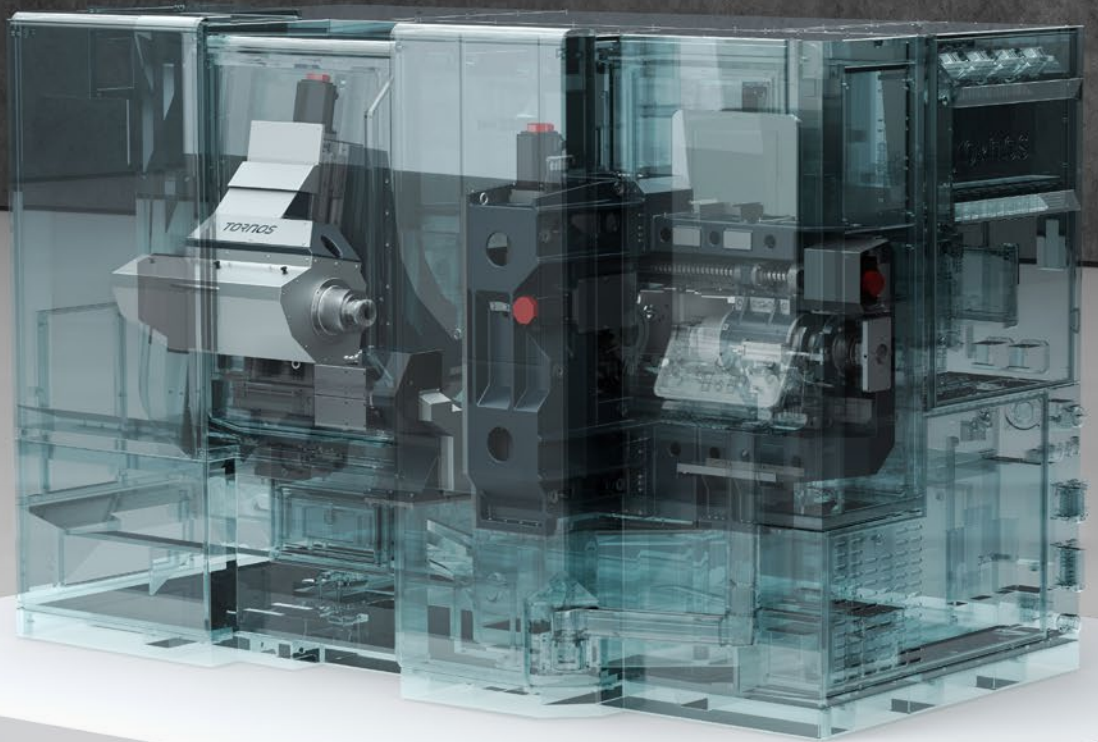


# TORNOS



## *Annual Report 2020*

*Tornos Group*



# Key Figures

## Tornos Group

In CHF 1 000*	2020	2019	Difference	Difference in %
<b>Order intake</b>	<b>97 984</b>	<b>135 498</b>	-37 514	-27.7%
<b>Net sales</b>	<b>103 388</b>	<b>205 309</b>	-101 921	-49.6%
<b>EBITDA**</b>	<b>-23 576</b>	<b>10 741</b>	-34 317	n/a
<i>in % of Net sales</i>	-22.8%	5.2%		
<b>EBIT**</b>	<b>-27 685</b>	<b>6 431</b>	-34 116	n/a
<i>in % of Net sales</i>	-26.8%	3.1%		
<b>Net result</b>	<b>-29 852</b>	<b>5 926</b>	-35 778	n/a
<i>in % of Net sales</i>	-28.9%	2.9%		
<b>Cash flow from operating activities</b>	<b>-3 440</b>	<b>-26 992</b>	-23 552	n/a
<b>Cash flow from investing activities</b>	<b>304</b>	<b>-4 590</b>	4 894	n/a
<b>Free Cash flow**</b>	<b>-3 136</b>	<b>-31 582</b>	28 446	n/a
	<b>31.12.2020</b>	<b>31.12.2019</b>		
<b>Net cash**</b>	<b>-4 992</b>	<b>-874</b>	-4 118	n/a
<b>Total equity</b>	<b>77 927</b>	<b>107 809</b>	-29 882	-27.7%
<i>in % of total balance sheet</i>	60.8%	64.4%		
<b>Total balance sheet</b>	<b>128 176</b>	<b>167 507</b>	-39 331	-23.5%
<b>Employees (full-time equivalents)***</b>	<b>603</b>	<b>729</b>	-126	-17.3%

\* Unless otherwise stated

\*\* Non-GAAP financial indicator, see Financial Report 2020, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)

\*\*\* Without apprentices

# A positive trend in demand in the fourth quarter

## Dear Shareholder,

Our Group looks back on a very difficult financial year that saw a sharp decline in orders and sales. The COVID-19 crisis hit us hard at the start of the year, at a time when the structural collapse in the automotive industry demand had already heavily impacted our business. Nevertheless, we are well equipped to face the future. During the year under review, we have achieved significant savings and adapted our cost structure to the new market conditions. Our Swiss-type automatic lathes and multispindle machines are at the forefront of global technology, as is our scalable machine programming and communication software TISIS. We have the right product mix: Alongside our premium-priced machines made in Switzerland, we also have mid- and lower-priced options from our production plants in Taiwan and China. Thus, we are comprehensively prepared for a future market recovery. The favorable trend in demand in the fourth quarter of 2020 is also encouraging, which led to a slight expansion of our order book from mid-2020 to the end of the year.

While in the first half of the year the order decline affected practically all of our product groups and markets equally, in the second half we achieved a significant increase in order intake in Asia and North America. In China we actually grew sales by 40% over the previous year. We identified positive demand trends for our equipment in the locking systems, watch, micromechanics, and medical technology industries in the last quarter. A slight recovery in demand from the automotive industry is likewise welcome.

The Services segment was especially hard hit by the travel restrictions resulting from the COVID-19 pandemic. Each subsegment—service, refurbishing, used machine sales and replacement parts sales—recorded significantly lower revenue than in the prior year.

Overall, the Group achieved order intake of CHF 98.0 million (2019: CHF 135.5 million) and net sales of CHF 103.4 million (2019: CHF 205.3 million) in the year under review.

### Massive reduction in costs

Rigorous saving measures in the year under review yielded a sizeable reduction in expenses to the tune of CHF 38.9 million per year. At the same time, net income was sharply burdened by the increase in allowance for inventories (CHF 18.3 million), necessitated by slower stock turnover and lower consumption. The sale of the factory building in Rue de l'Ecluse in Moutier contributed CHF 3.2 million to the bottom line. Should sales begin to revive and inventories be reduced at some point in the future, provisions could likewise be written back accordingly, which will be reflected in net profit. The operating result (EBIT\*) for 2020 came to CHF -27.7 million (2019: CHF 6.4 million), the net result to CHF -29.9 million (2019: CHF 5.9 million). Without the allowance for inventories, EBIT\* for 2020 would be CHF -9.4 million. Thanks to a significant reduction in base costs, the Group heads into 2021 with improved liquidity.

\* Non-GAAP financial indicator, see Financial Report 2020, pages 4 and 5



# Tornos has adjusted capacity and cost structure in response to the changed market situation.

## Further enhancement of flexibility

In Moutier, both the centralization of production at the main site on Rue Industrielle and the renovation of the office building with a new reception center and conference rooms are now complete. A portion of the warehouse infrastructure including associated logistics is now operated by a third-party specialist, enhancing flexibility within our organization. In October we dedicated a new plant in Xi'an, China. Tornos machines are developed and manufactured there, chiefly for the Chinese market. The production start has gone well. The plant has been a major factor in a noticeable expansion of the Group's sales in China. Due to COVID-19 restrictions, Tornos Italy had to postpone the dedication ceremony for the new customer center in Milan from May to October.

## Management changes

During the year under review, the Group undertook management changes in response to current market conditions. The former Head of Global Supply Chain Management, Luc Widmer, returned to the post of Chief Financial Officer (CFO)

of Tornos in September 2020, a position he previously held from 2012 to 2015. At the end of February 2021, he decided to leave the Tornos Group at the end of August 2021 to take up a new professional challenge. The Board of Directors and the General Management would like to thank Luc Widmer already today for his great commitment during the past eight years in various management functions of the Tornos Group. The search for a suitable successor has already been started.

In November 2020, Jens Thing joined the Group as Chief Sales Officer and a new member of General Management. The 56-year-old Dane will continue developing and further augmenting the effectiveness of Tornos's global sales organization. Jens Thing has had close ties with Switzerland for 30 years. He holds a Master's in business administration (MBA) and has considerable international management experience in the machine tool industry.

## Distribution to shareholders

In light of current economic conditions, the Board of Directors will not recommend distribution of a dividend.

## Outlook for 2021

During the past year, the Group has adjusted capacity and cost structure in response to the changed market situation, leaving it well equipped to face 2021. Moreover, the available inventory provides the Group with considerable flexibility to respond quickly to any demand surge that may emerge in the current year. Given the continuing unpredictable impacts of the pandemic, a detailed forecast for 2021 is not currently possible.



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



**Michael Hauser**  
President and Chief  
Executive Officer

Moutier, March 2021

# Management Report

The COVID-19 crisis hit the Tornos Group hard at the start of 2020. Together with the structural collapse in demand from the automotive industry, this had a massive impact on the Group's order intake and sales. Tornos responded promptly with rigorous cost-cutting measures and adjustments to adapt the cost structure to the new market conditions. Thanks to lathes and machines featuring cutting-edge technology and to a product mix covering a broad price-performance spectrum, Tornos is well-equipped for a future market recovery. The favorable trend in demand in the fourth quarter of 2020 and the slight increase in the order backlog since mid-2020 are encouraging signs.

## The COVID-19 pandemic

The COVID-19 pandemic has affected the various Tornos locations in different ways. In China, a lockdown was imposed as early as late January. The plant in Xi'an was idle during February, with work resuming in March. There was no lockdown at the production site in Taichung, Taiwan. East Asian countries were largely spared extensive disruptions in the workday routine during the second half of the year. In Europe, national governments imposed strict measures between mid-March and mid-May and again in November and December, some of which resulted in work stoppages. In the United States, similar measures were introduced at a relatively late stage. Many of these restrictions were still, or again, in effect at the start of 2021.

Measures Tornos has taken in response to the COVID-19 crisis include:

- Implementing short-time work or reduced hours with wage savings. The systems applied vary widely from country to country.
- No dividend distribution for the 2019 fiscal year
- Applying for COVID-19 loans, which have thus far been used only outside of Switzerland
- Capacity adjustments
- Rigorous cost-cutting measures in all areas
- Extensive protective measures for employees at all locations

Fortunately there were no serious COVID-19 cases in the Tornos workforce during the year under review. Further information on COVID-19 measures can be found in the Financial Report 2020 (Note 4.2, Impact of COVID-19 pandemic).

## Order intake and backlog

At CHF 98.0 million, the Tornos Group's order intake in fiscal 2020 was 27.7% below the previous year's figure (CHF 135.5 million). While orders in Europe, with the exception of a few east European countries, were significantly lower throughout the year than in 2019, in the United States a rise in demand in the second half offset the collapse in the first. In the Asia region, Tornos actually managed to exceed the previous year's figure.

In percentage terms, the automotive industry—Tornos' biggest market segment by far until 2018—showed a slight recovery. Thanks to an uptick in demand in the second half, this segment contributed 13.1% of total order intake for machines in the year under review (previous year: 8.6%).

The share for medical and dental technology fell from 28.4% to 21.3% for the same period. Portions of this market segment were also hard-hit by the COVID-19 crisis, as numerous medical procedures had to be postponed and the corresponding investments were deferred in many areas. The percentage share of the electronics market segment declined from 16.3% to 7.3%. This is another industry where many investment plans have been shelved. The same is true of the micromechanics market segment including watchmaking, albeit to a lesser extent. Although its percentage share rose from 9.6% to 11.9%, the value of orders fell in absolute figures. The remaining 46.4% (previous year: 37.1%) came from subcontractors (known as job shops) that supply parts to the four industries mentioned above and from smaller industries such as aviation, pneumatics, and hydraulics. A major order from the aviation industry contributed 6.3% of Tornos' total order intake in 2020.

In less favorable economic times, Tornos generally sells more machines from its Asian production facilities, which occupy the middle and lower price segments. Customers often postpone investments in machines in the higher price segment, such as those Tornos produces in Moutier, until better times. Thus nearly 60% of machines (by unit volume) sold by Tornos in 2020 were built at the production sites in China and Taiwan.

At CHF 27.2 million, the Tornos Group's order backlog at the end of December 2020 was below its level at the end of 2019 (CHF 34.2 million), but still CHF 7.0 million higher than on June 30, 2020 (CHF 20.2 million).

### **Net sales**

Tornos generated net sales of CHF 103.4 million in the year under review (2019: CHF 205.3 million, -49.6%). At constant exchange rates, net sales would have been CHF 106.0 million (-48.4% compared to 2019). In the Group's home market of Switzerland, net sales of CHF 24.9 million were CHF 21.9 million below the previous year's figure (-46.8%). In the rest of Europe, net sales fell by CHF 65.8 million (-60.0%) to CHF 43.8 million. In the Americas, net sales declined by 11.3 million, from CHF 26.1 million to CHF 14.8 million. Asia's (including rest of the world) share at CHF 19.9 million for the year under review was some 13.1% below the prior year figure. Overall, the various regions accounted for the following shares of the Tornos Group's net sales in 2020: Switzerland 24.1% (2019: 22.8%); rest of Europe 42.3% (2019: 53.4%); Americas 14.3% (2019: 12.7%); Asia (including rest of the world) 19.2% (2019: 11.2%).

In the service and spare parts business, Tornos recorded net sales of CHF 32.0 million, CHF 13.8 million below the prior year figure (2019: CHF 45.8 million). Sales of spare parts were particularly hard-hit, but the service business suffered as well. Service technicians were unable to visit customers at all during the lockdowns, while even at other times service calls remained severely restricted.

### **Gross profit**

The Tornos Group's gross profit fell by CHF 54.5 million to CHF 11.9 million in 2020 compared to the previous year (2019: CHF 66.4 million). CHF 36.2 million of the decline was the result of lower volume. The CHF 18.3 million reduction in margins is mainly due to the sharp increase in allowance on inventories, which grew significantly during the year under review due to an abrupt drop in automotive industry orders that began in 2019. Certain parts and components must be ordered several months in advance to guarantee the machine delivery times that the market expects. The COVID-19 pandemic made it possible to carry out only a small portion of a planned inventory reduction. Due to longer inventory turnover cycles and lower consumption, the allowance on



# Tornos operates in a highly cyclical market. This requires the Group to maintain inventories in excess of short-term demand.

inventories was significantly higher, with a negative impact of CHF 18.3 million on the Tornos Group's net profit in the year under review. These allowances are not currently expected to increase further in 2021. Should sales begin to revive and inventories be reduced at some point in the future, the allowance could likewise be written back accordingly, which will be reflected in the net result. The method used to calculate allowances on inventories will be thoroughly reviewed in the coming year. It should be noted that Tornos operates in a highly cyclical market. This requires the Group to maintain inventories in excess of short-term demand in order to respond rapidly when the economy improves.

The gross margin for the year under review was 11.5% (2019: 32.3%). Without the allowance on inventories the gross margin for 2020 would be 29.2%.

## **Operating expenses**

The Tornos Group's operating expenses decreased by CHF 17.0 million in 2020 to CHF 43.0 million (previous year: CHF 60.0 million). Marketing and sales expenses were down by CHF 8.9 million. General administrative expenses declined by CHF 2.5 million, research and development expenses by CHF 4.9 million.

## **Research and development**

Tornos invested a total of CHF 5.2 million (2019: CHF 10.1 million) in research and development in 2020. Even in the difficult year of the COVID-19 crisis, 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. At present 2 124 Tornos machines already feature TISIS.

### **Non-operating result**

Non-operating income includes CHF 3.2 million in proceeds from the sale of the former production site on Rue de l'Ecluse 49, Moutier, Switzerland, along with net income from the fully occupied non-operating residential property Tour Bechler, Moutier, Switzerland (CHF 0.2 million).

### **EBITDA\* and EBIT\***

Earnings before financial expenses, tax, depreciation and amortization (EBITDA\*) came to CHF -23.6 million for 2020 (previous year: CHF 10.7 million). The EBITDA margin was -22.8% (previous year: 5.2%). Earnings before financial expenses and tax (EBIT\*) amounted to CHF -27.7 million (previous year: CHF 6.4 million; - CHF 34.1 million; exchange rate adjusted: CHF -28.8 million), resulting in an EBIT margin of -26.8% (previous year: 3.1%). Adjusting for the allowance on inventories yields EBITDA\* for 2020 of CHF -5.3 million, EBIT\* to CHF -9.4 million and an EBIT margin of -9.1%.

### **Financial result**

Tornos generated a net financial result of CHF -0.1 million in the 2020 fiscal year (previous year: CHF -0.2 million). Exchange rate effects, especially against the euro and the US dollar, had a negative impact of CHF -1.7 million in the year under review; the previous year's impact was a positive CHF 0.2 million.

### **Net result**

The net result for 2020 came to CHF -29.9 million (previous year: CHF 5.9 million). The margin was -28.9% (previous year: 2.9%). Without the allowance on inventories and sale of the property at Rue de l'Ecluse 49 in Moutier, the net result for 2020 would be CHF -14.8 million with a margin of -14.3%.

### **Balance sheet**

Compared to the previous year, the balance sheet total at December 31, 2020 declined by CHF 39.3 million to CHF 128.2 million. On the asset side, cash and cash equivalents grew by CHF 2.9 million. Trade receivables fell by CHF 4.7 million due to lower sales compared to the previous year. Inventories declined by CHF 32.5 million to CHF 69.4 million. The previously mentioned increase in allowance on inventories accounted for CHF 18.3 million of the decline. Other receivables and accruals and deferrals shrank by CHF 1.8 million.

Non-current assets at the end of 2020 stood at CHF 25.4 million, down CHF 3.2 million from the end of 2019. The decline was due to the sale of the property on Rue de l'Ecluse 49 along with a conservative approach to capital investments. On the liabilities side, financial liabilities increased by CHF 7.1 million to CHF 22.3 million. CHF 5.0 million of this increase consists of related party loans and CHF 2.1 million of foreign COVID-19 loans. Due to reduced purchasing, trade payables shrank by CHF 14.5 from the December 31, 2019 figure. Other liabilities rose by CHF 1.3 million to CHF 9.5 million. These include customer prepayments, which increased in the second half of 2020 due to higher order intake. Current provisions fell by CHF 1.3 million due to a reduction in warranty provisions for machines sold. The other items on the liabilities and equity side changed only marginally compared with December 31, 2019.

Net cash\* at the end of 2020 stood at CHF -5.0 million (December 31, 2019: CHF -0.9 million). Total equity declined in the year under review by CHF 29.9 million to CHF 77.9 million (December 31, 2019: CHF 107.8 million). On December 31, 2019, the Group reported minority interests of CHF 0.4 million from a 30% third-party stake in the production company in Xi'an, China. Tornos acquired this interest from its Chinese partner in January 2020 and now holds 100% of the company. The equity ratio fell by 3.6 percentage points to 60.8% (December 31, 2019: 64.4%).

## Cash flow

Cash flow from operating activities before the change in net working capital came to CHF -10.7 million in fiscal 2020 (previous year: CHF 14.0 million). Net working capital declined by CHF 7.3 million in the year under review (previous year: increase of CHF 41.0 million). Of this, inventories shrank by CHF 13.7 million while trade payables fell by CHF 14.5 million. As a result, cash flow from operating activities came to CHF -3.4 million (previous year: CHF -27.0 million). Tornos spent CHF 1.2 million on investing activities and on the other hand generated proceeds of CHF 2.0 million with the sale of the building at the rue de l'Ecluse 49, resulting in a net positive investing cash flow of CHF 0.8 million (previous year: CHF 4.6 million). Free cash flow\* for the year under review amounted to CHF -3.1 million (previous year: CHF -31.6 million).

## Distribution to shareholders

In light of current economic conditions, the Board of Directors will not recommend distribution of a dividend.

## Risk management

The Tornos Group maintains a comprehensive risk assessment system that covers both strategic and operational risks. Further details may be found on the Financial Report 2020 (Note 3).

## Changes in the General Management

Bruno Edelmann, CFO, and Bruno Allemann, Head of Sales & Marketing, left the Tornos Group during the second half of 2020. Tornos has adapted its management organization in response to current market conditions. In November 2020, Jens Thing joined the Group as a new member of General Management and Chief Sales Officer. The former Head of Global Supply Chain Management, Luc Widmer, resumed his position as CFO of Tornos in September 2020. He will leave the Group at the end of August 2021. The search for a suitable successor has already been started.

## Employees

As of December 31, 2020 Tornos had 603 employees (full-time equivalents) and 30 apprentices. At the end of 2019, it had 729 employees and 35 apprentices. The reduction was due primarily to the decline in orders. In Switzerland, the workforce reduction was largely accomplished by cutting temporary staff.

Overall the workforce reduction resulted in savings of CHF 18.4 million for the reporting period while the implementation of short-time work cut expenses by CHF 7.2 million.

## Outlook

During the past year the Tornos Group has adjusted capacity and cost structure in response to the changed market situation, leaving it well equipped to face 2021. Moreover, the available inventory provides the Group with considerable flexibility to respond quickly to any demand surge that may emerge in the current year. Given the continuing unpredictable impacts of the pandemic, a detailed forecast for 2021 is not currently possible.

\* Non-GAAP financial indicator, see Financial Report 2020, pages 4 and 5

# A major change for Tornos Customer Services

Since his arrival at Tornos in October 2019, Andres Rego, Head of Tornos Customer Services, has outlined the new Tornos House of Services which will be built in 2021. This necessary and long-term change establishes a permanent dialogue with customers in order to improve Tornos' after-sales service so that it becomes the global benchmark. It is a challenge that Andres Rego takes up enthusiastically, the aim being for the Tornos Customer Services to make the difference and offer full customer satisfaction. An encounter.

## **Andres Rego, why did you decide on such a change?**

Generally speaking, the four main market segments covered by Tornos—Automotive, Medical & Dental technology, Micromechanics, and Electronics—are currently undergoing major transformations. In the case of the automotive sector, we can even speak of a revolution. Indeed, in recent years, the arrival of electromobility and the many questions related to it have pushed many manufacturers to review their offerings.

Broadly speaking, these market changes are prompting our customers to review their way of working. They are called upon to question themselves and to innovate. The decline of certain sectors and the COVID-19 pandemic are pushing for even greater flexibility and responsiveness. All of our clients are having to review their priorities and, in this context, they now—more than ever—need a partner to help them meet these new challenges. Indeed, many of them ask us to intervene to transform their machine parks and provide them with adequate solutions. As they now often have to work in a just-in-time

mode because of the critical situation, they expect us to be as responsive and flexible as ever, if not more so.

## **How is Tornos responding to these changes?**

As our customers are forced to focus more and more on their core competencies, they expect Tornos to be a reliable, long-term partner who helps them to optimize their operations by making better use of technology in their own businesses. This is where Tornos can stand out and be a differentiator as our strategy states. On one hand, we offer solutions to protect our customers' investments and maintain their production tools so that they are as efficient as possible throughout their life cycle. On the other hand, we offer our customers solutions that allow them to develop their business.

## **What is your long-term vision for Tornos Customer Services?**

In order to professionally and efficiently assist our customers with their current and future needs, we want to become the global benchmark in terms of service. This ambition, which may at first glance seem presumptuous, reflects our deep desire to see our customers benefit from the best possible level of service in their sector. Moreover, to prove that we do not take this commitment lightly, we will in the future ask them to evaluate us at each service intervention and to note the progress and performance of our new Services unit.



➤ Andres Rego, Head of Tornos Customer Services

**What do you mean by "global benchmark"?**

*We expect demand for our services to increase and that services will evolve from "just" maintenance, repairs, and spare parts to more results-oriented services that will improve productivity levels and help our customers develop new business activities and grow profitably.*

**What added value will these new solutions bring to the customer?**

*As previously explained, we will continue to provide a maintenance service (i.e. assistance including all services to ensure that the customer's machine is repaired in the shortest possible time). Efficient and fast troubleshooting. Thanks to our maintenance solutions, we also enable the customer to maintain or even improve machines productivity.*

**Our customers expect Tornos to be a reliable, long-term partner who helps them to optimize their operations.**



➤ Andres Rego, Head of Tornos Customer Services

*Indeed, maintenance not only consists of troubleshooting the machines, but also taking care of their general condition and putting in place certain preventive measures to maintain a maximum productivity level and ensure their longevity. However, service is not limited to this maintenance: We will continue to offer our customers even more service solutions that will enable them to develop their business. In practice, this translates into an improved production tool, including hardware modifications, allowing productivity and availability to be improved, even enabling the customer to win new markets, reduce the environmental impact, and increase safety. The Tornos Academy also plays a key role in these potential and substantial improvements. It ensures that operators' knowledge is kept up to date. The technical coaching provided ensures that processes are improved and cycle times optimized.*

**All these improvements are part of a major change for Tornos Customer Services. Can you explain how this change is going to start?**

*All the changes we have already initiated will be visible to our customers from the second half of the year. The changes will be deployed country by country. Each geographic zone will contribute to achieving a complete transformation by the end of 2021. In particular, we will ensure 95 percent availability of spare parts for machines that are less than 10 years old, and the guaranteed best price for original spare parts. We will send a technician on-site within 24 hours if the customer has a maintenance contract with us, and we guarantee that only the first troubleshooting intervention will be charged.*

*From a practical point of view, we will set up a ticketing and follow-up service. This will allow us to respond to each customer request as well and as quickly as possible.*

**In the event of a breakdown, what should the customer do?**

*We will establish new habits for our customers. Until now, when a machine broke down, the customer often would call the most familiar Tornos technician. We are going to centralize all calls and thus centralize the requests, by having a single number to call in the event of a breakdown. Each request will then be analyzed and processed according to its degree of urgency. Security, for example, is a determining criterion and represents absolute urgency: If security is no longer assured, intervention must be immediate. Once the case has been resolved, we will send a questionnaire to the customer, asking for an evaluation of the intervention. These questionnaires will allow us to measure the degree of satisfaction of our loyal customers and will be milestones in the improvement of our services. If Tornos Customer Services wants to be considered as the global benchmark, we must focus above all on what our customers tell us by analyzing their feedback. Communication is essential, and it is through this means that we distinguish ourselves and are able to make a difference.*

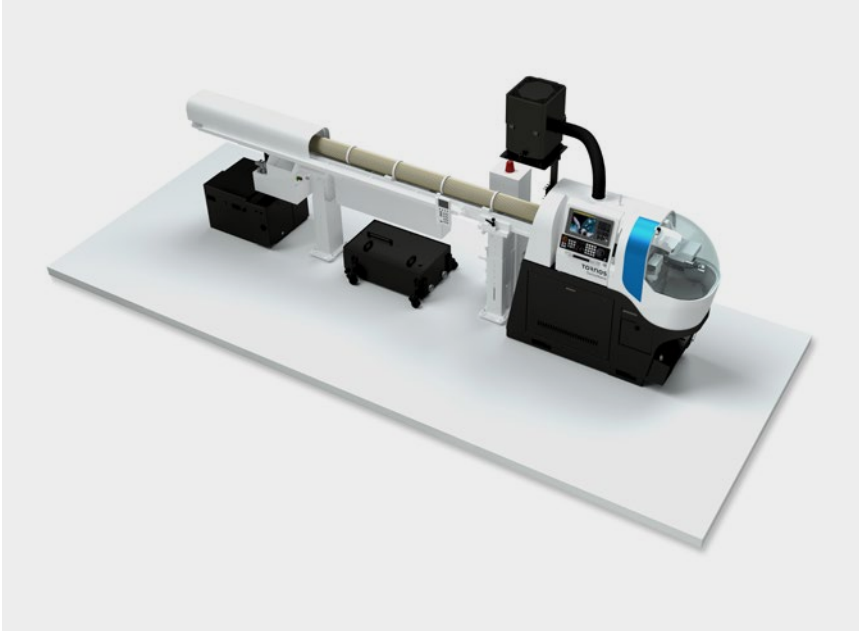
**How will we communicate with the client?**

*To change the perception and image that some clients have of us, we need to commit to initiating certain changes and keep the promises we make. Everything is changing: our industry and, at the same time, the support we need to offer our clients. Tornos can draw on its expertise and more than 125 years of experience to offer customers the right solution at the right time. We are currently testing new systems that allow even more reactivity, such as the possibility of using the services of a remote technician thanks to augmented reality. This has become even more necessary with the COVID-19 pandemic and all of the resulting social distancing measures.*

**In this time of change, there is more and more talk of the circular economy. What role does Tornos play in this area?**

*The overhaul of old machines occupies an entire sector of the service department at Tornos. In particular, we exchange spindles, which amounts to no fewer than 1,500 pieces per year! We also offer machine overhauls at various levels: from a "simple" overhaul to a complete restoration of the machine, including its electrical system. In addition, we buy back old machines which we refurbish and resell. This part of our service has met with some success, but we hope that demand will now increase, particularly thanks to our brand-new DECO 10 Plus. As a reminder, this range of machines, launched at the end of the 1990s, has been a great success. And many of our customers still have them in their factories. This year, on the occasion of the 25th anniversary of the DECO 10, we have a major surprise in store for all our customers who particularly cherish their DECO—a way of innovating while remaining faithful to certain values and products, an action that is at the very heart of our approach, to offer our loyal customers even better support and service.*

# Milestones 2020



## January to March

### Tornos turns heads at CIOSP in São Paulo, Brazil

Tornos has set the goal of constantly innovating and exploring new markets and for this reason seized the opportunity—virtually on the spur of the moment—to present its Medical & Dental solutions to the booming Brazilian market at the 38th International Congress of Dentistry in São Paulo (CIOSP) in Brazil. The event took place from January 29 to February 1, 2020, before an attentive and receptive audience who discovered the brand-new SwissNano 7 for the first time on Brazilian soil.

### Tornos offers an answer to the lack of qualified manpower

Beginning in 2020, Tornos offers its customers the possibility to have Tornos employees come to work in their factory to carry out various activities related to the start-up of their machines as well as the development and optimization of machining processes, in order to prevent the machines from being "idle" for too long. This project began as a successful initiative of Tornos' French subsidiary under the leadership of its director Patrice Armeni; it enables each customer to find an appropriate solution directly on its own premises, with its own machine park. This project intrigues by its simplicity and elegance: Tornos literally puts itself at the service of its customers by going on-site, assessing the situation, and taking immediate action. Above all, Tornos employees are accessible by smartphone or personal computer (PC) through a simple, intuitive interface.

## April to June

### Tornos participates in the overall effort to combat COVID-19 through its long-standing partnership with Hamilton

During the coronavirus disease 2019 (COVID-19) pandemic, respiratory assistance devices are among the products that can decide the life or death of thousands of patients. As the world leader in this sector, the Swiss company Hamilton is doing its utmost to meet the demand, particularly by increasing its production capacity by 50 percent compared to last year. At the heart of this production are several Tornos machines that are running at full speed to produce one of the parts essential to proper ventilator function. In this way, Tornos contributes to the general effort to combat COVID-19, putting its expertise at the service of health care professionals.

### Tornos and Gloor Medical: the Swiss combination of impeccable quality and patient services

Gebr. Gloor AG is an owner-managed family business based in Burgdorf, Switzerland. For more than 70 years, the regulation of pressure and flow of technical gases has been its core competence. With certification according to EN ISO 13485 in 1994, this core competence was extended to medical technology and has since been continuously developed. With the COVID-19 pandemic, the demand for equipment for oxygen therapy increased sharply, leading to a bottleneck in the screw machining department. Thanks to the long-standing collaboration with Tornos, Gebr. Gloor AG can react quickly and both parties were able to help save lives.





## July to September

### Tornos participates in the European CHARM project, which develops IoT solutions for harsh industrial environments

Launched in summer 2020, the European CHARM ECSEL project aims to develop industrial IoT (Internet of Things or Industrial Internet of Things) solutions with better tolerance to harsh industrial environments. For Tornos, as well as for most European manufacturers, digitalization is the key to continuous renewal and competitiveness. The machine tool company, which was approached in the context of the i-moutier Incubator, is preparing to take up the challenge, along with the 36 other partners called upon to take part in this project.

### A digital presence for Tornos thanks to webinars

The COVID-19 pandemic has led to the cancellation of most trade and other professional fairs. To create opportunities to meet the market in a different way, Tornos embarked on the production of webinars which were a great success. Thanks to an efficient and well-established script, Tornos specialists address interested Internet users by videoconference; after each presentation, webinar participants can ask questions about the showcased machine.



## October to December

### Grand opening of the Customer Center Milan, as a prelude to the 32nd BI-MU

Tornos Italy inaugurates its new customer center in Milan on October 13, 2020. The event, with the theme of "Turning Together," was originally planned for May but had to be postponed due to the COVID-19 pandemic. In the new Customer Center Milan, visitors can discover the entire range of Tornos machines in specially equipped rooms. With this customer center concept, Tornos offers its guests insight into what Tornos is all about. It is a way for them to experience Tornos from A to Z, receiving professional advice in a specially designed environment.

### Tornos inaugurates its new production site in Xi'an

Tornos Xi'an inaugurates its new factory in Xi'an on October 22, 2020. Under the theme of "Turning Together," this event, originally planned for the beginning of 2020, had to be postponed due to the COVID-19 pandemic. An inauguration and open house were held in compliance with local regulations. This new plant very quickly became a reality—and under optimal conditions. It meets the current standards and has a total area of 3,000 square meters. With the inauguration of this plant, Tornos Xi'an also celebrates its seventh anniversary.

*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 2020 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 for the years 2018 to 2020.*

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

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



## 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*

# Consolidated Financial Statements

## Income Statement

In CHF 1 000	Notes	2020	2019
<b>Net sales</b>	29	103 388	205 309
Cost of sales	6	-91 466	-138 947
<b>Gross profit</b>		<b>11 922</b>	<b>66 362</b>
<i>in % of net sales</i>		11.5%	32.3%
Marketing and sales	6	-22 426	-31 299
General and administrative expense	6	-15 615	-18 066
Research and development	6	-5 248	-10 111
Other income	8	395	9
Other expense	8	-91	-521
<b>Operating expense</b>		<b>-42 985</b>	<b>-59 988</b>
<b>Operating result</b>		<b>-31 063</b>	<b>6 374</b>
<i>in % of net sales</i>		-30.0%	3.1%
Financial income	9	41	26
Financial expense	9	-141	-239
Exchange result, net	10	-1 664	237
<b>Ordinary result</b>		<b>-32 827</b>	<b>6 398</b>
Non-operating result	11	3 378	57
<b>Earnings before income taxes</b>		<b>-29 449</b>	<b>6 455</b>
Income taxes	12	-403	-529
<b>Net result</b>		<b>-29 852</b>	<b>5 926</b>
<i>in % of net sales</i>		-28.9%	2.9%
<b>Additional information (in CHF 1 000)</b>			
<b>EBITDA*</b>		<b>-23 576</b>	<b>10 741</b>
<i>in % of net sales</i>		-22.8%	5.2%
Depreciation and amortization	18, 19	-4 109	-4 310
<b>EBIT*</b>		<b>-27 685</b>	<b>6 431</b>
<i>in % of net sales</i>		-26.8%	3.1%

The complete Consolidated Financial Statements with accompanying notes can be found in the Tornos Financial Report 2020. Download: <https://investors.tornos.com>

\* Non-GAAP financial indicator, see Financial Report 2020, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)

# Consolidated Balance Sheet

In CHF 1 000	Notes	31.12.2020	in %	31.12.2019	in %
<b>ASSETS</b>					
Cash and cash equivalents	13	17 329		14 440	
Trade receivables	14	12 244		16 865	
Inventories - net	15	69 375		101 871	
Other short-term receivables	16	2 276		3 356	
Prepayments and accrued income	17	1 572		2 337	
<b>Total current assets</b>		<b>102 796</b>	80.2%	<b>138 869</b>	82.9%
Property, plant, and equipment	18	24 067		27 238	
Intangible assets	19	943		950	
Deferred tax assets	20	370		450	
<b>Total non-current assets</b>		<b>25 380</b>	19.8%	<b>28 638</b>	17.1%
<b>Total assets</b>		<b>128 176</b>	100.0%	<b>167 507</b>	100.0%
<b>LIABILITIES AND EQUITY</b>					
Interest bearing borrowings	21	2 195		15 113	
Trade payables		8 722		23 174	
Current tax liabilities		43		206	
Other liabilities	22	9 463		8 234	
Accrued liabilities and deferred income	23	5 673		7 331	
Provisions	24	2 030		3 292	
<b>Total current liabilities</b>		<b>28 126</b>	21.9%	<b>57 350</b>	34.2%
Interest bearing borrowings	21	20 126		201	
Retirement benefit obligations	25	1 829		1 952	
Provisions	24	112		191	
Deferred tax liabilities	20	56		4	
<b>Total non-current liabilities</b>		<b>22 123</b>	17.3%	<b>2 348</b>	1.4%
<b>Total liabilities</b>		<b>50 249</b>	39.2%	<b>59 698</b>	35.6%
Share capital	26	69 572		69 572	
Capital reserve		40 035		40 331	
Treasury shares	26	-1 875		-1 875	
Retained earnings		696		-5 925	
Currency translation adjustments		-649		-747	
Net result		-29 852		6 040	
<b>Equity attributable to shareholders of Tornos Holding Ltd.</b>		<b>77 927</b>	60.8%	<b>107 396</b>	64.1%
Minority interests		-		413	
<b>Total equity</b>		<b>77 927</b>	60.8%	<b>107 809</b>	64.4%
<b>Total liabilities and equity</b>		<b>128 176</b>	100.0%	<b>167 507</b>	100.0%

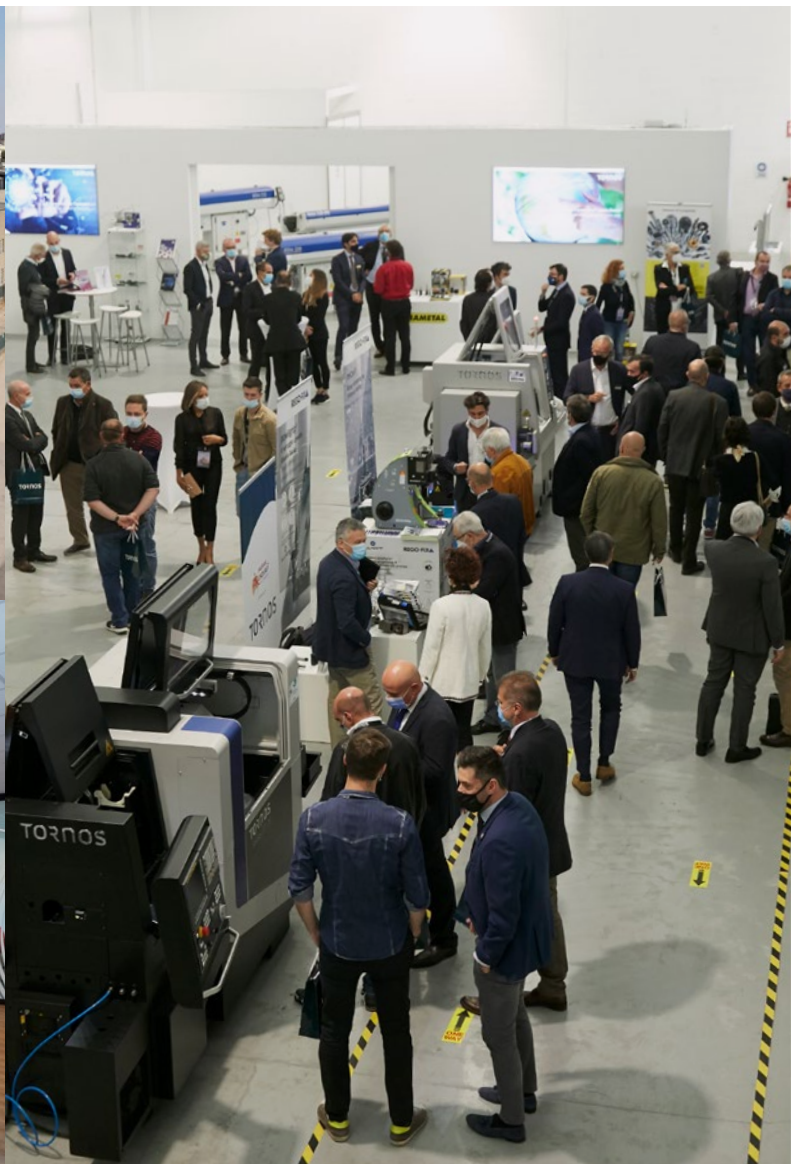
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# Consolidated Statement of Cash Flows

In CHF 1 000	Notes	2020	2019
<b>Net result</b>		<b>-29 852</b>	<b>5 926</b>
Adjustments for expenses and incomes not affecting cash:			
Income taxes	12	403	529
Depreciation of property, plant and equipment	18	3 508	3 743
Amortization of intangible assets	19	601	567
Result on disposal of property, plant and equipment	18, 19	-3 279	-149
Share-based compensation	27	581	1 357
Retirement benefit obligations	25	-242	55
Allowance and write-offs on inventories	15	17 989	2 341
Interests expense	9	19	84
Interests income	9	-43	-26
Income taxes paid		-408	-437
<b>Changes from operating activities before changes in net working capital</b>		<b>-10 723</b>	<b>13 990</b>
Changes in Net Working Capital			
<i>Thereof trade receivables</i>		7 283	-40 982
<i>Thereof other assets and prepayments</i>		4 397	7 794
<i>Thereof inventories</i>		1 785	437
<i>Thereof trade payables</i>		13 720	-22 766
<i>Thereof other current liabilities and provisions</i>		-14 272	-4 073
<i>Thereof other current liabilities and provisions</i>		1 653	-22 374
<b>Cash flow from operating activities</b>		<b>-3 440</b>	<b>-26 992</b>
Investment in property, plant and equipment			
Investment in property, plant and equipment	18	-1 206	-4 568
Disposal of property, plant and equipment	18	2 058	848
Investment in intangible assets	19	-591	-896
Interests received	9	43	26
<b>Cash flow from investing activities</b>		<b>304</b>	<b>-4 590</b>
<b>Free Cash flow*</b>			
		<b>-3 136</b>	<b>-31 582</b>
Repayments of borrowings, including finance lease liabilities			
Repayments of borrowings, including finance lease liabilities	21	-135	-107
Proceeds from borrowings		7 122	15 000
Purchase of minority in Tornos (Xi'an) Machine Works Co., Ltd.		-711	-
Distribution to shareholders		-	-5 445
Proceeds from sale & purchase of treasury shares	26	-	668
Interests paid	9	-19	-84
<b>Cash flow from financing activities</b>		<b>6 257</b>	<b>10 032</b>
<b>Net cash flow</b>		<b>3 121</b>	<b>-21 550</b>
Cash and cash equivalents and bank overdrafts at beginning of year		14 440	35 926
Effects of exchange rate changes		-232	64
<b>Cash and cash equivalents and bank overdrafts at end of year</b>		<b>17 329</b>	<b>14 440</b>

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\* Non-GAAP financial indicator, see Financial Report 2020, pages 4 and 5 (<https://investors.tornos.com/en/content/publications>)



➤ In October 2020, Tornos inaugurated its new factory in Xi'an and its new Customer Center in Milan.

# Board of Directors



*From left to right:*

**Walter Fust**

*Appointed in 2014 | Term ends in 2021*

**François Frôté, Chairman**

*Appointed in 2002 | Term ends in 2021*

**Till Fust**

*Vice-Chairman | Appointed in 2019 |  
Term ends in 2021*

**Michel Rollier**

*Appointed in 2002 | Term ends in 2021*



# General Management



From left to right:

**Luc Widmer**

*Chief Financial Officer*

**Jens Thing**

*Chief Sales Officer*

**Michael Hauser**

*Chief Executive Officer*



西安工厂开业庆典  
Grand opening of new Xi'an plant

Turning Together



← With the inauguration of its new factory, Tornos Xi'an also celebrated its seven-year anniversary.

#### **Forward-looking statements**

The present Annual Report 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.

This Annual Report is available in English, German and French. The original English-language version is binding. The detailed Financial Report is published in English only. Tornos Annual Report and Financial Report 2020 can be downloaded from the Tornos website: <https://investors.tornos.com>

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the world

