

MEDIA RELEASE

Moutier, August 16, 2016

Absence of major projects impacts Tornos' first-half sales and result

- **Cost-cutting measures partially offset drop in earnings**
- **Positive trend for standard machines, reluctance to invest in major projects**
- **Growth in the service and parts business indicates good capacity utilization by customers**
- **Further streamlining of real estate portfolio at Moutier site**

By the end of 2015 it was already becoming apparent that the negative effects of removing the minimum exchange rate for the Swiss franc against the euro would continue to have an impact on order intake this year, all the more so given the difficult global market environment.

Economic uncertainties in Tornos' target markets slowed down numerous customer investment projects. This is also true of China—the world's largest machine tool market—where the current downturn is being watched by Tornos with concern.

Feedback from customers shows that they are not making new purchases until their current capacity has been fully utilized. Investment projects have therefore been repeatedly postponed.

Drop in earnings due to weak sales partially offset by cost-effective measures

In the first six months of the current year, order intake came to CHF 62.6 million, which represents a substantial decrease of 32.2%, or CHF 29.7 million, compared with the same period of last year (CHF 92.3 million).

At CHF 69.8 million, net sales were 15.4% or CHF 12.8 million lower than in the year-back period (CHF 82.6 million).

Cost-cutting measures—which will have even more of an impact in the second half of the year—made a positive contribution to the result, as did the short-time working arrangements introduced selectively at the Moutier site in the second quarter. The switch to lean assembly is continuing, resulting in significantly shorter lead times for synchronized assembly. This opportunity to make savings should have an increasing impact over the medium term when production volumes rise.

These efforts, along with price discipline, meant that the gross margin remained at the same percentage level as in the previous year.

The net result of CHF -3.5 million (2015: CHF -2.5 million) includes a currency loss of CHF 0.6 million and an accounting profit of CHF 1.1 million from the disposal, in line with strategy, of property and land not required for operational purposes.

Differing trends for the individual product lines

The first half of the year was particularly difficult for Tornos multispindle products, which are designed for high production volumes. Here, the company felt the effects of customers' reluctance to invest in major machinery extensions.

The SwissNano—developed and manufactured in Switzerland—performed very gratifyingly: the number of machines sold in the first six months of the year equalled the number sold in the whole of each of the preceding two years. Today, the customer base increasingly includes purchasers in the medical technology or electronics industries. It is striking that many repeat customers, also in the domestic market, ordered several machines thanks to their positive experience of using this product.

A growing proportion of the machines ordered are made in the Asian factories. The increased demand from Europe for standard machines from the Swiss GT and Swiss DT lines demonstrates these new products' competitiveness.

Product portfolio to be expanded – new launches scheduled this year

In order to safeguard future growth, Tornos will start by bringing three new products onto the market in 2016. A third platform-based machine, the Swiss GT 32, will be launched at the leading trade fair, AMB in Stuttgart (Germany).

In the high-end machine segment, Tornos will increase the technological lead of the MultiSwiss by introducing two model variants—based on an extended platform—for machining larger-dimension parts. These products are expected to have an impact on sales from 2017 onwards.

Service and spare parts business up on previous year – TISIS software in demand as an add-on for Industry 4.0

The service and spare parts business—a stable segment at Tornos—performed better than last year, which indicates that customers are experiencing a solid order situation.

An increasing number of customers are choosing TISIS. This user-friendly software solution from Tornos enables them to remotely monitor and manage their network-based machines on mobile devices as part of the megatrend towards Industry 4.0. The machines currently on offer from Tornos provide everything that customers need in order to exploit this technological leap forward.

Outlook

The machine tool market continues to face a highly volatile currency environment. In addition, a number of political and economic uncertainties are making stability harder to achieve.

Many customers are utilizing all of their available capacity. This in turn suggests that new machines will be purchased as soon as market confidence picks up somewhat. For the time being, however, Tornos is assuming that demand will not start to improve until the end of this year at the earliest.

In the circumstances, Tornos does not announce an earnings target. Instead, the company is concentrating on continuing to optimize processes so that it can make use of its increased flexibility to exploit the upturn in demand as soon as the situation eases.

Tornos Group				
Unaudited Key Figures	1st HY 2016	1st HY 2015		
(in CHF 1'000 unless otherwise stated)	1.1.-30.6.2016	1.1.-30.6.2015	Difference	Difference in %
Order intake	62'632	92'304	-29'672	-32.2%
Net sales	69'848	82'586	-12'738	-15.4%
EBITDA	-1'134	408	-1'542	n/a
<i>in % of net sales</i>	<i>-1.6%</i>	<i>0.5%</i>		
Operating result (EBIT)	-2'427	-910	-1'517	-166.7%
<i>in % of net sales</i>	<i>-3.5%</i>	<i>-1.1%</i>		
Net result	-3'541	-2'491	-1'050	-42.2%
<i>in % of net sales</i>	<i>-5.1%</i>	<i>-3.0%</i>		
Cash flow from operating activities	-9'134	-6'654	-2'480	-37.3%
Cash flow from investing activities	4	-872	868	n/a
Free Cash Flow	-9'130	-7'526	-1'604	-21.3%
(in CHF 1'000 unless otherwise stated)	30.6.2016	31.12.2015	Difference	Difference in %
Net cash	1'800	11'303	-9'503	-84.1%
Total equity	80'475	84'111	-3'636	-4.3%
<i>in % of total balance sheet</i>	<i>61.3%</i>	<i>59.7%</i>		
Total balance sheet	131'303	140'798	-9'495	-6.7%
Employees (FTE)*	628	657	-29	-4.4%

* Without apprentices

The French version of this media release prevails.

The Tornos Group's report on the first half of 2016 (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

January 24, 2017 Order intake and sales 2016
March 14, 2017 Annual report 2016 / Media & Analysts conference, Zurich
April 12, 2017 Annual General Meeting 2016

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

Investor relations: Bruno Edlmann, Chief Financial Officer
Tel. +41 32 494 42 33, Fax +41 32 494 49 04, edlmann.b@tornos.com

Media relations: Patrick G. Köppe, Head Group Communications & Strategic Planning
Tel. +41 32 494 44 44, koeppe.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 646 employees (FTE) on average, Tornos Group generated sales of CHF 164 million in 2015. Tornos offers 38 apprenticeship training positions.