdica Ltd. (Richemont), Freiburg (CH): Various positions (from 1997 to 2001); Rado Watch Company Ltd. (Swatch Group), Lengnau (CH): Project Manager and Head of Procurement (from 2001 to 2005); Hamilton International & Endura Ltd. (Swatch Group), Biel (CH): Head of Operations (from 2006 to 2007); Swatch Group Ltd. (Headquarter), Biel (CH): Corporate Controller (from 2007 to 2011); Rado Watch Company Ltd. (Swatch Group), Lengnau (CH): Vice-President Finance and Operations (from 2011 to 2021)

## Maximum Number of Permissible Mandates

The members of the Executive Board may not hold more than 15 mandates in other companies, out of which a maximum of 5 in listed companies

- 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 StarragTornos 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 StarragTornos Group.



# Compensation, Shareholdings and Loans

Information on compensation and loans are specified in the Remuneration Report (from page 104) and information regarding participation can be found in the Notes to the Financial Statement (from page 165).





# 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 voting rights for shareholders entered in the share register with voting rights. Every shareholder is entitled to be represented at the Annual General Meeting by a representative of their choice or by the independent proxy.

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

The AGM must be held within six months of the end of our financial year (December 31), and normally takes place in April. The Board may at any time until June 30, 2028 also order that the AGM be held electronically without a venue.

Extraordinary General Meetings may be requested by the Board, the external auditor, or shareholders representing at least 3% of the share capital. A notice convening a General Meeting must be sent in writing or by electronic message to shareholders at least 20 days before the scheduled date of the General Meeting.



## 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 0.5% 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. 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 about 10 days before the General Meeting.



# Changes in Control and Defense 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

PricewaterhouseCoopers 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

PricewaterhouseCoopers invoiced the StarragTornos Group CHF 512'000 in the 2023 financial year for services in connection with auditing the annual statements of StarragTornos Group AG and the Group companies (Starrag and Tornos), as well as the consolidated statements of the StarragTornos Group, the half year reports and the capital increase. The total amount includes CHF 212'000 relating to Tornos Group, that was merged with StarragTornos Group AG in July 2023. The Tornos Group related audit fees comprise the full amount for the entire year 2023 as a reasonable allocation to the period before and after the merger is not possible.

## Additional audit fees

During the 2023 financial year, PricewaterhouseCoopers invoiced additional fees amounting to a total of CHF 440'000. This comprises additional audit work closely related to the merger of Starrag and Tornos, such as purchase price allocation, merger audit, auditors work on the pro forma financials, etc.

## 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 one meeting 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.starragtornos.com](http://www.starragtornos.com) website, media releases, presentations for the media and analysts and the Annual General Meeting.

As a company listed on the stock exchange, the StarragTornos Group 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.starragtornos.com/en/e-mail-distribution/subscribe/](http://www.starragtornos.com/en/e-mail-distribution/subscribe/) to receive potential information relevant to the share price directly from the company via the e-mail distribution list.

## Important Data

### **20.04.2024**

Annual General Meeting in Rorschach

### **25.07.2024**

Half-Year Report 2024

### **30.01.2025**

Sales and order situation 2024

### **14.03.2025**

Annual Report 2024, Analysts and Media Conference

### **17.04.2025**

Annual General Meeting in Rorschach

The information mentioned will be published on our website [www.starragtornos.com](http://www.starragtornos.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 StarragTornos Group AG and corresponding financial instruments is prohibited for members of the Board of Directors, members of the Executive Board, members of the Division Management and employees of the accounting departments in Rorschacherberg, Moutier, Vuadens, Chemnitz and Mönchengladbach from the beginning of the year until the publication of the annual report and from July 1 until 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.

### Contact

Stéphane Pittet, CFO

T +41 71 858 81 11

[investor@starragtornos.com](mailto:investor@starragtornos.com)





# Remuneration Report

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## Introduction

This remuneration report contains information on the remuneration of the members of the Board of Directors and the Executive Board. The report was prepared in accordance with the Swiss Code of Obligations. Furthermore, the report is in line with the Swiss Code of Best Practice for Corporate Governance of the Swiss Business Federation *economiesuisse* and Chapter 5 of the Annex to the Corporate Governance Directive of the SIX Exchange Regulation.

The information contained in the Sections "Remuneration" and "Loans and credits" has been audited by the auditors.

From an accounting perspective, the merger between Starrag Group Holding AG and Tornos Holding Ltd. took place on December 7, 2023, while from a legal perspective the merger took place on July 1, 2023. With the legal merger to form StarragTornos Group AG, the remuneration policy and principles of Starrag Group Holding AG will apply to the Executive Board of StarragTornos Group AG from January 01, 2024 and to the Board of Directors of StarragTornos Group AG from the 2024 Annual General Meeting.

Consequently, the remuneration report is composed of members of the Board of Directors and the Executive Board of the Starrag Group Holding AG (full year 2023) and Tornos Holding Ltd. (July 1–July 31, December 2023).

## Remuneration policy and principles

StarragTornos Group AG ensures comprehensive transparency regarding the remuneration of the members of the Board of Directors and the Executive Board. Within the StarragTornos Group, remuneration is based on the principles of value-oriented corporate management with the aim of ensuring that managers are remunerated in line with the market and thus ensuring that qualified managers can be recruited and remain with the company in the long term. The remuneration policy also promotes entrepreneurial thinking and action and aligns the interests of the executive bodies with those of the shareholders.

The remuneration of the members of the Board of Directors and the Executive Board is determined on the basis of individual tasks and performance, the company's business performance, market conditions in the respective global sales and local labor 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 to each member of the Executive Board at the discretion of the company.



## Responsibilities for determining remuneration

The responsibilities for determining remuneration are set out in the Articles of Association and organizational regulations of StarragTornos Group AG based on the regulations in the Swiss Code of Obligations.

### General Meeting

The General Meeting has non-transferable powers to:

- elect and dismiss the members of the Remuneration Committee;
- approve the remuneration of the Board of Directors and the Executive Board
- determine the legal principles for the performance-related remuneration 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 Swiss Code of Obligations.

The Annual General Meeting annually approves the maximum total remuneration of the Board of Directors for the period until the next Annual General Meeting and the maximum total remuneration of the Executive Board for the financial year following the Annual General Meeting.

The Annual General Meeting also approves the remuneration report retrospectively in a non-binding advisory vote.

### Board of Directors

Subject to the powers of the General Meeting the Board of Directors is based on the proposals of the Remuneration Committee responsible for determining the remuneration to be paid to the members of the Board of Directors and the Executive Board. Based on the proposals of the Remuneration Committee, it has the following tasks and responsibilities in particular:

- determination of the remuneration system for the members of the Board of Directors and the Executive Board in accordance with the Articles of Association;
- reviewing the fixed remuneration of the members of the Board of Directors and the Executive Board and to determine it within the framework of the total remuneration approved by the General Meeting;
- determination of any additional remuneration for the members of the Board of Directors and the Executive Board for special tasks and for additional services within the scope of the total remuneration approved by the General Meeting;
- determination of 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 scope of the total remuneration approved by the General Meeting;
- preparation of the remuneration report.

### Remuneration Committee

The Remuneration Committee has the following tasks and responsibilities (basic principles):

- preparation and periodic review of the remuneration policy and principles of StarragTornos Group AG as well as periodic review of their implementation and submission of proposals and recommendations to the Board of Directors;
- preparation of all relevant decisions of the Board of Directors regarding the remuneration of the members of the Board of Directors and the Executive Board as well as submission of proposals to the Board of Directors regarding the type and amount of the annual remuneration of the members of the Board of Directors and the Executive Board and preparation of a proposal for the maximum total amount of remuneration.



In fulfilling its statutory duties, the Remuneration Committee held several meetings both via video link and in person.

The Board of Directors and the Remuneration Committee may consult external experts on remuneration issues in order to obtain neutral advice and/or data as a basis for comparing remuneration levels. The Board of Directors and the Remuneration Committee performed their duties in the past year without the involvement of external consultants.

## Remuneration elements

### Board of Directors

The members of the Board of Directors each receive a fixed remuneration and a variable performance-related remuneration. The Board of Directors may grant individual members additional remuneration for additional tasks (participation in committees, etc.).

Net profit is the basis of assessment for the variable performance-related remuneration of members of the Board of Directors, reduced by a forward-looking interest rate on equity depending on interest rate trends. The amount of the interest advance and the shares of the individual members of the Board of Directors in the assessment basis as well as the further details (payment conditions and dates, any cap on variable remuneration, etc.) are determined by the Board of Directors. If the net profit falls below the fixed amount of anticipated interest, no variable profit participation is paid out. The variable profit-sharing of the members of the Board of Directors is limited to CHF 125'000 per member.

The fixed remuneration is paid monthly or annually. The variable remuneration is paid out annually following approval of the Group accounts by the Annual General Meeting. StarragTornos Group AG does not have any share participation schemes.

The members of the Board of Directors are not insured through pension schemes or comparable schemes of the company or Group companies. The members of the Board of Directors are not entitled to severance payments or other benefits upon leaving the company.

### Transitional solution of the Board of Directors of the Tornos Holding SA until the Annual General Meeting of StarragTornos Group AG 2024

The members of the former Board of Directors of Tornos Holding Ltd. will receive fixed remuneration in accordance with the remuneration policy and principles of the former Tornos Holding Ltd. and in accordance with the General Meeting 2023 of Tornos Holding Ltd., from July 1, 2023 until the General Meeting of StarragTornos Group AG 2024. With the legal merger of July 1, 2023, the position of the Chair of the Board of Directors of Tornos Holding Ltd. was eliminated. The former Chair of the Board of Directors of Tornos Holding Ltd. will now be remunerated as an ordinary member of the Board of Directors of the former Tornos Holding Ltd. for the period from January 1, 2024 until the 2024 Annual General Meeting.

The previous "Management and Board Participation Plan 2007 (MBP 07)" of Tornos Holding Ltd. was no longer used in the second half of 2023 and the plan was closed to new subscriptions on the effective date of the merger into StarragTornos Group AG. In the first half year of 2023 members of the Board of Directors were granted 32'000 options (equivalent to 3'388 options StarragTornos) with a fair value of CHF 1.69 (equivalent to CHF 15.96 StarragTornos). Out of these options granted, members of the Board of Directors acquired under the Stock purchasing program MBP07 a total of



12'000 shares (equivalent to 1'270 StarragTornos) at an acquisition price of CHF 4.34 (equivalent to CHF 40.98 StarragTornos) per share with a remuneration benefit of CHF 1.18 per share.

From the 2024 General Meeting onwards, the remuneration for all re-elected members of the Board of Directors will be as described in the Remuneration Components section.

### **Executive Board of Starrag Group Holding AG (until the end of 2023)**

The members of the Executive Board receive fixed and variable performance-related remuneration. The Board of Directors may decide on special bonuses for exceptional performance.

The Board of Directors determines the performance-related variable remuneration of the members of the Executive Board on the basis of individual performance indicators in the business areas for which they are responsible and/or collective performance indicators in relation to the Group result.

In the 2021 to 2023 financial years, the assessment basis for the performance-related variable remuneration of the Executive Board was determined on the basis of the operating result (EBIT) less the minimum earnings expectation. A second key figure was used for the business unit heads, which is based on the operating result (EBIT) of their respective area of responsibility.

The variable profit-sharing component for members of the Executive Board is limited to 150% of the fixed remuneration.

The fixed remuneration is paid monthly. The performance-related variable remuneration is paid out annually following approval of the Group accounts by the General Meeting. The company has no share participation plans. Pension benefits are only paid to members of the Executive Board under domestic and foreign pension plans and comparable plans of the company or Group companies. The benefits to the insured persons and the employer's plan contributions are set out in the aforementioned plans and the relevant plan regulations.

For members who are appointed to the Executive Board after the maximum total amount has been approved, an additional remuneration amount within the meaning of Art. 735a Swiss Code of Obligations amounting to 40% of the approved total amount of remuneration for the Executive Board is available.

Remuneration may be paid by the company or the corresponding Group company for services provided to companies that are directly or indirectly controlled by the company. This remuneration must be consolidated at Group level and included in the votes on remuneration at the General Meeting.

Loans and credits granted by the company to a member of the Executive Board as well as guarantees or other collateral offered to secure the liabilities of a member of the Executive Board may not exceed three times the annual salary of the respective member of the Executive Board.



### **Executive Board of Tornos Holding Ltd. (07/01/2023–12/31/2023)**

The members of the Executive Board receive fixed and variable performance-related remuneration. The latter is limited to a maximum of 54% of the fixed remuneration.

The relevant assessment basis for the variable performance-related remuneration of the CEO and CFO is the EBIT margin. For the remaining members of the Executive Board, this is determined by the degree to which the target values for revenue, EBIT margin and individual targets have been achieved.

The fixed remuneration of the members of the Executive Board is reviewed annually. The individual performance of the Executive Board is assessed by the Remuneration Committee. The latter prepares a corresponding proposal for approval by the Board of Directors.

The previous “Management and Board Participation Plan 2007 (MBP 07)” of Tornos Holding Ltd. was no longer used in the second half of 2023, and the plan was closed to new subscriptions on the effective date of the merger to form StarragTornos Group AG.

In the first half year of 2023 members of the General Management were granted 90'000 options (equivalent to 9'531 StarragTornos) with a fair value of CHF 1.69 (equivalent to CHF 15.96 StarragTornos). Out of these options granted, members of the General Management acquired under the Stock purchasing program MBP07 a total of 50'000 shares (equivalent to 5'295 StarragTornos) at an acquisition price of CHF 4.34 (equivalent to CHF 40.98 StarragTornos) per share with a remuneration benefit of CHF 1.18 per share.

### **Executive Board of StarragTornos Group AG as of January 1, 2024**

New performance-related variable remuneration elements will apply to all members of the Executive Board of StarragTornos Group AG from January 1, 2024.

The calculation of performance-related variable remuneration is now based on revenue, EBIT and a further, freely definable target figure. The latter is determined annually depending on a focus topic. The weighting of the individual indicators depends on the area of responsibility.



## Remuneration (audited)

### Board of Directors

**2023**
**2022**

CHF 1 000	Fixed remuneration	Remuneration additional services	Variable remuneration	Social security contributions	Total	Fixed remuneration	Remuneration additional services	Variable remuneration	Social security contributions	Total
<b>Total amount Board of Directors (former Starrag Group Holding AG)</b>	<b>330</b>	<b>72</b>	<b>360</b>	<b>47</b>	<b>809</b>	<b>330</b>	<b>24</b>	<b>135</b>	<b>24</b>	<b>513</b>
Variable as percentage of the sum of fix and variable remuneration			52%					29%		
Walter Fust	50	5	72	7	134	50	10	27	2	89
Michael Hauser (Chairman BoD)	130	-	72	13	215	130	-	27	10	167
Bernhard Iseli*	50	39	72	10	171	33	-	18	3	54
Adrian Stürm	50	-	72	8	130	50	5	27	4	86
Christian Androschin*	50	28	72	10	159	33	-	18	3	54
Prof. em. Dr. Christian Belz (until 23.04.2022)	-	-	-	-	-	17	-	9	1	27
Dr. Erich Bohli (until 23.04.2022)	-	-	-	-	-	17	9	9	1	36
*2022: as of 23.04.										
<b>Total amount Board of Directors (former Tornos Holding Ltd. as of 01.07.2023)</b>	<b>207</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>212</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
Variable as percentage of the sum of fix and variable remuneration			0%							
François Frôté (Chairman BoD)	84	-	-	-	84	n.a.	n.a.	n.a.	n.a.	n.a.
Walter Fust	40	-	-	2	42	n.a.	n.a.	n.a.	n.a.	n.a.
Till Fust	40	-	-	3	43	n.a.	n.a.	n.a.	n.a.	n.a.
Michel Rollier	43	-	-	-	43	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total amount Board of Directors</b>	<b>537</b>	<b>72</b>	<b>360</b>	<b>52</b>	<b>1 021</b>	<b>330</b>	<b>24</b>	<b>135</b>	<b>24</b>	<b>513</b>

### Executive Board

<b>Total amount Executive Board (former Starrag Group Holding AG)</b>	<b>2 359</b>	<b>15</b>	<b>2 690</b>	<b>760</b>	<b>5 824</b>	<b>1 818</b>	<b>-</b>	<b>1 411</b>	<b>564</b>	<b>3 793</b>
Variable as percentage of the sum of fix and variable remuneration			53%					44%		
Thereof:										
Christian Walti** (CEO until 30.12.2022)	381	-	358	111	850	390	-	335	131	856
Variable as percentage of total remuneration			48%					46%		
<b>Total amount Executive Board (former Tornos Holding Ltd. as of 01.07.2023)</b>	<b>575</b>	<b>-</b>	<b>133</b>	<b>179</b>	<b>887</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
Variable as percentage of the sum of fix and variable remuneration			19%							
Thereof:										
Michael Hauser CEO (from 01.07.2023)	283	-	71	69	423	n.a.	n.a.	n.a.	n.a.	n.a.
Variable as percentage of total remuneration			20%							
<b>Total amount Executive Board</b>	<b>2 934</b>	<b>15</b>	<b>2 823</b>	<b>939</b>	<b>6 711</b>	<b>1 818</b>	<b>-</b>	<b>1 411</b>	<b>564</b>	<b>3 793</b>

Remuneration is reported on a gross basis (incl. 13th month's salary and salary share of company car). The pension and social security contributions shown include the employer's share. \*\* Remuneration in 2023 according to termination agreement.



## Notes on remuneration

Remuneration for additional duties of members of the Board of Directors is payable for the work of the Remuneration Committee for Bernhard Iseli and Walter Fust. Furthermore, Christian Androschin received additional remuneration for his activities in connection with the merger and Bernhard Iseli for his activities alternate until Martin Buyle takes up his position.

All remuneration was allocated to the relevant period in accordance with the Swiss GAAP FER accounting and reporting recommendations (accrual basis).

## Loans and credits

As in previous years, the Starrag Group did not grant any loans or credits to current or former members of the Board of Directors or the Executive Board in the year under review. The Starrag Group has also not granted any remuneration or loans or credits to related parties of current or former members of the Board of Directors or the Executive Board at non-market interest rates or conditions.

## Share and options hold by the members of the Board of Directors and General Management

	Number at 31.12.2023		Number at 31.12.2022	
	Shares	Options	Shares	Options
Michael Hauser, Chairman and CEO	12 687	6 354	n/a	n/a
Walter Fust, Vice-President	2 846 564	-	1 816 511	n/a
François Frôté, Member	22 942	1 694	n/a	n/a
Till Fust, Member	846	1 695	n/a	n/a
Michel Rollier, Member	302 209	2 541	n/a	n/a
Adrian Stürm, Member	41 187	-	38 993	n/a
Jens Thing, Division CEO Tornos	6 354	3 706	n/a	n/a
Stéphane Pittet, CFO	2 118	4 236	n/a	n/a
Alexander Attenberger, CSO	n/a	n/a	230	n/a
Günther Eller, Head Customer Service	n/a	n/a	200	n/a
Thomas Erne	n/a	n/a	440	n/a
Dr. Christian Walti	n/a	n/a	1 000	n/a



## External mandates

In case of various mandates within the same group of companies, only the mandate in the mother or owning company is reported.

Audited according to article 734<sup>e</sup> of the Swiss Code of Obligations

Members of the Board of Directors and the Executive Board have the following external mandates

### Board of directors

In 2023	Company	Function
Michael Hauser	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Chair of the Board and CEO (since 08-12-2023)
	Tornos Holding AG	CEO (until 07-12-2023)
	Starrag Group Holding AG	Chair of the Board (until 07-12-2023)
	Schlatter Industries AG	Member of the Board (Chair of the Remuneration and Compensation Committee)
	<b>Mandates in non-listed companies and organizations</b>	
	SWISSMEM Swiss Association of Mechanical, Metal, and Electric Engineering Industries	Member of the Board
	SWISSMEM Industry Sector Machine Tools	Chair of the Board (until 30-08-2023)
	CECIMO European Association of Manufacturing Technologies	Swiss Delegate and Member of the Board (since 07-12-2023)
	Walter Fust	<b>Mandates in listed companies</b>
StarragTornos Group AG		Member of the Board (since 08-12-2023)
Tornos Holding AG		Member of the Board (until 07-12-2023)
Starrag Group Holding AG		Member of the Board (until 07-12-2023)
<b>Mandates in non-listed companies and organizations</b>		
Immofust AG		Chair of the Board
Fraunhofer Institute IWU University of Chemnitz		Member of the council





In 2023	Company	Function
Christian Androschin	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Member of the Board (since 08-12-2023)
	Starrag Group Holding AG	Member of the Board (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	Androschin & Partner Management Consulting GmbH	Managing Director
	A&P Consulting GmbH	Managing Director
	Rhein Management AG	Member of the Board
	Weber Ultrasonics AG	Member of the Board
	Hübers Beteiligungs GmbH	Member of the Board
	tmax Holding GmbH	Member of the Board

In 2023	Company	Function
François Frôté	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Member of the Board (since 08-12-2023)
	Tornos Holding AG	Chair of the Board (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	Parts Indus SA	Chair of the Board
	AZ Acquisitions et Financement	Chair of the Board
	Fondation Michel Rollier	Member of the Foundation Board
	RIM Holding SA	Member of the Board
	Daniel Charpilloz Holding S.A.	Member of the Board
	Gegeco SA	Member of the Board
	Gefco (Suisse) S.A.	Member of the Board
	Dimension SA	Member of the Board
	F&P Group SA	Chair of the Board
	Schoeb Frôté SA	Chair of the Board
	Bien-Air Holding SA	Member of the Board
	Eberhard et Co. SA	Member of the Board
	GFIE SA*, FFII SA*, FFW SA*	Chair of the Board
Fondation David Mosimann	Member of the foundation board	
Domaine Frôté SA	Secretary of the board	

\* Companies under the same control according to StarragTornos articles of association.



In 2023	Company	Function
Till Fust	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Member of the Board (since 08-12-2023)
	Tornos Holding AG	Member of the Board (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	Solarify GmbH	Managing Partner

In 2023	Company	Function
Bernhard Iseli	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Member of the Board (since 08-12-2023)
	Starrag Group Holding AG	Member of the Board (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	scenarioC GmbH	Managing Partner
	Krämer AG	Member of the Board

In 2023	Company	Function
Michel Rollier	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Member of the Board (since 08-12-2023)
	Tornos Holding AG	Member of the Board (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	Parts Indus SA	Member of the Board
	AZ Acquisition et Financement	Member of the Board
	Fondation Michel Rollier	Chair of the Foundation
	RIM Holding SA	Chair of the Board
	ASA, Action Super Abrasive SA	Member of the Board



In 2023	Company	Function
Adrian Stürm	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Member of the Board (since 08-12-2023)
	Starrag Group Holding AG	Member of the Board (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	Eduard Stürm AG	Chair of the Board
	Holz Stürm AG	Chair of the Board
	Eduard Stürm Immobilien AG	Chair of the Board
Holz Michel AG	Member of the Board	



## Executive Board

In 2023	Company	Function
Martin Buyle	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Division CEO Starrag (since 08-12-2023)
	Starrag Group Holding AG	CEO (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	Mozaïq Switzerland AG	Member of the Board
<hr/>		
In 2023	Company	Function
Jens Thing	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	Division CEO Tornos (since 08-12-2023)
	Tornos Holding AG	CSO (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	-	
<hr/>		
In 2023	Company	Function
Stéphane Pittet	<b>Mandates in listed companies</b>	
	StarragTornos Group AG	CFO (since 08-12-2023)
	Tornos Holding AG	CFO (until 07-12-2023)
	<b>Mandates in non-listed companies and organizations</b>	
	Institution de Prévoyance Tornos SA	Member of the foundation committee and of the investment committee



Report of the  
statutory auditor

**StarragTornos Group AG**  
Rorschacherberg

Report of the statutory auditor  
to the General Meeting

on the remuneration report 2023





# Report of the statutory auditor

to the General Meeting of StarragTornos Group AG

Rorschacherberg

## Report on the audit of the remuneration report

### Opinion

We have audited the remuneration report of StarragTornos Group AG (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to article 734a-734f CO in the tables on pages 110 to 116 of the remuneration report.

In our opinion, the information pursuant to article 734a-734f CO in the remuneration report (pages 110 to 116) complies 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 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. It is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information pursuant to article 734a-734f CO 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

PricewaterhouseCoopers AG, Kornhausstrasse 25, Postfach, 9000 St. Gallen, Switzerland  
Telefon: +41 58 792 72 00, [www.pwc.ch](http://www.pwc.ch)

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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 judgement 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  
Licensed audit expert  
Auditor in charge

Oscar Maier  
Licensed audit expert

St. Gallen, 14 March 2024





# Financial Report



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Recognizing the significant potential for growth opportunities and added value due to synergistic effects, Starrag and Tornos on December 7, 2023, officially merged to form the StarragTornos Group. The Group brings together the technologies of two world-leading companies with deep roots in Switzerland, combining their technical know-how in the field of precision machine tools and their complementary technologies to form a strong, broad-based Group that will play a major role in shaping the future of the global metal-cutting machine tool industry.

Due to the merger in December the financial commentary provides financial figures concerning the profit and loss of twelve month of the former Starrag group in addition of one month of the former Tornos Group.



# Financial Commentary

Further increase in order intake – Continued increase in order backlog –  
Net sales up 29% – Operating income significantly improved – Dividend proposed

## At a glance key figures

- Stable order intake with 392 million
- Order backlog of CHF 341 million ensures capacity utilization during 2024
- Net sales up 29% to CHF 409 million
- EBIT <sup>5)</sup> at CHF 35.7 million, EBIT margin 8.7%
- Net profit CHF 25.2 million, earnings per share CHF 7.21 <sup>3)</sup>
- Solid balance sheet with 58% equity ratio <sup>4)</sup>
- Dividend of CHF 2.50 <sup>1)</sup> per registered share proposed

StarragTornos Group achieved an EBIT <sup>5)</sup> of CHF 35.7 million and a net profit of CHF 25.2 million in the 2023 financial year. The EBIT margin was 8.7% of net profit (previous year 5.8%).

At CHF 392.2 million order intake was slightly below the previous year. The order backlog of CHF 340.8 million ensures capacity utilization far into 2024 and beyond.

Due to the significant improvements in the operating business and the positive expectations for the 2024 business year, the Board of Directors proposes to distribute a dividend of CHF 2.50 per share at the Annual General Meeting on April 20, 2024.

1 Whereby 50% each be paid out 1.25 CHF tax-free from reserves from capital contributions and 1.25 CHF from retained earnings.

2 Proposal of the Board of Directors to the Annual General Meeting on 20.04.2024.

3 Earnings per shares are calculated on the weighted average number of ordinary shares 3 493 shares (2022 3.360 shares)

4 Including all acquired Tornos assets and liabilities as well as the increase in equity

5 Non-GAAP financial measure, refer to page 125



### **Net sales up 29%**

Compared to the previous year, net sales rose by 29% to CHF 409 million (currency-adjusted plus 32%).

### **Order intake closed within expectations and on previous year's level**

Order intake closed 1% below previous year's level on CHF 392 million (2022: CHF 396 million). By far the largest share of new orders came from the customer segment Aerospace and Industrial (Micromechanics), with incoming orders from the aero-structure and luxury segment. The standard service share of order intake was CHF 93 million (2022: CHF 81 million).

The starting position for 2024 is characterised by a good order backlog at the end of the year, which stands at CHF 341 million. This represents an improvement of 4%. The recurring substantial service business will continue to contribute to a recovery of the order book in 2024.

### **EBIT<sup>5)</sup> is above expectations**

Gross profit (net sales minus cost of materials plus/minus change in inventory) amounted to CHF 232 million and was thus CHF 52.8 million or 29.5% above the previous year's value of CHF 179 million. With 56.7% the gross margin stabilized on previous year's level with 56.4%. The improvements in project management stabilized the margin situation in a challenging environment.

At CHF 137 million, personnel costs were CHF 15.6 million higher than in 2022. In 2022, personnel costs amounted to CHF 121 million.

Other operating expenses amounted to CHF 55 million and were thus 17.9% higher than in the previous year, adjusted for currency effects. The increase in expenses is due to the recovery of the markets and growth of the business in 2023. Travel expenses were up by 5% (CHF 1.1 million). Active cost management, which was pushed forward in 2022 and 2023, will continue to ensure close cost control in the future. The growth in cost 2023 was highly linked to the growth in revenue and the workload that has been worked through.

### **Investment in development at a high level**

Expenditure on development remained at a high level. In the year under review, CHF 29.2 million or 7.1% 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 profit clearly positive**

The financial result in 2023 was highly influenced by financial expenses amounting CHF 2.7 million. The financial result in total reduced the profit before income tax by CHF -4.0 million, CHF -0.5 million in the previous year 2022.

Income taxes in 2023 of CHF 6.4 million were similar compared with the previous year at CHF 7.0 million.

As a result, net profit for the Group was CHF 25.2 million.

### **Balance sheet remains healthy**

Total assets were CHF 547 million at December 31, 2023, a major increase to 2022 due to the merger with Tornos Holding Ltd. on the December 7, 2023.



CHF 54 million were reported under POC receivables (previous year: CHF 66 million) and CHF 46 million under POC payables (previous year: CHF 67 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 226 million (previous year: CHF 201 million) less advance payments received of CHF 218 million (previous year: CHF 201 million). The financing ratio of construction contracts in progress thus decreased from 100.3% to 96.5%.

Current assets increased by 59.7% to CHF 405 million in the reporting year (previous year: CHF 254 million). Improvements in incoming orders led to higher trade receivables, which rose from CHF 33 million to CHF 49 million. The tense delivery situation in 2023 due to the geopolitical upheavals and due to the merger with Tornos Holding Ltd led to an increase in the inventory from CHF 122 million in 2022 to CHF 231 million in 2023.

Fixed assets increased to CHF 133 million (previous year CHF 80 million) mainly due to the merger with Tornos Holding Ltd. Investments in fixed assets amounted to CHF 10.0 million and are almost CHF 3 million higher than in 2022.

Liabilities increased by 38.3% to CHF 231 million (previous year CHF 167 million).

Equity increased from CHF 172 million to CHF 316 million due to the merger with Tornos Holding Ltd and the equity ratio at the end of the reporting year increased to 58% (previous year 51%).

### **Intact free cash flow**

Cash flow from operating activities rose to CHF 22 million (previous year: CHF 12 million) and is mainly driven by the business growth in 2023. Cash flow from investing activities excluding the acquisition of Tornos Group AG is CHF 10 million and is above the previous year's level of CHF 6 million.

The significantly growth in business plus the merger with Tornos Holding Ltd, as well as the distribution of the 2022 dividend in 2023, result in free cash flows of CHF 28 million in 2023, compared to CHF 6 million in 2022.

### **Currency effects**

The financial result 2023 was burdened by currency losses of CHF 0.7 million 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. The average exchange rate for the year in EUR for translating the income statement and the cash flow statement was 0.9826, below the previous year (1.0162), and the year-end exchange rate for translating the balance sheet was also significantly below the previous year (0.94237 compared to 0.99384).

The majority of StarragTornos Group's production 2023 and costs are incurred in the euro zone. This natural hedge stabilizes the Group's currency fluctuations. In order to further reduce the economic currency risk and thus maintain the competitiveness of the Swiss plants, StarragTornos Group relies on continuous productivity increases and cost reductions in the Swiss area to counteract the pressure of the continuing strong Swiss franc.



## Supplementary definitions of Non-GAAP financial measures

The financial information in this annual report contains certain additional performance indicators, which are not defined by Swiss GAAP FER. These are used by management to measure the performance of the company. They may differ from similar performance measures used by other companies and should not be seen as a substitute for the Swiss GAAP FER key figures.

### **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.

### **EBITDA**

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

### **EBIT**

The operating result before financial result and income tax expenses.

### **Free cash flow**

The free cash flow is calculated as follows:

- + Cash flow from operating activities, net
- + Cash flow from investing activities, net

### **Net liquidity**

The net liquidity is calculated as follows:

- + Cash and cash equivalents
- Current borrowings
- Non-current borrowings

### **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.

### **Restructuring costs**

Restructuring costs include costs in conjunction with strategic restructuring.



# Consolidated Income Statement

	CHF 1 000	2023 01.01. – 31.12.	2022 01.01. – 31.12.
Net sales	1	409 000	317 592
Other operating income	2	3 054	14 733
Change in inventory of finished and unfinished goods		12 816	9 602
Cost of materials and components		-189 949	-148 105
Personnel expenses	3	-136 700	-121 099
Other operating expenses	4	-54 730	-46 432
<b>EBITDA</b>		<b>43 491</b>	<b>26 291</b>
Depreciation on fixed assets		-6 488	-6 529
Amortisation on intangible assets		-1 317	-1 199
<b>Operating result EBIT</b>		<b>35 686</b>	<b>18 563</b>
Financial result	5	-3 993	-494
<b>Ordinary result</b>		<b>31 693</b>	<b>18 069</b>
Non-operating result	6	-73	-
<b>Earnings before income taxes</b>		<b>31 620</b>	<b>18 069</b>
Income tax expenses	17	-6 444	-6 955
<b>Net profit</b>		<b>25 176</b>	<b>11 114</b>
Thereof Shareholders of the company		25 176	11 114
Earnings per share in CHF	7	7.21	3.31
Diluted earnings per share in CHF		7.21	3.31

The enclosed notes are part of the consolidated financial statements.



# Consolidated Balance Sheet

	CHF 1 000	31.12 2023	31.12 2022
Cash and cash equivalents		60 232	21 482
Receivables from goods and services	8	102 730	98 485
Other receivables		7 751	9 321
Inventories	9	231 022	121 784
Prepaid expenses and accrued income		3 751	2 795
<b>Total current assets</b>		<b>405 486</b>	<b>253 867</b>
Tangible fixed assets	10	130 635	77 940
Intangible assets	11	2 238	2 107
Deferred tax assets	17	8 827	5 544*
<b>Total non-current assets</b>		<b>141 700</b>	<b>85 591</b>
<b>Total assets</b>		<b>547 186</b>	<b>339 458</b>

	CHF 1 000	31.12 2023	31.12 2022
Current borrowings	12	18 284	874
Trade payables from goods and services		37 295	21 696
Other current liabilities		21 914	13 436
Current provisions	13	7 200	6 606
Current accrued liabilities and deferred income	14	99 432	107 924
<b>Total current liabilities</b>		<b>184 125</b>	<b>150 536</b>
Non-current borrowings	12	22 117	500
Non-current provisions	13	24 634	15 942*
<b>Total non-current liabilities</b>		<b>46 751</b>	<b>16 442</b>
<b>Total liabilities</b>		<b>230 876</b>	<b>166 978</b>
Share capital		46 437	28 560
Capital reserves		135 160	50 204
Retained earnings		134 713	93 716
<b>Total shareholders' equity</b>	15	<b>316 310</b>	<b>172 480</b>
<b>Total liabilities and shareholders' equity</b>		<b>547 186</b>	<b>339 458</b>

\* see note 30, Restatement

The enclosed notes are part of the consolidated financial statements.



# Consolidated Cash Flow Statement

	CHF 1 000	2023 01.01. – 31.12.	2022 01.01. – 31.12.
Net profit		25 176	11 114
Depreciation / Amortisation of fixed and intangible assets		7 805	7 728
Change in non-current provisions and deferred tax assets*		2 657	1 883
Other non-cash items		-3 380	-736
Change in			
Receivables from goods and services		12 507	-15 163
Inventories		-9 829	-30 974
Other receivables and deferred expenses		4 484	-3 753
Trade payables		4 862	10 463
Other current liabilities and accrued expenses and deferred income		-21 843	31 754
<b>Cash flow from operating activities, net</b>		<b>22 439</b>	<b>12 316</b>
Capital expenditure for:			
Acquisition Tornos Holding AG	27	15 848	-
Tangible fixed assets		-9 467	-5 925
Intangible assets		-682	-1 079
Disposals of fixed assets		56	1 060
<b>Cash flow from investing activities, net</b>		<b>5 755</b>	<b>-5 944</b>
Decrease in current borrowings		-	-9 147
Increase in current borrowings		18 087	-
Increase in non-current borrowings		-	-
Repayment of non-current borrowings		-	-1 638
Dividend payment		-6 720	-3 360
<b>Cash flow from financing activities, net</b>		<b>11 367</b>	<b>-14 145</b>
Currency translation		-811	-544
Net change in cash and cash equivalents		38 750	-8 317
Cash and cash equivalents at beginning of period		21 482	29 799
<b>Cash and cash equivalents at end of period</b>		<b>60 232</b>	<b>21 482</b>

\* see note 30, Restatement

Starrag Group Holding AG and Tornos Holding AG have merged on December 7, 2023 by a non-cash transaction. The share capital has been increased and additional capital has been paid-in (consolidated statement of shareholders' equity) (page 129). The capital expenditure for this business combination CHF 15.8 million includes the cash taken over at acquisition date subtracted by transaction costs.

The enclosed notes are part of the consolidated financial statements.





# Consolidated Statement of Shareholders' Equity

CHF 1 000	Share capital	Capital reserves	Currency translation	Goodwill/ neg. goodwill/ offset	Other Reserves	Retained earnings	Shareholders' equity of the company	Minority shareholders	Total Shareholders' equity
<b>31.12.2021</b>	<b>28 560</b>	<b>51 884</b>	<b>-5 619</b>	<b>-27 381</b>	<b>120 770</b>	<b>87 770</b>	<b>168 214</b>	<b>44</b>	<b>168 258</b>
Net profit	-	-	-	-	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
<b>31.12.2022</b>	<b>28 560</b>	<b>50 204</b>	<b>-10 450</b>	<b>-26 206</b>	<b>130 372</b>	<b>93 716</b>	<b>172 480</b>	<b>-</b>	<b>172 480</b>
Increase in share capital	17 877	88 316	-	-	-	-	106 193	-	106 193
Negative Goodwill	-	-	-	23 335	-	23 335	23 335	-	23 335
Net profit	-	-	-	-	25 176	25 176	25 176	-	25 176
Currency translation	-	-	-5 689	1 135	400	-4 154	-4 154	-	-4 154
Dividend payment	-	-3 360	-	-	-3 360	-3 360	-6 720	-	-6 720
<b>31.12.2023</b>	<b>46 437</b>	<b>135 160</b>	<b>-16 139</b>	<b>-1 736</b>	<b>152 588</b>	<b>134 713</b>	<b>316 310</b>	<b>-</b>	<b>316 310</b>

The enclosed notes are part of the consolidated financial statements.



# Notes to the Consolidated Financial Statement

## Competent, focused, dynamic, and successful in partnership

StarragTornos Group is one of the world's leading suppliers in the machine tool industry. In its two divisions, Starrag and Tornos, the Group develops, manufactures, and distributes precision machine tools for milling, turning, boring, grinding, and complete machining of workpieces made of metal, composite materials, and ceramics.

StarragTornos' customers include leading companies in the medical and dental technology, luxury goods, aerospace, energy, and transportation industries. In addition to its machine tool portfolio, StarragTornos Group offers comprehensive technology and after-sales services. StarragTornos Group employs a total of around 2'000 people.

The Group's headquarters are located in Rorschacherberg (Switzerland). StarragTornos Group operates sales and service, production and development sites in Switzerland, Germany, France, Italy, Spain, Poland, the UK, the USA, Mexico, Brazil, China, Thailand, the Taiwan region, and India. The Group also has sales and service companies in all major customers' countries.

StarragTornos Group AG is listed on SIX Swiss Exchange (ticker symbol STGN, security number 236106, ISIN CH0002361068).

As per 31 December and as per the end of the previous year, StarragTornos Group 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
- Tornos Ltd., Moutier, Switzerland\*
- Tornos Technologies Deutschland GmbH, Pforzheim, Germany\*
- Tornos Technologies Iberica SA, Granollers, Spain\*
- Tornos Technologies Italia Srl, Rho/MI, Italy\*
- Tornos Technologies Poland Sp. z o.o., Katy Wroclawskie, Poland\*
- Tornos Technologies SAS, St-Pierre-en-Faucigny, France\*
- Tornos Technologies U.S. Corp. Des Plaines, IL, USA\*
- Tornos Technologies Brazil Ltda., São Paulo, Brazil\*
- Tornos Technologies Asia Limited, Hong Kong City\*
- Tornos Technologies (Thailand) Co, Ltd., Bangkok, Thailand\*
- Tornos Technologies (Shanghai) Limited, Shanghai, China\*
- Tornos (Taichung) Machine Works Ltd., Taichung, Taiwan Region\*
- Tornos (Xi'an) Machine Works Co., Ltd., Xi'an, China\*
- Tornos (Milan) Machine Works Srl, Rho/MI, Italy\*

\* Companies added to the group as a result of the StarragTornos merger at December 7<sup>th</sup> 2023.

On December 7, 2023 the Starrag Group Holding AG acquired 100% of Tornos Holding Ltd, located in Moutier, Switzerland, by a share deal. The new StarragTornos Group AG shares have been listed at the Swiss Exchange since December 8, 2023.

## 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 12 ). 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 Centers** is responsible for the product areas Bumotec and SIP, and the unit **Turning Centers** includes the product areas CNC sliding headstock Swiss-type automatic lathes, multi-spindle machines, and precision machining centers for complex parts of Tornos.

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 StarragTornos 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 StarragTornos 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 StarragTornos 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 StarragTornos 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 StarragTornos 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.

On top of that the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risks.

### 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 and a shareholder loan which cover the peak demand for operating resources. It is continuously monitored.



## 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 profit of the balance sheet items concerned. The book value of the balance sheet items concerned is shown in Note 16 (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 13).

### **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 17).

## Significant accounting principles

### **Principles of presentation**

The consolidated financial statement of the StarragTornos 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 statements of StarragTornos Group 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 (see Note 27).

### **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.

### **Net sales and profit realisation**

The Group uses two different methods in the revenue recognition due to the machines sizes and production lead time.

For the first group of machines with greater lead times the 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.

For a second group of machines produced to stock net sales is recognized on the full completion of the delivery or service (upon delivery of products or customer acceptance in the case of "bill and hold" sales, or performance of services), net of sales taxes and discounts. Sales are recognized if it is probable that the economic benefit will flow to the Group and the amount can be reliably estimated. Net sales represent total revenues net of rebates and discounts granted after billing.

### **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.

### **Inventories obsolescence**

Machines, including work in progress machines on the assembly floors, are reviewed individually and recorded at the lower of cost and estimated net realizable value based upon the time being held in inventory as assumptions about future demand, market conditions.

For raw material, components, semi-finished goods and spare parts the following inventory obsolescence and write-offs methodologies were applied for any slow moving or any otherwise obsolete inventory provided that the review of significant positions did not result in a specific provision:

Quantity on stock should not exceed 12 months of consumption based on last 36 months of consumption. Any excess is fully provided for. In case of a machine phase out all the related stocks of articles are fully written-off. In case of a machine phase out all the related stocks of articles are fully written-off.

### **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 as well as negative 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.

### **Leased assets**

Leases with terms for which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the leases, less accumulated depreciation and impairment losses, if any. Each lease payment is allocated between the liability and financial charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of financial charges, are included in interest bearing borrowings. The interest element is recognized in the income statement over the lease period. Operating lease payments are treated as operating expenses and charged to the income statement as incurred.

### **Impairment of assets**

Tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount, being the higher of the asset's net selling price and value in use, is estimated. The carrying amounts of the Group's other assets, other than inventories, deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. For tangible and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **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 StarragTornos Group companies' personnel is governed by the legal regulations and practices of the respective country and is correspondingly different.

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.



The Swiss pension funds for Starrag Vuadens SA and Starrag AG are governed by the provisions of the Swiss Federal Law on Occupational Benefits. The pension funds are foundations which are legally independent of the StarragTornos Group, and which have reinsured 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 Swiss pension plan for Tornos SA is jointly financed by the employer and the employees. The contributions are fixed in the plan rules.

The German companies do not maintain any professional pension plans. Staff are insured with the national pension insurance scheme of Germany. For the other countries, they are either lump sum plans, or plans in collaboration with insurances.

### **Interest bearing borrowings**

Interest bearing borrowings are recognized at nominal value.

Interest bearing borrowings are classified on the balance sheet pursuant to the maturity date either under current (due within 12 months after the balance sheet date) or non-current liabilities (beyond 12 months).

### **Share-based compensation**

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognized as a personnel expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares or alternatively sells treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and capital reserve when the options are exercised.

The plan will not be renewed and the options granted prior to the merger will expire in 2026 (see Note 25).

### **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. Net sales by production site

	CHF 1 000	2023	2022
Switzerland		198 234	133 480
Germany		176 808	147 293
Other countries		33 958	36 819
<b>Total</b>		<b>409 000</b>	<b>317 592</b>

The Starrag Group merged with Tornos Group on December 7, 2023. Out of the total net sales of CHF 409.0 million, the Tornos Group generated net sales of CHF 17.0 million (with a net profit of CHF -0.3 million) in the period from the merger to December 31, 2023. Due to the short period of time between the merger and the year end, the board of directors together with management is currently working on the organizational setup of the new StarragTornos Group.

## 2. Other operating income

Other operating income includes compensation payments for insurance companies, income from subleases, gains on the sale of fixed and government grants. In prior year, compensation for damages in the amount of CHF 12.8 million was included in "Other operating income".

## 3. Personnel expenses

	CHF 1 000	2023	2022
Wages and salaries		109 457	95 969
Pension benefit expenses		3 113	2 646
Other social benefit expenses		18 596	16 947
Restructuring costs		132	935
Other personnel expenses		5 402	4 602
<b>Total personnel expenses</b>		<b>136 700</b>	<b>121 099</b>

## 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	2023	2022
Interest income		137	43
Interest expenses		-1 499	-295
Currency result		-1 301	895
Other financial expenses		-1 330	-1 137
<b>Total financial result</b>		<b>-3 993</b>	<b>-494</b>



## 6. Non-operating result

A non-operating building with a net book value of CHF 6.6 million generated rental income of CHF 95'000 and ancillary costs of KCHF 21. At the end of December the building is fully let.

## 7. Earnings 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 December 2023 Starrag Group Holding AG merged with Tornos Holding AG and the number of shares were increased to 5'463'121 (3'360'000 previous year). The share capital of StarragTornos Group AG (after the merger with Tornos Holding AG) increased by 2'103'121 registered shares with a nominal value of CHF 8.50 each to 5'463'121 registered shares, which corresponds to share capital of CHF 46'436'528.50.

Based on the net result attributable to the shareholders of the company of CHF 25.2 million (prior year CHF 11.1 million) earnings per share amount to CHF 7.2 (prior year CHF 3.31).

Net profit per share is calculated by dividing the net profit attributable to equity holders of StarragTornos Group by the weighted average number of ordinary shares in issue during the year.

	CHF 1 000	2023	2022
Net result attributable to equity holders of StarragTornos		25 176	11 114
Weighted average number of ordinary shares issue		3 493	3 360
<b>Net profit per share (CHF per share)</b>		<b>7.21</b>	<b>3.31</b>

Diluted result per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. StarragTornos Group has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of StarragTornos Group' shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

StarragTornos Group currently disposes of conditional shares capital to issue in the case when the share options are exercised.

	CHF 1 000	2023	2022
Net result attributable to equity holders of StarragTornos Group		25 176	11 114
Weighted average number of ordinary shares issue		3 493	3 360
Adjustment for share options		-	-
Weighted average number of ordinary shares for diluted earnings per share		3,493	3,360
<b>Diluted result per share (CHF per share)</b>		<b>7,21</b>	<b>3,31</b>



## 8. Receivables from goods and services

	CHF 1 000	31.12.2023	31.12.2022
Trade receivables from goods and services		48 928	32 228
Receivables from construction contracts		53 802	66 257
<b>Total receivables</b>		<b>102 730</b>	<b>98 485</b>
<b>Thereof:</b>			
not due		90 231	88 925
past due < 90 days		11 570	8 198
past due > 90 days		929	1 362

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

## 9. Inventories

	CHF 1 000	31.12.2023	31.12.2022
Raw materials and components		123 454	73 111
Work in progress		59 202	30 322
Finished products		43 353	11 902
Prepayments to suppliers		5 013	6 449
<b>Total inventories</b>		<b>231 022</b>	<b>121 784</b>

Inventories are stated net of value adjustments of CHF 45.7 million (prior year 46.9 million).

## 10. Tangible fixed assets

	2023				2022			
CHF 1 000	Land and building	Machinery and equipment	Other tangible fixed assets	Total	Land and buildings	Machinery and equipment	Other tangible fixed assets	Total
Cost at beginning of year	109 422	38 148	12 711	160 281	112 187	42 824	13 625	168 636
Change in consolidated companies	46 455	4 256	1 156	51 867	-	-	-	-
Additions	3 662	3 974	1 771	9 407	1 141	3 208	1 649	5 998
Disposals	0	-747	-570	-1 317	-1 595	-6 628	-2 105	-10 328
Currency translation	-2 238	-1 109	-462	-3 809	-2 311	-1 256	-458	-4 025
<b>Cost at year end</b>	<b>157 301</b>	<b>44 522</b>	<b>14 606</b>	<b>216 429</b>	<b>109 422</b>	<b>38 148</b>	<b>12 711</b>	<b>160 281</b>
Accumulated depreciation at beginning of year	44 177	28 209	9 955	82 341	42 439	32 362	11 259	86 060
Depreciation	2 745	2 443	1 300	6 488	3 010	2 463	1 056	6 529
Disposals	-	-691	-531	-1 222	-51	-5 684	-1 995	-7 730
Currency translation	-715	-760	-338	-1 813	-1 221	-932	-365	-2 518
<b>Accumulated depreciation at year end</b>	<b>46 207</b>	<b>29 201</b>	<b>10 386</b>	<b>85 794</b>	<b>44 177</b>	<b>28 209</b>	<b>9 955</b>	<b>82 341</b>
Net carrying value at beginning of year	65 245	9 939	2 756	77 940	69 748	10 462	2 366	82 576
<b>Net carrying value at year end</b>	<b>111 094</b>	<b>15 321</b>	<b>4 220</b>	<b>130 635</b>	<b>65 245</b>	<b>9 939</b>	<b>2 756</b>	<b>77 940</b>
Fire insurance value at year end (unaudited)	287 412	112 905		400 317	176 777	112 383		289 160

StarragTornos Group does own land property without development with a book value of CHF 1.9 million.



A non-operating building with a net book value of CHF 6.6 million generated rental income of CHF 95'000 and ancillary costs of KCHF 21. At the end of December the building is fully let.

At December 31, 2023, the new building in Taichung has had a book value under construction of CHF 15.0 million.

The finance lease liabilities of the Group of CHF 22'000 carried an effective interest rate of 2.0% as at December 31, 2023.

## 11. Intangible assets

	2023			2022			
	CHF 1 000	Software	Development cost	Total	Software	Development cost	Total
Cost at beginning of year		14 479	9 500	23 979	14 624	9 606	24 230
Change in consolidated companies		792	-	792	-	-	-
Additions		682	-	682	1 035	44	1 079
Disposals		-200	-40	-240	-832	-	-832
Currency translation		-332	-149	-481	-348	-150	-498
<b>Cost at year end</b>		<b>15 421</b>	<b>9 311</b>	<b>24 732</b>	<b>14 479</b>	<b>9 500</b>	<b>23 979</b>
Accumulated depreciation at beginning of year		12 472	9 400	21 872	12 438	9 535	21 973
Depreciation		1 261	56	1 317	1 184	15	1 199
Disposals		-191	-40	-231	-832	-1	-833
Currency translation		-316	-148	-464	-318	-149	-467
<b>Accumulated depreciation at year end</b>		<b>13 226</b>	<b>9 268</b>	<b>22 494</b>	<b>12 472</b>	<b>9 400</b>	<b>21 872</b>
Net carrying value at beginning of year		2 007	100	2 107	2 186	71	2 257
<b>Net carrying value at year end</b>		<b>2 195</b>	<b>43</b>	<b>2 238</b>	<b>2 007</b>	<b>100</b>	<b>2 107</b>

Goodwill and negative Goodwill is offset against Group shareholders' equity upon the acquisition of a subsidiary or the interest in an associated company. Assuming a useful life of five years for productive companies acquired (including the Tornos Group acquired this year), plus depreciation on a straight-line basis, the theoretical capitalization of goodwill and negative goodwill would have the following impact on the consolidated balance sheet:



	CHF 1 000	2023	2022
<b>Historical costs as at 1 January</b>		<b>26 206</b>	<b>27 381</b>
Additions (negative goodwill)		-23 335	-
Currency differences		-1 135	-1 175
<b>Historical costs as at 31 December</b>		<b>1 736</b>	<b>26 206</b>
<b>Theoretical accumulated depreciation as at 1 January</b>		<b>26 206</b>	<b>27 381</b>
Theoretical attribution		-389	-
Currency differences		-1 135	-1 175
<b>Theoretical accumulated attribution as at 31 December</b>		<b>24 682</b>	<b>26 206</b>
<b>Theoretical net book value as at 1 January</b>		<b>-</b>	<b>-</b>
<b>Theoretical net book value as at 31 December</b>		<b>-22 946</b>	<b>-</b>

The capitalization and depreciation of goodwill and negative goodwill would have the following theoretical impacts on shareholders' equity and Group earnings after taxes:

	CHF 1 000	31.12.2023	31.12.2022
Shareholders' equity according to balance sheet		316 310	172 480
Theoretical capitalization of net book value of goodwill/ neg. goodwill		-22 946	-
<b>Theoretical shareholders' equity</b>		<b>293 364</b>	<b>172 480</b>

	CHF 1 000	2023	2022
Group earnings after taxes (EAT) according to income statement		25 176	11 114
Theoretical goodwill/ neg. goodwill depreciation/ attribution		389	-
<b>Theoretical Group earnings after taxes (EAT)</b>		<b>25 565</b>	<b>11 114</b>

Previous Goodwill resulting from acquisitions in the past are offset against retained earnings in shareholders' equity and have been completely written off.



## 12. Financial liabilities/ borrowings

	CHF 1 000	31.12.2023	31.12.2022
Current borrowings		18 284	874
Non-current borrowings		22 117	500
<b>Total financial borrowings</b>		<b>40 401</b>	<b>1 374</b>
Thereof in:			
EUR		18 743	1 374
CHF		10 022	-
TWD		11 636	-
Average interest rate		1.3%	1,3%
Unused short-term cash credit line		74 236	86 793

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 2023 and 2022.

The German companies have current borrowings amounting CHF 18.7 million. As non-current borrowings a local government-supported loan has been granted in Taiwan Dollar for the construction of a new factory in Taiwan. The total amount will be CHF 15.2 million, as of December 31, 2023, CHF 11.6 million were granted. For 2023 the interest rate has been 1.34%.

Also Loan Facility Agreements have been granted for a total value of CHF 15 million by one shareholder. The agreement also includes the provision of securities of CHF 10 million for bank guarantees. The aforementioned shareholder loan facilities granted bear fixed interest rates of 1.0%.

The maturity schedule for non-current borrowings has developed as follows:

	CHF 1 000	31.12.2023	31.12.2022
Between 1 and 2 years		10 481	500
Between 2 and 5 years		-	-
After 5 years		11 636	-
<b>Total financial borrowings</b>		<b>22 117</b>	<b>500</b>





### 13. Current and non-current provisions

	2023				2022			
CHF 1 000	Deferred income taxes	Warranty	Other Provisions	Total	Deferred income taxes*	Warranty	Other Provisions	Total
Value at beginning of year	13 990	7 236	1 322	22 548	11 494	6 875	10 742	29 111
Change in consolidated companies	4 956	1 871	1 019	7 846	-	-	-	-
Addition	2 650	2 622	26	5 298	3 087	2 613	-	5 700
Use	- 14	-2 853	- 54	-2 921	- 607	-1 732	-9 092	-11 431
Release	- 147	- 298	-	- 445	-	- 237	-	- 237
Currency translation	- 147	- 277	- 68	- 492	16	- 283	- 328	- 595
<b>Value at year end</b>	<b>21 288</b>	<b>8 301</b>	<b>2 245</b>	<b>31 834</b>	<b>13 990</b>	<b>7 236</b>	<b>1 322</b>	<b>22 548</b>
Thereof:								
Current	-	5 972	1 228	7 200	-	5 284	1 322	6 606
Non-current	21 288	2 329	1 017	24 634	13 990	1 952	-	15 942

\* see note 30, Restatement

In other provisions pension benefit obligations with the value of CHF 1.0 million have been included (see Note 18).

### 14. Accrued expenses and deferred income

CHF 1 000	31.12.2023	31.12.2022
Project costs	9 588	11 800
POC-valued construction contracts	45 901	66 761
Personnel	19 686	12 853
Commissions	665	16
Current income taxes	12 302	8 043
Other	11 290	8 451
<b>Total accrued expenses and deferred income</b>	<b>99 432</b>	<b>107 924</b>

### 15. Shareholders' equity

As at 31 December 2023, non-distributable reserves amounted to CHF 9.3 million (previous year CHF 5.7 million).

The negative goodwill linked to the acquired Tornos Holding AG has been offset with the equity at time of acquisition in December 2023.

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



## 16. Construction contracts

	CHF 1 000	2023	2022
Revenue from contracts valued using the Percentage of completion method		303 789	232 794
	CHF 1 000	31.12.2023	31.12.2022
Contract costs incurred and recognized profit share		225 782	200 546
Advance payments received		-217 881	-201 050
<b>Net carrying value</b>		<b>7 901</b>	<b>-504</b>
Thereof:			
Receivables from goods and services		53 802	66 257
Accrued expenses and deferred income		-45 901	-66 761

## 17. Income Tax expenses

	CHF 1 000	2023	2022
Ordinary income before taxes		31 620	18 069
Expected tax rate		14,3%	14,3%
Expected income tax expenses		4 522	2 584
Debits/credits from prior reporting period		176	176
Non-deductable expenses/non-taxable income		230	222
Non-capitalised tax loss carry forwards		2 502	526
Effects from the application of different tax rates		-986	3 446
<b>Income tax expenses</b>		<b>6 444</b>	<b>6 955</b>
Thereof:			
Current income tax expenses		4 183	4 677
Deferred income tax expenses		2 261	2 278

The applicable tax rate of the municipality of Rorschacherberg SG, domicile of StarragTornos Group AG, was used for the calculation of the expected income tax expense. Due to the volatility of the results of the various Group companies, the Group considers the tax rate of 14.3% (previous year: 14.3%) to be appropriate.



Deferred tax assets and thus claims for unused tax loss carry forwards have developed as follows:

	CHF 1 000	2023	2022
Opening balance		8 668	12 589
Addition of loss carry forwards		4 941	1 533
Used loss carry forwards		-	-3 774
Currency effects		-404	-647
There of not activated		-552	-1 033
Capitalized loss carry forwards		12 653	8 668
Thereof netted with deferred tax liability*		-3 826	-3 124
<b>Total deferred tax assets</b>		<b>8 827</b>	<b>5 544</b>

\* see note 30, Restatement

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

The StarragTornos Group has total tax loss carryforwards of CHF 60.1 million out of which CHF 39.2 million do not expire and CHF 20.9 million will expire within one to seven years.

These loss carryforwards represent total deferred tax assets of CHF 17.1 million (prior year CHF 12.7 million) out of which CHF 12.3 million (prior year: CHF 10.8 million) do not expire, CHF 0.8 million (prior year CHF 0.9 million) expire within one to three years and CHF 4.0 million (prior year: CHF 1.0 million) within four to seven years. Deferred taxes of CHF 4.4 million (prior year: CHF 4.0 million) have not been recognized.

The average applicable tax rate in relation to the ordinary result, calculated using absolute values excluding the holding company, is 25.9% (prior year: 23.3%).

## 18. Pension benefits

	CHF 1 000	2023			2022				
		Patronage funds	Employee benefit plans without surplus/deficit	Employee benefit plans with surplus	Total	Patronage funds	Employee benefit plans without surplus/deficit	Employee benefit plans with surplus	Total
Surplus/deficit pension benefit plan at end of year		7 398	-	-	7 398	7 122	-	-	7 122
Economic benefit at end of year		-	-	-	-	-	-	-	-
Change in economic benefit		-	-	-	-	-	-	-	-
Accrued contributions		-	3 113	-	-	-	2 646	-	2 646
Pension benefit expenses		-	3 113	-	-	-	2 646	-	2 646

The StarragTornos Group operates different pension plans in different jurisdictions and countries for employees that satisfy the participation criteria.



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 further 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 30.09.2023 is 100.25% (previous year: 98%); the technical interest rate applied is 2.50% (previous year: 1.25%) A welfare fund was established from the Starrag pension fund as at 01.01.2022. This has an endowment capital of CHF 7.4 million as at 31.12.2022.

Tornos employees in Switzerland are insured through the Tornos pension fund, a foundation which is legally independent from the StarragTornos Group. The pension fund provides benefits in accordance with the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and is equally financed by contributions of the employer and the employees. Individual's benefits are mainly depending on a retirement savings account. The savings account will be credited by the employers' and employee's contributions based on the annual salary and by an interest depending on the performance of the pension fund's plan assets. However, the BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council. In 2023, the rate was at 1.00% (2022: 1.00%). Upon retirement (at age of 65 for men and women) an individual may choose a lump-sum payment or an annuity based on a conversion factor as specified in the plan's regulation. In case of leaving the company prior to retirement the retirement savings earned will be transferred to the pension plan of the individual's new employer. As of December 31, 2023 there is no employer's contribution reserve. The information on the economic benefit as at December 31, 2023 for the Swiss-Pension Plan is based on the last annual financial statements of the Tornos pension fund preceding the balance sheet date, i.e. the financial statements as at December 31, 2022. The pension fund reported a coverage rate of 101.4% in its Swiss GAAP FER 26 financial statements 2022, resp 116% in the financial statements 2021. Due to Tornos pension fund pension benefit obligations with the value of CHF 1.0 million have been recognised in the provisions (Note 13).

## 19. Pledged assets

CHF 1 000	31.12.2023	31.12.2022
<b>To ensure financial liabilities in the amount of the following land and buildings are mortgaged:</b>	<b>23 696</b>	-
Net carrying value	23 696	-
Charge	-	-

At December 31, 2023 the total value of the pledged to shareholders mortgage notes related to land and buildings in Switzerland amount to CHF 23.2 million.

At December 31, 2023, the new building in Taichung, Taiwan region (under construction) has been pledged for CHF 11.6 million in relation to bank agreements.



## 20. Derivative financial instruments

	CHF 1 000	31.12.2023	31.12.2022
<b>Forward currency exchange contracts:</b>			
<b>Contract value</b>		<b>17 030</b>	<b>13 887</b>
Replacement value:			
positive		32	-
negative		46	-814

## 21. Operating lease liabilities

	CHF 1 000	31.12.2023	31.12.2022
Due within 1 year		4 106	1 865
Due to 2 to 5 years		6 034	1 560
Due after 5 years		525	-
<b>Total operating lease liabilities</b>		<b>10 665</b>	<b>3 425</b>

## 22. Other unrecognised obligations

The StarragTornos 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 StarragTornos Group assumes will cover all foreseeable risks.

## 23. Share capital

The share capital of StarragTornos Group AG (after the merger with Tornos Holding AG) increased by 2'103'121 registered shares with a nominal value of CHF 8.50 each to 5'463'121 registered shares, which corresponds to share capital of CHF 46'436'528.50.

## 24. Conditional Share capital

	2023		2022	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
<b>At beginning of year</b>	-	-	-	-
Creation	70.000	595	-	-
<b>At end of year</b>	<b>70.000</b>	<b>595</b>	-	-

In 2023 a conditional share capital has been created and amounts to CHF 595'000 (2022: none). It is reserved for the issuance of shares that may be used to satisfy the stock option plans of the former Tornos Holding Ltd. (CHE-101.020.773).



## 25. Stock compensation plans

There is one stock participation plan in 2023, namely the Management and Board Participation Plan (MBP07) of the former Tornos Holding Ltd. (CHE-101.020.773). The plan will not be renewed and the options granted prior to the merger will expire in 2026.

Compensation expense under this plan is recognized in accordance with the provisions of Swiss GAAP FER, for options over the vesting period and for shares purchased immediately as the shares do not need to be returned in case the employment contract is terminated. The expense recorded in the income statement spreads the cost of each option equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Compensation expense of CHF 39'000 was recorded for the year ended December 31, 2023 (2022: CHF 0). Compensation expense arising from stock options outstanding at December 31, 2023 to be recognized in future periods amounts to CHF 356'000 (December 31, 2022: CHF 0).

### **Stock option program under MBP07**

Each participant did receive free of charge each year starting on May 1 (for the last time in 2023) the number of options chosen (within the number of shares/options attributed by the Remuneration Committee and not used for the share purchasing program). The options vest after two years and can be exercised only in the third year. The exercise price is the weighted average price paid at the SIX Swiss Exchange within the 12 months (May 1 to April 30) preceding the allocation of the options. A possible share capital increase or reduction or dividend payment has no impact on the option rights pursuant to this program as the exercise price will not be adjusted should these events take place in the future. Options not exercised generally need to be returned at the time the employment contract is terminated. However, they can be exercised without any restriction in case of a change of control transaction. Total expenses recorded in the income statement for the year ended December 31, 2023 as part of this option program amounted to CHF 39'000 (2022: CHF 0).

The fair value of the grants under the MBP07 stock option plan is estimated using the Black-Scholes valuation model.

The volatility measured is based on statistical analysis of daily share prices over the last 2.5 years.

A summary of MBP07 stock option plan at December 31, 2023 is as follows:

- 65'000 stock options outstanding at a weighted average price of CHF 58.42
- 15'604 stock options exercisable at a price of CHF 52.12

## 26. Related parties

During December 2023, sales to companies in which two of the directors of StarragTornos Group AG hold a significant interest amounted to CHF 30'000 (2022: CHF 0). As of December 31, 2023, the related outstanding balances receivable and payable amounted to CHF 205'000 and CHF 0 respectively (December 31, 2022: CHF 0 and CHF 0 respectively).

No loan or advances were granted to related parties in 2023 and 2022. As of December 31, 2023 a loan of CHF 10.0 million was granted by the main shareholder (December 31, 2022: none) in accordance with Note 11.



## 27. Acquisition of Tornos Holding AG

Recognizing the significant potential for growth opportunities and added value due to synergistic effects, Starrag and Tornos on December 7, 2023, officially merged to form the StarragTornos Group and started at the SIX Swiss Exchange. The Group brings together the technologies of two world-leading companies with deep roots in Switzerland, combining their technical know-how in the field of precision machine tools and their complementary technologies to form a strong, broad-based Group that will play a major role in shaping the future of the global metal-cutting machine tool industry. From this position of strength, StarragTornos establishes the conditions for new innovations, technological progress, and improved profitability of the shared value adding chain, including combined procurement, production networks, and a strong joint service organization. The Group with its excellent product portfolio, strong brands, and shareholder value is positioned for long-term, profitable growth by focusing on growth segments with attractive margins; expansion of its geographical presence in the Americas and Asia and strengthening of its market position in Europe; development of cutting-edge technology for customers in its markets.

Between the purchase date and 31 December 2023, Tornos Group generated net sales of CHF 17.0 million and a net profit of CHF -0.3 million. Had the company been included in the consolidated financial statement from January 1, 2023, StarragTornos Group's net sales in the first eleven months of 2023 would have been CHF 155.7 million higher, with net profit of CHF 3.7 million.

**The provisionally recognised net assets and the resultant negative goodwill for these present financial statements are listed as follows:**

	CHF million Fair value	2023
Cash and cash equivalents		16.6
Receivables		15.5
Other financial assets		4.2
Inventories		103.2
Tangible fixed assets		51.9
Intangible assets		0.8
Non-current financial borrowings		-21.6
Other liabilities		-38.3
Pension liabilities		-1.0
Deferred income tax		-1.7
<b>Acquired net assets</b>		<b>129.5</b>
Value of shares issued of Starrag Group Holding AG		-106.2
<b>Negative Goodwill</b>		<b>23.3</b>
Cash and cash equivalents acquired		16.6
Less transaction cost paid		-0.9
<b>Net cash flow from acquisition</b>		<b>15.8</b>

The purchase price was calculated by multiplying the number of issued shares (2'103'121) and the opening share price as of December 8, 2023 of CHF 50.50, which was the first trading day of the new StarragTornos Group AG share.



## 28. Events after the balance sheet date

The consolidated financial statement was approved and released for publication by the Board of Directors on March 14, 2024. It is also subject to approval by the Annual General Meeting of the shareholders scheduled for April 20, 2024.

## 29. Exchange rates

	CHF 1 000	2023	2022
Average rates (for income statement and Cashflow statement)			
1 EUR		0.9826	1.0162
1 USD		0.9092	0.9642
1 GBP		1.1293	1.1938
1 CNY		0.1286	0.1437
1 TWD		0.0292	0.0325

	CHF 1 000	31.12.2023	31.12.2022
Year end rates (for balance sheet)			
1 EUR		0.9424	0.9938
1 USD		0.8513	0.9325
1 GBP		1.0840	1.1237
1 CNY		0.1198	0.1340
1 TWD		0.0277	0.0304

## 30. Restatement

In the course of the financial year 2023 we did identify a mistake in the presentation of deferred tax liabilities presented in non-current provisions. The deferred tax liabilities were presented net of deferred tax assets, even though, not all the netting criteria under Swiss GAAP FER were met. This is the reason for a restatement with retrospective adjustment. The following tables disclose the impact of the restatement (in CHF 1 000):

Impact on balance sheet	31.12.2021 As reported	31.12.2021 Restated	31.12.2022 As reported	31.12.2022 Restated
Deferred Tax Assets	0	5 573	0	5 544
Non-current provisions	8 329	13 902	10 398	15 942
<i>Thereof deferred income taxes</i>	<i>5 921</i>	<i>11 494</i>	<i>8 446</i>	<i>13 990</i>
Total assets/liabilities and equity	300 407	305 980	333 914	339 458

The restatement has neither an impact on the income statement, total equity nor on the cash flow statement. In the cash flow statement, the line item "Change in non-current provision" was renamed to "Change in non-current provisions and deferred tax assets".





Report of the  
statutory auditor

**StarragTornos Group AG**  
Rorschacherberg

Report of the statutory auditor  
to the General Meeting

on the consolidated financial statements 2023





# Report of the statutory auditor

to the General Meeting of StarragTornos Group AG

Rorschacherberg

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of StarragTornos Group AG and its subsidiaries (the Group), which comprise the consolidated income statement for the year ended 31 December 2023, the consolidated balance sheet as at 31 December 2023, the consolidated cash flow statement, and the consolidated statement of shareholders' equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting principles.


In our opinion, the consolidated financial statements (pages 126 to 152) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 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 3.0 million
	We conducted full scope audits at seven Group companies in two countries. The companies audited in this way account for 85% of the Group's revenue.
	As key audit matters the following areas of focus have been identified:
	Recognition of construction contracts
	Valuation of inventories
	Merger Tornos Holding AG

### 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

PricewaterhouseCoopers AG, Kornhausstrasse 25, Postfach, 9000 St. Gallen, Switzerland  
Phone: +41 58 792 72 00, [www.pwc.ch](http://www.pwc.ch)

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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.

<b>Overall Group materiality</b>	CHF 3.0 million
<b>Benchmark applied</b>	Sales revenue
<b>Rationale for the materiality benchmark applied</b>	We chose sales revenue as the benchmark for determining materiality. This basis takes into account the volatility of the business environment and is a generally accepted benchmark for materiality considerations.

We agreed with the Board of Directors that we would report to them misstatements above CHF 300'000 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 of the component auditors from the PwC network. The audit of the consolidation, disclosure and presentation of the consolidated financial statements was performed by us as the group auditor. As the group auditor, we ensured sufficient involvement in the audits of the component auditors in order to assess whether sufficient suitable audit evidence was obtained from the activities of the component auditors on the financial information of the components as a basis for the group audit opinion. Our involvement included reviewing the reports, holding telephone conferences with the component auditors during the interim and final audit, communicating risks identified at Group level, specifying audit procedures relating to the accounting treatment of construction contracts and the measurement of inventories, and specifying the materiality thresholds 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.





## Recognition of construction contracts

### Key audit matter

StarragTornos Group AG has construction contracts which are recognised in accordance with Swiss GAAP FER 22 "Long-term contracts" using the percentage of completion method (POCM). Revenue from construction contracts at fixed prices is recognised including a profit share depending on the percentage of completion. The percentage of completion is determined using the efforts-expended-method.

The progress of the project on the balance sheet date and the future costs incurred until completion must be estimated by management. A misstatement could have a significant impact on the result for the period (receivables from construction contracts in progress amount to CHF 53.8 million and liabilities from construction contracts in progress amount to CHF 45.9 million, see Note 16), which is why we consider the recognition of construction contracts to be a key audit matter.

Please refer to page 134 (Management assumptions and estimates), page 135 (Significant accounting principles – Net sales and profit realization) and page 146 (Construction contracts) of the notes to the consolidated financial statements.

### How our audit addressed the key audit matter

We performed the following audit procedures in particular to audit the accounting for construction contracts using the percentage of completion method (POCM):

- We gained an understanding of the process of accounting for construction contracts and tested selected internal controls in this area.
- We selected a sample of construction contracts based on sales volume, the contribution margin and the change in margin compared to the planning phase, and performed the following audit procedures:
  - We assessed the contract calculations to determine whether the contract terms, such as sales revenue and contractual penalties, are appropriately recognised.
  - We discussed the progress of the project with the project controllers and project managers on the basis of the current project accounting, the costs still to be incurred until completion and the margin development.
  - We obtained written information from the Group's legal representatives. We reviewed these letters for indications of possible quality deficiencies or penalties and assessed whether the matters referred to are appropriately reflected in the consolidated financial statements.
- During the audit, we inspected various machines under construction and assessed the progress of the project.
- For the construction contracts concluded in the reporting year, we compared various definitive parameters with the estimates in the planning phase or with those at the last balance sheet date in order to be able to assess the accuracy of management's estimates in retrospect.
- We checked the mathematical accuracy of the relevant analyses with regard to the progress of the project, future costs and sales.
- We have assessed whether the disclosures in the consolidated financial statements have been made in accordance with the provisions of Swiss GAAP FER 22 "Long-term contracts".

Our audit approach allowed us to conclude on the recognition of construction contracts.





### Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
<p>The valuation of inventories is a key audit matter for us, as inventories of CHF 231.0 million account for a significant proportion of total assets as at 31 December 2023.</p> <p>Sales of industrial machinery (including services) are subject to market fluctuations. These fluctuations and the complexity of inventories - raw materials and components, semi-finished goods, spare parts and finished goods - require estimates and judgements by management when valuing inventories.</p> <p>In particular, the following risks exist in connection with the valuation of inventories by management:</p> <ul style="list-style-type: none"><li>• Inventories are not measured at the lower of either average cost or net realisable value (lower of cost or market principle).</li><li>• Valuation allowances for non-currant inventories (obsolete or slow-moving inventories) are insufficient.</li></ul> <p>Please refer to page 134 (Management assumptions and estimates), page 136 (Significant accounting principles - Inventories) and page 141 (Inventories) of the notes to the consolidated financial statements.</p>	<p>In particular, we performed the following audit procedures to test the recoverability of inventories:</p> <ul style="list-style-type: none"><li>• We conducted sample-based inspections to verify compliance with the lower of cost or market principle.</li><li>• We performed sample-based inspections to determine whether management's calculation of valuation allowances for non-currant inventories was mathematically correct and appropriate.</li><li>• We assessed the intercompany profit elimination process at Group level. In doing so, we verified that the inventories in the consolidated financial statements do not contain any material unrealised gains.</li><li>• We have examined whether the disclosures in the consolidated financial statements have been made in accordance with the provisions of Swiss GAAP FER 17 "Inventories".</li></ul> <p>The information provided to us by management in the course of our audit and the assumptions used provide an adequate basis to conclude on the valuation of inventories.</p>

### Merger Tornos Holding AG

Key audit matter	How our audit addressed the key audit matter
<p>With effect from 7 December 2023, the Tornos Group was acquired by the Starrag Group. This material transaction was recognised in the consolidated financial statements as a business combination. Recognition and disclosure of this transaction are influenced by, among other things:</p> <ul style="list-style-type: none"><li>• The valuation of the acquired assets and liabilities at their fair value at acquisition date.</li><li>• The accounting treatment of negative goodwill and transaction costs.</li><li>• The appropriateness and completeness of the disclosure of transaction-relevant information.</li></ul> <p>For these reasons, we have classified this transaction as a key audit matter.</p> <p>Please refer to page 134 (Principles of consolidation) and page 151 (Acquisition of Tornos Holding AG) of the notes to the consolidated financial statements.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"><li>• We gained an understanding of the transaction. We analysed the merger agreement and other relevant agreements in order to identify matters that materially affect the business combination.</li><li>• We have checked the opening balance sheet of the merged entity and the appropriateness of the fair values of assets and liabilities.</li><li>• We also assessed the correct recognition of this transaction, the resulting negative goodwill and the presentation in the consolidated financial statements.</li></ul> <p>Our audit approach allowed us to appropriately assess the recognition and disclosure of the transaction.</p>





#### 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 consolidated financial statements that 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 EXPERT-suisse'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 para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

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





PricewaterhouseCoopers AG

Oliver Kuntze  
Licensed audit expert  
Auditor in charge

Oscar Maier  
Licensed audit expert

St. Gallen, 14 March 2024



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# Income Statement

	CHF 1 000	2023 01.01. – 31.12.	2022 01.01. – 31.12.
Financial income		3 446	3 015
<b>Total financial income</b>		<b>3 446</b>	<b>3 015</b>
Fees		-631	-541
Other operating expenses		-2 359	-980
Depreciation and value adjustments of fixed assets		-431	-15 547
Financial expenses		-3 587	-3 600
Income tax expenses		-155	-411
<b>Net income</b>		<b>-3 717</b>	<b>-18 064</b>

Due to the restructuring measures and the relocation of Ecospeed to Switzerland, the German investments were devalued by CHF 15.0 million in 2022.





# Balance Sheet

	CHF 1 000	31.12 2023	31.12 2022
Cash and cash equivalents		31	8
Other receivables:			
from group companies		34 982	9 545
from third parties		65	10
Prepaid expenses		16	187
Total current assets		35 094	9 751
Financial assets:			
Loans to group companies		57 157	61 563
Investments	7	209 141	129 058
Total fixed assets			190 621
<b>Total assets</b>		<b>301 392</b>	<b>200 371</b>

	CHF 1 000	31.12 2023	31.12 2022
Other liabilities:			
to group companies		26 199	21.954
to third parties		461	55
Accrued expenses and deferred income		2 729	296
Total current liabilities		29 389	22 305
Total liabilities		29 389	22 305
Share capital	8	46 437	28 560
Legal capital reserves:			
Capital contribution reserves	12	127 076	49 441
Other legal capital reserves		1 222	1 222
Voluntary retained earnings			
Retained earnings		100 986	116 907
Net income		-3 717	-18 064
Total shareholders' equity		272 003	178 066
<b>Total liabilities and shareholders' equity</b>		<b>301 392</b>	<b>200 371</b>



# Notes to the Financial Statement

## Accounting principles

### 1. Principles of presentation

The financial statement of StarragTornos Group 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 2023 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, Ichttershausen, Germany (share capital 0.1 Mio. EUR)
- 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 2.0 Mio. RUB – in the process of closing)
- Starrag UK Limited, Birmingham, UK (share capital 1.0 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, Mönchengladbach, Germany (share capital 2.5 Mio. EUR)
- Starrag Vermietungs-Servicegesellschaft mbH, Mönchengladbach, Germany (share capital 0.02 Mio. EUR)
- Tornos SA, Moutier, Switzerland (share capital 0.65 Mio. CHF)
- Tornos (Taichung) Machine Works Ltd., Taichung, Taiwan (share capital 60.25 Mio. TWD)
- Tornos Technologies Deutschland GmbH, Pforzheim, Germany (share capital 0.5 Mio. EUR)
- Tornos Technologies Iberica SA, Granollers, Spain (share capital 0.06 Mio. EUR)
- Tornos Technologies Italia Srl, Rho/MI, Italy (share capital 0.09 Mio. EUR)
- Tornos Technologies Poland Sp. Z o.o., Katy Wroclawskie, Poland (share capital 0.05 Mio. PLN)



- Tornos Technologies SAS, St-Pierre-en-Faucigny, France (share capital 0.31 Mio. EUR)
- Tornos Technologies U.S. Corp. Des Plaines, IL, USA (share capital 2.4 Mio. USD)
- Tornos Technologies Asia Limited, Hong Kong City, China (share capital 0.01 HKD)
- Tornos Technologies (Thailand) Co, Ltd., Bangkok, Thailand (share capital 3 Mio. THB)
- Tornos Technologies (Shanghai) Limited, Shanghai, China (share capital 0.5 Mio. USD)
- Tornos (Xi'an) Machine Works Co., Ltd., Xi'an, China (share capital 25 Mio. RMB)
- Tornos (Milan) Machine Works Srl, Rho/MI, Italy (share capital 0.01 Mio. EUR)
- Tornos Technologies Brazil LTDA., São Paulo, Brazil (share capital 1 Mio. BRL)

According to the merger agreement dated October 25, 2023, Starrag Group Holding AG absorbed Tornos Holding AG retroactively as of July 1, 2023, through a merger under Article 3, paragraph 1, letter a of the Swiss Merger Act. As a result, all assets and liabilities of Tornos Holding AG have been transferred to Starrag Group Holding AG. Subsequently, Starrag Group Holding AG was renamed StarragTornos Group AG. In the course of the merger, StarragTornos Group AG increased its share capital from CHF 28.6 million to CHF 46.4 million by issuing 2 103 121 shares at CHF 49.55 per share.

## 8. Share capital, conditional capital and authorized capital

### 8.1 Share capital

The share capital of CHF 46.4 million consists of 5'463'121 registered shares with the nominal value of CHF 8.50 each.

### 8.2 Conditional share capital

	2023		2022	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
At beginning of year	-	-	-	-
Creation	70 000	595	-	-
At end of year	70 000	595	-	-

In 2023 a conditional share capital has been created and amounts to a nominal value of CHF 595 000 (2022: none). It is reserved for the issuance of shares that may be used to satisfy the stock option plans of the former Tornos Holding AG (CHE-101.020.773).

### 8.3 Authorized share capital

StarragTornos Group AG does not have any authorized capital.

## 9. Major shareholders

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

	31.12.2023	31.12.2022
Walter Fust, Freienbach, Switzerland	52.11%	54.06%
Eduard Stürm AG, Goldach, Switzerland	5.69%	9.26%
Michel Rollier / Rollomatic Holding AG, Le Landeron, Switzerland	5.53%	n/a
Max Rössler / Parmino Holding AG, Goldach, Switzerland	4.62%	8.01%



## 10. Compensations

Compensations to the Board of Directors and to the Executive Board are disclosed in the compensation report from page 104 of the annual report.

## 11. Participations of the Board of Directors and Executive Board

	Number at 31.12.2023		Number at 31.12.2022	
	Shares	Options	Shares	Options
Michael Hauser, Chairman and CEO	12 687	6 354	n/a	n/a
Walter Fust, Vice-President	2 846 564	-	1 816 511	n/a
François Frôté, Member	22 942	1 694	n/a	n/a
Till Fust, Member	846	1 695	n/a	n/a
Michel Rollier, Member	302 209	2 541	n/a	n/a
Adrian Stürm, Member	41 187	-	38 993	n/a
Jens Thing, Division CEO Tornos	6 354	3 706	n/a	n/a
Stéphane Pittet, CFO	2 118	4 236	n/a	n/a
Alexander Attenberger, CSO	n/a	n/a	230	n/a
Günther Eller, Head Customer Service	n/a	n/a	200	n/a
Thomas Erne	n/a	n/a	440	n/a
Dr. Christian Walti	n/a	n/a	1 000	n/a

Starrag Group Holding AG did not operate a stock option plan. Therefore, no Starrag Group Holding AG options were held by Starrag Board of Directors and Executive Board as of December 31, 2022. In the course of the merger of Starrag Holding AG with Tornos Holding AG it was decided, that existing Tornos Holding AG options held by Tornos Board of Director and Executive Board members will be converted into Starrag options. The outstanding options as of December 31, 2023 reflect the number of options as a result of the merger. No StarragTornos Group AG shares have been allocated to members of the Board of Directors and Executive Board during 2023. Further, no Starrag options, other than the ones converted as explained before, have been granted.



## **12. Capital contribution reserves**

The capital contribution reserves increased from CHF 49.4m to CHF 127.1m as a result of the capital increase due to the merger with Tornos Group. The current capital contribution reserve of CHF 127.1m is subject to approval 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 255.5 million (prior year CHF 277.6 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	2023	2022
Retained earnings		95 483	116 907
Net income		-3 717	-18 064
Retained earnings		91 766	98 843
Dividend CHF 1.25 (50%), prior year 1.00		-6 829	-3 360
<b>To be carried forward</b>		<b>84 937</b>	<b>95 483</b>

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

The Board of Directors proposes to pay out to the Annual General Meeting of 20 April 2024 a dividend of CHF 2.50 CHF, 1.25 CHF tax-free from reserves from capital contributions and CHF 1.25 from retained earnings. Due to the applicable tax law, no more than 50% of the dividend may be distributed from tax-advantaged reserves from capital contributions.

	CHF 1 000	2023	2022
Available capital contribution reserves	12	127 076	49,441
Withholding tax free distribution CHF 1.25 per registered share (50%), prior year CHF 1.00		-6.829	-3.360
<b>To be carried forward</b>		<b>120 247</b>	<b>46.081</b>



## Report of the statutory auditor

### Five-year overview

<sup>1)</sup> Proposal of the Board of Directors to the Annual General Meeting on 20.04.2024.

### Financial calendar

20 April 2024      Annual General Meeting

25 July 2024      Half year report 2024

30 January 2025      Sales and orders 2024

14 March 2025      Annual report 2024, analysts and media conference

17 April 2025      Annual General Meeting

### Contact information

Stéphane Pittet, CFO

[investor@starrag.com](mailto:investor@starrag.com)





Report of the  
statutory auditor

**StarragTornos Group AG**  
Rorschacherberg

Report of the statutory auditor  
to the General Meeting

on the financial statements 2023





# Report of the statutory auditor

to the General Meeting of StarragTornos Group AG

Rorschacherberg

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of StarragTornos Group AG (the Company), which comprise the income statement for the year ended 31 December 2023, the balance sheet as at 31 December 2023 and notes to the financial statement for the year then ended, including a summary of significant accounting principles.

In our opinion, the financial statements (pages 160 to 167) 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 1.5 million
	<p>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.</p> <p>As key audit matter the following area of focus has been identified: Impairment testing of investments in subsidiaries</p>

### 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

PricewaterhouseCoopers AG, Kornhausstrasse 25, Postfach, 9000 St. Gallen, Switzerland  
Telefon: +41 58 792 72 00, [www.pwc.ch](http://www.pwc.ch)

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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.

<b>Overall materiality</b>	CHF 1.5 million
<b>Benchmark applied</b>	total assets
<b>Rationale for the materiality benchmark applied</b>	We chose total assets as the benchmark because, in our view, it is a relevant benchmark for a holding company, and it is a generally accepted benchmark for holding companies.

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 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 209.1 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 our audit of investments in subsidiaries, we performed the following main audit procedures: <ul style="list-style-type: none"> <li>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.</li> <li>We checked for plausibility the key assumptions applied by Management (revenue, margin growth and discount rate).</li> </ul>
In identifying the potential need for impairment of investments in subsidiaries, Management uses a predefined impairment testing process.	
Please refer to page 162 to 164 (Shareholdings) of the notes to the financial statements.	We consider the valuation process and the assumptions used to be an appropriate and adequate basis for the impairment testing of the investments in subsidiaries as at 31 December 2023.





#### 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 retained earnings and the proposed appropriation of the legal capital contribution reserves 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  
Licensed audit expert  
Auditor in charge

Oscar Maier  
Licensed audit expert

St. Gallen, 14 March 2024



