

MEDIA RELEASE

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Report on the first half of 2019 for the Tornos Group:

Tornos once again significantly increases sales, EBIT and productivity

- **High order backlog at beginning of the year used well**
- **Successful launch of SwissNano 7**
- **Well placed to deal with fluctuating demand thanks to flexible cost structure**

In the first half of 2019, the Tornos Group was able to make good use of the record order backlog from the beginning of the year and significantly increase both sales and EBIT again in comparison to the previous year. The Group has successfully managed to further improve its efficiency and productivity and tap into new, promising markets – for example, in medical and dental technology, and the area of electronics (5G network technology). At the same time, Tornos noted a significant decline in demand from the automotive industry. In this market segment, various factors such as international trade disputes, discussions about the diesel engine, approval delays in Germany and the unforeseeable development of electromobility led to uncertainty in the sector and ultimately, for Tornos, to a significant decline in order intake. Now, it appears that Tornos' strategic thrust has proven to be correct: thanks to internationalization, flexibilization and a focus on different market segments, the Group is well prepared for such developments and uncertainties.

In the first half of 2019, the Tornos Group achieved net sales of CHF 117.2 million (first half of 2018: CHF 104.0 million, +12.7%) and order intake of CHF 76.9 million (first half of 2018: CHF 128.5 million, -40.2%). The operating result (EBIT) for the first half of 2019 amounted to CHF 8.9 million (first half of 2018: CHF 5.5 million, +62.0%), the net result was CHF 9.0 million (first half of 2018: CHF 5.5 million, +65.5%) and free cash flow came to CHF -12.2 million (first half of 2018: CHF +2.4 million). The cash flow can be attributed in particular to the increase in goods on hand and the decline in customer payments. The headcount (in full-time equivalents) of the Tornos Group increased: from 728 at the end of 2018 to 760 at the end of June 2019. This increase is primarily due to the high order backlog that Tornos had to work off in the first half of 2019.

In the medical and dental technology, electronic, and watchmaking industry markets and in the job shops, which supply parts to the industries mentioned, demand remained stable overall. Here, Tornos was again able to significantly increase order intake in the first six months of 2019 in some cases. However, this was not enough to compensate for the sharp decline in demand from the automotive industry.

Substantial growth in sales in domestic market

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.

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).

SwissNano 7 sets the standard

Tornos succeeded in markedly increasing sales for Swiss-type automatic lathes produced in Switzerland in the first half of 2019. This was predominantly thanks to SwissNano 7, which was launched onto the market in the second half of 2018. It sets new standards with regard to space requirements, ergonomics, energy consumption, tool consumption and low noise performance. SwissNano 7 has impressed customers in dental technology and the high-tech electronic industry in particular.

Maximum proximity to customers

Proximity to customers around the world is important to Tornos. In May 2019, Tornos opened new customer centers with showrooms, replacement part storage and office spaces in Chicago (USA) and Bangkok (Thailand). Tornos will open a customer center near Milan (Italy) in January 2020, and plans to open a customer center in Pforzheim (Germany) in spring 2021.

A large proportion of the renovations and extensions have been completed for the merging of assembly for all Tornos machines produced in Moutier. The refurbishment of the administration building with a new reception center and conference rooms is fully underway. All work will be completed by the end of 2019.

The Tornos Academy in Moutier got off to a very good start in the first half of 2019. Here, customers receive tailored training from Tornos to get the best out of Tornos products. The courses, which are individually designed with the customer's needs and wishes in mind, are offered at all of Tornos' sites. However, they can also be held at customers' premises if desired.

Further development of the sites in Asia

The expansion of the site in Taichung, Taiwan, into a completely autonomous plant able to assemble all types of Swiss GT machines, has had a positive impact on the quality of processes and on the flexibility of the operation. As at the mid-year point, the plant is at full capacity until the end of 2019.

In April 2019, Tornos decided to independently develop its subsidiary in China, Tornos (Xi'an) Machine Works Co., Ltd., and repurchase the minority share of 30% of the share capital from Chinese company Shaanxi Robot Automation Technology Co., Ltd. by the end of 2019 at the latest. Tornos will obtain new premises in Xi'an this year.

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.

With its flexible cost structure, the Tornos Group is well positioned to deal with fluctuations in demand in the markets and any decline in sales depending on the market conditions.

Unaudited key figures

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

* Unless otherwise stated

** Without apprentices

The report on the first half of 2019 for the Tornos Group (in French, English and German) and the consolidated interim financial statements (in English only) are available at <https://investors.tornos.com/en> to download.

Next publication dates

September 19, 2019	Participation in the Investora Zurich conference
January 21, 2020	Order intake and sales 2019
March 9, 2020	Annual report 2019 / Media and analyst conference, Zurich
April 15, 2020	Annual General Meeting, Moutier

Further information on Tornos can be found at www.tornos.com

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Company profile

Tornos Group is one of the global leaders for the development, production and distribution of Swiss-type automatic lathes and multispindle machines. The company's history dates back to 1880, placing Tornos at the beginning of Swiss-type lathe technology. The Group primarily manufactures CNC Swiss-type (sliding headstock) turning machines, multispindle machines, and machining centres for complex parts requiring high precision. Tornos is headquartered in Switzerland. Through a global sales and service network, unique solutions are supplied to customers in dedicated market segments such as Automotive, Medical and dental technology, Micromechanics, and Electronics. With its 728 employees (FTEs), Tornos Group generated sales of CHF 214.9 million in 2018.

Except for the historical information contained herein, the statements in this media release are forward-looking statements that involve risks and uncertainties.