

MEDIA RELEASE

Moutier, August 14, 2018, 7.00 a.m.

Report on the first half of 2018 for the Tornos Group:

Order backlog at an all-time high

- **Higher order intake for all product lines in all regions**
- **Significant improvement of EBIT and net result**
- **A further improvement in results expected in the second half of the year**

The encouraging business performance delivered by the Tornos Group in 2017 continued undiminished into the first half of 2018. Demand rose sharply again for all Tornos product lines in all regions. At the end of June 2018, the order backlog stood at an all-time high of CHF 93.3 million. There was a particularly strong uptick in orders received for MultiSwiss machines in the high-end multispindle segment. Tornos also posted a significant increase in orders for its mid-priced machines manufactured in Asia. The strong demand posed several challenges for Tornos and its suppliers. Deliveries of some supplier parts were sometimes subject to delay. This unexpectedly large increase in production volumes required the Group to make various process and capacity adjustments and deploy temporary staff, resulting in an increase in costs in the first half of 2018. By making targeted adjustments, Tornos was able to defuse the situation substantially.

Overall in the first half of 2018, the Tornos Group generated net sales of CHF 104.0 million (H1 2017: CHF 82.1 million, +26.7%) and order intake of CHF 128.5 million (H1 2017: CHF 103.2 million, +24.5%). The operating result (EBIT) for the first half of 2018 came to CHF 5.5 million (H1 2017: CHF 1.7 million, +228%) and the net result to CHF 5.5 million (H1 2017: CHF 0.3 million). The Tornos Group once again generated positive free cash flow of CHF 2.4 million in the first half of 2018 (H1 2017: CHF 10.1 million, thanks to the substantial reduction of CHF 12.5 million in net working capital). The number of people employed by the Tornos Group (in full-time equivalents) rose from 668 at the end of 2017 to 688 at the end of June 2018.

Positive trend for all machines and in all markets

Tornos chalked up an increase in order intake for all types of machine. Compared with the first half of 2017, it lifted unit sales by a total of around 30% in the reporting period. Service revenue likewise rose by around 20%.

The Tornos Group is always able to react quickly to the various developments in its market segments and to benefit from an upswing. The automotive industry – the most important sales market for Tornos – experienced a marked rise in demand in the first few months of 2018. The market segments for electronics and the watchmaking industry also saw healthy growth in demand for high-value capital goods in the first half of 2018. The Tornos Group was able to expand its market position in all these segments in the first half of 2018. The medical and dental technology segment was the only area in which Tornos did not match the good results achieved in the same period of the previous year. However, there are a number of interesting projects in the pipeline which should be completed in the second half of 2018.

Innovation projects on track

The first half of the year saw Tornos move successfully forward on its various innovation projects – both in the multispindle segment and in Swiss-type automatic lathes. The SwissDeco automatic lathe is based on a modular platform developed from scratch and raises the bar in the high-end segment. It was extremely well received in the various markets targeted by Tornos. Demand for the new platform is there – preparations are well under way for the start of production in the fourth quarter of 2018. Tornos is also hard at work on the further development of its automation solutions. For Tornos customers, the scalable, user-friendly machine-programming and communication software TISIS is the gateway to Industry 4.0.

Moutier site and global supply chain management to be bolstered

Tornos is committed to qualitative growth. The Group's business is to become more global, and flexibility in all segments is to be increased. In the first half of 2018, Tornos agreed the sale of its factory building at Rue de l'Ecluse in Moutier at the end of 2019. Tornos will centralize production at the main site at Rue Industrielle in Moutier, expand the plant and simplify processes. In future, all Tornos machines produced in Switzerland will be assembled in this plant. In addition, Tornos will renovate the administration building. The work associated with this is also scheduled to be completed by the end of 2019.

In the first half of 2018, the Tornos Group merged its activities in the micro-milling machinery segment. These are now marketed under the single brand name of Tornos. A logical next step involved the integration of the subsidiary Almac SA, La Chaux-de-Fonds, into Tornos SA, Moutier. All employees of Almac SA were taken over by Tornos SA.

In Taichung, Taiwan, Tornos is now able to fully assemble its machines itself. The related infrastructure was brought on stream in May 2018. In Shanghai, China, Tornos has started the extension and renovation work required for its new Customer Center; this is scheduled to be operational in November 2018. In the USA, Tornos will move into a larger building by the end of September, and in Germany, it is planning a new technology center for its customers in the automotive industry.

The Moutier incubator launched in the Tornos Precision Park in 2017 is a microtechnology collaboration platform that brings together universities, institutions, start-ups and partner firms. Participants have access to extensive infrastructure. In the first half of 2018, three actual projects paving the way to the future were successfully initiated with different partners.

Tornos has also started to set up an academy for its own employees and for customers. Internally, the academy will cover sales, customer care and services, and externally, it will offer top-flight training for Tornos machine operators in particular.

Outlook for the second half of the year

Subject to geopolitical uncertainties, the macroeconomic outlook and the forecasts for the Swiss mechanical engineering industry remain positive for the second half of the year. Its range of products perfectly geared to customer requirements will enable Tornos to continue benefiting from the healthy demand in its core markets. Despite facing supply-side difficulties, Tornos expects to see a further year-on-year improvement in EBIT and the net result in 2018.

Unaudited key figures

Tornos Group (in CHF 1'000)*	1st HY 2018 1.1.-30.6.2018	1st HY 2017 1.1.-30.6.2017	Difference	Difference in %
Order intake	128'453	103'182	25'271	24.5%
Net sales	103'989	82'088	21'901	26.7%
EBITDA	7'275	3'375	3'900	115.6%
<i>in % of Net sales</i>	7.0%	4.1%		
EBIT	5'507	1'679	3'828	228.0%
<i>in % of Net sales</i>	5.3%	2.0%		
Net result	5'466	295	5'171	1'752.9%
<i>in % of Net sales</i>	5.3%	0.4%		
Cash flow from operating activities	3'749	13'703	-9'954	-72.6%
Cash flow from investing activities	-1'388	-3'563	2'175	61.0%
Free cash flow	2'361	10'140	-7'779	-76.7%
	30.6.2018	31.12.2017		
Net cash	27'487	23'428	4'059	17.3%
Total equity	97'810	90'240	7'570	8.4%
<i>in % of Total balance sheet</i>	60.8%	63.0%		
Total balance sheet	160'966	143'310	17'656	12.3%
Employees (Full-time equivalents)**	688	668	20	3.0%

* Unless otherwise stated

** Without apprentices

The report on the first half of 2018 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 22, 2019 Order intake and sales 2018

March 11, 2019 Annual report 2018 / Media and analyst conference, Zurich

April 10, 2019 Annual General Meeting, Moutier

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

Finance contact: Bruno Edelmann, Chief Financial Officer
Tel. +41 32 494 42 33, edelmann.b@tornos.com

Media contact: Rolph Lucassen, Head of Marketing Communications & Brand Management
Tel. +41 32 494 44 34, lucassen.r@tornos.com

Company profile

Tornos Group is one of the global leaders for the development, production and distribution of Swiss-type automatic lathes and multispindle 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, multispindle machines, and machining centres for complex parts requiring high precision. 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 670 employees (FTEs), Tornos Group generated sales of CHF 178.8 million in 2017.

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