

Media & Analysts Conference

Tornos Holding Ltd.
Zurich, March 16, 2015

Speakers

François Frôté *Chairman of the Board*

Luc Widmer – *Chief Financial Officer*

Michael Hauser – *Chief Executive Officer*

Agenda

Welcome

Overall Review

François Frôté, Chairman

Financial Results 2014

Luc Widmer, CFO

Strategy 2017 – Halfway point reached

Michael Hauser, CEO

Questions and Answers

Overall Review

François Frôté *Chairman of the Board*

Key Financials



MCHF	2013	2014
Order intake	151.9	183.2
Net sales	150.8	175.8
EBIT	-32.7	2.8
Net result	-35.6	3.0
Free cash flow	1.5	13.6

Achievements



- Back in black figures
- Substantial growth in orders and sales
- New products well accepted
- Asian plants fully operational
- Cost structure substantially improved
- Debt free

Financial Results 2014

Luc Widmer – Chief Financial Officer

Financial Results Summary

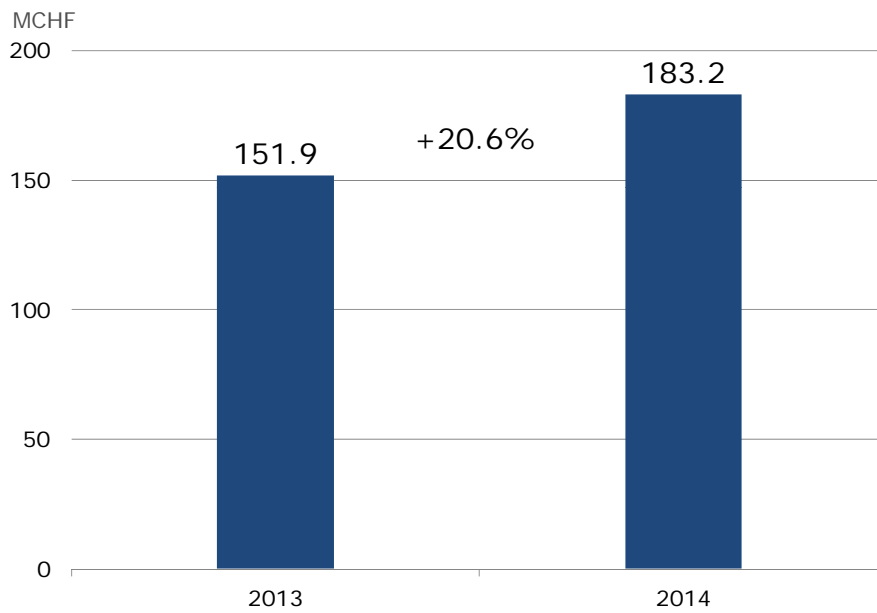
- Order intake up by 20,6% to MCHF 183.2
- Net sales up by 16,6% to MCHF 175.8
- EBIT MCHF 2.8 vs. MCHF -32.7 PY
- Net result MCHF 3.0 vs. MCHF -35.6 PY
- Free cash flow MCHF 13.6
- Net cash position at MCHF 15.1 compared to MCHF 0.7 as at end 2013



Financial guidance over-achieved

Financial Results

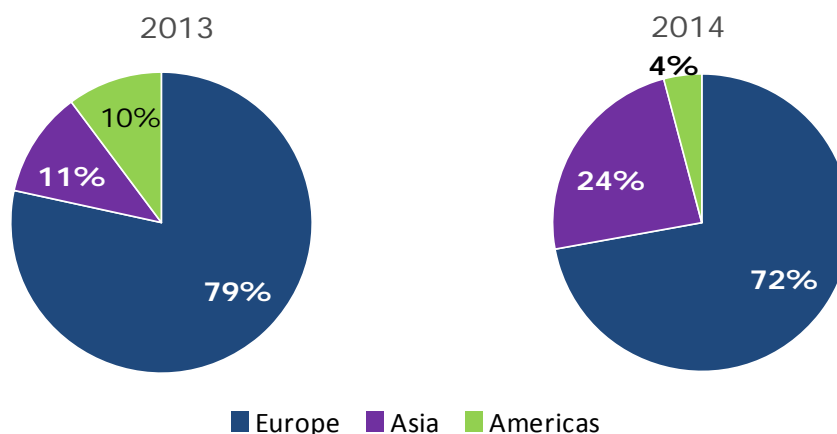
Order intake



▶ Growth driven by Europe and Asia

Financial Results

Order intake - Regions



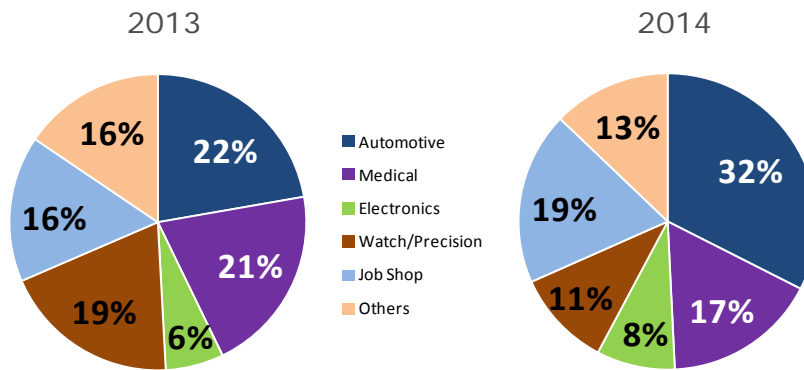
- Market stabilization in Europe
- Soft market in Asia

- Asia back at normal speed
- High interest in multispindle machines in Asia
- Positive dynamics in Europe

▶ Americas disappointing

Financial Results

Order intake by Segments

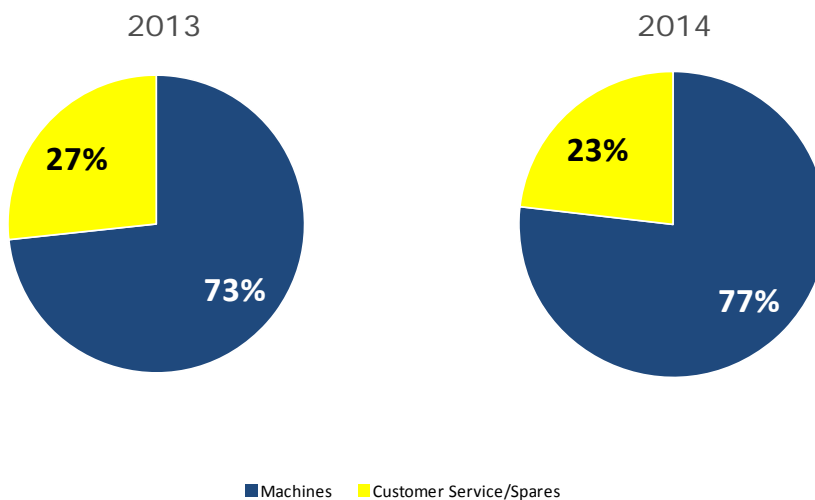


- Electronics back at normal weight
- Automotive, Medical and Watchmaking stable contributors
- Strong interest in MultiSwiss by Automotive

Substantial increase of Automotive

Financial Results

Order intake – Machines / CS, SPR



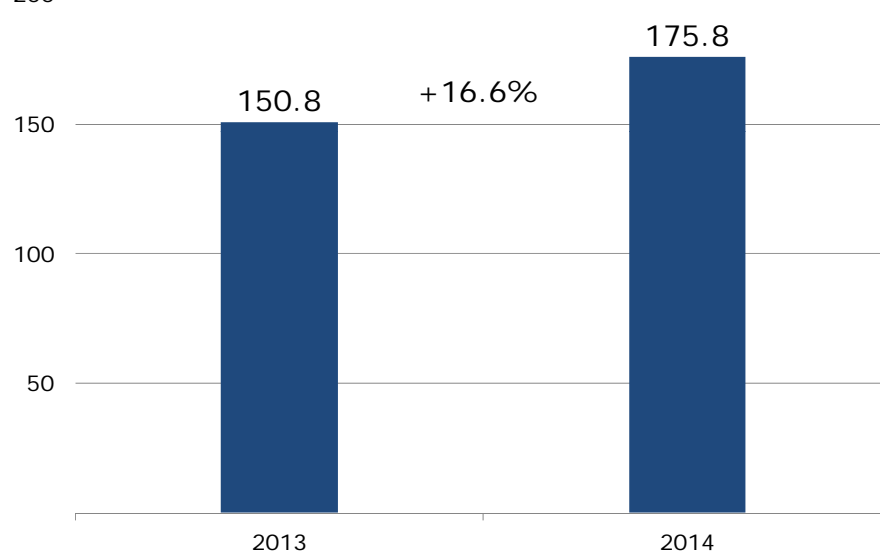
Customer Service +9%

Financial Results

Net sales

MCHF

200



▶ Machine business +19% driven by Europe and Asia

Financial Results

Income statement



	2013	in % of sales	2014	in % of sales
Net sales	150.8		175.8	
Gross profit	24.9	16.5%	52.5	29.8%
Marketing and sales	-26.6	-17.6%	-26.0	-14.8%
General and administrative exp	-19.9	-13.2%	-17.5	-10.0%
Research and development	-11.4	-7.5%	-7.0	-4.0%
Other income - net	0.3	0.2%	0.8	0.4%
EBIT	-32.7	-21.7%	2.8	1.6%
EBITDA	-25.8	-17.1%	5.5	3.1%
EBIT underlying	-13.2	-8.7%	2.1	1.2%

▶ Substantial improvement vs. prior year

Financial Results

EBIT to Net result



	2013	in % of sales	2014	in % of sales
EBIT	-32.7	-21.7%	2.8	1.6%
Interest expense - net	-2.2	-1.4%	-0.4	-0.2%
FX-result	-0.5	-0.3%	0.9	0.5%
EBT	-35.3	-23.4%	3.3	1.9%
Income taxes	-0.3	-0.2%	-0.4	-0.2%
Minorities	0.0	0.0%	0.1	0.1%
Net result (to the owners of the parent)	-35.6	-23.6%	3.0	1.7%
Tax rate	n/a		13.2%	

Financial expense notably reduced thanks to repayment of borrowings

Financial Results

Balance Sheet

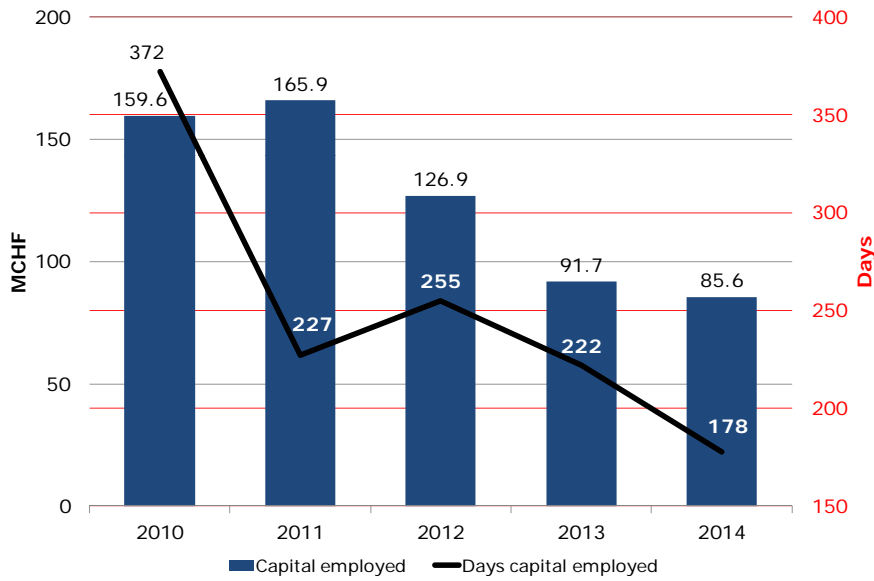


	2013	in % total BS	2014	in % total BS
Cash and cash equivalents	11.1	8%	15.4	12%
Receivables	26.0	19%	21.6	16%
Inventories	59.8	44%	57.1	43%
Other current assets	11.2	8%	11.6	9%
Current assets	108.2	79%	105.7	80%
Non-current assets	28.0	21%	26.7	20%
Financial liabilities	10.4	8%	0.4	0%
Operating liabilities	44.5	33%	46.9	35%
Minorities	0.4	0%	0.7	1%
Shareholders' equity	80.9	59%	84.5	64%
Total balance sheet	136.2	100%	132.4	100%

Strong cash flow performance leading to solid financial footing
Group debt free as at end 2014

Financial Results

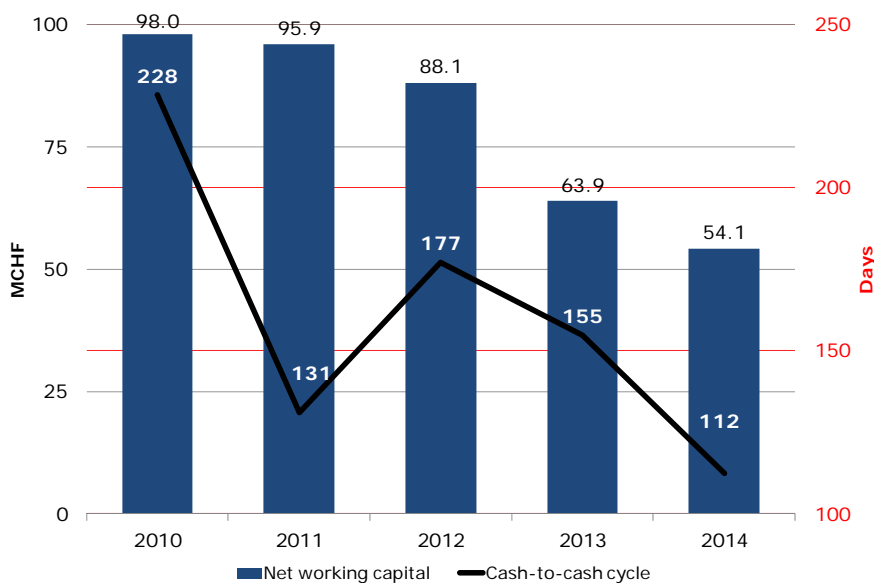
Capital employed



Reduction of the capital employed as a consequence of the focused measures

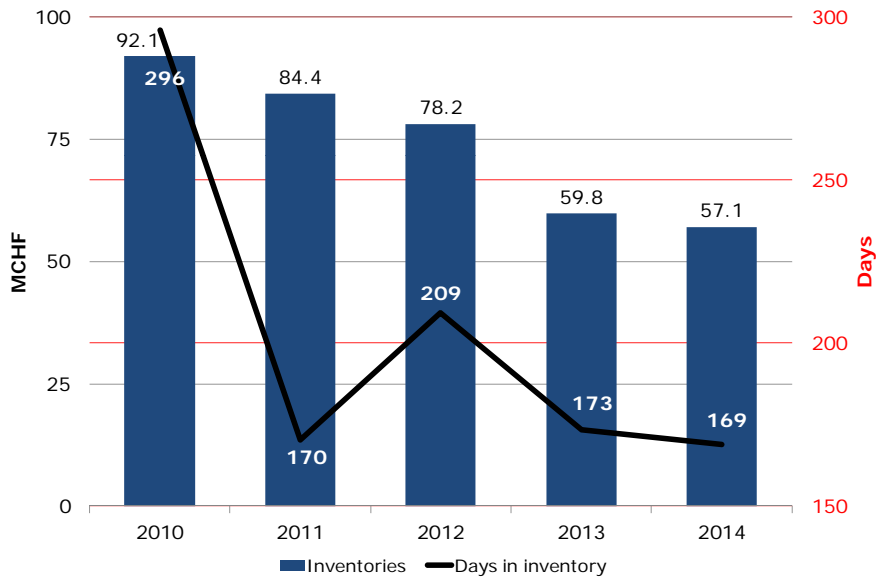
Financial Results

Net working capital



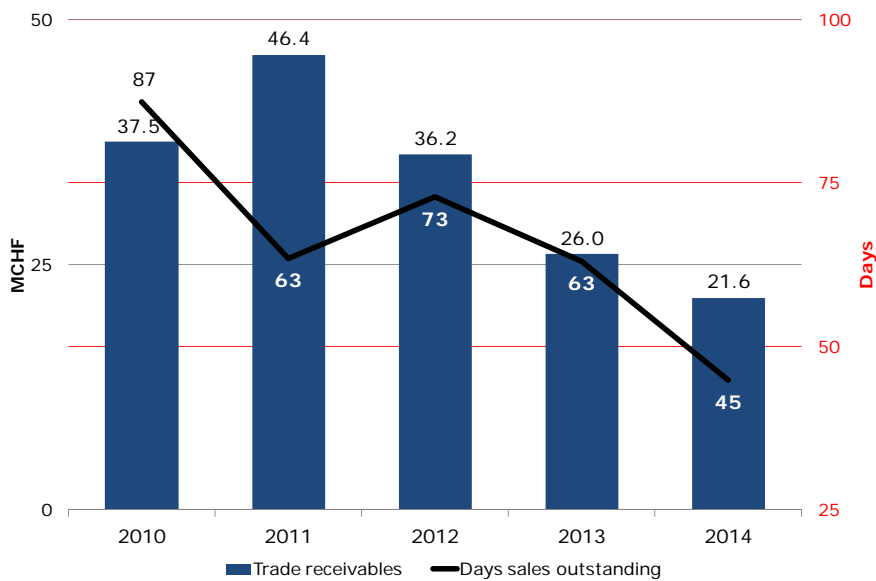
Reduction in net working capital lowering the Group's financial risk exposure

Financial Results Inventories



Inventories lowered despite full integration of supply chain for Asian products

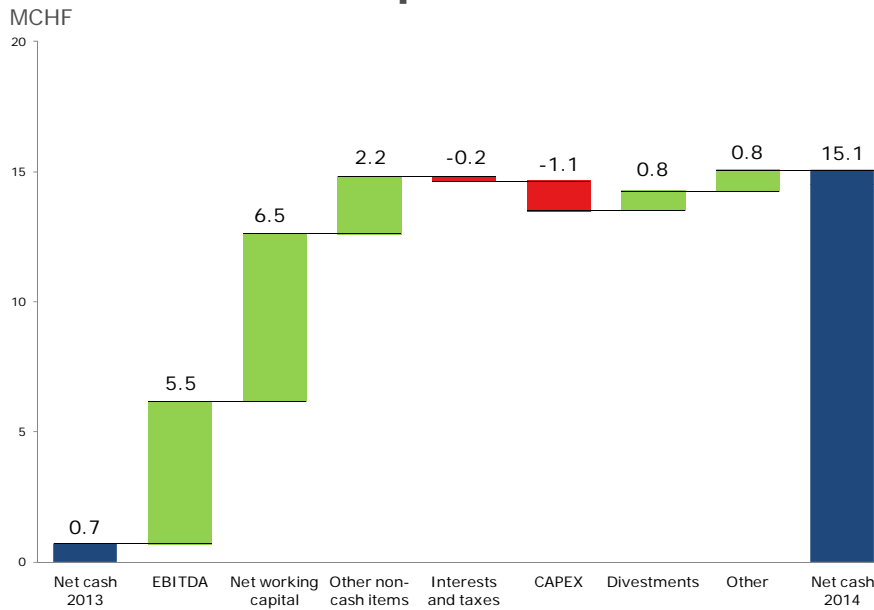
Financial Results Trade receivables



All-time best performance in days sales outstanding

Financial Results

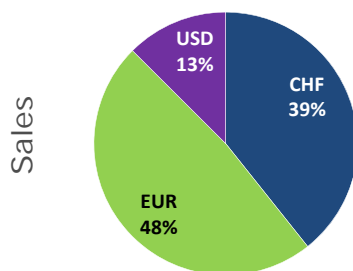
Net cash development



Strong cash flow performance allowing accumulation of solid net cash position

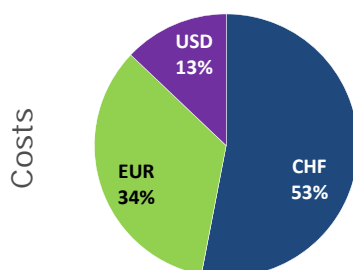
Financial Results

FOREX exposure



Key considerations (base: 2014)

- Sales in CHF containing substantial part of revenue in non EUR countries



- EUR sourcing compared to 2013 increased by 9%-points
- USD well hedged

Further increase in EUR share targeted

Market	<ul style="list-style-type: none">• Selective pricing adjustments• Acceleration of overhauling business
Productivity	<ul style="list-style-type: none">• Increase of working hours in CH plants from 40 to 43 hours/week• Acceleration of lean initiative• Efficiency program launched
Costs	<ul style="list-style-type: none">• Savings initiative in CHF procurements• Tightening further cost control throughout the Group



Measures expected to out-balance Forex impact

- Guidance of balanced operational result out-performed
 - EBIT MCHF 2.8
 - Net result MCHF 3.0
- Solid financial basis
 - Net cash position MCHF 15.1
- Substantial improvement in capital efficiency
- Focused measures to counter Forex challenges initiated

Calendar of events 2015



April 14 Annual General Meeting
3 p.m. at the Foyer Moutier

May 5 First quarter results 2015

August 11 Half-year results 2015

November 3 Nine months results 2015



Strategic reorientation 2017 Halfway point reached

Michael Hauser – *Chief Executive Officer*

Strategy 2015 – 2017

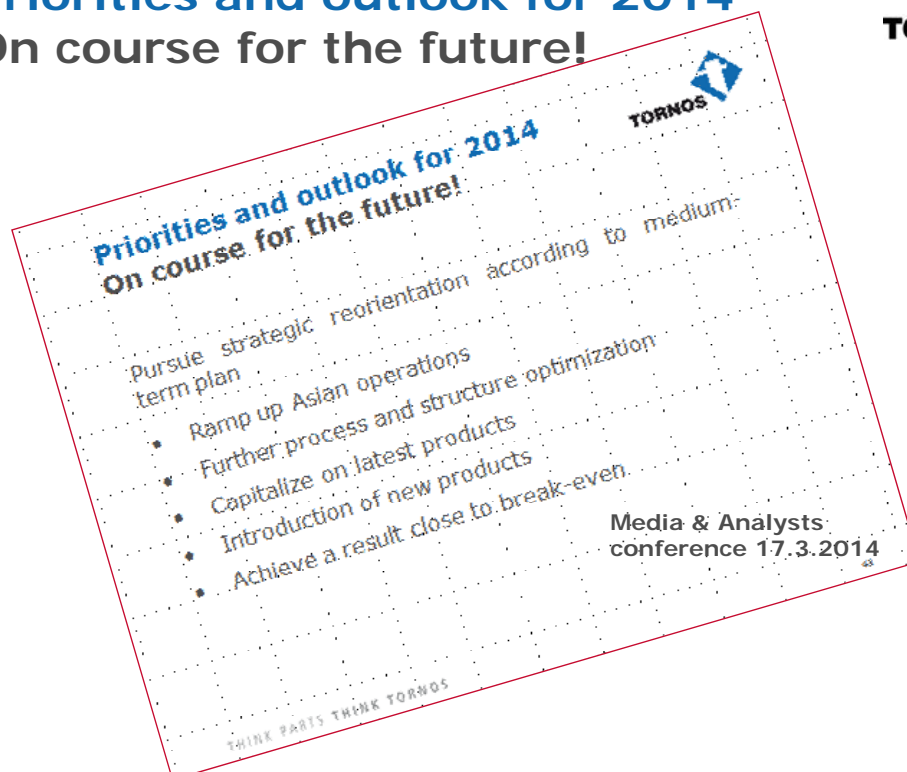
Six strategic thrusts



- 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

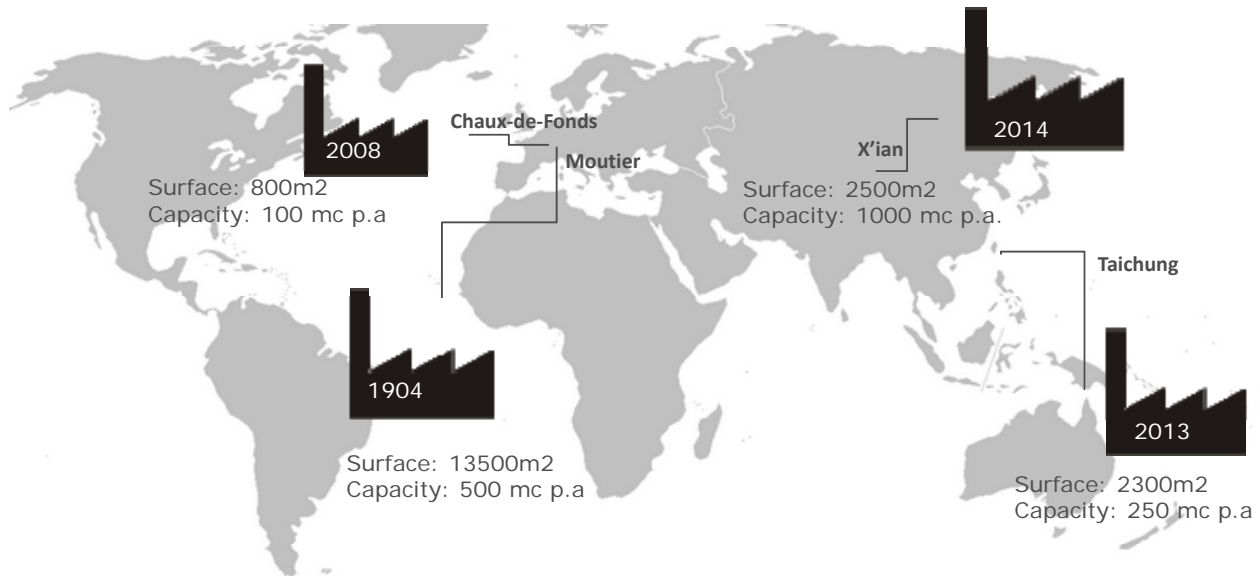
Priorities and outlook for 2014

On course for the future!



Internationalization of business

Geographical production footprint



Development and production capacities in the Asian growth markets
 More balanced footprint responding to industry's shift to Asia

Internationalization of business

Tornos Xi'an



Lower salaries, less fluctuation than at coastal areas
 Good access to universities, skilled workers
 Increasing number of multinationals are setting up in the area

Internationalization of business

Tornos Xi'an



History

- Chinese JV partner shortlisted in Q1/2013; Tornos with 70% stake
- Announcement of JV in Q2/2013
- First product (CT 20) delivered in Q1/2014
- Relocation to new facility (Oct 2014)
- Next product scheduled for Q2/2015

FTE 45 (overall)

Production 1st year > 130 units

Capacity max. 1000 units/year



- Sufficient capacity for future product lines
- Tornos Xi'an to become the Asian «backbone» for midrange products

Internationalization of business

Tornos Taiwan



- Solid supplier network around Taichung (machine tool cluster)
- Know-how protection under control

Internationalization of business

Tornos Taiwan



History

- Taiwanese OEM contract manufacturer selected in 2012
- 1st product (Swiss ST 26 NCE) presented in Q4/2012; delivery Q1/2013
CE version in Q3/2013; delivery Q4/2013
- 2nd product (Swiss GT 26) presented in Q3/2014; delivery Q4/2014
- Next product scheduled for Q2/2015

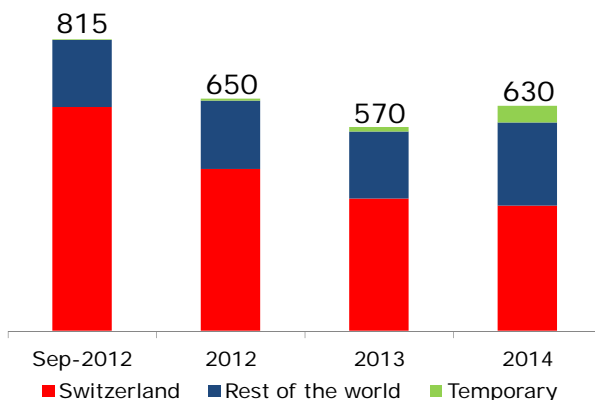
FTE 16 plus subcontractor's staff
 Production 2014 > 100 units
 Capacity max. 250 units/year



Security of supply and delivery due to geographic diversification
 Tornos Taiwan to become development, sourcing and service hub in Asia

Strengthen flexibility

Sustainable footprint adaptation



FTE Tornos Group

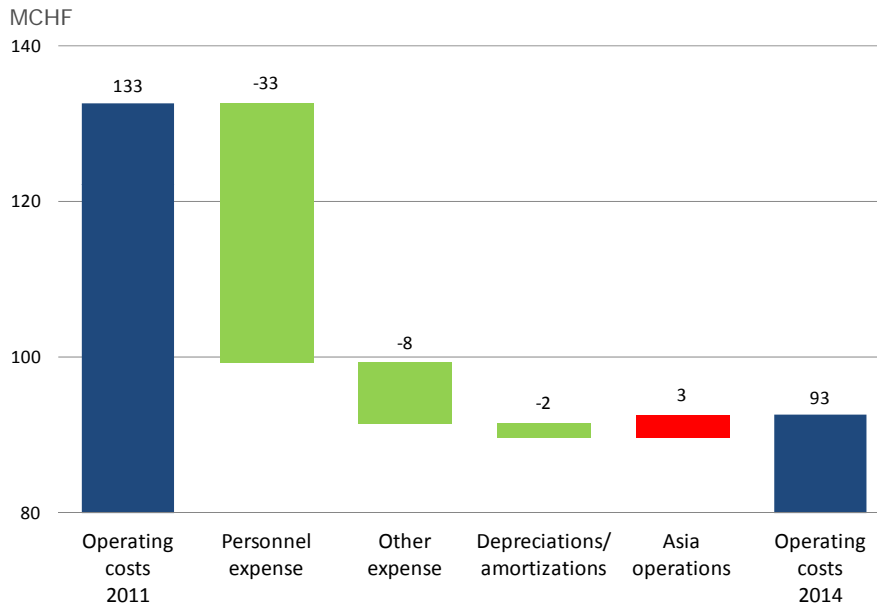
2014 vs 2013 +10%
 2014 vs 9/2012 -23%

FTE Switzerland (fix)

2014 vs 2013 -5%
 2014 vs 9/2012 -44%

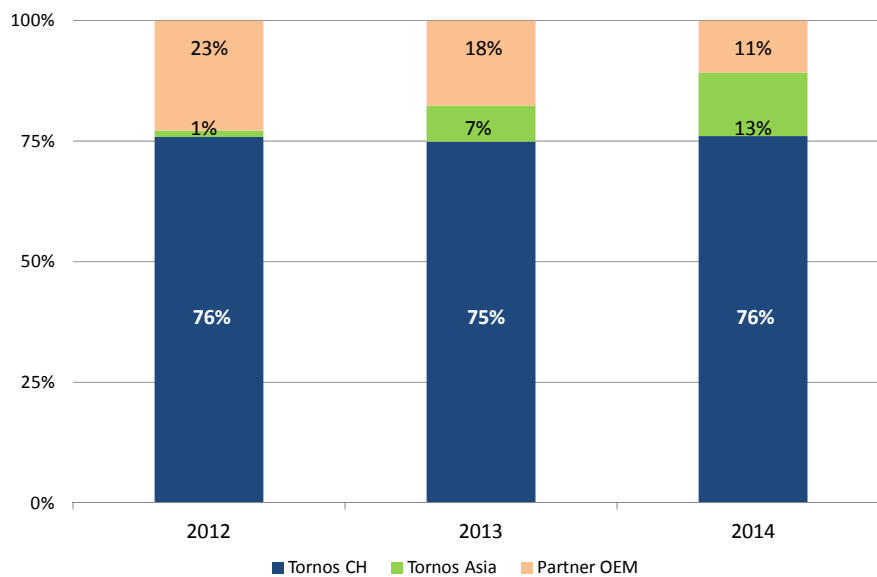
Sales, Application, and Service remained unchanged
 FTE increase mainly in Asia due to growing production volume
 FTE increase in Switzerland through temporary workforce only

Strengthen flexibility Structural cost reduction



What we said in 2012: cost reduction of MCHF 30 – 35
 What was achieved: > MCHF 40 sustainable cost reduction

Strengthen flexibility Order Intake by product origin



Tornos Asian products on track to replace former OEM partner machines
 Additional potential in Asia and Americas

Growth through innovation Capitalize on latest products



MultiSwiss

- Presented at EMO Hanover 2011
- Outperforms competition in terms of precision and application variety
- Growing number of projects in three target market segments
- Repeat orders; projects in pipeline for batch orders
- 100 machines largely exceeded
- Growth rate +66% (2013) and +41% (2014)

Growth through innovation High-end for high precision



EvoDECO 32

- Introduced at EMO Hanover 2013
- High precision for medical and dental industries
- New design with improved performance
- Developed and manufactured 100% in Switzerland
- Growth rate +378% (2014)

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 Micromilling
- Developed and manufactured 100% in Switzerland

Growth through innovation Mid-range for global markets



- First platform based Swiss-type lathe from Tornos Taiwan
- Key components from Switzerland
- Commercialized in Europe and the USA
- Great interest due to price/performance ratio
- Targeting all key segments
- TISIS software applicable

Growth through innovation Entry-level for emerging markets



- Introduced in China at the end of 2013; globally in 2014
- First product from JV Tornos Xi'an
- Well perceived by customers
- Sold through two sales channels (direct / indirect) in China

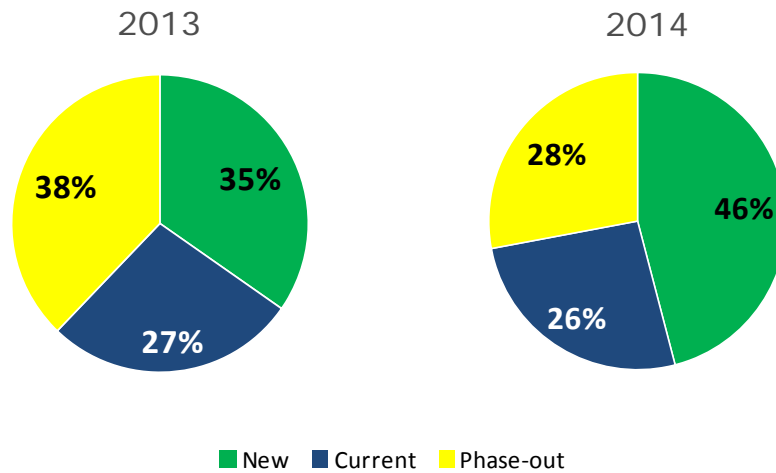
CT 20

Growth through innovation TISIS software Industry 4.0 ready



- Expert system with user-friendly state-of-the-art man machine interface (MMI)
- Virtual set-up, programming and monitoring
- Addresses the needs of Industry 4.0

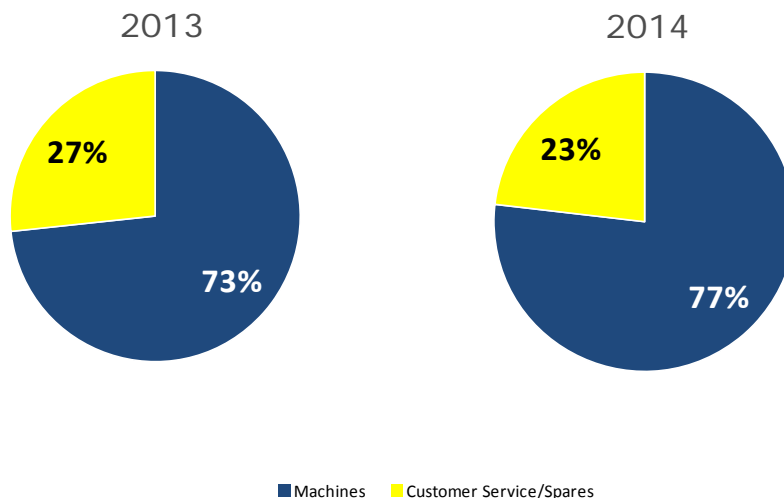
Growth through innovation Portfolio renewal on track



- EvoDECO 20/32
- SwissNano
- BA 1008
- Swiss GT 26
- CT 20
- MultiSwiss Y-axis

Product portfolio renewal in full swing
Further novelties to hit the market in 2015

Make service a business Reliable revenue contribution



Tornos Service business +9%
Additional services well accepted by customers
Efficiency gains after relocation of Tornos Service in Moutier

Priorities and outlook for 2015



Pursue strategic reorientation according to medium-term plan

- Master challenges caused by strong Swiss franc
- Implement lean manufacturing in Moutier
- Further strengthen service business
- Introduction of new products; capitalize on platform architecture

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