

**TORNOS**

*Letter to the shareholders  
Management report 2018*

*Tornos Group*





# Key figures

## Tornos Group

In CHF 1'000*	2018	2017	Difference	Difference in %
<b>Order intake</b>	<b>245'009</b>	<b>207'025</b>	37'984	18.4%
<b>Net sales</b>	<b>214'864</b>	<b>178'758</b>	36'106	20.2%
<b>EBITDA</b>	<b>19'331</b>	<b>12'856</b>	6'475	50.4%
<i>in % of net sales</i>	9.0%	7.2%		
<b>EBIT</b>	<b>15'486</b>	<b>9'498</b>	5'988	63.0%
<i>in % of net sales</i>	7.2%	5.3%		
<b>Net result</b>	<b>15'327</b>	<b>8'249</b>	7'078	85.8%
<i>in % of net sales</i>	7.1%	4.6%		
<b>Cash flow from operating activities</b>	<b>19'116</b>	<b>32'439</b>	-13'323	-41.1%
<b>Cash flow from investing activities</b>	<b>-5'661</b>	<b>-4'044</b>	-1'617	n/a
<b>Free cash flow</b>	<b>13'455</b>	<b>28'395</b>	-14'940	-52.6%
	<b>31.12.2018</b>	<b>31.12.2017</b>		
<b>Net cash</b>	<b>35'663</b>	<b>23'428</b>	12'235	52.2%
<b>Total equity</b>	<b>105'356</b>	<b>90'240</b>	15'116	16.8%
<i>in % of total balance sheet</i>	59.8%	63.0%		
<b>Total balance sheet</b>	<b>176'247</b>	<b>143'310</b>	32'937	23.0%
<b>Employees (full-time equivalents)**</b>	<b>728</b>	<b>668</b>	60	9.0%

\* Unless otherwise stated

\*\* Without apprentices

# Order backlog at all-time high and further significant improvement in result

*Dear Sir or Madam, dear Shareholders,*

*In the 2018 financial year, the Tornos Group was able to maintain the progress made in the previous year and to achieve another significant improvement in both sales and result. At the end of 2018, the order backlog stood at an all-time high of CHF 101 million. This represents orders for more than six months.*

*With the help of a product range carefully tailored to customer requirements, the Tornos Group continued to benefit from a persistently high level of demand in its core markets and was able to boost the order intake once again, especially in Europe and the USA.*

*All product lines contributed to the Tornos Group's sales growth during the 2018 financial year. There was a particularly strong rise in orders received for MultiSwiss machines in the high-end multispindle segment. Tornos also recorded a significant increase in orders for its mid-priced machines manufactured in Asia.*

*In line with its strategy, the Tornos Group further expanded its offering in the service business and significantly boosted sales in this segment once again. The thriving spare parts business as well as the increasingly successful used machinery business contributed to higher sales in the service business.*

*In the year under review, the Tornos Group posted total net sales of CHF 214.9 million (2017: CHF 178.8 million, +20.2%) and order intake of CHF 245.0 million (2017: CHF 207.0 million, +18.4%). The operating result (EBIT) for 2018 came to CHF 15.5 million (2017: CHF 9.5 million, +63.0%), and the net result was CHF 15.3 million (2017: CHF 8.2 million, +85.8%). In 2018, the Tornos Group once again generated a*

*positive free cash flow, of CHF 13.5 million (including an improvement in net working capital of CHF 2.0 million; 2017: CHF 28.4 million, including an improvement in net working capital of CHF 22.8 million). For the successful, targeted management of its net working capital, Tornos received the Swiss Working Capital Management Award 2018 in the Performance Excellence category at the Swiss Working Capital Management Summit in Zurich at the end of August. The number of people employed by the Tornos Group (in full-time equivalents) increased from 668 at the end of 2017 to 728 at the end of 2018.*

## **Solid demand for all machine types**

*Tornos achieved an increase in new orders for all types of machine. Compared with the previous year, Tornos boosted the number of machines sold by around 13% in 2018. Tornos saw sales rise by some 15% in the service business.*

*In 2018 the Group again maintained its ability to react promptly to the various market trends and to improve its position in all market segments. The biggest percentage increases achieved by Tornos in 2018 were in the electronics segment and the watchmaking industry. However, Tornos also boosted its sales significantly in the automotive industry and – thanks to a marked rise in the second half of the year – in the medical and dental technology segment. High demand presented Tornos and its suppliers with a few challenges. All the production sites – Moutier, La Chaux-de-Fonds, Xi'an and Taichung – were utilized to full capacity. There were occasional delays in receiving certain parts from suppliers. The unexpectedly high increase in*

production volume made it necessary to adjust various processes and capacities, and to bring in temporary workers. These measures pushed up costs. Tornos was nevertheless able to improve the situation by means of targeted adjustments in the second half of the year.

### **Successful innovations**

Tornos successfully pressed ahead with its various innovation projects, in both the multispindle and the Swiss-type lathes segments. In the second half of 2018, Tornos brought to market the SwissNano 7, an automatic lathe for machining larger-dimension parts. This sets new standards in terms of ergonomics, energy consumption, tool consumption and low noise levels. Its redesigned machining area and additional range of tools allow the SwissNano 7 to perform numerous operations providing high added value. It combines thermal stability, precision and flexibility, while its small footprint takes up very little space. The SwissDECO automatic lathe is based on a completely new modular platform and sets standards in the high-end segment. Demand for this new platform already exists and it has gone into production.

New standards are also being set by automation solutions from Tornos, which are constantly being developed further. In the year under review, Tornos added several new modules to its scalable, user-friendly TISIS machine communication and programming software. TISIS is the gateway to Industry 4.0 for Tornos customers. Almost one in two Tornos machines sold are now equipped with this machine communication and programming software.

### **Centralization in Moutier and globalization in the sales markets**

Tornos is committed to qualitative growth. The Group intends to globalize its business further and become more flexible in all areas. In the year under review, Tornos agreed to sell its factory building in Rue de l'Ecluse in Moutier at the end of 2019. Tornos is to centralize production at the main site in Rue Industrielle, Moutier, expand the plant and simplify its processes. In future, all Tornos machines produced in Switzerland will be assembled in this plant. Tornos is also planning to refurbish the administration building. This work is also expected to be completed by the end of 2019. The reception area in the administration building has already been renovated and functional new meeting rooms installed on the ground floor.

In the first half of 2018, the Tornos Group merged its activities in the micro-milling machines business. These are now being marketed under the single brand name of Tornos. A logical next step saw the integration of the subsidiary Almac SA, La Chaux-de-Fonds, into Tornos SA, Moutier. All employees of Almac SA were taken over by Tornos SA. In Taichung, Taiwan, Tornos is now able to fully assemble its machines itself. The lean production line is based on a concept that has already been successfully implemented in Xi'an, Moutier and La Chaux-de-Fonds. In Shanghai, China, Tornos opened its new Customer Center in November. In the USA, Tornos has moved to a larger building, and in Germany, the company is planning a new technology center that will bring it closer to its customers.



### **Microtechnology collaboration platform**

The i-moutier incubator launched in the Tornos Precision Park in 2017 is a microtechnology collaboration platform which brings together universities, institutions, start-ups and partner companies. Participants have access to extensive infrastructure. In the year under review, several innovative projects were successfully initiated with different partners.

The Tornos Academy has also got off to a good start. It offers Tornos customers tailor-made training to enable them to get the best out of Tornos products. Small groups of customers' employees are taught by qualified trainers on actual machines, enabling them to become expert programmers, operators and maintenance specialists. For customers, this results in fewer operating errors, shorter programming and setting up times, and optimal operating processes.

Innovation, along with basic and advanced training, is also of prime importance to the prospective engineers studying at HE-Arc in Neuchâtel. A technological challenge launched by Tornos for these students attracted a great deal of interest. It enabled the students to work on real projects with experienced professionals, generating many interesting ideas and new approaches.

### **Distribution to shareholders**

At the General Meeting on April 10, 2019, the Board of Directors will propose to the shareholders a tax-free dividend of CHF 0.28 per share. The distribution in the previous year came to CHF 0.15 per share.

### **Change in the Board of Directors**

Frank Brinken, who has been a member of the Board of Directors for many years, will not be standing for re-election at the Annual General Meeting on April 10, 2019. We would like to take this opportunity to thank Frank Brinken most sincerely for all his hard work on behalf of the Tornos Group over the past eight years. To succeed him, the Board of

François Frôté, Chairman, and Michael Hauser, CEO

Directors will propose Till Fust to the Annual General Meeting. The latter is a business economist who is currently completing a Master's in International Economics. As the grandson of the main shareholder Walter Fust, he will ensure the family's continuity on the Board of Directors of Tornos.

### Outlook for 2019

The Tornos Group is starting 2019 with a record order backlog, as well as new products and services. Recent geopolitical developments are causing considerable uncertainty, which makes it extremely difficult to formulate assessments and forecasts at present. However, a range of products and services carefully tailored to customer requirements makes Tornos well equipped to react rapidly and efficiently to developments in the individual markets.



**François Frôté**  
Chairman of the  
Board of Directors



**Michael Hauser**  
CEO and Chairman of  
the General Management

**“Tornos is well equipped to react rapidly to the developments in the markets.”**



Board of Directors:  Walter Fust, François Frôté, Frank Brinken, Michel Rollier

# Management report 2018

Many businesses will look back on 2018 with satisfaction. The world economy was thriving. In the mechanical engineering industry, demand for products was so high that suppliers could not always manufacture parts and components quickly enough. This led to bottlenecks and delivery delays, which also affected a number of parts needed by Tornos. It was therefore not always possible to prevent delays in delivering machines. Nevertheless, Tornos once again achieved a marked year-on-year improvement in net sales and operating result – thanks to a comprehensive product portfolio, innovative customer solutions, and attractive offers in the service segment.

Political uncertainties and protectionist trends have somewhat dimmed the outlook for the global economy. The associated risks include the possible strengthening of the Swiss franc, especially against the euro. Tornos is keeping a close eye on developments so that it can react quickly to changing market conditions.

## **Order intake and backlog**

At CHF 245.0 million, order intake for the Tornos Group in the 2018 financial year was 18.4% higher than in the previous year (CHF 207.0 million), even though it had already increased by 55.1% in 2017. Order intake of CHF 116.5 million in the second half of the year was slightly below the figure for the first half. The difference is accounted for by two major orders in the first six months of the year.

Compared with the previous year, Tornos boosted sales in all product ranges. This was the case for machines manufactured in Asia (China and Taiwan) as well as those made in Moutier (Switzerland). There was gratifyingly high market interest in the MultiSwiss multispindle product line. In this segment alone, Tornos was able to improve order intake by 48% compared with the previous year. New orders for single-spindle automatic lathes manufactured in Moutier rose by 12% and orders for those made in Asia by 19%. Compared with the previous year, Tornos increased the number of machines sold by around 13% in 2018. Almost half of the machines sold by Tornos were manufactured in Asia.

The automotive industry was once again the most important market segment for Tornos in 2018: 42.9% (previous year: 45.0%) of order intake was generated in this segment. Medical and dental technology saw its share of orders fall from 18.0% to 12.9%. A major project was still pending at the end of the year, but there is a good chance it will be completed in 2019. The percentage share for the electronics market segment went up from 7.5% to 9.6%. Pleasing progress was made in the watch-making segment. After a weak 2017, orders almost trebled in the year under review. The percentage share for this market segment rose from 3.9% to 9.3%. The remaining 25.3% (previous year: 25.6%) came from sub-suppliers (known as job shops), which supply parts to the four industries mentioned above, and from smaller industries such as aviation and pneumatics/hydraulics.

At a record CHF 101.0 million, the Tornos Group's order backlog at the end of the financial year was 58.8% above the figure for the previous year (December 31, 2017: CHF 63.6 million). This is equivalent to more than six months' orders.

### **Net sales**

The Tornos Group improved its net sales by 20.2% in the year under review, from CHF 178.8 million in 2017 to CHF 214.9 million (+ CHF 36.1 million; + CHF 31.6 million after adjusting for exchange rates). The Group thus achieved double-digit growth in percentage terms once again (2017: +31.3%). All product ranges contributed. In the multispindle segment, Tornos recorded a significant sales increase. Tornos also posted a year-on-year rise in sales of the higher-price Swiss-type automatic lathes (single-spindle) manufactured in Moutier. Sales of Swiss-type automatic lathes in the mid-price segment have also made gratifying progress: since the start of production in Xi'an (China) and Taichung (Taiwan), Tornos has been able to boost the sales figures significantly every year.

Compared with the previous year, Tornos increased net sales by 26% in Europe and 9% in Asia (including rest of the world). Net sales in the Americas remained at the previous year's level. Overall, the net sales of the Tornos Group break down as follows across the different regions: Switzerland 19.2% (previous year: 20.2%), rest of Europe 59.4% (previous year: 55.0%), Asia (including remaining regions) 13.4% (previous year: 14.8%), Americas 8.0% (previous year: 10.0%).

Tornos was also able to continue the positive trend of recent years in the service and spare parts business. This area posted net sales of CHF 46.7 million in 2018, thus beating the previous year's result (CHF 40.5 million) by a gratifying 15.2%. The strong spare parts business as well as the increasingly successful used machinery business contributed.

### **Gross profit**

In the financial year just ended, the Tornos Group generated gross profit of CHF 73.6 million (previous year: CHF 61.9 million), of which CHF 12.4 million was attributable to higher sales volumes. There was a decline of 0.3 percentage points in the margin, from 34.6% to 34.3%, which represents CHF -0.7 million. This was principally caused by the sometimes challenging conditions affecting the supply chain as well as trends towards price increases.

### **Operating expenses**

The operating expenses of the Tornos Group increased by CHF 4.1 million in 2018 to CHF 57.8 million (previous year: CHF 53.7 million). Marketing and sales expenses rose by CHF 3.0 million and general administration costs by CHF 0.9 million as a result of more extensive sales activities and a higher volume of orders. Additional costs were incurred in relation to expenses for maintenance and rent, largely because of the move to new premises in the USA and in Shanghai (CHF 0.5 million). Research and development costs remained stable. The Tornos

Group posted a profit on the sale of trademark rights (CHF 0.3 million) and machines no longer required for operations (CHF 0.2 million).

### **Research and development**

At CHF 10.1 million, research and development expenses in 2018 remained at much the same level as in the previous year (2017: CHF 10.4 million). Tornos successfully pressed ahead with its various innovation projects, in both the multispindle and the Swiss-type lathes segments. In the second half of 2018, Tornos brought to market the SwissNano 7, an automatic lathe for machining larger-dimension parts. This sets new standards in terms of ergonomics, energy consumption, tool consumption and low noise levels. The SwissDECO automatic lathe is based on a completely new modular platform and sets standards in the high-end segment. Demand for this new platform already exists and it has gone into production.

New standards are also being set by the automation solutions offered by Tornos; these are constantly being developed further. In the year under review, Tornos added several new modules to its scalable, user-friendly TISIS machine communication and programming software. TISIS is the gateway to Industry 4.0 for Tornos customers. Almost one in two Tornos machines sold are now equipped with this machine communication and programming software.

### **Non-operating result**

The non-operating result contains in particular the expenses and income from the investment property "Tour Bechler". An amount of CHF 1.4 million posted in the previous year was for the sale of a property no longer required for operational purposes.

### **EBITDA and EBIT**

Earnings before financial expenses, tax, depreciation and amortization (EBITDA) came to CHF 19.3 million for 2018 (previous year: CHF 12.9 million), while the EBITDA margin rose to 9.0% (previous year: 7.2%). Earnings before financial expenses and tax (EBIT) amounted to CHF 15.5 million (previous year: CHF 9.5 million, + CHF 6.0 million; + CHF 4.8 million after adjusting for exchange rates). This resulted in an EBIT margin of 7.2% (previous year: 5.3%).

### **Financial result**

Tornos generated net financial income of CHF 0.2 million in the 2018 financial year (previous year: CHF -0.8 million). Since Tornos has been debt-free for a year, interest expenses declined by CHF 0.4 million compared with the previous year. Currency effects, particularly in relation to the US dollar, had a positive impact of CHF 0.4 million in the year under review; this compares with a negative effect of CHF 0.2 million in the previous year.

### **Net result**

After deducting income tax of CHF 0.4 million, the net result came to CHF 15.3 million (previous year: CHF 8.2 million). The net result therefore improved by CHF 7.1 million compared with the previous year. The margin stood at 7.1% (previous year: 4.6%).

### **Balance sheet**

Compared with the previous year, the balance sheet total grew by CHF 32.9 million to CHF 176.2 million as at December 31, 2018.

On the assets side, cash and cash equivalents rose by CHF 12.3 million to CHF 35.9 million. Trade receivables went up by CHF 4.1 million thanks to the

rise in net sales. Inventories also grew by CHF 13.4 million as a result of the high order backlog and increased business activity. Other amounts due and prepaid expenses increased by CHF 1.3 million.

Fixed assets were CHF 2.0 million higher at the end of 2018 than at the end of 2017. This is attributable to the renovation of the Tech Center at the main site in Moutier (Switzerland). Tornos is thereby centralizing production in Switzerland at a single site. In addition, Tornos has invested in the reception area and in functional new meeting rooms on the ground floor of the administration building as well as in new machines for the production center.

On the liabilities side, trade payables grew by CHF 2.9 million as a result of the significantly higher volume of business. Other liabilities also rose massively, due in particular to higher customer pre-payments (+CHF 14.4 million). Deferred income and current provisions increased by CHF 1.3 million. Under non-current liabilities, provision for pension obligations decreased by CHF 0.7 million. The other items remained at the previous year's level.

The net working capital ratio improved to 22.5% (December 31, 2017: 26.2%).

On December 31, 2018, net cash stood at CHF 35.7 million (previous year: CHF 23.4 million).

Shareholders' equity was CHF 105.4 million on December 31, 2018 (previous year: CHF 90.2 million) with minority interests accounting for CHF 0.5 million (December 31, 2017: CHF 0.4 million). The increase in the balance sheet total resulted in a reduction of 3.2 percentage points in the equity ratio, to 59.8%.

**“Tornos once again achieved a marked improvement in net sales and operating result.”**

### **Cash flow**

As in the previous year, Tornos' cash and cash equivalents developed positively once again in 2018. The Tornos Group generated a free cash flow of CHF 13.5 million (previous year: CHF 28.4 million). The very high figure for the previous year is mainly attributable to the marked improvement of CHF 22.8 million in net working capital. Tornos was able to improve net working capital by another CHF 2.0 million in the year under review. Together with net profit of CHF 15.3 million and other factors, this gives a cash flow from operating activities of CHF 19.1 million as at the end of 2018 (previous year: CHF 32.4 million). Tornos spent a net CHF 5.7 million on investing activities in 2018 (previous year: CHF 4.0 million). Investments were made by Tornos in buildings (CHF 3.9 million), machines (CHF 1.1 million), software and hardware (CHF 0.5 million), and other goods (CHF 0.5 million). The Group also sold old machines for CHF 0.3 million.

The free cash flow of CHF 13.5 million was partly used to make a distribution of CHF 2.9 million to shareholders. Furthermore, Tornos sold its own shares to a value of CHF 1.9 million. Most of these went to employees under the terms of the Group's Management and Board Participation Plan. This left net cash flow of CHF 12.3 million at the end of the 2018 financial year (previous year: CHF 14.1 million).

### **Risk management**

The Tornos Group maintains a comprehensive risk assessment system that covers both strategic and operational risks. Further details may be found on pages 19 and 21 of the 2018 Annual Report.

### **Employees**

On December 31, 2018, Tornos employed 728 people (full-time equivalents) and 44 apprentices. At the end of 2017, it had 668 employees and 40 apprentices. Headcount was increased at the site in Moutier (+22 full-time equivalents), where Tornos hired mainly temporary staff to deal with the high workload. Tornos also took on new employees (+23 full-time equivalents) to handle assembly work on its own premises at the production sites in Taichung (Taiwan) and Xi'an (China). 15 people were employed in the sales and service companies to strengthen the team on-site.

The average number of employees during the reporting year was 692 (2017: 644).

The employees of the Tornos Group are satisfied with their working conditions and value the commitment shown by their employer in this respect. These were the findings of an employee survey conducted in 2016. Tornos will carry out the next such survey in 2019.

### **Outlook**

The Tornos Group is starting 2019 with a record order backlog, as well as new products and services. Recent geopolitical developments are causing considerable uncertainty, which makes it extremely difficult to formulate assessments and forecasts at present. However, a range of products and services carefully tailored to customer requirements makes Tornos well equipped to react rapidly and efficiently to developments in the individual markets.

# Applications expertise



Tornos' applications expertise permits customized solutions

Rising gross domestic product in developing countries accelerates technology diffusion, drives buying power and sparks demand for finest quality luxury goods, including high-value timepieces. For more than 125 years, Tornos' legendary micromechanical expertise has contributed to global brands' allure.



9 mm

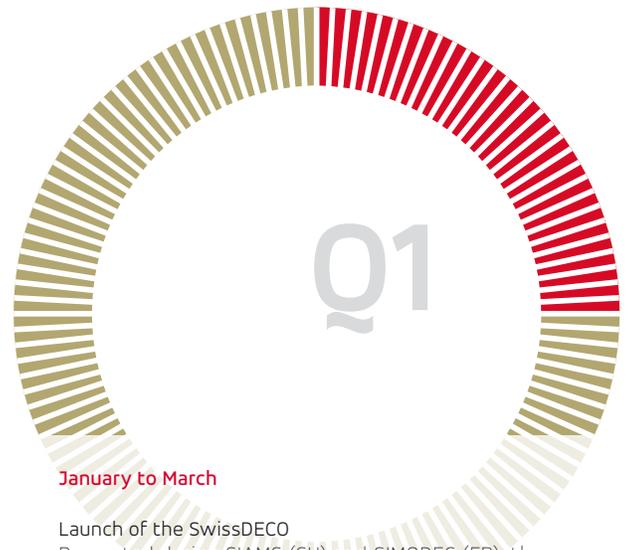
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# Milestones in the 2018 financial year



## January to March

### Launch of the SwissDECO

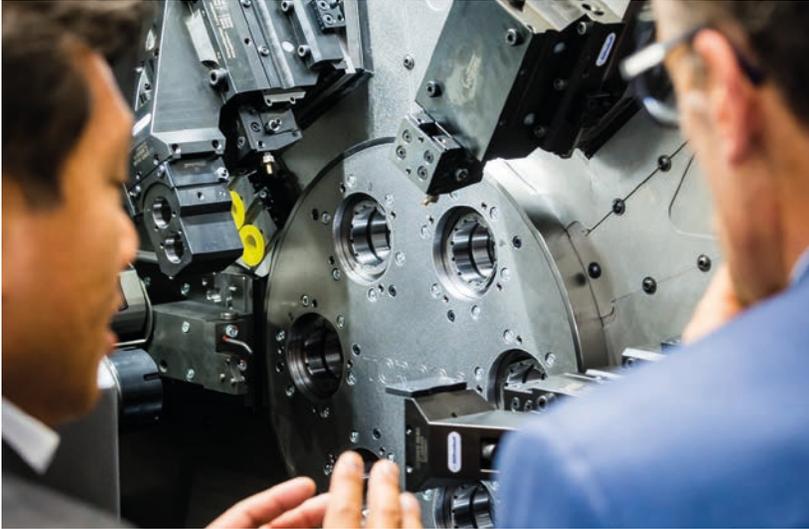
Presented during SIAMS (CH) and SIMODEC (FR), the new SwissDECO multitasking platform is particularly suited to rapidly growing and demanding market segments such as medical and aerospace. These compact machines deliver high productivity, extreme precision and exceptional quality in the production of highly precise parts, thanks to their optimized programming tools and their ideal ergonomics.

### Tornos Academy

Always eager to provide better quality services to its customers, Tornos decided to completely revitalize its training and application concepts. The Tornos Academy was born. The clear goal is to best support any customer who acquires a Tornos machine by extending support beyond the product acquisition period. These courses are intended for both new and existing customers. Through these services, customers are encouraged to seize new business opportunities, including taking on new applications and entering markets they have not previously explored.

### New assembly line in Taichung

Opened in 2012, the Taichung site is now equipped with an assembly line. The plant was enlarged and a lean production line has been implemented as is the case on the sites in Xi'an, China and Moutier and La Chaux-de-Fonds, Switzerland. With this new assembly line, Tornos intends to continue its activities in Asia and establish the reputation of the Swiss made, ensuring quality identical to that of its Moutier production site. Key components such as spindles and guide bushes are still delivered by the Moutier factory.



### April to June

#### Important automotive industry orders

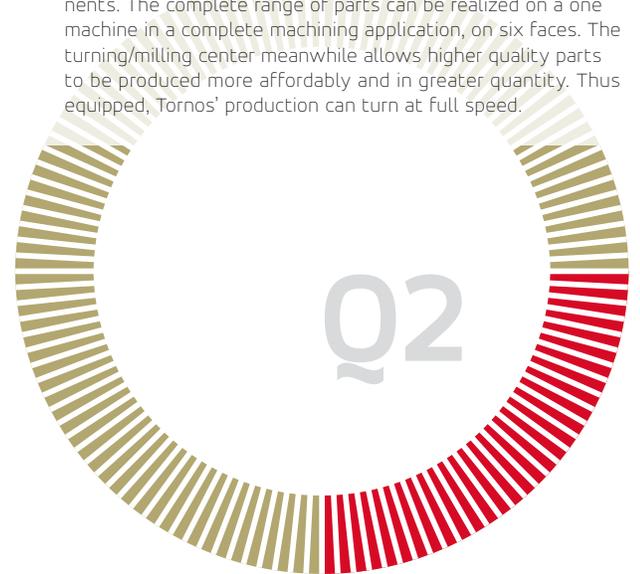
By highlighting its focus on innovative solutions, giving customers a competitive advantage and highlighting its legendary technological support for the European car manufacturing industry, the Tornos Group in April received machine orders valued at several million euros from various large German automotive industry subcontractors. The machines sold are from Tornos' MultiSwiss range: the champion of the small diameter, the Multi-Swiss 6x16, and the most recent model, the MultiSwiss 8x26.

#### Renovation and expansion work in Moutier

Built in 1958, the administrative building showed some signs of aging. It was the perfect opportunity to redesign its floor and offer guests a new experience, the Tornos experience, with a reception and adapted meeting rooms. The site of Moutier also continues to change and evolve at the level of the production. The building on rue de l'Ecluse 49 has been sold and all activities will be consolidated at Industrielle 111 Street as of 2019.

#### Powerful production machines

New machines have been acquired for the parts machining department, such as a new turning/milling machine that optimizes the processes and produces strategic machine spindle components. The complete range of parts can be realized on a one machine in a complete machining application, on six faces. The turning/milling center meanwhile allows higher quality parts to be produced more affordably and in greater quantity. Thus equipped, Tornos' production can turn at full speed.





### July to September

#### Great success at two international exhibitions

Present at the IMTS in Chicago and the AMB in Stuttgart, Tornos successfully showcased solutions resolutely turned toward the future. While MultiSwiss machines are still attracting a lot of attention, the latest addition, the SwissNano 7, has fueled great interest. The IMTS is arguably the largest manufacturing technology show in North America. Its German counterpart, the AMB, tops the European list. As an exhibitor at the two events, Tornos welcomed existing and prospective customers. Forty percent of Tornos' IMTS and AMB visitors were prospective customers.

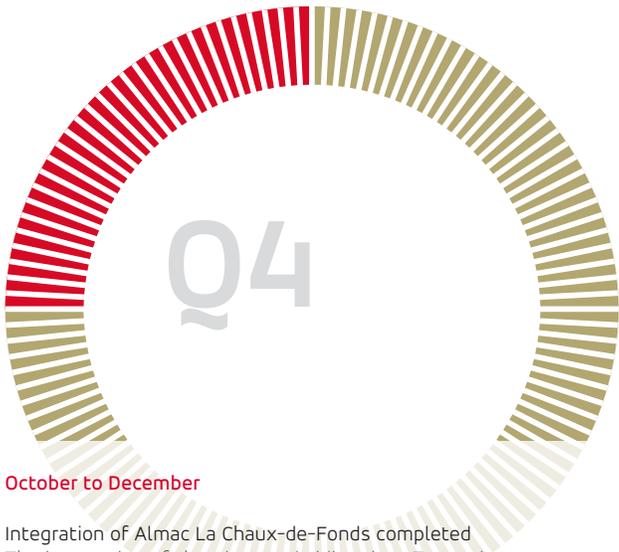
#### Tornos wins the Swiss WCM Award 2018

On the occasion of the Swiss WCM Summit (Working Capital Management Summit), Bruno Edelmann, CFO of the Tornos Group, was awarded the WCM Award in the "Performance Excellence" category. The Swiss WCM Award recognizes companies with a particularly efficient WCM concept and excellent overall performance in terms of net asset management. In addition to the top-notch result, the prestigious jury also highlighted, during the award ceremony the unfailing commitment of the project team and the consistent implementation of the ambitious program. In 2017, Tornos reduced its net current assets by more than 30% compared to 2016, while increasing its turnover by more than 30%.

#### Five years of the Xi'an production site

In 2013, Tornos decided to expand its manufacturing capabilities in Asia to meet customers' needs for entry-level and mid-range machine. Five years after establishing its plant in Xi'an, China, Tornos is pleased to have made the right choice and is delighted with the success of the excellent quality machines produced at the site. In fact, the CT 20 machine is extremely reliable and the Swiss DT, also very reliable and efficient, have found their markets not only in Europe, but also in Asia and the United States. These machines are known for their power and production capabilities. The Xi'an plant has also been a success at the human level.





**October to December**

**Integration of Almac La Chaux-de-Fonds completed**

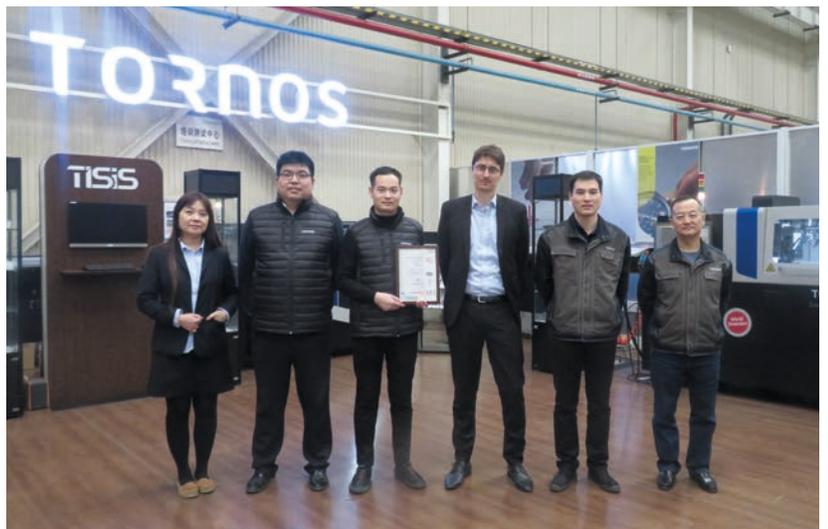
The integration of the Almac subsidiary into Tornos is now complete. Tornos has integrated all the micro-milling activities of its La Chaux-de-Fonds site under a single brand. Signage on the machines and buildings has been updated, as well as the communication of the mark.

**Opening of a customer center in Shanghai**

Determined to better serve its Chinese customers, Tornos Shanghai has opened a new center large enough to accommodate the entire range of Tornos machines, literally bringing legendary Swiss operational excellence to the doorsteps of Chinese customers. This proximity means that current and potential customers can count on Tornos—which has its roots in Switzerland and is cultivating its global footprint—and Shanghai. This customer center reinforces the company's regional presence and consolidates its position as a partner of choice in machine tools.

**Xi'an site obtains ISO 9001 certification**

A standard practice in Switzerland, ISO certification is even more important in Asia, as this official recognition by external auditors is a testament to the quality of our organization. The Xi'an site obtained its ISO 9001 certification in December 2018. Adhering to the same quality standards as the parent company in Switzerland, Xi'an is therefore in the same category as the Moutier plant – which has been ISO 9001 certified since 1998 – with the same main processes (machinery and Research & Development) as well as support processes (management, Human Resources, Finance, Information, Technology, etc).



# Our people are Tornos

Our people are the distinct heartbeat of Tornos. Their work and their decisions are the foundation of our everyday success. Our passion for our vision—We keep you turning—is in our DNA. Each of us is guided by Tornos' six corporate values: agility, open-mindedness, daring, reliability, sharing and appreciate and enhance. We live these values every day at every Tornos location worldwide.

Twelve Tornos employees from Europe, the United States and Asia discuss in the next pages how they apply the company's values in their daily tasks.

**Yuan Liu**  
Shanghai, China



“If you want the best the world has to offer, offer the world the best you have.”

#### **Marketing Manager and General Manager Assistant**

The company's focus and action on product development and technological innovation inspires Yuan Liu's commitment to reliability. She always sets clear objectives and completes the planning on time and with effective communication. No matter what she does, she believes no one should rest on their laurels. “We should not refuse to seek new knowledge and accept new things with various excuses. Only when people continue to learn and enrich themselves will they keep pace in this ever-changing world”. Yuan Liu always tends to be reliable. She aligns her thoughts and behaviors with Tornos' six values, trying to become a better person every day.

*Yuan Liu joined Tornos in June 2017.*

**Qing Gu**  
Shanghai, China



“Keep smiling every day, talk less and do more.”

#### **Service Engineer**

Always eager to learn new technologies, Qing Gu thinks that Tornos' machines are reliable, ergonomic and user-friendly. He describes himself as open-minded, always interested in pursuing new knowledge and developing in an all-round way. He never hesitates to change his position in order to evolve and learn—and he does this every day in his job at Tornos. Qing Gu is curious and enriched by diversity. His value is open-mindedness.

*Qing Gu joined Tornos in April 2013.*

**Chao-Wei Zhang**  
Shanghai, China



**“Storms make trees take deeper roots. Always be strong, passionate and grateful.”**

**Service Engineer**

Chao-Wei Zhang is proud to work for a company he considers to be top leader in Swiss-type machine technology. He particularly likes the technical side of his job and appreciates the fact that all his colleagues are friendly and, above all, ready to help each other. Sharing is the value he puts first, and he is grateful for the help he receives and the lessons he can learn, because he believes this mindset invariably leads to success.

*Chao-Wei Zhang joined Tornos in September 2018.*

**John McBride**  
Coalville, United Kingdom



**“Be certain to constantly adapt to the evolving technologies and operational ways of the market.”**

**General Manager**

As a qualified engineer, John McBride has spent the last 31 years in direct selling of machine tools. But in a team like John McBride's, people are usually doing more than one specific job. His work requires a variety of skills and entails many different activities. Agility is his value. "In the sales world, all of our customers have different needs and approaches. My role is to anticipate the customers' attitudes so that we are prepared with the most competitive responses."

*John McBride joined Tornos in January 1993.*

**Yi Chen**  
Shanghai, China



**“Where there is a will, there is a way.”**

**Spare Parts Supervisor**

In her everyday job, Yi Chen focuses on sharing information with her teammates. They always discuss together to solve problems. By cooperating, they increase their chances of reaching their business targets. Yi Chen feels that this strategy makes her—and her team in Shanghai—more efficient. Sharing is her value. "We keep sharing information with every teammate, discussing together to solve problems. We cooperate with each other in order to reach the working target."

*Yi Chen joined Tornos in September 2012.*

**Jennifer Bryk**  
Des Plaines, IL, United States



**“Lead by example.”**

**Spare Parts Manager**

After many years at Tornos, Jennifer Bryk is loyal to both Tornos' customers and her Tornos colleagues. She finds it rewarding to see the individual growth and success of her staff, as she now leads the Spare Parts Department. While all of the Tornos values are equally important for her, reliability resonates most with her. "I take pride in being an available and reliable representative of Tornos, knowing that our customers count on me to deliver the quality of service they deserve. I strive to meet their expectations daily through honesty and open communication."

*Jennifer Bryk joined Tornos in November 2007.*

### Michael Callahan

Brookfield, CT, United States



**“My integrity is the only thing I have 100 percent control over.”**

### Assistant Service Manager

Traveling the world, interacting with different types of people, working with customers with little or lots of experience definitely has enhanced Michael Callahan's life. The task he most prefers is creating teaching documents. "As I learn our equipment, I write documentation. These documents help fellow technicians and customers." Being reliable is the most important value for him, because "nobody likes to be kept waiting." Therefore, he always follows through with customers and coworkers, providing them the answers they need to resolve their issues.

*Michael Callahan joined Tornos in September 1988.*

### Anthony Torres

Des Plaines, IL, United States



**“Adapt and overcome with a positive attitude for a better outcome.”**

### Shipping and Receiving Coordinator

"My communication and people skills have improved since working at Tornos, as I have regular contact with customers and colleagues on a daily basis." What inspires Anthony Torres the most at Tornos are opportunities to learn about the machines and help to fix them. Agility is his favorite value, because in everyday life there are always challenges to adapt to or to overcome. "In the workplace, we face many challenges, and of them for me is adapting constantly to become, step by step, even better at what I am doing. I am working hard to pursue my goal."

*Anthony Torres joined Tornos in January 2017.*

### Dennis Keim

Pforzheim, Germany



**“We have to be the change we want to see in the world.”**

### Product Manager

From the day he started working for Tornos, Dennis Keim has had a good feeling about the company. The job and its tasks suited him and his sense of satisfaction and belonging remain today. He finds his work exciting: Oriented according to the needs of our customers, it is varied and offers many opportunities to develop. He has adopted Tornos' values on both the personal and professional levels and made them his own.

*Dennis Keim joined Tornos in July 2016.*

### Sophie Barras

Moutier, Switzerland



“When we speak together,  
when we work together, we  
always find a solution.”

#### Industrial Management Controller

Intrigued by the internationality of the company, Sophie Barras wanted to learn a new field. She enjoys working with people of different nationalities every day, and she is gratified by the opportunity to help establish management by the values at Tornos. It is only natural, then, that she chose openness as an essential value: Being curious and enriching herself with diversity guide Sophie Barras in her professional activities within the company.

*Sophie Barras joined Tornos in February 2016.*

### Anne Hirtzlin

Moutier, Switzerland



“Think differently  
and move forward.”

#### CEO and COO Assistant, Project Manager

Sense of organization and responsibility characterize Anne Hirtzlin's activities in support of the Chief Executive Officer (CEO) and Chief Operations Officer (COO). Creative and open-minded, she also likes to bring new ideas and perspectives to the company, especially in the context of specific projects. As the ambassador for Tornos values, it is not easy for her to choose a favorite among Tornos' six values. Agility, however, is the one that suits her best, because it demands constantly anticipating needs and continuously adapting to the company's circumstances and priorities.

*Anne Hirtzlin joined Tornos in March 2015.*

### Piotr Wilk

Kąty Wrocławskie, Poland



“Act or accept.”

#### Application Engineer

“Tornos needed young, English-speaking people who were ready to travel and learn as much as they could. I thought that I fit this profile perfectly.” Really interested in what he is doing, Piotr Wilk likes the fact that he never knows what is going to happen, so every day can be full of surprises. Daring is the value that Piotr Wilk chooses to follow every day: “I like challenges and trying new things. If there is a chance to do something differently with a better result, I will definitely try it.”

*Piotr Wilk joined Tornos in August 2016.*

# Our 2020 strategy – focusing on innovative solutions that give customers a competitive edge



**Customers and their future requirements are at the heart of the Tornos 2020 strategy. In determining its new strategy, Tornos has also redefined its vision, mission and values as a group, and adopted a new code of conduct.**

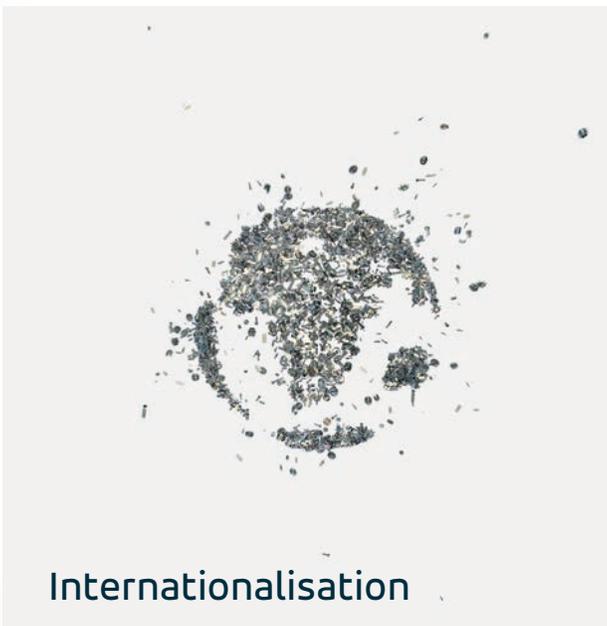
*The Tornos Group strategy takes into account the challenges that its customers face and will continue to face in markets that are becoming ever-more connected, globalized and competitive. Tornos wants to give its customers a competitive edge through innovative products and services.*

## **The Tornos vision: “We keep you turning”**

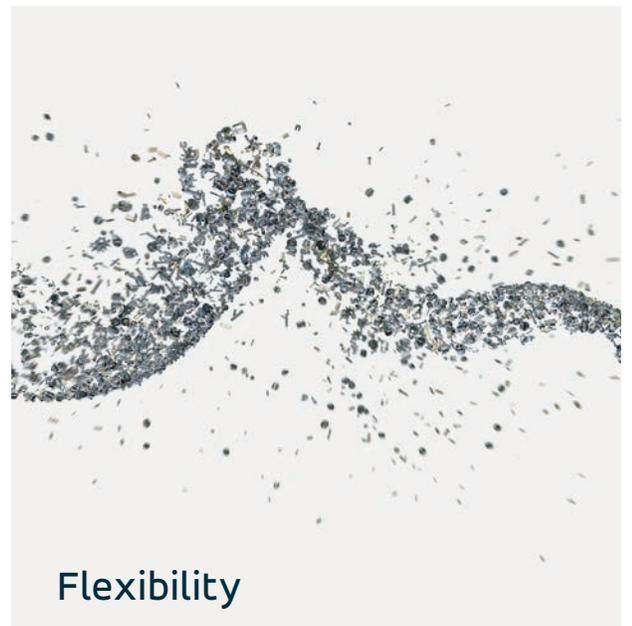
*With true pioneering spirit, Tornos evolves and develops concepts to face the demands of tomorrow. Our vast expertise and our global approach enable us to turn innovation into products and services that provide a competitive edge for our customers.*

## **The Tornos mission: sustainability and profitability for our customers**

*Our mission is to provide our customers with the best-in-class solutions and services essential to their sustainability and profitability.*

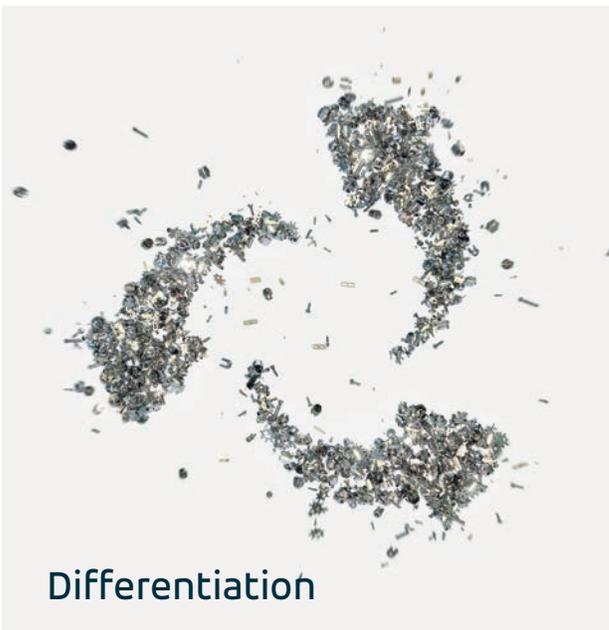


**Internationalisation**



**Flexibility**





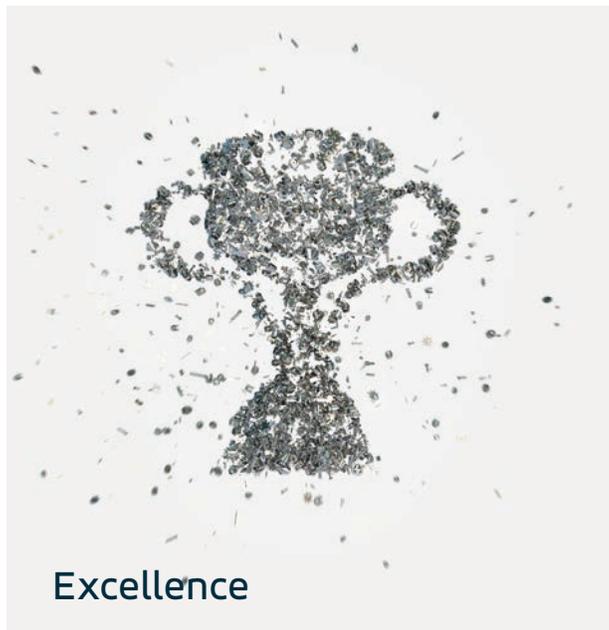
## Differentiation

### Core values and code of conduct

In 2016, Tornos defined six core values to which all Tornos Group employees at all our sites should aspire.

- Agility
- Open-mindedness
- Daring
- Reliability
- Sharing
- Appreciate and enhance

Tornos hosted various in-house events in 2018, with the aim of fleshing out these values and communicating them appropriately to all Group employees. The Group also published the Tornos Code of Conduct – a set of guiding principles for each and every employee to follow in their daily work.



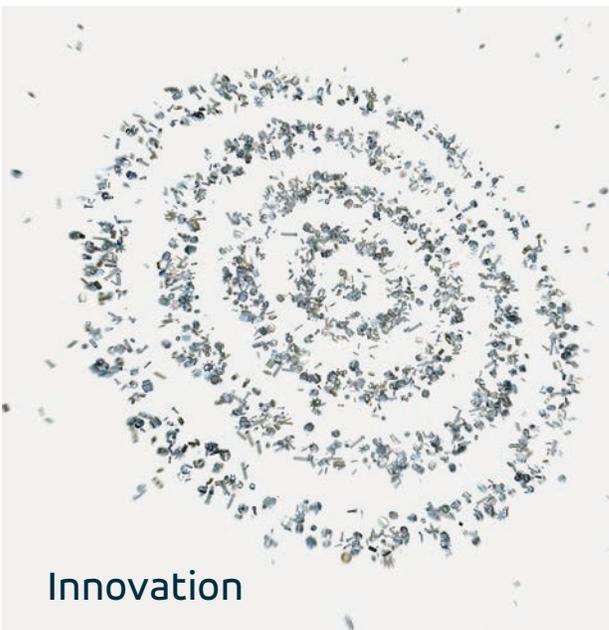
## Excellence

### Strategic directions

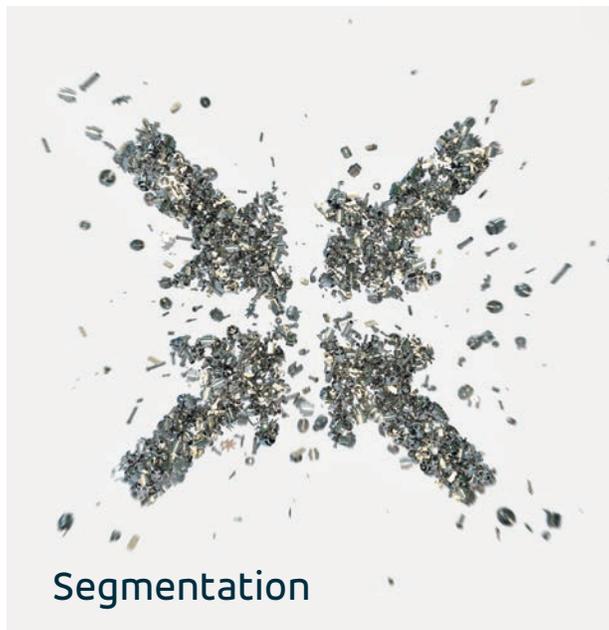
Based on the major progress that the Tornos Group has made in recent years, Tornos has defined strategic directions for the years 2018 to 2020.

- Internationalize our business
- Strengthen our flexibility
- Grow through innovation
- Establish Tornos' services as a differentiator
- Enhance operational excellence
- Deliver unique solutions for targeted market segments

Tornos has defined specific measures and measurable objectives for each strategic direction.



## Innovation



## Segmentation



We keep you turning



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