

TORNOS

*Interim Consolidated  
Financial Statements 2019*

*Tornos Group*



# Key Figures

## Tornos Group

Unaudited, in CHF 1'000*	1 <sup>st</sup> HY 2019 1.1.–30.6.2019	1 <sup>st</sup> HY 2018 1.1.–30.6.2018	Difference	Difference in %
<b>Order intake</b>	<b>76'878</b>	<b>128'453</b>	-51'575	-40.2%
<b>Net sales</b>	<b>117'154</b>	<b>103'989</b>	13'165	12.7%
<b>EBITDA</b>	<b>11'017</b>	<b>7'275</b>	3'742	51.4%
<i>in % of Net sales</i>	9.4%	7.0%		
<b>EBIT</b>	<b>8'922</b>	<b>5'507</b>	3'415	62.0%
<i>in % of Net sales</i>	7.6%	5.3%		
<b>Net result</b>	<b>9'047</b>	<b>5'466</b>	3'581	65.5%
<i>in % of Net sales</i>	7.7%	5.3%		
<b>Cash flow from operating activities</b>	<b>-9'455</b>	<b>3'749</b>	-13'204	n/a
<b>Cash flow from investing activities</b>	<b>-2'789</b>	<b>-1'388</b>	-1'401	100.9%
<b>Free cash flow</b>	<b>-12'244</b>	<b>2'361</b>	-14'605	n/a
	<b>30.6.2019</b>	<b>31.12.2018</b>		
<b>Net cash</b>	<b>18'520</b>	<b>35'663</b>	-17'143	-48.1%
<b>Total equity</b>	<b>110'196</b>	<b>105'356</b>	4'840	4.6%
<i>in % of total balance sheet</i>	64.8%	59.8%		
<b>Total balance sheet</b>	<b>170'168</b>	<b>176'247</b>	-6'079	-3.4%
<b>Employees (full-time equivalents)**</b>	<b>760</b>	<b>728</b>	32	4.4%

\* Unless otherwise stated

\*\* Without apprentices

# Financial Review and Management Report

## General

*Following the boom in 2018, the global economy has cooled again this year. Forecasts for the coming months are much more cautious than they were a year ago. The automotive industry has recently reported falling sales figures; many Tier 1 suppliers are hesitant to place orders or reduce order quantities. In China, cuts in subsidies have had a negative impact on sales of electric vehicles. What's more, the direction of automotive power systems over the next five to ten years is by no means clear. Finally, geopolitical tensions are not helping to calm the situation. Fortunately, there are also industries that so far remain unaffected by the current economic climate, such as medical and dental technology and the electronics industry. New applications are emerging in these innovative markets on an almost daily basis. This can benefit the mechanical engineering sector – including Tornos. In the watchmaking industry, things are still going well. Here, capital expenditure to replace old machinery with new is on the increase.*

*Tornos is watching the markets very closely. Its flexible cost structure and sharply reduced break-even point enable the Group to react promptly so as to be able to achieve good results, even after any declines in sales. Thanks to its fully revised product portfolio, internationally oriented production sites, restructured service department and innovative customer solutions, Tornos is perfectly positioned.*

## Order intake and backlog

*The Tornos Group achieved total order intake of CHF 76.9 million in the first half of 2019 (first half of 2018: CHF 128.5 million, -40.2%). The marked year-on-year change is due mainly to the decline in sales for the automotive industry. In this market segment, various influencing factors such as international trade disputes, discussions around diesel engines, delays to registrations in Germany and the unforeseeable direction of e-mobility led to uncertainty in the sector and ultimately to a sharp decline in orders for Tornos. Linked to this is the reduction in sales of MultiSwiss machines, which are used mainly in the automotive industry. Other machine ranges also failed to sustain the very good prior-year results.*

*In Europe, the most important region for Tornos, order intake fell from CHF 82.6 million in the first half of 2018 to CHF 36.9 million (-55%); in Asia (including the rest of the world), it dropped from CHF 15.4 million to CHF 7.8 million (-49%). In the Americas, on the other hand, order intake rose by 20%, from CHF 8.4 million to CHF 10.1 million.*

*Unlike in the automotive industry, Tornos lifted order intake in the medical and dental technology and electronics segments compared with the first half of 2018; by 78% in the medical and dental technology segment and by 19% in the electronics segment. Order intake in the market segment comprising the watchmaking industry remained on a par with the previous year. For the first time in many years, the automotive industry was no longer the largest market segment for Tornos, accounting for around 9% of order intake. Ahead of it were the market segments comprising medical and dental technology (27%), electronics (23%) and the watchmaking industry (10%). The remaining 31% of total order intake came from subcontractors (known as 'job shops') that supply parts to the four aforementioned industries as well as other markets such as aviation, pneumatics and hydraulics.*

The Tornos Group's order backlog stood at CHF 63.4 million as at June 30, 2019. It therefore dropped by 37% in the first half of 2019 (December 31, 2018: CHF 101.0 million).

### **Net sales**

The Tornos Group generated net sales of CHF 117.2 million in the first half of 2019 (first half of 2018: CHF 104.0 million, +12.7%). At constant currency rates, net sales for the first half of 2019 would have been CHF 118.3 million (+13.8% compared with the first half of 2018).

In the Group's home market of Switzerland, net sales were up by CHF 7.7 million on the figure for the first half of 2018 to a substantial CHF 26.4 million (+41%). In the rest of Europe, they declined by CHF 1.6 million, or 2%, to CHF 64.2 million. In the Americas, Tornos doubled net sales year on year, from CHF 6.1 million to CHF 12.8 million. Sales in Asia (including the rest of the world) were up by around 3% on the prior-year figure to CHF 13.7 million in the first half of 2019.

Overall, the individual regions accounted for the following shares of the Tornos Group's net sales in the first half of 2019: Switzerland 22% (first half of 2018: 18%); rest of Europe 55% (first half of 2018: 63%); Americas 11% (first half of 2018: 6%); Asia (including rest of the world) 12% (first half of 2018: 13%).

In the service and spare parts business, Tornos generated net sales of CHF 24.1 million in the first half of 2019. Once again, therefore, the Group achieved a slight increase on the solid prior-year figure (first half of 2018: CHF 23.9 million).

### **Gross profit**

The Tornos Group achieved a gross profit margin of 33.4% in the first half of 2019 (first half of 2018: 34.5%). The 1.1 percentage point reduction in the margin is attributable to the changing composition of the product mix.

Overall, Tornos lifted gross profit by CHF 3.3 million to CHF 39.1 million (first half of 2018: CHF 35.8 million). A volume-related increase of CHF 4.6 million was partly offset by a decline in the margin of CHF 1.3 million.

### **Operating expenses**

The Tornos Group's operating expenses amounted to CHF 30.0 million in the first half of 2019 (first half of 2018: CHF 30.1 million). While marketing and sales expense as well as general and administrative expense each rose by CHF 0.4 million, research and development expense declined by CHF 0.9 million.

## **Non-operating result**

The non-operating result comprises the net expense related to the residential investment property "Tour Bechler". The renovation was completed at the end of 2017. The building is now almost fully rented.

## **EBITDA and EBIT**

Earnings before financial expense, tax, depreciation and amortization (EBITDA) came to CHF 11.0 million for the first half of 2019 (first half of 2018: CHF 7.3 million). The EBITDA margin was 9.4% (first half of 2018: 7.0%). Earnings before financial expense and tax (EBIT) amounted to a gratifying CHF 8.9 million (first half of 2018: CHF 5.5 million). At constant currency rates, EBIT for the first half of 2019 would have been CHF 8.7 million. Once again, Tornos lifted the EBIT margin, which stood at 7.6% (first half of 2018: 5.3%).

## **Net result**

Net financial expense in the first half of 2019 was on a par with the previous year. The depreciation of the Swiss franc against the euro and the US dollar increased the value of some balance sheet items, which had a positive impact on net income from exchange rate differences. This stood at CHF +0.4 million in the first half of 2019 (first half of 2018: CHF +0.3 million).

The net result for the first half of 2019 came to CHF 9.0 million (first half of 2018: CHF 5.5 million). The margin was a gratifying 7.7% (first half of 2018: 5.3%).

## **Balance sheet**

Total assets declined by CHF 6.1 million compared with December 31, 2018, to CHF 170.2 million.

On the assets side of the balance sheet, cash and cash equivalents decreased by CHF 17.2 million to CHF 18.7 million. A portion of cash and cash equivalents went into inventories, which increased by CHF 11.9 million to CHF 93.5 million due to high production volumes. Trade receivables declined slightly, by CHF 3.2 million to CHF 21.5 million. Other receivables and prepaid expenses rose by CHF 1.6 million.

Non-current assets were up by around CHF 0.8 million compared with December 31, 2018 to CHF 28.7 million as at June 30, 2019.

On the liabilities and equity side, trade payables increased by CHF 2.3 million compared with December 31, 2018. Conversely, other liabilities dropped sharply, by CHF 17.0 million to CHF 12.6 million. This includes prepayments received from customers, which fell due to lower order intake in the first half of 2019. Accrued liabilities and deferred income rose (CHF +3.1 million). The other items on the liabilities and equity side changed only marginally compared with December 31, 2018.

Net cash and cash equivalents stood at CHF 18.5 million as at June 30, 2019 (December 31, 2018: CHF 35.7 million).

Equity rose by CHF 4.8 million in the first half of 2019 to CHF 110.2 million (December 31, 2018: CHF 105.4 million), of which CHF 0.5 million (December 31, 2018: CHF 0.5 million) was attributable to minority interests. The equity ratio rose by 5.0 percentage points to 64.8% (December 31, 2018: 59.8%).

## Cash flow

Free cash flow amounted to CHF -12.2 million in the first half of 2019 (first half of 2018: CHF +2.4 million). The cash outflow was due in particular to the increase in working capital (CHF +22.2 million), caused by the increase in inventories (CHF +12.8 million) and the decline in prepayments received from customers (CHF -16.2 million). Net capital expenditure amounted to CHF 2.8 million (first half of 2018: CHF 1.4 million). This mostly comprised investments in the renovation of the technology and customer centres in Moutier (Switzerland) and Des Plaines near Chicago (USA) as well as in software and hardware. A further cash outflow was attributable to the distribution of a dividend of CHF 5.4 million to shareholders. In addition, Tornos sold CHF 0.6 million worth of its own shares to employees under the Group's Management and Board Participation Plan. The net decrease in cash and cash equivalents was therefore CHF 17.2 million (first half of 2018: net increase of CHF 3.9 million).

## Employees

As at June 30, 2019, the Tornos Group had 760 employees (full-time equivalents) and 43 apprentices (December 31, 2018: 728 employees and 44 apprentices). This increase is primarily due to the high order backlog that Tornos had to work off in the first half of 2019. The three assembly plants in Switzerland, China and Taiwan accounted for a large portion of this. In addition, Tornos bolstered its sales and service companies on all three continents.

## Outlook

In all probability, the uncertainty in the automotive industry will continue to have a negative impact on order intake in the second half of the year. Developments in the medical and dental technology market and the electronics market, on the other hand, open up interesting new sales opportunities for the Tornos Group, which has a product portfolio carefully tailored to customer requirements. EMO, the leading trade show taking place in Hanover in September, is also expected to stimulate demand. Overall, Tornos is expecting profitability for 2019 to be on a par with the previous year.

## Foreign currency translation

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

Currency	Average rate		Closing rate	
	1.1.-30.6.2019	1.1.-30.6.2018	30.6.2019	31.12.2018
1 EUR	1.1381	1.1694	1.1202	1.1260
1 USD	1.0074	0.9679	0.9856	0.9816
1 GBP	1.3013	1.3297	1.2448	1.2525
1 CNY	0.1480	0.1519	0.1433	0.1427

# Interim Consolidated Income Statement (unaudited)

In CHF 1'000	Notes	1 <sup>st</sup> HY 2019 1.1.-30.6.2019	1 <sup>st</sup> HY 2018 1.1.-30.6.2018
<b>Net sales</b>	<b>10</b>	<b>117'154</b>	<b>103'989</b>
Cost of sales		-78'078	-68'161
<b>Gross profit</b>		<b>39'076</b>	<b>35'828</b>
<i>in % of Net sales</i>		33.4%	34.5%
Marketing and sales		-15'821	-15'407
General and administrative expenses		-9'358	-8'936
Research and development		-4'956	-5'870
Other income - net		112	67
<b>Operating expenses</b>		<b>-30'023</b>	<b>-30'146</b>
<b>Operating result</b>		<b>9'053</b>	<b>5'682</b>
<i>in % of Net sales</i>		7.7%	5.5%
Financial income		26	5
Financial expense		-93	-128
Exchange result, net		416	316
<b>Ordinary result</b>		<b>9'402</b>	<b>5'875</b>
Non-operating result	11	-131	-175
<b>Earnings before income taxes</b>		<b>9'271</b>	<b>5'700</b>
Income taxes		-224	-234
<b>Net result</b>		<b>9'047</b>	<b>5'466</b>
<i>in % of Net sales</i>		7.7%	5.3%
Thereof attributable to shareholders of Tornos Holding Ltd.		9'038	5'431
Thereof attributable to minority interests		9	35
<b>Result per share</b>	<b>9</b>		
- basic (CHF per share)		0.46	0.28
- diluted (CHF per share)		0.46	0.28
<b>Additional information</b> (in CHF 1'000)			
<b>EBITDA</b>		<b>11'017</b>	<b>7'275</b>
<i>in % of Net sales</i>		9.4%	7.0%
Depreciation and amortization		-2'095	-1'768
<b>EBIT</b>		<b>8'922</b>	<b>5'507</b>
<i>in % of Net sales</i>		7.6%	5.3%

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

# Interim Consolidated Balance Sheet (unaudited)

In CHF '000	Notes	30.6.2019	in %	31.12.2018	in %
<b>ASSETS</b>					
Cash and cash equivalents		18'741		35'926	
Trade receivables		21'519		24'674	
Inventories, net		93'477		81'586	
Other short-term receivables		5'219		3'766	
Prepayments and accrued income		2'500		2'352	
<b>Total current assets</b>		<b>141'456</b>	83.1%	<b>148'304</b>	84.1%
Property, plant and equipment		27'709		26'925	
Intangible assets		607		621	
Deferred tax assets		396		397	
<b>Total non-current assets</b>	10	<b>28'712</b>	16.9%	<b>27'943</b>	15.9%
<b>Total assets</b>		<b>170'168</b>	100.0%	<b>176'247</b>	100.0%
<b>LIABILITIES AND EQUITY</b>					
Interest bearing borrowings		90		84	
Trade payables		29'539		27'240	
Current tax liabilities		105		25	
Other liabilities		12'600		29'602	
Accrued liabilities and deferred income		10'651		7'511	
Provisions		4'639		4'139	
<b>Total current liabilities</b>		<b>57'624</b>	33.8%	<b>68'601</b>	38.9%
Interest bearing borrowings		131		179	
Retirement benefit obligations		1'973		1'863	
Provisions		217		220	
Deferred tax liabilities		27		28	
<b>Total non-current liabilities</b>		<b>2'348</b>	1.4%	<b>2'290</b>	1.3%
<b>Total liabilities</b>		<b>59'972</b>	35.2%	<b>70'891</b>	40.2%
Share capital		69'572		69'572	
Capital reserve		40'331		45'776	
Treasury shares	8	-1'981		-3'186	
Retained earnings		-6'554		-21'825	
Currency translation adjustments		-753		-696	
Net result		9'038		15'186	
<b>Equity attributable to shareholders of Tornos Holding Ltd.</b>		<b>109'653</b>		<b>104'827</b>	
Minority interests		543		529	
<b>Total equity</b>		<b>110'196</b>	64.8%	<b>105'356</b>	59.8%
<b>Total liabilities and equity</b>		<b>170'168</b>	100.0%	<b>176'247</b>	100.0%

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

# Interim Consolidated Statement of Changes in Equity *(unaudited)*

In CHF 1'000	Share Capital	Capital reserve	Treasury shares	Retained earnings	Currency translation adjustments	Total attrib- utable to shareholders of Tornos Holding Ltd.	Minority interests	Equity
<b>December 31, 2017</b>	<b>89'450</b>	<b>28'814</b>	<b>-5'452</b>	<b>-22'702</b>	<b>-283</b>	<b>89'827</b>	<b>413</b>	<b>90'240</b>
Net result				5'431		5'431	35	5'466
Currency translation adjustments					-125	-125		-125
Proceeds from sale of treasury shares			1'925	-328		1'597		1'597
Share-based compensation				632		632		632
<b>June 30, 2018</b>	<b>89'450</b>	<b>28'814</b>	<b>-3'527</b>	<b>-16'967</b>	<b>-408</b>	<b>97'362</b>	<b>448</b>	<b>97'810</b>
<b>December 31, 2018</b>	<b>69'572</b>	<b>45'776</b>	<b>-3 186</b>	<b>-6'639</b>	<b>-696</b>	<b>104'827</b>	<b>529</b>	<b>105'356</b>
Net result				9'038		9'038	9	9'047
Contribution to shareholders		-5'445				-5'445		-5'445
Currency translation adjustments					-57	-57	5	-52
Proceeds from sale of treasury shares			1'205	-585		620		620
Share-based compensation				670		670		670
<b>June 30, 2019</b>	<b>69'572</b>	<b>40'331</b>	<b>-1'981</b>	<b>2'484</b>	<b>-753</b>	<b>109'653</b>	<b>543</b>	<b>110'196</b>

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

# Interim Consolidated Statement of Cash Flows (unaudited)

In CHF 1'000	Notes	1 <sup>st</sup> HY 2019 1.1.-30.6.2019	1 <sup>st</sup> HY 2018 1.1.-30.6.2018
<b>Net result</b>		<b>9'047</b>	<b>5'466</b>
Adjustments for expenses and income not affecting cash:			
Income taxes		224	234
Depreciation of property, plant and equipment		1'858	1'494
Amortization of intangible assets		237	274
Result on disposal of property, plant and equipment		-13	100
Share-based compensation		670	632
Allowance and write-offs on inventories		809	-502
Other non cash items		0	41
Change in Net Working Capital		-22'212	-3'736
<i>Thereof trade receivables</i>		<i>3'137</i>	<i>-2'588</i>
<i>Thereof other assets and prepayments</i>		<i>-1'577</i>	<i>-1'620</i>
<i>Thereof inventories</i>		<i>-12'793</i>	<i>-8'657</i>
<i>Thereof trade payables</i>		<i>2'310</i>	<i>-1'000</i>
<i>Thereof other current liabilities and provisions</i>		<i>-13'289</i>	<i>10'129</i>
Interest expense		67	15
Income taxes paid		-142	-269
<b>Cash flow from operating activities</b>		<b>-9'455</b>	<b>3'749</b>
Investment and disposal in property, plant and equipment		-2'627	-1'138
Investment in intangible assets		-188	-250
Interests and dividends received		26	0
<b>Cash flow from investing activities</b>		<b>-2'789</b>	<b>-1'388</b>
<b>Free cash flow</b>		<b>-12'244</b>	<b>2'361</b>
Repayments of borrowings, including finance lease liabilities		-42	-38
Distribution to shareholders		-5'445	0
Proceeds from sale of treasury shares		620	1'597
Interest paid		-93	-15
<b>Cash flow from financing activities</b>		<b>-4'960</b>	<b>1'544</b>
<b>Net cash flow</b>		<b>-17'204</b>	<b>3'905</b>
Cash and cash equivalents and bank overdrafts at January 1		35'926	23'664
Effects of exchange rate changes		19	133
<b>Cash and cash equivalents and bank overdrafts at June 30</b>		<b>18'741</b>	<b>27'702</b>

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

# Selected notes to the Interim Consolidated Financial Statements

## 1 General information

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

*These interim consolidated financial statements have been approved for issue by the Board of Directors on July 23, 2019.*

## 2 Basis of preparation

*The unaudited interim consolidated financial statements of the Tornos Group for the six months ended June 30, 2019 have been prepared in accordance with the Accounting Standard 31 "complementary recommendation for listed companies" of Swiss GAAP FER as well as the requirements of SIX Swiss Exchange and the Swiss law. This interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2018 which have been prepared in accordance with Swiss GAAP FER.*

## 3 Accounting policies

*The accounting policies applied by the Tornos Group in this interim financial report are consistent with those applied to the consolidated financial statements as at December 31, 2018.*

## 4 Critical accounting estimates and judgments

*The preparation of interim financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. On an ongoing basis, the Management evaluates the estimates, including those related to provisions for warranty, provisions resulting from pending litigations as well as other existing obligations of uncertain timing, inventory obsolescence, bad debts, valuation of intangible assets, assessment of income taxes including deferred tax assets and retirement benefit obligations. In preparing these interim financial statements, the significant judgements made by the Management in applying the Group's accounting policies and the key sources of*

estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2018.

Management and the Board of Directors believe the basis of planning and the assumptions to be reasonable under the circumstances.

## **5 Seasonality and cyclicity of interim operations**

Tornos business areas are not subject to any significant seasonal influences. The Group's operations are sensitive to economic cycles which can quickly impact its clients' investment decisions.

## **6 Scope of consolidation**

Tornos Management Holding Ltd, Switzerland and Tornos Holding Ltd., Switzerland merged with retroactive effect from January 1, 2019. This change has been decided in view of the streamlining of the Group structure. The assets and liabilities have been taken over by Tornos Holding Ltd. The operating activities carried out by Tornos Management Holding Ltd. have been transferred to Tornos Ltd., Switzerland. The merger has no financial impact on the consolidated financial statements.

Furthermore, three new companies were incorporated in Asia. Tornos (Taichung) Machine Works Ltd., Taiwan has taken over the production activities of Tornos Management Holding Ltd., Taiwan Branch. The activities of the representative offices, Tornos Ltd. Thailand and Tornos Technologies Asia LTD Malaysia, have been transferred to Tornos Technologies (Thailand) Co, Ltd., Bangkok and Tornos Technologies (Malaysia) Sdn. Bhd., Penang. The companies are fully owned and controlled by the Group. These changes have no impact on the consolidated financial statements and do not alter the scope or the nature of the activities carried out in this region.

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

## **7 Stock compensation plan**

There is one stock participation plan, namely the Management and Board Participation plan 2007 (MBP07). As part of this plan, the members of the Management and of the Board are annually attributed option rights to either purchase shares immediately in the first month of the attribution or after a period of two years (vesting period). The options can then be exercised during one year. Compensation expense is recognised for options over the vesting period and for shares purchased immediately in the accounts as the shares do not need to be returned in case the employment contract of an incumbent is terminated. The expense recorded in the income statement spreads the cost of each option equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Compensation expense of KCHF 665 was recorded for the six month' period ended June 30, 2019 (June 30, 2018: KCHF 307) for the options granted and KCHF 5 for the shares purchased (June 30, 2018: KCHF 325).

The fair value of the grants under the MBP07 is estimated using the Black-Scholes valuation model.

## 8 Treasury shares

Movements in treasury shares are as follows:

	30.6.2019		31.12.2018	
	Number of shares	Amount (in CHF 1'000)	Number of shares	Amount (in CHF 1'000)
<b>At beginning of year</b>	<b>449'269</b>	<b>3'186</b>	<b>763'254</b>	<b>5'452</b>
Sale of treasury shares	-169'950	-1'205	-339'825	-2'427
Acquisition of treasury shares	-	-	25'840	161
<b>At end of period</b>	<b>279'319</b>	<b>1'981</b>	<b>449'269</b>	<b>3'186</b>

Treasury shares are valued at average purchase price of CHF 7.09 (December 31, 2018: CHF 7.09). As of June 30, 2019, and for the period under review, 169'950 shares have been sold at an average price of CHF 3.65 as part of the Management and Board Participation plan 2007, MBP07 (in 2018 285'966 sold under the MBP07, 53'859 sold and 25'840 bought on the stock exchange).

## 9 Result per share, basic and fully diluted

### 9.1 Basic

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

	1 <sup>st</sup> HY 2019 1.1.–30.6.2019	1 <sup>st</sup> HY 2018 1.1.–30.6.2018
Net result attributable to equity holders of Tornos (in CHF 1'000)	9'038	5'431
Weighted average number of ordinary shares in issue (in 1'000)	19'478	19'205
<b>Basic result per share</b> (CHF per share)	<b>0.46</b>	<b>0.28</b>

### 9.2 Diluted

Diluted result per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Tornos has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of Tornos' shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	1 <sup>st</sup> HY 2019 1.1.–30.6.2019	1 <sup>st</sup> HY 2018 1.1.–30.6.2018
Net result attributable to equity holders of Tornos (in CHF 1'000)	9'038	5'431
Weighted average number of ordinary shares in issue (in 1'000)	19'478	19'205
Adjustment for shares options (in 1'000)	47	86
Weighted average number of ordinary shares for diluted earnings per share (in 1'000)	19'525	19'291
<b>Diluted result per share</b> (CHF per share)	<b>0.46</b>	<b>0.28</b>

Tornos currently disposes of enough own shares to issue in the case when the share options are exercised.

## 10 Segment information

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

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

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

The operating result for the period under review amounts to a gain of KCHF 9'053 (June 30, 2018: KCHF 5'682).

### 10.1 Analysis of revenues by category

In CHF 1'000	1 <sup>st</sup> HY 2019 1.1.–30.6.2019	1 <sup>st</sup> HY 2018 1.1.–30.6.2018
Machines	93'090	80'100
Service and spare parts	24'064	23'889
<b>Net sales</b>	<b>117'154</b>	<b>103'989</b>

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

## 10.2 Net sales by location of customers

In CHF 1'000	1 <sup>st</sup> HY 2019 1.1.-30.6.2019	1 <sup>st</sup> HY 2018 1.1.-30.6.2018
Switzerland	26'402	18'657
Other European countries	64'241	65'871
Americas	12'788	6'076
Asia	13'723	13'372
Rest of world	0	13
<b>Total Net sales</b>	<b>117'154</b>	<b>103'989</b>

## 10.3 Non-current assets

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

In CHF 1'000	30.6.2019	31.12.2018
Switzerland	26'070	25'302
Other European countries	623	638
Americas	317	174
Asia	1'306	1'432
<b>Total non-current assets for geographical area disclosure</b>	<b>28'316</b>	<b>27'546</b>
Reconciling unallocated assets:		
- Deferred tax assets	396	397
<b>Total non-current assets per balance sheet</b>	<b>28'712</b>	<b>27'943</b>

**11 Non-operating result**

*The non-operating loss of KCHF 131 relates mainly to a building held for investment. The building was completely renovated at the end of 2017 and reassigned as non-operating building since then. The apartments can be rented since 2018. At the end of June the building is almost fully let.*

**12 Subsequent events**

*There were no subsequent events to be mentioned.*





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