

TORNOS

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*Agenda of the
Annual General Meeting
on April 13, 2022*

Including excerpts of Annual Report 2021

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Forward-looking statements

This document contains forward-looking statements in relation to the Tornos Group which are based on current assumption and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated.

Tornos Annual Report and Financial Report 2021 can be downloaded from the Tornos website: <https://investors.tornos.com>

Responsible for the contents

Tornos Holding Ltd, Moutier, Switzerland

Concept

Zoebeli Communications Ltd, Bern, Switzerland

Design

Luidspreker-Creative Studio, Venlo, Netherlands

Printing

Pressor Ltd, Delémont, Switzerland

Key Figures

Tornos Group

In CHF 1 000 ¹⁾	2021	2020	Difference	Difference in %
Order intake	204 612	97 984	106 628	108.8%
Net sales	171 488	103 388	68 099	65.9%
EBITDA ²⁾	24 625	-23 576	48 201	n/a
<i>in % of net sales</i>	14.4%	-22.8%		
EBIT ²⁾	20 581	-27 685	48 267	n/a
<i>in % of net sales</i>	12.0%	-26.8%		
Net result	20 329	-29 852	50 180	n/a
<i>in % of net sales</i>	11.9%	-28.9%		
Cash flow from operating activities	30 285	-3 440	33 725	n/a
Cash flow from investing activities	474	304	170	55.9%
Free cash flow ²⁾	30 759	-3 136	33 895	n/a
	31.12.2021	31.12.2020		
Net cash ²⁾	26 631	-4 992	31 623	n/a
Total equity	98 768	77 927	20 841	26.7%
<i>in % of total balance sheet</i>	68.2%	60.8%		
Total balance sheet	144 914	128 176	16 738	13.1%
Employees (full-time equivalents) ³⁾	640	603	37	6.1%

1) Unless otherwise stated

2) Non-GAAP Financial indicator, see Financial Report 2021, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)

3) Without apprentices

Dear Shareholders,

We are very pleased to report highly gratifying results for fiscal year 2021. Following an extremely difficult 2020, in which our business was at times almost paralyzed worldwide, we achieved massive growth in both order intake and sales. This applies to all our product groups and sales markets. Throughout the year, all our production plants ran at full capacity. The relatively high inventory levels at the beginning of the year greatly helped us to meet our customers' desired delivery times. This was particularly important given the frequent interruptions in the global supply chain for raw materials and vendor products. The regulations and precautionary measures necessitated by the Covid-19 pandemic made business even more difficult. In many countries, machine installations and service calls were only possible with great additional effort.

Despite the difficult operating environment, our Group also managed to significantly improve profitability. This was due to the massive increase in sales and also because of the significantly improved cost structure in place since 2020. The write-back of value adjustment provisions owing to the reduction in inventories likewise had a significant impact on our EBIT for 2021.*

Due to the gratifying cash flow, Tornos was able to repay the shareholder loan and the foreign Covid-19 loans. By the end of 2021, the Tornos Group was almost completely debt-free.

Significant growth in all sales markets

In 2021, the Tornos Group achieved significant growth in all its sales markets. This applies in particular to the medical and dental technology industry, which accounts for a 24.1% share of net sales. Tornos' leading role in this market was emphasized in the year under review when the renowned MedTech Outlook Magazine presented Tornos with the "Top Medical Device Manufacturing Companies in Europe 2021" award.

* Non-GAAP financial indicator, see Financial Report 2021, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)

In the automotive industry, which was by far the most important market for Tornos until 2018, the company also regained its former strength. It is worth noting that in the automotive segment, only a small part of Tornos' sales is still directly related to the combustion engine. Many new Tornos machines are used for the production of brake systems, wiper motors, connectors for electric motors, and various ready-made parts.

Outlook

It is still very difficult to provide an outlook in view of the continuing major uncertainties. Following the pleasing business performance in 2021, Tornos started the new financial year in good shape with a good order backlog and continued strong demand for its products. The Group's product portfolio is excellently geared to customer needs. With its steadily expanding services, its flexible structure, and its broad diversification in various industries and geographical markets, the Group is very well equipped for the future. Tornos is considerably more independent of the market cycles typical for the industry than in the past. However, the impact of the ongoing global shortage of raw materials on purchase prices and thus on the EBIT margin in the current year remains difficult to assess.

Based on Art. 27 of Federal Council Ordinance 3 on measures to combat the coronavirus (Covid-19) of June 19, 2020, which has been extended until the end of 2022, the Board of Directors of Tornos Holding S.A. has decided the following:

The Annual General Meeting of Tornos Holding S.A. will be held on April 13, 2022, without shareholders attending in person. The rights can be exercised by granting a power of attorney and instructing the independent proxy, Roland Schweizer, Notary, Etude Schweizer, Rue Centrale 42, 2740 Moutier, accordingly.

You may also use electronic means to grant power of attorney and issue instructions to the independent proxy. Please refer to the reply form for instructions on how to vote electronically.

Shareholders who go to the venue regardless of the above will unfortunately not be granted admission for the above reasons.



François Frôté
Chairman of the Board of Directors

Moutier, March 2022

Agenda and Proposals of the Board of Directors

1. Welcome by the Chairman

2. Management report of the Board of Directors, consolidated financial statements of the Group and financial statements for financial year 2021; report of the statutory auditors on the consolidated financial statements and the financial statements.

Proposal of the Board of Directors:

- *To approve the management report, the consolidated financial statements and the financial statements for financial year 2021.*

3. Proposal on the appropriation of the net result 2021

Proposal of the Board of Directors:

- *To carry forward to new account the net result for 2021 of CHF -42 962 177.72*

4. Reduction of share capital

Proposal of the Board of Directors:

- *Reduce the share capital by CHF 49 694 177.50, i.e. from CHF 69 571 848.50 to CHF 19 877 671.00, by reducing the par value of all registered shares from CHF 3.50 to CHF 1.00*
- *Amendment of the articles of association as follows:*

Previous wording

Art. 3, para. 1, capital stock

The capital stock of the Company is CHF 69 571 848.50 divided into 19 877 671 registered shares with a par value of CHF 3.50 each. The capital stock has been fully paid in.

Art. 3a, para. 1, conditional capital

The capital stock is augmented to the extent of CHF 2 473 317.00, with exclusion of subscription rights or, respectively, preemptive subscription rights of the shareholders for good cause (employees share ownership), by means of the issuance of registered shares, to be fully paid in, at a par value of CHF 3.50, of up to 706 662 shares, at a par value of CHF 3.50 each, for a maximum amount of CHF 2 473 317.00, by means of exercise of the option rights granted to the members of the Board of Directors and to freelance workers or employees of the Company within the context of an employee share ownership plan.

- Inflow of CHF 44 724 759.75 to the legal reserve from capital contributions and tax-free repayment to the shareholders of CHF 0.25 per share, i.e. for a maximum amount of CHF 4 969 417.75 at the time the reduction of capital is entered in the commercial register (subject to the procedure for notifying creditors).

Explanation:

The Board of Directors has ascertained that the par value of the share capital no longer corresponds to the Company's balance sheet structure. It will therefore propose to the shareholders that the share capital be reduced from CHF 69 571 848.50 to CHF 19 877 671.00 by reducing the par value of the registered shares issued from CHF 3.50 to CHF 1.00.

New wording

Art. 3, para. 1, capital stock

The capital stock of the Company is CHF 19 877 671.00 divided into 19 877 671 registered shares with a par value of CHF 1.00 each. The capital stock has been fully paid in.

Art. 3a, para. 1, conditional capital

The capital stock is augmented to the extent of CHF 706 662.00, with exclusion of subscription rights or, respectively, preemptive subscription rights of the shareholders for good cause (employees share ownership), by means of the issuance of registered shares, to be fully paid in, at a par value of CHF 1.00, of up to 706 662 shares, at a par value of CHF 1.00 each, for a maximum amount of CHF 706 662.00, by means of exercise of the option rights granted to the members of the Board of Directors and to freelance workers or employees of the Company within the context of an employee share ownership plan.

The inflow of CHF 44 724 759.75 to the legal reserve from capital contributions and the tax-free repayment to the shareholders of CHF 0.25 per share will be made after the reduction of capital has been entered in the commercial register. They are thus subject to the result of the procedure for notifying creditors.

5. Discharge of the members of the Board of Directors and of the General Management

Proposal of the Board of Directors:

- To grant discharge to the members of the Board of Directors for their activities during financial year 2021.
- To grant discharge to the members of the General Management for their activities during financial year 2021.

6. Election to the Board of Directors

Proposal of the Board of Directors:

- To re-elect Mr. François Frôté as director for a term of office to terminate at the end of the next regular general meeting of shareholders.
- To re-elect Mr. Michel Rollier as director for a term of office to terminate at the end of the next regular general meeting of shareholders.
- To re-elect Mr. Walter Fust as director for a term of office to terminate at the end of the next regular general meeting of shareholders.
- To re-elect Mr. Till Fust as director for a term of office to terminate at the end of the next regular general meeting of shareholders.

7. Election of the Chairman of the Board of Directors

Proposal of the Board of Directors:

- To re-elect Mr. François Frôté as Chairman of the Board of Directors for a term of office to terminate at the end of the next regular general meeting of shareholders.

8. Election to the Remuneration Committee

Proposal of the Board of Directors:

- To re-elect Mr. François Frôté as member of the Remuneration Committee for a term of office to terminate at the end of the next regular general meeting of shareholders.
- To re-elect Mr. Michel Rollier as member of the Remuneration Committee for a term of office to terminate at the end of the next regular general meeting of shareholders.
- To re-elect Mr. Walter Fust as member of the Remuneration Committee for a term of office to terminate at the end of the next regular general meeting of shareholders.
- To re-elect Mr. Till Fust as member of the Remuneration Committee for a term of office to terminate at the end of the next regular general meeting of shareholders.

9. Election of the Independent Representative

Proposal of the Board of Directors:

- To re-elect Mr. Roland Schweizer, Notary in Moutier, as Independent Representative for a term of office to terminate at the end of the next regular general meeting of shareholders.

10. Election of the statutory auditors

Proposal of the Board of Directors:

- To re-elect PricewaterhouseCoopers SA, Neuchâtel, as statutory auditors for a term of office to terminate at the end of the next regular general meeting of shareholders.

11. Approval of remuneration

Proposal of the Board of Directors:

- To approve the total amount of the Board of Directors' remuneration of CHF 500 000 and a maximum of 40 000 options for the period running up to the 2023 regular general meeting of shareholders
- To approve the total amount of the General Management's fixed and variable remuneration of CHF 1 500 000 and CHF 800 000 respectively, and a maximum of 150 000 options for the period running up to the 2023 regular general meeting of shareholders.

Remarks

The share register will be closed for registrations from April 4, 2022, up to and including April 13, 2022. Every shareholder entered in the share register of Tornos Holding S.A. on April 1, 2022, is entitled to vote.

Financial report

The financial report is available for download from our homepage under the following path: <https://investors.tornos.com>

Written voting

Please use the instruction form on the back of the reply form to instruct the independent proxy.

The deadline for issuing a written proxy and submitting your voting instructions is April 12, 2022, 12.00 p.m. (received by ShareCommService AG, Europastrasse 29, CH-8152 Glattbrugg).

Electronic voting

You can give a proxy and voting instructions to the independent representative electronically. The deadline for granting a proxy and submitting your voting instructions electronically is April 11, 2022 at 3.00 p.m.

You will find instructions for electronic voting in the attached reply form.

Moutier, March 4, 2022

On behalf of the Board of Directors

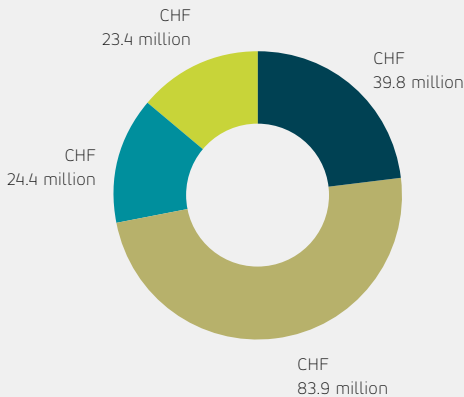


François Frôte
Chairman of the Board of Directors

Net sales of the Tornos Group

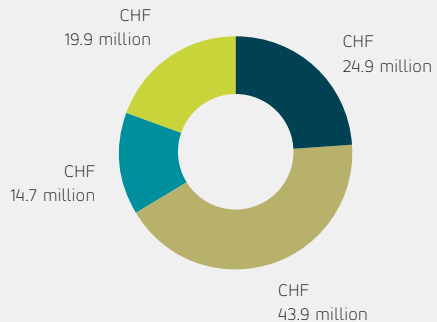
2021

CHF 171.5 million



2020

CHF 103.4 million



● Switzerland ● Rest of Europe ● Americas ● Asia

Excerpt from Management Report 2021

Order intake and backlog

At CHF 204.6 million, the Tornos Group's order intake in fiscal 2021 was 108.8% higher than the previous year's figure (CHF 98.0 million). All market segments and machine types contributed to the marked improvement.

In 2019, order intake from the automotive industry—by far Tornos' most important market segment for many years—collapsed completely. Demand from this segment recovered significantly in 2021. With a share of 19.5%, the automotive industry is again well established in second place in the market mix. Medical and dental technology is still at the top with a share of 24.8%, followed by electronics with 10.5%, the watchmaking industry with 8.6%, the pneumatics and hydraulics market segment with 6.5%, and the lock industry with 3.2%. In 2021, 20.1% of order intake for Tornos came from subcontractors (known as job shops) that supply parts to several of the industries mentioned above.

In the year under review, Tornos was able to massively increase order intake both for the machines manufactured in Switzerland (higher price segment) and for the machines manufactured in China and Taiwan (medium and lower price segments).

At CHF 59.3 million, the Tornos Group's order backlog at the end of December 2021 was markedly above the level at the end of 2020 (CHF 27.2 million).

Gross profit

The Tornos Group's gross profit rose by CHF 54.5 million to CHF 66.4 million in 2021 compared to the previous year (2020: CHF 11.9 million). CHF 44.6 million of this increase was volume-related. The write-back of value adjustment provisions contributed CHF 9.8 million to the margin improvement. A negative impact on operating income was caused by the price increases for raw materials and certain vendor parts, which were very high in some cases and could not be passed on in full.

The gross margin for the year under review was 38.7% (2020: 11.5%).

EBITDA* and EBIT*

Earnings before financial expenses, tax, depreciation, and amortization (EBITDA*) came to CHF 24.6 million for 2021 (previous year: CHF -23.6 million). The EBITDA margin was 14.4% (previous year: -22.8%). Earnings before financial expenses and tax (EBIT*) amounted to CHF 20.6 million (previous year: CHF -27.7 million), resulting in an EBIT margin of 12.0% (previous year: -26.8%).

EBITDA* and EBIT* for 2021 also include the write-back of value adjustment provisions in the amount of CHF 9.8 million, and CHF 0.7 million from the book gain on the property sale in the UK. Excluding these effects, the EBITDA margin would have been 8.2% and the EBIT margin 5.9%. The impact of exchange rates was immaterial for EBIT* in 2021.

Net result

The net result for 2021 came to CHF 20.3 million (previous year: CHF -29.9 million). The margin was 11.9% (previous year: -28.9%). Excluding the write-back of value adjustment provisions, the net result margin would be 6.1%.

Cash flow

Cash flow from operating activities came to CHF 30.3 million in fiscal 2021 (previous year: CHF -3.4 million). The position "Disposal of property, plant and equipment" includes the sale of the property of the company's former sales organization in the United Kingdom. This was transferred to a national reseller in the first half of the year. Investments in 2021 amounted to CHF 0.5 million (2020: CHF 1.2 million). These cash flows resulted in free cash flow* of CHF 30.8 million in 2021 (2020: CHF -3.1 million). The free cash flow* was used to repay the shareholder loan and the foreign Covid-19 loans. By the end of 2021, the Tornos Group was almost debt-free.

Changes in the General Management

At the beginning of September 2021, Stéphane Pittet took over his role as Chief Financial Officer (CFO) and member of the General Management of the Tornos Group. The 48-year-old holds an MBA and has broad experience in finance and controlling, strategy development, human resources, and information technology, gained in various management positions at Swatch Group and Richemont.

* Non-GAAP financial indicator, see Financial Report 2021, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)

Consolidated Financial Statements

Income Statement

In CHF 1 000	Notes	2021	2020
Net sales	29	171 488	103 388
Cost of sales	6	-105 134	-91 466
Gross profit		66 354	11 922
<i>in % of net sales</i>		38.7%	11.5%
Marketing and sales	6	-25 117	-22 426
General and administrative expenses	6	-15 440	-15 615
Research and development	6	-5 977	-5 248
Other income	8	268	395
Other expense	8	-89	-91
Operating expenses		-46 355	-42 985
Operating result		19 999	-31 063
<i>in % of net sales</i>		11.7%	-30.0%
Financial income	9	5	41
Financial expense	9	-216	-141
Exchange result, net	10	278	-1 664
Ordinary result		20 066	-32 827
Non-operating result	11	582	3 378
Earnings before income taxes		20 648	-29 449
Income taxes	12	-319	-403
Net result		20 329	-29 852
<i>in % of net sales</i>		11.9%	-28.9%
Thereof attributable to shareholders of Tornos Holding Ltd.		20 329	-29 852
Thereof attributable to minority interests		-	-
Result per share	28		
- basic (CHF per share)		1.03	-1.52
- diluted (CHF per share)		1.03	-1.52
Additional information (in CHF 1 000)			
EBITDA*		24 625	-23 576
<i>in % of net sales</i>		14.4%	-22.8%
Depreciation and amortization	18, 19	-4 044	-4 109
EBIT*		20 581	-27 685
<i>in % of net sales</i>		12.0%	-26.8%

The complete Consolidated Financial Statements with accompanying notes can be found in the Tornos Financial Report 2021. Download: <https://investors.tornos.com>

* Non-GAAP financial indicator, see Financial Report 2021, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)

Consolidated Balance Sheet

In CHF 1 000	Notes	31.12.2021	in %	31.12.2020	in %
Assets					
Cash and cash equivalents	13	26 778		17 329	
Trade receivables	14	18 258		12 244	
Inventories, net	15	74 295		69 375	
Other short-term receivables	16	2 153		2 276	
Prepayments and accrued income	17	1 706		1 572	
Total current assets		123 190	85.0%	102 796	80.2%
Property, plant and equipment	18	20 577		24 067	
Intangible assets	19	603		943	
Deferred tax assets	20	545		370	
Total non-current assets		21 724	15.0%	25 380	19.8%
Total assets		144 914	100.0%	128 176	100.0%
Liabilities and equity					
Interest bearing borrowings	21	75		2 195	
Trade payables		19 168		8 722	
Current tax liabilities		347		43	
Other liabilities	22	15 667		9 463	
Accrued liabilities and deferred income	23	7 005		5 673	
Provisions	24	2 524		2 030	
Total current liabilities		44 786	30.9%	28 126	21.9%
Interest bearing borrowings	21	72		20 126	
Retirement benefit obligations	25	1 055		1 829	
Provisions	24	233		112	
Deferred tax liabilities	20	-		56	
Total non-current liabilities		1 360	0.9%	22 123	17.3%
Total liabilities		46 146	31.8%	50 249	39.2%
Share capital	26	69 572		69 572	
Capital reserve		40 035		40 035	
Treasury shares	26	-1 386		-1 875	
Retained earnings		-28 956		696	
Currency translation adjustments		-826		-649	
Net result		20 329		-29 852	
Equity attributable to shareholders of Tornos Holding Ltd.		98 768	68.2%	77 927	60.8%
Minority interests		-		-	
Total equity		98 768	68.2%	77 927	60.8%
Total liabilities and equity		144 914	100.0%	128 176	100.0%

Consolidated Statement of Cash Flows

In CHF 1 000	Notes	2021	2020
Net result		20 329	-29 852
Adjustments for expenses and incomes not affecting cash:			
<i>Income taxes</i>	12	319	403
<i>Depreciation of property, plant and equipment</i>	18	3 468	3 508
<i>Amortization of intangible assets</i>	19	576	601
<i>Result on disposal of property, plant and equipment</i>	18, 19	-671	-3 279
<i>Share-based compensation</i>	27	466	581
<i>Retirement benefit obligations</i>	25	-790	-242
<i>Allowance and write-offs on inventories</i>	15	-8 953	17 989
Interest expense	9	41	19
Interest income	9	-5	-43
Income taxes paid		-14	-408
Changes from operating cash flow before changes in net working capital		14 766	-10 723
Changes in net working capital			
<i>Thereof trade receivables</i>		-5 890	4 397
<i>Thereof other assets and prepayments</i>		-116	1 785
<i>Thereof inventories</i>		4 915	13 720
<i>Thereof trade payables</i>		10 282	-14 272
<i>Thereof other current liabilities and provisions</i>		6 328	1 653
Cash flow from operating activities		30 285	-3 440
Investment in property, plant and equipment			
Investment in property, plant and equipment	18	-530	-1 206
Disposal of property, plant and equipment	18	1 235	2 058
Investment in intangible assets	19	-236	-591
Interests received	9	5	43
Cash flow from investing activities		474	304
Free cash flow*			
		30 759	-3 136
Repayments of borrowings, including finance lease liabilities			
Repayments of borrowings	21	-21 694	-135
Proceeds from borrowings		-	7 122
Purchase of minority in Tornos (Xi'an) Machine Works Co., Ltd.		-	-711
Proceeds from sale & purchase of treasury shares	26	270	-
Interests paid	9	-41	-19
Cash flow from financing activities		-21 465	6 257
Net cash flow		9 294	3 121
Cash and cash equivalents and bank overdrafts at beginning of year			
		17 329	14 440
Effects of exchange rate changes			
		155	-232
Cash and cash equivalents and bank overdrafts at end of the year		26 778	17 329

The complete Consolidated Financial Statements with accompanying notes can be found in the Tornos Financial Report 2021. Download: <https://investors.tornos.com>

* Non-GAAP financial indicator, see Financial Report 2021, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)

Executive Bodies

Board of Directors

From left to right:

Walter Fust

Appointed in 2014 / Term ends in 2022

François Frôté, Chairman

Appointed in 2002 / Term ends in 2022

Michel Rollier

Appointed in 2002 / Term ends in 2022

Till Fust, Vice-Chairman

Appointed in 2019 / Term ends in 2022

General Management

From left to right:

Jens Thing

Chief Sales Officer

Michael Hauser

Chief Executive Officer

Stéphane Pittet

Chief Financial Officer



We keep you turning

tornos.com

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Tornos
throughout
the world

