

MEDIA RELEASE

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Tornos Group Earnings Report for 2019:

Tornos realigns market focus

- **Lower volumes impact results for the year**
- **Successful market launch of new SwissNano 7**
- **New customer centers**

The Tornos Group achieved significantly lower sales volumes in fiscal year 2019 than in the record year 2018. Whereas Tornos' business in the medical and dental technology segment and in the electronics industry remained at the previous year's high level, uncertainty in the automotive industry had an impact. Numerous investment projects in the industry were canceled or postponed, leaving palpable traces in the financial statements.

In the year under review, the Tornos Group posted total net sales of CHF 205.3 million (2018: CHF 214.9 million) and order intake of CHF 135.5 million (2018: CHF 245.0 million). The operating result (EBIT²) for 2019 came to CHF 6.4 million (2018: CHF 15.5 million), the net result to CHF 5.9 million (2018: CHF 15.3 million).

Changing needs and requirements

The outlines of the automotive industry's transformation along with changing needs and requirements for machining equipment are becoming ever clearer. Consequently, in the medium and even long term Tornos sees better market opportunities and higher volumes for its high-performance Swiss-type automatic lathes and multispindle machines in the medical and dental technology segments and in the electronics and watchmaking industry. The Group's market focus is shifting accordingly.

The automotive industry contributed only 8.6% to total machine order intake in 2019 (previous year: 42.9%). The share for medical and dental technology rose from 12.9% to 28.4% for the same period. Tornos achieved gratifying sales successes in this segment in 2019. The percentage share for the electronics market segment expanded from 9.6% to 16.6%. In absolute figures, however, Tornos fell somewhat short of the order value from the successful year 2018. The same is even more true of the watchmaking industry market segment. Although its percentage share rose from 9.3% to 9.6%, in absolute figures the value of orders fell by one-half. The remaining 36.8% (previous year: 25.3%) came from subcontractors (known as job shops) that supply parts to the four industries mentioned above, and from smaller industries such as aviation, pneumatics, and hydraulics.

SwissNano 7 finds avid customers

Tornos succeeded in lifting sales of Swiss-type automatic lathes and multispindle machines produced in Switzerland in 2019. The response to the SwissNano 7, launched in the second half of 2018, has been highly gratifying. This product sets new standards in its class for compactness, ergonomics, energy consumption, tool consumption and low noise levels. The SwissNano 7 has found especially enthusiastic customers in the medical and dental technology as well as in the high-tech electronics sectors. It is used, for example, for the production of dental implants or for the manufacture of sophisticated connectors in communication and measurement technology.

Sharp drop in sales in the second half

Compared with the previous year, Tornos Group net sales shrank by 7% in Europe, and by 21% in Asia (including the rest of the world). In the Americas, by contrast, net sales were up 53%. Net sales in Switzerland, where Tornos invoiced 13% more than in 2018, were gratifying as well. Overall, the net sales of the Tornos Group break down as follows across the different regions: Switzerland 22.8% (previous year: 19.2%), rest of Europe 53.3% (previous year: 59.4%), Asia (including rest of world) 11.2% (previous year: 13.4%), Americas 12.7% (previous year: 8.0%).

In the service and spare parts unit Tornos saw further gains in almost every segment in 2019, with only sales of spare parts declining. Overall, net sales fell from the previous year's CHF 46.7 million to CHF 45.8 million. In the service, refurbishing, and used machinery subsegments Tornos saw gains over the previous year (+ CHF 1.7 million). In the coming years, Tornos intends to further develop the services segment.

Operating expenses

The Tornos Group's operating expenses increased by CHF 2.2 million in 2019 to CHF 60.0 million (previous year: CHF 57.8 million). Marketing and sales expenses rose by CHF 1.0 million from CHF 30.3 million to CHF 31.3 million. This includes new hiring in the Service unit to further expand services for customers. General administrative expenses increased only slightly.

Research and development

At CHF 10.1 million, research and development expenses in 2019 remained at the same level as in the previous year (2018: CHF 10.1 million). Tornos successfully continued its various innovation projects, both in the multispindle sector as well as on Swiss type automatic lathes.

In 2019 Tornos also advanced the development of its scalable, user-friendly TISIS machine programming and communication software, producing several product additions and updates.

New customer centers throughout the world and centralized production of Swiss machines

While the Tornos Group has had new customer centers in Chicago, USA and Bangkok, Thailand since May 2019, a new center near Milan, Italy will follow in the first quarter of 2020. A further customer center is scheduled to open in Pforzheim, Germany in 2022. These centers underscore Tornos' commitment to customer proximity worldwide.

In the year under review, Tornos invested to centralize production of Swiss machines at the main site in Rue Industrielle, Moutier, expanding the plant and simplifying processes. Tornos also completed the renovation of its office building the same year.

Expansion of locations in Asia

The expansion of the location in Taichung, Taiwan, into a fully autonomous plant capable of complete assembly of all machines in the Swiss GT product line had a positive impact on process quality and operational flexibility at the facility. By the second half of 2019 the plant was already operating at full capacity.

In April 2019 Tornos resolved to independently develop its subsidiary in China, Tornos (Xi'an) Machine Works Co., Ltd. and to buy back the 30% minority share capital stake held by the Chinese company Shaanxi Robot Automation Technology Co., Ltd. This purchase was completed in January 2020. Tornos also moved into new premises in Xi'an during the year under review.

The social and economic consequences of the coronavirus from China cannot be fully predicted at present. With its production site in Taiwan, the Tornos Group is able to relocate product lines from China to Taiwan.

Employees

Tornos steadily expanded employee headcount during the first half of 2019 to keep up with the workload. With the decline in order intake, the number of employees was cut back again in the second half. Overall Tornos Group headcount declined slightly from 728 employees (full-time equivalents) and 44 apprentices at the end of 2018 to 729 employees and 35 apprentices at the end of 2019. In response to the current order situation, Tornos applied for authorization for short-time work in Moutier from the beginning of March 2020 onwards.

Distribution to shareholders

Given the current economic situation, the Board of Directors will not be proposing a dividend distribution.

Outlook

The Tornos Group enters the new fiscal year with a significantly slimmer order backlog than one year earlier. Recent geopolitical developments are causing considerable

uncertainty, making it extremely difficult to formulate assessments and forecasts at present. However, with a range of products and services carefully tailored to customer requirements, Tornos remains well equipped to respond rapidly and efficiently to developments in each market.

Key figures, 2019 and 2018

| Tornos Group | | | | |
|---|----------------------|----------------------|---------------|-------------------|
| (in CHF 1,000) ¹⁾ | 2019 | 2018 | Change | Change (%) |
| Order intake | 135,498 | 245,009 | -109,511 | -44.7% |
| Net sales | 205,309 | 214,864 | -9,555 | -4.4% |
| EBITDA ²⁾ | 10,741 | 19,331 | -8,590 | -44.4% |
| <i>as % of net sales</i> | <i>5.2%</i> | <i>9.0%</i> | | |
| EBIT ²⁾ | 6,431 | 15,486 | -9,055 | -58.5% |
| <i>as % of net sales</i> | <i>3.1%</i> | <i>7.2%</i> | | |
| Net result | 5,926 | 15,327 | -9,401 | -61.3% |
| <i>as % of net sales</i> | <i>2.9%</i> | <i>7.1%</i> | | |
| Cash flow from operating activities | -26,992 | 19,116 | -46,108 | n/a |
| Cash flow from investing activities | -4,590 | -5,661 | 1,071 | 18.9% |
| Free cash flow ²⁾ | -31,582 | 13,455 | -45,037 | n/a |
| | Dec. 31, 2019 | Dec. 31, 2018 | | |
| Net cash ²⁾ | -874 | 35,663 | -36,537 | n/a |
| Total equity | 107,809 | 105,356 | 2,453 | 2.3% |
| <i>as % of balance sheet</i> | <i>64.4%</i> | <i>59.8%</i> | | |
| Total balance sheet | 167,507 | 176,247 | -8,740 | -5.0% |
| Employees (full-time equivalents) ³⁾ | 729 | 728 | 1 | 0.1% |

1) where not otherwise specified

2) Non-GAAP financial measure, refer to the Annual Report 2019, page 9 (<https://investors.tornos.com/en/content/publications>)

3) excluding apprentices

Next publication dates

April 15, 2020 Annual General Meeting 2020
August 11, 2020 2020 Half-Year Report

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 and marked the beginning of Swiss-type lathe technology. The company primarily manufactures CNC sliding headstock Swiss-type automatic lathes, multispindle machines, and precision machining centers for complex parts. Tornos is headquartered in Switzerland. A worldwide sales and service network offers unique solutions to customers in the target automotive, medical and dental technology, micromechanics, and electronics industries. With 729 employees (FTEs), Tornos Group generated sales of CHF 205.3 million in 2019.

In addition to historical information, this media release contains statements about the future which include risks and uncertainties.