

MEDIA RELEASE

Moutier, March 16, 2015

Tornos back to profit in 2014 – strategy implementation on track

- **Order intake plus 20.6% at CHF 183.2 million**
- **Sales plus 16.6% at CHF 175.8 million**
- **Return to profit: operational result at CHF 2.8 million**
- **Business operations fully self-financed**

At the end of the 2014 financial year, the Tornos Group reached another milestone. Following the strategic realignment initiated about two-and-a-half years ago, the Group's results returned to the black in the year under review, after two years of losses.

Target for operating result slightly exceeded

Profitability targets set at the middle of the year to reach a balanced operating result could be slightly exceeded. In the year under review, the Group posted a net profit of CHF 3.0 million (2013: CHF -35.6 million), thus confirming the operational improvements implemented in the first half. In terms of the operating result, a profit of CHF 2.8 million (2013: CHF -32.7 million) was generated, which represents a margin of 1.6% on net sales.

Purposeful measures to result in significant, sustainable cost reduction

The development in the result is attributable to systematic efficiency improvements, higher utilization of production capacity, and improved margins. Furthermore, changing the product mix to include an increasing proportion of new products had a positive impact on the gross margin in the second half. Purposeful cost-cutting measures in relation to bought-in components and materials helped boost margins. Despite the strong growth in volumes, operating costs fell to CHF 50.5 million, a drop of CHF 7.3 million compared with the previous year. Since the 2013 figure included short-time working compensation of CHF 1.2 million, this represents a sustainable cost reduction of CHF 8.5 million or 14.7% compared with 2013. Other operating income includes CHF 0.8 million from the sale of surplus production equipment. The sustainable improvements achieved made it possible to boost the Group's profitability by CHF 15.2 million compared with the 2013 operating result (adjusted for non-recurring items and one-off expenditure).

The attractive interest conditions and, in particular, the repayment of the loan at the start of the second half thanks to the very positive cash flow, enabled the Group to reduce its financial expenses to CHF 0.5 million (2013: CHF 2.3 million). The net exchange rate gain of CHF 0.9 million (2013: CHF -0.5 million) resulted firstly from realized gains of CHF 1.0 million and secondly from unrealized losses of CHF 0.2 million.

The Tornos Group closed the year under review with consolidated net sales of CHF 175.8 million (2013: CHF 150.8 million), up 16.6% on the previous year. From the geographical perspective, two regions made a positive contribution to the overall result: Europe with growth of 23.6% and Asia with 35.7%, whereas the American continent came in under expectations with a decline of 27.1% compared to 2013.

Europe and Asia enable a substantial increase in new orders

In reporting year 2014, orders received came to CHF 183.2 million (2013: CHF 151.9 million), which represents a rise of 20.6%. The strongest recovery has been in the countries of southern Europe, where a greater willingness to invest is perceptible after two poor years. Order intake rose in northern Europe, too, which proves that the efforts to expand in this region are bearing fruit. Order intake in Asia climbed back to a quarter of the total after a large fall in the previous year. As such, it is now back on course. China and Taiwan account for the majority of sales in Asia where several large customer projects for multispindle machines could be booked. 2014 has to be regarded as a transitional year in the United States. Although the dealer network was successfully aligned with the future product mix, the fact that the new standard products only came onto the market towards the end of the year meant that this measure has not yet been translated into the desired orders.

2014 a pleasing turning point in the product strategy

The second quarter saw the launch of the CT 20 and the Swiss GT 26 as the first two standard products to be manufactured in the Tornos Xi'an and Tornos Taiwan factories respectively, while the last products made by the former alliance partner continued to be delivered until mid-year. In terms of products, this replacement is a turning point in Tornos' history: The portfolio of automatic lathes now consists exclusively of high-end and standard products from the Group's own production, which can be sold without geographical limitations.

The positive response to the MultiSwiss machine has strengthened the Tornos Group's standing in the target market segments. The automotive supply industry, which accounts for around one third of sales, is Tornos' most important market, followed by medical technology and the watchmaking industry. This development also reflects the highly globalized nature of the automotive supply and medical technology industries, which have built up significant production capacities outside their historical core markets; investment decisions are therefore no longer made centrally. In the light of the above, Tornos Group's internationalization steps made the past two years—just what Asia and China in particular concerns—an important prerequisite in order to participate in the expected growth in these regions.

By contrast, the Swiss watchmakers are an important pillar of our export industry and concentrate their expertise in Switzerland, where production capacities currently need to be fully utilized and there is some reluctance to make new investments. Whereas the automotive industry mainly uses the MultiSwiss and other multispindle machines, the medical technology sector tends to choose products from the powerful, high-performance EvoDECO range, while the watchmaking industry also makes use of the high-precision SwissNano, which is tailored to its specific requirements.

Switch to Swiss GAAP FER

With effect from January 1, 2014, Tornos Holding Ltd. switched its method of accounting from IFRS to Swiss GAAP FER standards. This decision marks Tornos' wish to adopt more pragmatic principles with comparable information content which entail less complexity and fewer costs, and are in line with the requirements of a medium-sized company's business on international level. As a result of this change, Tornos Holding Ltd. is now traded in the Domestic Standard segment, in accordance with the rules of SIX Swiss Exchange.

Outlook for 2015

From today's perspective the Tornos target markets are globally considered to be in robust condition. The Swiss National Bank's decision of January 15, 2015 makes the economic environment more demanding for all export-oriented Swiss companies. Tornos has already responded with an accelerated efficiency program, the effects of which will be reflected in the result in the course of the next 12 months.

Comparison of key figures 2014 and 2013

Tornos Group (in KCHF unless otherwise stated)	2014	2013
Order intake	183'188	151'868
<i>Year on year change %</i>	<i>20.6%</i>	<i>-14.0%</i>
Net sales	175'806	150'816
<i>Year on year change %</i>	<i>16.6%</i>	<i>-16.0%</i>
EBITDA	5'473	-25'818
<i>Net sales %</i>	<i>3.1%</i>	<i>-17.1%</i>
EBIT	2'815	-32'682
<i>Net sales %</i>	<i>1.6%</i>	<i>-21.7%</i>
Net result*	2'996	-35'625
<i>Net sales %</i>	<i>1.7%</i>	<i>-23.6%</i>
Net cash / (net debt)	15'066	705
Equity*	84'457	80'871
<i>Total balance sheet %</i>	<i>63.8%</i>	<i>59.4%</i>
Total balance sheet	132'432	136'214
Capital expenditures in tangible fixed assets	844	401

*Attributable to owners of the parent

The French version of this media release prevails.

The Tornos Group Annual Report 2014 (in three languages) and the Consolidated Financial Statements 2014 are available for download at <http://investors.tornos.com/en/content/publications>

Next publication dates

April 14, 2015	Annual General Meeting 2015
May 5, 2015	1 st quarter results 2015
August 11, 2015	Half-year results 2015
November 3, 2015	Nine months results 2015

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

Investor relations: Luc Widmer, Chief Financial Officer
Phone +41 32 494 42 33, Fax +41 32 494 49 04, widmer.l@tornos.com

Media relations: Patrick G. Köppe, Head of Marketing and Communications
Phone +41 32 494 45 46, Fax +41 32 494 49 03, koepppe.p@tornos.com

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, and machining centers for complex parts requiring high precision (Almac). 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 630 employees (in FTE), Tornos Group generated sales of CHF 175.8 million in 2014.