

TORNOS

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*Annual Report 2022*

*Tornos Group*

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### **Forward-looking statements**

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

This Tornos Annual Report 2022 is published in English only.  
An online version is also available, see: <https://report.tornos.com>

### **Responsible for contents**

Tornos Holding Ltd, Moutier, Switzerland

### **Concept**

Zoebeli Communications AG, Bern, Switzerland

### **Design**

Luidspreker-Creative Studio, Venlo, Netherlands

# Key Figures

## Tornos Group

In CHF 1 000 <sup>1)</sup>	2022	2021	Difference	Difference in %
<b>Order intake</b>	<b>194 146</b>	<b>204 612</b>	-10 466	-5.1%
<b>Net sales</b>	<b>181 435</b>	<b>171 488</b>	9 947	5.8%
<b>Order backlog</b>	<b>68 393</b>	<b>59 266</b>	9 127	15.4%
<b>EBITDA <sup>2)</sup></b>	<b>20 115</b>	<b>24 625</b>	-4 510	-18.3%
<i>in % of net sales</i>	11.1%	14.4%		
<b>EBIT <sup>2)</sup></b>	<b>16 441</b>	<b>20 581</b>	-4 140	-20.1%
<i>in % of net sales</i>	9.1%	12.0%		
<b>EBIT adjusted <sup>2)</sup></b>	<b>11 631</b>	<b>10 131</b>	1 500	14.8%
<i>in % of net sales</i>	6.4%	5.9%		
<b>Net result</b>	<b>14 444</b>	<b>20 329</b>	-5 885	-28.9%
<i>in % of net sales</i>	8.0%	11.9%		
<b>Cash flow from operating activities</b>	<b>5 164</b>	<b>30 285</b>	-25 121	-82.9%
<b>Cash flow from investing activities</b>	<b>-9 002</b>	<b>474</b>	-9 476	n/a
<b>Free cash flow <sup>2)</sup></b>	<b>-3 838</b>	<b>30 759</b>	-34 597	n/a
	<b>31.12.2022</b>	<b>31.12.2021</b>		
<b>Net cash <sup>2)</sup></b>	<b>17 630</b>	<b>26 631</b>	-9 001	-33.8%
<b>Total equity</b>	<b>108 359</b>	<b>98 768</b>	9 591	9.7%
<i>in % of total balance sheet</i>	65.9%	68.2%		
<b>Total balance sheet</b>	<b>164 355</b>	<b>144 914</b>	19 441	13.4%
<b>Employees (full-time equivalents) <sup>3)</sup></b>	<b>681</b>	<b>640</b>	41	6.4%

1) Unless otherwise stated

2) Non-GAAP financial measure, refer to pages 32 and 33

3) Without apprentices

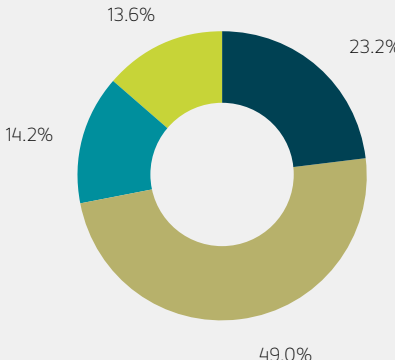
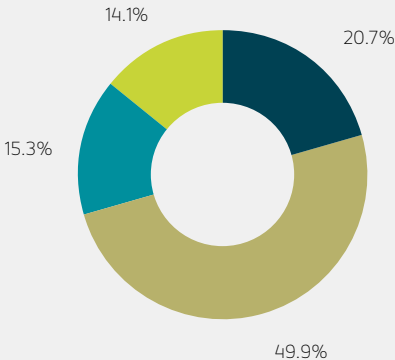
# Tornos Group in 2022 and 2021

## Net sales by region

**2022**  
CHF 181.4 million

**2021**  
CHF 171.5 million

- Switzerland
- Rest of Europe
- Americas
- Asia

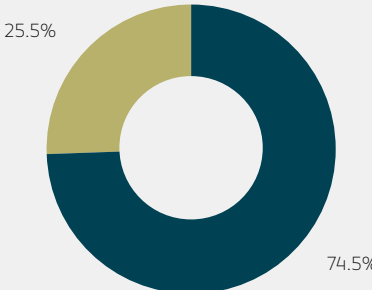
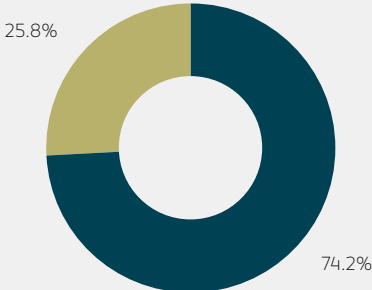


## Net sales machines and service

**2022**  
CHF 181.4 million

**2021**  
CHF 171.5 million

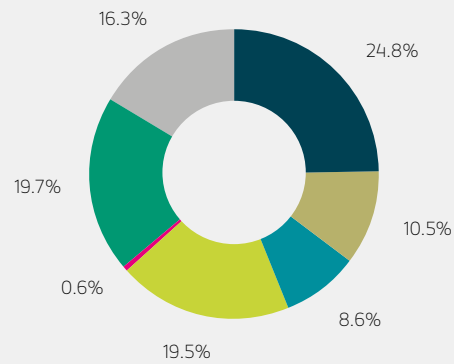
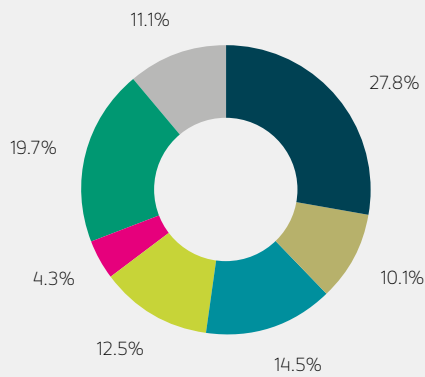
- Machines
- Service and spare parts



## Order intake by industry (machines only)

**2022**  
CHF 161.0 million

**2021**  
CHF 147.3 million



## Order backlog

**2022**  
CHF 68.4 million

**2021**  
CHF 59.3 million



# Increase in sales, high order backlog and pleasing margin development

*Dear Shareholders,*

The Tornos Group carried the momentum of the previous year into 2022 and confirmed its good results. It increased net sales by a further 5.8%, posted a record order backlog at the end of the year, and again achieved a pleasing EBIT margin. Tornos made significant gains, particularly in Europe as well as in North and South America. This was achieved in what was still a very challenging environment with frequent disruptions in the global supply chain for raw materials and supplier products. In some cases, this resulted in significant cost increases. The restrictions imposed by the local authorities to combat the coronavirus pandemic were felt most keenly in Asia, above all in China.

The Group was able to stabilize order intake at a high level. In the 2022 financial year, it did not quite reach the previous year's level, but still clearly exceeded net sales (book-to-bill ratio: 1.07). At CHF 68.4 million, the order backlog at the end of 2022 is once again significantly above the already very high prior-year figure (end of 2021: CHF 59.3 million).

Overall, our Group generated order intake of CHF 194.1 million (previous year: CHF 204.6 million, -5.1%) and net sales of CHF 181.4 million (previous year: CHF 171.5 million, +5.8%) in fiscal year 2022.

EBIT\* decreased from CHF 20.6 million to CHF 16.4 million, which is attributable to special effects. Excluding the write-back of value adjustment provisions in the amount of CHF 4.8 million, EBIT\* for the financial year 2022 would come to CHF 11.6 million (2021: CHF 10.1 million, excluding the write-back of value adjustment provisions in the amount of CHF 9.8 million and excluding the book gain from a property sale of CHF 0.7 million). As a result of the changed market conditions and the usability of its inventory, the Tornos Group has introduced a refined method for value adjustment provisions that takes even better account of the specific circumstances at Tornos. You can find further details on page 43 (note 2.9 Inventories) and page 50 (note 4.1 Inventory obsolescence) of this Annual Report.

In CHF million	2022	2021
EBIT* (margin)	16.4 (9.1%)	20.6 (12.0%)
EBIT adjusted* (margin)	11.6 (6.4%)	10.1 (5.9%)

The EBIT margin for the Tornos Group for the 2022 financial year is 9.1%—excluding the effect of the write-back of provisions, it amounts to 6.4% (previous year: 5.9%, excluding the write-back of provisions and the book gain from a property sale). The EBIT margin excluding special effects was significantly better in the second half of the year than in the first.

\* Non-GAAP financial measure, see pages 32 and 33



Various increases in the cost of materials had a negative impact on the margin, but Tornos was able to more than compensate for this thanks to price increases and a more favorable product mix with a larger share of higher-priced high-end machines.

### **Further increase in orders for medical and dental technology**

In the 2022 financial year, the Tornos Group remained very successful in its largest sales market, medical and dental technology. Here, it increased its order intake from CHF 40.1 million to CHF 41.0 million (+2.2%). Tornos made significant gains in the watchmaking industry, with orders received rising from CHF 13.9 million to CHF 21.4 million (+53.5%). At CHF 6.3 million, Tornos also won many more orders from the aerospace industry in 2022 (2021: CHF 1.0 million). At CHF 18.4 million, orders from the automotive industry weighed significantly less in the balance than in previous years.

### **Significant rise in sales at SwissNano**

The SwissNano Swiss-type automatic lathe, produced in Switzerland, again had considerably more customers in all sales markets in 2022 than in the previous year. Demand for machines produced by Tornos in the Taiwan region also rose sharply. Due to the local coronavirus restrictions, which were again significantly tightened, production of Tornos machines in China was at times severely limited during the year under review.

### **Service and spare parts business expanded further**

Tornos' service and spare parts business continued to perform well, with sales in this area rising by 7.3% compared with 2021. 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 this pleasing development. Tornos also buys older systems back and – after fully reconditioning them – puts them back on the market in the spirit of a circular economy.

### **Infrastructure projects**

The Tornos Group completed or pressed ahead with a number of infrastructure projects in 2022, including in São Paulo (Brazil), where Tornos opened a 300 square-meter Customer Center, and in Kąty Wrocławskie (Poland), where the Group brought a new production plant into operation. Here, it primarily overhauls and modernizes older DECO 10 systems. There are currently around 40 qualified employees working for Tornos in Poland. Some of them are active worldwide in order to ensure an efficient, high-quality global customer service.

In the Taiwan region, the shell for a new production hall was completed. The plant is expected to be ready for operation by the end of 2023 and create optimum conditions for the continued successful production of medium- and lower-priced Tornos machines in the Taiwan region.

### **Turning sustainable**

Responsibility towards the environment and people is given high priority at the Tornos Group. In this perspective, Tornos founded the initiative "Turning sustainable" regrouping all of the Group's activities linked to sustainability and environment, social, and governance (ESG) and supporting the ongoing global paradigm change. The program is based on the United Nations Sustainable Development Goals (SDGs) and takes into consideration the legal frame introduced in Switzerland. Next year, for the 2023 reporting period, Tornos will publish its first non-financial statements (see also pages 24 to 27).

### **Distribution to shareholders**

At the General Meeting on April 5, 2023, the Board of Directors will propose to the shareholders a tax-exempt distribution of CHF 0.30 per share, to be paid out from capital contribution reserves.



**In view of our record order backlog, our portfolio, our steadily expanding services and our flexible structure, we are very well positioned for 2023.**

#### **Outlook**

*In view of our record order backlog, we are very well positioned for 2023. However, it is still difficult to make concrete forecasts due to global economic developments, which are still impossible to estimate. The ongoing war in Ukraine and the coronavirus pandemic in China, which has not yet ended, uncertainty regarding the availability of raw materials and supplier parts, and burgeoning fears of inflation and recession bring with them many uncertainties. However, for Tornos, some of these developments also present opportunities. The trend towards industrial relocation in the US and Europe created by the disruptions in global supply chains is generating new demand for our products. With our portfolio, which is excellently aligned to customer needs, our steadily expanding services and our flexible structure, we remain well equipped for a wide variety of scenarios.*



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



**Michael Hauser**  
President and Chief  
Executive Officer

Moutier, March 2023

\* Non-GAAP financial measure, see pages 32 and 33

# Management Report

*After a very successful financial year in 2021, the Tornos Group carried the momentum forward and confirmed its good results in 2022. Despite the still very challenging environment with frequent disruptions in the global supply chain and cost increases, Tornos was able to further increase net sales and—if the special effects are excluded—also profitability. The Group is starting the 2023 financial year with a record high order backlog, a good cost structure, a product portfolio that is excellently tailored to customer needs, and broad diversification in various industries and geographical markets.*

*In the year under review, Tornos benefited again from the high inventory levels that had resulted in substantial value adjustments in the 2020 financial year, and which were largely scaled back again in 2021 as a result of the good level of business. In 2022, Tornos wrote back further value adjustment provisions amounting to CHF 4.8 million. Owing to changing market conditions and the usability of its inventories, Tornos has introduced a refined method for value adjustment provisions that takes even better account of the specific circumstances at Tornos and reacts even more appropriately to changes in material consumption. You can find further details on page 43 (note 2.9 Inventories) and page 50 (note 4.1 Inventory obsolescence) of this Annual Report.*

## **Order intake and backlog**

At CHF 194.1 million, Tornos was able to stabilize order intake at a high level (previous year: CHF 204.6 million). All market segments and machine types contributed to the marked improvement.

Tornos' most important market segment—medical and dental technology—is still in the lead with a share of 27.8% (2021: 24.8%), followed by the watchmaking industry with 14.5% (2021: 8.6%), the automotive industry with 12.5% (2021: 19.5%) and electronics with 10.1% (2021: 10.5%). Tornos made substantial gains in the aerospace industry with a new 4.3% share of order intake (2021: 0.6%). In 2022, 19.7% (2021: 19.7%) of order intake for Tornos came from subcontractors (known as job shops) that supply parts to several of the industries mentioned above.

At CHF 68.4 million, the Tornos Group's order backlog at the end of December 2022 was again markedly above the already high prior-year level (end of 2021: CHF 59.3 million, +15.4%).

## **Net sales**

In the year under review, Tornos was able to massively increase net sales for both the machines manufactured in Switzerland (higher price segment) and for the machines manufactured in the Taiwan region (medium and lower price segments). Due to the local coronavirus restrictions however, production of Tornos machines in China was at times severely limited during the year under review.

In total, Tornos generated net sales of CHF 181.4 million in the year under review (2021: CHF 171.5 million, +5.8%). At constant exchange rates, net sales would have been CHF 186.2 million (+8.6% compared to 2021). In the Group's home market of Switzerland, net sales of CHF 37.6 million were CHF -2.2 million below the previous year's figure (CHF 39.8 million, -5.5%). In the rest of Europe, net sales rose by CHF 6.6 million (+7.9%) to CHF 90.5 million. In the Americas, net sales increased by 3.4 million, from CHF 24.4 million to CHF 27.8 million. Asia's share at CHF 25.6 million for the year under review was 9.3% above the prior-year figure. Overall, the various regions accounted for the following shares of the Tornos Group's net sales in 2022: Switzerland 20.7% (2021: 23.2%); rest of Europe 49.9% (2021: 49.0%); Americas 15.3% (2021: 14.2%); Asia 14.1% (2021: 13.6%).

In the service and spare parts business, Tornos recorded net sales of CHF 46.9 million, CHF 3.2 million above the prior-year figure (2021: CHF 43.7 million). Both the sale of spare parts and the service business saw further growth compared with 2021. 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 this pleasing development. The new service offerings from Tornos and the intensified remote access, which allows access to machines and systems via computer systems regardless of location, also had a positive impact on service sales.

### Gross profit

The Tornos Group's gross profit rose by CHF 3.7 million to CHF 70.1 million in 2022 compared to the previous year (2021: CHF 66.4 million). The write-back of value adjustment provisions contributed CHF 4.8 million (2021: CHF 9.8 million). Without special effects gross profit rose by CHF 8.7 million. Thereof, CHF 3.3 million are volume-related.

The gross margin for the year under review was 38.7% (2021: 38.7%).

### Operating expenses

At CHF 53.6 million, operating expenses in 2022 were 15.5% higher than in the previous year (2021: 46.4 million). Part of this increase is volume-related. The largest increase in operating expenses relates to costs in marketing and sales.

### Research and development

In 2022, Tornos invested a total of CHF 7.0 million (2021: CHF 6.0 million) in research and development. The Group continued to advance its various machine innovation projects as well as development of the scalable and user-friendly TISIS machine programming and communication software with many new added OEE functionalities (Overall Equipment Effectiveness).

### Non-operating result

The non-operating result amounted to CHF -0.06 million in 2022 (2021: CHF +0.6 million). The non-operating result includes expenses and income from the non-operating residential property "Tour Bechler", which is fully rented.

### EBITDA\* and EBIT\*

Earnings before financial expenses, tax, depreciation, and amortization (EBITDA\*) came to CHF 20.1 million for 2022 (2021: CHF 24.6 million). The EBITDA margin was 11.1% (2021: 14.4%). Earnings before financial expenses and tax (EBIT\*) amounted to CHF 16.4 million (2021: CHF 20.6 million), resulting in an EBIT margin of 9.1% (2021: 12.0%). EBITDA\* and EBIT\* for 2022 also include the write-back of value adjustment provisions in the amount of CHF 4.8 million. Excluding this effect, the EBIT margin would have been 6.4%, with the EBIT margin in the second half significantly higher than in the first. (2021, excluding special effects: 5.9%). As a result of the changed market conditions and the usability of its inventory, the Tornos Group has introduced a refined method for value adjustment provisions that takes even better account of the specific circumstances at Tornos.

The negative impact of exchange rates was immaterial for EBIT\* in 2022 (2021: immaterial impact).

### Financial result

Tornos generated a net financial result of CHF +0.03 million in the 2022 fiscal year (2021: CHF -0.2 million). Exchange rate effects, especially against the euro, had a negative impact of CHF -1.2 million in the year under review; the previous year's impact was positive at CHF +0.3 million.

### Net result

The net result for 2022 came to CHF 14.4 million (2021: CHF 20.3 million). The margin was 8.0% (previous year: 11.9%). Excluding the write-back of value adjustment provisions, the net result margin would be 5.3% (2021: 6.1%).

### Reduction of share capital

At the 2022 Annual General Meeting on April 13, the shareholders of Tornos Holding AG agreed to the reduction of share capital by CHF 49,694,177.50 to CHF 19,877,671.00 by reducing the par value of all registered shares from CHF 3.50 to CHF 1.00.

### Balance sheet

Compared to the previous year, the balance sheet total on December 31, 2022, increased by CHF 19.5 million to CHF 164.4 million. On the asset side, cash and cash equivalents decreased by CHF 4.1 million, and trade receivables grew by CHF 3.0 million due to higher net sales. Inventories increased by CHF 13.9 million to CHF 88.2 million. Without the write-back of value adjustment provisions, inventories would have increased by CHF 5.8 million. Other receivables and prepaid expenses remained almost unchanged.

At the end of 2022, non-current assets stood at CHF 26.7 million, up CHF 5.0 million from the end of 2021. A large part of this increase is related to the construction of the new production hall in the Taiwan region. Trade payables increased by CHF 1.2 million compared to December 31, 2021. Provisions increased by CHF 0.2 million due to the set-up of a provision for legal cases. The increase in interest bearing borrowing by CHF 5.0 million is related to a local government-supported loan for the construction of a new factory in Taichung, Taiwan region. Other liabilities increased by CHF 3.3 million due to advance payments. The other items on the liabilities and equity side have changed only slightly compared to December 31, 2021.

Net cash\* stood at CHF 17.6 million at the end of 2022 (December 31, 2021: CHF 26.6 million). The reduction was due to distribution to shareholders and higher inventory levels. Total equity increased by CHF 9.6 million to CHF 108.4 million in the year under review (December 31, 2021: CHF 98.8 million). The equity ratio decreased by 2.3 percentage points to 65.9% (December 31, 2021: 68.2%).

### Cash flow

Cash flow from operating activities came to CHF 5.2 million in fiscal 2022 (previous year: CHF 30.3 million). These cash flows resulted in free cash flow\* of CHF -3.8 million in 2022 (2021: CHF 30.8 million). This decrease is largely due to the investments in the Taiwan region and higher inventory levels.

### Distribution to shareholders

At the General Meeting on April 5, 2023, the Board of Directors will propose to the shareholders a tax-exempt distribution of CHF 0.30 per share to be paid out from capital contribution reserves. Last year, a distribution of CHF 0.25 per share was paid out.

# The Board of Directors will propose to the shareholders a tax-exempt distribution of CHF 0.30 per share.

## **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 48 and 49 of this Annual Report (note 3 Financial risk management).

## **Employees**

As at December 31, 2022, Tornos had 681 employees (full-time equivalents) and 36 apprentices. At the end of 2021, it had 640 employees and 35 apprentices. The increase was due primarily to the growth in net sales.

## **Outlook**

In view of its record order backlog, the Tornos Group is very well positioned for 2023. However, it is still difficult to make concrete forecasts due to global economic developments, which are still impossible to estimate. The ongoing war in Ukraine and the coronavirus pandemic in China, which has not yet ended, uncertainty regarding the availability of raw materials and supplier parts, and burgeoning fears of inflation and recession bring with them many uncertainties. However, for Tornos, some of these developments also present opportunities. The trend towards industrial relocation in the US and Europe created by the disruptions in global supply chains is generating new demand for our products. With its portfolio, which is excellently aligned to customer needs, its steadily expanding services and its flexible structure, the Tornos Group remains well equipped for a wide variety of scenarios.

\* Non-GAAP financial measure, see pages 32 and 33.

# Milestones 2022

## January to March

### **Tornos receives the SIMODEC 2020 innovation trophy**

The innovation trophies for SIMODEC 2020, the international bar-turning trade show in La Roche-sur-Foron, France, were delayed due to the coronavirus pandemic, and were finally awarded as a prelude to SIMODEC 2022 in early February 2022. In the machine tool category, Tornos earned the SIMODEC 2020 Innovation Trophy for its SwissDECO 36 TB Swiss-type lathe. The 36 mm machine has nine linear axes, two C axes, one B axis, and an optional A axis. It has 57 tools (37 rotating tools), can execute milling and turning-milling operations in five simultaneous axes, and delivers the precision of a sliding headstock lathe, with substantial material savings.

### **Tornos shows agility in the face of the global shortage of raw materials**

The coronavirus pandemic, followed by the outbreak of war in the Ukraine, caused global supply chain disruptions. This shortage of raw materials continues to worry industrialists who realize that it is likely to damage the economy. Fortunately, in this extremely

tense context, Tornos demonstrated its agility and pulled through at the beginning of 2022 thanks to constant efforts and exemplary stock management. Tornos expertly navigated adversity by approaching the situation creatively—a trend that continued throughout the year.

### **Tornos invites students from the Jura Arc to participate in its competition**

Committed to training future generations and identifying future talents, Tornos for the second time organized a competition enabling students to work with peers from other technical schools on a specific technical subject. Twenty-one students from the Jura Arc took part in the second Tornos competition on March 10 and 11, 2022. The event allowed participants to experience business world realities by working on a concrete project. The theme of the competition was selected by the company's Research and Development team. Engineers and technicians were available during the two days of the competition to answer participants' questions and help them learn more about Tornos and its products.







## April to June

### The new SwissNano 10 was unveiled at SIAMS 2022 New SwissNano 10 is unveiled at SIAMS 2022

Tornos played the proximity and flexibility cards at SIAMS 2022 in April in Moutier, making it easy for guests to visit both Tornos' stand in the heart of its show and the nearby Tornos showroom. SIAMS was also the perfect opportunity for Tornos to link past and future, tradition and innovation, with a preview of its brand-new Swiss-type machine, the SwissNano 10, which continues to evolve as the engine of success for those who dare to be different. The SwissNano 10—the micro and nano precision specialist—increases productivity by at least 40 percent and is a particularly energy-efficient machine.

### SIAMS honors Tornos for loyalty

Designated as the exhibition for the entire micro-technology production chain, SIAMS has been held every two years since 1989 in Moutier and Tornos has participated in every edition. Located in the heart of the Jura Arc of technologies, SIAMS brings together industrial players offering microtechnology products and solutions. This year's exhibition presented an unmissable range of more than 430 specialist exhibitors, including Tornos. In honor of its loyalty to SIAMS, Tornos received an award at the beginning of April, certifying that the company has participated in all SIAMS exhibitions without interruption for 17 editions.



### Breathing new life into Tornos DECO 10 machines in Kaŕy Wroctawskie

With more than 200 guests attending, Tornos opened its new factory in Kaŕy Wroctawskie, Poland, on May 24, 2022. The factory was designed primarily to refurbish and modernize Tornos' DECO 10, a bestseller and customer favorite. By giving the DECO 10 new life as the DECO 10 Plus, Tornos highlights its heritage and legendary know-how and promotes the circular economy. Tornos Poland has more than 40 trained employees who know the machines inside out and are able to overhaul and repair them if necessary. Most of them work in Tornos Customer Services as after-sales technicians.



## July to September

### Tornos publishes 100th issue decomagazine along booklet detailing the company's epic history

When Tornos-Bechler launched its first decomagazine in the spring of 1997, the company had no idea what its customer magazine would become some 25 years later. Since that first bilingual (French and German) version, decomagazine has evolved significantly: It is now translated into a total of eight languages and is distributed worldwide. Every three months, the magazine delivers news about the company and its products and services—including Tornos Academy training and after-sales service—along with satisfied customers' testimonials. The 100th edition included a complimentary booklet detailing Tornos' epic history.

### Resounding success for the grand opening of Tornos Brazil

Tornos opened its Customer Center in Campinas, São Paulo, Brazil, in July 2022 with an exclusive show by the band Jota Quest, a talk by a representative of Brazilian industrial machinery and equipment organization ABIMEI, a portfolio presentation, and a showcase of the Swiss DT 26 HP, the Swiss GT 13 and the SwissNano 7. Joining in the celebration honoring the industry's potential in Brazil and Tornos' positive results were Tornos customers, suppliers, partners and the national press, as well as Tornos CEO Michael Hauser and Chief Sales Officer Jens Thing.

### Tornos takes things to a notch at AMB Stuttgart and IMTS in Chicago

"We are taking things up a notch": That was the slogan that Tornos—the legendary Swiss-type and multispindle machine manufacturer—adopted for the International Exhibition for Metalworking (AMB) in Stuttgart, Germany. Tornos offered a similar introduction at the International Manufacturing Technology Show (IMTS) in Chicago, which took place during the same week in September. For AMB, Tornos launched a new campaign on the German market, proving that the manufacture of dental implants on numerically controlled multispindle machines is a more economical alternative to traditional methods. Additionally, Tornos showcased its Swiss DT 26 HP and the SwissNano 10.







## October to December

### **A win-win partnership between Tornos and TITANS of CNC**

Tornos in 2022 signed a long-term partnership agreement with prominent industry figure Titan Gilroy, founder of the TITANS of CNC Academy, which provides beginners and experts alike with machine training to succeed in the technical professions. This initiative is a response to the global shortage of qualified workers and offers Tornos an opportunity to demonstrate once again how precise, reliable, and efficient its machines are in every respect. Tornos is delighted to supply several machines to the academy. In addition, a specialized expert machinist has been hired to teach academy participants how to harness the full potential of Tornos machines.

### **Tornos enhances sustainability thanks to its new 'Turning sustainable' program**

Tornos has launched its "Turning sustainable" initiative, regrouping all of its activities linked to sustainability and environment, social, and governance (ESG) and supporting the ongoing global paradigm change by taking action to meet stakeholders' requirements. The program is based on the United Nations (UN) Sustainable Development Goals (SDGs) and takes into consideration the legal frame introduced in Switzerland.

Tornos is seeking solutions that meet current needs without compromising the ability of future generations to meet their own needs. Convinced of its social responsibility, Tornos is committed to implementing the necessary means to ensure the well-being of its employees and their families, as well as its business partners.

### **Future Day at Swiss Production Forum: Tornos inspires vocations and encourages tomorrow's talents**

As its name suggests, this "future in all its forms" event, organized by most of the Swiss cantons, focuses on the future and the numerous professional perspectives that are available to girls and boys today. For one day—November 10, 2022—pupils immersed themselves in different professional fields and discovered new life paths. Additionally, Tornos took part in the first-ever Swiss Production Forum, in Zurich Oerlikon, November 23 to 25. With the Swiss Production Forum, the organizers developed a new platform for manufacturers of production solutions, and Tornos seized this excellent opportunity to present its portfolio of machines.

*Focusing on innovative solutions  
that give customers a competitive edge*

# Our strategy

**Customers and their future requirements are at the heart of the Tornos strategy. In determining its corporate strategy, Tornos redefined its vision, mission and values as a group, and adopted a code of conduct. Tornos will continue to follow this strategy in the coming years.**

*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.*

## **Core values and code of conduct**

*Tornos Group’s corporate values program includes six core values to which all Tornos Group employees at all our sites should aspire.*

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

*As every year, Tornos in 2021 continued to flesh out these values and communicate 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.*

## **Strategic directions**

*Based on the major progress that the Tornos Group has made in recent years, Tornos continues to pursue the six strategic directions defined:*

- 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.*



## Internationalization

*Internationalize our business*



## Flexibility

*Strengthen our flexibility*



## Innovation

*Grow through innovation*



## Differentiation

*Establish Tornos' services as a differentiator*



## Excellence

*Enhance operational excellence*



## Segmentation

*Deliver unique solutions for targeted market segments*





*In conversation with our  
valued customer*

# VCN Industries: a winning team for exacting customers

VCN Industries chose the village of Sigoulès, in the heart of France's Périgord region to establish its bar-turning business. The area is very far from the Arve valley, the nerve center of the French bar-turning industry. This choice might at first seem surprising, but it was a deliberate move to distinguish VCN from the fierce competition in this field. The company provides a local service to local industries, which remain major users of precision machined parts. This highly dynamic company has used Tornos machines for many years to expand its business in the region.

**Interview with Jean-Michel Vacher, director of  
VCN Industries**

↩ VCN's employees are trained in-house.  
According to its manager, human capital is  
the key to the company's success.

The dental industry is one of VCN's specialities.



VCN also manufactures parts for the luxury industry.



VCN's headquarters are located in Sigoulès in the heart of the Périgord region.

### A bold development strategy

The primary objective for VCN was to be a local supplier to the aerospace industry, which has a large presence in the region. To stand out from the competition and provide superior responsiveness, the company decided to set up shop in the Périgord region, an area that featured no other bar-turning businesses. Not everything went as expected since, right from the beginning, the medical field—which had originally been targeted as VCN's secondary focus—rapidly became the primary focus. Today, over 75 percent of VCN's turnover comes from the medical field.

VCN began operations in 2003 with a machine from a Tornos competitor. While VCN was satisfied with the machine itself, the after-sales service team's responsiveness left a lot to be desired. This was a concern as the company was completely reliant on the machine's availability. After several meetings with Jean-Michel Donnio, Sales Manager for Tornos France, VCN Director Jean-Michel Vacher was convinced of the reliability of Tornos' after-sales service and acquired the company's first Tornos machine, a DECO 13a, the Swiss manufacturer's flagship model.

*"As a subcontractor, I couldn't afford to turn down a job just because we didn't have the tools or axes. I needed a responsive, productive and flexible machine and the DECO 13a proved to be the ideal partner," Jean-Michel Vacher noted. The machine was perfectly suited to VCN's production needs, and the after-sales service turned out to be excellent.*

### Unsurpassed expertise in the medical field

VCN specializes in highly complex medical parts and covers a vast range of products from implants and dental instruments to orthopedic parts for spinal surgery.

VCN has continued to trust Tornos for these production requirements and today it has 21 of Tornos machines, including two DECO 13a and 15 EvoDECO 16 machines. Each of these machines is fitted with a Tornos FluidManager. This device includes an additional tray, paper filtration, and high-pressure pumps as well as an oil cooler. This ensures high quality and excellent machining stability. The company also has two Swiss GT 32 and two Swiss GT 13 machines. These are used to make simple, less elaborate parts, freeing up the DECO and EvoDECO machines to produce more complex parts.

*"I needed a responsive, productive and flexible machine and the DECO 13a proved to be the ideal partner."*





VCN's key to success has also come from simplifying processes. The entire inventory—including the EvoDECO machines—is now programmed with TISIS and TISIS Optimove software. VCN struggled with the limitations of TB-DECO, given the complex nature of the parts the company produces. Today, this is no longer an issue because TISIS Optimove eradicates these limitations.

It should be noted that VCN does not shrink back from carrying out a study, even if the part might seem impossible to make. As Jean-Michel Vacher pointed out: "If we think we can't manufacture the part, we will try to find an alternative with our customer. We will consider all types of series, as we must remain flexible."

#### The human element at the core of VCN's DNA

As specialists in parts with high added value, VCN relies on highly qualified staff. As Nathalie and Jean-Michel Vacher are quick to point out, VCN wouldn't be where it is today if not for its personnel. VCN's success lies primarily in the strong cohesion and expertise of its team. Having set up in an area with very few qualified employees available, training has been essential for VCN. This is carried out internally, with close to four years needed for each employee to fully integrate into VCN's DNA according to the director.

"We produce complex parts, either by nature of their shape or the materials—or because they require tight tolerances. So, we need a team that is up to the task of developing these parts," he said.

VCN has been relying on Tornos for many years, mainly because of the quality of the after-sales service.

"This is why we do everything we can to retain our staff, regardless of the economic situation. The factory itself has been designed not only to ensure efficient production but also to protect the well-being of employees."

#### Tornos France and VCN: A dynamic partnership

If VCN trusts Tornos, it is obviously because of the performance of Tornos products, but the Tornos France team also makes a difference. "It's important for VCN to know we can count on professionals who understand our problems and can resolve them quickly. Thanks to this unique expertise, Tornos and VCN make an excellent team," Jean-Michel Vacher explained.

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contact@vcn-industries.com



**Discover our video report**

<https://youtu.be/iOQ8p7EnTRI>





# Turning sustainable

Responsibility towards the environment and people is a high priority at the Tornos Group. From this perspective, Tornos founded the initiative “Turning sustainable” regrouping all of the Group’s activities linked to sustainability and environment, social, and governance (ESG) issues and supporting the ongoing global paradigm change. Our first standalone non-financial report will be published in 2024 for the year 2023. Our sustainability program will be based on the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Sustainable Development Goals (SDGs), and will take into consideration the legal framework introduced in Switzerland relating to non-financial reporting.



# Our sustainability initiative

Our program has been developed on the basis of a holistic approach. Launched with the motto “Turning sustainable” regrouping all activities linked to sustainability, climate change, and environment, social, and governance (ESG), the program focuses on our products and facilities, as well as on our interactions with our suppliers, customers, employees, and stakeholders.

## Sustainability vision

We strive to develop products and services that respect the fundamental rights of human beings and the environment. We align our sustainability goals with the United Nations SDGs, according to the priorities set by the company.

## Sustainability mission

Tornos works toward sustainable development by seeking solutions that meet current needs without compromising the ability of future generations to meet their own needs. Convinced of our social responsibility, Tornos is committed to implementing the necessary means to ensure the well-being of its employees and their families, as well as its business partners.

## Sustainability strategy

Tornos will align its sustainability strategy to the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), the UN Sustainable Development Goals (SDGs) and the Swiss Confederation's Agenda 2030.





We have initiated a comprehensive materiality assessment process throughout stakeholder engagement that will be disclosed next year in our first sustainability report.

Our sustainability strategy will focus on the following areas:

- Reducing the energy consumption and weight of our products
- Reducing our fossil energy consumption and promoting renewable energies
- Optimizing transport and relocating activities to strategic centers
- Respect for human rights and equal treatment regardless of gender, race and religion
- Promoting women within the Tornos Group
- Valuing our employees
- Long-term relationships with our business partners

# Our activities

In pursuing our sustainability strategy, we focus on the following areas of activity:

Environment	Products	People	Ethics and Governance
			

## Environment

*In the area of the environment, we have defined two focal points: “Environment” and “Climate”. Tornos undertakes to implement the guidelines of the “Task Force on Climate-related Financial Disclosures” (TCFD) for the 2023 reporting year and will thus follow the recommendations for consistent disclosure of climate-related opportunities and risks. This will allow Tornos to identify and manage the risks and be resilient to climate change.*

## Products

*Our initiative includes “Product”, “Quality” and “Safety” areas. For many years, Tornos has been consistently optimizing the resource efficiency and quality of its product range. Quality and safety are basic prerequisites for our customer satisfaction, and Tornos takes this very seriously. With this concern, we consistently align all our activities along the entire value chain.*

*The supply chain and its traceability are of utmost importance for the Tornos Group. With our Code of Conduct for Business Partners, our (potential) suppliers confirm Tornos’ fundamental ethical requirements and principles.*

## People

*In our pursuit of sustainability, we define and follow standards for our behavior in our interaction with partners and employees.*

*At Tornos, all employees and applicants are valued and treated equally—regardless of nationality, ethnic origin, gender, age, religion, sexual orientation or physical impairment.*

## Ethics and Governance

*Our comprehensive compliance management system is based on our Code of Conduct for Employees and Code of Conduct for Business Partners. Components of our compliance management include data protection and information security. As part of our compliance management, we have formally integrated sustainability risks into the Group-wide risk assessment in 2022.*

*Tornos’ General Management is strongly committed to respecting human rights. This too is reflected in the Code of Conduct for employees and in the Code of Conduct for business partners. We expect the same commitment to human rights from our suppliers and business partners.*

## Organization of the Sustainability program

Our Board of Directors supervises the process and implementation of the Sustainability program in the Group. It is responsible for governance, program strategy, climate change risk management, and key indicators.

The program is supported by the Management Board (GMM) and led by the Corporate Sustainability Manager with the support of a Steering Committee. The Steering Committee is made up of the Corporate Sustainability Manager, CFO, Head of Group Finance & Controlling, COO, QSE & Facility Manager, and International Human Resources Business Partner.

## Turning sustainable. At every level and in every step we take.

Find out here about some of our sustainability efforts.



### Environment Tornos commits to reducing its greenhouse gas emissions.

*To reach this target, several actions are already ongoing or will be undertaken. These include:*

- Continue the existing program concerning the CO<sub>2</sub> emissions reduction initiated in 2017
- Reduce the use of dangerous substances (program ongoing since 2011)
- Reduce waste (program ongoing since 2011) and paper consumption
- Strive towards climate-neutral production of machines
- Continuously increase resource efficiency by strengthening the circular economy

*In 2023, we will move partly from fossil energy to renewable energy thanks to the installation of photovoltaic solar panels in three different plants (Switzerland, Italy and Taiwan). Since 2017, many different actions have been undertaken to optimize our buildings and infrastructure.*



### Products

**Tornos is doing everything to enhance the energy efficiency of its products.**

Our R&D department is permanently working on energy consumption optimization, the weight of our products, enhancement of the circular economy approach, eco-design in the root concept of our new developments, and recycling and refurbishing of our machines and products.

#### **Reduction in moving masses**

For many years, Tornos has digitally calculated and optimized the behavior of the key components of its machines. This has enabled it to reduce the moving masses and therefore reduce energy consumption whilst improving acceleration. These analysis methods allow us to reduce masses by up to 40% whilst improving machining performance.

#### **Drive technique**

We are using more efficient synchronous motors favoring machining performance on spindles and on the majority of the axes. Thanks to drive modules, we are able to recover and reinject up to 70% of the energy released by braking into all the drives.



### People

**Partner and supplier management is an essential part of our organization.**

With our Code of Conduct for Business Partners, our (potential) suppliers confirm Tornos' fundamental ethical requirements and principles, such as the rejection of forced and child labor, compliance with human rights, and environmental protection, in writing. Supply chain traceability will be enhanced, and audits carried out to make sure that suppliers commit to the agreed conditions.

The challenges encountered due to material and supply shortages in particular since 2020 have shown that an ongoing close dialog with our suppliers has never been more important. Our annual Suppliers Meeting initiated in 2011 has proven its relevance, recently more than ever.



### Ethics and Governance

**Our corporate values are at the core of our company culture and business activities.**

Compliance: We are addressing the following topics in our management system:

- Tax and legal compliance
- Data protection
- IT security
- Bribery
- Anti-trust

All sub-areas are regularly audited. For 2022, the focus was on IT security topics. In 2023, we will specifically focus on anti-bribery issues, child labor, and raw materials coming from risk countries.

Risk management: In 2022, we formally integrated sustainability risks into the Group-wide risk assessment.

Tornos is seeking solutions that meet current needs without compromising the abilities of future generations.

### **Our employees are the most important success factor of our company.**

As an internationally active technology Group, we know that diversity is a great opportunity to develop. Our corporate values have been drawn up with this in mind. Our human resources strategy focuses on diversity, equal opportunities, training, personnel development, occupational health and safety, and comprehensive health management.

# Board of Directors



*From left to right:*

**Walter Fust**

*Appointed in 2014 / Term ends in 2023*

**François Frôté, Chairman**

*Appointed in 2002 / Term ends in 2023*

**Michel Rollier**

*Appointed in 2002 / Term ends in 2023*

**Till Fust, Vice-Chairman**

*Appointed in 2019 / Term ends in 2023*



# General Management



*From left to right:*

**Jens Thing**

*Chief Sales Officer*

**Michael Hauser**

*Chief Executive Officer*

**Stéphane Pittet**

*Chief Financial Officer*



# Financial Report 2022

*Tornos Group*

## Non-GAAP Financial Measures

Tornos supplements its Swiss GAAP FER results with non-GAAP financial measures. The main non-GAAP financial measures are EBIT, EBITDA, net cash, free cash flow and net working capital.

### EBIT and EBITDA

Tornos defines EBITDA as operating result plus non-operating result excluding depreciation on tangible fixed assets and amortization on intangible assets and EBIT as operating result plus non-operating result. Tornos believes that EBITDA and EBIT are important performance indicators because they provide a measure of comparability to other companies with different capital or legal structures, which accordingly may be subject to disparate interest rates and effective tax rates, and to companies which may incur different depreciation and amortization expenses, or impairment charges related to fixed and intangible assets.

In CHF 1 000	2022	2021
Operating result	16 503	19 999
Non-operating result	-62	582
<b>EBIT</b>	<b>16 441</b>	<b>20 581</b>
Depreciation and amortization	3 674	4 044
<b>EBITDA</b>	<b>20 115</b>	<b>24 625</b>

### EBIT adjusted

Tornos defines EBIT adjusted as operating result plus non-operating result adjusted for extraordinary effects (e.g. extraordinary stock provision, sale of a building, etc.). EBIT adjusted is an important performance indicator because it provides a measure of operational profitability.

In CHF 1 000	2022	2021
<b>EBIT</b>	<b>16 441</b>	<b>20 581</b>
Extraordinary stock provision	-4 810	-9 800
Sale of a building	-	-650
<b>EBIT adjusted</b>	<b>11 631</b>	<b>10 131</b>

### Free cash flow

Tornos defines free cash flow as cash flow from operating activities plus cash flow from investing activities. Tornos believes that free cash flow is an important information because it represents the cash Tornos is generating after required investment in its asset base are done and therefore can be used to cover financing requirements or be distributed to shareholders.



### Net working capital

Tornos defines net working capital as the total of current assets and liabilities without taking into consideration cash and cash equivalents, interest bearing borrowings and provisions. Tornos considers that net working capital is an important information since it shows whether Tornos has sufficient current assets to meet its current liabilities. Changes in net working capital shown in the Consolidated Statement of Cash Flows only include cash-effective changes.

In CHF 1 000	31.12.2022	31.12.2021
Trade receivables	21 311	18 258
Inventories - net	88 180	74 295
Other short-term receivables	2 688	2 153
Prepayments and accrued income	2 781	1 706
Trade payables	-20 348	-19 167
Current tax liabilities	-423	-347
Other liabilities	-18 989	-15 667
Accrued liabilities and deferred income	-7 079	-7 005
<b>Net working capital</b>	<b>68 120</b>	<b>54 226</b>

### Net cash

Tornos defines net cash as cash and cash equivalents less the interest bearing borrowing (current and non-current). Tornos believes that net cash is an important information because it presents the available cash and takes into consideration the loans.

In CHF 1 000	31.12.2022	31.12.2021
Cash and cash equivalents	22 703	26 778
Interest bearing borrowings (current)	-30	-75
Interest bearing borrowings (non-current)	-5 043	-72
<b>Net cash</b>	<b>17 630</b>	<b>26 631</b>



# Consolidated Financial Statements 2022

*Tornos Group*

# Consolidated Income Statement

Tornos Group

In CHF 1 000	Notes	2022	2021
<b>Net sales</b>	29	<b>181 435</b>	<b>171 488</b>
Cost of sales	6	-111 292	-105 134
<b>Gross profit</b>		<b>70 143</b>	<b>66 354</b>
<i>in % of net sales</i>		38.7%	38.7%
Marketing and sales	6	-29 857	-25 117
General and administrative expenses	6	-16 512	-15 440
Research and development	6	-6 999	-5 977
Other income	8	411	268
Other expense	8	-682	-89
<b>Operating expenses</b>		<b>-53 640</b>	<b>-46 355</b>
<b>Operating result</b>		<b>16 503</b>	<b>19 999</b>
<i>in % of net sales</i>		9.1%	11.7%
Financial income	9	186	5
Financial expense	9	-158	-216
Exchange result, net	10	-1 221	278
<b>Ordinary result</b>		<b>15 310</b>	<b>20 066</b>
Non-operating result	11	-62	582
<b>Earnings before income taxes</b>		<b>15 249</b>	<b>20 648</b>
Income taxes	12	-805	-319
<b>Net result</b>		<b>14 444</b>	<b>20 329</b>
<i>in % of net sales</i>		8.0%	11.9%
Thereof attributable to shareholders of Tornos Holding Ltd.		14 444	20 329
<b>Result per share</b>	28		
- basic (CHF per share)		0.73	1.03
- diluted (CHF per share)		0.73	1.03
<b>Additional information</b> (in CHF 1 000)			
<b>EBITDA*</b>		<b>20 115</b>	<b>24 625</b>
<i>in % of net sales</i>		11.1%	14.4%
Depreciation and amortization	18, 19	-3 674	-4 044
<b>EBIT*</b>		<b>16 441</b>	<b>20 581</b>
<i>in % of net sales</i>		9.1%	12.0%

The accompanying notes form an integral part of these consolidated financial statements.

\* Non-GAAP financial measure, refer to pages 32 and 33

# Consolidated Balance Sheet

Tornos Group

In CHF 1 000	Notes	31.12.2022	in %	31.12.2021	in %
<b>Assets</b>					
Cash and cash equivalents	13	22 703		26 778	
Trade receivables	14	21 311		18 258	
Inventories, net	15	88 180		74 295	
Other short-term receivables	16	2 688		2 153	
Prepayments and accrued income	17	2 781		1 706	
<b>Total current assets</b>		<b>137 663</b>	83.8%	<b>123 190</b>	85.0%
Property, plant and equipment	18	25 449		20 577	
Intangible assets	19	782		603	
Deferred tax assets	20	461		545	
<b>Total non-current assets</b>		<b>26 692</b>	16.2%	<b>21 724</b>	15.0%
<b>Total assets</b>		<b>164 355</b>	100.0%	<b>144 914</b>	100.0%
<b>Liabilities and equity</b>					
Interest bearing borrowings	21	30		75	
Trade payables		20 348		19 168	
Current tax liabilities		423		347	
Other liabilities	22	18 990		15 667	
Accrued liabilities and deferred income	23	7 079		7 005	
Provisions	24	2 967		2 524	
<b>Total current liabilities</b>		<b>49 837</b>	30.3%	<b>44 786</b>	30.9%
Interest bearing borrowings	21	5 043		72	
Retirement benefit obligations	25	1 071		1 055	
Provisions	24	-		233	
Deferred tax liabilities	20	45		-	
<b>Total non-current liabilities</b>		<b>6 159</b>	3.7%	<b>1 360</b>	0.9%
<b>Total liabilities</b>		<b>55 996</b>	34.1%	<b>46 146</b>	31.8%
Share capital	26	19 878		69 572	
Capital reserve		84 783		40 035	
Treasury shares	26	-1 057		-1 386	
Retained earnings		-8 173		-28 956	
Currency translation adjustments		-1 516		-826	
Net result		14 444		20 329	
<b>Equity attributable to shareholders of Tornos Holding Ltd.</b>		<b>108 359</b>	65.9%	<b>98 768</b>	68.2%
<b>Total equity</b>		<b>108 359</b>	65.9%	<b>98 768</b>	68.2%
<b>Total liabilities and equity</b>		<b>164 355</b>	100.0%	<b>144 914</b>	100.0%

The accompanying notes form an integral part of these consolidated financial statements.



# Consolidated Statement of Changes in Equity

Tornos Group

In CHF 1 000	Share capital	Capital reserve	Treasury shares	Retained earnings	Currency translation adjustments	Total attributable to shareholders of Tornos Holding Ltd.	Equity
<b>As per</b>							
<b>December 31, 2020</b>	<b>69 572</b>	<b>40 035</b>	<b>-1 875</b>	<b>-29 156</b>	<b>-649</b>	<b>77 927</b>	<b>77 927</b>
Net result				20 329		<b>20 329</b>	<b>20 329</b>
Currency translation adjustments					-177	<b>-177</b>	<b>-177</b>
Proceeds from sale of treasury shares			489	-266		<b>223</b>	<b>223</b>
Share-based compensation				466		<b>466</b>	<b>466</b>
<b>As per</b>							
<b>December 31, 2021</b>	<b>69 572</b>	<b>40 035</b>	<b>-1 386</b>	<b>-8 627</b>	<b>-826</b>	<b>98 768</b>	<b>98 768</b>
Net result				14 444		<b>14 444</b>	<b>14 444</b>
Distribution to shareholders	-4 969	37				<b>-4 932</b>	<b>-4 932</b>
Capital reduction	-44 725	44 725				<b>-</b>	<b>-</b>
Currency translation adjustments					-690	<b>-690</b>	<b>-690</b>
Proceeds from sale of treasury shares		-14	329	-85		<b>230</b>	<b>230</b>
Share-based compensation				539		<b>539</b>	<b>539</b>
<b>As per</b>							
<b>December 31, 2022</b>	<b>19 878</b>	<b>84 783</b>	<b>-1 057</b>	<b>6 271</b>	<b>-1 516</b>	<b>108 359</b>	<b>108 359</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

Tornos Group

In CHF 1 000	Notes	2022	2021
<b>Net result</b>		<b>14 444</b>	<b>20 329</b>
Adjustments for expenses and incomes not affecting cash:			
Income taxes	12	805	319
Depreciation of property, plant and equipment	18	3 109	3 468
Amortization of intangible assets	19	565	576
Result on disposal of property, plant and equipment	18, 19	-107	-671
Share-based compensation	27	539	466
Retirement benefit obligations	25	60	-790
Allowance and write-offs on inventories	15	-6 409	-8 953
Other non cash items		128	-
Interest expense	9	158	41
Interest income	9	-186	-5
Income taxes paid		-729	-14
<b>Changes from operating cash flow before changes in net working capital</b>		<b>12 377</b>	<b>14 766</b>
Changes in net working capital			
Thereof trade receivables		-7 213	15 519
Thereof other assets and prepayments		-3 118	-5 890
Thereof other assets and prepayments		-1 678	-116
Thereof inventories		-9 042	4 915
Thereof trade payables		2 528	10 282
Thereof other current liabilities and provisions		4 097	6 328
<b>Cash flow from operating activities</b>		<b>5 164</b>	<b>30 285</b>
Investing activities			
Investment in property, plant and equipment	18	-8 500	-530
Disposal of property, plant and equipment	18	56	1 235
Investment in intangible assets	19	-744	-236
Interests received	9	186	5
<b>Cash flow from investing activities</b>		<b>-9 002</b>	<b>474</b>
<b>Free cash flow*</b>		<b>-3 838</b>	<b>30 759</b>
Financing activities			
Repayments of borrowings, including finance lease liabilities	21	-	-21 694
Proceeds from borrowings	21	5 073	-
Distribution to shareholders	26	-4 932	-
Proceeds from sale & purchase of treasury shares	26	242	270
Interests paid	9	-158	-41
<b>Cash flow from financing activities</b>		<b>225</b>	<b>-21 465</b>
<b>Net cash flow</b>		<b>-3 613</b>	<b>9 294</b>
Cash and cash equivalents and bank overdrafts at beginning of year		26 778	17 329
Effects of exchange rate changes		-462	155
<b>Cash and cash equivalents and bank overdrafts at end of the year</b>		<b>22 703</b>	<b>26 778</b>

The accompanying notes form an integral part of these consolidated financial statements.

\* Non-GAAP financial measure, refer to pages 32 and 33

# Notes to the Consolidated Financial Statements

## Tornos Group

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated.

### 1 Activity and Group structure

Tornos Holding Ltd. is a company domiciled in Moutier, Switzerland and is listed on the Swiss Reporting Standard of SIX Swiss Exchange in Zurich. The Tornos Group, which consists of Tornos Holding Ltd. and all its subsidiaries, is active in the development, manufacture, marketing, sale and servicing of machines and related spare parts. The Group manufactures in Moutier, Switzerland, in Taichung, Taiwan region, Xi'an, China and Milan, Italy, and markets the product lines on a worldwide basis. Tornos' sales operations outside of Switzerland principally include European countries, Americas and Asia.

These consolidated financial statements have been approved for issue by the Board of Directors on March 3, 2023. These financial statements will be submitted for approval to the General Meeting of Shareholders on April 5, 2023.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and have been applied in a manner consistent to all the years presented. The consolidated financial statements are based on the financial statements of the Tornos Group companies for the year ended December 31, prepared in accordance with uniform corporate accounting principles.

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the entire existing accounting principles of Swiss GAAP FER (Generally Accepted Accounting Principle FER) and comply with the provisions of the listing rules of the SIX Swiss Exchange and with the Swiss law. The consolidated financial statements are prepared under the historical cost convention with the exception that, as disclosed in the accounting policies below, certain items, including securities and derivatives are shown at fair value. All amounts set out in the consolidated financial statements are presented in Swiss francs (CHF) rounded to the nearest thousand (KCHF) unless otherwise stated.

The preparation of consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Tornos accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

## **2.2 Change in accounting policies**

*There have been no change in accounting policy during the year.*

*There was a change in estimate, please refer to note 4.1.*

## **2.3 Consolidation**

### **2.3.1 Subsidiaries**

*Subsidiaries are all entities over which Tornos Holding Ltd. has control. Tornos controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Tornos, whereby assets, liabilities, income and expenses are incorporated in the consolidated accounts. They are deconsolidated from the date that control ceases. The net assets acquired are valued at actual values and consolidated applying the purchase method. Previously not capitalized intangible assets are not valued and not recognized. Any minority interest is disclosed separately.*

*A listing of Tornos subsidiaries is set out in note 5.*

### **2.3.2 Balances and transactions eliminated on consolidation**

*Intra-group balances and transactions, and any unrealized gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Capital consolidation is based on the acquisition method, whereby the acquisition cost of a subsidiary is eliminated at the time of acquisition against the fair value of net assets acquired, determined according to uniform corporate accounting principles.*

## **2.4 Foreign currencies**

### **2.4.1 Functional and presentation currency**

*Items included in the financial statements of each of the Tornos entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand (KCHF) unless otherwise stated, which is the Company's functional and presentation currency.*

### **2.4.2 Foreign currency transactions**

*Transactions in foreign currencies are translated into CHF at the foreign exchange rate ruling at the date of the transaction or valuations where items are re-measured. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated to CHF at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement.*



### 2.4.3 Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to CHF at foreign exchange rates ruling at the balance sheet date. The revenues, expenses and cash flows of foreign operations are translated to CHF at the average exchange rates prevailing during the reporting period. Foreign exchange differences arising on this translation are recognized directly in equity.

### 2.4.4 Foreign currency rates

The most significant exchange rates against the Swiss franc for the Group in the period under review are shown in the table below.

Currency	Average rate		Closing rate	
	1.1.-31.12.2022	1.1.-31.12.2021	31.12.2022	31.12.2021
1 EUR	1.0162	1.0936	0.9938	1.0453
1 USD	0.9642	0.9231	0.9325	0.9233
1 CNY	0.1437	0.1431	0.1340	0.1449

## 2.5 Revenue recognition

Revenues include sales of machines and spare parts on one side and services which can be directly charged to customers on the other side. Sales are 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, and after eliminating sales within the Tornos Group. 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.

## 2.6 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalent includes cash on hand, deposits held at call with banks, other short term highly liquid investments with remaining maturities of three months. In the consolidated balance sheet, bank overdrafts are shown within interest bearing borrowings in current liabilities. They are stated at their nominal amounts.

## 2.7 Trade and other short-term receivables

Trade and other short-term receivables are carried at nominal value, less provision for bad debt determined based on a review of all outstanding amounts at the year-end. A provision for bad debt of trade receivables is established when there is objective evidence that Tornos will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and probability that the debtor will enter bankruptcy or financial reorganization are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within other income and expense. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

## 2.8 Derivative financial instruments

*Derivative financial instruments are financial assets or liabilities whose value is primarily impacted by the price of one or several underlying basic values, which compared to a direct purchase of underlying basic values does only require a minor initial investment and which will only be settled in the future. Derivatives are recognized in the balance sheet as soon as they fulfil the definition of an asset or a liability and are valued at actual values for derivatives without hedging purposes or disclosed in the notes for cash flow hedges. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously.*

*Tornos Group is concluding Foreign Currency Futures or Forward (foreign exchanges as underlying value) to hedge future commercial transactions. Following the recommendations of Swiss GAAP FER related to agreed future cash flows that are not yet recognized, and have therefore no effect on the income statement, but which will occur with a high probability, Tornos Group is not recognizing the effect of the hedge but discloses it in the notes.*

## 2.9 Inventories

*Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.*

*Inventories are composed of four categories (a) materials and components (b) spare parts (c) work in progress and (d) finished goods.*

*The cost of inventories is based on weighted average principle. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. It excludes borrowing costs. Settlement discounts are recognized as part of the cost of goods.*

*Provisions are made for slow moving items. Obsolete items are written off (refer to note 4.1).*

## 2.10 Property, plant and equipment

### 2.10.1 Owned assets

*Property, plant and equipment (incl. investment properties) are stated at cost less accumulated depreciation and impairment losses, if any (refer to note 2.12).*

*Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement as an expense as incurred.*

### 2.10.2 Subsequent expenditure

*Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement as an expense as incurred.*

### 2.10.3 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 (refer to note 2.12).

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 payment are treated as operating expenses and charged to the income statement as incurred.

### 2.10.4 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Depreciation of machinery is charged on the basis of effective usage which approximates the straight-line basis except in years when production varies considerably. Land is not depreciated. The estimated useful lives are as follows:

Buildings	20-40 years
Installations	8-12 years
Machinery	8-12 years
Other equipment	3-10 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Useful lives for the machinery refer to a normal utilization of the production capacity. Depreciation in a year with under or over utilized capacity will be adjusted, if the under utilization, respectively the over utilization has a significant impact on the useful lives of the machinery. In case of an abnormal under utilization of the production capacity the recoverable amounts of the production equipment is assessed for impairment needs. Estimated useful lives for buildings are determined based on the buildings purposes.

Assets acquired under finance leases are depreciated over the useful life of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components.

## 2.11 Intangible assets

Items which qualify as intangible assets comprise acquired development costs, purchased patents and know-how and purchased software.

### **2.11.1 Development costs**

*Internally generated development costs are charged to the income statement as incurred and are not capitalized even if they are related to new products or platforms and that the identifiable asset will generate expected future economic benefits and the cost of such an asset can be measured reliably. Acquired development costs are capitalized if they yield measurable economic benefits to the Tornos Group over several years. Development expenditures which do not meet the criteria above are recognized as an expense as incurred. Capitalized development costs are amortized on a straight-line basis over a period which cannot exceed their estimated useful lives. Amortization starts when the development projects are finalized and the specific products are introduced to the market. They are amortized over their useful lives on a straight-line basis.*

*Internal and external research costs are charged to the income statement as incurred.*

### **2.11.2 Purchased patents and know-how**

*Purchased patents and know-how are capitalized and initially recorded at cost. They are amortized over their useful life on a straight-line basis beginning from the point when they are available for use. Estimated useful life is the lower of the legal duration and the economic useful life. The estimated useful life is regularly reviewed.*

## **2.12 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 (refer to note 2.9), deferred tax assets (refer to note 2.13), 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.*

## **2.13 Current and deferred income taxes**

*Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.*

*Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.*

*Deferred tax is recognized using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are not recognized for differences relating to investments in subsidiaries since the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.*



*The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.*

*Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or group of entities filing consolidated tax returns.*

*Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available to offset against these assets. No deferred tax asset is recognized for tax losses carried forward.*

*Any other tax balances other than on income are recognized under the other short-term receivables or under other liabilities.*

#### **2.14 Trade payables and other liabilities**

*Trade accounts payable as well as other liabilities are stated at nominal value.*

#### **2.15 Retirement benefit obligations**

*The Group has established different pension plans around the world. All employee benefit plans in the Group comply with the legislation in force in each country. The plan in Switzerland which is the most significant is jointly financed by the employer and the employees. The contributions are fixed in the plan rules. For the other countries, they are either lump sum plans, or plans in collaboration with insurances.*

*The economical impact of the employee benefit plans is assessed each year. Surpluses or deficits are determined by means of the annual statements of the particular benefit plan, which are based either on Swiss GAAP FER 26 for Swiss plans or on accepted methods in each foreign country for foreign plans. An economical benefit is capitalized if the surplus is used to reduce the employer contributions and in case this is allowed under the relevant law and intended by the Group. An economical obligation is recognized as a liability if the accounting conditions for a liability are met. They are reported under "Retirement benefit obligations". Changes in the economical benefit or economical obligation, as well as the contributions incurred of the period, are recognized in "Personnel expenses" in the income statement.*

#### **2.16 Provisions**

*A provision is recognized in the balance sheet when the Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.*

### **2.17 Contingent liabilities**

*Contingent liabilities are assessed on the basis of likelihood and the amount of the future liabilities and are disclosed in the notes.*

### **2.18 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).*

### **2.19 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.*

### **2.20 Treasury shares**

*Treasury shares are stated at cost as a separate minus position in equity. Gains or losses arising on the disposal of treasury shares are recognized in equity.*

### 3 Financial risk management

#### 3.1 Risk assessment

Risks to which the Group may be faced are assessed by the Board of Directors on a regular basis. Each of the risks identified is evaluated in order to take appropriate preventive measures if necessary.

#### 3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to cover certain risk exposures whenever needed.

#### 3.3 Market risks

##### 3.3.1 Currency risks

Tornos Ltd., the Swiss operating company of the Group invoices its revenues to the subsidiaries and to customers located outside Switzerland in local currencies, mainly EUR, USD and CNY. Therefore, the currency risk remains with the Swiss operating company. Tornos Ltd. converts the offer in those currencies at an exchange rate which is decided internally. An offer is only valid for 90 days, and only if the exchange rate between CHF and the other currency fluctuates by less than 5%. If the exchange rate is stable no foreign exchange contracts are entered into. If a change in the valuation of the CHF is expected a review of the risk is done and appropriate foreign exchange contracts are entered into for all or a portion of the net position in each currency (refer to note 32).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risks.

##### 3.3.2 Interest rate risks

The Group is financed by private loans which bear fixed interest of 1.0% in 2022 and 2021. Therefore, the Group for its operative activities is not exposed to changes in interest rates on borrowings bearing interest at floating rates and therefore no hedging on interests' fluctuations is necessary. In 2022, a local government-supported loan has been granted in Taiwan Dollar for the construction of a new factory in Taichung, Taiwan region. The loan is granted with a floating rate within the frame of a state supported investment program. For 2022 the average rate has been 0.78% and from 2023 onwards it is expected to remain between 0.90% to 1.60%. Duration of the loan has been fixed for 10 years. (refer to note 21).

### **3.3.3 Price risks**

*The Group does not hold any investment and therefore is not exposed to any related securities price risk.*

### **3.4 Credit risk**

*The Group sells to a large and diversified customer base operating within different market industry segments and located on all the continents resulting in no significant concentration of credit risk. In any year, the largest customer, which may be different every year, represents less than 5% of total gross sales. Sales to new customers are made after obtaining credit ratings from independent sources, obtaining up to 90% of sales price before shipment and/or invoicing products to leasing companies financing the final customer. Cash is mainly maintained with first rate Swiss Banks. The maximum exposure is the carrying amount of each financial asset recognized on the balance sheet. However, the maximum exposure is deemed to be highly hypothetical since cash advances are mandatory before shipment and credit ratings assessments are performed on an ongoing basis by the Group. Furthermore, the Group is using export risk insurance to cover political and economic risks when exporting goods and services to certain countries.*

### **3.5 Liquidity risk**

*Group treasury policy is to maintain flexibility in funding by keeping sufficient external financial sources available (refer to note 21.1 and note 21.2) as well as sufficient cash balances. In times of an economic downturn and the initial period of recovery thereafter, liquidity requirements may increase and external financial sources may be significantly or fully utilized.*

*To secure independence, the finance structure of the Group relies on private loans concluded between Tornos Goup and two of its shareholders. The granted credit facility amounts to a total of CHF 20 million at the year-end 2022 and 2021. Furthermore, a credit line of CHF 10 million for the issuance of bank guarantees was also agreed. The facility agreement does not bear any covenants. The interest rates are fixed and amount 1.0% in 2022 and 2021. The facility agreement renews automatically yearly unless a written notice of termination is given 27 months before the maturity date. Mortgage notes are assigned to the lenders.*

## **4 Critical accounting estimates and judgements**

*The preparation of financial statements in conformity with Swiss GAAP FER requires the Management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Management evaluates the estimates, including those related to other intangible assets and to provisions for warranty purpose and other provisions resulting from pending litigations as well as other present obligations of uncertain timing, inventory obsolescence, bad debts and the assessment of income taxes including deferred tax assets, retirement benefit obligations and the fair value of stock option grants. Management bases the estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities are set out below:*



#### 4.1 Inventory 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 and assumptions about future demand and market conditions.*

*In case of a machine phase out all the related stocks of articles are fully written-off.*

*The methodology for the calculation of the provision on inventories for raw material, components, semi-finished goods and spare parts has been reviewed. The following changes have been applied for the year under review:*

- In performing the inventory obsolescence calculation, the average consumption taken into account has been extended from the last 12 months to the to the last 3 years. This is consistent with the demand and sales patterns in economic cycles.*
- New items will be excluded from the allowance calculation during 2 years after the first move in the inventory instead of 2 years since the creation date in the ERP system. More complex machines require a long development time, and this approach will more adequately respond to the product lifecycle.*
- Extension of the period for value-adjustment from 18 months to a progressive scale from 18 months to 60 months or higher for a full depreciation. The shift for non-strategic parts from own production to third-party purchasing requires a safety stock and therefore the calculation of the value-adjustment has to reflect the required safety stock appropriately..*
- Alignment of the spare parts depreciation with other inventories. This change was made in order to beconsistent and avoiding that a move from one inventory to the other impacts the valuation adjustment for the same item.*

*The new methodology for estimating inventory valuation provisions reflects more appropriately the economical substance and the business cycles than the previously used methodology.*

*Based on the inventory balance as of 31 December 2022 the effect of the new methodology for the inventory obsolescence compared to the old one was calculated. The new methodology resulted in an release of KCHF 4 810 of the valuation allowance for the year 2022.*

## 5 Scope of consolidation

Group structure	Share capital	% held*	
		2022	2021
<b>Tornos Holding Ltd., Moutier</b> <i> Holding</i>	CHF 19 877 671		
↳ <b>Tornos (Taichung) Machine Works Ltd., Taichung</b> <i> Production</i>	TWD 60 250 000	100%	100%
↳ <b>Tornos Ltd., Moutier</b> <i> Production and sales</i>	CHF 650 000	100%	100%
↳ <b>Tornos Technologies Deutschland GmbH, Pforzheim</b> <i> Support services</i>	EUR 511 292	100%	100%
↳ <b>Tornos Technologies Iberica SA, Granollers</b> <i> Support services</i>	EUR 60 200	100%	100%
↳ <b>Tornos Technologies Italia Srl, Rho/MI</b> <i> Support services</i>	EUR 93 600	100%	100%
↳ <b>Tornos Technologies Poland Sp. z o.o., Katy Wroclawskie</b> <i> Support services and overhaul</i>	PLN 50 000	100%	100%
↳ <b>Tornos Technologies France SAS, St-Pierre-en-Faucigny</b> <i> Support services</i>	EUR 310 000	100%	100%
↳ <b>Tornos Technologies U.S. Corp. Des Plaines, IL</b> <i> Sales and service</i>	USD 2 400 000	100%	100%
↳ <b>Tornos Technologies Asia Limited, Hong Kong City</b> <i> Support services</i>	HKD 10 000	100%	100%
↳ <b>Tornos Technologies (Thailand) Co, Ltd., Bangkok</b> <i> Support services</i>	THB 3 000 000	100%	100%
↳ <b>Tornos Technologies (Shanghai) Limited, Shanghai</b> <i> Sales and service</i>	USD 500 000	100%	100%
↳ <b>Tornos (Xi'an) Machine Works Co., Ltd., Xi'an</b> <i> Production</i>	RMB 25 000 000	100%	100%
↳ <b>Tornos (Milan) Machine Works Srl, Rho/MI</b> <i> Production</i>	EUR 10 000	100%	n/a
↳ <b>Tornos Technologies Brazil LTDA., São Paulo</b> <i> Support services</i>	BRL 1 000 000	100%	n/a
↳ <b>Tornos Technologies UK Ltd., Coalville</b> <i> Support services</i>	GBP 345 000	n/a	100%
↳ <b>Tornos Technologies (Malaysia) Sdn. Bhd., Penang</b> <i> Support services</i>	MYR 40 000	n/a	100%

\*percentage held equal to voting rights

All subsidiary undertakings are included in the consolidation. The Group does not hold any investments in associates nor in joint ventures which should be accounted for using the equity method. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary share held. As of 31.12.2022, the shares as well as the voting rights of all subsidiaries are 100% held by the parent company and hence these subsidiaries are fully controlled and consolidated by the parent company.

## Changes in scope

### 2022

During the year 2022, the share capital of Tornos Holding Ltd decreased from KCHF 69 572 to KCHF 19 878. KCHF 44 762 were allocated to the reserve from capital contribution and KCHF 4 932 were distributed to the shareholders. The share capital of Tornos Ltd, Moutier, was decreased by KCHF 64 350. Those have been allocated to the reserves from capital contributions. The assembling capacity has been extended with the creation of Tornos (Milan) Machine Works Srl and the distribution network enhanced with the incorporation of Tornos Technologies Brazil LTDA. The liquidation of Tornos Technologies (Malaysia) Sdn. Bhd. and Tornos Technologies UK Ltd. has been completed.

There are no other changes in scope to report for the period under review.

### 2021

During the year 2021 the business in UK was ceased to the local distributor and as a result the building was also sold. In parallel Malaysian activity was merged into Tornos Asia. The ongoing process of liquidation for both companies should be completed in 2022.

## 6 Expenses by nature

In CHF 1 000	2022	2021
Material expense	-78 062	-72 942
Personnel expense (note 7)	-54 592	-50 785
Depreciation and amortization charges (notes 18,19)	-3 425	-3 800
Marketing expense and commissions	-4 525	-2 835
Other operating expense	-24 057	-21 306
<b>Total expense</b>	<b>-164 661</b>	<b>-151 668</b>

This shows the costs in the Group income statement by nature, comprising cost of sales, marketing and sales, general and administrative expenses, and research and development expenses.

## 7 Personnel expense

In CHF 1 000	2022	2021
Personnel expense – gross	-54 592	-51 866
Reimbursement from unemployment insurance (and other governmental institution)	-	1 081
<b>Personnel expense – net</b>	<b>-54 592</b>	<b>-50 785</b>
Of which:		
Pension expense (note 25)	-1 934	-1 561
Share-based compensation (note 27)	-539	-466

In 2022, no reimbursements from unemployment insurance and other governmental institutions were received (2021: KCHF 1 081).

In 2021, in the United States two government supported loans were forgiven and derecognized through profit and loss as payment from governmental institution (KCHF 905). Reimbursements from unemployment insurance and other governmental institutions were received in France and the Taiwan region (KCHF 176).

As of December 31, 2022 the full-time equivalent (FTE) amounted to 681, excluding 36 apprentices (December 31, 2021: 640 excluding 35 apprentices). The average number of employees during the year under review was 659 (2021: 613).

## 8 Other income and expense

In CHF 1 000	2022	2021
Gain on sale of machinery	107	151
Other income	91	23
<b>Total other income</b>	<b>198</b>	<b>174</b>
Loss on sale of machinery	-	-27
Changes in bad debt provision	213	-62
Changes in provision for litigation	-621	97
Other expense	-61	-3
<b>Total other expense</b>	<b>-469</b>	<b>5</b>
<b>Other income and expense net</b>	<b>-271</b>	<b>179</b>

## 9 Finance result

In CHF 1 000	2022	2021
Interest income	186	5
<b>Finance income</b>	<b>186</b>	<b>5</b>
Interest expense	-46	-41
Bank charges and other finance expense	-112	-175
<b>Finance expense</b>	<b>-158</b>	<b>-216</b>
<b>Finance result</b>	<b>28</b>	<b>-211</b>

## 10 Exchange result

In CHF 1 000	2022	2021
Realized gains and losses	963	-158
Unrealized gains and losses	-2 184	436
<b>Exchange result</b>	<b>-1 221</b>	<b>278</b>

## 11 Non-operating result

In CHF 1 000	2022	2021
Gain on sale of land and buildings	-	650
Income and expense from non-operating properties	-62	-68
<b>Non-operating result</b>	<b>-62</b>	<b>582</b>

A non-operating building with a net book value of KCHF 5 955 (December 31, 2021: KCHF 6 170) generated rental income of KCHF 305 (2021: KCHF 234) and ancillary costs of KCHF 365 (2021: KCHF 302). At the end of December the building is fully let.

In 2021, the gain on sale of land and buildings in the amount of KCHF 650 relates to a building (refer to note 18) which was sold for KCHF 1 050.



## 12 Income taxes

In CHF 1 000	2022	2021
Current income tax charge	-730	-513
Deferred tax credit/(charge)	-75	194
<b>Income taxes</b>	<b>-805</b>	<b>-319</b>

The Group's expected tax expense for each year is based on the weighted average of the statutory corporate income tax rates, which in 2022 ranged between 8% and 31% (2021: between 8% and 31%), in the tax jurisdictions in which the Group operates.

In CHF 1 000	2022	2021
<b>Ordinary result before income taxes</b>	<b>15 310</b>	<b>20 066</b>
Expected tax credit / (expense)	-3 235	-4 294
Weighted average applicable tax rate	21.1%	21.4%
Effect of tax deductible expense/income eliminated on consolidation	-89	46
Effect of tax on non-operating result	13	-125
Utilization of previously unrecognized tax assets	3 524	4 288
Current year losses for which no deferred tax asset is recognized	-443	-191
Expenses not deductible for tax purposes/revenues not taxable	-584	-67
Other effects	9	24
<b>Income tax (expense)/credit recognized</b>	<b>-805</b>	<b>-319</b>

The expected tax expense is calculated at entity level since the Group does not file consolidated tax returns. As such, profits and losses generated by different entities cannot be offset against each other. The tax rate changes from year to year due to changes in the mix of the taxable results of the individual Group companies. Refer to deferred taxes, note 20.

According to the vote on March 28, 2021 Moutier will join the canton of Jura. The tax impact is currently under assessment and not yet legally enacted.

### 13 Cash and Cash equivalents

In CHF 1 000	31.12.2022	31.12.2021
Cash at bank on hand	22 703	26 778
<b>Cash and cash equivalents</b>	<b>22 703</b>	<b>26 778</b>

### 14 Trade receivables

In CHF 1 000	31.12.2022	31.12.2021
Trade receivables	21 679	18 935
Less provision for impairment of receivables	-368	-677
<b>Trade receivables</b>	<b>21 311</b>	<b>18 258</b>

*Trade receivables aging is as follows:*

In CHF 1 000	31.12.2022	31.12.2021
Current	13 193	9 205
1 to 30 days overdue	4 599	4 622
31 to 60 days overdue	328	2 004
61 to 90 days overdue	1 407	1 104
91 to 180 days overdue	1 195	1 210
More than 180 days overdue	957	790
<b>Trade receivables</b>	<b>21 679</b>	<b>18 935</b>

*Movements on the provision for impairment of trade receivables are as follows:*

In CHF 1 000	2022	2021
<b>At beginning of year</b>	<b>-677</b>	<b>-691</b>
Change of bad debt provision	213	-62
Receivables written off during the year as uncollectible	96	76
<b>At end of year</b>	<b>-368</b>	<b>-677</b>

## 15 Inventories

In CHF 1 000	31.12.2022	31.12.2021
Materials and components	40 232	39 532
Work in progress	17 850	17 086
Spare parts	21 724	20 961
Finished goods	27 524	23 928
<b>Inventories – gross</b>	<b>107 330</b>	<b>101 507</b>
Less allowance for obsolescence	-19 150	-27 212
<b>Inventories – net</b>	<b>88 180</b>	<b>74 295</b>

In 2022 the allowance of obsolescence decreased by KCHF 8 062. KCHF 4 810 of the decrease was due to the change in estimate (refer to note 4.1).

The total amount of inventories scrapped or written off in 2022 amounts to KCHF 1 584 (2021: KCHF 970).

## 16 Other short-term receivables

In CHF 1 000	31.12.2022	31.12.2021
VAT receivable	1 971	1 244
Social securities & other related taxes receivable	134	18
Other	583	891
<b>Other short-term receivables</b>	<b>2 688</b>	<b>2 153</b>

## 17 Prepayments and accrued income

In CHF 1 000	31.12.2022	31.12.2021
Advances to suppliers and logistic companies for customs clearance purpose	764	735
Negative hours due from employees	31	51
Prepaid expenses	1 986	920
<b>Prepayments and accrued income</b>	<b>2 781</b>	<b>1 706</b>

In 2022, an advance payment of KCHF 1 053 has been made to the Tornos pension fund in Switzerland (2021: none).

## 18 Property, plant and equipment

In CHF 1 000

	Land	Buildings & installations	Machinery	Other equipment	Total
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### Cost

<b>At December 31, 2020</b>	<b>2 788</b>	<b>52 932</b>	<b>10 660</b>	<b>4 947</b>	<b>71 327</b>
Additions	-	98	179	253	530
Disposals	-178	-962	-	-401	-1 541
Exchange differences	7	-6	21	16	38
<b>At December 31, 2021</b>	<b>2 617</b>	<b>52 062</b>	<b>10 860</b>	<b>4 815</b>	<b>70 354</b>
Additions	-	7 715	137	648	8 500
Disposals	-	-50	-704	-360	-1 114
Exchange differences	-	-649	-76	-163	-888
<b>At December 31, 2022</b>	<b>2 617</b>	<b>59 078</b>	<b>10 217</b>	<b>4 940</b>	<b>76 852</b>

### Accumulated depreciation

<b>At December 31, 2020</b>	<b>-</b>	<b>-34 604</b>	<b>-8 760</b>	<b>-3 896</b>	<b>-47 260</b>
Depreciation	-	-2 418	-500	-550	-3 468
Disposals	-	537	-	389	926
Exchange differences	-	31	-12	6	25
<b>At December 31, 2021</b>	<b>-</b>	<b>-36 454</b>	<b>-9 272</b>	<b>-4 051</b>	<b>-49 777</b>
Depreciation	-	-2 172	-479	-458	-3 109
Disposals	-	50	704	360	1 114
Exchange differences	-	139	51	179	369
<b>At December 31, 2022</b>	<b>-</b>	<b>-38 437</b>	<b>-8 996</b>	<b>-3 970</b>	<b>-51 403</b>

### Carrying amounts

December 31, 2021	2 617	15 608	1 588	764	20 577
<b>December 31, 2022</b>	<b>2 617</b>	<b>20 641</b>	<b>1 221</b>	<b>970</b>	<b>25 449</b>

Under the category building & installations, there are buildings held for investment purposes (note 11). As of December 31, 2022, no assets were held for sale (December 31, 2021: none).

In 2022, the construction of a new building for the factory in Taichung has begun. The budget of the project amount to KCHF 18 940 and is mostly financed through a local government-supported loan. As of December 31, 2022, KCHF 7 210 were already invested (2021: a building with a net book value of KCHF 400 was sold).

In 2022, KCHF 249 depreciation was recognized on buildings & installations used for non-operating activities and is reported in the non-operating result (2021: KCHF 244).

No assets under finance leasing have been acquired in 2022 (2021: none). The residual net book value of the assets under finance lease amounts to KCHF 29 (December 31, 2021: KCHF 105). These assets are reported under other equipment.

The fire insurance value of buildings amounts to CHF 98.6 million (December 31, 2021: CHF 89.8 million).

## 19 Intangible assets

In CHF 1 000	Software	Total
<b>Cost</b>		
<b>At December 31, 2020</b>	<b>2 166</b>	<b>2 166</b>
Additions	236	236
Disposals	-	-
Exchange differences	-	-
<b>At December 31, 2021</b>	<b>2 402</b>	<b>2 402</b>
Additions	744	744
Disposals	-474	-474
Exchange differences	-	-
<b>At December 31, 2022</b>	<b>2 672</b>	<b>2 672</b>
<b>Accumulated amortization</b>		
	-	-
<b>At December 31, 2020</b>	<b>-1 223</b>	<b>-1 223</b>
Amortization charge	-576	-576
Disposals	-	-
Exchange differences	-	-
<b>At December 31, 2021</b>	<b>-1 799</b>	<b>-1 799</b>
Amortization charge	-565	-565
Disposals	474	474
Exchange differences	-	-
<b>At December 31, 2022</b>	<b>-1 890</b>	<b>-1 890</b>
<b>Carrying amounts</b>		
	-	-
December 31, 2021	603	603
<b>December 31, 2022</b>	<b>782</b>	<b>782</b>



## 20 Deferred taxes

### 20.1 Movement in deferred tax assets and liabilities

Movement in deferred tax assets and liabilities is as follows:

In CHF 1 000	tax assets	tax liabilities
<b>At December 31, 2020</b>	<b>370</b>	<b>56</b>
Additions	180	10
Reversals	-12	-68
Translation adjustments	7	2
<b>At December 31, 2021</b>	<b>545</b>	<b>-</b>
Additions	17	53
Reversals	-85	-
Translation adjustments	-16	-8
<b>At December 31, 2022</b>	<b>461</b>	<b>45</b>

The movement in deferred tax assets and liabilities is the result of changes in taxable temporary differences.

The expiry dates of tax loss carry-forwards are as follows:

In CHF 1 000	Swiss federal tax and foreign tax 31.12.2022	Thereof cantonal tax and foreign tax 31.12.2022	Swiss federal tax and foreign tax* 31.12.2021	Thereof cantonal tax and foreign tax* 31.12.2021
Within 1 year	6 493	-	9 521	2 332
Between 1 and 2 years	6 408	-	8 257	2 840
Between 2 and 5 years	23 045	22 593	37 990	30 536
After 5 years	14 276	14 276	1 334	561
Losses not subject to expiry	-	-	-	-
<b>Total</b>	<b>50 222</b>	<b>36 869</b>	<b>57 102</b>	<b>36 269</b>

In Switzerland, changes to the federal and cantonal tax laws were enacted in 2020. This tax reform (TRAF) introduced the abolishment of special tax regimes such as the principal and holding status as January 1, 2020. As a consequence, all Swiss Tornos entities will be ordinarily taxed at federal as well cantonal level from 2020 onwards. Certain tax loss carry-forwards from 2019 and earlier therefore only exist at the federal level.

Applying the weighted average applicable tax rate of 21.1% for 2022 (2021: 21.4%), the potential tax benefit from tax loss carry-forwards amounts to KCHF 10.6 for Swiss federal and foreign tax (2021: KCHF 12.2). Thereof KCHF 8.2 are attributable to cantonal and foreign tax (2021: KCHF 7.8).

## 21 Interest bearing borrowings

In CHF 1 000	31.12.2022	31.12.2021
Short-term lease liabilities (note 21.6)	30	75
<b>Current interest bearing borrowings</b>	<b>30</b>	<b>75</b>
Loan from shareholders (note 21.2)	-	-
Long-term lease liabilities (note 21.6)	22	72
Local government-supported loan (construction in the Taiwan region)	5 021	-
<b>Non-current interest bearing borrowings</b>	<b>5 043</b>	<b>72</b>
<b>Interest bearing borrowings</b>	<b>5 073</b>	<b>147</b>

In 2022, a local government-supported loan has been granted in Taiwan Dollar for the construction of a new factory in the Taiwan region. The total amount will be KCHF 13 340. As of December 31, 2022, KCHF 5 021 were granted (2021: 0). The loan is fixed with a floating rate within the frame of a state supported investment program. For 2022 the average rate has been 0.78% and from 2023 onwards it is expected to remain between 0.90% to 1.60%. Duration of the loan has been set for 10 years.

### 21.1 Credit agreements with banks

At December 31, 2022, the new building in Taichung, Taiwan region (under construction) has been pledged for KCHF 7 210 in relation to bank agreements (December 31, 2021: 0).

### 21.2 Loan from shareholders

Loan Facility Agreements have been granted for a total value of CHF 20 million by shareholders since 2014. 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% (2021: 1.0%). The credit line and the securities provided for bank guarantees can be cancelled on each September with a notice period of 27 months. Agreements have not been cancelled on September 2022. Mortgage notes of Tornos Ltd. are assigned to the lender as securities to the granted loans.

At the end of the year 2022, CHF 6.7 million (December 31, 2021: CHF 4.9 million) were used under the ancillary facilities for guarantees purposes. The credit facilities granted were not used as of December 31, 2022 (December 31, 2021: not used)

### 21.3 Maturity schedule

In CHF 1 000	31.12.2022	31.12.2021
Within 1 year	30	75
Between 1 and 2 years	22	20
Between 2 and 5 years	-	52
After 5 years	5 021	-
<b>Total borrowings</b>	<b>5 073</b>	<b>147</b>

### 21.4 Interest rate exposure

In CHF 1 000	31.12.2022	31.12.2021
At fixed rate	52	147
At floating rate	5 021	-
<b>Total</b>	<b>5 073</b>	<b>147</b>

At December 31, 2022, a loan of KCHF 5 021 has been granted with a floating rate within the frame of a state supported investment program (December 31, 2021: 0). For 2022 the average rate has been 0.78% and from 2023 onwards it is expected to remain between 0.90% to 1.60%. The total amount of the loan will be KCHF 13 340. If the interest rate reaches a high level of 1.60%, the effect would be KCHF 213 per year. Duration of the loan has been fixed for 10 years.

### 21.5 Exchange rate exposure

The original currencies of the Group's borrowings are:

In CHF 1 000	31.12.2022	31.12.2021
Swiss franc	52	147
Taiwan dollar	5 021	-
<b>Total borrowings</b>	<b>5 073</b>	<b>147</b>

## 21.6 Finance lease liabilities

In CHF 1 000	31.12.2022	31.12.2021
<b>Minimum lease payments</b>		
Within 1 year	30	75
Between 1 to 5 years	22	72
<b>Present value of finance lease liabilities</b>	<b>52</b>	<b>147</b>

The finance lease liabilities of the Group carried an effective interest rate of 1.7% as at December 31, 2022 (December 31, 2021: 1.7%).

## 22 Other liabilities

In CHF 1 000	31.12.2022	31.12.2021
Advances received	17 237	13 855
Commissions payable	656	536
Other taxes and social security payables	431	761
Other payables	666	515
<b>Total other liabilities</b>	<b>18 990</b>	<b>15 667</b>

Customer advance payments rose due to the high level of order intake and backlog.

## 23 Accrued liabilities and deferred income

In CHF 1 000	31.12.2022	31.12.2021
Accrued employee remuneration	4 864	4 720
Other accrued expenses	2 215	2 285
<b>Accrued liabilities and deferred income</b>	<b>7 079</b>	<b>7 005</b>

Other accrued expenses include liabilities that are due but not yet billed as at the balance sheet date and that arose due to goods and services already received at the year-end.

## 24 Provisions

In CHF 1 000	Warranties	Other	Total
<b>At December 31, 2020</b>	<b>1 490</b>	<b>652</b>	<b>2 142</b>
Additions	2 803	-	2 803
Reversals	-360	-290	-650
Utilization	-1 539	-	-1 539
Translation adjustments	-	1	1
<b>At December 31, 2021</b>	<b>2 394</b>	<b>363</b>	<b>2 757</b>
Additions	2 201	618	2 819
Reversals	-689	-	-689
Utilization	-1 919	-	-1 919
Translation adjustments	-	-1	-1
<b>At December 31, 2022</b>	<b>1 987</b>	<b>980</b>	<b>2 967</b>

In CHF 1 000	31.12.2022	31.12.2021
Current	2 967	2 524
Non-current	-	233
<b>Total</b>	<b>2 967</b>	<b>2 757</b>

### 24.1 Warranties

Tornos gives in general a contractual one year warranty and undertakes to repair or replace items that fail to perform satisfactorily.

Warranty provision reflects management assessment of warranty claims. It is based on historical data as well as the level of sales and specific cases. The total warranty provision takes into consideration all possible legally enforceable claims. Actual results may fluctuate significantly.



## 24.2 Other provisions

Other provisions include the expected costs of pending litigations as well as other present obligations of uncertain timing, of which may prove to be more or less favorable than management currently believes.

Several of the Group subsidiaries are parties to various legal proceedings which are an ongoing feature of the business of Tornos Group. As a result, claims could be made against them which might not be covered by existing provisions or by insurance. There can be no assurance that there will not be an increase in the scope of these matters or that any future lawsuits, claims, including those resulting from tax inspections, proceedings or investigations will not be material. Management does not believe that during the next few years, the aggregate impact, beyond current provisions, of these and other legal matters affecting Tornos could be material to the Group's results of operations and cash flows, and to its financial condition and liquidity.

## 25 Retirement benefit obligations

Tornos operates different pension plans in different jurisdictions for employees that satisfy the participation criteria.

Retirement benefits are provided based on salary, years of service or retirement saving accounts. The plans cover generally the employees against death, disability and retirement. However, some of the plans provide only lump sum benefits in the events of leaving the Group and retirement.

### **Pension fund in Switzerland**

All employees in Switzerland are insured through the Tornos pension fund, a foundation which is legally independent from the Tornos 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 2022, the rate was at 1.00% (2021: 1.00%). Upon retirement (at age of 65 for men and 64 for 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.

### **Other pension plans**

In 2021 the company in the US closed their company operated pension fund and changed their retirement benefit to a 401(K) plan that is jointly funded by the participating employee and the employer. The Groups operations in France, Italy and Germany are covered by local pension plans in line with local legal requirements. The plans in France and Italy are lump sum plans, the plan in Germany only provides pension payments.

## 25.1 Economic benefit / economic obligation and pensions expense

In CHF 1 000	Surplus/ (deficit)	Economic part of the organization		Change in the current result	Thereof exchange differences	Contributions concerning the business period	Pension expense	
		at the end of 2022	2021				2022	2021
Pension plans without surplus/deficit according to Swiss GAAP FER 26	-	-	-	-	-	1 821	1 821	1 936
Other funded pension plans	-	-	-	-	-	78	78	-357
Pension plans without assets	-1 071	-1 071	-1 055	16	-53	-	69	-18
<b>Total</b>	<b>- 1 071</b>	<b>-1 071</b>	<b>-1 055</b>	<b>16</b>	<b>-53</b>	<b>1 899</b>	<b>1 968</b>	<b>1 561</b>

As of December 31, 2022 and as of December 31, 2021 there is no employer's contribution reserve. The information on the economic benefit as at December 31, 2022 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, 2021. The pension fund reported a coverage rate of 116.0% in its Swiss GAAP FER 26 financial statements 2021, resp 109.9% in the financial statements 2020. The technical interest rate used in the Swiss GAAP FER 26 financial statements of the Swiss Pension plan amounts to 1.00% (in prior year financial statements 2020: 1.75%).

## 26 Share capital

### 26.1 Capital structure

	Issued registered shares	Treasury shares	Total shares in circulation
<b>Issued and fully paid-in at December 31, 2020</b>	<b>19 877 671</b>	<b>-264 319</b>	<b>19 613 352</b>
Movement in treasury shares	-	69 100	69 100
<b>Issued and fully paid-in at December 31, 2021</b>	<b>19 877 671</b>	<b>-195 219</b>	<b>19 682 452</b>
Movement in treasury shares	-	46 300	46 300
<b>Issued and fully paid-in at December 31, 2022</b>	<b>19 877 671</b>	<b>-148 919</b>	<b>19 728 752</b>

### 26.2 Shares outstanding and rights attached to each class of shares

In 2022 the par value of the share of Tornos Holding Ltd has been reduced from CHF 3.50 down to CHF 1.00. The share capital decreased from KCHF 69 572 to KCHF 19 878. KCHF 44 762 were allocated to the Reserve from capital contribution and KCHF 4 932 were distributed to the shareholders. As of December 31, 2022 the share capital consisted of 19 877 671 ordinary registered shares with a par value of CHF 1.00 each.

As of December 31, 2021 the share capital consisted of 19 877 671 ordinary registered shares with a par value of CHF 3.50 each.

The holders of the ordinary shares are entitled to receive dividends as declared by the meetings of shareholders and are entitled to one vote per share at the meetings of shareholders.

### 26.3 Treasury shares

Movements in treasury shares are as follows:

	2022		2021	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
<b>At beginning of year</b>	<b>195 219</b>	<b>1 386</b>	<b>264 319</b>	<b>1 875</b>
Sale of treasury shares	-46 300	-329	-74 100	-526
Acquisition of treasury share	-	-	5 000	37
<b>At end of year</b>	<b>148 919</b>	<b>1 057</b>	<b>195 219</b>	<b>1 386</b>

Treasury shares are valued at average purchase price. The average purchase price as per 31.12.2022 is CHF 7.10 (31.12.2021: CHF 7.10).

During the year 2022:

- 46 300 treasury shares have been transferred to the Management and Board at the weighted average price of CHF 5.22 under the Management and Board Participation plan 2007 (MBP07)

During the year 2021:

- 74 100 treasury shares have been transferred to the Management and Board at the weighted average price of CHF 4.14 under the Management and Board Participation plan 2007 (MBP07)
- 5 000 treasury shares were bought back from the Management and Board at the spot price of CHF 7.35

### 26.4 Conditional share capital

	2022		2021	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
<b>At beginning of year</b>	<b>706 662</b>	<b>2 473 317</b>	<b>706 662</b>	<b>2 473 317</b>
Utilization	-	-	-	-
Reduction of par value of the share	-	-1 766 655	-	-
<b>At end of year</b>	<b>706 662</b>	<b>706 662</b>	<b>706 662</b>	<b>2 473 317</b>

In 2022 the par value of the share of Tornos Holding Ltd has been reduced from CHF 3.50 down to CHF 1.00. The conditional share capital amounts to CHF 706 662 (2021: CHF 2 473 317) and is reserved for the issuance of shares that may be used by the Board of Directors to satisfy stock option plans in favor of eligible members defined by the Board of Directors.

## 26.5 Authorized share capital

Tornos does not have any authorized capital.

## 26.6 Significant shareholders

The following shareholders held more than 5 percent of the share capital of the Company at December 31:

	31.12.2022	31.12.2021
Walter Fust	48.89%	48.85%
Michel Rollier / Rollomatic Holding SA	14.36%	14.36%

These are the number of shares known by Tornos or according to the latest declaration made to SIX Swiss Exchange Ltd. The percentages are based on the effective number of the shares at balance sheet date.

## 27 Stock compensation plans

There is one stock participation plan in 2022, namely the Management and Board Participation Plan (MBP07). 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 KCHF 539 was recorded for the year ended December 31, 2022 (2021: KCHF 466). Compensation expense arising from stock options outstanding at December 31, 2022 to be recognized in future periods amounts to KCHF 479 (December 31, 2021: KCHF 347).

Under this plan, a maximum of 450 000 shares/options may be allocated each year to the participants by the Nomination and Compensation Committee. The possible participants are members of the Board of Directors as well as the Management. Each participant chooses on grant date, within the number of shares/options allocated to him by the Remuneration Committee, to receive options free of charge, to purchase shares with a discount or a combination of receiving options free of charge and purchasing shares with a discount.

### 27.1 Stock purchasing program under MBP07

Each participant has the right to purchase shares each year, starting on May 1 (within the number of shares/options allocated by the Remuneration Committee and not used for the stock option program). The acquisition price is the weighted average price paid at SIX within the 12 months (May 1 to April 30) preceding the purchase of the shares minus a discount of 25%. There is a restriction period of two years after purchasing the shares during which the shares are held in an escrow deposit. However, the shares do not need to be returned in case the employment contract is terminated and there is a tag along clause in case of a change of control transaction. In 2022, participants elected to purchase 46 300 shares at a price of CHF 5.22 (2021: 74 100 shares at CHF 4.14). A compensation expense of KCHF 73 was recorded for these transactions for the year ended December 31, 2022 (December 31, 2021: KCHF 164).

## 27.2 Stock option program under MBP07

Each participant receives free of charge each year starting on May 1 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, 2022 as part of this option program amounted to KCHF 466 (2021: KCHF 302).

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 activity under the MBP07 stock option plan, including weighted average exercise price, is as follows:

	2022			2021		
	Options	Exercise price in CHF	Contractual life	Options	Exercise price in CHF	Contractual life
<b>Outstanding at January 1</b>	<b>588 483</b>	<b>7.26*</b>		<b>765 793</b>	<b>8.69*</b>	
Granted	312 667	6.96	3 years (April 30, 2025)	323 250	5.52	3years (April 30, 2024)
Exercised	-46 300	5.22*		-74 100	4.14*	
Forfeited or expired	-199 333			-426 460		
<b>Outstanding at December 31</b>	<b>655 517</b>	<b>6.42*</b>		<b>588 483</b>	<b>7.26*</b>	
<b>Exercisable at December 31</b>	<b>200 000</b>	<b>6.54</b>		<b>189 333</b>	<b>9.79</b>	

\* weighted average

In 2022, 95 000 options (2021: 90 000) have been granted to the General Management, 32 000 to the Board of Directors (2021: 32 000) and 190 667 to the Senior Management of the Group (2021: 201 250). Out of these options granted, participants elected to purchase 46 300 shares (2021: 71 400) under the Stock purchasing program MBP07.



## 28 Result per share, basic and fully diluted

### 28.1 Basic

Basic result per share is calculated by dividing the net income attributable to equity holders of Tornos by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 26.3).

	2022	2021
Net result attributable to equity holders of Tornos (in CHF 1 000)	14 444	20 329
Weighted average number of ordinary shares issue (in 1 000)	19 707	19 654
<b>Basic result per share (CHF per share)</b>	<b>0.73</b>	<b>1.03</b>

### 28.2 Diluted

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. Tornos 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 Tornos' 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.

Tornos currently holds enough own shares and can issue sufficient conditional share capital to be able to honor the share options as they are exercised.

	2022	2021
Net result attributable to equity holders of Tornos (in CHF 1 000)	14 444	20 329
Weighted average number of ordinary shares issue (in 1 000)	19 707	19 654
Adjustment for share options (in 1 000)	29	30
Weighted average number of ordinary shares for diluted earnings per share (in 1 000)	19 735	19 684
<b>Diluted result per share (CHF per share)</b>	<b>0.73</b>	<b>1.03</b>

## 29 Segment information

The Tornos Group's core activity is the development, manufacture, marketing, sale and servicing of machines. The Management is responsible for steering the business and regularly reviewing the Group's internal reporting for its only operating segment, "machines", in order to assess performance and identify resource needs. The primary internal reporting to the Management is presented on the same basis as the Group's consolidated income statement and consolidated balance sheet and is reported on a consistent basis over the periods presented.

The Management assesses the performance of the machines based on operating results. Additional reporting based on such criteria as geographical areas is also made available to the Management though such reporting is of secondary importance when it comes to strategic decisions, allocation or planning of resources or monitoring the Group's operational performance. These operational decisions are all executed by the Management based on internal reporting of the core activity.

Revenues generated are derived from sales of machines, spare parts and services.

The operating result for the period under review amounts to KCHF 16 503 and for 2021 to KCHF 19 999.

### 29.1 Analysis of revenues by category

In CHF 1 000	2022	2021
Machines	134 583	127 838
Service and spare parts	46 852	43 650
<b>Net sales</b>	<b>181 435</b>	<b>171 488</b>

Switzerland is the domicile of the parent company and of the main operating and distribution companies. Swiss operating companies conduct all main development and manufacturing activities. Subsidiaries which are located in the other European countries (France, Germany, Italy, Poland and Spain), the Americas and Asia, except for the production companies in the Taiwan region, Xi'an and Milan, run support or sales and distribution activities. Production sites in the Taiwan region and Xi'an work on development of new products, as assigned by the Tornos Group, and these new products are marketed through the Group's distribution network. The transactions between the Group companies are conducted based on internationally recognized transfer pricing policies, thereby leaving reasonable margins at local subsidiary level. Management reviews sales in four main geographical areas, namely Switzerland, other European countries, the Americas and Asia.

## 29.2 Net sales by location of customers

In CHF 1 000	2022	2021
Switzerland	37 639	39 806
Other European countries	90 461	83 869
Americas	27 753	24 418
Asia	25 582	23 395
<b>Net sales</b>	<b>181 435</b>	<b>171 488</b>

## 29.3 Non-current assets

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) is as follows:

In CHF 1 000	31.12.2022	31.12.2021
Switzerland	17 940	19 646
Other European countries	584	478
Americas	227	231
Asia	7 480	824
<b>Total non-current assets for geographical area disclosure</b>	<b>26 231</b>	<b>21 179</b>
Reconciling unallocated assets:		
- Deferred tax assets	461	545
<b>Total non-current assets</b>	<b>26 692</b>	<b>21 724</b>

## 30 Commitments and contingencies

### 30.1 Operating lease commitments

Operating lease liabilities, minimum lease payments:

In CHF 1 000	31.12.2022	31.12.2021
Year 1	1 836	2 720
Year 2 to 5	3 806	2 314
After 5 years	520	666
<b>Total minimum lease payments</b>	<b>6 163</b>	<b>5 700</b>

### 30.2 Pledges

The following assets were pledged to shareholders.

In CHF 1 000	31.12.2022	31.12.2021
Land and buildings in Switzerland	9 640	11 100
Land and buildings in Taichung, Taiwan region	7 210	-
<b>Total assets pledged</b>	<b>16 850</b>	<b>11 100</b>

At December 31, 2022 the total value of the pledged to shareholders mortgage notes related to land and buildings in Switzerland amount to CHF 23.2 million (December 31, 2021: CHF 23.2 million).

At December 31, 2022, the new building in Taichung, Taiwan region (under construction) has been pledged for KCHF 7 210 in relation to bank agreements (December 31, 2021: 0).

### 30.3 Other commitments and contingent liabilities

There were no other commitments or contingent liabilities which are not in the ordinary course of business.

### 31 Related party transactions

During 2022, sales to companies in which two of the directors of Tornos Holding Ltd. hold a significant interest amounted to KCHF 1 989 (2021: KCHF 682). In 2022, goods or service provided by a company in which two of the directors of Tornos Holding Ltd. hold a significant interest amounted to KCHF 2 018 (2021: KCHF 3 148). As of December 31, 2022, the related outstanding balances receivable and payable amounted to KCHF 170 and KCHF 0 respectively (December 31, 2021: KCHF 127 and KCHF 6 respectively).

No loans or advances were granted to related parties in 2022 and 2021. As of December 31, 2022 no loans were granted by the main shareholders (December 31, 2021: none) in accordance with note 21.2.

Please refer to note 25 for transactions with the pension funds.

### **32 Derivatives financial instruments**

*In appropriate circumstances, the Group uses derivative financial instruments as part of its risk management and commercial strategies. On December 31, 2022 the Group has no open foreign exchange contracts as on December 31, 2021.*

### **33 Subsequent event**

*There were no significant subsequent events.*





# Report of the statutory auditor

## to the General Meeting of Tornos Holding Ltd.

Moutier

### Report on the audit of the consolidated financial statements

#### Opinion

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

In our opinion, the consolidated financial statements (pages 36 to 75) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

#### Basis for opinion

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

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

#### Our audit approach

##### Overview

Overall Group materiality: CHF 1'810'000



• We concluded full scope audit work at 2 reporting units in Switzerland. Our audit scope addressed over 83% of the Group's revenue.

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

- Valuation of inventories

#### Materiality

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

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

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

<b>Overall Group materiality</b>	CHF 1'810'000
<b>Benchmark applied</b>	Net sales
<b>Rationale for the materiality benchmark applied</b>	We chose net sales as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Board of Directors that we would report to them misstatements above CHF 85'000 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 consolidated 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.

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.

#### 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.

#### Valuation of inventories

Key audit matter	How our audit addressed the key audit matter
<p>We consider the valuation of inventories to be a key audit matter because inventories amounted to CHF 88.2 million in the balance sheet as at 31 December 2022 and therefore represents a significant share of total assets (about 54%).</p> <p>Sales of industrial machines (incl. services) are subject to market fluctuations. These fluctuations along with the complex structure of inventories – materials and components, work in progress, spare parts and finished goods – mean that there is a judgmental factor in testing inventories for impairment and recoverability.</p>	<p>We performed the following audit procedures to assess the appropriateness of the valuation of the inventories:</p> <ul style="list-style-type: none"> <li>• Sample-based testing of whether the accounting principle related to lower of cost and net realizable value has been applied.</li> <li>• Sample-based testing of the mathematical correctness and appropriateness of Management's calculation of write-downs of obsolete inventories.</li> <li>• Moreover, we verified that the change in accounting estimate related to the method for determining write-downs of</li> </ul>



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We identified the following risks in connection with the valuation of inventories:

- Inventories are not stated at the lower of cost and net realizable value.
- Write-downs for obsolete inventories or stock that exceeds the usual sales volume (e.g., slow moving or excess inventory) are inadequate.

Please refer to page 43 (Summary of significant accounting policies, Note 2.9 Inventories) and page 57 (Notes to the consolidated financial statements, Note 15 Inventories) in the 2022 Financial Report.

inventories was disclosed accurately in the notes and correctly applied as of December 31, 2022.

- Further, at Group level, we checked the process to eliminate unrealized gains and losses from transactions between Group companies. In doing so, we checked that the valuation of inventories in the consolidated financial statements did not include material unrealized gains.

- We discussed the results of our work and movements in inventories and in the write-downs with Management and the Board of Directors.

In performing these audit procedures, we addressed the risk of error in the valuation of inventories. We have no findings to report.

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### Other information

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

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

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

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

### Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements 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 more detailed description of our responsibilities for the audit of the consolidated financial statements can be found on the EXPERTsuisse 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 consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers SA



Gerhard Siegrist  
Audit expert  
Auditor in charge



Astrit Mehmeti  
Audit expert

Neuchâtel, 3 March 2023









# Statutory Financial Statements 2022

*Tornos Holding Ltd.*

# Income Statement

*Tornos Holding Ltd.*

In CHF 1 000	Notes	2022	2021
Other income		-	-
<b>Total income</b>		<b>-</b>	<b>-</b>
Marketing and sales		-	-
Administrative expenses		-970	-867
Research and development		-	-
Taxes other than on income		-28	-15
<b>Total expenses</b>		<b>-997</b>	<b>-882</b>
Impairment on loans to subsidiaries	7	-	-
Finance income/(expenses) - net		-22	-3
Exchange gains/(losses) - net		-1	112
<b>Result before income taxes</b>		<b>-1020</b>	<b>-773</b>
Income taxes		-	-
<b>Net result</b>		<b>-1020</b>	<b>-773</b>

*The accompanying notes form an integral part of these consolidated financial statements.*

# Balance Sheet

Tornos Holding Ltd.

In CHF 1 000	Notes	31.12.2022	in %	31.12.2021	in %
<b>Assets</b>					
Cash and cash equivalents		66		446	
Receivables from Group companies		5 924		3 188	
Other current assets		7		7	
<b>Total current assets</b>		<b>5 997</b>	7.2%	<b>3 641</b>	4.5%
Loans to subsidiaries	7	8 784		8 784	
Investment in subsidiaries	3	68 683		68 683	
<b>Total non-current assets</b>		<b>77 467</b>	92.8%	<b>77 467</b>	95.5%
<b>Total assets</b>		<b>83 464</b>	100.0%	<b>81 108</b>	100.0%
<b>Liabilities and equity</b>					
Payables to third parties		9		-	
Payables to Group companies		23 304		15 300	
Accrued expenses		52		-	
<b>Total current liabilities</b>		<b>23 366</b>	28.0%	<b>15 300</b>	18.9%
Share capital	4	19 878		69 572	
Statutory retained earnings		46		46	
Statutory capital reserve					
Reserve from capital contribution	4	85 301		40 538	
Accumulated losses		-44 069		-42 962	
Treasury shares	5	-1 057		-1 386	
<b>Total equity</b>		<b>60 098</b>	72.0%	<b>65 808</b>	81.1%
<b>Total liabilities and equity</b>		<b>83 464</b>	100.0%	<b>81 108</b>	100.0%

The accompanying notes form an integral part of these consolidated financial statements.

# Statement of Changes in Equity

*Tornos Holding Ltd.*

In CHF 1 000	Share capital	Statutory retained earnings	Reserve from capital contribution	Accumulated losses	Treasury shares	Total
<b>At December 31, 2020</b>	<b>69 572</b>	<b>46</b>	<b>40 538</b>	<b>-41 923</b>	<b>-1 875</b>	<b>66 358</b>
Net result				-773		-773
Sales & purchases of treasury shares				-266	489	223
<b>At December 31, 2021</b>	<b>69 572</b>	<b>46</b>	<b>40 538</b>	<b>-42 962</b>	<b>-1 386</b>	<b>65 808</b>
Net result				-1 020		-1 020
Distribution to shareholders	-4 969		37			-4 932
Capital reduction	-44 725		44 725			-
Sales & purchases of treasury shares				-87	329	242
<b>At December 31, 2022</b>	<b>19 878</b>	<b>46</b>	<b>85 301</b>	<b>-44 069</b>	<b>-1 057</b>	<b>60 098</b>

*The accompanying notes form an integral part of these consolidated financial statements.*

# Notes to the Financial Statements

*Tornos Holding Ltd.*

*All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated.*

## **1 Basis of preparation**

*The financial statements of Tornos Holding Ltd., Moutier are prepared in accordance with the provisions of the Swiss law and the Company's Articles of Incorporation.*

*For replacement purposes and to ensure the long-term prosperity of the undertaking, additional depreciation and valuation adjustments may be made. For the same purposes, the cancellation of depreciation and valuation adjustments that are no longer justified may be dispensed with.*

## **2 Accounting principles applied in the preparation of the financial statements**

*Significant balance sheet items are accounted for as follows:*

*Cash and cash equivalents which include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less are stated at their nominal amounts.*

*Group receivables are carried at their nominal value. Impairment charges, if any, are calculated for these assets on an individual basis based on a review and assessment of the recoverability of the outstanding balances. The carrying amount of the asset is reduced through the use of an impairment charge, and the amount of the loss is recognized in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement and presented separately.*

*Investments and loans to subsidiaries are recognized at acquisition costs. The carrying amount of the investments and loans are assessed individually after the first recognition on the balance sheet provided that due to their similarity they are not usually combined as a group for valuation. They are reviewed for impairment on a regular basis. Prudence is applied when assessing the valuation. Impairment losses are recognized in the income statement.*

*Treasury shares are valued at historical acquisition value without subsequent revaluation. Gains and losses from disposals of treasury shares, including transaction costs, are recorded directly in retained earnings / accumulated losses.*

*All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement.*

### 3 Subsidiary

Name	Purpose	Share capital		2022	2021
		in 1 000		% held/ voting rights	% held/ voting rights
Tornos Ltd., Moutier Switzerland	Production and sales	CHF	650	100	100
Tornos (Taichung) Machine Works Ltd., Taiwan region	Production	TWD	60 250	100	100

A list of all subsidiaries indirectly held by Tornos Holding Ltd. is found in the note 5 of the consolidated financial statements 2022 of Tornos Group.

In 2022, the share capital of Tornos Ltd, Moutier, was decreased by KCHF 64 350. Those have been allocated to the reserves from capital contributions.

### 4 Share capital, conditional capital and authorized capital

#### 4.1 Share capital

In 2022 the par value of the share of Tornos Holding Ltd has been reduced from CHF 3.50 down to CHF 1.00. The share capital decreased from KCHF 69 572 to KCHF 19 878. KCHF 44 762 were allocated to the reserve from capital contribution and KCHF 4 932 were distributed to the shareholders. As of December 31, 2022 the share capital consisted of 19 877 671 ordinary registered shares with a par value of CHF 1.00 each.

As of December 31, 2021 the share capital consisted of 19 877 671 ordinary registered shares with a par value of CHF 3.50 each.

The holders of the ordinary shares are entitled to receive dividends as declared by the meetings of shareholders and are entitled to one vote per share at the meetings of shareholders.

	Issued registered shares	Treasury shares	Total shares in circulation
<b>Issued and fully paid-in at December 31, 2020</b>	<b>19 877 671</b>	<b>-264 319</b>	<b>19 613 352</b>
Movement in treasury shares	-	69 100	69 100
<b>Issued and fully paid-in at December 31, 2021</b>	<b>19 877 671</b>	<b>-195 219</b>	<b>19 682 452</b>
Movement in treasury shares	-	46 300	46 300
<b>Issued and fully paid-in at December 31, 2022</b>	<b>19 877 671</b>	<b>-148 919</b>	<b>19 728 752</b>



#### 4.2 Conditional share capital

	2022		2021	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
<b>At beginning of year</b>	<b>706 662</b>	<b>2 473 317</b>	<b>706 662</b>	<b>2 473 317</b>
Utilization	-	-	-	-
Reduction of par value of the share	-	-1 766 655	-	-
<b>At end of year</b>	<b>706 662</b>	<b>706 662</b>	<b>706 662</b>	<b>2 473 317</b>

In 2022 the par value of the share of Tornos Holding Ltd has been reduced from CHF 3.50 down to CHF 1.00. The conditional share capital amounts to CHF 706 662 (2021: CHF 2 473 317) and is reserved for the issuance of shares that may be used by the Board of Directors to satisfy stock option plans in favor of eligible members defined by the Board of Directors.

#### 4.3 Authorized share capital

Tornos does not have any authorized capital.

#### 5 Treasury shares

Movements in treasury shares are as follows:

	2022		2021	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
<b>At beginning of year</b>	<b>195 219</b>	<b>1 386</b>	<b>264 319</b>	<b>1 875</b>
Sale of treasury shares	-46 300	-329	-74 100	-526
Acquisition of treasury shares	-	-	5 000	37
<b>At end of year</b>	<b>148 919</b>	<b>1 057</b>	<b>195 219</b>	<b>1 386</b>

Treasury shares are valued at average purchase price. The average purchase price as per 31.12.2022 is CHF 7.10 (31.12.2021: CHF 7.10).

During the year 2022:

- 46 300 treasury shares have been transferred to the Management and Board at the weighted average price of CHF 5.22 under the Management and Board Participation plan 2007 (MBP07)

During the year 2021:

- 74 100 treasury shares have been transferred to the Management and Board at the weighted average price of CHF 4.14 under the Management and Board Participation plan 2007 (MBP07)
- 5 000 treasury shares were bought back from the Management and Board at the spot price of CHF 7.35

## 6 Significant shareholders

The following shareholders held more than 5 percent of the share capital of the Company at December 31:

	31.12.2022	31.12.2021
Walter Fust	48.89%	48.85%
Michel Rollier / Rollomatic Holding SA	14.36%	14.36%

These are the number of shares known by Tornos or according to the latest declaration made to SIX Swiss Exchange Ltd. The percentages are based on the effective number of shares at balance sheet date.

## 7 Impairment on loans to subsidiaries

The carrying amount of the loans to subsidiaries was reviewed at the year-end 2022 and, pursuant to the triggering event analysis performed, no adjustment was consider necessary (December 31, 2021: none).

## 8 Number of full-time equivalents

The Company as a holding does not have any employees (previous year: none).

## 9 Leasing liabilities and liabilities to pension plans

There are none (previous year: none).

## 10 Assets pledged

None of the Company's assets are pledged (previous year: none).

## 11 Contingent liabilities

There are no contingent liabilities at the end of 2022 (previous year: none).

## 12 Share and option holdings by members of the Board of Directors and General Management

The disclosures required by articles 663b bis and 663c of the Swiss Code of Obligations on the Board of Directors and General Management compensation are reflected in the Corporate Governance section of the Financial Report.

	Number at 31.12.2022		Number at 31.12.2021	
	Shares	Options	Shares	Options
François Frôté / GFIE SA / FFW SA	208 649	16 000	208 649	16 000
Walter Fust	9 718 686	8 000	9 710 686	8 000
Michel Rollier / Rollomatic Holding SA	2 853 733	24 000	2 853 733	24 000
Till Fust	4 000	18 000	4 000	10 000
<b>Total Board of Directors</b>	<b>12 785 068</b>	<b>66 000</b>	<b>12 777 068</b>	<b>58 000</b>
Michael Hauser (CEO)	119 805	60 000	119 805	60 000
Jens Thing	30 000	35 000	-	30 000
Stéphane Pittet*	-	30 000	-	-
<b>Total General Management</b>	<b>149 805</b>	<b>125 000</b>	<b>119 805</b>	<b>90 000</b>

\* since September 1, 2021

In addition, article 959c paragraph 2 item 11 of the Swiss Code of Obligations requires disclosure of the number and value of shares and options granted to members of the Board of Directors and Group Management as well as to employees. This information is disclosed in note 27 of the Consolidated Financial Statements of Tornos Group.

## 13 Additional information, cash flow statement and management report

According to Article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the statement of cash flows and the management report are dispensed with, as the Tornos Holding Ltd. prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

## 14 Subsequent event

There are no subsequent events to be mentioned.

# Proposed Offsetting of carry forward losses & Distribution to Shareholders

*Tornos Holding Ltd.*

The Board of Directors proposes to the Annual General Meeting to offset the statutory retained earnings with carry forward losses and that the balance sheet result as at December 31, 2022, be carried forward to new account.

The Board of Directors further proposes that a distribution from capital contribution reserves of CHF 0.30 per registered share with a nominal value of CHF 1.00 in the maximum of KCHF 5'963. The amount of the distribution depends on the amount of the eligible shares at the time of the distribution. No distribution will be made for treasury shares.

## Proposed offsetting of statutory retained earnings with the carry forward losses

In CHF 1 000	31.12.2022	31.12.2021
Accumulated losses carried forward from prior year	-42 962	-41 923
Net result	-1 020	-773
Sales & purchases of treasury shares	-87	-266
Offset statutory retained earnings with carry forward losses	46	-
<b>Balance to be carried forward</b>	<b>-44 023</b>	<b>-42 962</b>

## Payout from reserve from capital contribution

In CHF 1 000	31.12.2022	31.12.2021
Reserves from capital contribution	40 538	40 538
Reserves from capital contribution treasury shares	37	-
Capital reduction	44 725	-
Capital distribution to shareholders	-5 963	-
<b>Reserve from capital contribution after distribution</b>	<b>79 338</b>	<b>40 538</b>



# Report of the statutory auditor

## to the General Meeting of Tornos Holding Ltd.

Moutier

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Tornos Holding Ltd. (the Company), which comprise the income statement, balance sheet as at 31 December 2022, statement of changes in equity and notes to the financial statements for the year then ended, including a summary of accounting principles applied in the preparation of the financial statements.

In our opinion, the financial statements (pages 84 to 92) 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

#### Materiality

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

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

<b>Overall materiality</b>	CHF 830'000
<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 the most appropriate benchmark for a holding company which has limited operating activities, and which holds mainly investments in subsidiaries and intercompany loans.

We agreed with the Board of Directors that we would report to them misstatements above CHF 80'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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### **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.

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.

### **Key audit matters**

We have determined that there are no key audit matters to communicate in our report.

### **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 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 more detailed description of our responsibilities for the audit of the financial statements can be found on the EXPERT-suisse 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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed offsetting and carry forward of the accumulated losses and the proposed repayment of the legal capital reserve comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Gerhard Siegrist  
Audit expert  
Auditor in charge



Astrit Mehmeti  
Audit expert

Neuchâtel, 3 March 2023







# Remuneration Report 2022

# Remuneration Report

## Remuneration system

### Principles

The principles of remuneration in use at the Tornos Group provide a transparent, competitive and performance-related salary framework. Both basic annual salary and variable remuneration components are influenced by the performance appraisal conducted each year.

The members of the Board of Directors receive remuneration in the form of a fixed annual salary. In addition, they participate in the Tornos Group's option and stock purchasing program. The members of the General Management receive fixed and variable annual remuneration. Moreover, they participate in the Tornos Group's option and stock purchasing program.

In the event of a change of control, the blocking periods specified in the Tornos Group's option and stock purchasing program become null and void.

### Remuneration of the members of the Board of Directors

The remuneration of the members of the Board of Directors is set annually by the Board of Directors on the basis of a proposal made by the Remuneration Committee. In this respect, the role played by the member concerned within the organization of the Board of Directors on the one hand, and their participation in the committees of the Board of Directors on the other, are of crucial importance.

On this basis, and taking into account the experience of previous years with regard to the time spent in meetings of the Board of Directors and committees, and on advisory and preparatory work, the time spent for the various post holders is estimated on the basis of which lump sum fees payable in cash are calculated. The basis for calculating these lump sum fees is therefore an estimate of the time spent and a daily rate based on the fees charged by a consultant for similar services (senior strategy and management consultant). In addition to the fixed remuneration, members of the Board of Directors may be allocated options or shares as part of the shareholding plan. Members of the Board of Directors do not have the right to severance pay or any benefits relating to the termination of their mandate.

### Remuneration of the members of the General Management

The fixed remuneration paid to members of the General Management is determined annually with reference to the Towers Watson Data Services survey of the salaries of Swiss managers ("Compensation Report Switzerland"). However, the individual performance of the person concerned is evaluated by the Remuneration Committee, which assesses the remuneration of each member of the General

Management and submits a proposal to the Board of Directors for approval. The variable components are factored in when determining the fixed remuneration. Variable remuneration is dependent on profitability criteria and on the achievement of annual individual qualitative and quantitative targets by the person concerned. The applicable financial criteria for the members of the General Management are the EBIT margin, new orders, and operational performance. Depending on the position in question, part of the variable remuneration may be linked to specific financial or non-financial targets. On average, variable remuneration ranges between 20% and 25% of the fixed salary. However, it may be twice as high and reach nearly 55% of the fixed remuneration if the individual targets are significantly exceeded, the EBIT margin is 12% or more, or new orders exceed the target by 20% or more.

#### **Evaluation of “Management and Board Participation Plan 2007 (MBP 07)”**

The remuneration for shares acquired is based on the number of shares acquired multiplied by the difference of the actual market price of the share minus a discount of 11% for the vesting period, and the acquisition price paid by the management. The acquisition price is the weighted average price paid at SIX Swiss Exchange within the 12 months (May 1 to April 30) preceding the purchase of the shares minus a discount of 25%. There is a restriction period of two years after purchasing the shares during which the shares are held in an escrow deposit.

The remuneration through options acquired is based on the number of options granted free of charge multiplied by the fair value of the option. The fair value of the option is estimated applying the Black-Scholes valuation model. The options are blocked for two years and can only be exercised during the third year following the acquisition of the options.

## Remuneration paid to the Board of Directors in 2022

### Overview of functions

The members of the Board of Directors assumed the following functions:

	Board of Directors			Remuneration Committee	
	Chairman	Vice-Chairman	Member	Chairman	Member
François Frôté	■				■
Walter Fust			■	■	
Michel Rollier			■		■
Till Fust		■			■

### Remuneration

In CHF 1 000	Remuneration		Other remuneration	Total	Shares (acquired)	Stock options (granted)	Total remuneration
	fixed						
François Frôté	168	-		168	-	17	185
Walter Fust	80	4		84	7	-	91
Michel Rollier	80	5		85	-	17	102
Till Fust	80	5		85	-	17	102
<b>Total Board of Directors</b>	<b>408</b>	<b>14</b>		<b>422</b>	<b>7</b>	<b>51</b>	<b>480</b>

Other remuneration comprises payments made in respect of social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2022 and may not be exercised until April 30, 2024.

The above information includes all the remuneration paid to the members of the Board of Directors. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the Board of Directors or their families.

In 2022 members of the Board of Directors were granted 32 000 options with a fair value of CHF 2.14. Out of these options granted, members of the Board of Directors acquired under the Stock purchasing program MBP07 a total of 8 000 shares at an acquisition price of CHF 5.22 per share with a remuneration benefit of CHF 0.83 per share.



## Remuneration paid to the Board of Directors in 2021

### Overview of functions

The members of the Board of Directors assumed the following functions:

	Board of Directors			Remuneration Committee	
	Chairman	Vice-Chairman	Member	Chairman	Member
François Frôté	■				■
Walter Fust			■	■	
Michel Rollier			■		■
Till Fust		■			■

### Remuneration

In CHF 1 000	Remuneration	Other	Total	Shares	Stock	Total
	fixed	remuneration		(acquired)	options (granted)	
François Frôté	168	-	168	21	-	189
Walter Fust	80	4	84	21	-	105
Michel Rollier	80	5	85	-	19	104
Till Fust	80	5	85	11	10	106
<b>Total Board of Directors</b>	<b>408</b>	<b>14</b>	<b>422</b>	<b>53</b>	<b>29</b>	<b>504</b>

Other remuneration comprises payments made in respect of social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2021 and may not be exercised until April 30, 2023.

The above information includes all the remuneration paid to the members of the Board of Directors. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the Board of Directors or their families.

In 2021 members of the Board of Directors were granted 32 000 options with a fair value of CHF 2.39. Out of these options granted, members of the Board of Directors acquired under the Stock purchasing program MBP07 a total of 20 000 shares at an acquisition price of CHF 4.14 per share with a remuneration benefit of CHF 2.63 per share.

## Remuneration paid to members of the General Management in 2022

The remuneration paid to the members of the General Management during the financial year under review came to CHF 2.0 million. These remuneration figures are the amounts booked during the period under review.

In CHF 1 000	Remuneration	Remuneration	Contribution	Other	Paid	Shares	Stock	Total
	fixed	variable	in kind	remuneration	remuneration	(acquired)	options (granted)	
Michael Hauser (CEO)	556	229	12	156	953	-	64	1 017
Other members of General Management	564	205	20	138	927	25	75	1 027
<b>Total General Management</b>	<b>1 120</b>	<b>434</b>	<b>32</b>	<b>294</b>	<b>1 880</b>	<b>25</b>	<b>139</b>	<b>2 044</b>

Other remuneration comprises payments made in respect of retirement pensions and social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2022 and may not be exercised until April 30, 2024.

Contribution in kind comprise the company cars used by the General Management.

The above information includes all the remuneration paid to the members of the General Management. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the General Management or their families.

In 2022 members of the General Management were granted 95 000 options with a fair value of CHF 2.14. Out of these options granted, members of the General Management acquired under the Stock purchasing program MBP07 a total of 30 000 shares at an acquisition price of CHF 5.22 per share with a remuneration benefit of CHF 0.83 per share.

## Remuneration paid to members of the General Management in 2021

The remuneration paid to the members of the General Management during the financial year under review came to CHF 2.1 million. These remuneration figures are the amounts booked during the period under review.

In CHF 1 000	Remuneration	Remuneration	Contribution	Other	Paid	Shares	Stock	Total
	fixed	variable	in kind	remuneration	remuneration	(acquired)	options (granted)	
Michael Hauser (CEO)	556	317	13	122	1 008	79	-	1 087
Other members of General Management	524	262	21	107	914	-	72	986
<b>Total General Management</b>	<b>1 080</b>	<b>579</b>	<b>34</b>	<b>229</b>	<b>1 922</b>	<b>79</b>	<b>72</b>	<b>2 073</b>

Other remuneration comprises payments made in respect of retirement pensions and social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2021 and may not be exercised until April 30, 2023.

Contribution in kind comprise the company cars used by the General Management.

The above information includes all the remuneration paid to the members of the General Management. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the General Management or their families.

In 2021 members of the General Management were granted 90 000 options with a fair value of CHF 2.39 of which 30 000 were withdrawn from the members of the General Management having left the company during the year. Out of these options granted, members of the General Management acquired under the Stock purchasing program MBP07 a total of 30 000 shares at an acquisition price of CHF 4.14 per share with a remuneration benefit of CHF 2.63 per share.

In 2021 KCHF 237 total remuneration was paid to members of the General Management having left the company in the course of the year.

## Comparison between approved and paid remuneration in 2022

In CHF 1 000	Approved by the General Assembly 2022			
	Remuneration	Remuneration	Total	Number
	fixed	variable	remuneration	of participation rights
Board of Directors	500	-	500	40 000
General Management	1 500	800	2 300	150 000

In CHF 1 000	Remuneration paid in 2022					
	Remuneration	Remuneration	Contribution	Other	Total	Number
	fixed	variable	in kind	remuneration	remuneration	of participation rights
Board of Directors	408	-	-	14	422	32 000
General Management	1 120	434	32	294	1 880	95 000

According to Art. 9 lit. 9 of the Articles of Association of Tornos Holding Ltd. the General Assembly of Shareholders has, prospectively for the period up to the next General Assembly of Shareholders, approved the maximum remuneration for the Board of Directors of CHF 0.5 million and of CHF 2.3 million for the General Management. In addition, it approved the grant of a maximum of 40 000 options or shares in the context of the company's Management and Board Participation Plan 2007 to members of the Board of Directors and of 150 000 options or shares to members of the Group Management.

The 40 000 and 150 000 options approved by the General Assembly of Shareholders represent a fair value of KCHF 407. The options granted to the Board of Directors and General Management represent a value of KCHF 222.

Actual remuneration paid to the Board of Directors and the General Management was within the approved amounts, and the number of options and shares granted to the Board of Directors and the Group Management respected the approved maximum number.

The company did not pay any remuneration made available through Art. 30 of the Articles of Association.

## Share and option holdings by members of the Board of Directors and General Management

	Number at 31.12.2022		Number at 31.12.2021	
	Shares	Options	Shares	Options
François Frôté / GFIE SA / FFW SA	208 649	16 000	208 649	16 000
Walter Fust	9 718 686	8 000	9 710 686	8 000
Michel Rollier / Rollomatic Holding SA	2 853 733	24 000	2 853 733	24 000
Till Fust	4 000	18 000	4 000	10 000
<b>Total Board of Directors</b>	<b>12 785 068</b>	<b>66 000</b>	<b>12 777 068</b>	<b>58 000</b>
Michael Hauser (CEO)	119 805	60 000	119 805	60 000
Jens Thing	30 000	35 000	-	30 000
Stéphane Pittet*	-	30 000	-	-
<b>Total General Management</b>	<b>149 805</b>	<b>125 000</b>	<b>119 805</b>	<b>90 000</b>

\* since September 1, 2021

# Report of the statutory auditor to the General Meeting of Tornos Holding Ltd.

Moutier

## Report on the audit of the remuneration report

### Opinion

We have audited the remuneration report of Tornos Holding Ltd. (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in the tables on pages 102 to 107 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the accompanying remuneration report (pages 102 to 107) complies with Swiss law and article 14 to 16 of the Ordinance.

### Basis for opinion

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

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

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables (pages 102 to 107) in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

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

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

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

### Board of Directors' responsibilities for the remuneration report

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

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

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to

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

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

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

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

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

PricewaterhouseCoopers SA



Gerhard Siegrist  
Audit expert  
Auditor in charge



Astrit Mehmeti  
Audit expert

Neuchâtel, 3 March 2023



The Board of Directors and the General Management place great value on responsible and transparent corporate governance and control in the interests of shareholders, customers and staff.

The disclosure of corporate governance as given below takes its model from SIX Swiss Exchange Ltd. and complies with the corporate governance best practice rules of “economiesuisse”. At Tornos, corporate governance is based on the Articles of Association and the Rules of Organization.

# Corporate Governance 2022

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# 1 Group Structure and Shareholders

## 1.1 Group structure

	Share capital	% held*	
		2022	2021
<b>Tornos Holding Ltd., Moutier</b> <i> Holding</i>	CHF 19 877 671		
↳ <b>Tornos (Taichung) Machine Works Ltd., Taichung</b> <i> Production</i>	TWD 60 250 000	100%	100%
↳ <b>Tornos Ltd., Moutier</b> <i> Production and sales</i>	CHF 650 000	100%	100%
↳ <b>Tornos Technologies Deutschland GmbH, Pforzheim</b> <i> Support services</i>	EUR 511 292	100%	100%
↳ <b>Tornos Technologies Iberica SA, Granollers</b> <i> Support services</i>	EUR 60 200	100%	100%
↳ <b>Tornos Technologies Italia Srl, Rho/MI</b> <i> Support services</i>	EUR 93 600	100%	100%
↳ <b>Tornos Technologies Poland Sp. z o.o., Katy Wroclawskie</b> <i> Support services and overhaul</i>	PLN 50 000	100%	100%
↳ <b>Tornos Technologies France SAS, St-Pierre-en-Faucigny</b> <i> Support services</i>	EUR 310 000	100%	100%
↳ <b>Tornos Technologies U.S. Corp. Des Plaines, IL</b> <i> Sales and service</i>	USD 2 400 000	100%	100%
↳ <b>Tornos Technologies Asia Limited, Hong Kong City</b> <i> Support services</i>	HKD 10 000	100%	100%
↳ <b>Tornos Technologies (Thailand) Co, Ltd., Bangkok</b> <i> Support services</i>	THB 3 000 000	100%	100%
↳ <b>Tornos Technologies (Shanghai) Limited, Shanghai</b> <i> Sales and service</i>	USD 500 000	100%	100%
↳ <b>Tornos (Xi'an) Machine Works Co., Ltd., Xi'an</b> <i> Production</i>	RMB 25 000 000	100%	100%
↳ <b>Tornos (Milan) Machine Works Srl, Rho/MI</b> <i> Production</i>	EUR 10 000	100%	n/a
↳ <b>Tornos Technologies Brazil LTDA., São Paulo</b> <i> Support services</i>	BRL 1 000 000	100%	n/a
↳ <b>Tornos Technologies UK Ltd., Coalville</b> <i> Support services</i>	GBP 345 000	n/a	100%
↳ <b>Tornos Technologies (Malaysia) Sdn. Bhd., Penang</b> <i> Support services</i>	MYR 40 000	n/a	100%

\*percentage held equal to voting rights

## **Organizational structure of the Group**

*Tornos Group's organizational structure is defined by functional areas as follows: sales and marketing, production and development, customer service, and general and financial services.*

*Tornos Group is managed by the General Management comprising the three members as listed below:*

### **General Management**

*Michael Hauser, chair*

*Stéphane Pittet*

*Jens Thing*

### **Listed companies in the consolidation**

*Tornos Holding Ltd. is the only consolidated company within the Group listed on the stock exchange. The subsidiaries are not listed. Tornos shares are traded on SIX Swiss Exchange, Zurich, under securities number TOHN (ISIN code CH0011607683). The market capitalization as at the balance sheet date amounted to CHF 113.7 Million.*

### **Unlisted companies in the consolidation**

*Tornos Holding Ltd. has no unconsolidated shareholdings.*

### **2022**

*During the year 2022, the share capital of Tornos Holding Ltd decreased from KCHF 69 572 to KCHF 19 878. KCHF 44 762 were allocated to the reserve from capital contribution and KCHF 4 932 were distributed to the shareholders. The share capital of Tornos Ltd, Moutier, was decreased by KCHF 64 350. Those have been allocated to the reserves from capital contributions. The assembling capacity has been extended with the creation of Tornos (Milan) Machine Works Srl and the distribution network enhanced with the incorporation of Tornos Technologies Brazil LTDA. The liquidation of Tornos Technologies (Malaysia) Sdn. Bhd. and Tornos Technologies UK Ltd. has been completed.*

*There are no other changes in scope to report for the period under review.*

### **2021**

*During the year 2021 our business in UK was ceased to our local distributors and as a result our building was also sold. In parallel our Malaysian activity was merged into Tornos Asia.*

*There are no other changes in scope to report for the period under review.*

## 1.2 Significant shareholders

As at December 31, 2022, 1 560 shareholders were registered in the share register and held the following numbers of shares:

More than 1 000 000 shares	2 shareholders
From 100 001 to 1 000 000 shares	11 shareholders
From 15 001 to 100 000 shares	37 shareholders
From 1 to 15 000 shares	1 510 shareholders

As at December 31, 2022, 1 252 013 shares, representing 6.3% of the total number of shares issued, were not registered in the share register (not assigned).

Significant shareholders registered in the share register (i.e. representing 5% or more of the company's voting rights) are the following:

Shareholders	31.12.2022		31.12.2021	
	No. of shares	%	No. of shares	%
Walter Fust	9 718 686	48.89	9 710 686	48.85
Michel Rollier / Rollomatic Holding SA	2 853 733	14.36	2 853 733	14.36

Number of shares known by the company or according to the latest declaration made to SIX Swiss Exchange Ltd. The percentages are based on the effective number of shares at the balance sheet date.

According to Article 20 of the Federal Law on Stock Exchange and Security Trading, there was one notification published in 2022 for an acquisition of shares by a fund.

Detailed information regarding the above-mentioned or earlier publications can be found on the SIX Swiss Exchange website:

<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?companyId=TORNOS>

Tornos Holding Ltd is unaware of any shareholders' pact.

## 1.3 Cross-shareholdings

There are no cross-shareholdings.

## 2 Capital Structure

### 2.1 Capital

The Tornos Holding Ltd. share capital is as follows:

	31.12.2022			31.12.2021		
	No. of shares	Par value CHF	Share capital CHF	No. of shares	Par value CHF	Share capital CHF
Share capital	19 877 671	1.00	19 877 671	19 877 671	3.50	69 571 848.50
Authorized share capital	n/a	n/a	n/a	n/a	n/a	n/a
Conditional share capital	706 662	1.00	706 662	706 662	3.50	2 473 317.00

### 2.2 Authorized and conditional capital in particular

#### 2.2.1 Authorized capital

##### 2022

As at December 31, 2022, Tornos did not have any authorized capital.

##### 2021

As at December 31, 2021, Tornos did not have any authorized capital.

## 2.2.2 Conditional capital

### 2022

As at December 31, 2022, the share capital could have been increased by up to CHF 706 662.00, to the exclusion of the subscription right or priority subscription right of the shareholders, for good reasons (acquisition of shareholdings by employees), by issuing fully paid-up registered shares with a par value of CHF 1.00 each, up to a maximum of 706 662 shares with the said par value, through the exercise of option rights granted to members of the Board of Directors and to employees and contracted staff under an employee stock option scheme.

### 2021

As at December 31, 2021, the share capital could have been increased by up to CHF 2 473 317.00, to the exclusion of the subscription right or priority subscription right of the shareholders, for good reasons (acquisition of shareholdings by employees), by issuing fully paid-up registered shares with a par value of CHF 3.50 each, up to a maximum of 706 662 shares with the said par value, through the exercise of option rights granted to members of the Board of Directors and to employees and contracted staff under an employee stock option scheme.

## 2.3 Changes in capital

In 2022 the par value of the share of Tornos Holding Ltd has been reduced from CHF 3.50 down to CHF 1.00. The share capital decreased from KCHF 69 572 to KCHF 19 878. KCHF 44 762 were allocated to the Reserve from capital contribution and KCHF 4 932 were distributed to the shareholders. As of December 31, 2022 the share capital consisted of 19 877 671 ordinary registered shares with a par value of CHF 1.00 each.

There were no changes in share capital, authorized capital or conditional capital recorded in the year 2021.

<b>Share capital</b>	<b>Number of shares</b>	<b>Source of share capital</b>	<b>Par value (in CHF)</b>	<b>Share capital (in CHF 1000)</b>
<b>At December 31, 2020</b>	<b>19 877 671</b>		<b>3.50</b>	<b>69 572</b>
<b>At December 31, 2021</b>	<b>19 877 671</b>		<b>3.50</b>	<b>69 572</b>
<b>At December 31, 2022</b>	<b>19 877 671</b>		<b>1.00</b>	<b>19 878</b>



<b>Authorized capital</b>	Number of shares	Increase/ decrease in capital	Par value (in CHF)	Authorized capital (in CHF 1000)
<b>At December 31, 2020</b>	-	-	-	-
<b>At December 31, 2021</b>	-	-	-	-
<b>At December 31, 2022</b>	-	-	-	-

<b>Conditional share capital</b>	Number of shares	Increase/ decrease	Par value (in CHF)	Conditional capital (in CHF 1000)
<b>At December 31, 2020</b>	<b>706 662</b>		<b>3.50</b>	<b>2 473</b>
<b>At December 31, 2021</b>	<b>706 662</b>		<b>3.50</b>	<b>2 473</b>
<b>At December 31, 2022</b>	<b>706 662</b>		<b>1.00</b>	<b>707</b>

## 2.4 Shares and participation certificates

As at December 31, 2022, the ordinary share capital of Tornos Holding Ltd. amounted to CHF 19 877 671.00 and, was divided into 19 877 671 fully paid-up registered shares with a par value of CHF 1.00 per share, all having equal rights to dividends. There are no preferred shares or limitations with regard to voting rights. Each share corresponds to one vote ('one share, one vote').

There are no participation certificates.

## 2.5 Dividend-right certificates

There are no dividend-right certificates.

## 2.6 Limitations on transferability and nominee registration

Tornos Holding Ltd. has only one type of share. These shares are not subject to any restriction on transfer out of the ones for beneficiaries of shareholding plans for persons designated by the Board of Directors. See note 27 of the consolidated financial statements in the financial report with regard to the provisions of the share ownership plan in favor of individuals designated by the Board of Directors.

## 2.7 Convertible bonds and options

There are no convertible bonds. Shareholding plans for persons designated by the Board of Directors exist. See note 27 of the consolidated financial statements in the financial report with regard to the provisions of the share ownership plan in favor of individuals designated by the Board of Directors.

## 3 Board of Directors

### 3.1 Members of the Board of Directors

#### **François Frôté (1953), Swiss**

**Chairman | Appointed in 2002 | Term ends in 2023**

*Previous activities for Tornos: legal adviser | Committees: Remuneration Committee | Training - final qualification on completion of studies: lawyer, law degree, University of Bern, 1979 | Current directorships: Rollomatic Holding SA: Board member; Esco SA: Chairman; Bien-Air Holding SA: Board member; Azurée Holding SA: Chairman; Member of several further unlisted companies' Boards of Directors | Professional activities: Law offices of Frôté & Partner: Lawyer and Chairman (since 1979)*

#### **Walter Fust (1941), Swiss**

**Appointed in 2014 | Term ends in 2023**

*Previous activities for Tornos: none | Committees: Chairman of the Remuneration Committee; | Training - final qualification on completion of studies: Engineer ETHZ (Swiss Federal Institute of Technology Zurich), 1964 | Current directorships: Starrag Group Holding AG: Member of the Board; Immofust AG: Chairman | Otherbodies: Fraunhofer Institute IWU University of Chemnitz: Member of the council | Former professional activities: Dipl. Ing. Fust AG: Founder (1966); Jelmoli Holding AG: Board member (from 1997 to 2009, Chairman until 2007)*

#### **Michel Rollier (1959), Swiss**

**Appointed in 2002 | Term ends in 2023**

*Previous activities for Tornos: none | Committees: Remuneration Committee | Training - final qualification on completion of studies: EPFL (Swiss Federal Institute of Technology Lausanne) engineer, 1985 | Current directorships: Rollomatic Holding SA: Chairman; Rollomatic SA: Chairman; Azurée Holding SA: Board member; Esco SA: Board member | Professional activities: Rollomatic SA, various management functions in the Group (from 1989 to 2018)*

#### **Till Fust (1993), Swiss**

**Vice-Chairman | Appointed in 2019 | Term ends in 2023**

*Previous activities for Tornos: none | Committees: Remuneration Committee | Training - final qualification on completion of studies: Master in International Economics, Graduate Institute Geneva, 2020 | Current directorships: none | Professional activities: Solarify GmbH, Sales & Marketing Manager and Business Controller | Former professional activities: Kreislauf Bern, Co-Founder*

#### **2022**

*The Board of Directors comprises four members who are all non-executives. In 2022, there was no change in the composition of the Board of Directors. No member has close business relations with Tornos Holding Ltd or any Group company.*

#### **2021**

*The Board of Directors comprises four members who are all non-executives. In 2021, there was no change in the composition of the Board of Directors. No member has close business relations with Tornos Holding Ltd or any Group company.*

*None of these people was a member of the management of Tornos Group within the last 3 years.*

### **3.2 Other activities and vested interests**

*No member of the Board of Directors has a permanent or temporary managerial, supervisory or consultative role in any significant undertakings or interest group other than those mentioned on page 118. No member holds an official function or political office.*

### **3.3 Additionally for issuers subject to the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC)**

*The members of the Board of Directors may hold a maximum of five offices as directors or members of the senior management of another listed company.*

### **3.4 Election and terms of office**

*The Board of Directors of Tornos Holding Ltd. is made up of at least three members (currently four), all of whom are independent members with no executive function in the company. Members of the Board are elected individually by the General Meeting of Shareholders for a term that ends with the conclusion of the next ordinary General Meeting of Shareholders. They are eligible for reelection. The Chairman is elected by the General Meeting of Shareholders.*

*All members of the Board of Directors were elected members of the Remuneration Committee by the General Meeting of Shareholders for a term ending with the next ordinary General Meeting of Shareholders. The Remuneration Committee appointed Mr. Walter Fust as its Chairman.*

### **3.5 Internal organization**

*The Rules of Organization of Tornos Holding Ltd. lay down the regulations for the company's operation, which are published on the website:*

*[https://investors.tornos.com/sites/investors.tornos.com/files/data/governance/corporatedocuments/reglement\\_dorganisation\\_fe\\_2020-12-17.pdf](https://investors.tornos.com/sites/investors.tornos.com/files/data/governance/corporatedocuments/reglement_dorganisation_fe_2020-12-17.pdf)*

*In accordance with Article 16 of the Articles of Association, the Board of Directors will, with the exception of its Chairman, constitute itself. It chooses, if necessary, one or more Vice Chairmen, deputies, as well as the Secretary. The Secretary does not need to be a member of the Board of Directors.*

Due to the size and composition of the Board of Directors, it can offer advice and make decisions on all questions as a full Board of Directors and can therefore dispense with the creation of further committees, with the exception of the Remuneration Committee. However, it can transfer individual powers to an executive committee.

In the financial year, François Frôté held the office of Chairman. Till Fust was nominated Vice-Chairman. Stéphane Pittet (CFO) has acted as Secretary to the Board of Directors.

### 3.6 Definition of areas of responsibility

The authorities of the various internal bodies are as follows:

**The Board of Directors** has the following duties and competencies:

- To exercise overall management of the company and issue the necessary instructions, including the approval of company policy and strategy;
- To determine the company's organization;
- To establish the accounting, financial control and planning principles and approve the annual plans and budgets (including investments);
- To define the strategic objectives of Tornos Group;
- To appoint members of the General Management;
- To appoint and dismiss persons responsible for representing the company;
- To supervise the individuals entrusted with the management of the business, ensuring in particular that they comply with the provisions of law, and of the Articles of Association and regulations, and with the instructions issued;
- To convene the General Meeting of Shareholders and to prepare all matters falling within its remit, including preparation of the Financial Report and the remuneration report, Group accounts, annual financial statements and resolutions for the appropriation of profits, and to carry out the decisions of the General Meeting of Shareholders;
- To inform the court in the event of over-indebtedness;
- To decide on calls to be made on partly-paid shares;
- To record capital increases and amend the Articles of Association appropriately;
- To determine the financial policy;
- To set guidelines for the company's information policy;
- To approve operations with major legal implications, exceptional transactions or unbudgeted financial commitments, where potential foreseeable risks exceed CHF 1.0 million, and in particular:
  - Contracts with third parties in areas outside the company's normal sphere of business;
  - Decisions to enter new business sectors or abandon existing ones;
  - The acquisition or sale of minority shareholdings;
  - The acquisition or sale of shareholdings;
  - Decisions to commence or terminate legal acts, or to enter into negotiated settlements.
- To approve unbudgeted investments in excess of CHF 250 000;

- To decide on the issuance of public loans and other capital market transactions;
- To decide on the establishment and liquidation of subsidiaries, and the acquisition or disposal of majority shareholdings;
- To decide on the purchase, mortgaging or sale of properties where the amount of the individual transaction is in excess of CHF 1.0 million;
- To oversee the activity of the General Management and in particular the implementation of the Board's decisions;
- Where the law requires auditors to be used, to ensure that they have the requisite professional skill;
- To provide advice to the General Management in all cases where the Board of Directors or the General Management itself deem it necessary or appropriate;
- To assess the members of the General Management;
- To approve employment conditions that are not related to remuneration;
- To recruit members of the Board of Directors in view of proposals to the General Meeting of Shareholders.
- In relation to the professional financial management of the Group, the Board of Directors has the following competencies:
  - Proposal of the financial auditors to the General Assembly of Shareholders
  - Definition and interpretation of the accounting standards
  - Validating and drafting the Financial Report as well as the half-year report
  - Validates and structures transactions on the financial markets
  - Oversees compliance with directives of SIX
  - Oversees the work performed by the financial audit body
  - Oversees the management of the administration group and the financial operations.
  - Defines the financial strategy and dividend of the Tornos Group
  - Defines the strategy for the sustainability and oversee its application

*In cases where it is uncertain whether an issue falls within the remit of the General Management or the Board of Directors, the question is to be put to the Board of Directors for a ruling.*

*As far as is legally permitted, and subject to the responsibilities mentioned above, the Board of Directors delegates all aspects of management to the CEO. Accordingly, the CEO is responsible for all management and representation of the company. Hence, in matters falling within his remit, he will take the final decision.*

*In order to form a quorum, the majority of the members of the Board of Directors must be present at a meeting. If the votes are equal, the Chairman has the casting vote.*

*The Board of Directors meets as often as necessary, but at least four times a year. During 2022, eight meetings of varying duration were held, of which 2 conference calls. The Board of Directors regularly invited members of the General Management, as well as other members of the Management, to attend its meetings when the items on the agenda required their expertise.*

**The Chairman of the Board of Directors** has the following duties and competencies:

- To chair the General Meeting of Shareholders and meetings of the Board of Directors;
- To represent the Board of Directors in public and with authorities, shareholders and General Management;
- To brief the Board in a timely manner on all matters of importance to the company;
- To supervise the work of the General Management, and in particular the implementation of decisions of the Board of Directors;
- To advise the General Management;
- To carry out all tasks falling within his remit under the terms of the law, Articles of Association and Rules of Organization.

#### **Remuneration Committee**

Walter Fust (Chairman), François Frôté, Michel Rollier, Till Fust.

Under Article 8.2 of the Rules of Organization of Tornos Holding Ltd, the Remuneration Committee has the following duties:

- Definition and periodic review of the remuneration policy and principles, of goals and allowance criteria of further remuneration related to the results; periodic review in terms of their implementation and submission of related proposals and recommendations to the Board of Directors;
- Submission of proposals to the Board of Directors concerning the granting of remunerations to members of the Board of Directors and the General Management within the meaning of Article 14 al. 2 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares;
- Submission of proposals to the Board of Directors regarding the participation plan;
- Reviewing and preparing the remuneration report and presenting it to the Board of Directors as a whole;
- Defining and setting terms and conditions for the recruitment and compensation of members of the General Management;
- Defining the annual remuneration increases for the members of the General Management;
- Recommendations to the Board of Directors for the compensation arrangements of the Chairman of the Board and other directors.

The Remuneration Committee has to consist of at least two non-executive directors. The CEO is a permanent invitee of the Committee with consultative vote, and, lastly, the CFO may be invited to participate, with a consultative vote, either fully or partly in the Committee, depending on the decisions of the CEO. With respect to decisions, the rules also stipulate that in the event of an equally split vote on a decision, the Committee Chairman shall have the casting vote.

The Remuneration Committee convened one time in the course of 2022.

Mr. Michael Hauser (CEO) attended all meetings as a permanent guest.

*In particular, the following subjects were covered:*

- *Identification of the individuals to participate in the “Management and Board Participation Plan 2007 (MBP 07)”;*
- *Benchmarking the remuneration for the Board of Directors as well as for the General Management;*
- *Assessment and review of Management and senior staff salaries for 2023;*
- *Recommendations to the Board of Directors on the recruitment and selection of members of the General Management;*

*The minutes of committee meetings were distributed to the Board of Directors, who are all committee members.*

### **3.7 Information and control instruments vis-à-vis the General Management**

*At its meetings, the Board of Directors is regularly kept verbally informed by the General Management on the progress of business. In addition, a periodic management information system is in place, distributed to all members of the Board, whereby the most important indicators are compared on a weekly basis (orders received) and on a monthly basis written reports are issued, containing information on order intake, financials, supply chain management, and operations. Forecasts are compiled on a monthly basis and distributed to all members of the Board of Directors. The General Management also identifies and quantifies risks on an annual basis, defining appropriate preventive measures.*

## 4 General Management

### 4.1 Members of the General Management

#### **Michael Hauser (1961), Swiss, German**

##### **Chief Executive Officer | Appointed in 2011**

*Training - final qualification on completion of studies: Diplom-Kaufmann, University of Mannheim, 1988 | Current directorship: Schlatter Industries AG: Board member; Starrag Group Holding AG: Chairman of the Board | Other professional bodies: SWISSMEM, Board member and chairman of the "Machine tools and manufacturing technology" division; CECIMO "European Committee for Cooperation of the Machine Tool Industries", Swiss Delegate (Board member from 2007 until 2017, Chairman from 2009 to 2011) | Previous professional activities: Mikron AG, Nidau (CH): Managing Director (1996-2000); Agie Charmilles Group (CH): Head of Milling Division [Mikron Agie Charmilles AG (CH), Bostomatic Inc. (US) (2008-2010), Georg Fischer Ltd. (CH): President of GF AgieCharmilles and Member of the Executive Committee (2008-2010)*

#### **Stéphane Pittet (1973), Swiss**

##### **Chief Financial Officer | Appointed in 2021**

*Training-final qualification on completion of studies: Master in Business Administration, HEC, University of Lausanne | Previous professional activities: Interdica Ltd. (Richemont), Freiburg (CH): Various positions (from 1997-2001), Rado Watch Company Ltd. (Swatch Group), Lengnau (CH): Project Manager and Head of Procurement (2001-2005), Hamilton International & Endura Ltd. (Swatch Group), Biel (CH): Head of Operations (2006-2007), Swatch Group Ltd. (Headquarter), Biel (CH): Corporate Controller (2007-2011), Rado Watch Company Ltd. (Swatch Group), Lengnau (CH): Vice-President Finance and Operations (2011-2021)*

#### **Jens Thing (1964), Swiss, Danish**

##### **Chief Sales Officer | Appointed in 2020**

*Training-final qualification on completion of studies: Executive Master of business administration (MBA) University of Toronto, St. Gallen and Rotman School of Management Previous professional activities: Mikron Ltd., Nidau: Regional Sales Manager (1987-1994); Mikron Ltd., Hanover: Managing Director (1994-2000); Mikron Agie Charmilles Ltd., Nidau: Head of Marketing and Sales Support Milling (2000-2008); GF Agie Charmilles Management Ltd., Geneva: Head of Global Marketing (2008-2011), Head of Business Unit Services and Group Management Member (2011-2014); Haas Automation Europe NV, Brussels: Managing Director (2014-2020)*

*In accordance with the Tornos Group's organizational structure described above, General Management consists of two members plus Mr. Michael Hauser, who also acts as Chief Executive Officer.*



#### 4.2 Other activities and vested interests

No member of the General Management has a permanent or temporary managerial, supervisory or consultative role in any significant undertakings or interest groups, other than those mentioned on page 96. No member holds an official function or political office.

#### 4.3 Additionally for issuers subject to the OaEC

The Articles of Association of Tornos Group are published on the website:

[https://investors.tornos.com/sites/investors.tornos.com/files/data/governance/corporatedocuments/en\\_articles\\_of\\_association\\_tornos\\_holding\\_ltd\\_13.04.2022.pdf](https://investors.tornos.com/sites/investors.tornos.com/files/data/governance/corporatedocuments/en_articles_of_association_tornos_holding_ltd_13.04.2022.pdf)

#### 4.4 Management contracts

There are no management contracts with companies or individuals outside the Tornos Group.

#### Competencies

The **General Management** has the following duties and competencies:

- To manage the company in such a way as to ensure sound and sustainable development of the Tornos Group;
- To define the management tools to be used throughout the Group, in particular the planning, accounting, IT systems and internal control systems;
- To carry out regular analyses of company strategy and annual planning as well as their implementation; to submit proposals to the Board of Directors;
- To develop the corporate culture;
- To prepare all matters falling within the remit of the Board of Directors or its committees, and to implement their decisions;
- To approve job descriptions, instructions and guidelines issued within the organizational framework defined by the Board of Directors; approval of the job descriptions of members of the General Management is the responsibility of the Board of Directors;
- To enter into contracts with third parties where the interests of several divisions of the company are involved or where the contracts are of importance to the Group;
- In general, to take decisions within all areas of the company's activity, within the scope of its delegated authority;
- To introduce the innovation process and examine development projects to be submitted to the Board as a whole;
- To define the portfolio of products and markets for approval by the Board of Directors;
- To examine acquisitions and disposals;
- To propose innovations to the Board of Directors for approval;
- To introduce the policy as defined by the Board of director and to support the project leader for sustainability.

*The CEO's duties and responsibilities include overseeing the company; representing the General Management to the Board of Directors, to the public and before the authorities; submitting proposals to the Board of Directors on all matters falling within the latter's remit; and organizing and overseeing the General Management.*

*The CEO may delegate management to certain members of the General Management and other employees, as well as arrange for a deputy to represent him in case of absence, although this shall not absolve him from his responsibilities.*

## 5 Compensation, Shareholdings and Loans

### **Guidelines**

*The compensation paid to the members of the Board of Directors and the General Management during the 2022 financial year is shown in the remuneration report. It gives a complete picture of the principles and elements applied by the Tornos Group, and of the structure and responsibilities relating to compensation. It contains detailed information about the remuneration, shares and loans of the Board of Directors and the General Management.*

## 6 Shareholders' Participation Rights

### 6.1 Voting rights restrictions and representation

*In accordance with Article 10 of the Articles of Association, there are no voting restrictions, with each share entitling its owner to one vote. Under the Articles of Association, shareholders may only be represented at General Meetings of Shareholders by their legal representative, another shareholder with voting rights or the independent proxy.*

### 6.2 Quorums required by articles of association

*Apart from the quorums specified in Article 704 CO, in accordance with Article 11 of the Articles of Association a decision of the General Meeting of Shareholders adopted by at least two thirds of the votes attributed to the shares represented and an absolute majority of the par value represented is required for:*

- *modification of the Company purpose;*
- *creation of shares with preferred voting rights;*
- *restriction of the transferability of registered shares;*
- *restriction of the exercise of the right to vote and any modification or elimination of such restriction;*
- *an authorized or contingent increase in the capital stock;*
- *increasing the capital stock using own capital, on the basis of a contribution in kind or for the purpose of acquisition of assets and of a granting of special advantages;*
- *a limitation or elimination of preemptive subscription rights;*
- *moving the main office of the company;*
- *dissolution of the company.*

### **6.3 Convocation of the General Meetings of Shareholders**

*Convening General Meetings according to Article 8 of the Articles of Association must comply with statutory prescriptions.*

### **6.4 Inclusion of items on the agenda**

*Shareholders representing a nominal value of CHF 1 000 000 or more may demand that an item for discussion be entered on the agenda. They must submit their request at least 45 days before the General Meeting of Shareholders in writing, quoting the items to be discussed and the motions.*

### **6.5 Entries in the share register**

*Entries in the share register (register closing date) must be made at least 11 days before the General Meeting of Shareholders.*

## 7 Changes of Control and Defense Measures

### 7.1 Duty to make an offer

*The legal thresholds apply with regard to the obligation to submit a public offer.*

### 7.2 Clauses on changes of control

*In the event of a takeover, the lock-in period stipulated for shares and options under the employee share option schemes will become null and void. There are no other clauses relating to takeovers in favor of members of the Board of Directors and members of the General Management.*

## 8 Auditors

### 8.1 Duration of the mandate and term of office of the lead auditor

Since financial year 2006, the auditors of the holding company and Group have been PricewaterhouseCoopers Ltd., Neuchâtel. The auditors are appointed annually by the General Meeting of Shareholders. Mr. Gerhard Siegrist, Chartered Public Accountant, took over in 2020 the audit responsibility, this for a maximum period of 7 years. Every three to five years a call for tender is issued to duly qualified accountants. The decision is based on the quality of the bid, its presentation by the auditors who will be leading the assignment, and the proposed audit fee. Last call for tender has been made in 2022 for the Audit 2023, based on it the Board of Directors of Tornos recommend to re-elect PricewaterhouseCoopers Ltd. Audit services provided are evaluated on the basis of the written and oral reports provided by the auditors to the Board of Directors, and by feedback from management on the way the audits are conducted. The same procedure applies to the evaluation of additional non-audit services supplied.

### 8.2 Audit fees

The audit fees paid to PricewaterhouseCoopers Ltd. are as follows:

in CHF	2022	2021
Audit	189 000	176 000

### 8.3 Additional fees

The additional services paid to PricewaterhouseCoopers Ltd. are as follows:

in CHF	2022	2021
Other services	-	-

### 8.4 Information instruments pertaining to the external audit

The audit plan is submitted by the auditors to the Board of Directors for approval of the areas to be the object of particular scrutiny in the year under review. The Board of Directors also asks the auditors to carry out reviews of specific areas that are not included in the audit plan but for which particular reassurance is sought. PricewaterhouseCoopers Ltd. keeps the Board of Directors regularly advised of its activity, and participates in its meetings as required. In 2022, the auditors attended one meeting of the Board of Directors and submitted two reports to it. After the year-end financial closing, the Board of Directors examines, together with the auditors and in the presence of the CEO and CFO, the annual accounts of the holding and the Group together with the financial report.

## 9 Information Policy

*Tornos keeps its shareholders informed of the state of business and events relevant to the stock exchange through the annual and half-yearly reports and by way of media releases to the media. All important information can be consulted on the company's website at [www.tornos.com](http://www.tornos.com). The annual report containing information relating to the remuneration of members of the Board of Directors and the General Management may be downloaded via the following <http://investors.tornos.com/ar22>*

*One institute is currently publishing reports on Tornos' business performance:*

- *Research Partners, Robin Seydoux*

*No hard copy of the Annual Report is being dispatched.*

***The Corporate Governance report is only available in English.***

### **Financial calendar**

05.04.2023

*Annual General Meeting*

26.07.2023

*Publication Mid-Year Report 2023*

17.01.2024

*Publication order intake and sales 2023*

04.03.2024

*Publication Annual Report 2023 | Financial Report 2023*

04.03.2024

*Media and analysts' conference*



### **Contact addresses**

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