

MEDIA RELEASE

For immediate release

New business model and firm financing for the future

Moutier, October 16, 2012

Greater flexibility through the adaptation and internationalization of its business model, as well as increased capacity for innovation, are the key points in the adjustment of Tornos' strategic direction. This change in focus is intended to enable Tornos both to keep up with the growth in the emerging countries and to absorb cyclical fluctuations. A structural reorganization of the Group, which is in its final stages, and an optimization of its financial structure, which will lay the bedrock for the future, are also part of Tornos' strategic realignment.

Tornos' medium-term strategy has six main areas of focus, 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.

Focus on internationalization, innovation and greater flexibility

Strengthened flexibility – as the best defence against cyclical fluctuations – is at the heart of the medium-term growth strategy and intended to cope with variations of up to 50% without financial loss. The Group strategy aims to generate average sales revenues of CHF 320 million in the next few years and over the complete business cycle, and an improvement of operating margin by 2% to 3% on average.

Achieving these goals means adapting the current business model, which is based largely on the manufacturing of machines in plants located in Switzerland. The transition to a new, more globally-oriented business model will be accomplished through a number of strategic programmes. The first of these involves restructuring operations in Switzerland. By making the organization around 25% leaner, one of the prerequisites for a greatly improved cost structure has already been put in place. From now on, the production sites in Switzerland will have to resort more frequently to outsourcing their production capacities so as to better absorb swings in demand, and they will also have to purchase more material and components from abroad to mitigate the effects of the strong Swiss franc. Furthermore, a drive towards operational excellence is set to help boost productivity.

Another programme aims to increase innovative capacity by launching new products intended to cover the mid-range and high-end segments. These products will be manufactured on a reduced number of platforms so as to simplify operations. The specific needs of the targeted client segments will be addressed by means of strategically developed modules.

The Group has to further consolidate its position as a European market leader by strengthening its sales and service structure in the expanding markets to significantly boost growth. Therefore, the Group's own sales network will be consolidated and supplemented in the emerging countries as well as in the US for the mid-range segment.

The strongest market growth is expected to be seen in Asia, which is why Tornos is going to develop products that are targeted at these markets and manufactured locally. The strengthening of its industrial footprint, which has been mentioned earlier, is already a step in this direction. And in addition to our strategic partnership with Tsugami, new foundations have been laid thanks to the cooperation with a Taiwanese manufacturer.

Restructuring has taken place in line with objectives

The new organizational structure, which was announced in September, has already been implemented. Most notably, this has involved the streamlining of General Management, the creation of the new «Market & Sales Support» department, and the reorganization of other departments. Most of the job cuts connected with the restructuring have already occurred; there are just a few adjustments to be finalized by the end of the year. The employees who were made redundant have left the company and been referred to a specialist company that provides support to jobseekers. This company is exploiting the job pool created by Tornos, which includes over 500 positions for skilled people.

Renewal of financing structure

Tornos is preparing to increase its share capital in the course of 2013. Two industrial shareholders will provide a loan of CHF 40 million as a transitional measure related to this share capital increase in order to enable Tornos to reduce its credit limit with the banks. The proceeds from the CHF 30 million capital increase – for which the subscription has been guaranteed – will be used to work down the loan from the two industrial shareholders.

We would like to remind you that the third quarter results will be published on November 13, 2012.

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

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