

MEDIA RELEASE

Moutier, August 11, 2015

Tornos holds its own in difficult economic environment

- **Strength of the franc and uncertainties are strongest influencing factors**
- **Currency-adjusted net sales at prior-year level**
- **Cost-cutting measures bearing fruit**

The Swiss National Bank's (SNB) decision to discontinue the minimum exchange rate for the Swiss franc against the euro hit the Tornos Group during a growth phase, interrupting the previous year's upward trend. In a single day new macroeconomic conditions were created which pushed up product prices by more than 12% compared with the international competition.

Tornos responded quickly to the changed conditions by immediately introducing an efficiency program with a targeted raft of measures. For example, purchasing in the euro zone was intensified, product prices were selectively adjusted, lean manufacturing was rolled out at a faster pace, cost controls were imposed even more rigorously and the number of hours worked per week in Switzerland rose from 40 to 43.

Effective cost-cutting and efficiency measures reduce operational loss

In the first half of the current year, order intake came to CHF 92.3 million, which represents a decrease of 9.5% or CHF 9.7 million compared with the first half of the previous year (CHF 102.0 million). After currency adjustment, order intake stands at CHF 98.2 million, a decline of 3.7%.

Net sales were CHF 82.6 million. Compared with the year-back period (CHF 90.3 million) this was a fall of 8.5% or CHF 7.7 million. After currency adjustment, this represents a decline of 2.5% or CHF 2.2 million.

The operating result (EBIT) stood at CHF -0.9 million, CHF 3.1 million lower than in the previous year (CHF 2.2 million). The negative currency effects amounted to CHF 2.4 million. After currency adjustment, the operating result thus came to CHF 1.5 million, only CHF 0.7 million below the prior-year figure.

The net result came to CHF -2.5 million (year-back period: CHF 2.2 million) and was reduced by CHF 1.2 million as a result of currency losses stemming from the removal of the minimum exchange rate for the Swiss franc against the euro.

Sales and gross margin were on a par with the figures for the first and second quarters.

The cost-cutting measures and efficiency program that were introduced immediately after the SNB's decision started to have a positive impact in the second quarter. They produced a significant reduction in operating costs in the second quarter of 2015 compared with the first, and this had a positive impact of CHF 0.9 million on the operating result (EBIT). In the first half of 2015, Tornos also succeeded in cutting operating costs in a year-on-year comparison.

Research and development expenditure was not affected by the measures; it rose compared with the same period in 2014. This is in line with Tornos' industrial logic for the coming years, which is geared to developing products targeted to the key markets.

Swiss market hit by uncertainties – good progress in USA

Order intake in the first half of the year varied considerably according to region, owing to a number of factors. In the Swiss domestic market, order intake progressed haltingly from the

spring onwards. The exchange rate decision made the watchmaking industry less willing to invest. However, a number of orders were received from leading global companies in the medical and dental technology industry. Nevertheless, it is impossible to ignore the uncertainty in the Swiss market as regards the course that economic development is likely to follow. Orders in the rest of Europe rose compared with the previous year. In the first few months, most of the momentum was generated by the countries of southern and eastern Europe; it expanded to northern Europe in the second quarter, mainly driven by the German automotive industry.

Order intake in the United States reached gratifying levels. The adjustments to the distribution structures made in 2014 are starting to have an impact, while the product mix of high-end and standard machines as well as Swiss-type lathes and multispindle machines now available in the USA is appropriate to the diverse customer requirements in that country.

Orders in south-east Asia, in particular, were below expectations. On the other hand, major European suppliers – such as those delivering to the automotive industry – have built new production facilities in the Greater China market region (China, Hong Kong, Taiwan). This region offers growth potential for the Tornos Group in the next few years.

Products

The current product portfolio is driven by the MultiSwiss, which, together with the products in the EvoDECO range, forms the backbone of the highend machines manufactured in Switzerland. Then there is the SwissNano: its features were tailored to the specific requirements of the watchmaking industry, and it is also attracting interest from other industries. Processes at the new factories in China and Taiwan are stable, and production capacity is increasing on schedule. The market launch of new products from these factories marked another step towards the strategic product mix. All in all, the portfolio is looking more varied and market-oriented now than it was two years ago, while also becoming more streamlined.

The machine reconditioning business is developing into an increasingly interesting business area. Tornos has thousands of machines in the market that, after fifteen years or more in operation, can be restored almost to new condition by means of a general factory overhaul. The necessary capacities for this work are gradually being built up.

Outlook

Forecasts regarding the development of the machine tool market in 2015 are based on a very volatile environment. The key factors, which include the impact of the Greek crisis on investment behaviour in Europe, the repercussions of the EU sanctions against Russia, the slowdown in China and further developments on the currency front, make it impossible to issue any reliable predictions on the course of business in this financial year.

As regards the second half, Tornos expects the fourth quarter to make up for the usual seasonal downturn in the summer months. On the other hand, as things stand at present, the Group is no longer expecting to exceed the 2014 result.

Tornos Group				
Unaudited Key Figures	1st HY 2015	1st HY 2014*		
(in CHF 1'000 unless otherwise stated)	1.1.-30.6.2015	1.1.-30.6.2014	Difference	Difference in %
Order intake	92'304	102'019	-9'715	-9.5%
Net sales	82'586	90'291	-7'705	-8.5%
EBITDA	408	3'601	-3'193	-88.7%
<i>in % of net sales</i>	<i>0.5%</i>	<i>4.0%</i>		
Operating result (EBIT)	-910	2'231	-3'141	n/a
<i>in % of net sales</i>	<i>-1.1%</i>	<i>2.5%</i>		
Net result	-2'491	2'206	-4'697	n/a
<i>in % of net sales</i>	<i>-3.0%</i>	<i>2.4%</i>		
Cash flow from operating activities	-6'654	15'299	-21'953	n/a
Cash flow from investing activities	-872	384	-1'256	n/a
Free cash flow	-7'526	15'683	-23'209	n/a
 (in CHF 1'000 unless otherwise stated)				
	30.6.2015	31.12.2014	Difference	Difference in %
Net cash	7'564	15'066	-7'502	-49.8%
Total equity	82'606	85'203	-2'597	-3.0%
<i>in % of total balance sheet</i>	<i>61.6%</i>	<i>64.3%</i>		
Total balance sheet	134'056	132'432	1'624	1.2%
Employees (FTE)**	644	602	42	7.0%

* Restated Swiss GAAP FER

** Without apprentices

The French version of this media release prevails.

The Tornos Group's report on the first half of 2015 (available in French, English and German) and the interim consolidated financial statements (in English) are available for download at <http://investors.tornos.com/en/content/publications>

Next publication dates

November 3, 2015 Nine months results 2015
March 15, 2016 Full-year results 2015
April 13, 2016 Annual General Meeting 2016

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, 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. Tornos Group generated sales of CHF 175.8 million in 2014.