TORNOS

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Paving the way to the future

Moutier, March 18, 2013 – For the 2012 fiscal year, Tornos Holding Ltd has reported Group earnings (EBIT) of CHF -24.9 million. Excluding nonrecurring items related to the strategic reorientation, EBIT amounted to CHF -10.9 million. The Tornos Group recorded gross sales of CHF 184.8 million (2011: CHF 271.1 million), resulting from significant disparities between regions of activity. The Group is pursuing its strategic reorientation according to its medium-term plan.

During the 2012 financial year, Tornos achieved consolidated gross sales of CHF 184.8 million (2011: CHF 271.1 million). This corresponds to a decline of 31.8% against the prior year. The profit and loss accounts have been substantially impacted by non recurring charges related to the change in business model of the Group. The result before interest, taxes and depreciation (EBITDA) for the 2012 financial year is negative with CHF -10.1 million (2011: CHF +21.0 million). The company shows a loss at EBIT level of CHF -24.9 million for 2012 (2011: CHF +16.6 million). The net loss for the year under review stands at CHF -24.5 million (2011: net profit of CHF +10.7 million). Excluding the various negative impacts of the restructuring and impairment charges as well as the gain on sale of a building, which amount to a net total of CHF 14.0 million, the EBIT would stand at a loss of CHF -10.9 million and the net loss would have been CHF -13.6 million.

Significant disparities between regions – The initial fruits of internationalization

In 2012, the key markets of southern Europe were hit strongly by the debt crisis, which has led to limited potential for investment by our clients and to a noticeable drop in the demand for high-end products. In other European countries as well as in North America, major reservations with regard to investment in new equipment have been apparent. In particular, modest expectations on sales in the automobile sector have had a negative impact on sub-contracting, which has also had consequences on new orders for the Group. The level of turnover was disappointing in comparison with the previous year, with a particularly marked drop in Europe and North America, whereas trends in Latin America and Asia have been pleasing. Although these latter improvements only partially compensate for the drop in other regions, they demonstrate that, in line with our goals for internationalization, the development of our sales structure in the BRIC countries is starting to bear fruit.

The strategic reorientation is in full swing

The implementation of the 2012-2017 strategy presented in the autumn is moving ahead according to plan. The strategic reorientation of the Tornos Group bases on the "new realities" in the machine tool industry on a global scale as a result of the economic recession.

The shift in markets towards emerging countries, which has accelerated over the past three years, is leading to increasing pressure on prices. This is being further exacerbated by the strength of the Swiss franc. This trend is undermining profit margins, in particular for products manufactured in Switzerland. Last year, in addition to the factors already mentioned, the Group noted that in its product range, the demand for equipment in the mid-range segment was proportionally larger, to the detriment of the high-end segment. This had a direct impact on costs at Swiss production sites, which explains why capacity was rapidly curtailed.

Substantial reorganization of the company began in October 2012. It resulted in the implementation of a functional organization at sites in Switzerland, along with a reduction in the Group headcount of one-third at all levels, including the General Management. The necessary preconditions for achieving the goal of greater flexibility in the business model have therefore been achieved. The implementation of a flexible supply model, based on increased sub-contracting, completes these organizational measures. This allows absorbing particularly rapid fluctuations in demand during periods of growth and recession by adapting capacity.

Nonrecurring items due to the new strategic orientation

The shift in markets is increasing the importance of the mid-range segment. As a result, future product offerings have been significantly realigned, which has led to the portfolio of products in development being consolidated. Projects that are no longer in line with objectives due to this realignment have been dropped. Resources have been allocated to future-oriented projects. As a result, impairment charges of activated product development costs totalling CHF 7.1 million have been recorded.

Costs related to reduction in headcount totalled CHF 4.4 million. In addition, an impairment of MCHF 2.9 on intangible assets was recognized in the annual accounts for 2012. Finally, a profit of CHF 0.4 million was realized on the sale of an unused industrial building. As a result of the strategic reorientation, nonrecurring items amount to CHF 14.0 million net in the 2012 annual accounts.

Earnings reported for 2012 also take into account items resulting from the investigation by the SIX Exchange Regulation with regard to the inventory valuation method applied.

New products launched for specific market segments

Actual and potential sales of the MultiSwiss launched at the end of 2011 make for very good news. European customers in all market segments, as well as Asian customers in the automotive sector, have become increasingly aware of the competitive advantages of multi-spindle machine technology.

The Swiss ST 26 is a machine developed by Tornos in Switzerland and made by one of our partners in Asia. It targets the mid-range segment in emerging countries. Less than one year after the launch of the project, there is a very positive response to its introduction into various markets. Many new orders were booked in the fourth quarter of 2012 and this trend is likely to continue this year. As a result, this product is being promoted successively in other markets.

Innovation 2013

The SwissNano is a fundamentally different product concept. Designed in collaboration with watchmaking specialists, it was very successfully presented at the 5th Tornos Watch Days held at the beginning of March 2013 in Moutier. With its innovative and ergonomic design, the SwissNano has stimulated strong interest amongst customers and the general public. The technology integrated into this new machine takes the demands of the watchmaking industry into account and makes it possible to achieve the very high levels of precision required to satisfy the need for miniaturization in this industry.

A solid financial foundation is assured – share capital increase in 2013

The Group is able to support the changes in strategic direction because of its solid financial base. In light of the capital increase planned for 2013, industrial shareholders have granted a temporary loan of CHF 40 million. This has enabled the Group to reduce the credit lines with banks to CHF 25 million.

Change to the Board of Directors

The Board of Directors will be reduced to five members following the resignation of Mr Raymond Stauffer, Member of the Board of Directors since 2002, with effect from the next Annual General Meeting on April 16, 2013.

Forecasts for 2013

The Group is facing an uncertain commercial environment; hence market visibility remains poor. Difficulties with public debts in certain countries, highly volatile exchange rates and problems experienced by our customers in obtaining financing are having an unpredictable impact on decision making in industrial investments. Under these circumstances, for the time being, the Group is refraining from publishing a forecast for 2013.

Comparison of key figures 2012 and 2011

Tornos Group (in KCHF unless otherwise stated)	**2012**	**2011**
Bookings	176'607	276'320
Year on year change %	*-36.1%*	*28.7%*
Gross sales	184'826	271'051
Year on year change %	*-31.8%*	*69.3%*
EBITDA	-10'148	20'998
Gross sales %	*-5.5%*	*7.7%*
EBIT	-24'906	16'646
Gross sales %	*-13.5%*	*6.1%*
Net profit / (net loss)	-24'460	10'677
Gross sales %	*-13.2%*	*3.9%*
Net cash / (net debt)	-23'813	-19'473
Equity	103'425	129'401
Total balance sheet %	*56.2%*	*58.6%*
Total balance sheet	184'116	220'676
Capital expenditures in tangible fixed assets	1'216	1'762

The Tornos Group Annual Report 2012 (in three languages) and the Consolidated Financial Statements 2012 (in English) are available for download at http://www.tornos.com/en/content/financial-report .

Contact: Patrick G. Köppe, Head of Marketing and Communications
Tel. +41 32 494 45 46, Fax +41 32 494 49 04, koeppe.p@tornos.com