

Media & Analysts Conference Speakers

TORNOS

François Frôté – Chairman of the Board

Bruno Edelmann – Chief Financial Officer

Michael Hauser - Chief Executive Officer

- Welcome
- Overall Review
 François Frôté, Chairman of the Board
- Financial Results 2016
 Bruno Edelmann, Chief Financial Officer (CFO)
- Strategic reorientation 2017 status update 03/2017
 Michael Hauser, Chief Executive Officer (CEO)
- Questions and Answers

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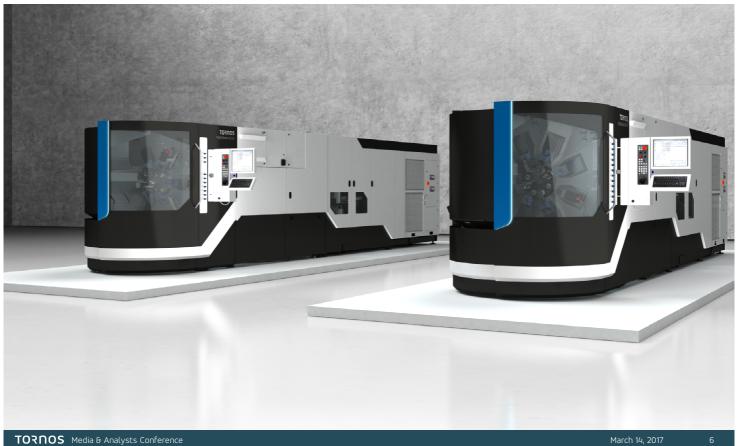


MCHF	2016	2015
Net sales	136.2	164.0
EBITDA	-0.3	4.9
EBIT	-3.0	2.4
Net result	-3.6	0.9
Net cash	-4.8	11.3

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Overall Review Asia production footprint





Xi'an (China)

Surface: 2 500 m²

Capacity: 1000 units/year

Since 2014

Taichung (Taiwan)

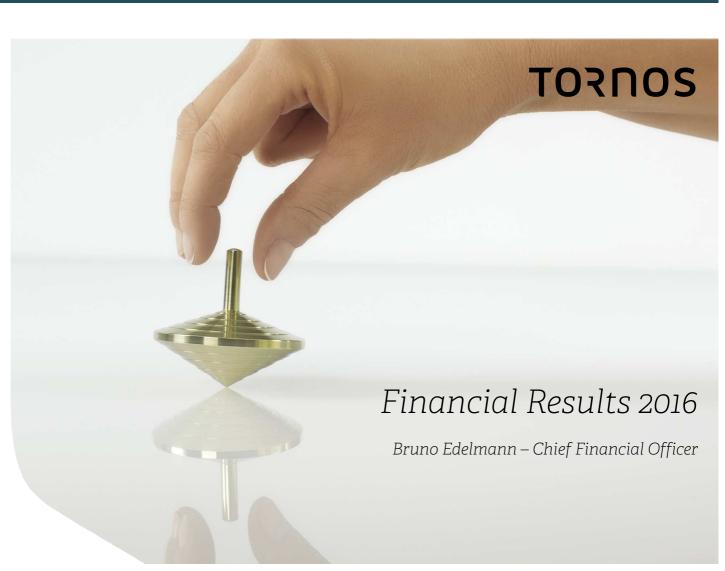
Surface: 2 300 m²

Capacity: 250 units/year

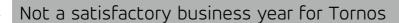
Since 2013

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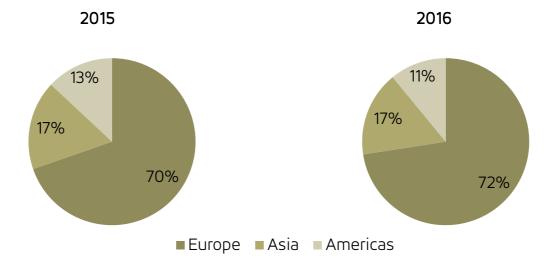


- Order intake down by MCHF 26.5 or 16.6% to MCHF 133.5
- Net sales down by MCHF 27.8 or 16.9% to MCHF 136.2
- EBITDA MCHF -0.3 vs. MCHF 4.9 PY
- EBIT MCHF -3.0 vs. MCHF 2.4 PY
- Net result MCHF -3.6 vs. MCHF 0.9 PY
- Free cash flow MCHF -15.6
- Net cash position of MCHF -4.8 compared to MCHF 11.3 as at end 2015



> In terms of machines, more orders in 2016 vs. 2015. Change in product mix caused fall in order intake in terms of value.

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- Europe remains the core region for Tornos
- Gratifying order intake in Switzerland and France
- Disappointing decline in Asia and Americas

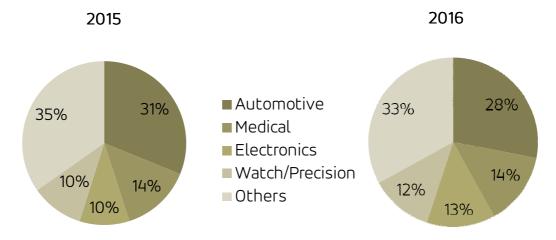
Growth potential in Americas and Asia

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Financial Results 2016 Order Intake Machines - Industries

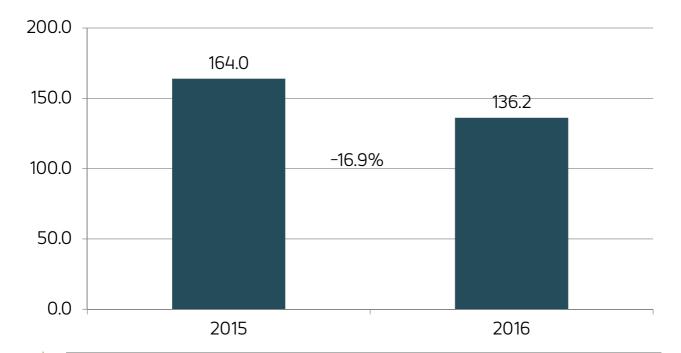
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- Automotive remains the most important market in terms of share
- Medical remained stable
- Gratifying increase for electronics industries; demand for high-tech connectors
- Difficult market environment in watch making industry defied
- More and more job shops and other smaller industries

Broad fields of application for Tornos machines

MCHF



Gratifying development of Asia machines sales; 23% increase vs. PY

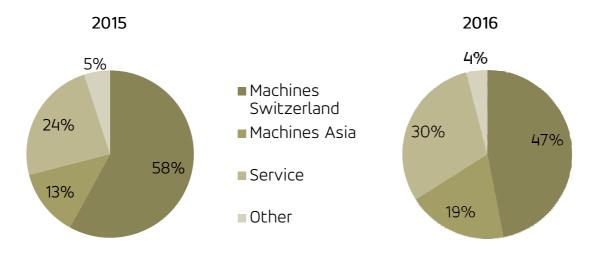
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Financial Results 2016 Net Sales – Product Lines

Change in product mix caused fall in net sales

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- Decline in sales of multispindle machines due to restrained investment in automotive supply industry
- Gratifying development in sales of Swiss-type machines from Asia
- Service and spare parts as an important business domain

Increasing importance of Asia machine business

Financial Results 2016 Income Statement — 1/2

in MCHF	2016 ⁱ	in % of sales	2015	in % of sales
Net sales	136.2		164.0	
Gross profit	40.6	29.8%	49.3	30.1%
Marketing and sales	-21.8	-16.0%	-22.9	-14.0%
General and administrative expense	-16.0	-11.7%	-17.1	-10.4%
Research and development	-7.0	-5.1%	-7.9	-4.8%
Other income - net	0.1	0.0%	0.1	0.0%
Operating expenses	-44.7 -	-32.8%	-47.8	-29.2%
Non-operating result	1.1	0.8%	0.9	0.5%
EBIT	-3.0	-2.2%	2.4	1.4%



Cost savings of MCHF 3.1 in operating expenses compared to PY.

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in MCHF	2016	in % of sales	2015	in % of sales
EBIT	-3.0	-2.2%	2.4	1.4%
Financial income / expense	-0.6	-0.4%	-0.4	-0.2%
Exchange result net	0.3	0.2%	-0.1	0.0%
EBT	-3.3	-2.4%	1.9	1.2%
Income tax	-0.3	-0.2%	-1.0	-0.6%
Net result	-3.6	-2.6%	0.9	0.6%

Positive currency exchange result.

in MCHF	2016 ⁱ	n % of sales	2015	in % of sales
EBITDA	-0.3	-0.2%	4.9	3.0%
Depreciation and amortization	-2.7	-2.0%	-2.5	-1.6%
EBIT	-3.0	-2.2%	2.4	1.4%

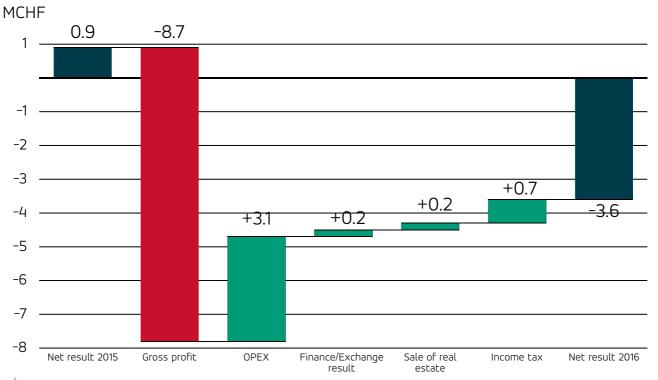
EBITDA and EBIT substantially below PY figures

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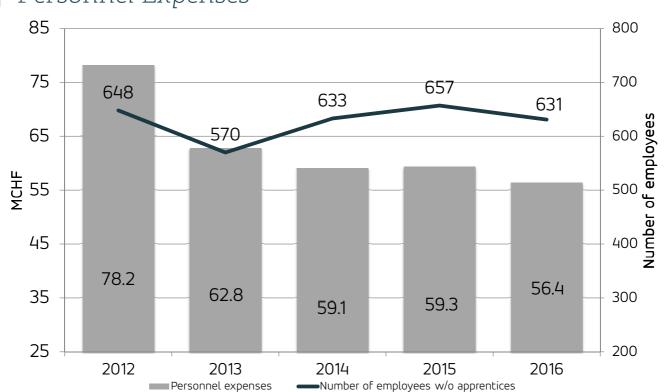
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Financial Results 2016 Change in Net Result

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Positive effect on OPEX, financial result, sale of real estate and income tax insufficient to cover loss at gross profit level.



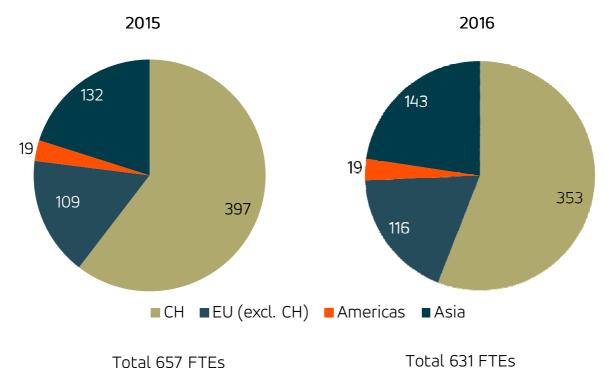
Number of employees and personnel cost reduced. Tornos employed 41 apprentices in 2016

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Financial Results 2016 Personnel – FTEs per Region

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Reduction of 44 FTEs in Switzerland in 2016 due to structural improvements. +11 FTE in Asia to cope with the increasing production volume.



in MCHF	31.12.2016	in %	31.12.2015	in %
Cash and cash equivalents	9.6		20.6	
Trade receivables	18.7		23.2	
Inventories	67.0		64.1	
Other current assets	9.3		8.7	
Current assets	104.6	81.5%	116.6	82.8%
Non-current assets	23.7	18.5%	24.2	17.2%
Financial liabilities	14.4		9.3	
Trade and other payables	33.5		47.4	
Total liabilities	47.9	37.4%	56.7	40.3%
Shareholders' equity	80.4	62.6%	84.1	59.7%
Total balance sheet	128.3	100%	140.8	100%

Net cash of MCHF -4.8 vs. 11.3 in PY; equity still solid at 62.6%

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in MCHF	2016	2015
Cash Flow from operating activities before changes in		
Net Working Capital	-0.7	0.5
Changes in Net Working Capital	-13.5	-2.8
Cash Flow from operating activities	-14.2	-2.3
Cash Flow from investing activities	-1.4	0.0
Free Cash Drain	-15.6	-2.3

Free cash flow negatively impacted by the changes in net working capital

- Economic development affected by political decisions in EU and USA
 - Elections in Germany and France
 - Declining bank sector in Italy
 - Outcome of Brexit negotiations could weaker European economic activity
 - → Revaluation of CHF
- Automotive supply industry likely to recover / Watch industry still weak
- Tornos is well positioned in all market segments thanks to the machines launched in 2016
- Fairly confident due to increase in order intake in Q4/2016 and Q1/2017
- Long term visibility still not given
- Further measures to simplify, increase flexibility, reduce costs and increase sales are in place
- Source of finance secured

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April 12 Annual General Meeting 3 p.m. at the Foyer Moutier

August 15 Half-year Results 2017



Strategy 2012-2017
Six strategic thrusts

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- Internationalization of business
- Strengthen flexibility
- Growth through innovation
- Make service a business
- Enhance operational excellence
- Offer unique solutions for targeted market segments

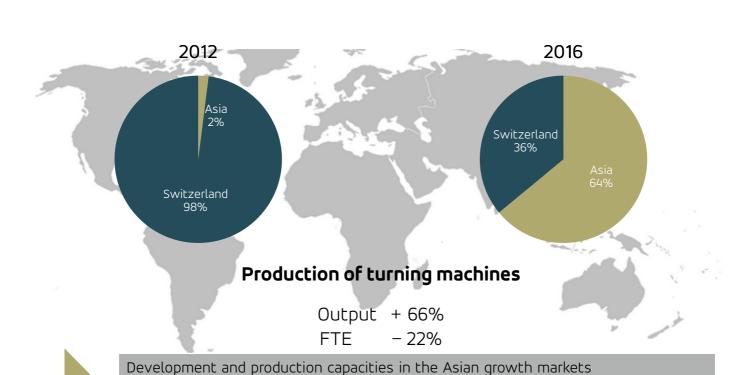


Internationalization of business

Shift of production completed

Geographical production footprint

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More balanced footprint responding to industry's shift to Asia

History

- Chinese JV (Tornos with 70% stake)
- Announcement of JV in Q2/2013
- First product (CT 20) delivered in Q1/2014
- Relocation to new facility (Oct. 2014)
- New products Swiss DT 13 and Swiss DT 26 developed and launched in Q3/2015 and Q1/2016
- FTE 66 (overall)
- Capacity max. 1,000 units/year



Sufficient capacity for future product lines

Tornos Xi'an to become the Asian "backbone" for mid-range products

Integrated showroom facilities

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Internationalization of business Tornos Xi'an

Milestones

- State-of-the-art European production equipment
- Supply-chain secured
- Capacity and know-how to produce high precision parts in-house



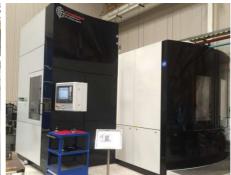
High-precision parts



ZEISS CMM



LEAN assembly



SIP jig boring center



STUDER cylindrical grinder

History

- Taiwanese OEM contract manufacturer selected in 2012
- 1st product (Swiss ST 26 NCE) presented in Q4/2012; delivery Q1/2013
- 2nd product (Swiss GT 26) presented in Q3/2014; delivery Q4/2014
- 3rd product (Swiss GT 13) developed and presented in Q3/2015
- New options developed (e.g B-axis)
- New Swiss GT32 in Q4/2016

FTE 27 plus subcontractor's staff Capacity max. 250 units/year



Security of supply and delivery thanks to geographic diversification

Tornos Taiwan to become development, sourcing and service hub in Asia

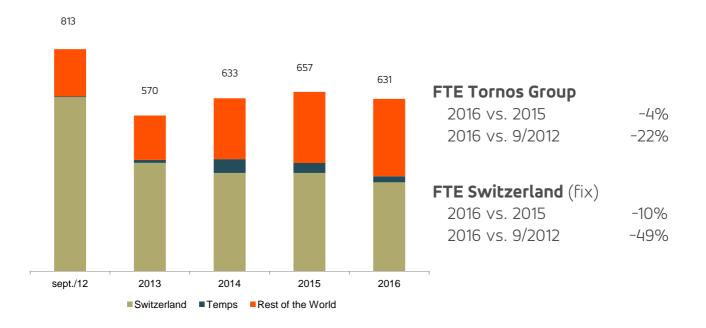
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Strengthen flexibility Sustainable footprint adaptation

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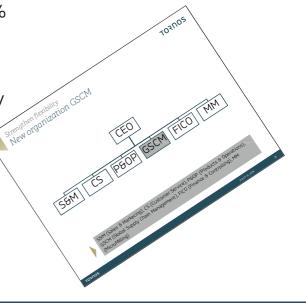


Sales, application and service remained unchanged

FTE increase mainly in Asia due to growing production volume

Global Supply Chain Management achievements

- New machines fully outsourced
- Key modules outsourced
- One-fifth of large machining components remaining
- Manufacturing headcount reduction > 30%
- Eastern European suppliers homologated
- Substantial procurement cost reduction
- New procurement framework (e.g., quality agreement) put in place



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Growth through innovation Severe investment reluctance hit Multispindle business



- Outperforms competition in terms of precision and application variety
- Growing number of projects in three target market segments
- Many repeat orders
- Growth rate +66% (2013),+41% (2014) and +9% (2015)
- Reduced growth rate in 2016 due to uncertainties in automotive supplier industry (Dieselgate)
- Over 200 machines delivered
- First signs of recovery in Q4/2016



Growth through innovation Extension of MultiSwiss line



New MultiSwiss model in operation at customer site

- Presented at AMB Stuttgart 2016
- Generated 10% of all machine orders in last quarter 2016
- New MultiSwiss advantages* compared with previous model:
 - Cycle time 27%
 - Tool life + 25%
 - Work piece quality ++
 - Capability ++

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Growth through innovation High-end for high precision

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- EvoDECO 32 introduced at EMO Hannover 2013.
- High-precision machining solution for micro mechanics and medical and dental industries
- New design with improved performance
- 100% developed and manufactured in Switzerland
- New EvoDECO 10 and 16 introduced in 2015
- Challenging environment in the watchmaking industry impacted sales



^{*} Customer feedback

Growth through innovation Mid-range for high precision

- Introduced at 5th Tornos Watch Days 2013
- Innovative Swiss-type mid-range product
- Tailored to high precision applications (focus on micromechanics)
- Common platform with micro milling
- 100% developed and manufactured in Switzerland
- 200 machines delivered
- Growth rate +54% (2015)
- Growth rate +83% (2016)



SwissNano in operation at customer site

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Growth through innovation

Entry and Mid-range products for global markets





Customer success story

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Industrial Strength Body Jewelry (California, USA)





Swiss GT in operation at customer site





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Growth through innovation

Entry and Mid-range products for global markets





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- Expert system with user-friendly state-of-the-art Human Machine Interface (HMI)
- Virtual setup, programming and monitoring
- Addresses the needs of Industry 4.0
- Vision Systems (new)
- CAM Integrated (new)







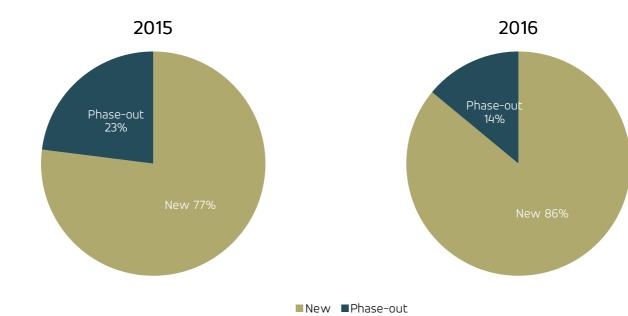
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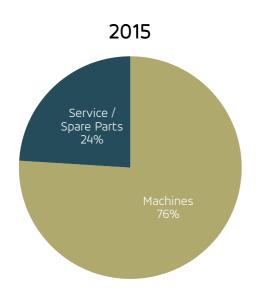
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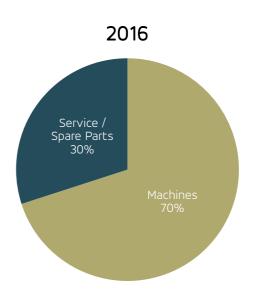
Growth through innovation Portfolio renewal on track

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Product portfolio renewal in full swing Further novelties to hit the market in 2017 and 2018





■ Machines ■ Service / Spare Parts

Overhauling business growing

New service products well accepted

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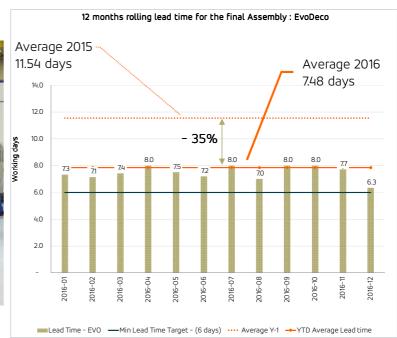
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Enhance operational excellence Success of LEAN concept

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Up to 35% productivity gain due to LEAN approach Lead time reduction 66% Assembly surface reduction 45%

Looking ahead Priorities and outlook for 2017

Conclude strategic reorientation according to mid-term plan:

- Capitalize on latest products
- Push phase-out of old products
- Fully exploit outsourcing
- Adapt and simplify organization and structures
- Keep pace on innovation
- Elaboration of Strategy 2018-2022

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QUESTIONS & ANSWERS

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