MEDIA RELEASE

First quarter still weak – strategic investment in Asia

Moutier, May 7, 2013 – The strategic reorientation that began last autumn is delivering significant results in terms of reducing costs. Although volumes remained weak in the first quarter of 2013 and despite an unfavourable change in our product mix, Tornos is continuing to expand its activities in the mid-range machines segment. In association with a machine-tool manufacturer established in China, the Group is investing there in the development of a range of automatic lathes, as well as in setting up its own production capacity. Tornos holds a majority stake in this future joint undertaking.

In the first quarter of 2013, the Tornos Group booked new orders worth CHF 43.8 million (2012: CHF 64.7 million). This represents a 32.2% decline in comparison with 2012. However, during the first quarter of 2012, Asian customers made major investments in replacement equipment following the natural disasters which hit the region, and this had a positive impact on the Group's activities. Because of a combination of the difficulties faced by our customers in obtaining bank finance for their investments and the postponement of key projects by their customers, a number of machinery offers are failing to materialize and are being postponed from month to month. Nevertheless, the keen interest in the new machines unveiled shows that the Group's investments in its products are in line with market requirements.

Streamlined cost structure beginning to bear fruit

Owing to a weak order backlog at the end of 2012, gross sales in the first quarter of 2013 amounted to CHF 34.9 million (2012: CHF 51.0 million), which represents a 31.5% decline in comparison with the year-back quarter. This sales volume is below the minimum required to break even. What is more, sales in the first quarter of 2012 had been positively impacted by high-end products. At CHF -7.3 million (2012: CHF +0.1 million), the operating result (EBIT) is negative and the net result is a loss of CHF -7.0 million (2012: CHF -1.2 million). The free cash flow is positive and the net working capital has decreased by a significant 20%.

As at March 31, 2013, net debt stood at CHF 24.0 million, representing an increase of CHF 0.2 million during the quarter under review. Measures to streamline cost structures at the Swiss sites have had a positive impact in that the policy introduced last autumn to reduce overheads is starting to have an impact. Further action to optimize both structural and process costs will also be a priority over the coming months in an effort to counter the growing pressure on prices.

Following the mandatory adoption of the IAS 19 revised accounting standard on January 1, 2013, pension liabilities amounting to CHF 30.1 million and deferred tax assets amounting to CHF 5.0 million were posted as at March 31, 2013; this had the effect of reducing shareholders' equity by CHF 25.1 million. After taking account of this purely technical change and the results posted for the first quarter, shareholders' equity stands at CHF 71.5 million as at March 31, 2013 and represents 38.8% of total assets, as against CHF 117.1 million (53.1% of total assets) as at March 31, 2012 after adjustment according to IAS 19 revised.

Strategic investment in the growing market for mid-range products

At present, the mid-range products manufactured under the alliance with Tsugami can only be offered in Europe. The strategic reorientation initiated in 2012 envisages a significant increase in sales and market share outside Europe in this segment. To implement this strategy, a new company is being set up in China in cooperation with a local partner. The aim is to enable the Group to develop its own machines for the mid-range product segment.

Based in Xi'an (Shaanxi Province), the new company, Tornos Xi'an Machine Works Co., Ltd., in which Tornos holds a 70% stake, designs and manufactures sliding lathes. The remaining 30% stake is held by an industrialist who is the founder and majority owner of the machine tool manufacturer XKNC. XKNC has many years of experience working with Japanese manufacturers and successfully produces high-quality products. This will allow Tornos to offer new mid-range products worldwide which are able to compete on both quality and price. The first such product is due to be unveiled before the end of the year. Tornos also cooperates with XKNC's sales organization in China, which gives it extensive access to customers in this type of product segment. On this basis, and particularly in the light of this development, the contractual relationship between Tornos and Tsugami will come to an end in 2014 in conditions that still have to be defined between the two partners.

First quarter 2013

Tornos Group **Unaudited Key Figures** (in thousands of CHF unless otherwise stated)	First quarter 2013	First quarter 2012	Difference	Difference % / pts
Order intake	43'811	64'659	-20'848	*-32.2%*
Gross sales	34'910	50'976	-16'066	*-31.5%*
EBITDA	-6'211	1'362	-7'573	*n/a*
in % of Gross sales	*-17.8%*	*2.7%*		*n/a*
EBIT	-7'272	89	-7'361	*n/a*
in % of Gross sales	*-20.8%*	*0.2%*		*n/a*
Net profit / (Net loss)	-7'032	-1'181	-5'851	*-495.4%*
in % of Gross sales	*-20.1%*	*-2.3%*		*-17.8 pts*
Net cash / (Net debt)	-24'044	-27'508	+3'464	*+12.6%*
Equity[1]	71'524	117'075	-45'551	*-38.9%*
in % of Total balance sheet	*38.8%*	*53.1%*		*-14.3 pts*
Total balance sheet[1]	184'274	220'578	-36'304	*-16.5%*
Capital expenditures in tangible fixed assets	163	241	-78	*-32.4%*

1) Restatement of 2012 following the adoption of the IAS 19 revised standard. In accordance with the change in accounting principles governing IAS 19 revised, shareholders' equity declined from KCHF 130,470 (before restatement as at 31 March 2012) to KCHF 117,075. Thus, pension liabilities increased by KCHF 16,021 and deferred tax assets amounting to KCHF 2,626 were recognized. The impact of this accounting change on the first quarter 2012 operating statement is not material and it has therefore not been modified.

Following the mandatory adoption of the IAS 19 revised standard, additional pension liabilities amounting to KCHF 30,085 and deferred tax assets amounting to KCHF 5,015 were posted as at March 31, 2013; this had the effect of reducing shareholders' equity by KCHF 25,070.

The main changes linked to the IAS 19 revised accounting standard relate to the presentation and recognition of service costs in income and the immediate recognition of actuarial gain and losses in other comprehensive income.

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 multi-spindle machines. The company’s history dates back to 1880 and marked the beginning of Swiss-type lathe technology. Tornos primarily manufactures CNC Swiss-type (sliding headstock) turning machines, multi-spindle machines with numerical or cam control, machining centers for complex parts requiring high precision (Almac), and surface treatment equipment for the anodization of metal parts (Cyklos). Tornos is headquartered in Switzerland. Through a global sales and service network, unique solutions are supplied to customers in dedicated market segments such as Automotive, Medical and dental technology, Micromechanics, and Electronics. With its approximately 650 employees, Tornos Group generated sales of CHF 184.4 million in 2012.