

MEDIA RELEASE

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Report on the first half of 2017 for the Tornos Group:

Tornos continues to perform well

- **Order intake and backlog well above the previous year's level**
- **Positive net result**
- **High free cash flow thanks to greatly reduced net working capital**

The Tornos Group performed very well in the first half of 2017. After a somewhat sluggish start to the year, demand for all product lines picked up significantly in every region from March onwards. The Tornos Group improved all the key business figures in the half-year financial statements markedly. Order intake for the first half of 2017 was up by a total of around 65% on the figure for the equivalent prior-year period (and even by 98% in the machines business), the backlog rose by around 75% compared with the end of 2016, and net sales were also considerably higher than in the same period of the previous year. Tornos is back in profit with EBIT of CHF 1.7 million and a net result of CHF 0.3 million. The Group expects the annual financial statements to show positive EBIT and a positive net result.

In the first half of 2017, the Tornos Group posted total net sales of CHF 82.1 million (first half of 2016: CHF 69.8 million, +17.5%) and order intake of CHF 103.2 million (first half of 2016: CHF 62.6 million, +64.7%). In the machines business, Tornos even managed to increase order intake by 98%. The operating result (EBIT) for the first half of 2017 came to CHF 1.7 million (first half of 2016: CHF -2.4 million), and the net result was CHF 0.3 million (first half of 2016: CHF -3.5 million). In the first half of 2017 the Tornos Group generated positive free cash flow of CHF 10.1 million, thanks partly to a substantial reduction in net working capital since the start of the year. The Group had experienced a cash drain of CHF 9.1 million in the first half of 2016. The number of people employed by the Tornos Group (in full-time equivalents) rose slightly, from 631 at the end of 2016 to 641 at the end of June 2017.

Market position improves considerably

Streamlining and expanding the product range enabled the Tornos Group to strengthen its position considerably in the various market segments and regions in the first half of 2017. Order intake improved markedly in all regions.

During the past year, the automotive industry – the most important market for Tornos – suffered from uncertainties and great reluctance to invest. Confidence returned to this market in the first few months of 2017 and demand for capital goods increased sharply, especially in the higher-price segment. The market segments of medical and dental technology and electronics also saw demand for high-value capital goods increase significantly in the first half of 2017. It is only in the watchmaking industry that no turnaround has yet been perceived.

Demand for high-end products rises strongly

Having already boosted sales of machines in the medium-price segment in the second half of 2016, the Tornos Group achieved very gratifying sales in the high-end multispindle segment in the first half of 2017. This was largely attributable to the newly launched MultiSwiss models, which can be used for manufacturing parts with a diameter of up to 32 millimetres. In June 2017, Tornos delivered the 200th machine from the MultiSwiss range, which was launched in 2011.

Tornos also intends to add extremely innovative high-end machines to its Swiss-type automatic lathe (single-spindle) product range. These will be unveiled to an interested specialist audience at EMO Hannover, the industry's leading trade show, in September 2017.

Systematic implementation of the flexibility strategy

As part of its flexibility strategy, the Tornos Group began outsourcing a substantial portion of component manufacture to third parties at the beginning of 2015 via targeted global supply chain management. These activities will be stepped up in the second half of 2017. At the same time, the Tornos Group will invest in ultra-modern manufacturing technologies in order to be able to produce its key components and small series more efficiently.

Outlook for the second half of the year

The overall economic prospects and the forecasts for the Swiss mechanical engineering industry are all positive for the second half of the year. Thanks to its streamlined product range which is ideally tailored to the needs of its customers, Tornos is well equipped to continue to benefit from the revival in demand in the core markets. The Group also expects positive EBIT and a positive net result for the 2017 business year.

Unaudited key figures

Tornos Group				
(in CHF 1'000)*	1st HY 2017 1.1.-30.6.2017	1st HY 2016 1.1.-30.6.2016	Difference	Difference in %
Order intake	103'182	62'632	40'550	64.7%
Net sales	82'088	69'848	12'240	17.5%
EBITDA	3'375	-1'134	4'509	n/a
<i>in % of Net sales</i>	4.1%	-1.6%		
EBIT	1'679	-2'427	4'106	n/a
<i>in % of Net sales</i>	2.0%	-3.5%		
Net result	295	-3'541	3'836	n/a
<i>in % of Net sales</i>	0.4%	-5.1%		
Cash flow from operating activities	13'703	-9'134	22'837	n/a
Cash flow from investing activities	-3'563	4	-3'567	n/a
Free cash flow	10'140	-9'130	19'270	n/a
	30.6.2017	31.12.2016		
Net cash	5'288	-4'765	10'053	n/a
Total equity	81'579	80'352	1'227	1.5%
<i>in % of Total balance sheet</i>	61.9%	62.6%		
Total balance sheet	131'902	128'283	3'619	2.8%
Employees (Full-time equivalents)**	641	631	10	1.6%

* Unless otherwise stated

** Without apprentices

The French version of this media release is binding.

The report on the first half of 2017 for the Tornos Group (in French, English and German) and the consolidated interim financial statements (in English only) are available at <https://investors.tornos.com/en> to download.

Next publication dates

January 23, 2018 Order intake and sales 2017
March 12, 2018 Annual report 2017 / Media and analyst conference, Zurich
April 11, 2018 Annual General Meeting, Moutier

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, placing Tornos at the beginning of Swiss-type lathe technology. The Group 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 (FTEs), Tornos Group generated sales of CHF 136 million in 2016.

Except for the historical information contained herein, the statements in this media release are forward-looking statements that involve risks and uncertainties.