

TORNOS



*Half-year report 2021*

Tornos Group

*incl. Interim Consolidated Financial Statements*

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### **Forward-looking statements**

*The present half-year 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 half-year report is available in English, German and French. The original English-language version is binding. Tornos half-year report can be downloaded from the Tornos website: <https://investors.tornos.com>*

### **Responsible for the contents**

*Tornos Holding Ltd, Moutier, Switzerland*

### **Concept**

*Zoebeli Communications AG, Bern, Switzerland*

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*Luidspreker-Creative Studio, Venlo, Netherlands*

### **Printing**

*Pressor Ltd, Delémont, Switzerland*

# Key Figures

## Tornos Group

Unaudited, in CHF 1 000 <sup>1)</sup>	1 <sup>st</sup> HY 2021 1.1.–30.6.2021	1 <sup>st</sup> HY 2020 1.1.–30.6.2020	Difference	Difference in %
<b>Order intake</b>	<b>104 640</b>	<b>42 834</b>	61 806	144.3%
<b>Net sales</b>	<b>84 389</b>	<b>56 170</b>	28 219	50.2%
<b>EBITDA <sup>2)</sup></b>	<b>13 182</b>	<b>-10 988</b>	24 170	n/a
<i>in % of net sales</i>	15.6%	-19.6%		
<b>EBIT <sup>2)</sup></b>	<b>11 109</b>	<b>-13 089</b>	24 198	n/a
<i>in % of net sales</i>	13.2%	-23.3%		
<b>Net result</b>	<b>11 644</b>	<b>-13 908</b>	25 552	n/a
<i>in % of net sales</i>	13.8%	-24.8%		
<b>Cash flow from operating activities</b>	<b>18 581</b>	<b>-8 781</b>	27 362	n/a
<b>Cash flow from investing activities</b>	<b>877</b>	<b>804</b>	73	9.1%
<b>Free cash flow <sup>2)</sup></b>	<b>19 458</b>	<b>-7 977</b>	27 435	n/a
	<b>30.6.2021</b>	<b>31.12.2020</b>		
<b>Net cash <sup>2)</sup></b>	<b>15 401</b>	<b>-4 992</b>	20 393	n/a
<b>Total equity</b>	<b>90 200</b>	<b>77 927</b>	12 273	15.7%
<i>in % of total balance sheet</i>	66.2%	60.8%		
<b>Total balance sheet</b>	<b>136 314</b>	<b>128 176</b>	8 138	6.3%
<b>Employees (full-time equivalents) <sup>3)</sup></b>	<b>613</b>	<b>603</b>	10	1.7%

1) Unless otherwise stated

2) Non-GAAP financial indicator, see <https://investors.tornos.com/en/content/publications>

3) Without apprentices

# Tornos with marked improvements at all levels

*Dear Shareholders,*

*In the first half of 2021, business developed very well for the Tornos Group. Following an extremely difficult year 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. During the first six months of this year, all our production plants were running at full capacity. By the end of 2020, we were able to end short-time working in each of our business units. Despite relatively high inventory levels at the beginning of the year, our production sites occasionally faced major challenges in meeting the desired delivery times. This was due in particular to frequent interruptions in the global supply chain for raw materials and vendor products. The regulations and precautionary measures necessitated by the Covid-19 pandemic also made business more difficult in the first half of 2021. In many countries, machine installations and service calls were only possible with great additional effort.*

*Nevertheless, the Tornos Group succeeded in significantly improving profitability. In addition to the massive increase in sales, the cost structure, which has improved considerably since 2020, and the write-back of value adjustment provisions due to the reduction in inventories also had a positive impact on our EBIT<sup>1)</sup>.*

*Overall, our Group generated order intake of CHF 104.6 million in the first half of 2021 (first half of 2020: CHF 42.8 million, +144.3%) and net sales of CHF 84.4 million (first half of 2020: CHF 56.2 million, +50.2%). EBIT<sup>1)</sup> improved from CHF -13.1*

*million to CHF 11.1 million. Excluding the write-back of value adjustment provisions in the amount of CHF 6.5 million and the book gain from a property sale in the UK of CHF 0.7 million, EBIT<sup>1)</sup> for the first half of 2021 would be CHF 3.9 million.*

## **Revitalized automotive business**

*Fortunately, the Tornos Group was able to acquire numerous new customers and significantly increase its order intake in all its sales markets in the first half of 2021. This applies in particular to the automotive industry, which was by far the most important market for Tornos until 2018. In 2019, order intake collapsed completely in this area, and it was only toward the end of last year that a slight recovery of the market was noticeable again. In the first half of 2021, this market segment is again leading the way for Tornos, followed by medical and dental technology and the electronics market segment, in which Tornos was also able to achieve disproportionately high growth in the reporting period.*

*What applies to the industries also applies to the order intake in the regions: Tornos was able to grow everywhere in the first half of 2021. The development in China stands out here. Tornos has significantly strengthened its market position in China, particularly with its locally manufactured Swiss-type automatic lathes. Within Europe, demand from Italy was especially strong. In São Paulo, Brazil, Tornos established a new customer center in the first half of 2021, primarily for the medical and dental technology market.*

1) Non-GAAP financial indicator, see <https://investors.tornos.com/en/content/publications>

### **Multispindle machines in demand again**

The EvoDECO and SwissNano Swiss-type automatic lathes produced in Switzerland attracted significantly more customers in all sales markets in the first half of 2021 than in the previous year. Particularly striking, however, was the increase in demand for the MultiSwiss multispindle machines, sales of which had suffered particularly badly in the previous year due to the very special market conditions.

### **Circular economy with DECO 10 Plus**

Tornos' service and spare parts business also recovered. Despite the still sometimes severe travel restrictions due to the Covid-19 pandemic, this area was able to increase sales by 45%. 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.

### **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 expanded its services and in particular further developed its remote service.

### **Management changes**

At the end of April 2021, the Board of Directors of the Tornos Group appointed Stéphane Pittet to succeed Luc Widmer as the new Chief Financial Officer (CFO) and member of the General

Management of the Tornos Group. The 48-year-old MBA has broad experience in finance and controlling, strategy development, human resources, and information technology, gained in various management positions at Swatch Group and Richemont. He will take over his new assignment at Tornos at the beginning of September 2021.

### **Outlook**

In view of the high order backlog of CHF 46.5 million (end of 2020: CHF 27.2 million), we also expect significantly better results for the second half of 2021 than in the previous year. How sustainable the upswing will be is still difficult to assess today. A good part of the market development in the first half of 2021 is likely to be based on catch-up effects attributable to the Covid-19-year 2020. The availability of raw materials and vendor parts and their price development also remain uncertain. With its product portfolio, which is excellently geared to customer needs, its steadily expanding services and its flexible structure, the Tornos Group is, in any case, well equipped for the future.



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



**Michael Hauser**  
President and Chief  
Executive Officer

# Management Report

After a very difficult financial year in 2020, the Tornos Group achieved exceptionally pleasing results in the first half of 2021. Compared with the first half of 2020, the Group was able to increase sales by 50.2% and order intake by as much as 144.3%. EBIT<sup>1)</sup> improved from CHF -13.1 million to CHF 11.1 million, despite the fact that regulatory requirements and extensive precautionary measures in connection with the Covid-19 pandemic continued to make business significantly more difficult in the first half of 2021. The impact of the Covid-19 pandemic on the Tornos Group's 2021 half-year financial statements is detailed in Note 8 on page 15 of this half-year report. The difficulties in the global supply chain for raw materials and vendor products and the associated purchase price increases had a negative impact in some cases—both on delivery availability and on margins.

## Order intake and backlog

The Tornos Group achieved total order intake of CHF 104.6 million in the first half of 2021 (first half of 2020: CHF 42.8 million, + 144.3%). All market segments and machine types contributed to the marked improvement.

In 2019, order intake for Tornos from the automotive industry, by far the most important market segment for Tornos for many years, collapsed completely. Demand from this segment recovered significantly in the first half of 2021. With a share of 22.5%, the automotive industry is once again at the top of the market mix. It is followed by medical and dental technology with a share of 13.3%, electronics with 11.8% and watchmaking industry with 8.5%. The pneumatics and hydraulics market segment also achieved a share of 8.5%. Of Tornos' order intake for the first half of 2021, 25.4% came from subcontractors (so-called job shops) that supply parts to several of the industries mentioned.

The Tornos Group's order backlog stood at CHF 46.5 million as of June 30, 2021, representing an increase of 71.0% in the first half of 2021 (December 31, 2020: CHF 27.2 million).

## Net sales

The massive increase in order intake has not yet fully impacted sales. Nevertheless, Tornos achieved an increase in net sales of over 50% to CHF 84.4 million in the first half of 2021 (first half of 2020: CHF 56.2 million). Excluding exchange rate effects, net sales would have amounted to CHF 83.5 million for the first half of 2021. In the Swiss home market, net sales of CHF 19.3 million were CHF 4.6 million higher than in the first half of 2020 (+32.0%). In the rest of Europe, net sales rose by CHF 24.8 million or 117.8% to CHF 45.8 million. In the Americas, at CHF 7.9 million the corresponding figure was slightly lower than in the first half of 2020 (CHF 8.7 million). In Asia, Tornos achieved sales of CHF 11.3 million (first half of 2020: CHF 11.8 million), with a significant increase in order intake.

In the service and spare parts segment, Tornos generated net sales of CHF 21.7 million in the first half of 2021, which is CHF 6.7 million more than in the corresponding period of the previous year (first half of 2020: CHF 15.0 million). There was a strong increase in particular in the sale of spare parts. The service business also increased significantly compared to the first half of 2020, which was characterized by numerous lockdowns. The new service offerings from Tornos and intensified remote access, which allows access to machines and systems via computer systems regardless of location, also had a positive impact on service sales.

1) Non-GAAP financial indicator, see <https://investors.tornos.com/en/content/publications>

### Gross profit

In the first half of 2021, the Tornos Group's gross profit increased by CHF 27.0 million to CHF 33.5 million compared with the corresponding period of the previous year (first half of 2020: CHF 6.5 million). CHF 20.5 million of this increase was volume-related. The write-back of value adjustment provisions contributed CHF 6.5 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 first half of 2021 was 39.7% (first half of 2020: 11.5%).

### Operating expenses

At CHF 23.0 million, operating expenses in the first half of 2021 remained approximately at the level of the previous year (first half of 2020: 22.9 million). This, though, was achieved with significantly higher sales. While Tornos incurred slightly higher expenses in marketing and sales than in the previous year, costs in the area of research and development were slightly lower. However, this was without any restrictions on Tornos' scheduled development projects.

### Non-operating result

The non-operating result includes the book gain on the sale of a building in the UK (former sales branch) of CHF 0.7 million and the net income from the non-operating residential property „Tour Bechler“ (CHF 0.1 million). The residential property is fully rented.

### EBITDA <sup>1)</sup> and EBIT <sup>1)</sup>

Earnings before financial expense, tax, depreciation, and amortization (EBITDA <sup>1)</sup>) came to CHF 13.2 million for the first half of 2021 (first half of 2020: CHF -11.0 million). The EBITDA margin was 15.6% (first half of 2020: -19.6%). Earnings before financial expense and tax (EBIT <sup>1)</sup>) amounted to CHF 11.1 million (first half of 2020: CHF -13.1 million), corresponding to an EBIT margin of 13.2% (first half of 2020: -23.3%). EBITDA <sup>1)</sup> and EBIT <sup>1)</sup> of the first half of 2021 also include the write-back of value adjustment provisions in the amount of CHF 6.5 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 7.1% and the EBIT margin 4.6%. The impact of exchange rates was immaterial for EBIT <sup>1)</sup> in the first half of 2021.

### Net result

Net financial expenses were slightly higher in the first half of 2021 than in the corresponding period of the previous year. The net result was CHF 11.6 million in the first half of 2021 (first half of 2020: CHF -13.9 million). The margin was 13.8% (first half of 2020: -24.8%). Excluding the write-back of value adjustment provisions, the net result margin would be 6.0%.

### Balance sheet

Total assets increased by CHF 8.1 million to CHF 136.3 million compared to December 31, 2020. On the assets side, cash and cash equivalents increased by CHF 3.7 million to CHF 21.0 million. Trade receivables increased by CHF 8.0 million to CHF 20.3 million due to higher sales. Inventories decreased by CHF 2.6 million to

CHF 66.8 million. Without the write-back of value adjustment provisions, inventories would have decreased by CHF 9.1 million. Other receivables and prepaid expenses increased by CHF 1.1 million.

At 22.2 million, the non-current assets of the Tornos Group as of June 30, 2021, were CHF 1.9 million lower than on December 31, 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 decreased by CHF 16.7 million to CHF 5.6 million as Tornos repaid the foreign Covid-19 loans and part of the loan from major shareholders. Trade payables increased by CHF 5.4 million compared to December 31, 2020. Other payables increased by CHF 3.2 million to CHF 12.7 million, including customer prepayments, which increased due to higher order intake in the first half of 2021. Provisions increased by CHF 0.9 million due to higher warranty provisions on the machines sold. The other items on the liabilities and equity side have changed only insignificantly compared to December 31, 2020.

As of June 30, 2021, net cash <sup>1)</sup> amounted to CHF 15.4 million (December 31, 2020: CHF -5.0 million). Total equity increased by CHF 12.3 million to CHF 90.2 million in the first half of 2021 (December 31, 2020: 77.9 million). The equity ratio rose by 5.4 percentage points to 66.2% (December 31, 2020: 60.8%).

### Cash flow

Cash flow from operating activities amounted to CHF 18.6 million in the first half of 2021 (first half of 2020: CHF -8.8 million). The position „Disposal of property, plant and equipment“ includes the sale of the property of the former own sales organization in the UK. This was transferred to a national reseller in the first half of the year. Investments in the first half of 2021 amounted to CHF 0.2 million (first half of 2020: CHF 1.0 million). These cash flows resulted in free cash flow <sup>1)</sup> of CHF 19.5 million in the first half of 2021 (first half of 2020: CHF -8.0 million). The free cash flow <sup>1)</sup> was used to repay part of the shareholder loan and to repay foreign Covid-19 loans.

### Outlook

An outlook is still very difficult in view of the continuing major uncertainties. In view of the high order backlog at mid-year, Tornos also expects significantly better results for the second half of 2021 than in the previous year. How sustainable the upswing will be is still difficult to assess today. A good part of the market development in the first half of 2021 is likely to be based on catch-up effects attributable to the Covid-19-year 2020. The availability of raw materials and vendor parts and their price development also remain uncertain. With its product portfolio, which is excellently geared to customer needs, its steadily expanding services and its flexible structure, the Tornos Group is in any case well equipped for the future.

1) Non-GAAP financial indicator, see <https://investors.tornos.com/en/content/publications>



# Interim Consolidated Financial Statements 2021

*Tornos Group*

# Interim Consolidated Income Statement

(unaudited)

In CHF 1 000	Notes	1 <sup>st</sup> HY 2021 1.1.-30.6.2021	1 <sup>st</sup> HY 2020 1.1.-30.6.2020
<b>Net sales</b>	11	<b>84 389</b>	<b>56 170</b>
Cost of sales		-50 924	-49 720
<b>Gross profit</b>		<b>33 465</b>	<b>6 450</b>
<i>in % of net sales</i>		39.7%	11.5%
Marketing and sales		-12 645	-11 801
General and administrative expenses		-7 775	-8 292
Research and development		-2 728	-2 943
Other income		195	216
Other expense		-46	-67
<b>Operating expenses</b>		<b>-22 999</b>	<b>-22 887</b>
<b>Operating result</b>		<b>10 466</b>	<b>-16 437</b>
<i>in % of net sales</i>		12.4%	-29.3%
Financial income		1	40
Financial expense		-118	-67
Exchange result, net		824	-664
<b>Ordinary result</b>		<b>11 173</b>	<b>-17 128</b>
Non-operating result	12	643	3 348
<b>Earnings before income taxes</b>		<b>11 816</b>	<b>-13 780</b>
Income taxes		-172	-128
<b>Net result</b>		<b>11 644</b>	<b>-13 908</b>
<i>in % of net sales</i>		13.8%	-24,8%
Thereof attributable to shareholders of Tornos Holding Ltd.		11 644	-13 908
Thereof attributable to minority interests		-	-
<b>Result per share</b>			
- basic (CHF per share)		0.59	-0.71
- diluted (CHF per share)		0.59	-0.71
<b>Additional information</b> (in CHF 1 000)			
<b>EBITDA</b> <sup>1)</sup>		<b>13 182</b>	<b>-10 988</b>
<i>in % of net sales</i>		15.6%	-19.6%
Depreciation and amortization		-2 073	-2 101
<b>EBIT</b> <sup>1)</sup>		<b>11 109</b>	<b>-13 089</b>
<i>in % of net sales</i>		13.2%	-23.3%

1) Non-GAAP financial indicator, see <https://investors.tornos.com/en/content/publications>

# Interim Consolidated Balance Sheet

(unaudited)

In CHF 1 000	Notes	30.6.2021	in %	31.12.2020	in %
<b>ASSETS</b>					
Cash and cash equivalents		20 976		17 329	
Trade receivables		20 255		12 244	
Inventories, net		66 775		69 375	
Other short-term receivables		2 441		2 276	
Prepayments and accrued income		2 518		1 572	
<b>Total current assets</b>		<b>112 965</b>	82.9%	102 796	80.2%
Property, plant and equipment		22 172		24 067	
Intangible assets		800		943	
Deferred tax assets		377		370	
<b>Total non-current assets</b>		<b>23 349</b>	17.1%	25 380	19.8%
<b>Total assets</b>		<b>136 314</b>	100.0%	<b>128 176</b>	100.0%
<b>LIABILITIES AND EQUITY</b>					
Interest bearing borrowings		5 495		2 195	
Trade payables		14 136		8 722	
Current tax liabilities		269		43	
Other liabilities		12 689		9 463	
Accrued liabilities and deferred income		8 380		5 673	
Provisions		2 923		2 030	
<b>Total current liabilities</b>		<b>43 892</b>	32.2%	28 126	21.9%
Interest bearing borrowings		80		20 126	
Retirement benefit obligations		1 876		1 829	
Provisions		207		112	
Deferred tax liabilities		59		56	
<b>Total non-current liabilities</b>		<b>2 222</b>	1.6%	<b>22 123</b>	17.3%
<b>Total liabilities</b>		<b>46 114</b>	33.8%	<b>50 249</b>	39.2%
Share capital		69 572		69 572	
Capital reserve		40 035		40 035	
Treasury shares	10	-1 349		-1 875	
Retained earnings		-29 230		696	
Currency translation adjustments		-472		-649	
Net result		11 644		-29 852	
<b>Equity attributable to shareholders of Tornos Holding Ltd.</b>		<b>90 200</b>		<b>77 927</b>	
Minority interests		-		-	
<b>Total equity</b>		<b>90 200</b>	66.2%	<b>77 927</b>	60.8%
<b>Total liabilities and equity</b>		<b>136 314</b>	100.0%	<b>128 176</b>	100.0%

# Interim Consolidated Statement of Changes in Equity

(unaudited)

In CHF 1 000	Share Capital	Capital reserve	Treasury shares	Retained earnings	Currency translation adjustments	Total attributable to shareholders of Tornos Holding Ltd.	Minority interests	Equity
<b>December 31, 2019</b>	<b>69 572</b>	<b>40 331</b>	<b>-1 875</b>	<b>115</b>	<b>-747</b>	<b>107 396</b>	<b>413</b>	<b>107 809</b>
Net result				-13 908		-13 908		-13 908
Changes in minority interest		-294			-4	-298	-413	-711
Currency translation adjustments					-96	-96		-96
Share-based compensation				500		500		500
<b>June 30, 2020</b>	<b>69 572</b>	<b>40 037</b>	<b>-1 875</b>	<b>-13 293</b>	<b>-847</b>	<b>93 594</b>	<b>-</b>	<b>93 594</b>
<b>December 31, 2020</b>	<b>69 572</b>	<b>40 035</b>	<b>-1 875</b>	<b>-29 156</b>	<b>-649</b>	<b>77 927</b>	<b>-</b>	<b>77 927</b>
Net result				11 644		11 644		11 644
Currency translation adjustments					177	177		177
Proceeds from sale of treasury shares			526	-219		307		307
Share-based compensation				145		145		145
<b>June 30, 2021</b>	<b>69 572</b>	<b>40 035</b>	<b>-1 349</b>	<b>-17 586</b>	<b>-472</b>	<b>90 200</b>	<b>-</b>	<b>90 200</b>

# Interim Consolidated Statement of Cash Flow

(unaudited)

In CHF 1 000	1 <sup>st</sup> HY 2021 1.1.–30.6.2021	1 <sup>st</sup> HY 2020 1.1.–30.6.2020
<b>Net result</b>	<b>11 644</b>	<b>-13 908</b>
Adjustments for expenses and incomes not affecting cash:		
Income taxes	173	128
Depreciation of property, plant and equipment	1 785	1 780
Amortization of intangible assets	288	321
Result on disposal of property, plant and equipment	-802	-3 250
Share-based compensation	145	500
Allowance and write-offs on inventories	-6 956	8 737
Interest expense	35	67
Interest income	-1	-40
Income taxes paid	53	-190
<b>Changes from operating cash flow before changes in Net Working Capital</b>	<b>6 364</b>	<b>-5 855</b>
Changes in Net Working Capital	12 217	-2 926
<i>Thereof trade receivables</i>	-7 894	4 313
<i>Thereof other assets and prepayments</i>	-1 006	-610
<i>Thereof inventories</i>	10 435	8 426
<i>Thereof trade payables</i>	5 247	-13 414
<i>Thereof other current liabilities and provisions</i>	5 435	-1 641
<b>Cash flow from operating activities</b>	<b>18 581</b>	<b>-8 781</b>
Investment in property, plant and equipment	-173	-1 012
Disposal of property, plant and equipment	1 194	2 000
Investment in intangible assets	-145	-224
Interests received	1	40
<b>Cash flow from investing activities</b>	<b>877</b>	<b>804</b>
<b>Free Cash flow <sup>1)</sup></b>	<b>19 458</b>	<b>-7 977</b>
Repayments of borrowings, including finance lease liabilities	-16 282	-57
Proceeds from borrowings	-	7 106
Purchase of minority in Tornos (Xi'an) Machine Works Co., Ltd.	-	-711
Proceeds from sale of treasury shares	307	-
Interests paid	-35	-67
<b>Cash flow from financing activities</b>	<b>-16 010</b>	<b>6 271</b>
<b>Net cash flow</b>	<b>3 448</b>	<b>-1706</b>
Cash and cash equivalents and bank overdrafts at beginning of year	17 329	14 440
Effects of exchange rate changes	199	189
<b>Cash and cash equivalents and bank overdrafts at June 30</b>	<b>20 976</b>	<b>12 923</b>

1) Non-GAAP financial indicator, see <https://investors.tornos.com/en/content/publications>

# 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, 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 29, 2021.

## 2 Basis of preparation

The unaudited interim consolidated financial statements of the Tornos Group for the six months ended June 30, 2021 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. This interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2020 which have been prepared in accordance with Swiss GAAP FER.

## 3 Foreign currency rates

Currency	Average rate		Closing rate	
	1.1.-30.6.2021	1.1.-30.6.2020	30.6.2021	31.12.2020
1 EUR	1.1055	1.0757	1.1074	1.0946
1 USD	0.9164	0.9766	0.9301	0.8908
1 CNY	0.1416	0.1390	0.1441	0.1364

## 4 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, 2020.

## 5 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, 2020.

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

## 6 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.

## 7 Scope of consolidation

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

## 8 Impact of Covid-19 pandemic

Tornos Group was materially and adversely affected by the consequences of the Covid-19 pandemic in 2020. In particular inventories and allowances for obsolescence, personnel expenses and interest bearing borrowings were significantly impacted. The situation eased considerably in the course of the first half of this financial year.

### 8.1 Inventories and allowance for obsolescence

In CHF 1 000	30.6.2021	31.12.2020
Materials and components	38 552	44 389
Work in progress	17 648	17 612
Spare parts	20 305	23 008
Finished goods	19 907	21 406
<b>Inventories – gross</b>	<b>96 412</b>	<b>106 415</b>
Less allowance for obsolescence	-29 637	-37 040
<b>Inventories – net</b>	<b>66 775</b>	<b>69 375</b>

Higher consumption led to a shortening of the storage and, as a result, to a decrease in allowance for obsolescence by KCHF -7 403 in 2021.

## 8.2 Reimbursement from unemployment insurance

	1 <sup>st</sup> HY 2021 1.1.-30.6.2021	1 <sup>st</sup> HY 2020 1.1.-30.6.2020
Personnel expenses - gross	-26 317	-27 174
Reimbursement from unemployment insurance (and other governmental institution)	574	3 828
<b>Personnel expenses - net</b>	<b>-25 743</b>	<b>-23 346</b>

In the United States a first government supported loan of KCHF 480 has been granted and disbursed in May 2020. The loan was forgiven in March 2021 and derecognized through profit and loss as payment from governmental institution. A second government supported loan of KCHF 425 has been granted and disbursed in April 2021. Tornos applied for the loan to be forgiven in full. The decision is still pending as of June 30, 2021.

In 2021, reimbursements from unemployment insurance and other governmental institutions were paid in France and Taiwan. No short-time working was applied in Switzerland during the first half of this financial year (June 30, 2020: KCHF 3 259).

## 8.3 Government-supported loans

Tornos Group applied for government-supported loans in various countries. In Switzerland, a government-supported loan of CHF 10.5 million has been granted in April 2020. The credit line has not been utilized up to the balance sheet date. For CHF 0.5 million the interest rate is currently set fixed at a rate of zero percent. For CHF 10.0 million the interest rate is currently set at 0.5%. The interest rates are subject to an annual amendment based on the market developments. For the duration of the Covid-19 loan, the company may not distribute dividends and royalties and may not repay capital contributions. There are also further restrictions regarding the granting and repayment of loans to group companies and owners. Reduction of the credit line will be made quarterly from March 31, 2021 onwards on the basis of the original loan amount and will expire on December 31, 2024.

In Germany a government-supported loan of KCHF 540 has been granted and disbursed in May 2020. Repayment was made in March 2021. In France a government-supported loan of KCHF 1 081 has been granted and disbursed in May 2020. The loan was repaid in June 2021.

## 9 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 recognized 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 145 was recorded for the six month' period ended June 30, 2021 for the options granted (June 30, 2020: KCHF 500) and KCHF 219 for the shares purchased (June 30, 2020: none).

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

## 10 Treasury shares

Movements in treasury shares are as follows:

	30.6.2021		31.12.2020	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
<b>At beginning of year</b>	<b>264 319</b>	<b>1 875</b>	<b>264 319</b>	<b>1 875</b>
Sale of treasury shares	-74 100	-526	-	-
<b>At end of period</b>	<b>190 219</b>	<b>1 349</b>	<b>264 319</b>	<b>1 875</b>

Treasury shares are valued at average purchase price of CHF 7.09 (December 31, 2020: CHF 7.09).

As of June 30, 2021, and for the period under review, 74 100 shares have been sold at an average price of CHF 4.14 as part of the Management and Board Participation plan 2007, MBP07 (June 30, 2020: none).

## 11 Segment information

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 10 466 (June 30, 2020: loss of KCHF 16 437).

## 11.1 Analysis of revenues by category

In CHF 1 000	1 <sup>st</sup> HY 2021 1.1.–30.6.2021	1 <sup>st</sup> HY 2020 1.1.–30.6.2020
Machines	62 653	41 214
Service and spare parts	21 736	14 956
<b>Net sales</b>	<b>84 389</b>	<b>56 170</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 recognized transfer pricing policies, thereby leaving reasonable margins at local subsidiary level. Management reviews sales in four main geographical areas, namely Switzerland, other European countries, the Americas and Asia.

## 11.2 Net sales by location of customers

In CHF 1 000	1 <sup>st</sup> HY 2021 1.1.–30.6.2021	1 <sup>st</sup> HY 2020 1.1.–30.6.2020
Switzerland	19 337	14 650
Other European countries	45 788	21 022
Americas	7 929	8 727
Asia	11 335	11 771
<b>Total net sales</b>	<b>84 389</b>	<b>56 170</b>

## 12 Non-operating result

The gain on sale of land and buildings in the amount of KCHF 650 relates to a building which was sold for KCHF 1 050.

A non-operating building with a net book value of KCHF 6 295 generated rental income of KCHF 165, ancillary costs of KCHF 49 and depreciation of KCHF 123 (June 30, 2020: gain of KCHF 98). At the end of June the building is fully let.

## 13 Subsequent events

There were no subsequent events to be mentioned.

## Non-GAAP financial indicators

*Tornos discloses in its external communications key performance indicators that are not defined in Swiss GAAP FER. The definitions are available on the Group's website at <https://investors.tornos.com/en/content/publications>.*

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