

MEDIA RELEASE

Third quarter impacted by seasonal effect

Moutier, November 14, 2013 - With consolidated gross sales of CHF 27.1 million, Tornos Group generated an operating result (EBIT) of CHF -6.7 million during the third quarter of this year. Although the cost-cutting measures in place since the beginning of the year are exceeding their targets, the result remains negative due to lacklustre sales.

New orders during the third quarter amounted to CHF 30.8 million (2012: CHF 34.0 million). Total orders for the first nine months of the year therefore come to CHF 115.6 million. Year on year, the -17.9% drop reported for the second quarter has been reduced by 2.1 percentage points to -15.8%. New orders for the first nine months exceed gross sales by CHF 9.4 million, thus consolidating the order backlog.

Although Tornos had noticed evidence of stabilization in the European market during the first half of the year, there are still no clear signs of recovery. Before contemplating new investments, installed production capacity needs to be fully exploited, particularly in the multi-spindle sectors. In the United States, Tornos' primary segments – medical and dental technology and the automotive industry – offer genuine growth potential. This has prompted the new local management to modify the sales network and reorient activities to the future product mix. The Asian market remains well below expectations.

It is heartening to note that the MultiSwiss lathe is well positioned to attract new investments in the multi-spindle lathe sector, but contracts are unlikely to be forthcoming until customers have a backlog of firm orders. The specialist hard disk drive market in south-east Asia, which used to be an important outlet for Tornos, is facing severe competition from the current popularity of memory cards (SSD devices). As a result, the surplus capacity in the electronics sector is currently being reassigned to the automotive industry. This is in turn opening up opportunities for the MultiSwiss lathe and sliding headstock lathes. In China, Tornos Xi'an is actively preparing to launch the new range of standard machines that is currently being presented at the DMP fair in Guangdong. The construction project for a new factory has been launched, and the new facility should become operational during the second quarter of 2014.

Positive effects of cost cutting measures masked by fall-off in orders

Gross sales amounted to CHF 27.1 million (2012: CHF 31.5 million) or a cumulative total of CHF 106.3 million for the first nine months of 2013 (2012: CHF 128.5 million). This gives a positive book to bill ratio of 1.1.

The results of the cost-cutting measures that have been in place since the start of the year exceed targets. However, the expected effects are not apparent in the Group's operating result due to the weak sales figure. Consequently, the third quarter has ended with an operating result (EBIT) of CHF -6.7 million (2012: CHF -8.5 million). This poor result is very largely due to the seasonal effect experienced during July and August. It should be noted, though, that a balanced operating result was achieved in September. The net loss for the third quarter comes to CHF -5.7 million (2012: CHF -8.2 million). This is attributable to the disposal of financial assets that were still for sale at the end of the first half. Disposal of these assets contributed a positive CHF 1.7 million to the result.

Ongoing efforts to optimize net working capital coupled with the sale of the financial assets referred to above enabled the Group to keep net cash at CHF 3.8 million (2012: net debt of

CHF -32.1 million), a reduction of CHF 0.3 million compared to the first half. At the end of the third quarter, Tornos signed an extension of its credit line contract until the end of 2013.

Outlook

The third-quarter result confirms the guidance issued when the interim financial statements were published; this did not foresee any significant improvement in the result for the year. Given that there is no convincing sign of recovery in Tornos' markets in the short term, the Group is not expecting the situation to improve for the rest of this year. However, its strategic reorientation, the new offerings that this is giving rise to and the improved cost structure will create significantly more favourable conditions for the future.

Tornos Group Unaudited key figures (in KCHF unless stated otherwise)	First quarter 2013	First quarter 2012 ¹	Second quarter 2013	Second quarter 2012 ²	Third quarter 2013	Third quarter 2012 ²	9 months 2013	9 months 2012 ²	Difference	Difference % / pts
Order intake	43'811	64'659	41'042	38'665	30'780	34'028	115'633	137'352	-21'719	-15.8%
Gross sales	34'910	50'976	44'240	46'065	27'104	31'466	106'254	128'507	-22'253	-17.3%
EBITDA	-6'211	1'362	-146	-5'402	-5'661	-7'312	-12'018	-11'352	-666	-5.9%
<i>in % of Gross sales</i>	<i>-17.8%</i>	<i>2.7%</i>	<i>-0.3%</i>	<i>-11.7%</i>	<i>-20.9%</i>	<i>-23.2%</i>	<i>-11.3%</i>	<i>-8.8%</i>		<i>-2.5 pts</i>
EBIT	-7'272	89	-1'210	-6'448	-6'698	-8'506	-15'180	-14'865	-315	-2.1%
<i>in % of Gross sales</i>	<i>-20.8%</i>	<i>0.2%</i>	<i>-2.7%</i>	<i>-14.0%</i>	<i>-24.7%</i>	<i>-27.0%</i>	<i>-14.3%</i>	<i>-11.6%</i>		<i>-2.7 pts</i>
Net profit / (net loss)	-7'032	-1'181	-4'886	-5'475	-5'704	-8'151	-17'622	-14'807	-2'815	-19.0%
<i>in % of Gross sales</i>	<i>-20.1%</i>	<i>-2.3%</i>	<i>-11.0%</i>	<i>-11.9%</i>	<i>-21.0%</i>	<i>-25.9%</i>	<i>-16.6%</i>	<i>-11.5%</i>		<i>-5.1 pts</i>
Net cash / (net debt)	-24'044	-27'508	4'082	-28'261	3'751	-32'104	3'751	-32'104	35'855	N/A
Equity	71'524	117'075	97'795	105'687	90'400	95'542	90'400	95'542	-5'142	-5.4%
<i>in % of Total balance sheet</i>	<i>38.8%</i>	<i>53.1%</i>	<i>53.5%</i>	<i>50.0%</i>	<i>52.4%</i>	<i>47.0%</i>	<i>52.4%</i>	<i>47.0 %</i>		<i>5.4 pts</i>
Total balance sheet	184'274	220'578	182'675	211'494	172'466	203'087	172'466	203'087	-30'621	-15.1%
Capital expenditure in tangible fixed assets	163	241	101	554	94	197	358	992	-634	-63.9%

¹ Restatement following the adoption of the IAS 19 revised standard.

² Restatement following the adoption of IAS 19 revised standard and corrected in compliance with the agreement with the SIX Exchange Regulation of March 18, 2013.

The French version of this media release is definitive.

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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.