

MEDIA RELEASE

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Report on the first half of 2020 for the Tornos Group:

Tornos faces major challenges

- **Decline in demand from automotive industry and corona pandemic have a negative impact on half-year results**
- **Marked increase in allowance on inventory puts additional pressure on earnings**
- **Cost-cutting measures consistently continued**
- **Jens Thing new Chief Sales Officer and member of the General Management**

The Tornos Group was also severely affected by the coronavirus crisis. At times in the first half of 2020, its business was practically paralyzed worldwide. The outbreak of the pandemic occurred when demand for the Swiss-type automatic lathes and multispindle machines had already fallen sharply due to structural change in the automotive industry. The financial results of the Tornos Group for the first half of 2020 were correspondingly negative.

During the second half of 2019, Tornos had already introduced various measures in response to the negative market developments, such as rigorous cost savings and a reduction in the workforce, which mainly affected temporary employees. Tornos continued to implement these cost-cutting measures in the first half of 2020. As a result, the Group has succeeded in keeping operating losses within limits. However, the result was greatly affected by the allowance on inventories in the amount of CHF 8.1 million which had to be made due to the longer storage period and lower consumption. If sales pick up again in the future and the inventory is decreased, the allowance could be reduced accordingly with an effect on the result.

Changes in the General Management

Bruno Edelmann, CFO, and Bruno Allemand, Head of Sales & Marketing, both decided in June 2020 to leave the Tornos Group to take on new challenges. The Board of Directors and the Executive Committee thank Bruno Edelmann and Bruno Allemand for their great commitment to the Tornos Group. Bruno Edelmann

will hand over on September 1, 2020 to the current Head of Global Supply Chain Management, Luc Widmer, who served as CFO of the Tornos Group from 2012 to 2015. Bruno Allemand will leave Tornos at the end of 2020.

Jens Thing appointed Chief Sales Officer and member of the General Management

On August 10, 2020, the Board of Directors of the Tornos Group appointed Jens Thing as a new member of the General Management and Chief Sales Officer. The 56-year-old from Denmark has had close ties with Switzerland for 30 years, holds an MBA and has considerable international management experience in the machine tool industry, which he has acquired in a number of management positions, including at Mikron and GF AgieCharmilles. Jens Thing has been Managing Director at the leading global standard machine manufacturer Haas Automation Europe in Brussels since 2014. He will take up his new post at Tornos at the beginning of 2021, with the goal of developing the company's global sales organization and making it even more efficient.

Development of the most important key figures

Overall, the Group achieved net sales of CHF 56.2 million in the first half of 2020 (first half of 2019: CHF 117.2 million, -52.1%) and order intake of CHF 42.8 million (first half of 2019: CHF 76.9 million, -44.3%). The operating result (EBIT²) for the first half of 2020 amounted to CHF -13.1 million (first half of 2019: CHF 8.9 million), the net result was CHF -13.9 million (first half of 2019: CHF 9.0 million) and free cash flow² came to CHF -8.0 million (first half of 2019: CHF -12.2 million). Even in this difficult situation, the Group's liquidity remained secure at all times.

All market segments and machine types were affected by this significant change. In less favorable economic times, Tornos generally sells more machines from its Asian production facilities which are in the medium and lower price segments. Investments in machines in the higher price segment, such as those produced by Tornos in Moutier, are often postponed by customers until better times. Thus, almost 60% of the machines sold by Tornos in the first half of 2020 (in terms of units) come from the production sites in China and Taiwan.

Employees

The number of Group employees fell from 729 at the end of 2019 to 636 at the end of June 2020. Most of the reduction concerned the Swiss sites of Moutier and La Chaux-de-Fonds. The reduction was mainly in the number of temporary staff. Tornos also reduced the number of jobs at its production plants in China and Taiwan and at its sales and service companies. The Group introduced short-time working at various locations in Switzerland and abroad. The reductions in the

workforce resulted in savings of CHF 9.3 million, and the introduction of short-time working had a positive effect on the half-year accounts of CHF 3.8 million. In addition, the Board of Directors has decided to waive the dividend originally planned for shareholders.

SwissDECO and SwissNano 7 still in demand in medical and dental technology

The SwissDECO and SwissNano 7 Swiss-type automatic lathes produced in Switzerland found further convinced customers in the medical and dental technology and electronics industries in the first half of 2020. Overall, however, Tornos suffered a significant decline in orders for all product groups. Due to the economic situation, demand is currently particularly weak for multispindle machines.

New automation solutions

The scalable and user-friendly TISIS machine programming and communication software has already been installed on 2000 Tornos machines. In the first half of 2020, Tornos continued to develop automation solutions and implemented various product additions and updates.

Centralization in Moutier completed, new premises in China

In Moutier, both the centralization of production at the main site on Rue Industrielle and the renovation of the administrative building with a new reception center and conference rooms have been fully completed. A specialized third-party company now operates part of the warehouse, including the related logistics. This has helped to further increase the flexibility of our company. Production at the new premises in Xi'an (China) has started well.

Outlook

It is extremely difficult to provide an outlook at present due to the current uncertainties. Tornos faces great challenges. The Group is expecting a slow recovery of the global markets in 2021. Overall Tornos does not yet anticipate any fundamental changes in the second half of 2020. The Group estimates net sales on a par with those in the first half of 2020. Accordingly, EBIT and the net result will also be similarly negative. In the medium and long-term, however, Tornos remains confident. The Group will be ready for the upturn following the economic downswing, which was massively aggravated by the coronavirus crisis, with its product portfolio carefully tailored to customer requirements and its expanded services.

Unaudited key figures

Tornos Group (in CHF 1'000) ¹⁾	1st HY 2020 1.1.-30.6.2020	1st HY 2019 1.1.-30.6.2019	Difference	Difference in %
Order intake	42'834	76'878	-34'044	-44.3%
Net sales	56'170	117'154	-60'984	-52.1%
EBITDA ²⁾	-10'988	11'017	-22'005	n/a
<i>in % of net sales</i>	-19.6%	9.4%		
EBIT ²⁾	-13'089	8'922	-22'011	n/a
<i>in % of net sales</i>	-23.3%	7.6%		
Net result	-13'908	9'047	-22'955	n/a
<i>in % of net sales</i>	-24.8%	7.7%		
Cash flow from operating activities	-8'781	-9'455	674	7.1%
Cash flow from investing activities	804	-2'789	3'593	n/a
Free cash flow ²⁾	-7'977	-12'244	4'267	34.8%
	30.6.2020	31.12.2019		
Net cash ²⁾	-9'436	-874	-8'562	n/a
Total equity	93'594	107'809	-14'215	-13.2%
<i>in % of total balance sheet</i>	65.4%	64.4%		
Total balance sheet	143'028	167'507	-24'479	-14.6%
Employees (Full-time equivalents) ³⁾	636	729	-93	-12.8%

1) Unless otherwise stated

2) Non-GAAP financial measure, refer to Interim Consolidated Financial Statements 2020, pages 8 and 9 (<https://investors.tornos.com/en/content/publications>)

3) Without apprentices

The report on the first half of 2020 for the Tornos Group (in French, English and German) and the consolidated interim financial statements (in English only) are available for download at <https://investors.tornos.com/en>.

Next publication dates

January 20, 2021	Order intake and sales 2020
March 8, 2021	Annual report 2020 / Media and analyst conference, Zurich
April 14, 2021	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 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. The Tornos Group employs around 630 persons (FTE's) in total.

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