



Analyst conference

Tornos Holding AG
Zurich, October 16, 2012



Speakers

Michael Hauser – *Chief Executive Officer*

Luc Widmer – *Chief Financial Officer*



Agenda

- 13.00 – 13.30** **Welcome**
- 13.30 – 14.30** **Introduction, analysis, strategy, programs**
Michael Hauser, CEO
- 14.30 – 14.45** **Financing**
Luc Widmer, CFO
- 14.45 – 14.50** **Summary**
Michael Hauser, CEO
- 14.50 – 15.45** **Questions and Answers**
- 15.45 – 16.45** **Cocktail / Bilateral discussions**



Tornos today

Michael Hauser – *Chief Executive Officer*

Products

3 + 1 product lines



Swiss-type

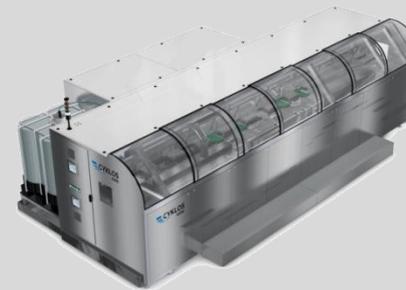


Multi-spindle

**Core
business**



Micro-milling



Surface processing

**Add-on or
start-up
business**

Market

Four main segments



Automotive



Medtec



Micromechanics



Electronics



THINK PARTS THINK TORNOS

Geographical footprint 2011

Locally rooted, globally active



875 employees (FTE) worldwide (675 Switzerland, 200 abroad)
Sales revenue 271 mCHF



External analysis

Machine tool market

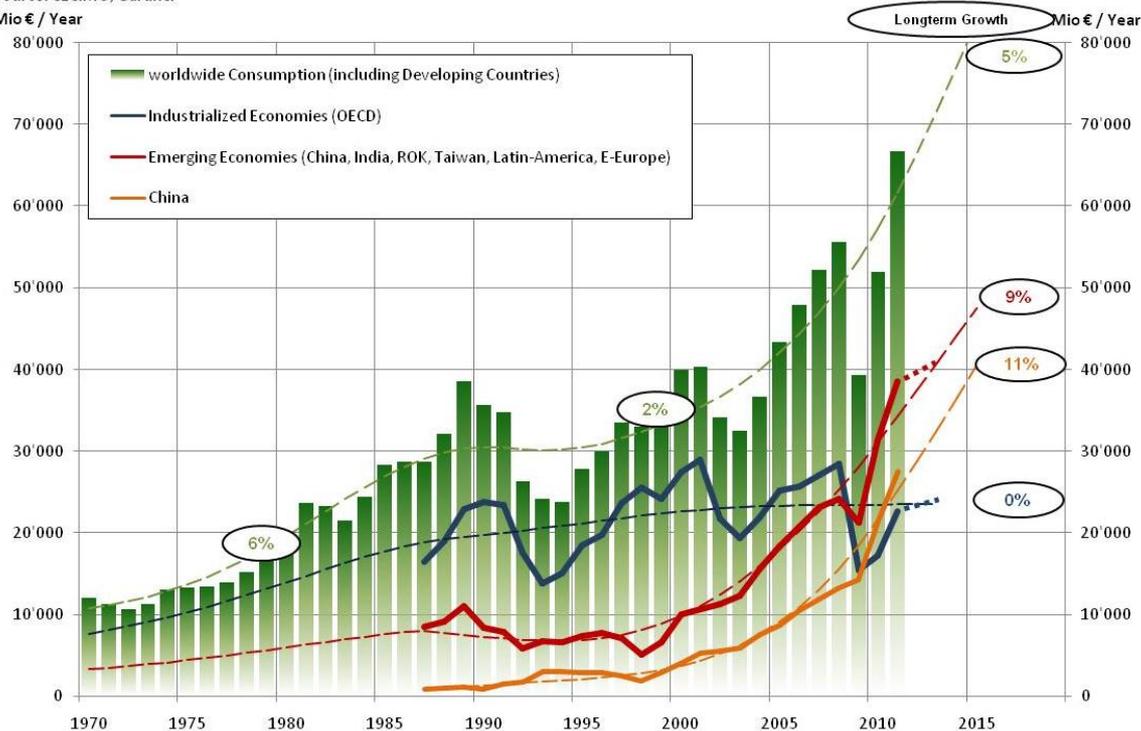
New «realities» after the crisis



Machine Tool Consumption in Industrialised and Emerging Economies

Source: CECIMO, Gardner

Mio € / Year



Cyclicality:

Higher amplitudes,
shorter cycle times

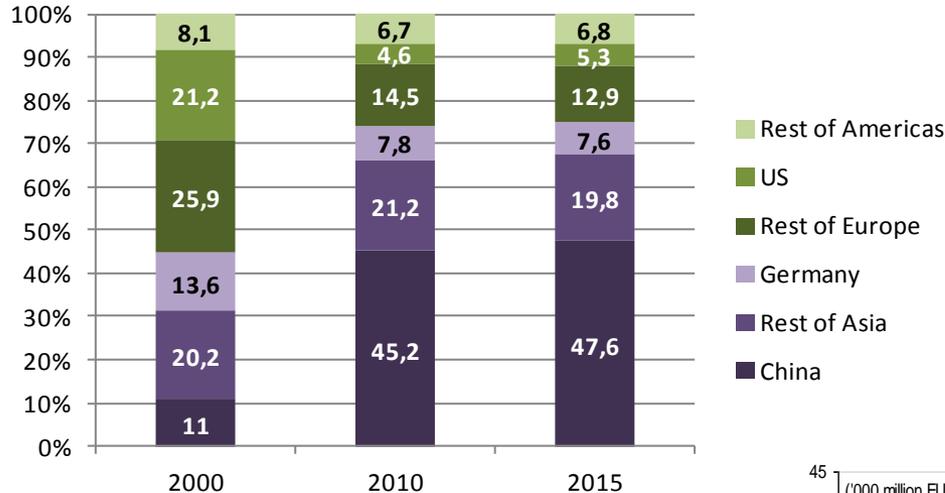
Structural growth:

Ø 5% long-term on
global level, but:
China 11%,
Emerging markets 9%
Mature markets 0%

Geographical market Shift to China



Machine tool consumption



Source: Oxford Economics

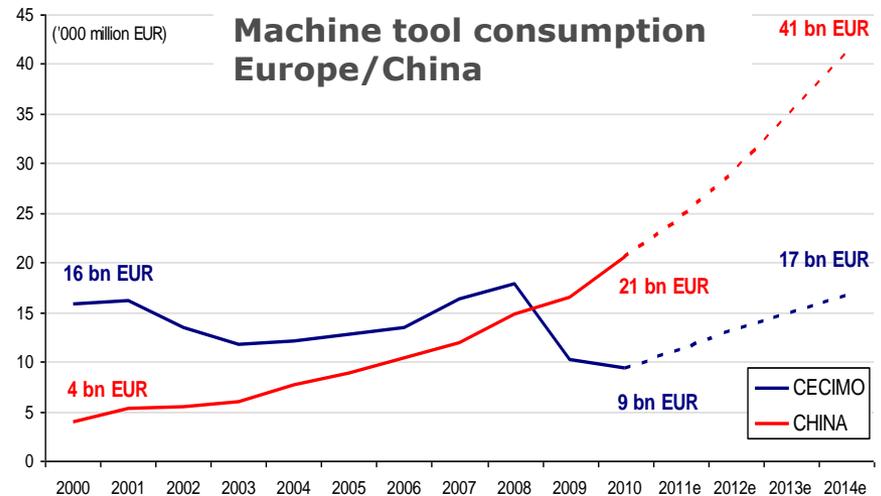
Europe:
Consumption expected to reach 2008 level again by 2014

China:
Consumption expected to almost triple

Shift to China will continue but at a lower rate. Rest of Asia will slightly decrease

Germany almost stable. Rest of Europe will decrease

Slight increase in the US



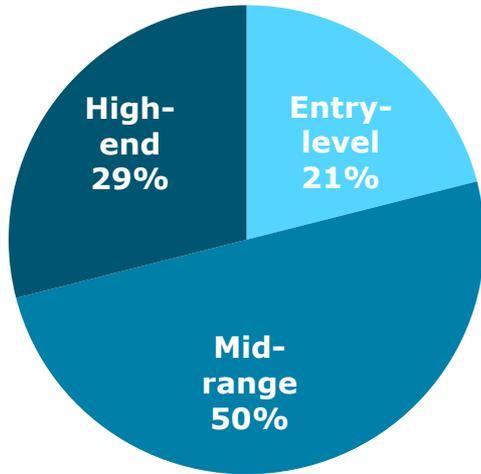
Source: Oxford Economics

Product shift within global markets

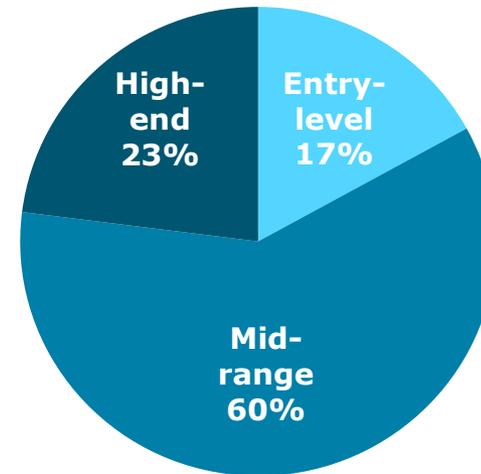
Mid-range will gain importance



Current product segmentation



Future product segmentation



Two determining factors support this trend:

- Demand for **quality increase** in Asia
→ Entry level products «grow» into mid-range
- Challenge **by increasing complexity**
→ Customers need easy-to-use products

Switzerland based company

Pros and cons



High **technical know-how** in Switzerland due to the dual education system

Closeness to market leaders of **micromechanics, medtec and automotive**

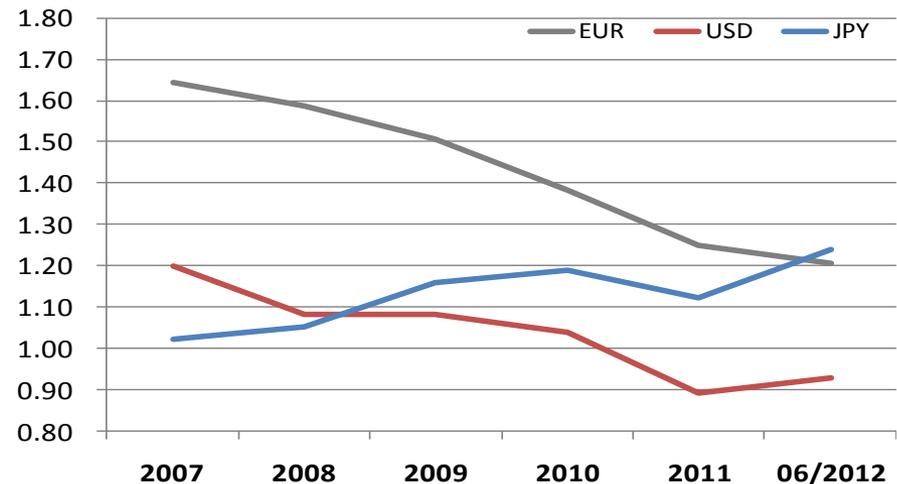
(subcontractors) segments in Switzerland, Baden-Württemberg, Haute-Savoie and northern Italy

Japanese competition faces the **same currency challenge**

Strong Swiss franc impacts the margins and the supply in CHF

Shortage of high-level and experienced **workforce**

high salary cost





Internal analysis

Tornos' strengths

Swissness and application



Brand of Tornos is associated with «Swissness»: high quality, precision, micro parts in turning

Pioneer in Swiss-type machine Tool technology

Large **base of installed machines** (ca. 30,000 during the last 20 years) with huge service potential

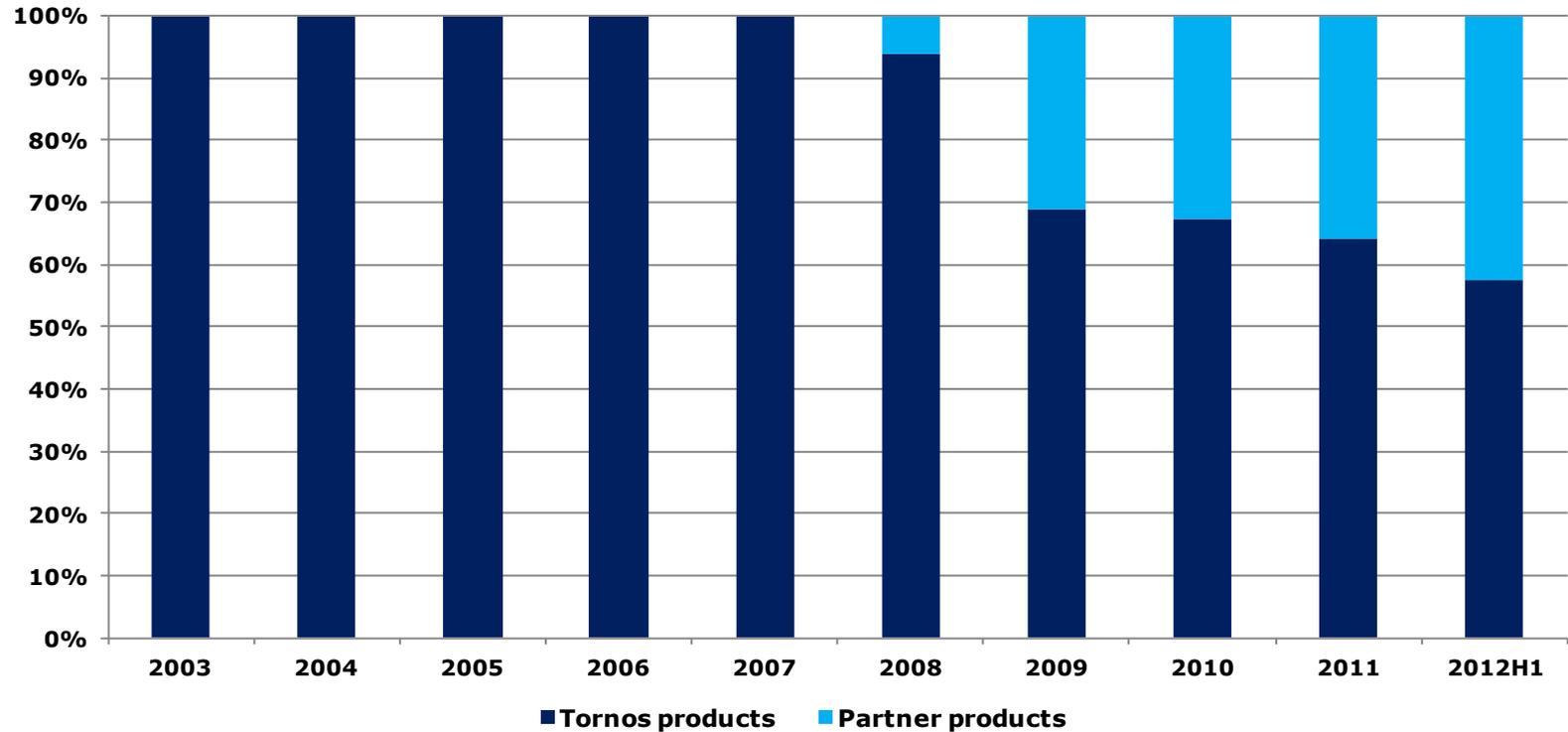
Tornos is **technology** leader with the most comprehensive product portfolio in the combined Swiss-type and multi-spindle markets

Application know-how for the targeted segments

Strong footprint with **28% market share in Europe** and leading position in Switzerland and Southern Europe

Challenge #1 for Tornos

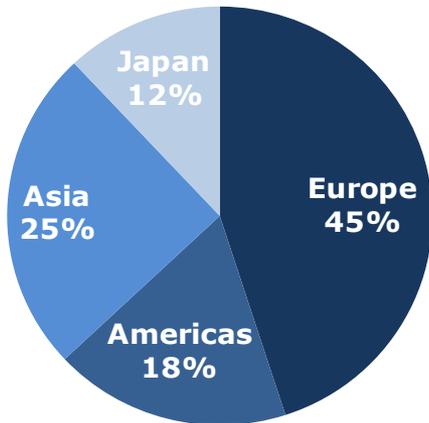
Development of product mix



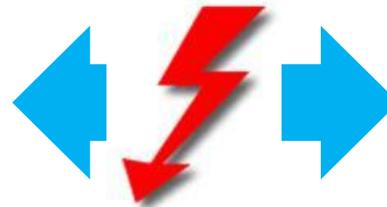
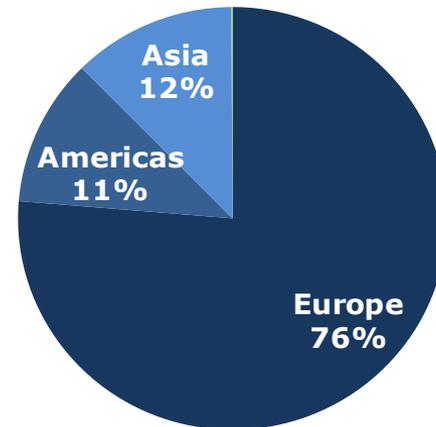
Challenge #2 for Tornos Follow shift to Asia



Market volume 2011



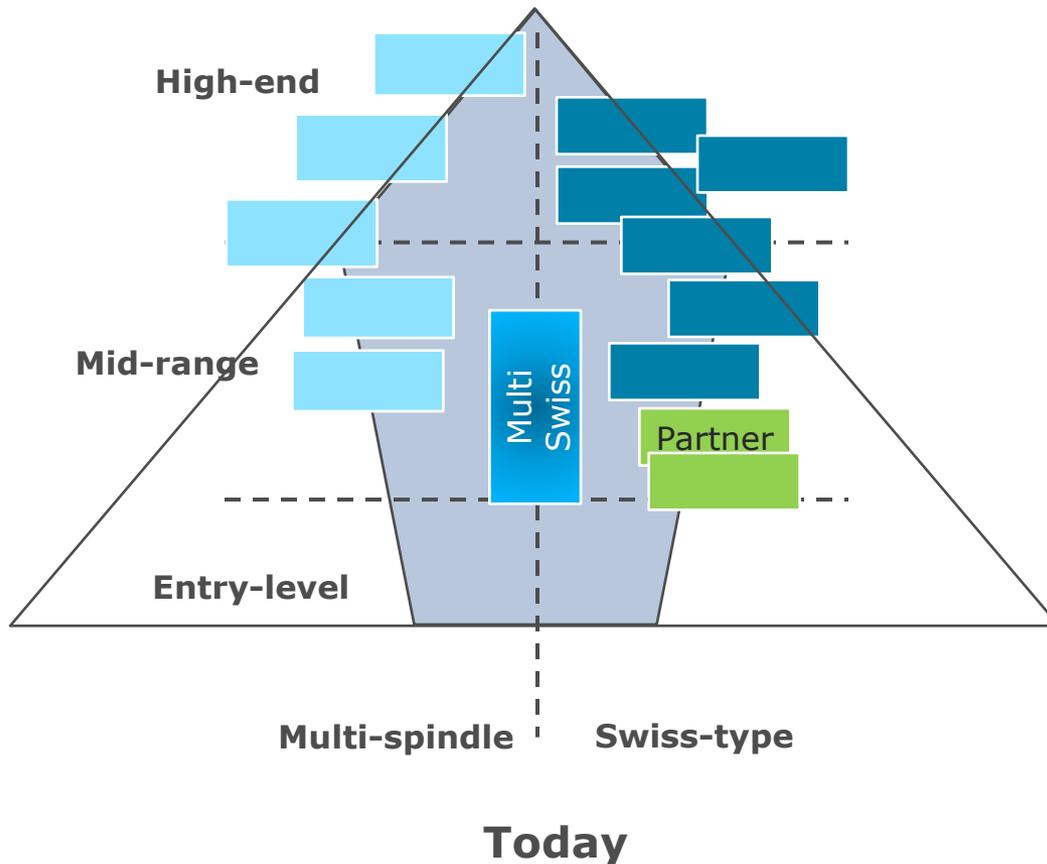
Tornos sales 2011



Market trend: Europe → Asia →

Challenge #3 for Tornos

Align product portfolio to market



Levers

High number of platforms in high-end and upper mid-range

Lower mid-range segment with partner products in Europe

R&D efficiency

Strategy 2012 – 2017

Six strategic thrusts



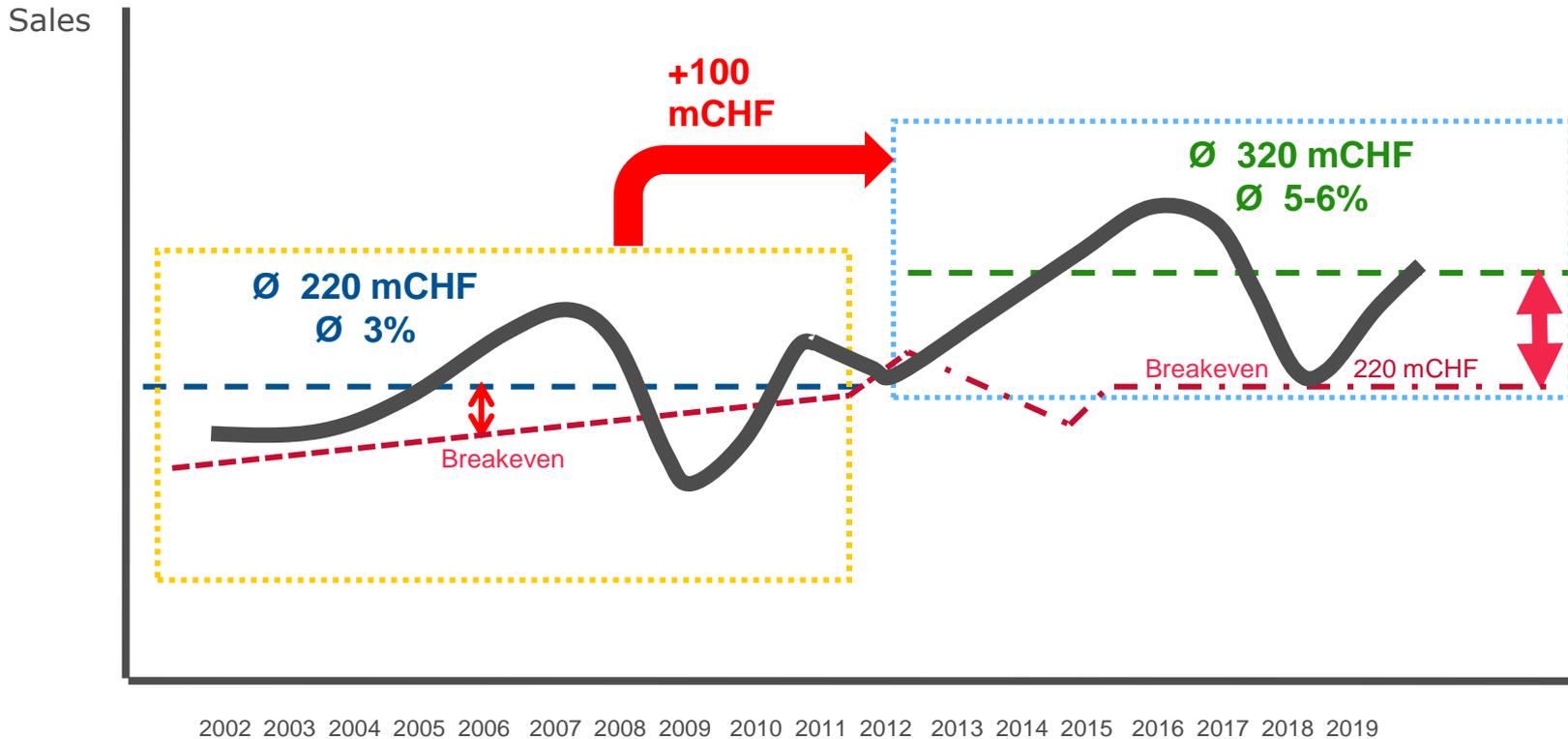
1. Internationalization of business
2. Strengthen flexibility
3. Growth through innovation
4. Make service a business
5. Enhance operational excellence
6. Offer unique solutions for targeted market segments



Objectives and new structure

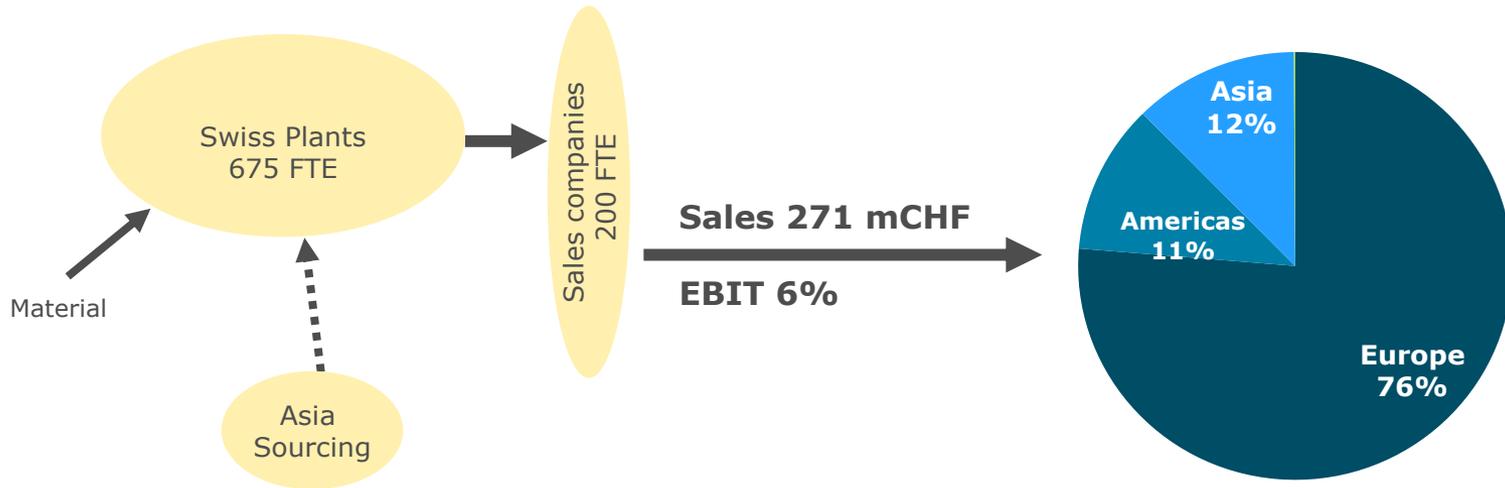
Mid-term objectives

Increased gap to breakeven at higher sales level



Current business model 2011

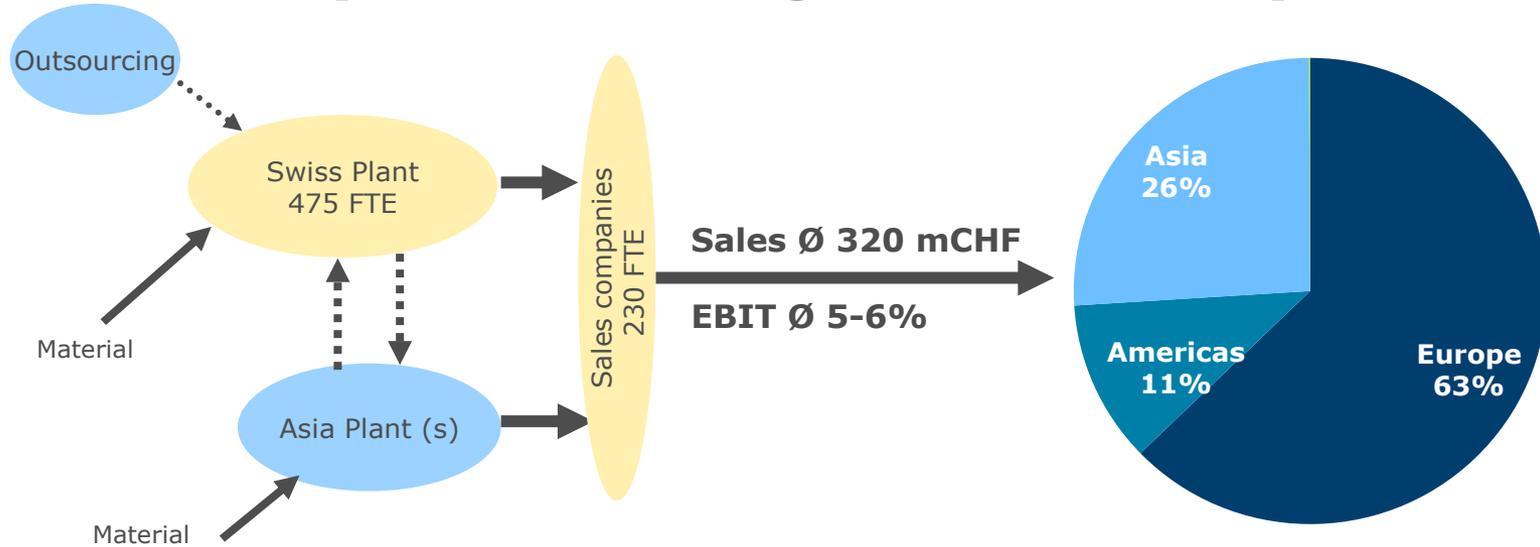
Insufficient cost flexibility



All production from two plants in Switzerland (exception: Tsugami)
Sales concentrated in the European market
Total costs in CHF of 69% but only 33% of Sales in CHF

Future business model

New footprint with higher flexibility

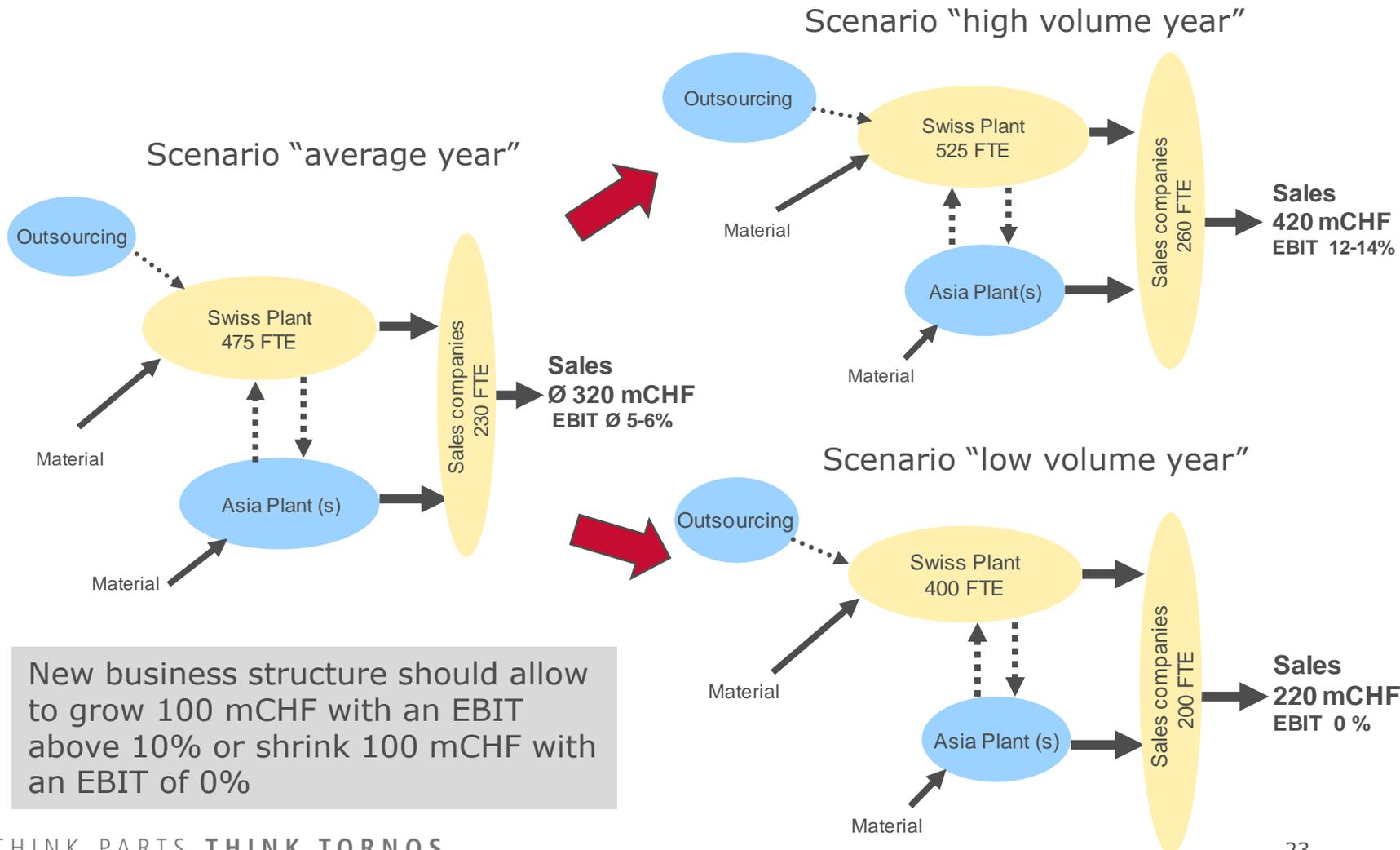


Swiss plant increased flexibility through outsourcing of additional production hours; output increases again due to a targeted productivity gain, and reduced material purchased in CHF to achieve a natural hedging.

Asia plant(s) production volume partly based on key components from CH; deliver machines to Swiss plant for customization for the European market; low breakeven due to low labor costs and high purchasing portion.

Sales and service organization expand in emerging markets.

Flexible business structure for +/- 100 mCHF



New business structure should allow to grow 100 mCHF with an EBIT above 10% or shrink 100 mCHF with an EBIT of 0%



Strategic programs

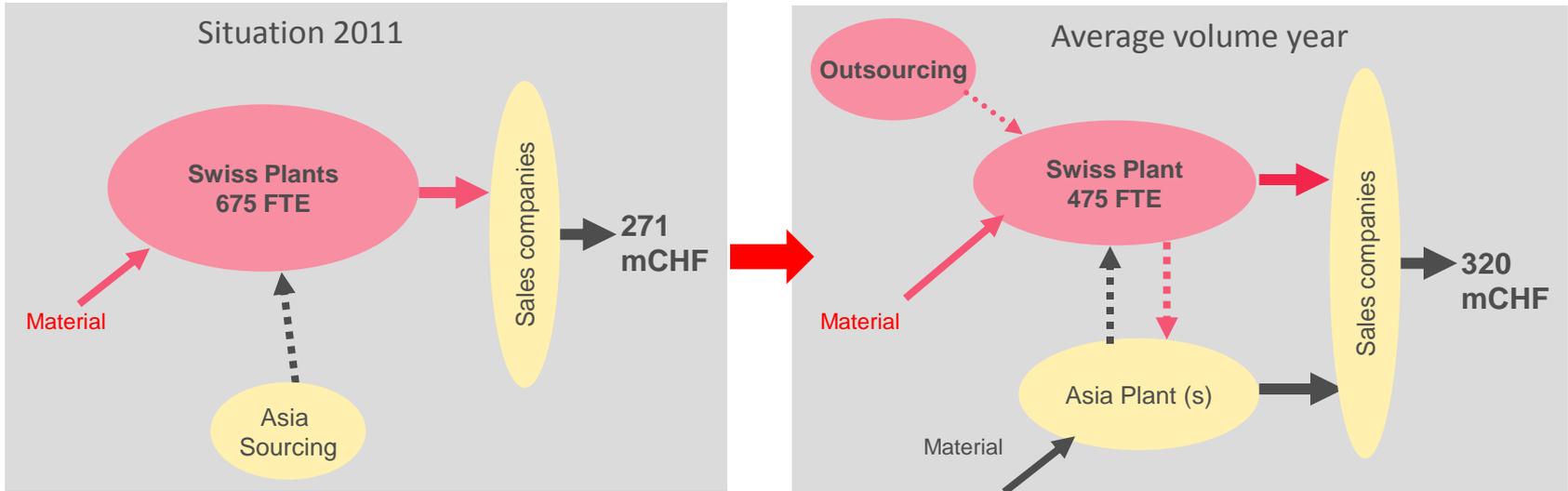
Virage

100+

Sunrise

Program Virage

Optimization of Swiss operations

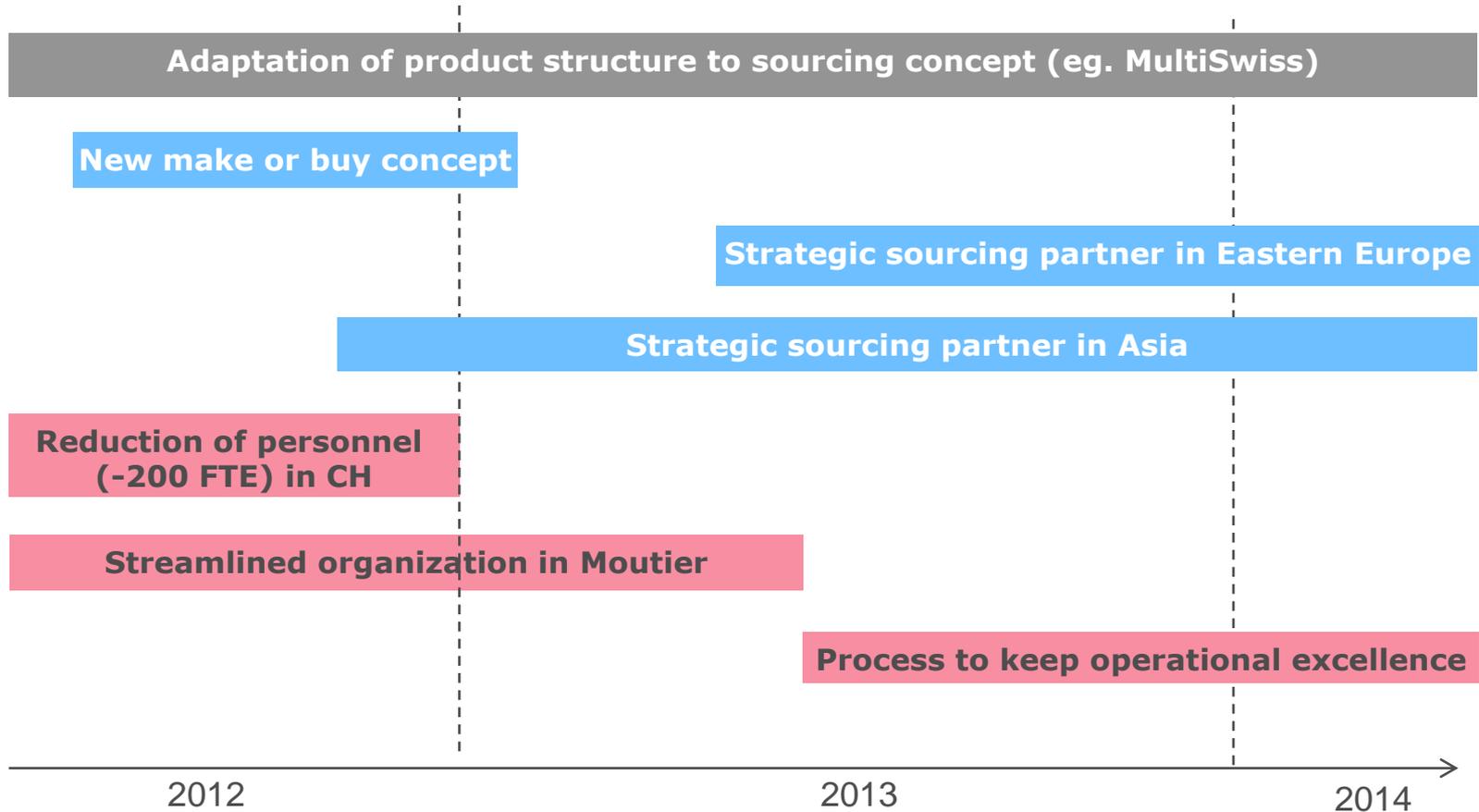


Virage stands for the restructuring of Swiss operations:

- reduced number of FTE from 675 to 475
- outsource production and reduce material purchase in CHF
- increased productivity
- install a permanent operational excellence process
- adapted capacity and cost structure to a sales variation

Program Virage

Optimization of Swiss operations



Program 100+

Generating additional sales volume



New products



Strengthening sales organization

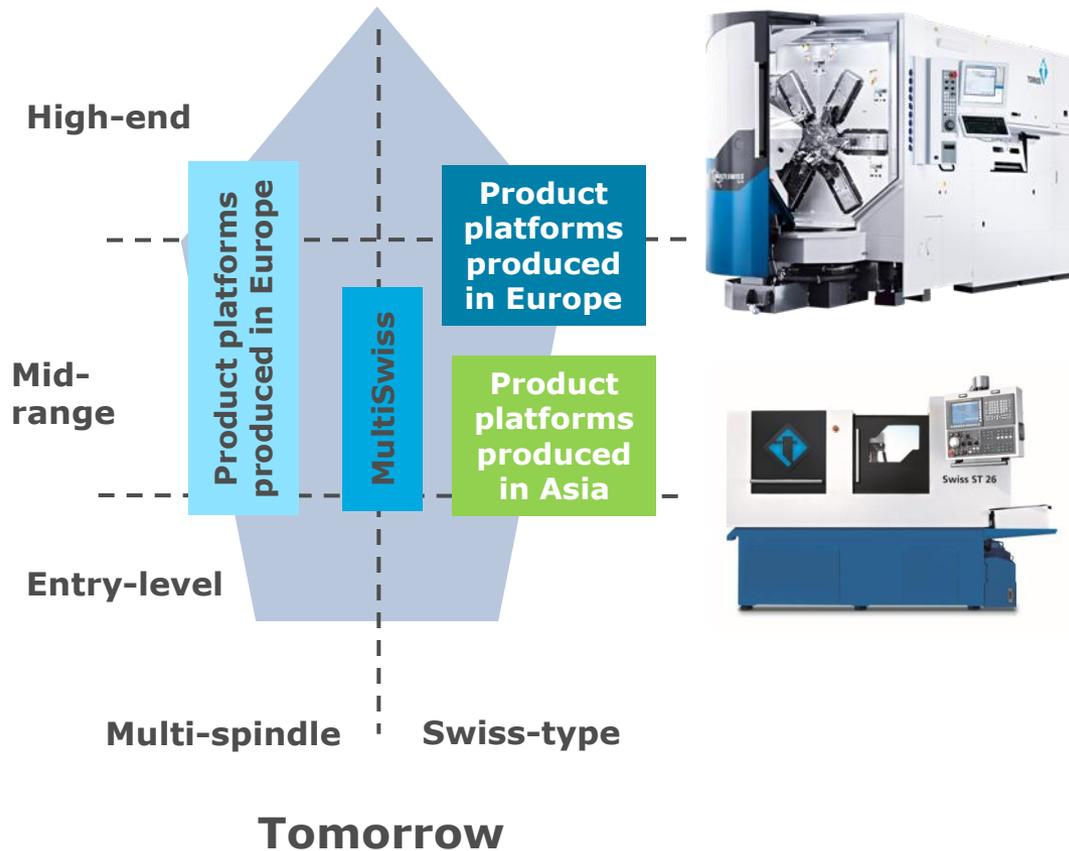


Making service a business



Program 100+

Innovation through new products



Reduced number of platforms

Product platforms for the entry-level and mid-range segments in Asia

Smart products

Program 100+

Optimization of sales organization



China, other emerging countries, US:

Access large customer base with mid-range products

Leverage and expand existing distribution network

Application support in emerging markets

Western Europe:

Streamline structures and empower sales force



Program 100+

Making service a business



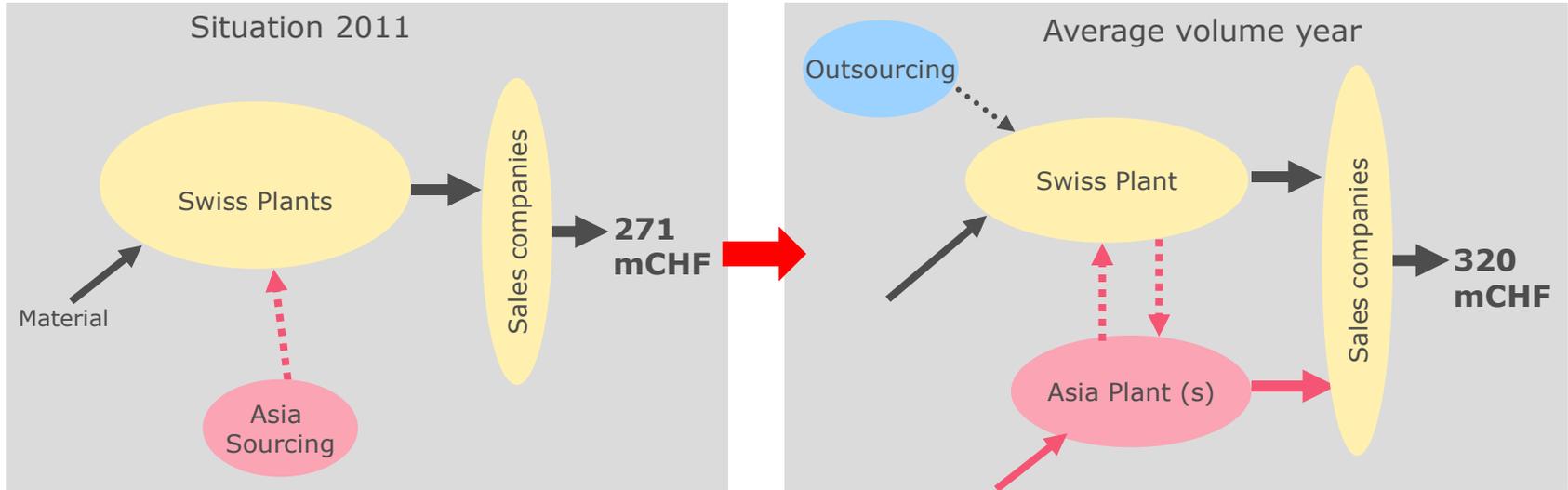
New initiatives:

- Sale of auxiliary equipment
- Sale of consumables
- Training Academy
- Operation support
- Overhauling



Program Sunrise

Tornos products and production for mid-range segment in Asia



Sunrise stands for our production footprint in Asia coupled with a high performing sales organization. There, mid-range products are developed and produced.

Program Sunrise

Tornos products and production for mid-range segment in Asia



First milestone achieved

Co-development of first mid-range product for emerging markets

Project start	Jan 2012
First prototype	Jun 2012
First deliveries	Dec 2012



Financing

Luc Widmer – *Chief Financial Officer*

Financing Analysis



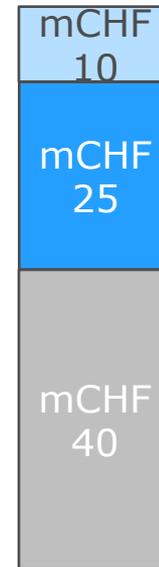
- Financial performance 2012
 - Market environment
 - Negative profitability
- Debt position
 - Business model
 - Net working capital development
- Consequence
 - Covenant breach
 - Limited financial flexibility

Financing Structure



Syndicated credit facility comprising

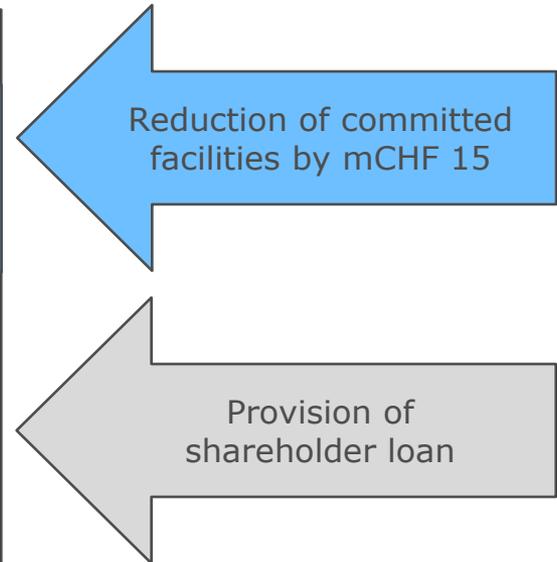
- mCHF 40 committed credit line
- mCHF 10 committed auxiliary facility to be used as overdraft, letter of credits, advanced payment guarantees or similar



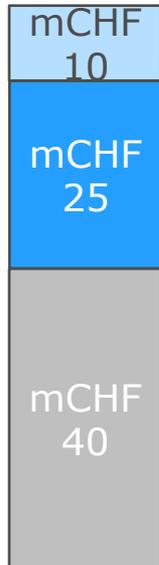
Credit facilities comprising

- mCHF 40 shareholder loan
- mCHF 25 committed credit line
- mCHF 10 committed auxiliary facility to be used as overdraft, letter of credits, advanced payment guarantees or similar

Notable reduction of financing costs

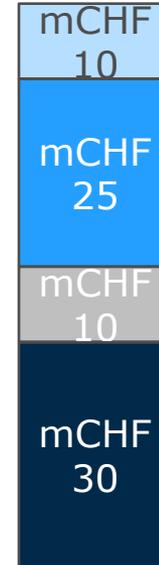


Financing Structure



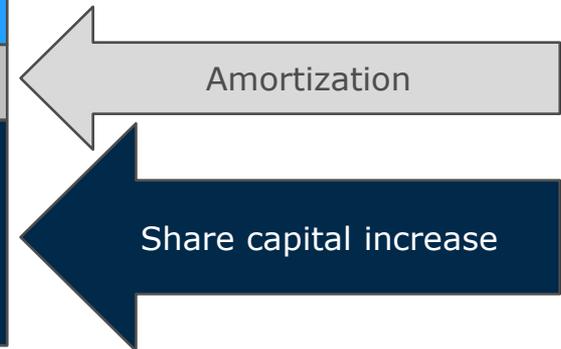
Credit facilities comprising

- mCHF 40 shareholder loan
- mCHF 25 committed credit line
- mCHF 10 committed auxiliary facility



Share capital increase

- mCHF 30
- Open to all shareholders
- 100% subscription guaranteed
- Timing: 2013



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