

MEDIA RELEASE

For immediate release

Tornos announces restructuring as part of strategic realignment

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Market shifts in the machine tool industry towards emerging countries, business cycles that are ever shorter but greater in magnitude, the persisting strength of the Swiss franc, and the debt crisis in Tornos' key markets in Southern Europe are necessitating an adjustment in strategic direction. Six strategic thrusts mark the implementation of Strategy 2017, the aims of which are increased international competitiveness, higher sales volumes, and strengthened organizational flexibility to absorb economic cycles.

The adaptation of Tornos' strategic direction comprises six elements, namely the increased internationalization of its business activities, the strengthening of flexibility, growth through innovation, higher revenues from the service business, enhanced operational excellence, and the offering of unique solutions for targeted market segments.

Strengthen footprint in BRIC countries with dedicated products

Traditionally, Tornos has very strong market coverage in Southern Europe, which has made Europe the Group's most important market region for many years. As a consequence of the economic crisis in 2008/2009, markets have shifted towards Asia – particularly China – and other emerging countries. In order to cope with this relocation of demand and to offer products close to its local customers, Tornos will strengthen both its industrial footprint and its sales and services structure in the BRIC countries.

To coincide with the internationalization of its activities and to contribute to the growth it is intending to achieve, Tornos will continue to develop innovative products geared to specific customer needs in the four key segments of automotive, medical / dental technology, electronics, and micromechanics. This will involve, for example, extending existing product lines (such as MultiSwiss) by adding new capabilities, the Asia-based manufacturing of mid-range products aimed at emerging markets as well as developing Cyklos solutions that allow more energy efficient surface processing.

Higher flexibility with future business model

Tornos is exposed to the cyclical nature of the machine tool industry. In order to cope with this inherent volatility, the future business model will be characterized by much greater flexibility. Operations in Switzerland will be adapted while enhancing operational excellence irrespective of the current business cycle. This leaner organization will be complemented by a flexible outsourcing model enabling Tornos to quickly adapt its capacity to fluctuating demand due to both upswings and downturns.

Tornos' headquarters will remain in Moutier, where high-end products and key components will be developed and manufactured.

Functional organization allows leaner management structure

The future business model will require a restructuring of today's organizational setup.

As part of its efforts to sustainably reduce its cost structure, Tornos is downsizing its management. Today's organization with heads of product lines will be transformed into a new, simplified and functional organization. Therefore, responsibilities for the product lines Single Spindle Machines (Mono), Multispindle Machines (Multi), Micro Milling Machines, and for Customer Service will be integrated into a new «Market & Sales Support» department. The new setup eliminates organizational overlaps resulting from combining responsibilities for both products and functions. It is planned to partially transfer and integrate the existing manufacturing capacity at Almac in La Chaux-de-Fonds to the operations in Moutier while keeping a sales, development, and service team in La Chaux-de-Fonds close to Tornos' customers in the watch-making industry.

As of today, members of General Management are as follows (as before): Michael Hauser (CEO), Willi Nef (Sales), André Chardonnerau (Development & Engineering), Pierre-Yves Mueller (Operations), Luc Philippe Widmer (Finance & Controlling), and Olivier Marchand (Chief Technology Officer). Moreover, Carlos Cancer (former Head of Single Spindle Products) will assume responsibility for Market & Sales Support. Former members of General Management Iwan von Rotz (Head of Multispindle Products) and Roland Gutknecht (Head of Micro Milling Products) will step down from their positions and leave Tornos in the course of this year. Sandor Sipos (former Head of Customer Service) will leave General Management to take charge of the strategic projects within Tornos. Bernard Seuret (Head of Production) will retire this fall.

Footprint in Switzerland

As mentioned above and announced with the half year results published on August 14, 2012, Tornos is increasingly challenged by the shifts in its markets, the exchange rate situation, and the debt crisis in certain European countries. In order to lower breakeven level and be in line with the optimized company structure, operating costs have to be sustainably reduced by CHF 30 – 35 million. A detailed assessment of both cost and operational structures has shown that a reduction in jobs is unfortunately unavoidable. For this reason, Tornos intends to cut up to 225 jobs in Moutier and La Chaux-de-Fonds. Job cuts may include retirements, natural leaves or other possibilities, for example transferring employees to suppliers or customers; however, layoffs cannot be excluded.

Due to the scope of the intended measures and in accordance with the provisions of the overall employment agreement, a consultation phase between Tornos management and the employee representatives is being opened. Tornos is fully aware of its responsibilities as a major employer in the Moutier area, and talks will therefore also include other stakeholders such as local and cantonal authorities.

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

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