

Non-GAAP Financial Measures

Tornos supplements its Swiss GAAP FER results with non-GAAP financial measures. The main non-GAAP financial measures are EBIT, EBITDA, Free Cash flow, Net Working Capital and Net cash.

EBIT and EBITDA

Tornos defines EBITDA as operating result plus non-operating result excluding depreciation on tangible fixed assets and amortization on other intangible assets and EBIT as operating result plus non-operating result. Tornos believes that EBITDA and EBIT are important performance indicators because they provide a measure of comparability to other companies with different capital or legal structures, which accordingly may be subject to disparate interest rates and effective tax rates, and to companies which may incur different depreciation and amortization expenses, or impairment charges related to fixed and intangible assets.

| In CHF 1'000 | 1st HY 2020 1.1.-30.6.2020 | 1st HY 2019 1.1.-30.6.2019 |
|-------------------------------|-------------------------------|-------------------------------|
| Operating result | -16'437 | 9'053 |
| Non-operating result | 3'348 | -131 |
| EBIT | -13'089 | 8'922 |
| Depreciation and amortization | 2'101 | 2'095 |
| EBITDA | -10'988 | 11'017 |

Free Cash flow

Tornos defines Free Cash flow as cash flow from operating activities plus cash flow from investing activities. Tornos believes that Free Cash flow is an important information because it represents the cash Tornos is generating after required investments in its asset base are done and therefore can be used to cover financing requirements or be distributed to shareholders.

Net Working Capital

Tornos defines Net Working Capital as the total of current assets and liabilities without taking into consideration cash and cash equivalents, interest bearing borrowings and provisions. Tornos considers that Net Working Capital is an important information since it shows whether Tornos has sufficient current assets to meet its current liabilities. Furthermore the Net cash tied up in Net Working Capital is shown. Changes in Net Working Capital shown in the Consolidated Statement of Cash flows only include cash-effective changes.

| In CHF 1'000 | 30.6.2020 | 31.12.2019 |
|---|---------------|---------------|
| Trade receivables | 12'497 | 16'865 |
| Inventories, net | 84'415 | 101'871 |
| Other short-term receivables | 3'360 | 3'356 |
| Prepayments and accrued income | 2'875 | 2'337 |
| Trade payables | -9'714 | -23'174 |
| Current tax liabilities | -143 | -206 |
| Other liabilities | -5'594 | -8'234 |
| Accrued liabilities and deferred income | -7'342 | -7'331 |
| Net Working Capital | 80'354 | 85'484 |

Net cash

Tornos defines Net cash as cash and cash equivalents less the interest bearing borrowing (current and non-current). Tornos believes that Net cash is an important information because it presents the available cash, taking into account the interest bearing borrowings including the shareholder loan.

| In CHF 1'000 | 30.6.2020 | 31.12.2019 |
|---|---------------|-------------|
| Cash and cash equivalents | 12'923 | 14'440 |
| Interest bearing borrowings (current) | -22'206 | -15'113 |
| Interest bearing borrowings (non-current) | -153 | -201 |
| Net cash | -9'436 | -874 |