



Media & Analyst Conference

Tornos Holding Ltd

Zurich, March 17, 2014



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 2013

Luc Widmer, CFO

Review 2013 – Market development

Strategy 2017 – On course for the future

Michael Hauser, CEO

Questions and Answers



Overall Review

François Frôté – *Chairman of the Board*

Key Financials 2013



Key Financials 2013 MCHF	Actual	Underlying
Gross sales	155.3	155.3
EBIT	-35.9	-16.3
Net income/(loss)	-45.6	-19.0
Free cash flow	1.5	1.5

Main Actions 2013



Main Actions	Impact
Reduction of footprint of Swiss organization	Headcount -39% in 15 months
New products well accepted, i.e. SwissNano, EvoDECO 20/32, Swiss ST 26 CE, BA 1008, VA 1008	>30% order intake increase vs. 2012
Reduction of Board of Directors	From 6 to 5 members
Signing of Joint Venture Agreement Tornos Xi'an Machine Works Ltd.	1 st machine sold November 2013
Incorporation Tornos Taiwan	> MCHF 8 order intake in 2013
Share capital increase, leading to net cash position of MCHF 4.1	Gross proceeds of MCHF 30.6
Re-dimensioning General Management	From 7 to 3 members
Transfer of surface technology business (Cyklos) to specialized company for further development	Future cost reduction > MCHF 2
Accelerated reduction of portfolio complexity and elimination of low margin products	Phase out one-time costs
Concluded credit agreement with shareholders to replace credit lines with banks	Competitive conditions, financial stability



Financial Results 2013

Luc Widmer – *Chief Financial Officer*

Financial Results 2013

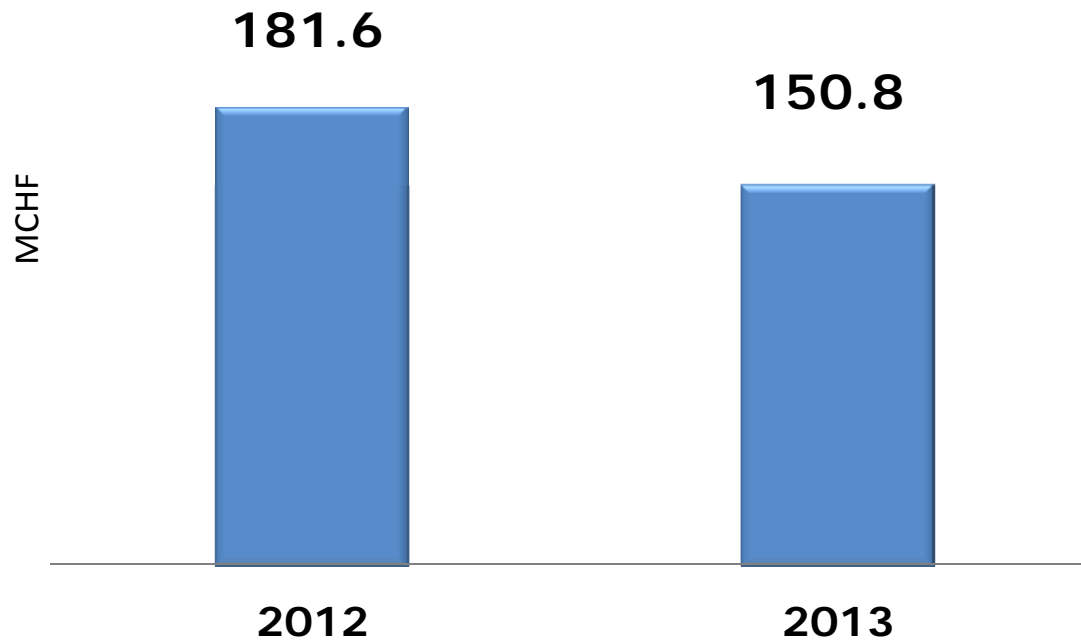
Summary of key figures



- Order intake MCHF 151.9 – down by -14.0%
- Gross sales MCHF 155.3 – down by -16.0%
- EBIT MCHF -35.9, underlying MCHF -16.3
- Net result MCHF -45.6, underlying MCHF -19.0
- Free cash flow positive at MCHF 1.5
- Net working capital MCHF 63.7 – improved MCHF 24.4
- Net cash position MCHF 0.7
- Equity MCHF 72.8 – 51.1% of the balance sheet
- Equity excluding IAS19R - 61.8% of the balance sheet

Financial Results 2013

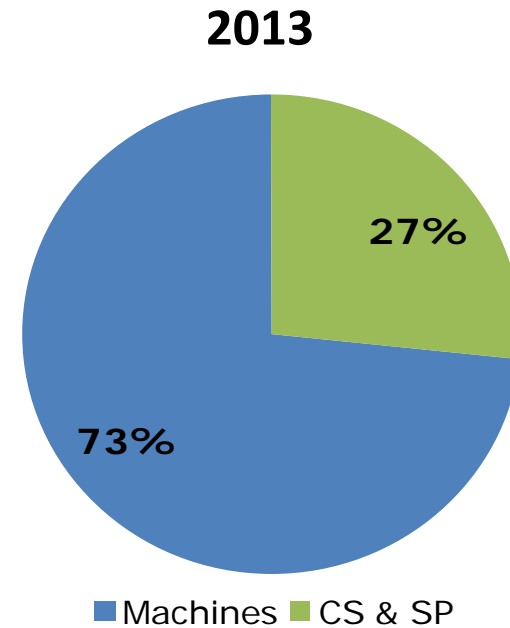
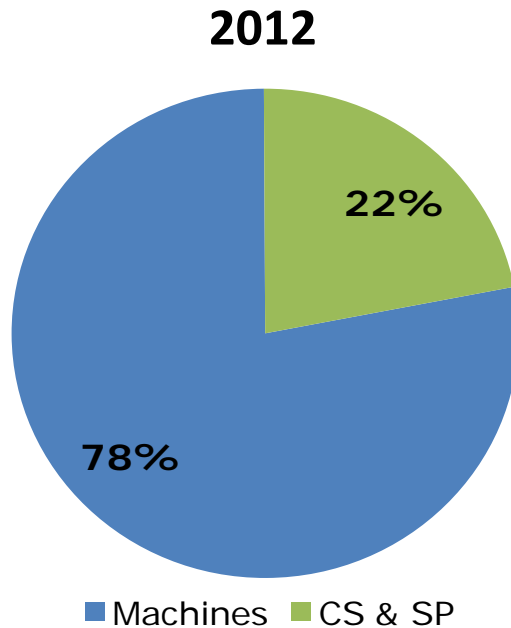
Net sales



- Main negative impacts in Asia and Europe

Financial Results 2013

Net sales



- Customer Service stable contributor

Financial Results 2013

Consolidated income statement



MCHF	2013	% of sales	2012 restated	% of sales
Gross sales	155.3	100.0%	184.8	100.0%
Rebates and discounts	-4.4	-2.9%	-3.3	-1.8%
Net sales	150.8	97.1%	181.6	98.2%
Cost of sales	-127.0	-81.8%	-134.9	-73.0%
Gross profit	23.8	15.3%	46.7	25.3%
Operating Expenses	-59.8	-38.5%	-69.0	-37.4%
Operating income/(loss) (EBIT)	-35.9	-23.2%	-22.3	-12.1%
Finance expenses - net	-0.4	-0.3%	-2.6	-1.4%
Exchange gains/(losses) - net	-0.8	-0.5%	-0.8	-0.4%
Income/(loss) before income tax	-37.2	-23.9%	-25.7	-13.9%
Income tax credit/(charge)	-8.4	-5.4%	3.1	1.7%
Net income/(loss)	-45.6	-29.4%	-22.6	-12.2%
EBITDA	-28.3	-18.3%	-7.6	-4.1%

Financial Results 2013

Operating Expenses



MCHF	2013	% of sales	2012 restated	% of sales
Marketing and sales	27.4	18.2%	31.4	17.0%
General and administrative expenses	20.3	13.5%	20.6	11.1%
Research and development	12.3	8.2%	17.8	9.6%
Other income / (expenses) - net	-0.3	-0.2%	-0.7	-0.4%
Operating Expenses	59.8	39.8%	69.0	37.4%

- Reported operating expenses reduced by MCHF 9.2

Financial Results 2013

Consolidated statement of cash flows



MCHF	2013	2012
Net result	-45.6	-22.6
Other non cash items	32.5	9.6
Cash earnings	-13.1	-13.0
Change in net working capital	8.9	4.7
Interest net	1.3	1.6
Income tax paid	-0.6	-0.4
Net cash from operating activities	-3.5	-7.1
Net cash from investing activities	5.0	-1.8
Free cash-flow	1.5	-8.9
Net cash from financing activities	-1.2	2.8
Change in cash & cash equivalents	0.3	-6.1

- Positive free cash flow of MCHF 1.5
 - Improved net working capital by MCHF 8.9
 - Sale financial assets adding MCHF 5.3

Financial Results 2013

Consolidated balance sheet



Assets MCHF	2013	2012	Liabilities/Equity MCHF	2013	2012
Cash	11.1	10.9	Current liabilities	47.9	37.9
	7.8%	5.8%		33.6%	26.6%
Current	97.9	127.2	Non cur. liabilities	21.8	68.4
	68.7%	67.6%		15.3%	48.0%
Non current	33.5	50.1	Equity	72.8	81.9
	23.5%	26.6%		51.1%	57.5%
Total assets	142.5	188.2	Total liab./equity	142.5	188.2
NWC	63.7	88.1	Net cash / (debt)	0.7	-23.8

- 2012 net debt MCHF 23.8, 2013 net cash MCHF 0.7
 - Proceeds capital increase MCHF 30.6
 - Positive free cash flow MCHF 1.5
- Shareholders' equity excluding IAS19R MCHF 88.1, 61.8% of total balance sheet

Financial Results 2013

Adjustments to build the future



		2012		2013		2014
		Adjust	Build	Adjust	Build	Build
Products		<ul style="list-style-type: none"> • Product development projects • Goodwill Almac 	<ul style="list-style-type: none"> • MultiSwiss • Swiss ST 26 • EvoDECO 10 	<ul style="list-style-type: none"> • Phase out products • Cyklos licensed to specialized company 	<ul style="list-style-type: none"> • MultiSwiss • Swiss ST 26 CE • SwissNano • EvoDECO 20/32 • CU 2007 / 3007 • BA 1008 • ISIS • Customer Service 27% of sales 	<ul style="list-style-type: none"> • Mid-segment product lines
		MCHF -10.0	11% of orders	MCHF -18.1		
Structure		<ul style="list-style-type: none"> • Restructuring -27% FTE CH • General Management 11 to 7 	<ul style="list-style-type: none"> • Sales organization Asia 	<ul style="list-style-type: none"> • Redimensioning -17% FTE CH • General Management 7 to 3 • Distribution network 	<ul style="list-style-type: none"> • Spindle center • Sales organization Asia • Guangdong office • Tornos Xi'an • Tornos Taiwan 	
		MCHF -4.4		MCHF -1.6		
Finance		<ul style="list-style-type: none"> • Deferred tax credit • Sale of real estate 	<ul style="list-style-type: none"> • Shareholder loans 	<ul style="list-style-type: none"> • Deferred tax assets 	<ul style="list-style-type: none"> • Capital increase • Private refinancing 	<ul style="list-style-type: none"> • Solid committed industrial shareholder base
		MCHF 3.5		MCHF -8.6		

Financial Results 2013

Transformation and non recurrent costs



	MCHF	2013	2012
Products	Product/development portfolio streamlining	-12.9	-7.1
	Discontinuation Cyklos / Goodwill Almac	-5.2	-2.9
	Total	-18.1	-10.0
Structure	Structure adjustment of distribution network	-0.8	-
	Restructuring of the company	-0.8	-4.4
	Gain on sale of building	-	0.4
	Total	-1.6	-4.0
	Operating result net impact	-19.7	-14.0
Finance	Sale financial assets	1.7	-
	Deferred tax credits/(impairment)	-8.6	3.0
	Net result impact	-26.6	-11.0

- Deferred tax capitalization brought to appropriate basis

Financial Results 2013

Underlying profit & loss statement



MCHF	Underlying 2013	One-time	Actual 2013
Gross sales	155.3		155.3
Rebates and discounts	-4.4		-4.4
Net sales	150.8		150.8
Cost of sales	-112.3	14.7	-127.0
Gross profit	38.5	14.7	23.8
Marketing and sales	-27.4		-27.4
General and administrative expenses	-19.0	1.3	-20.3
Research and development	-8.7	3.6	-12.3
Other income / (expenses) - net	0.3		0.3
Operating income / (loss) (EBIT)	-16.3	19.7	-35.9
Finance expenses - net	-2.1	-1.7	-0.4
Exchange gains / (losses) - net	-0.8		-0.8
Income / (loss) before income taxes	-19.2	18.0	-37.2
Income tax credit / (charge)	0.2	8.6	-8.4
Net income / (loss)	-19.0	26.6	-45.6
EBITDA	-12.1	16.2	-28.3

Financial Results 2013

Consolidated income statement – Underlying



MCHF	Underlying 2013	% of sales	Underlying & restated 2012	% of sales
Gross sales	155.3	100.0%	184.8	100.0%
Rebates and discounts	-4.4	-2.9%	-3.3	-1.8%
Net sales	150.8	97.1%	181.6	98.2%
Cost of sales	-112.3	-72.3%	-128.6	-69.6%
Gross profit	38.5	24.8%	53.0	28.7%
Operating Expenses	-54.8	-35.3%	-61.3	-33.2%
Operating income/(loss) (EBIT)	-16.3	-10.5%	-8.3	-4.5%
Finance expenses - net	-2.1	-1.4%	-2.6	-1.4%
Exchange gains/(losses) - net	-0.8	-0.5%	-0.8	-0.4%
Income/(loss) before income taxes	-19.2	-12.3%	-11.7	-6.3%
Income tax / minorities	0.2	0.1%	0.1	0.1%
Net income/(loss)	-19.0	-12.2%	-11.6	-6.3%
EBITDA	-12.1	-7.8%	-3.6	-1.9%

Financial Results 2013

Operating Expenses – Underlying

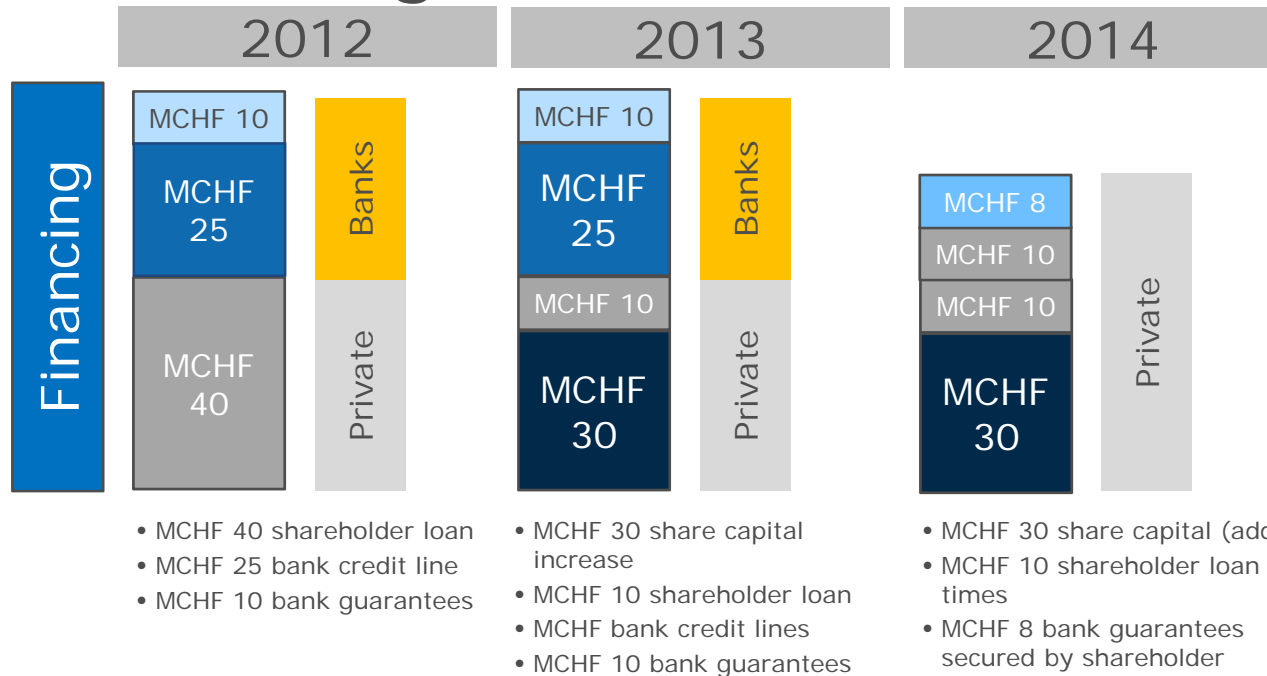


MCHF	Underlying 2013	% of net sales	Underlying & restated 2012	of net sales
Marketing and sales	27.4	17.6%	30.9	16.7%
General and administrative expenses	19.0	12.2%	20.3	11.0%
Research and development	8.7	5.6%	10.5	5.7%
Other income / (expenses) - net	-0.3	-0.2%	-0.3	-0.2%
Operating Expenses	54.8	35.3%	61.3	33.2%

- Operating expenses reduced by MCHF 6.5
- Sustainable reduction of MCHF 9.5 due to difference in short work credit 2013 vs. 2012

Financial Results 2013

Financing



Financing

- Solid financial basis
- Competitive conditions

Shareholder base		2012	2013	2014
	W. Fust, M. Rollier	33.3%	47.5%	57.2%
	Shareholders > 3% (excl. WF, MR)	17.0%	9.3%	5.9%
	Management/BoD	4.9%	3.8%	2.7%
	Free float (public)	44.8%	39.4%	34.2%
	Total	100.0%	100.0%	100.0%

Shareholder base

- Stable and committed industrial shareholders

- Solid base to build future

Calendar of events 2014



April 16	Annual General Meeting, 3 p.m. at the Foyer Moutier
May 6	First quarter results 2014
August 12	First half-year results 2014
November 11	Third quarter results 2014



Review 2013

Market development

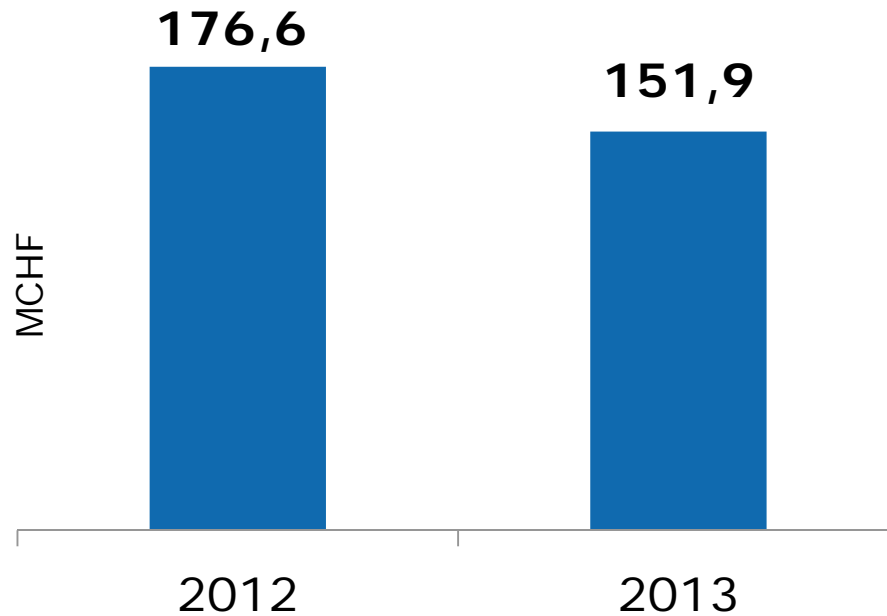
Strategic reorientation 2017

On course for the future

Michael Hauser – *Chief Executive Officer*

Order intake 2013

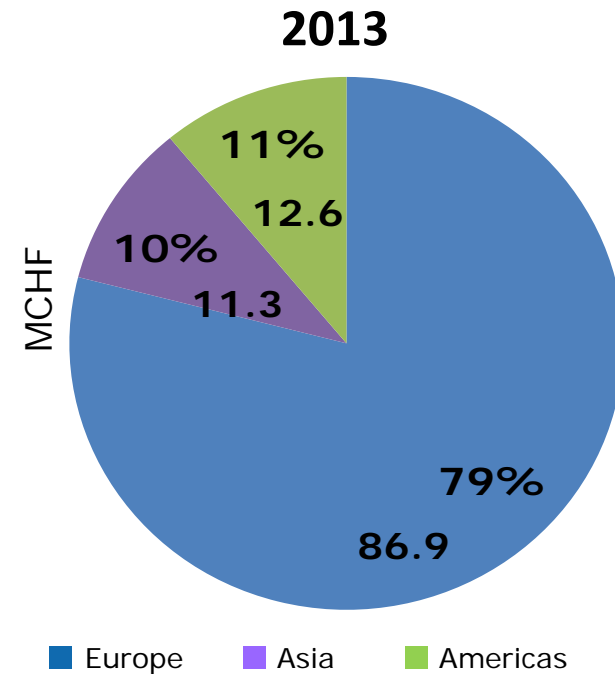
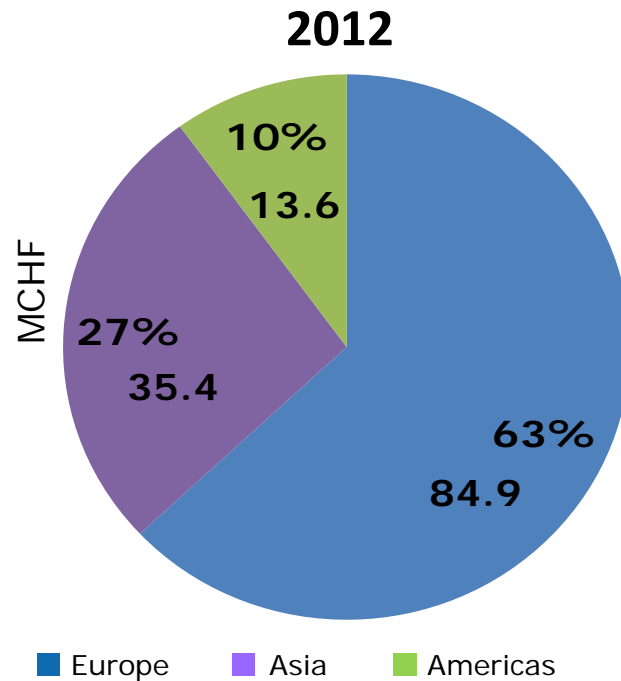
Decline has bottomed out



- Order intake –14.1%
- Mainly driven by drop of one market segment
- 2013 influenced by cancellations of orders recognized in 2012

Order intake 2013

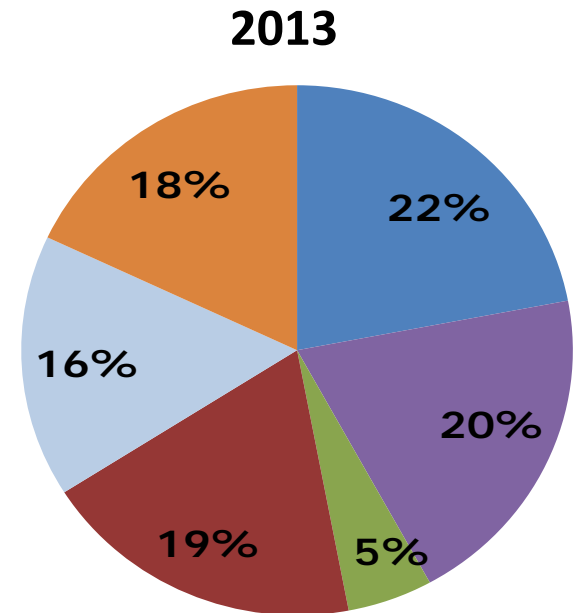
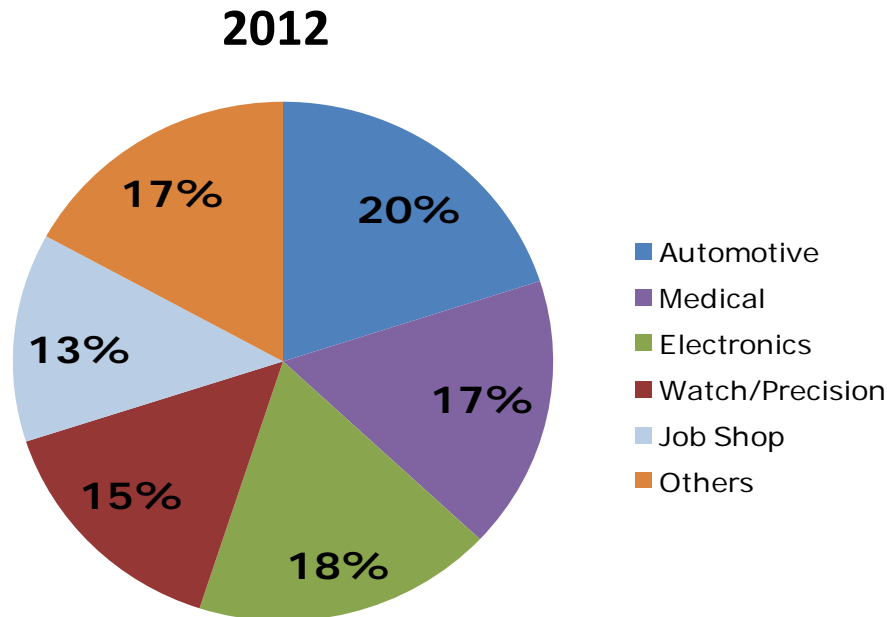
Significant contrast by region



- Europe +2%, driven by robust demand in Germany
- Europe South demand slightly improving
- US potential not yet exploited
- Asia results strongly differing in different sub regions

Order intake 2013

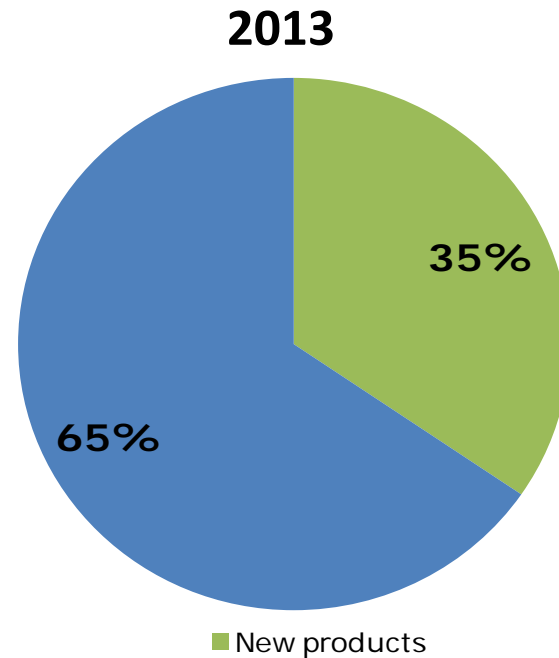
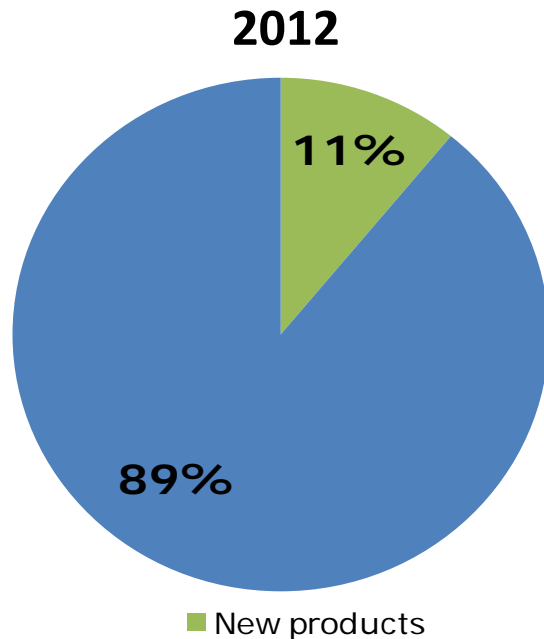
Technology shift challenges electronics sector



- Stable demand in watchmaking industry
- Promising automotive investments in Asia
- Increased activity in medtech sector after consolidation phase
- Electronics: HDD increasingly substituted by SSD

Order intake 2013

Portfolio transition in full swing



- Encouraging order intake for latest products (five novelties introduced in 2013)
- Launch of new products in 2014

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

1. Internationalization of business

Future production footprint



- Key components from Switzerland
- High-end products from Switzerland
- Mid-range / standard products from Taiwan and China



Production sites

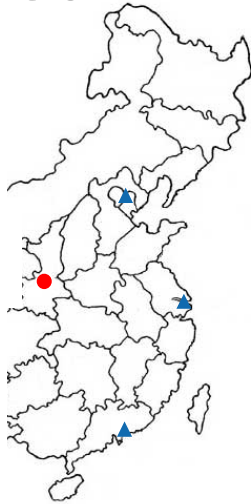
• Sales and services

1. Internationalization of business

Access to largest machine tool market



Tornos Xi'an
Shaanxi province



Xi'an area

- Well skilled engineers from local technology universities
- Strong automotive and aerospace industry
- Wages substantially lower than in coastal cities
- Modest employee turnover among workforce



Tornos Xi'an

- Standard entry-level products
- Key components from Switzerland
- Swiss management
- Swiss quality engineers
- Joint production site with partner
- New production facilities opening in Q2/2014
- Production capacity > 800 m/c per year

1. Internationalization of business

Local production for global markets



Taichung area

- Industry cluster
- Highly skilled people
- High-tech and high quality environment with proven supplier network

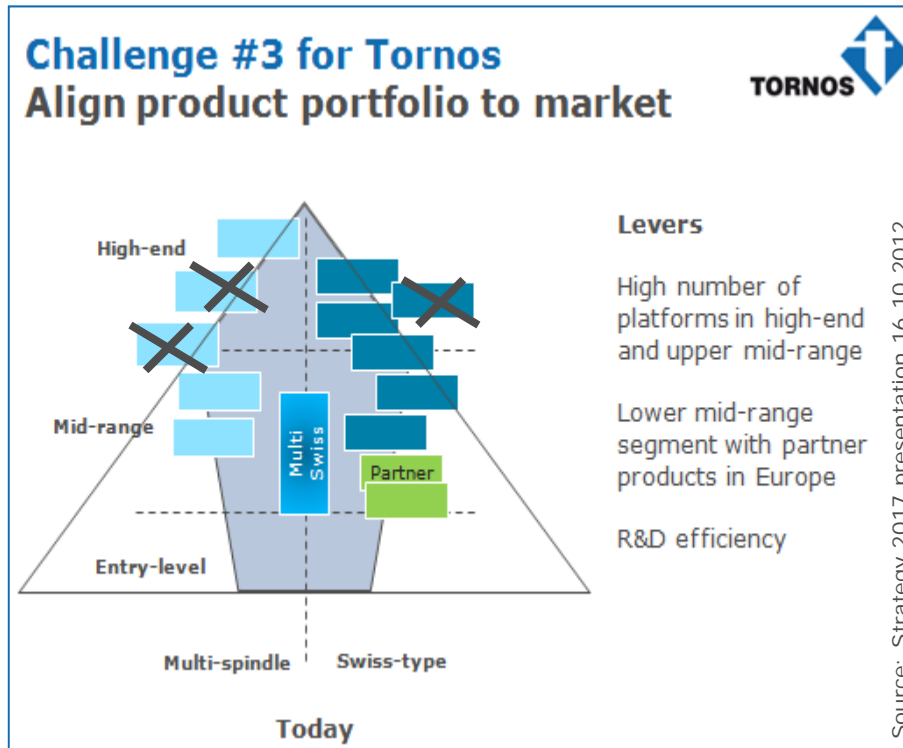
Tornos Taiwan

- Mid-range products
- Key components from Switzerland
- Swiss management
- Swiss development head
- Subcontracted assembly
- Production capacity 200 m/c per year



2. Strengthen flexibility

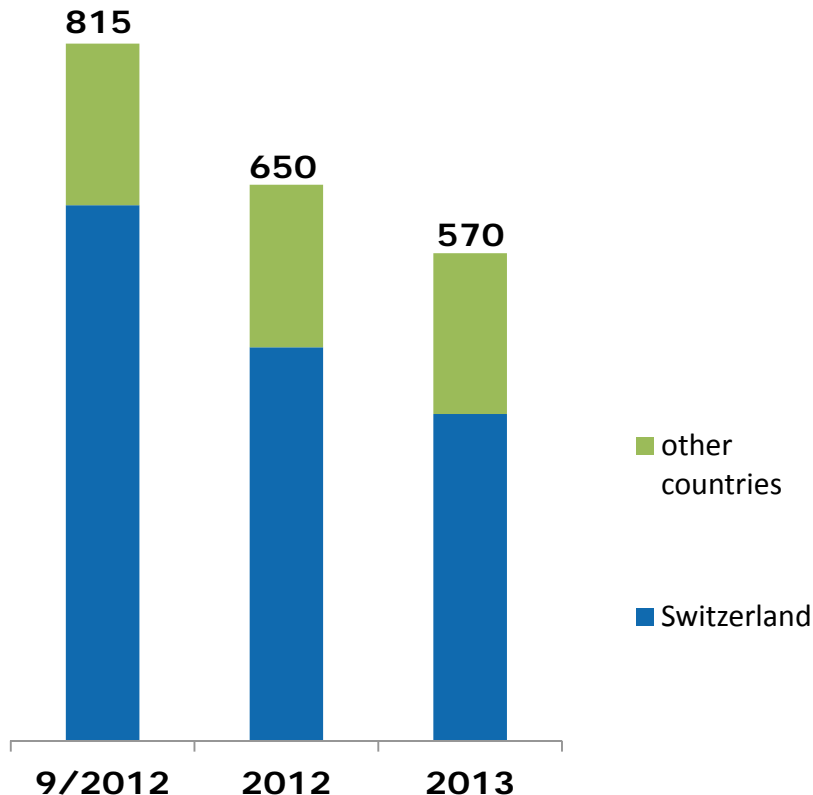
Sharper product portfolio profile



- Accelerated phase-out of outdated and/or complex products
 - Focus on new generation products based on platform concept
 - Own products replace Tsugami products
- One-off cost charged on 2013 result: 12.9 MCHF

2. Strengthen flexibility

Sustainable footprint adaptation



FTE Tornos Group

2013 vs 2012 -12%

2013 vs 9/2012 -30%

Switzerland

2013 vs 2012 -17%

2013 vs 9/2012 -39%

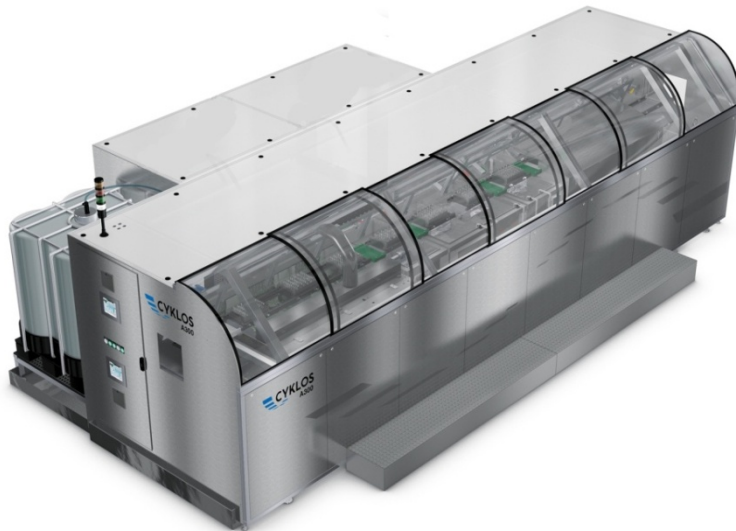
- Sales, Application, and Service remained unchanged
 - General Management reduction
- One-off cost charged on 2013 result: 1.1 MCHF

2. Strengthen flexibility

Exit non-core business



Cyklos
Surface processing system



- Existing customers are successfully running the system
- Automotive sector shows strong interest, but is hesitant to integrate the technology
- Development of this venture requires more time and further investments
- Decision to discontinue this business
- Business was licensed to a specialized company in Germany
- One-off cost charged on 2013 result: 5.2 MCHF

3. Growth through innovation

Bridging the gap



MultiSwiss

- Presented at EMO Hanover 2011
- Outperforms competition in terms of precision and application variety
- Repeat orders
- Growing number of projects in three target market segments
- Soon reaching machine # 100
- Growth rate +66% in 2013

3. 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

3. Growth through innovation

Mid-range for high-precision



- World premiere at 5th Tornos Watchdays 2013
- Innovative Swiss-type mid-range product
- Tailored to high-precision applications (focus on micromechanics)
- Time-to-market 14 months
- Several prospects for batch orders
- Developed and manufactured 100% in Switzerland

3. Growth through innovation

Mid-range micro milling



ALMAC BA 1008

- Introduced at EMO 2013
- Based on SwissNano platform
- Unique manufacturing cell for small and/or volume parts production
- Several prospects for batch orders
- Further evolutions planned for 2014
- Developed and manufactured 100% in Switzerland

3. Growth through innovation

Mid-range for world market



Swiss ST 26

- Introduced in the USA and in Asia at the end of 2012
- Joint-development CH - TW
- Key components from Switzerland
- Manufactured at Tornos Taiwan
- Product line extension scheduled for 2014

3. Growth through innovation

Entry-level for emerging markets

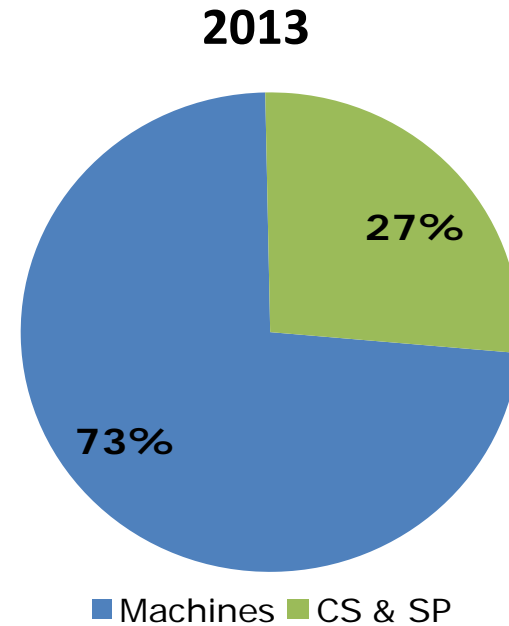
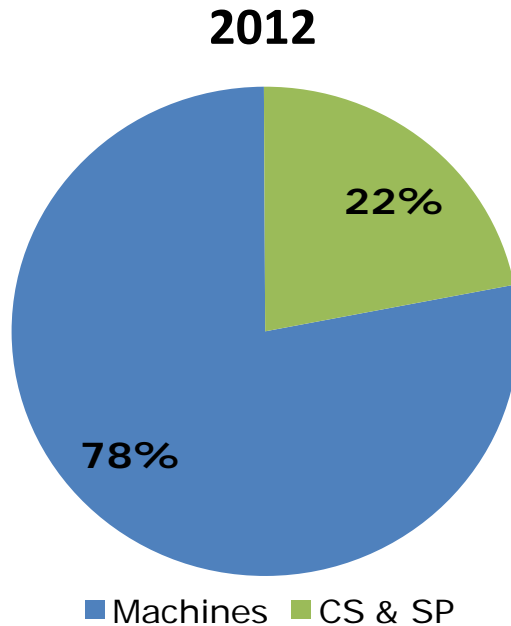


CT 20

- Introduced in China at the end of 2013
- First product from JV Tornos Xi'an
- Well perceived by customers
- First orders recorded
- Promising prospects for 2014
- Worldwide roll-out scheduled for 2014

4. Make service a business

Reliable revenue contribution



- Start of revision/overhauling business in Moutier
- New pricing concept implemented
- Great potential due to large installed base

5. Enhance operational excellence SwissNano & Spindle Center



- Spindle Center operating since spring 2013
- SwissNano Center operating since summer 2013
- Time-to-market acceleration
- Continuous process optimization in Swiss plants with «lean» concept ongoing



Lean production



Swiss ST 26 spindles

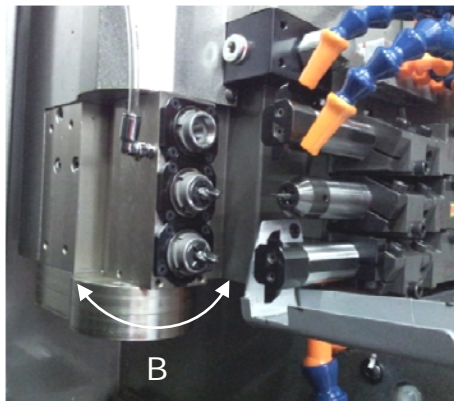
6. Unique solutions for targeted market segments



Watchmaking industry

Y- Axis on MultiSwiss

- Finish the part in one machine



Medtech applications

B-Axis on EvoDECO 16

- Shorter, easier set-up
- Enhanced precision, repeatability and feasibility

Priorities and outlook for 2014

On course for the future !



Pursue strategic reorientation according to medium-term plan

- Ramp up Asian operations
- Further process and structure optimization
- Capitalize on latest products
- Introduction of new products
- Achieve a result close to break-even

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