

TORNOS

20

23

*Half-year report*

*Tornos Group*

*incl. Interim Consolidated Financial Statements*

## Content

<i>Letter to Shareholders</i>	<b>4</b>
<i>Management Report</i>	<b>7</b>
<i>Interim Consolidated Financial Statements</i>	<b>10</b>

### 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. Tornos half-year report can be downloaded from the Tornos website:  
<https://investors.tornos.com>

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# Key Figures

## Tornos Group

	1 <sup>st</sup> HY 2023 1.1.–30.6.2023	1 <sup>st</sup> HY 2022 1.1.–30.6.2022	Difference	Difference in %
Unaudited, in CHF 1 000 <sup>1)</sup>				
<b>Order intake</b>	<b>79 688</b>	<b>98 297</b>	-18 609	-18.9%
<b>Net sales</b>	<b>95 727</b>	<b>93 677</b>	2 050	2.2%
<b>Order backlog</b>	<b>50 140</b>	<b>62 297</b>	-12 157	-19.5%
<b>EBITDA <sup>2)</sup></b>	<b>9 620</b>	<b>10 651</b>	-1 031	-9.7%
<i>in % of net sales</i>	<i>10.0%</i>	<i>11.4%</i>		
<b>EBIT <sup>2)</sup></b>	<b>7 992</b>	<b>8 796</b>	-804	-9.1%
<i>in % of net sales</i>	<i>8.3%</i>	<i>9.4%</i>		
<b>EBIT adjusted <sup>2)</sup></b>	<b>7 992</b>	<b>4 174</b>	3 818	91.5%
<i>in % of net sales</i>	<i>8.3%</i>	<i>4.5%</i>		
<b>Net result</b>	<b>6 223</b>	<b>8 782</b>	-2 559	-29.1%
<i>in % of net sales</i>	<i>6.5%</i>	<i>9.4%</i>		
<b>Cash flow from operating activities</b>	<b>-5 698</b>	<b>5 931</b>	-11 629	n/a
<b>Cash flow from investing activities</b>	<b>-5 988</b>	<b>-1 721</b>	-4 267	247.9%
<b>Free cash flow <sup>2)</sup></b>	<b>-11 686</b>	<b>4 210</b>	-15 896	n/a
	<b>30.06.2023</b>	<b>31.12.2022</b>		
<b>Net cash <sup>2)</sup></b>	<b>720</b>	<b>17 630</b>	-16 910	-95.9%
<b>Total equity</b>	<b>109 388</b>	<b>108 359</b>	1 029	0.9%
<i>in % of total balance sheet</i>	<i>65.6%</i>	<i>65.9%</i>		
<b>Total balance sheet</b>	<b>166 662</b>	<b>164 355</b>	2 307	1.4%
<b>Employees (full-time equivalents) <sup>3)</sup></b>	<b>691</b>	<b>681</b>	10	1.5%

1) Unless otherwise stated

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

3) Without apprentices

# Letter to shareholders

## Tornos posts marked improvement in operating result

*Dear Shareholders,*

The Tornos Group has started 2023 with a record high order backlog. Compared to the first half of 2022, the Group again achieved a slight increase in sales in the first half of 2023. EBIT\* decreased slightly in absolute terms. A comparison of the result for this half-year with the adjusted EBIT\* for the first half of 2022 (excluding the special effect from the writeback of value adjustment provisions) shows a marked improvement.

With regard to new investments on the customer side, we felt significant uncertainty in some sales markets, which was reflected in various project postponements. This led to a decline in order intake, particularly in the USA and Europe. On a positive note, demand for our products increased noticeably again towards the end of the half-year.

Overall, our Group generated order intake of CHF 79.7 million in the first half of 2023 (first half of 2022: CHF 98.3 million, -18.9%) and net sales of CHF 95.7 million (first half of 2022: CHF 93.7 million, +2.2%). EBIT\* for the first half of 2023 amounted to CHF 8.0 million (first half of 2022: CHF 8.8 million, or CHF 4.2 million excluding the special effect from the writeback of value adjustment provisions).

### Significant increase in orders in the electronics industry

The share of orders from the automotive industry decreased significantly for Tornos in the reporting period – from 16.2% in the first half of 2022 to 9.5% in the first half of 2023. With a share of 29.7%, Tornos again received the most orders from the medical and dental technology sector (first half of 2022: 24.5%). Compared with the record high figure from the first half of 2022 (CHF 18.2 million), the absolute value here fell by 10.5% to CHF 16.3 million. By contrast, Tornos saw a 58.5% increase in the electronics industry – from CHF 7.6 million in the first half of 2022 to CHF 12.0 million. Its share of Tornos' order intake now amounts to 21.8% (first half of 2022: 10.2%), while that of the watchmaking industry is 19.3% (first half of 2022: 14.6%).

### Stable demand for SwissNano produced in Switzerland

The SwissNano Swiss-type automatic lathe produced in Switzerland continued to enjoy good demand in the first half of 2023. The MultiSwiss multispindle machines were most affected by project postponements. It is pleasing to note that MultiSwiss machines are also increasingly in demand outside the

automotive industry. For machines produced by Tornos in the Taiwan region and in China, demand in the first half of 2023 was slightly lower than in the corresponding period of the previous year.

### Service and spare parts business expanded further

Tornos' service and spare parts business continued to perform well. Compared with the first half of 2022, Tornos was able to increase sales in this area by a further 4%. The DECO 10 Plus offer, which allows Tornos customers to have their older DECO 10 machines upgraded to the latest technology, is still going well. Equally successful is Tornos' initiative to buy back older machines and put them back on the market in the spirit of a circular economy, after a complete overhaul to the latest state of the art.

### Infrastructure projects

In the Taiwan region, the construction of a new production hall is fully on track. The plant will be ready for operation by the end of 2023. It will create optimal conditions for the continued successful production of medium- and lower-priced Tornos machines in the Taiwan region.

### Sustainable development

Responsibility towards the environment and people is a high priority for the Tornos Group. With this in mind, Tornos has launched the "Turning sustainable" initiative, which brings together all the Group's sustainability and environmental, social and governance (ESG) activities and supports the ongoing global paradigm shift. The program is based on the United Nations Sustainable Development Goals (SDGs) and takes into account the new legal framework introduced in Switzerland. For the 2023 reporting period, the Tornos Group is preparing its first non-financial reporting as part of the annual financial report.

### Tornos evaluates a merger with Starrag

On May 26, 2023, the Board of Directors of Tornos Holding Ltd. decided to evaluate a possible merger of the Tornos Group with the Starrag Group. Both groups of companies are active worldwide. They are excellently positioned in their target markets and have a portfolio that is well aligned with customer needs. The market performances of Tornos and Starrag would complement each other excellently. The merger would strengthen the position of both partners and offer great

\* Non-GAAP financial measure, see <https://investors.tornos.com/en/content/publications>

# Management Report



François Frôté, Chairman of the Board of Directors,  
Michael Hauser, CEO

development potential in all areas. In the case of a possible merger, the Tornos and Starrag brands are to be retained. No job cuts would be planned in this context either. The process of clarification and the discussions between Tornos and Starrag on a possible merger are still ongoing. Tornos will provide information in due course about the next steps in negotiations with Starrag.

## Outlook

The Tornos Group still has a good order backlog and remains confident for the second half of 2023. However, concrete forecasts are still not possible. The development of demand in the individual markets and the availability of raw materials and vendor parts as well as their price development remain uncertain. In general, uncertainties in the global markets remain very high.

François Frôté  
Chairman of the Board of Directors

Michael Hauser  
President and Chief Executive Officer

Moutier, July 2023

In the first half of 2023, the Tornos Group succeeded in building on its good position at the end of the previous financial year and further improving its operating result. Compared with the first half of 2022, the Group lifted net sales by 2.2%. Order intake did not reach the high level of the first half of 2022; with regard to new investments on the customer side, Tornos felt significant uncertainty in some sales markets, which was reflected in various project postponements.

## Order intake and backlog

The Tornos Group achieved total order intake of CHF 79.7 million in the first half of 2023 (first half of 2022: CHF 98.3 million, -18.9%). Medical and dental technology was again at the top of the market mix with 29.7% (first half of 2022: 24.5%), followed by the electronics industry, which grew strongly from 10.2% in the first half of 2022 to 21.8% in the first half of 2023. The watchmaking industry followed with 19.3% (first half of 2022: 14.6%). From 16.2% in the first half of 2022, the share of the automotive industry fell to 9.5% in the first half of 2023. 12.5% of the Tornos order intake in the first half of 2023 came from subcontractors (job shops), which supply parts to several of the above industries (first half of 2022: 21.7%).

After reaching record levels at the end of June and at the end of December 2022, the Tornos Group's order backlog at the end of June 2023 was still a high CHF 50.1 million (December 31, 2022: CHF 68.4 million).

## Net sales

In the first half of 2023, Tornos generated net sales of CHF 95.7 million (first half of 2022: CHF 93.7 million, +2.2%). Excluding exchange rate effects, net sales for the first half of 2023 would have come to CHF 98.6 million. In the Swiss home market, net sales amounted to CHF 23.3 million, which was CHF 5.4 million above the figure for the first half of 2022 (CHF 17.9 million). In the rest of Europe, net sales decreased by CHF 5.6 million or 10.6% to CHF 47.4 million, and in North and South America the figure was CHF 11.9 million (first half of 2022: CHF 13.0 million). In Asia, Tornos achieved net sales of CHF 13.1 million (first half of 2022: CHF 9.7 million).

In the service and spare parts segment, Tornos generated net sales of CHF 24.8 million in the first half of 2023. This is CHF 0.9 million more than in the first half of 2022 (CHF 23.9 million).

Both the sale of spare parts and the service business saw further growth compared with the first half of 2022. Tornos' new service offerings and its further intensified remote access, which enables location-independent access to machines and equipment via computer systems, continued to have a positive impact on service sales.

### Gross profit

In the first half of 2023, the Tornos Group's gross profit increased by CHF 1.2 million to CHF 36.8 million compared with the first half of 2022 (CHF 35.6 million, which included a writeback of value adjustment provisions of CHF 4.6 million).

The gross margin for the first half of 2023 was 38.4% (first half of 2022: 38.0%).

### Operating expenses

At CHF 28.7 million, operating expenses in the first half of 2023 were above the level of the previous year (first half of 2022: CHF 26.7 million). Expenses in marketing and sales were somewhat higher than in the first half of 2022.

### Non-operating result

The non-operating result includes net income from the non-operating residential property "Tour Bechler", which was fully rented for the majority of the first half of 2023.

### EBITDA\* and EBIT\*

Earnings before financial expense, tax, depreciation, and amortization (EBITDA\*) came to CHF 9.6 million for the first half of 2023 (first half of 2022: CHF 10.7 million). The EBITDA margin was 10.0% (first half of 2022: 11.4%). Earnings before financial expense and tax

(EBIT\*) amounted to CHF 8.0 million (first half of 2022: CHF 8.8 million), corresponding to an EBIT margin of 8.3% (first half of 2022: 9.4%). EBITDA\* and EBIT\* for the first half of 2022 also include the write-back of value adjustment provisions in the amount of CHF 4.6 million. Excluding these effects, the EBITDA margin would have been 6.5% and the EBIT margin 4.5% for the first half of 2022.

In CHF million	1 <sup>st</sup> HY 2023	1 <sup>st</sup> HY 2022
EBIT* (margin)	8.0 (8.3%)	8.8 (9.4%)
EBIT adjusted* (margin)	8.0 (8.3%)	4.2 (4.5%)

### Net result

The net result for the first half of 2023 was CHF 6.2 million (first half of 2022: CHF 8.8 million). The margin was 6.5% (first half of 2022: 9.4%, excluding the write-back of value adjustment provisions: 4.5%).

### Balance sheet

Total assets increased by CHF 2.3 million to CHF 166.7 million compared to December 31, 2022. On the assets side, cash and cash equivalents decreased by CHF 8.7 million to CHF 14.0 million. Trade receivables rose by CHF 2.1 million to CHF 23.4 million. Net inventories increased by CHF 5.5 million to CHF 93.7 million. This growth provides Tornos with more flexibility in the context of uncertain supply chains.

At CHF 30.7 million as at June 30, 2023, the non-current assets of the Tornos Group were CHF 4.0 million higher than at December 31, 2022. On the liabilities and equity side, interest bearing borrowings rose by CHF 8.3 million, trade payables declined by CHF 2.1 million,

and other liabilities decreased by CHF 6.1 million compared with December 31, 2022. The other items on the liabilities and equity side have not changed significantly compared with December 31, 2022.

As of June 30, 2023, net cash\* amounted to CHF 0.7 million (December 31, 2022: CHF 17.6 million). Total equity increased by CHF 1.0 million to CHF 109.4 million in the first half of 2023 (December 31, 2022: 108.4 million). The equity ratio was 65.6% at the end of June 2023 (December 31, 2022: 65.9%).

### Cash flow

Cash flow from operating activities for the first half of 2023 was CHF -5.7 million (first half of 2022: CHF 5.9 million). Investments in property, plant and equipment amounted to CHF 5.7 million in the first half of 2023 (first half of 2022: CHF 1.9 million). These cash flows resulted in free cash flow\* of CHF -11.7 million in the first half of 2023 (first half of 2022: CHF 4.2 million).

### Outlook

The Tornos Group still has a good order backlog and remains confident for the second half of 2023. However, concrete forecasts are still not possible. The development of demand in the individual markets and the availability of raw materials and vendor parts as well as their price development remain uncertain. In general, uncertainties in the global markets remain very high.

\* Non-GAAP financial measure, see <https://investors.tornos.com/en/content/publications>

# Interim Consolidated Financial Statements

## Interim Consolidated Income Statement (unaudited)

In CHF 1 000	Notes	1 <sup>st</sup> HY 2023 1.1.–30.6.2023	1 <sup>st</sup> HY 2022 1.1.–30.6.2022
<b>Net sales</b>	11	<b>95 727</b>	<b>93 677</b>
Cost of sales		-58 944	-58 103
<b>Gross profit</b>		<b>36 783</b>	<b>35 574</b>
<i>in % of net sales</i>		38.4%	38.0%
Marketing and sales		-16 802	-15 030
General and administrative expenses		-8 609	-8 434
Research and development		-3 485	-3 550
Other income		229	280
Other expense		-81	-
<b>Operating expenses</b>		<b>-28 748</b>	<b>-26 734</b>
<b>Operating result</b>		<b>8 035</b>	<b>8 840</b>
<i>in % of net sales</i>		8.4%	9.4%
Financial income		40	122
Financial expense		-47	-64
Exchange result, net		-1 231	51
<b>Ordinary result</b>		<b>6 797</b>	<b>8 949</b>
Non-operating result	14	-43	-44
<b>Earnings before income taxes</b>		<b>6 754</b>	<b>8 905</b>
Income taxes		-531	-123
<b>Net result</b>		<b>6 223</b>	<b>8 782</b>
<i>in % of net sales</i>		6.5%	9.4%
Thereof attributable to shareholders of Tornos Holding Ltd.		6 223	8 782
<b>Result per share</b>			
- basic (CHF per share)		0.32	0.45
- diluted (CHF per share)		0.32	0.45
<b>Additional information (in CHF 1 000)</b>			
<b>EBITDA*</b>		<b>9 620</b>	<b>10 651</b>
<i>in % of net sales</i>		10.0%	11.4%
Depreciation and amortization		-1 628	-1 855
<b>EBIT*</b>		<b>7 992</b>	<b>8 796</b>
<i>in % of net sales</i>		8.3%	9.4%

\* Non-GAAP financial measure, see <https://investors.tornos.com/en/content/publications>

## Interim Consolidated Balance Sheet

### (unaudited)

In CHF 1 000	Notes	30.6.2023	in %	31.12.2022	in %
<b>Assets</b>					
Cash and cash equivalents		14 042		22 703	
Trade receivables		23 404		21 311	
Inventories, net	8	93 744		88 180	
Other short-term receivables		2 945		2 688	
Prepayments and accrued income		1 868		2 781	
<b>Total current assets</b>		<b>136 003</b>	81.6%	<b>137 663</b>	83.8%
Property, plant and equipment		29 316		25 449	
Intangible assets		897		782	
Deferred tax assets		446		461	
<b>Total non-current assets</b>		<b>30 659</b>	18.4%	<b>26 692</b>	16.2%
<b>Total assets</b>		<b>166 662</b>	100.0%	<b>164 355</b>	100.0%
<b>Liabilities and equity</b>					
Interest bearing borrowings	13	5 021		30	
Trade payables		18 205		20 348	
Current tax liabilities		536		423	
Other liabilities		12 884		18 990	
Accrued liabilities and deferred income		8 970		7 079	
Provisions		2 328		2 967	
<b>Total current liabilities</b>		<b>47 944</b>	28.8%	<b>49 837</b>	30.3%
Interest bearing borrowings	13	8 301		5 043	
Retirement benefit obligations		1 021		1 071	
Deferred tax liabilities		8		45	
<b>Total non-current liabilities</b>		<b>9 330</b>	5.6%	<b>6 159</b>	3.7%
<b>Total liabilities</b>		<b>57 274</b>	34.4%	<b>55 996</b>	34.1%
Share capital		19 878		19 878	
Capital reserve		78 726		84 783	
Treasury shares	10	-129		-1 057	
Retained earnings		6 546		-8 173	
Currency translation adjustments		-1 856		-1 516	
Net result		6 223		14 444	
<b>Equity attributable to shareholders of Tornos Holding Ltd.</b>		<b>109 388</b>	65.6%	<b>108 359</b>	65.9%
<b>Total equity</b>		<b>109 388</b>	65.6%	<b>108 359</b>	65.9%
<b>Total liabilities and equity</b>		<b>166 662</b>	100.0%	<b>164 355</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.	Equity
<b>December 31, 2021</b>	<b>69 572</b>	<b>40 035</b>	<b>-1 386</b>	<b>-8 627</b>	<b>-826</b>	<b>98 768</b>	<b>98 768</b>
Net result				8 782		<b>8 782</b>	<b>8 782</b>
Currency translation adjustments					-351	<b>-351</b>	<b>-351</b>
Proceeds from sale of treasury shares		-14	329			<b>315</b>	<b>315</b>
Share-based compensation				203		<b>203</b>	<b>203</b>
<b>June 30, 2022</b>	<b>69 572</b>	<b>40 021</b>	<b>-1 057</b>	<b>358</b>	<b>-1 177</b>	<b>107 717</b>	<b>107 717</b>
Net result				5 662		<b>5 662</b>	<b>5 662</b>
Distribution to shareholders	-4 969	37				<b>-4 932</b>	<b>-4 932</b>
Capital reduction	-44 725	44 725				<b>-</b>	<b>-</b>
Currency translation adjustments					-339	<b>-339</b>	<b>-339</b>
Proceeds from sale of treasury shares				-85		<b>-85</b>	<b>-85</b>
Share-based compensation				336		<b>336</b>	<b>336</b>
<b>December 31, 2022</b>	<b>19 878</b>	<b>84 783</b>	<b>-1 057</b>	<b>6 271</b>	<b>-1 516</b>	<b>108 359</b>	<b>108 359</b>
Net result				6 223		<b>6 223</b>	<b>6 223</b>
Distribution to shareholders		-5 919				<b>-5 919</b>	<b>-5 919</b>
Currency translation adjustments					-340	<b>-340</b>	<b>-340</b>
Proceeds from sale of treasury shares		-138	928			<b>790</b>	<b>790</b>
Share-based compensation				275		<b>275</b>	<b>275</b>
<b>June 30, 2023</b>	<b>19 878</b>	<b>78 726</b>	<b>-129</b>	<b>12 769</b>	<b>-1 856</b>	<b>109 388</b>	<b>109 388</b>

## Interim Consolidated Statement of Cash Flows (unaudited)

In CHF 1 000	Notes	1 <sup>st</sup> HY 2023 1.1.-30.6.2023	1 <sup>st</sup> HY 2022 1.1.-30.6.2022
<b>Net result</b>		<b>6 223</b>	<b>8 782</b>
Adjustments for expenses and incomes not affecting cash:			
Income taxes		531	123
Depreciation of property, plant and equipment		1 367	1 578
Amortization of intangible assets		261	277
Result on disposal of property, plant and equipment		-15	-5
Share-based compensation	9	275	203
Retirement benefit obligations		-33	45
Allowance and write-offs on inventories		-353	-5 087
Interest expense		61	71
Interest income		-55	-130
Income taxes paid		-418	-75
<b>Changes from operating cash flow before changes in net working capital</b>		<b>7 844</b>	<b>5 782</b>
Changes in net working capital		-13 542	149
<i>Thereof trade receivables</i>		-2 237	-1 249
<i>Thereof other assets and prepayments</i>		570	-861
<i>Thereof inventories</i>		-6 332	2 841
<i>Thereof trade payables</i>		-915	-1 299
<i>Thereof other current liabilities and provisions</i>		-4 628	717
<b>Cash flow from operating activities</b>		<b>-5 698</b>	<b>5 931</b>
Investment in property, plant and equipment	12	-5 682	-1 856
Disposal of property, plant and equipment		15	5
Investment in intangible assets		-376	-
Interests received		55	130
<b>Cash flow from investing activities</b>		<b>-5 988</b>	<b>-1 721</b>
<b>Free cash flow*</b>		<b>-11 686</b>	<b>4 210</b>
Repayments of borrowings, including finance lease liabilities		-	-48
Proceeds from borrowings		8 547	-
Distribution to shareholders		-5 919	-
Proceeds from sale of treasury shares	10	603	242
Interests paid		-61	-71
<b>Cash flow from financing activities</b>		<b>3 170</b>	<b>123</b>
<b>Net cash flow</b>		<b>-8 516</b>	<b>4 333</b>
Cash and cash equivalents and bank overdrafts at beginning of year		22 703	26 778
Effects of exchange rate changes		-145	-312
<b>Cash and cash equivalents and bank overdrafts at June 30</b>		<b>14 042</b>	<b>30 799</b>

\* Non-GAAP financial measure, 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 region, Xi'an, China, and Milan, Italy, 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 25, 2023.

## 2 Basis of preparation

The unaudited interim consolidated financial statements of the Tornos Group for the six months ended June 30, 2023, 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, 2022 which have been prepared in accordance with Swiss GAAP FER.

## 3 Foreign currency rates

Currency	Average rate		Closing rate	
	1.1.-30.6.2023	1.1.-30.6.2022	30.6.2023	31.12.2022
1 EUR	0.9962	1.0435	0.9864	0.9938
1 USD	0.9224	0.9522	0.9082	0.9325
1 CNY	0.1334	0.1473	0.1252	0.1340

## 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 of December 31, 2022.

## 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, 2022.

## 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 Inventories and allowance for obsolescence

In CHF 1 000	30.6.2023	31.12.2022
Materials and components	42 486	40 232
Work in progress	18 280	17 850
Spare parts	21 619	21 724
Finished goods	29 887	27 524
<b>Inventories – gross</b>	<b>112 272</b>	<b>107 330</b>
Less allowance for obsolescence	-18 528	-19 150
<b>Inventories – net</b>	<b>93 744</b>	<b>88 180</b>

For the first half of 2023, better quality of the inventories led to a decrease in allowance for obsolescence by KCHF 622 (2022: KCHF 4 622 thereof KCHF 3 768 due to the change in the estimation methodology).

The total amount of inventories scrapped or written off in the first half year 2023 amounts to KCHF 68 (2022: KCHF 1 144).



## 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 for 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 275 was recorded for the six months period ended June 30, 2023, for the options granted (June 30, 2022: KCHF 203) and KCHF 187 for the shares purchased (June 30, 2022: KCHF 73). 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:

	30.6.2023		31.12.2022	
	Number of shares	Amount (in CHF 1 000)	Number of shares	Amount (in CHF 1 000)
<b>At beginning of year</b>	<b>148 919</b>	<b>1 057</b>	<b>195 219</b>	<b>1 386</b>
Sale of treasury shares	-130 750	-928	-46 300	-329
<b>At end of period</b>	<b>18 169</b>	<b>129</b>	<b>148 919</b>	<b>1 057</b>

Treasury shares are valued at average purchase price of CHF 7.10 (December 31, 2022: CHF 7.10).

As of June 30, 2023, and for the period under review, 130 750 shares have been sold at an average price of CHF 4.62 as part of the Management and Board Participation plan 2007, MBP07 (June 30, 2022: 46 300).

## 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 8 035 (June 30, 2022: gain of KCHF 8 840).

### 11.1 Analysis of revenues by category

In CHF 1 000	1 <sup>st</sup> HY 2023 11.-30.6.2023	1 <sup>st</sup> HY 2022 11.-30.6.2022
Machines	70 945	69 827
Service and spare parts	24 782	23 850
<b>Net sales</b>	<b>95 727</b>	<b>93 677</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 and Spain), the Americas and Asia, except for the production companies in Taichung, Xi'an, Milan and the Service Center in Poland, run support or sales and distribution activities. Production sites in Taichung 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 2023 11.-30.6.2023	1 <sup>st</sup> HY 2022 11.-30.6.2022
Switzerland	23 251	17 930
Other European countries	47 449	53 065
Americas	11 907	13 010
Asia	13 120	9 672
<b>Total net sales</b>	<b>95 727</b>	<b>93 677</b>

## 12 Investment in property, plant and equipment

In order to support the growth of the production in Taiwan region, Tornos has decided to invest in a new factory. Construction phase started in 2022 and is planned to be completed end of 2023. The cash flow was impacted by KCHF 3 928 (June 30, 2022: KCHF 1 342).

## 13 Interest bearing borrowings

In CHF 1 000	30.6.2023	31.12.2022
Loan from shareholders	5 000	-
Short-term lease liabilities	21	30
<b>Current interest bearing borrowings</b>	<b>5 021</b>	<b>30</b>
Long-term lease liabilities	22	22
Local government-supported loan (construction in Taiwan)	8 279	5 021
<b>Non-current interest bearing borrowings</b>	<b>8 301</b>	<b>5 043</b>
<b>Interest bearing borrowings</b>	<b>13 322</b>	<b>5 073</b>

As of June 30, 2023, KCHF 5 000 were used as part of the credit facilities granted from shareholders (December 31, 2022: KCHF 0).

In 2022, a local government-supported loan has been granted in Taiwan Dollar for the construction of a new factory in Taiwan region. The total amount will be KCHF 17 600, as of June 30, 2023: KCHF 8 279 were granted (December 31, 2022: KCHF 5 021). The loan is fixed with a floating rate within the frame of a state supported investment program. For the period under review, the average rate has been 1.31% (2022: 0.78%).

## 14 Non-operating result

A non-operating building with a net book value of KCHF 5 838 generated rental income of KCHF 157, ancillary costs of KCHF 38 and depreciation of KCHF 127 (June 30, 2022: loss of KCHF 44). The building was fully rented most part of the period under review.

Costs of KCHF 35 relates to other land.

## 15 Subsequent events

There are no subsequent events to be mentioned.

## Non-GAAP financial measures

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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