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Annual Report 2021

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 assumption and expectations. Unforeseeable events and developments could cause actual results to differ materially from those anticipated.

This Tornos Annual Report and the detailed separate Financial Report 2021 are published in English only. They can be downloaded from the Tornos website: <https://investors.tornos.com>.

Responsible for the contents

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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

A marked improvement in order intake, sales, and profitability

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.

Overall, the Tornos Group generated order intake of CHF 204.6 million in 2021 (2020: CHF 98.0 million, +108.8%) and net sales of CHF 171.5 million (2020: CHF 103.4 million, +65.9%). EBIT* improved from CHF -27.7 million to CHF 20.6 million. Excluding the write-back of value adjustment provisions in the amount of CHF 9.8 million and the book gain from a property sale in the UK of

CHF 0.7 million, EBIT* for the 2021 financial year would be CHF 10.1 million. 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

The Tornos Group achieved significant growth in all its sales markets in the year under review. 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.

In the automotive industry, which was by far the most important market for Tornos until 2018, the company also regained its former strength. Order intake collapsed completely in this area in 2019, and it was only toward the end of last year that a slight recovery of the market was noticeable again. In the 2021 financial year, this market segment contributed 19.5% of annual net sales. 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.

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



Tornos is considerably more independent of the market cycles than in the past.

The situation in the sales markets also applies to the regions: Tornos was able to grow everywhere in 2021. Its development in Europe (especially Italy) and in the Americas (especially Brazil) stands out here. In São Paulo, Brazil, Tornos established a new customer center in 2021, primarily for the medical and dental technology market. Tornos has also significantly strengthened its market position in China, particularly with its locally manufactured Swiss-type automatic lathes.

Multispindle machines in demand again

The EvoDeco and SwissNano Swiss-type automatic lathes produced in Switzerland attracted significantly more customers in all sales markets than in the previous year. What was particularly striking, however, was the increase in demand for MultiSwiss multispindle machines, sales of which had suffered especially badly in the previous year due to the extraordinary market conditions.

Circular economy with DECO 10 Plus well established

Tornos' service and spare parts business also recovered in the year under review, with Tornos expanding its services and, in particular, further developing its remote service. Despite the—at times still severe—travel restrictions due to the Covid-19 pandemic, this area was able to increase sales by 36.4%.

The DECO 10 Plus offer launched by Tornos last year has become well established. It allows customers to have their older DECO 10 machines upgraded to the latest technology. Tornos also buys back older machines and, in the spirit of a circular economy, puts them back on the market after a complete overhaul—to state-of-the-art standards.

Product launches

In the first half of 2021, Tornos successfully launched two new Swiss DT series Swiss-type automatic lathes specifically tailored to the North American and Chinese markets. In addition, Tornos also expanded its Swiss DECO and MultiSwiss series for new areas of application.

Infrastructure projects

During the year under review, the remodeling of the production hall at the main site in Moutier was successfully completed. More space has been created here, and the workflow has been optimized.

In March 2022, Tornos will commission a new hall at its service center in Kąty Wrocławskie, Poland, which employs around 40 people. From here, Tornos services are provided in all European regions outside of Switzerland.

In Taiwan, the construction of a new production hall to expand the site was also approved. Occupation of this building is planned for 2023.

Digital and personalized marketing

In the year under review, we also succeeded in directly addressing and winning over a large number of potential customers with targeted digital marketing activities. We also significantly strengthened our presence on digital platforms.

Our stand at EMO Milano 2021 was also a great success, with more than 600 visitors taking the opportunity to visit our nearby Customer Center Milano before, during, or after the show.

Management changes

In 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.

Distribution to shareholders

At the General Meeting on April 13, 2022, the Board of Directors will propose to the shareholders a tax-exempt distribution of CHF 0.25 per share by means of a reduction in the share capital.

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.



François Frôte
Chairman of the
Board of Directors



Michael Hauser
President and Chief
Executive Officer

Moutier, March 2022

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

Management Report

After a very difficult financial year in 2020, the Tornos Group achieved exceptionally pleasing results in 2021 and reported significant growth in all major sales markets, product groups, and regions. All plants ran at full capacity throughout the year. Despite the fact that regulatory requirements and extensive precautionary measures in connection with the Covid-19 pandemic continued to make business more difficult. Tornos benefited in particular from the high level of inventories, which had led to massive value adjustment provisions in the 2020 financial year, and which were in large part reversed again in the year under review. For the 2022 financial year, Tornos will review the methodology for determining the amount for the value adjustment provisions—based on experience from the 2020 and 2021 reporting periods.

The remarkable free cash flow of CHF 30.8 million 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.*

Tornos is entering the 2022 financial year with a good cost structure, a product portfolio that is excellently tailored to customer needs, and broad diversification in various industries and geographical markets.

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).

Net sales

Tornos generated net sales of CHF 171.5 million in the year under review (2020: CHF 103.4 million, +65.9%). At constant exchange rates, net sales would have been CHF 170.5 million (+64.9% compared to 2020). In the Group's home market of Switzerland, net sales of CHF 39.8 million were CHF 14.9 million above the previous year's figure

(CHF 24.9 million, +59.8%). In the rest of Europe, net sales rose by CHF 40.0 million (+91.1%) to CHF 83.9 million. In the Americas, net sales increased by 9.7 million, from CHF 14.7 million to CHF 24.4 million. Asia's share at CHF 23.4 million for the year under review was 17.7% above the prior-year figure. Overall, the various regions accounted for the following shares of the Tornos Group's net sales in 2021: Switzerland 23.2% (2020: 24.1%); rest of Europe 48.9% (2020: 42.3%); Americas 14.2% (2019: 14.3%); Asia 13.6% (2020: 19.2%).

In the service and spare parts business, Tornos recorded net sales of CHF 43.7 million, CHF 11.7 million above the prior-year figure (2020: CHF 32.0 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%).

Operating expenses

At CHF 46.4 million, operating expenses in 2021 were 7.9% higher than in the previous year (2020: 43.0 million). However, this was achieved with an increase in net sales of 65.9%. The largest increase in operating expenses relates to costs in marketing and sales as well as in the area of research and development.

Research and development

In 2021, Tornos invested a total of CHF 6.0 million (2020: CHF 5.2 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 functionalities OEE (Overall Equipment Effectiveness). The launch of two new Swiss DT series Swiss-type automatic lathes completes the range of machines with a capacity from 13 to 38 mm bar diameter and the best price-performance ratio.

Non-operating result

The non-operating result of CHF +0.6 million includes the book gain on the sale of a building in the UK (former sales branch) of CHF 0.7 million.

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.

Financial result

Tornos generated a net financial result of CHF -0.2 million in the 2021 fiscal year (previous year: CHF -0.1 million). Exchange rate effects, especially against the euro and the chinese yuan, had a positive impact of CHF 0.3 million in the year under review; the previous year's impact was negative at CHF -1.7 million.

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%.

Balance sheet

Compared to the previous year, the balance sheet total on December 31, 2021, increased by CHF 16.7 million to CHF 144.9 million. On the asset side, cash and cash equivalents grew by CHF 9.4 million, and trade receivables by CHF 6.0 million due to higher sales and an efficient management of the working capital. The liquidity development is to be seen in connection with the reduction of interest-bearing liabilities in the amount of CHF 22.2 million. Inventories increased by CHF 4.9 million to CHF 74.3 million. Without the write-back of value adjustment provisions, inventories would have decreased by CHF 4.7 million. Other receivables and prepaid expenses remained almost unchanged.

At the end of 2021, non-current assets stood at CHF 21.7 million, down CHF 3.7 million from the end of 2020. A large part of the decrease was due to the sale of the building in the United Kingdom. On the liabilities and equity side, interest bearing borrowings were almost completely released (from CHF 22.3 million to CHF 0.1 million), as Tornos repaid the foreign Covid-19 loans as well as the loan from major shareholders. Trade payables increased by CHF 10.5 million compared to December 31, 2020. Provisions increased by CHF 0.5 million due to higher warranty provisions on the machines sold. The other items on the liabilities and equity side have changed only slightly compared to December 31, 2020.

Net cash* stood at CHF 26.7 million at the end of 2021 (December 31, 2020: CHF -5.0 million). Total equity increased by CHF 20.8 million to CHF 98.8 million in the year under review (December 31, 2020: CHF 77.9 million). The equity ratio rose by 7.4 percentage points to 68.2% (December 31, 2020: 60.8%).

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.

Distribution to shareholders

At the General Meeting on April 13, 2022, the Board of Directors will propose to the shareholders a tax-exempt distribution of CHF 0.25 per share by means of a reduction in the share capital. Last year, no dividend was paid out.

Risk management

The Tornos Group maintains a comprehensive risk assessment system that covers both strategic and operational risks. Further details may be found in the 2021 Financial Report (Note 3).

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.

By the end of 2021, the Tornos Group was almost debt-free.

Employees

As at December 31, 2021, Tornos had 640 employees (full-time equivalents) and 35 apprentices. At the end of 2020, it had 603 employees and 32 apprentices. The increase was due primarily to the growth in order intake and sales.

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.

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

Milestones 2021



Before

After

January to March

Tornos celebrates 25th anniversary of its DECO 10 and offers its customers a new, improved version: the DECO 10 Plus

A market best seller for many years, the DECO 10 has always been highly appreciated for its undeniable advantages in terms of productivity, flexibility and competitiveness. To celebrate the 25th anniversary of this champion—and to ensure the success of its customers for another 25 years—Tornos since January 2021 offers customers opportunity to extend the life cycle and productivity potential of their DECO 10 machines by transforming them into DECO 10 Plus solutions.

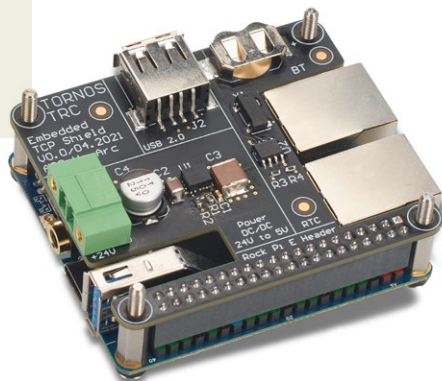
10th anniversary of the Tornos Research Center

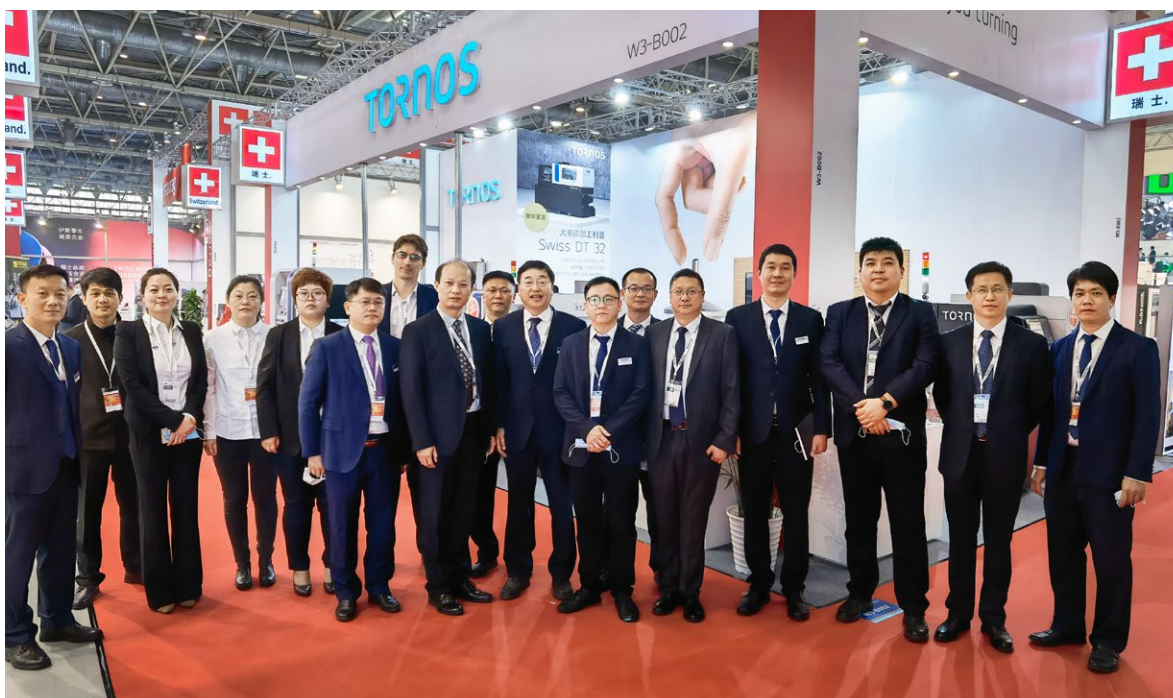
The Tornos Research Center, a fruitful partnership between Tornos and the HE-Arc, was established on January 1, 2011. The objectives and mission set at the outset remain the same 10 years later as the Tornos Research Center marks its 10-year anniversary: to convert innovative ideas into technologies applicable to the machine tools of tomorrow. Located at the HE-Arc Ingénierie in Saint-Imier, Switzerland, the center calls on the skills of future engineers in the fields of mechanical design and machining processes, as well as the Internet of Things and Services, particularly in the context of the digitalization of companies and Industry 4.0. Recent collaborative projects include the brand-new version of Tornos' TISIS software, which is now available as TISIS i4.0.

Tornos Customer Services in full transformation

With concept development that started in 2019, the new House of Services has been phased in over the course of 2021. This necessary and long-term change establishes a permanent dialogue with customers in order to improve Tornos' after-sales service and make it the global benchmark for Swiss-type turning. It is a challenge that the whole department took up enthusiastically, aiming for Tornos Customer Services to make the difference and offer full customer satisfaction.

2021





April to June

Making real contacts at the CIMT in Beijing

In the midst of the COVID-19 pandemic, all trade shows and exhibitions were cancelled. In the spring of 2021, the revival seems to come from China, where it all began. For several years, Tornos has been expanding its international presence. This strategy has been effective: Tornos has seen encouraging signs of recovery as early as April 2021, especially in China, which is now booming. This is an excellent signal for our industry. In addition, Tornos differentiates itself with its unfailing flexibility and is strengthening its position in China.

Tornos is exploring the incredible potential of the circular economy

The aim of the circular economy is minimizing the use of materials and energy to manufacture goods and services. For Tornos, this is a matter of continuity since Tornos Customer Services has always restored old machines. This approach is also part of a more global way of thinking, including the circular economy, a new economic model with a systemic vision of eliminating waste and promoting the continual safe use of natural resources. The circular economy is, therefore, a new economic model for any company. Tornos has been a pioneer in this field but continues to progress along this responsible path to sustainability.



Tornos launches its new Swiss DT 26 on the American market

Tornos innovates once again by offering its brand-new Swiss DT 26 first in the United States. This high-performance machine undoubtedly provides American manufacturers with an economical solution that enables them to reclaim manufacturing work that had previously been offshored. The Swiss DT 26 is much more than a mere machine: It is an intelligent solution that evolves according to the professional strategy of any industrial entrepreneur.



Q3

July to September

Tornos apprentices pass their CFC with flying colors

Tornos is constantly training around 30 apprentices in various fields: polymechanics, industrial draftsmen, logisticians and commercial employees, both men and women. This year, 8 of them have successfully obtained their certificat fédéral de capacité (CFC) heralding their professional maturity. Tornos has always attached great importance to the training of apprentices. As early as 1962, the company was a pioneer in opening the first Tornos Professional Center (CPT) to ensure a steady stream of well-trained employees and to offer apprentices from the Jura Arc region the opportunity to train in a renowned company.

Tornos participates in 2 student challenges and gleans innovative ideas

About 40 students from the HE-Arc Ingénierie took up the challenges proposed this year by Louis Blet and Tornos in the context of the i-moutier Incubator. The competition aims to enable students to confront certain business realities by working on a concrete project. Tornos' challenge to the students was launched as part of the Microcit challenge. Tornos offered them the opportunity to work on a concrete Industry 4.0 project with both technical and socio-economic dimensions. These 2 challenges aroused great interest.

New Tornos invests in new Customer Center São Paulo in Brazil

Work on Tornos' new Customer Center São Paulo was completed in Q3. The new, 300-square-meter customer center—which will feature the Swiss GT 26, the SwissNano 7, and the Swiss DT 26—is set to officially open in spring 2022. Brazil is the largest Latin American market and Switzerland's most important trade partner in South America. With a population of 210 million, it is the world's ninth-largest economy and—with a flourishing Medical & Dental segment, a key market for Tornos. With strong demand for its products in the Brazilian market, Tornos last year invested in the new customer center, with a large showroom and an expert team to meet that demand on-site.



October to December

Tornos embraces the future of turning at EMO Milano 2021

With a stand in the heart of the EMO Milano 2021 exhibition and its Customer Center Milan just a few steps from the Rho-Fiera train station and a short drive from the Fiera Milano exhibition center, Tornos opted this year for proximity to roll out the red carpet for guests. This hybrid formula allowed Tornos to offer visitors a VIP experience before, during and after EMO. With a 130-year heritage in machine tools, Tornos also revealed its newest line of machines, the Swiss DT, celebrating the past and embracing the future with enthusiasm. For the Italian machine tool market, and the world market in general, EMO Milano 2021 had a very important meaning. In fact, for all the companies involved in this sector, this year's event represented a real restart and inspired massive involvement by suppliers, manufacturers and customers.

Tornos strengthens its presence in the high-end jewelry industry

With its long-standing experience in fine watch-making, Tornos is strengthening its presence in the fast-growing fine jewelry market. Tornos can rely on its solid skills and legendary know-how to meet the particularly high requirements of this manufacturing sector.

This more-than-dynamic industry is undergoing a major transformation. Tornos has seen major changes in 2021, both in consumer behavior and in the industry itself, which must adapt to cope with these changes. In order to meet the customers' demands, high-end jewelry sector players must be responsive to important trends and developments. Tornos has therefore done everything in its power in Q4 to respond to new trends and embrace this sector of activity.

Tornos earns prestigious MedTech Outlook award

Few industries are as regulated—or as associated—with the need for quality, safety and transparency—as the global medical device manufacturing sector. And no partner is more committed than Tornos to advancing precision, quality and return on investment for medical device and instrument manufacturers. For more than 30 years, Tornos has worked closely with medical device manufacturers around the world to help them deliver flawless products that improve patients' quality of life. The company's leadership in medical technology was highlighted this fall when MedTech Outlook magazine named Tornos as a winner of its "Top Medical Device Manufacturing Companies in Europe 2021" award. The annual list honors 10 companies at the forefront of medical device manufacturing that are making an impact on the industry.

*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



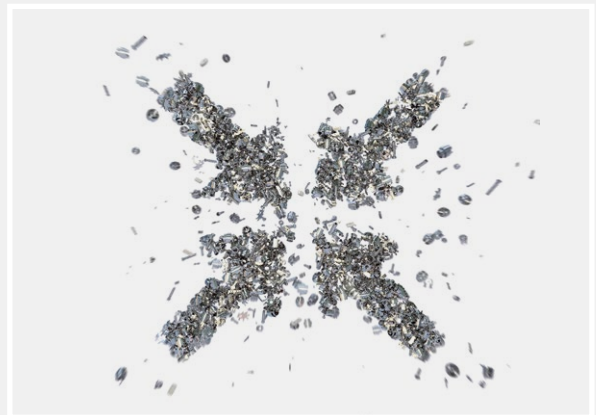
Differentiation

Establish Tornos' services as a differentiator



Excellence

Enhance operational excellence



Segmentation

Deliver unique solutions for targeted market segments

Consolidated Financial Statements 2021

Tornos Group

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%

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* 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%

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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			
	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			
	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

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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

