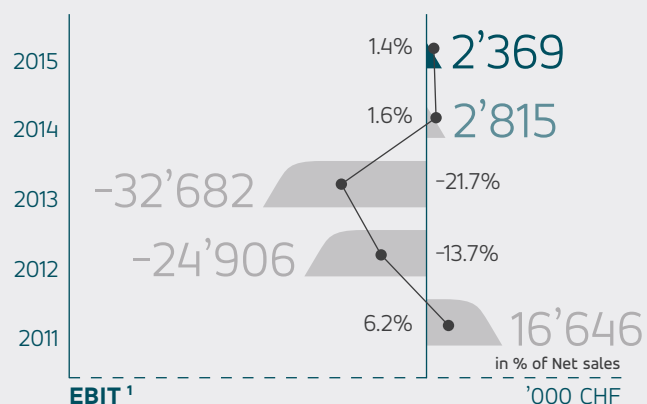
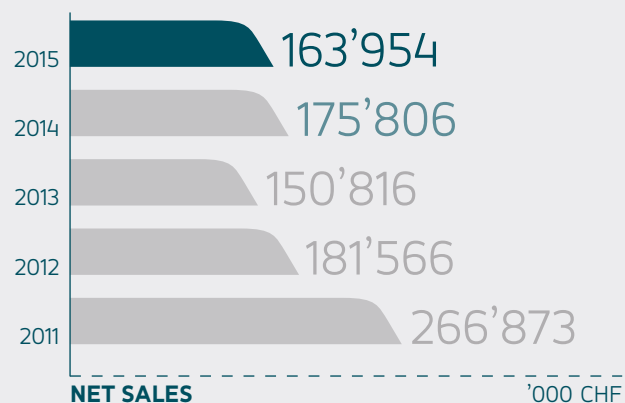
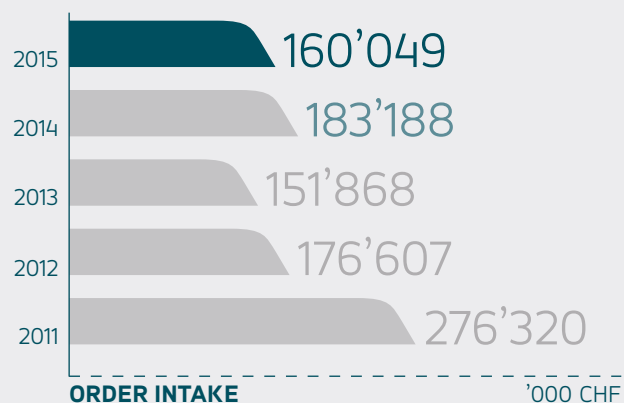


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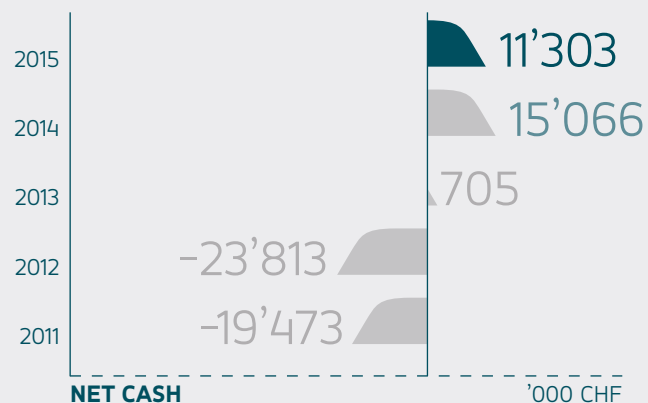
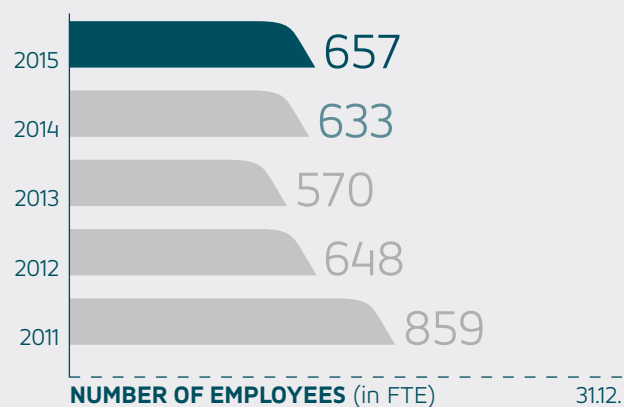
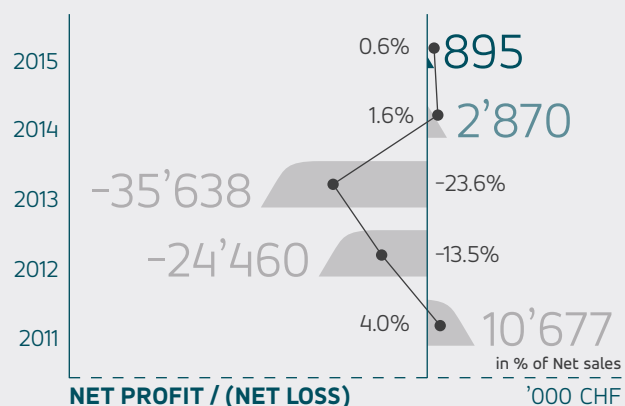
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Key figures



¹⁾ The EBIT is made of the operating result and the non-operating result.



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Financial Review & Management Report

General

This consolidated year-end report includes Tornos Holding Ltd. and all its subsidiaries. It covers the period from January 1 to December 31, 2015, with the same period of the previous year serving as the comparative period.

The market environment brought a number of challenges for Tornos during 2015. Bad news arrived as early as January, when the Swiss National Bank announced that it would abolish the Swiss franc's floor against the euro. This decision hit Tornos hard during a period of growth. Towards the middle of the year, clear signs of weakening emerged in the Swiss watch making industry and a slowdown in growth in the Asian market, particularly in China. Compared with the previous year, the Group posted significant declines in order intake in those markets, which were partly offset by positive trends in other markets and industries.

Tornos responded to the changing conditions immediately by implementing an extensive efficiency program, which will be continued in 2016.

Order intake and backlog

In the reporting period order intake fell by CHF 23.2 million or 12.7% year-on-year to CHF 160.0 million (previous year: CHF 183.2 million). Exchange rate fluctuations, mainly affecting the euro, had a CHF 12.8 million negative impact on order intake. After

currency adjustment order intake came to CHF 172.8 million, CHF 10.4 million or 5.7% lower than the prior year figure.

There was a sharp decline in machine orders in the Swiss domestic market in particular, with a drop of 36% (CHF -10.0 million) compared with the prior-year period. In Asia, too, orders were 38% or CHF 12.8 million down on the prior-year figure. Conversely, demand in Americas showed an encouraging trend. Here, order intake rose by CHF 10.0 million (+169%) year on year. Europe (without Switzerland) was 11% or CHF 8.2 million down on the previous year. Currency adjusted, order intake climbed by 5.3% compared with the prior-year period.

Automotive remained the most significant sales market for Tornos, accounting for 31.2% (previous year: 32.5%). This was followed by medical and dental technology, accounting for 13.9% (previous year: 16.8%) and the watchmaking industry for 10.4% respectively (previous year: 10.6%), while the electronics industry contributed 9.8% (previous year: 8.6%). The remaining 34.7% (previous year: 31.5%) contain sub-suppliers to the above four industries as well as spread across a diverse array of industries such as aerospace, defense and pneumatics/hydraulics.

The order backlog was CHF 29.7 million (previous year: CHF 34.7 million) as at December 31, 2015.

Net sales

Net sales amounted to CHF 164.0 million in 2015, a drop of 6.7% or CHF 11.8 million on the previous year (CHF 175.8 million). Exchange rate fluctuations reduced net sales by CHF 8.5 million. After currency adjustments, the year-on-year fall was only CHF 3.3 million or 1.9%.

In its home market Switzerland, where Tornos was hit especially by the lack of capital spending in the watchmaking industry, net sales were CHF 6.9 million or 20% down on the prior-year figure.

In Europe (without Switzerland), net sales declined by CHF 8.4 million or 9% year-on-year. On a constant currency basis, they rose by 1.7% compared with the prior-year period.

Asia was down slightly, showing a drop of 3% on the previous year. Here, Tornos still benefited from the existing order backlog.

In the Americas, where the sales network was rebuilt the year before, Tornos posted a sharp rise in net sales of CHF 5.3 million (+40%).

The service and parts business accounted for CHF 38.0 million, slightly lower than the previous year (CHF 39.7 million). It contributed 23.2% to the total net sales (previous year: 22.6%).

Switzerland contributed 17.2% to net sales (previous year: 19.9%), while the share from Europe (without Switzerland) fell to 53.6% (previous year: 54.8%) because of exchange rate effects. The Americas saw their contribution rise to 11.3% (previous year: 7.6%). Asia (including the rest of the world) also contributed slightly more, at 17.9% (previous year: 17.7%).

Gross profit

The gross profit margin rose by 0.2 percentage points year-on-year to 30.1% reaching CHF 49.3 million for the period under review (previous year: CHF 52.5 million). The volume-related effect was CHF -3.8 million. Changes in the product mix as well as the not compensated weekly work time extension to 43 hours (from March to December 2015) for all employees in Switzerland had a positive impact of about CHF 0.6 million.

Operating expenses

Operating expenses were reduced by CHF 1.9 million to CHF 47.8 million in the past financial year (previous year: CHF 49.7 million). Following the Swiss National Bank's decision to abolish the minimum Swiss franc exchange rate against the euro, measures were immediately taken to cut costs and to improve efficiencies. In sales and marketing in particular, targeted measures enabled a year-on-year cost saving of CHF 3.1 million.

In research and development, no further savings measures were taken so as not to jeopardize the quality and the planned launch of new products which will have an impact on sales in 2016 and 2017. Further information about research and development activities are to be found in the "Letter to the shareholders" and the "Course of business 2015" sections.

Operating result

As at December 31, 2015, Tornos achieved an operating result of CHF 1.5 million (previous year: CHF 2.8 million). This was impacted by an estimated negative currency effect in the range of CHF 3 to 4 million.

The operating margin was 0.9% (previous year: 1.6%).

Ordinary result

Financial income and expenses remained at the same level as prior year. All in all, exchange rate losses were at CHF 0.1 million (previous year: exchange rate gains of CHF 0.9 million).

Non-operating result

During 2015, as part of the strategy of focusing business activities in Moutier on the main buildings around the corporate headquarters, land and property no longer used for operating purposes in the amount of CHF 2.4 million was sold, resulting in a gain of CHF 0.9 million.

Net result

As at December 31, 2015, net result came to CHF 0.9 million (previous year: CHF 2.9 million). The profit margin was 0.6% (previous year: 1.6%).

Balance Sheet

Compared with December 31, 2014, the balance sheet total increased by CHF 8.4 million to CHF 140.8 million.

On the assets side, cash and cash equivalents made a notable contribution to this increase (CHF 5.2 million), as did inventories (CHF 7.0 million). The increase in inventories was mainly due to the market launch of new products. Furthermore some measures have been taken to clean the materials and components stock, which led to the reduction of the allowance for obsolescence. In addition, trade receivables rose by CHF 1.6 million, while other short-term receivables remained on a par with the previous year. Prepayments and accrued income fell by CHF 2.7 million. Non-current assets declined by CHF 2.5 million, firstly because of the sale of property and land and secondly due to the reduction in deferred tax assets.

On the liability side, current liabilities increased by CHF 9.8 million mainly due to the proceeds received out of the shareholder loans (CHF 9.0 million). Whereas trade payables rose by CHF 5.7 million, other liabilities dropped by CHF 4.5 million. Non-current liabilities remained at the same level as previous year.

As at December 31, 2015, net cash stood at CHF 11.3 million (December 31, 2014: CHF 15.1 million).

As at December 31, 2015, shareholders' equity was CHF 84.1 million (December 31, 2014: CHF 85.2 million), of which CHF 0.7 million (December 31, 2014: CHF 0.7 million) were minority interests. The equity ratio declined by 4.6 percentage points compared with December 31, 2014 to stand at the still solid figure of 59.7%.

Cash Flow

Cash flow from operating activities came to CHF –2.3 million in the reporting period, well below the previous year's figure (CHF 13.9 million). A major reason for this large difference was the change in net working capital, which had contributed with CHF 6.5 million to the positive cash flow in the previous year. In the period under review, net working capital made a negative contribution of CHF 2.8 million. Cash from investing activities was balanced in the reporting period. Investments of CHF 2.1 million in property, plant and equipment and intangible assets were offset by the sale of parts of buildings and plots of land amounting to CHF 2.2 million.

The free cash flow amounted to CHF –2.3 million as at December 31, 2015 (December 31, 2014: CHF 13.6 million).

Tornos raised a shareholder loan of CHF 9.0 million to cover the cash drain. The loan was also used to fund a share purchase programme in the amount of CHF 1.6 million. Net cash flow therefore amounted to CHF 5.2 million as at the end of December 2015 (previous year: CHF 4.0 million).

Employees

As at December 31, 2015, the number of employees in full-time equivalents (FTE) was 657 (December 31, 2014: 633 FTE) plus 38 apprentices (2014: 39). The majority of the additional staff compared to prior year was hired at the factories at Tornos Xi'an (+13 FTE) and Tornos Taiwan (+9 FTE) to cope with the increasing production volume. In 2015 the average FTE was 646 (2014: 604).

Foreign currency translation

The most significant exchange rates against the Swiss franc for the Group in the period under review are shown in the table below.

Currency	Average rate		Closing rate	
	1.1.-31.12.2015	1.1.-31.12.2014	31.12.2015	31.12.2014
1 EUR	1.0676	1.2144	1.0825	1.2027
1 USD	0.9620	0.9150	0.9925	0.9894
1 GBP	1.4700	1.5064	1.4691	1.5368
1 RMB	0.1542	0.1488	0.1529	0.1608

Consolidated Income Statement

Tornos Group

In CHF 1'000	Notes	2015	2014
Net sales	29	163'954	175'806
Cost of sales	6	-114'640	-123'329
Gross profit		49'314	52'477
<i>in % net sales</i>		30.1%	29.9%
Marketing and sales	6	-22'881	-25'972
General and administrative expenses	6	-17'109	-17'506
Research and development	6	-7'857	-6'975
Other income - net	8	47	791
Operating expenses		-47'800	-49'662
Operating result		1'514	2'815
<i>in % net sales</i>		0.9%	1.6%
Financial income	9	5	59
Financial expense	9	-364	-453
Exchange result, net	10	-67	885
Ordinary result		1'088	3'306
Non-operating result	11	855	-
Earnings before income taxes		1'943	3'306
Income tax	12	-1'048	-436
Net result		895	2'870
<i>in % net sales</i>		0.6%	1.6%
Thereof attributable to shareholders of Tornos Holding Ltd.		1'176	2'996
Thereof attributable to minority interests		-281	-126
Result per share	28		
- basic (CHF per share)		0.06	0.15
- diluted (CHF per share)		0.06	0.15
Additional information (in CHF 1'000)			
EBITDA		4'921	5'473
<i>in % net sales</i>		3.0%	3.1%
Depreciation and amortisation		-2'552	-2'658
EBIT		2'369	2'815
<i>in % net sales</i>		1.4%	1.6%

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Tornos Group

In CHF 1'000	Notes	31.12.2015	in %	31.12.2014	in %
ASSETS					
Cash and cash equivalents	13	20'608		15'434	
Trade receivables	14	23'219		21'574	
Inventories, net	15	64'123		57'092	
Other short-term receivables	16	6'637		6'879	
Prepayments and accrued income	17	2'020		4'736	
Total current assets		116'607	82.8%	105'715	79.8%
Property, plant and equipment	18	22'853		24'756	
Intangible assets	19	797		774	
Deferred tax assets	20	541		1'187	
Total non-current assets		24'191	17.2%	26'717	20.2%
Total assets		140'798	100.0%	132'432	100.0%
LIABILITIES AND EQUITY					
Interest bearing borrowings	21	9'060		63	
Trade payables		25'112		19'383	
Current tax liabilities		99		261	
Other liabilities	22	6'205		10'725	
Accrued liabilities and deferred income	23	5'876		6'067	
Provisions	24	3'552		3'547	
Total current liabilities		49'904	35.5%	40'046	30.3%
Interest bearing borrowings	21	245		305	
Retirement benefit obligations	25	5'779		5'969	
Provisions	24	654		724	
Deferred tax liabilities	20	105		185	
Total non-current liabilities		6'783	4.8%	7'183	5.4%
Total liabilities		56'687	40.3%	47'229	35.7%
Share capital	26	89'450		89'450	
Capital reserve		28'814		28'814	
Treasury shares		-6'734		-5'242	
Retained earnings		-28'661		-31'839	
Currency translation adjustments		-666		278	
Net result		1'176		2'996	
Equity attributable to shareholders of Tornos Holding Ltd.		83'379		84'457	
Minority interests		732		746	
Total equity		84'111	59.7%	85'203	64.3%
Total liabilities and equity		140'798	100.0%	132'432	100.0%

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity Tornos Group

In CHF 1'000	Share capital	Capital reserve	Treasury shares	Retained earnings	Currency translation adjustments	Total attrib- utable to shareholders of Tornos Holding Ltd.	Minority interests	Equity
As per December 31, 2013	89'450	28'814	-6'771	-30'937	315	80'871	427	81'298
Capital increase of the joint-venture in Xi'an							361	361
Net result				2'996		2'996	-126	2'870
Currency translation adjustments					-37	-37	84	47
Proceeds from sale of treasury shares			1'529	-1'122		407		407
Share-based compensation				220		220		220
As per December 31, 2014	89'450	28'814	-5'242	-28'843	278	84'457	746	85'203
Capital increase of the joint venture in Xi'an							310	310
Net result				1'176		1'176	-281	895
Currency translation adjustments					-944	-944	-43	-987
Proceeds from sale of treasury shares			81	-55		26		26
Purchase of treasury shares			-1'573			-1'573		-1'573
Share-based compensation				237		237		237
As per December 31, 2015	89'450	28'814	-6'734	-27'485	-666	83'379	732	84'111

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Tornos Group

In CHF 1'000	Notes	2015	2014
Net result		895	2'870
Adjustments for expenses and incomes not affecting cash:			
Income taxes	12	1'048	436
Depreciation & impairment of property, plant and equipment	18	2'251	2'350
Amortization & impairment of intangible assets	19	301	308
Result on disposal of property, plant and equipment	8, 11	-850	-752
Share-based compensation	27	237	220
Employee pension obligations	25	-109	22
Allowance and write-offs on inventories	15	-2'822	2'231
Other non cash items		-6	-19
Changes in Net Working Capital		-2'798	6'460
<i>Thereof trade receivables</i>		-1'666	4'684
<i>Thereof other assets and prepayments</i>		2'954	-272
<i>Thereof inventories</i>		-4'373	1'195
<i>Thereof trade payables</i>		2'222	389
<i>Thereof other current liabilities and provisions</i>		-1'935	464
Interest expense	9	190	213
Interest income	9	-5	-5
Income taxes paid		-669	-404
Cash flow from operating activities		-2'337	13'930
Investment in property, plant and equipment	18	-1'768	-844
Disposal of property, plant and equipment	18	2'150	752
Investment in intangible assets	19	-347	-271
Interests and dividends received	9	5	5
Cash flow from investing activities		40	-358
Free Cash Flow/(Drain)		-2'297	13'572
Repayments of borrowings, including finance lease liabilities	21	-63	-10'069
Proceeds from borrowings	21	9'000	-
Proceeds from sale of treasury shares	26	26	407
Purchase of treasury shares	26	-1'573	-
Cash received from minority interests for Xi'an		310	361
Interest paid		-190	-275
Cash flow from financing activities		7'510	-9'576
Net cash flow		5'213	3'996
Cash and cash equivalents and bank overdrafts at beginning of year		15'434	11'142
Effects of exchange rate changes		-39	296
Cash and cash equivalents and bank overdrafts at end of year		20'608	15'434

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statement

Tornos Group

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

1 Activity and Group structure

Tornos Holding Ltd. is a company domiciled in Moutier, Switzerland and is listed on the Swiss Reporting Standard of SIX Swiss Exchange in Zürich. Tornos Group, which consists of Tornos Holding Ltd. and all its subsidiaries, is active in the development, manufacture, marketing, sale and servicing of machines and related spare parts. The Group manufactures in Moutier and La Chaux-de-Fonds, Switzerland, in Taichung, Taiwan and in Xi'an, China, and markets the product lines on a worldwide basis. Tornos' sales operations outside of Switzerland principally include European countries, Americas and Asia.

These consolidated financial statements have been approved for issue by the Board of Directors on March, 2 2016. These financial statements will be submitted for approval to the General Meeting of Shareholders on April 13, 2016.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and have been applied in a manner consistent to all the years presented. The consolidated financial statements are based on the financial statements of the Tornos Group Companies for the year ended 31 December, prepared in accordance with uniform corporate accounting principles.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the entire existing accounting principles of SWISS GAAP FER (Generally Accepted Accounting Principle FER) and comply with the provisions of the listing rules of the SIX Swiss Exchange and with the Swiss law. The consolidated financial statements are prepared under the historical cost convention with the exception that, as disclosed in the accounting policies below, certain items, including securities and derivatives are shown at fair value. All amounts set out in the consolidated financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand (CHF 1'000) unless otherwise stated.

The preparation of consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Tornos' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities over which Tornos Holding Ltd. has control. Tornos controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Tornos, whereby assets, liabilities, income and expenses are incorporated in the consolidated accounts. They are deconsolidated from the date that control ceases. The net assets acquired are valued at actual values and consolidated applying the purchase method. Previously not capitalized intangible assets are not valued and not recognized. Any minority interest is disclosed separately.

A listing of Tornos' subsidiaries is set out in note 5.

2.2.2 Balances and transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Capital consolidation is based on the acquisition method, whereby the acquisition cost of a subsidiary is eliminated at the time of acquisition against the fair value of net assets acquired, determined according to uniform corporate accounting principles.

2.3 Foreign currencies

2.3.1 Functional and presentation currency

Items included in the financial statements of each of Tornos' entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs (CHF), rounded to the nearest thousand (CHF 1'000) unless otherwise stated, which is the Company's functional and presentation currency.

2.3.2 Foreign currency transactions

Transactions in foreign currencies are translated into CHF at the foreign exchange rate ruling at the date of the transaction or valuations where items are re-measured. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated to CHF at the foreign exchange rate ruling at that date, foreign exchange differences arising on translation are recognised in the income statement.

2.3.3 Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to CHF at foreign exchange rates ruling at the balance sheet date. The revenues, expenses and cash flows of foreign operations are translated to CHF at the average exchange rates prevailing during the reporting period. Foreign exchange differences arising on this translation are recognised directly in equity.

2.4 Revenue recognition

Revenues include sales of machines and spare parts on one side and services which can be directly charged to customers on the other side. Sales are recognised on the full completion of the delivery or service (upon delivery of products or customer acceptance in the case of “bill and hold” sales, or performance of services), net of sales taxes and discounts, and after eliminating sales within the Tornos Group. Sales are recognized if it is probable that the economic benefit will flow to the Group and the amount can be reliably estimated. Net sales represent total revenues net of rebates and discounts granted after billing.

2.5 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalent includes cash in hand, deposits held at call with banks, other short term highly liquid investments with remaining maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within interest bearing loans and borrowings in current liabilities. They are stated at their nominal amounts.

2.6 Trade and other short-term receivables

Trade and other short-term receivables are carried at nominal value, less provision for bad debt determined based on a review of all outstanding amounts at the year-end. A provision for bad debt of trade receivables is established when there is objective evidence that Tornos will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and probability that the debtor will enter bankruptcy or financial reorganisation are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement. Loans and receivables are carried at amortised cost using the effective interest method.

2.7 Derivative financial instruments

Derivative financial instruments are financial assets or liabilities whose value is primarily impacted by the price of one or several underlying basic values, which compared to a direct purchase of an underlying basic values does only require a minor initial investment and which will only be settled in the future. Derivatives are recognised in the balance sheet as soon as they fulfil the definition of an asset or a liability and are valued at actual values for derivatives without hedging purposes or disclosed in the notes for cash flow hedges. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously.

Tornos Group is currently only concluding Foreign Currency Futures or Forward (foreign exchanges as underlying value) to hedge future commercial transactions. Following the recommendations of Swiss GAAP FER related to agreed future cash flows that are not yet recognised, and have therefore no effect on the income statement, but which will occur with a high probability, Tornos Group is not recognizing the effect of the hedge but disclose it in the notes.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories are composed of four categories (a) materials and components (b) spare parts (c) work in progress and (d) finished goods.

The cost of inventories is based on weighted average principle. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. It excludes borrowing costs. Settlement discounts are recognized as part of the cost of goods.

Provisions are made for slow moving items. Obsolete items are written off (see note 4.1).

2.9 Property, plant and equipment

2.9.1 Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses, if any (see accounting policy 2.11).

2.9.2 Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

2.9.3 Leased assets

Leases with terms for which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the leases, less accumulated depreciation (see below) and impairment losses, if any (see accounting policy 2.11).

Each lease payment is allocated between the liability and financial charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of financial charges, are included in interest bearing borrowings. The interest element of the finance charge is recognised in the income statement over the lease period.

Operating lease payment are treated as operating expenses and charged to the income statement as incurred.

2.9.4 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Depreciation of machinery is charged on the basis of effective usage which approximates the straight-line basis except in years when production varies considerably. Land is not depreciated. The estimated useful lives are as follows:

Buildings	20-40 years
Installations	8-12 years
Machinery	8-12 years
Other equipment	3-10 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Useful lives for the machinery refer to a normal utilisation of the production capacity. Depreciation in a year with under or over utilised capacity will be adjusted, if the under utilisation, respectively the over utilisation has a significant impact on the useful lives of the machinery. In case of an abnormal under utilisation of the production capacity the recoverable amounts of the production equipment is assessed for impairment needs. Estimated useful lives for buildings are determined based on the buildings purposes.

Assets acquired under finance leases are depreciated over the useful life of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components.

2.10 Intangible assets

Items which qualify as intangible assets comprise acquired development costs, purchased patents and know-how and purchased software.

2.10.1 Development costs

Internally generated development costs are charged to the income statement as incurred and are not capitalized even if they are related to new products or platforms and that the identifiable asset will generate expected future economic benefits and the cost of such an asset can be measured reliably. Acquired development costs are capitalized if they yield measurable economic benefits to the Tornos Group over several years. Development expenditures which do not meet the criteria above are recognised as an expense as incurred. Capitalized development costs are amortized on a straight line basis over a period which cannot exceed their estimated useful lives. Amortisation starts when the development projects are finalized and the specific products are introduced to the market. They are amortized over their useful lives on a straight-line basis.

Internal and external research costs are charged to the income statement as incurred.

2.10.2 Purchased patents and know-how

Purchased patents and know-how are capitalized and initially recorded at cost. They are amortised over their useful life on a straight-line basis beginning from the point when they are available for use. Estimated useful life is the lower of the legal duration and the economic useful life. The estimated useful life is regularly reviewed.

2.11 Impairment of assets

Tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount, being the higher of the asset's net selling price and value in use, is estimated. The carrying amounts of the Group's other assets, other than inventories (see accounting policy 2.8), deferred tax assets (see accounting policy 2.12), are reviewed at each balance sheet date to determine whether there is any indication of impairment. For tangible and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Current and deferred income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in equity, in which case it is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are not recognised for differences relating to investments in subsidiaries since the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will reverse in the foreseeable future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or group of entities filing consolidated tax returns.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profit will be available to offset against these assets. No deferred tax asset is recognised for tax losses carried forward.

Any other tax balances other than on income are recognised under the other short-term receivables or under other liabilities.

2.13 Trade payables and other liabilities

Trade accounts payable as well as other liabilities are stated at nominal value.

2.14 Retirement benefit obligations

The Group has established different pension plans around the world. All employee benefit plans in the Tornos Group comply with the legislation in force in each country. The plan in Switzerland which is the most significant is jointly financed by the employer and the employees. The contributions are fixed in the plan rules. For the other countries, they are either lump sum plans, or plans in collaboration with insurances.

The economical impact of the employee benefit plans is assessed each year. Surpluses or deficits are determined by means of the annual statements of the particular benefit plan, which are based either on Swiss GAAP FER 26 for Swiss plans or on accepted methods in each foreign country for foreign plans. An economical benefit is capitalized if the surplus is used to reduce the employer contributions and in case this is allowed under the relevant law and intended by the Group. An economical obligation is recognized as a liability if the accounting conditions for a liability are met. They are reported under "Retirement benefit obligations". Changes in the economical benefit or economical obligation, as well as the contributions incurred of the period, are recognised in "Personnel expenses" in the income statement.

2.15 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. The increase in provision due to passage of time is recognised as interest expense.

2.16 Contingent liabilities

Contingent liabilities are assessed on the basis of likelihood and the amount of the future liabilities and are disclosed in the notes.

2.17 Interest bearing borrowings

Interest bearing borrowings are initially recognised at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Fees paid as transaction costs are deferred and amortised on a straight-line basis over the period of the loan agreement to which they relate.

Interest bearing borrowings are classified on the balance sheet pursuant to the maturity date either under current (due within 12 months after the balance sheet date) or non-current liabilities (beyond 12 months).

2.18 Share-based compensation

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as a personal expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares or alternatively sells treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and capital reserve when the options are exercised.

2.19 Treasury shares

Treasury shares are stated at cost as a separate minus position in equity. Gains or losses arising on the disposal of treasury shares are recognised in equity.

3 Financial risk management

3.1 Risk assessment

Risks to which the Group may be faced are assessed by the Group Audit Committee on a regular basis. Each of the risks identified is evaluated in order to take appropriate preventive measures if necessary. The risk assessment summary is submitted to the Board of Directors of the Company for review and final approval.

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to cover certain risk exposures whenever needed.

3.3 Market risks

3.3.1 Currency risks

Tornos Ltd., the Swiss operating company of the Group invoices its revenues to the subsidiaries and to customers located outside Switzerland in local currencies, mainly EUR and USD except Asia where it is mainly in CHF. Therefore, the currency risk remains with the Swiss operating company. Tornos Ltd. converts the offer in those currencies at an exchange rate which is decided internally. An offer is only valid for 90 days, and only if the exchange rate between CHF and the other currency fluctuates by less than 5%. If parity is stable no foreign exchange contracts are entered into. If a change in the valuation of the CHF is expected a review of the risk is done and appropriate foreign exchange contracts are entered into for all or a portion of the net position in each currency (note 32).

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risks.

3.3.2 Interest rate risks

Since January 2014, the financing of the Group has been reorganized through private loans which bear fixed interest of 4% per annum (see note 21.2). Therefore, the Group is not exposed to changes in interest rates on borrowings bearing interest at floating rates and therefore no hedging on interests' fluctuations is necessary.

3.3.3 Price risks

The Group does not hold any investment and therefore is not exposed to any related securities price risk.

3.4 Credit risk

The Group sells to a large and diversified customer base operating within different market industry segments and located on all the continents resulting in no significant concentration of credit risk. In any year, the largest customer, which may be different every year, represents less than 5% of total gross sales. Sales to new customers are made after obtaining credit ratings from independent sources, obtaining up to 90% of sales price before shipment and/or invoicing products to leasing companies financing the final customer. Cash is mainly maintained with first rate Swiss Banks. The maximum exposure is the carrying amount of each financial asset recognized on the balance sheet. However, the maximum exposure is deemed to be highly hypothetical since cash advances are mandatory before shipment and credit ratings assessments are performed on an ongoing basis by the Group. Furthermore, the Group is using export risk insurance to cover political and economic risks when exporting goods and services to certain countries of shipment.

3.5 Liquidity risk

Group treasury policy is to maintain flexibility in funding by keeping sufficient external financial sources available (see note 21.1 and note 21.2) as well as sufficient cash balances. In times of an economic downturn and the initial period of recovery thereafter, liquidity requirements may increase and external financial sources may be significantly or fully utilised.

In January 2014, the finance structure of the Group was reevaluated by the Management and the Board and restructured to secure the strategic reorientation of the Group and its independence. Thus, new private

loans have been concluded between the Tornos Group and two of its shareholders. The granted credit line amounts to a total of MCHF 20 million at the year-end 2015 and 2014. Furthermore, a credit line of CHF 8 million for the issuance of bank guarantees was also agreed. The facility agreement does not bear any covenants. The interest rates are fixed and amounted 4% in 2015. The facility agreement renews automatically yearly unless a written notice of termination is given six months before the maturity date. Mortgage notes are assigned to the lenders.

There are no contracts with banks or other partners beyond the aforementioned.

4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with Swiss GAAP FER requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates the estimates, including those related to goodwill and other intangible assets and to provisions for warranty purpose and other provisions resulting from pending litigations as well as other present obligations of uncertain timing, inventory obsolescence, bad debts and the assessment of income taxes including deferred tax assets, retirement benefit obligations and the fair value of stock option grants. Management bases the estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The accounting estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are set out below:

4.1 Inventory obsolescence

Machines, including work in progress machines on the assembly floors, are reviewed individually and recorded at the lower of cost and estimated net realizable value based upon the time being held in inventory as assumptions about future demand, market conditions.

For raw material, components, semi-finished goods and spare parts the following inventory obsolescence and write-offs methodologies were applied for any slow moving or any otherwise obsolete inventory provided that the review of significant positions did not result in a specific provision.

Raw material, components and semi-finished goods

Management objectives are to carry a quantity in stock that should not exceed 18 months of consumption based on 12 months of consumption. Any excess is fully provided for.

After 24 months at normal activity levels without movement, the individual stock of articles is written-off or fully provided. Once written-off, the articles are transferred to the spare parts department upon their request at nil value.

After 48 months at normal activity levels without movement, the stock is physically disposed of after second opinion from the spare parts department.

In case of a machine phase out all the related stocks of articles are fully written-off.

Spare parts in the spare parts department

For any article, the quantity of articles in stock cannot exceed 36 months of consumption based on 24 months of consumption. Any excess is fully provided for.

After 36 months of activity without movement, the stock of articles is written-off or fully provided.

After 72 months without movement, the stock is physically disposed of upon selective review.

5 Scope of consolidation

Subsidiaries

Name Domicile	Purpose	
Tornos Management Holding Ltd., Moutier	Switzerland	Management of shareholdings and holding company
Almac Ltd., La Chaux-de-Fonds	Switzerland	Production and sales
Almatronic Ltd., La Chaux-de-Fonds	Switzerland	Dormant
Cyklos Ltd., Yverdon-les-Bains	Switzerland	Dormant
Tornos Ltd., Moutier	Switzerland	Production and sales
Tornos Technologies Deutschland GmbH, Pforzheim	Germany	Support services
Tornos Technologies Iberica SA, Granollers	Spain	Support services
Tornos Technologies Italia Srl, Opera/MI	Italy	Support services
Tornos Technologies Poland Sp. z o.o., Katy Wroclawskie	Poland	Support services
Tornos Technologies UK Ltd., Coalville	United Kingdom	Support services
Tornos Holding France SA, St-Pierre-en-Faucigny	France	Holding company
Tornos Technologies France SAS, St-Pierre-en-Faucigny	France	Support services
Tornos Technologies U.S. Corp., Bethel CT	United States of America	Sales & services
Tornos Technologies Asia Limited, Hong Kong	Hong Kong	Sales & services
Tornos Technologies (HK) Limited, Hong Kong*	Hong Kong	Sales & services
Tornos Technologies (Shanghai) Limited, Shanghai	China	Sales & services
Tornos Comercio, Importação e Exportação de Maquinas Ferramenta Ltda, Sao Paulo	Brazil	Liquidated in 2014
Tornos (Xi'an) Machine Works Co., Ltd.	China	Production

*In liquidation as of December, 31 2015

Branches

Name	Domicile	Purpose
Tornos Management Holding Ltd., Taiwan Branch	Taiwan	Production
Tornos Ltd. Thailand, Representative Office	Bangkok	Support services
Tornos Technologies Asia LTD Malaysia, Representative Office	Pulau Pinang	Support services

All subsidiary undertakings are included in the consolidation. The Group does not hold any investments in associates nor in joint ventures which should be accounted for using the equity method. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary share held. Except the company Tornos (Xi'an) Machine Works Co., Ltd., the shares of all subsidiaries as the voting rights are 100% held by the parent company and hence these subsidiaries are fully controlled and consolidated by the parent company. For Tornos (Xi'an) Machine Works Co., Ltd., Tornos Ltd. hold 70% of the shares and voting rights and is having the majority of seats and voting rights at the Board of Directors. Tornos (Xi'an) Machine Works Co., Ltd., is a joint venture with the company Shanxi Robot Automation Technology Co. Ltd. This company is fully consolidated as a subsidiary. The total minorities interests at the year-end 2015 amounts to KCHF 732 (December, 31 2014: KCHF 746) and is solely related to the company Tornos (Xi'an) Machine Works Co., Ltd.

During the year 2015 and pursuant to the joint-venture agreement, an additional capital injection of KCHF 1'033 (thereof KCHF 310 through our partner) has been performed.

There are no contingent liabilities to the group's interest in the joint venture.

Changes in scope

2015

The subsidiary Tornos Technologies (HK) Limited, in Hong Kong is currently in the process of being liquidated and is going to be closed in 2016. This has been decided in view of the streamlining of the Group structure in Asia.

There are no other changes in scope to be mentioned.

2014

The subsidiary Tornos Comercio, Importação e Exportação de Maquinas Ferramenta Ltda, in Sao Paulo, Brazil, has been liquidated as of October 17, 2014.

There are no other changes in scope to be mentioned.

6 Expense by nature

In CHF 1'000	2015	2014
Personnel expense (note 7)	-59'345	-59'080
Gross changes in inventories of finished goods and work in progress, raw materials and consumables used	-79'292	-78'959
Obsolescence and write-offs on inventories (note 15)	6'659	-2'231
Depreciation charges (note 18)	-2'251	-2'350
Amortisation charges (note 19)	-301	-308
Marketing expenses & commissions	-4'287	-6'331
Consulting fees	-2'873	-2'843
Other operating expenses	-20'797	-21'680
Total cost of sales, marketing and sales, general and administrative and research and development expenses	-162'487	-173'782

7 Personnel expenses

In CHF 1'000	2015	2014
Personnel expense	-59'345	-59'080
Personnel expense - net	-59'345	-59'080
Of which :		
Pension expense (note 25)	-2'883	-3'096
Share-based compensation (note 27)	-237	-220

As of December 31, 2015 the headcount (FTE) amounts to 657 and 38 apprentices (December 31, 2014: 633 with 39 apprentices).

8 Other income - net

In CHF 1'000	2015	2014
Gain on sale of machinery	-	752
Other net	47	39
Other income - net	47	791

9 Financial result

In CHF 1'000	2015	2014
Interest income	5	5
Dividend & other finance income	-	54
Financial income	5	59
Interest expense	-190	-213
Bank charges and other finance expenses	-174	-240
Financial expenses	-364	-453
Financial result	-359	-394

10 Exchange result

In CHF 1'000	2015	2014
Realized gains and losses	414	1'037
Unrealized gains and losses	-481	-152
Exchange result	-67	885

11 Non-operating result

In CHF 1'000	2015	2014
Gain on sale of land and buildings	855	-
Non-operating result	855	-

The non-operating result of KCHF 855 is related to the sale of a part of a building currently under general overhauling, classified as assets under construction and which will be held exclusively for investment purposes (see note 18), which is not part of the operation of the Group anymore (non-operating building). Proceeds of MCHF 2.0 have been earned as part of this sale.

12 Income taxes

In CHF 1'000	2015	2014
Current income tax charge	-462	-524
Deferred tax credit/(charge)	-586	88
Income taxes	-1'048	-436

The Group's expected tax expense for each year is based on the weighted average of the statutory corporate income tax rates, which in 2015 ranged between 8% and 36% (2014: between 8% and 37%), in the tax jurisdictions in which the Group operates.

In CHF 1'000	2015	2014
Ordinary result before income taxes	1'088	3'306
Expected tax credit / (expense)	-304	-469
Weighted average applicable tax rate	28.0%	14.2%
Effect of tax deductible expenses eliminated on consolidation	1'132	221
Effect of tax on non-operating result	-137	-
Tax effect on treasury shares	-206	-23
Utilisation of previously unrecognised tax assets	222	1'202
Current year losses for which no deferred tax asset is recognised	-772	-1'056
Change in deductible temporary differences for which no deferred tax asset is recognised	-303	-75
Write-off of deferred tax assets from deductible temporary differences	-535	-
Expenses & Revenues not deductible for tax purposes	-52	-218
Income taxes relating to prior years	-131	-24
Other effects	38	6
Income tax credit/(charge) recognised	-1'048	-436

The expected tax expense is calculated at entity level since the Group does not file consolidated tax returns. As such, profits and losses generated by different entities cannot be offset against each other. The tax rate changes from year to year due to changes in the mix of the taxable results of the individual Group companies.

13 Cash and Cash equivalents

In CHF 1'000	31.12.2015	31.12.2014
Cash at bank and in hand	20'679	15'540
Less bank overdrafts	-71	-106
Cash and cash equivalents	20'608	15'434

14 Trade receivables

In CHF 1'000	31.12.2015	31.12.2014
Trade receivables	23'780	22'405
Less provision for impairment of receivables	-561	-831
Trade receivables - net	23'219	21'574

Trade receivables aging is as follows:

In CHF 1'000	31.12.2015	31.12.2014
Current	14'564	11'244
1 to 30 days overdue	4'956	5'091
31 to 60 days overdue	1'340	1'397
61 to 90 days overdue	693	907
91 to 180 days overdue	629	568
More than 180 days overdue	1'598	3'198
Trade receivables	23'780	22'405

Movements on the provision for impairment of trade receivables are as follows:

In CHF 1'000	2015	2014
At beginning of year	-831	-1'648
Provision for receivable impairment	-133	-102
Receivables written off during the year as uncollectible	119	653
Unused amounts reversed	284	266
At end of year	-561	-831

15 Inventories

In CHF 1'000	31.12.2015	31.12.2014
Materials and components	53'197	47'348
Work in progress	10'756	14'628
Finished goods and spare parts	27'099	28'704
Inventories – gross	91'052	90'680
Less allowance for obsolescence	-26'929	-33'588
Inventories – net	64'123	57'092

Total amount of inventories scrapped or written off in 2015 amounts to KCHF 3'837 (2014: nil).

16 Other short-term receivables

In CHF 1'000	31.12.2015	31.12.2014
VAT receivable	5'281	4'623
Social securities & other related taxes receivable	339	1'656
Other	1'017	600
Total short-term receivables	6'637	6'879

17 Prepayments and accrued income

In CHF 1'000	31.12.2015	31.12.2014
Advances to logistic companies for customs clearance purpose	852	773
Advances to suppliers	268	1'119
Negative hours due from employees	70	71
Accrued income	-	83
Prepaid expenses	830	2'690
Total prepayment and accrued income	2'020	4'736

18 Property, plant and equipment

In CHF 1'000	Land	Buildings & installations	Machinery	Assets under construction	Other equipment	Total
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Cost

At December 31, 2013 (Restated)	5'591	61'087	58'147	-	8'582	133'407
Additions	-	159	200	-	485	844
Disposals	-	-178	-14'396	-	-1'075	-15'649
Exchange differences	9	49	6	-	37	101
At December 31, 2014	5'600	61'117	43'957	-	8'029	118'703
Additions	-	49	350	1'089	280	1'768
Disposals	-472	-7'708	-3'427	-827	-1'555	-13'989
Exchange differences	-9	-228	-32	-	-206	-475
At December 31, 2015	5'119	53'230	40'848	262	6'548	106'007

Accumulated depreciation

At December 31, 2013 (Restated)	-	-41'707	-57'578	-	-7'929	-107'214
Depreciation	-	-1'735	-224	-	-391	-2'350
Disposals	-	178	14'396	-	1'075	15'649
Exchange differences	-	-25	-	-	-7	-32
At December 31, 2014	-	-43'289	-43'406	-	-7'252	-93'947
Depreciation	-	-1'711	-214	-	-326	-2'251
Disposals	-	7'695	3'395	-	1'545	12'635
Exchange differences	-	206	24	-	179	409
At December 31, 2015	-	-37'099	-40'201	-	-5'854	-83'154

Carrying amounts

December 31, 2014	5'600	17'828	551	-	777	24'756
December 31, 2015	5'119	16'131	647	262	694	22'853

Assets under construction are related to a building general overhaul which will be held exclusively for investment purposes.

There are no assets leased as at December 31, 2015 (December 31, 2014: nil).

19 Intangible assets

In CHF 1'000

	Development costs	Software	Total
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Cost

At December 31, 2013 (Restated)	539	2'955	3'494
Additions	-	271	271
Disposals	-	-204	-204
Exchange differences	56	-	56
At December 31, 2014	595	3'022	3'617
Additions	-	347	347
Disposals	-	-957	-957
Exchange differences	-29	-	-29
At December 31, 2015	566	2'412	2'978

Accumulated amortisation

At December 31, 2013	-	-2'731	-2'731
Amortisation charge	-101	-207	-308
Disposals	-	204	204
Exchange differences	-8	-	-8
At December 31, 2014	-109	-2'734	-2'843
Amortisation charge	-114	-187	-301
Disposals	-	957	957
Exchange differences	6	-	6
At December 31, 2015	-217	-1'964	-2'181

Carrying amounts

December 31, 2014	486	288	774
December 31, 2015	349	448	797

In the financial year 2013, development costs of KCHF 539 have been recognised as part of the investment brought in by our partner during the incorporation of our new production plant Tornos (Xi'an) Machine Works Co., Ltd., in Xi'an which is a joint venture, and which Tornos Ltd. holds 70% of participation. The recognised development costs correspond to drawings and prototype of a platform which were marketed and launched in 2014.

20 Deferred taxes

20.1 Movement in deferred tax assets and liabilities

Movement in deferred tax assets and liabilities is as follows:

In CHF 1'000	Deferred tax assets	Deferred tax liabilities
At December 31, 2013	1'080	163
Additions	109	21
Reversals	-	-
Translation adjustments	-2	1
At December 31, 2014	1'187	185
Additions	61	-
Reversals	-710	-63
Translation adjustments	3	-17
At December 31, 2015	541	105

Movement in deferred tax assets and liabilities is resulting from changes in taxable temporary differences.

The expiry dates of tax losses are as follows:

In CHF 1'000	31.12.2015	31.12.2014
Within 1 year	18'341	-
Between 1 and 2 years	23'759	14'497
Between 2 and 5 years	68'255	46'284
After 5 years	18'356	75'754
Losses not subject to expiry	1'318	186
Total	130'029	136'721

21 Interest bearing borrowings

In CHF 1'000	31.12.2015	31.12.2014
Loan from shareholders (note 21.2)	9'000	-
Mortgages (note 21.1)	60	60
Short-term lease liabilities (note 21.6)	-	3
Current interest bearing borrowings	9'060	63
Mortgages (note 21.1)	245	305
Long-term lease liabilities (note 21.6)	-	-
Non-current interest bearing borrowings	245	305
Interest bearing borrowings	9'305	368

21.1 Credit agreements with banks

Mortgages are granted to subsidiaries at floating rates of 2.04% at December 31, 2015 (December 31, 2014: 1.8% and 1.65%). There are no other credit facilities granted with banks in 2014 and 2015.

21.2 Loan from shareholders

In 2012 a Facility Agreement has been granted for a total value of CHF 10 million by our shareholders. An additional Facility Agreement was concluded in January 2014 containing an additional credit line of CHF 10 million and providing securities of CHF 8 million in bank guarantees. Following this additional credit line, the total amount of loans granted by shareholders through a facility agreement is amounting to CHF 20 million.

The aforementioned shareholder loans granted bear fixed interest rates of 4%. The additional credit line and the securities provided for bank guarantees mature on March 31, 2016 but are renewed automatically for another term of one year if not cancelled six month prior to the maturity date. Mortgage notes of Tornos Ltd. are assigned to the lender as securities to the granted loans. Agreements have not been cancelled at the year-end 2015.

At the end of the year 2015, CHF 3.1 million (December, 31 2014: CHF 4.6 million) were used under the ancillary facilities for guarantees purposes and CHF 9 million were used as part of the credit facilities granted (December 31, 2014: CHF 0 million through the shareholders).

21.3 Maturity schedule

In CHF 1'000	31.12.2015	31.12.2014
Within 1 year	9'060	63
Between 1 and 2 years	60	60
Between 2 and 5 years	180	180
Over 5 years	5	65
Total borrowings	9'305	368

21.4 Interest rate exposure

In CHF 1'000	31.12.2015	31.12.2014
At fixed rates	9'000	3
At floating rates	305	365

21.5 Exchange rate exposure

The original currencies of the Group's borrowings are:

In CHF 1'000	31.12.2015	31.12.2014
Swiss franc	9'305	368
Total borrowings	9'305	368

21.6 Finance lease liabilities

In CHF 1'000	31.12.2015	31.12.2014
Minimum lease payments		
Within 1 year	-	3
Between 1 to 5 years	-	-
Total minimum lease payments	-	3
Future finance charges on finance leases	-	-
Present value of finance lease liabilities	-	3
Of which :		
Due within 1 year	-	3
Between 1 to 5 years	-	-

The finance lease liabilities of the Group carried an effective interest rate of 1.5% at December 31, 2014.

22 Other liabilities

In CHF 1'000	31.12.2015	31.12.2014
Advances received	2'831	6'503
Payable to pension plans	409	24
Commissions payable	1'457	1'932
Other taxes and social security payables	1'326	2'096
Other payables	182	170
Total other liabilities	6'205	10'725

23 Accrued liabilities and deferred income

In CHF 1'000	31.12.2015	31.12.2014
Accrued employees remuneration	3'317	3'924
Other accrued expenses	2'559	2'143
Total other liabilities	5'876	6'067

Other accrued expenses include liabilities that are due but not yet billed at the balance sheet date and that arise due to goods and services already received at the year-end.

24 Provisions

In CHF 1'000	Warranties	Restructuring	Other	Total
At beginning of year	3'539	887	721	5'147
Additions	6'192	21	300	6'513
Reversals	-	-	-	-
Utilization	-6'537	-830	-50	-7'417
Translation adjustments	19	-	9	28
At December 31, 2014	3'213	78	980	4'271
Additions	5'248	237	396	5'881
Reversals	-	-	-109	-109
Utilization	-5'735	-78	-	-5'813
Translation adjustments	-2	-	-22	-24
At December 31, 2015	2'724	237	1'245	4'206

In CHF 1'000	2015	2014
Current	3'552	3'547
Non-current	654	724
Total	4'206	4'271

24.1.1 Warranties

The Company gives a contractual one year warranty and undertakes to repair or replace items that fail to perform satisfactorily.

Warranty provision reflects management assessment of warranty claims. It is based on historical data as well as the level of sales and specific cases. The total warranty provision takes into consideration all possible legally enforceable claims. Actual results may fluctuate significantly.

24.1.2 Restructuring

The provision for restructuring has been recognised as part of the strategic realignment of the Group for employees who have been made redundant and who are not rendering any services anymore to the Group. This provision also covers the financing of the pension fund of dismissed employees.

24.1.3 Other Provisions

Other provisions include the expected costs of pending litigations as well as other present obligations of uncertain timing, of which may prove to be more or less favourable than management currently believes.

Several of the Group subsidiaries are parties to various legal proceedings which are an ongoing feature of the business of the Tornos Group. As a result, claims could be made against them which might not be covered by existing provisions or by insurance. There can be no assurance that there will not be an increase in the scope of these matters or that any future lawsuits, claims, including those resulting from tax inspections, proceedings or investigations will not be material. Management does not believe that during the next few years, the aggregate impact, beyond current provisions, of these and other legal matters affecting Tornos could be material to the Group's results of operations and cash flows, and to its financial condition and liquidity.

25 Retirement benefit obligations

Tornos operates different pension plans in different jurisdictions for employees that satisfy the participation criteria.

Retirement benefits are provided based on salary, years of service or a retirement saving accounts. The plans cover generally the employees against death, disability and retirement. However, some of the plans provide only lump sum benefits in the events of leaving the Group and retirement.

Pension Fund in Switzerland

All employees in Switzerland are insured through the Tornos pension fund, a foundation which is legally independent from the Tornos Group. The pension fund provides benefits in accordance with the Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and is equally financed by contributions of the employer and the employees. Individual's benefits are mainly depending on a retirement savings account. The savings account will be credited by the employers' and employee's contributions based on the annual salary and by an interest depending on the performance of the pension fund's plan assets.

However, the BVG defines the minimum pensionable salary and the minimum retirement credits. The interest rate applicable to these minimum retirement savings is set by the Swiss Federal Council. In 2015, the rate was at 1.75% as in prior year. Upon retirement (at age of 65 for men and 64 for women) an individual may choose a lump-sum payment or an annuity based on a conversion factor as specified in the plan's regulation. In case of leaving the company prior to retirement the retirement savings earned will be transferred to the pension plan of the individual's new employee.

Other Pension Plans

The Company in the US operates a company pension fund. Upon retirement the vested rights are transferred to an insurance company and the pension is paid by the insurance company. The Groups operations in France, Italy and Germany are covered by local pension plans in line with local legal requirements. The plans in France and Italy are lump sum plans, the plan in Germany only provides pension payments.

In Switzerland the company has also a liability to pay a pension to two former directors which is reflected in the retirement benefit obligation.

25.1 Economic benefit / economic obligation and pensions expenses

	Surplus/ (deficit)	Economic part of the organization at the end of		Change in the current result	Thereof exchange differences	Contributions concerning the business period	Pension expenses	
	31.12.2015	2015	2014				2015	2014
Pension plans without surplus/deficit according to Swiss GAAP FER 26	-	-3'996	-3'996	-	-	2'511	2'511	2'691
Other funded pension plans	-627	-627	-567	60	2	159	217	-32
Pension plans without assets	-1'156	-1'156	-1'406	-250	-83	322	155	437
Total	-1'783	-5'779	-5'969	-190	-81	2'992	2'883	3'096

As of December, 31 2015 and as of December, 31 2014 there is no employer's contribution reserve. The information on the economic benefit as at 31 December 2015 for the Swiss Pension Plan is based on the last annual financial statements of the Tornos pension fund preceding the balance sheet date, i.e. the financial statements as at 31 December, 2014. As at 31 December 2015, the pension fund reported a coverage rate of 107.07% in its Swiss GAAP FER 26 financial statements 2014, resp. 105.0% in the financial statements 2013. However, the technical interest rate used in the Swiss GAAP FER 26 financial statements of the Swiss Pension plan amounts to 3.0% (in prior year financial statements 2013: 3.5%). The Group assumes that the technical discount rate will decrease in a midterm perspective and therefore still recognised an economic liability of KCHF 3'996 (prior year KCHF 3'996).

26 Share capital

26.1 Capital structure

	Issued registered shares	Treasury shares	Total shares in circulation
Issued and fully paid-in at December 31, 2013	19'877'671	500'956	19'376'715
Sale of treasury shares as part of the management participation program	-	-113'100	113'100
Issued and fully paid-in at December 31, 2014	19'877'671	387'856	19'489'815
Sale of treasury shares as part of the management participation program	-	-6'000	6'000
Purchase of treasury shares	-	560'948	-560'948
Issued and fully paid-in at December 31, 2015	19'877'671	942'804	18'934'867

During the year 2015:

- 6'000 treasury shares have been sold at a price of CHF 4.37 each under the Management and Board Participation plan 2007 (MBP07);
- 560'948 treasury shares have been purchased at a price of CHF 2.8 each by the Group;

During the year 2014:

- 113'100 treasury shares have been sold at a price of CHF 3.6 each under the Management and Board Participation plan 2007 (MBP07);

26.2 Shares outstanding and rights attached to each class of shares

As of December 31, 2015 and as of December 31, 2014 the share capital consisted of 19'877'671 ordinary registered shares with a par value of CHF 4.50 each. The holders of the ordinary shares are entitled to receive dividends as declared by the meetings of shareholders and are entitled to one vote per share at the meetings of shareholders.

26.3 Treasury shares

Movements in treasury shares are as follows:

	2015		2014	
	Number of shares	Amount (in CHF 1'000)	Number of shares	Amount (in CHF 1'000)
At beginning of year	387'856	5'242	500'956	6'771
Sale of treasury shares	-6'000	-81	-113'100	-1'529
Acquisition of treasury shares	560'948	1'573	-	-
At end of year	942'804	6'734	387'856	5'242

Treasury shares are valued at average purchase price.

26.4 Conditional share capital

The conditional share capital amounts to CHF 3'179'979 as in prior year and is reserved for the issuance of shares that may be used by the Board of Directors to satisfy stock option plans in favour of eligible members defined by the Board of Directors.

26.5 Authorised share capital

The company had authorized share capital pursuant to the decision of the Ordinary General Meeting of Shareholders held on April 17, 2012. The Board of Directors could, at any time up to April 17, 2014, increase the share capital by a maximum sum of CHF 1'459'899 by issuing no more than 324'422 registered shares with a par value of CHF 4.5 to be fully paid-up. As of April 17, 2014 the authorized share capital expired and since then the company does not have any authorized capital.

26.6 Significant shareholders

The following shareholders held more than 5 percent of the share capital of the Company at December 31:

	31.12.2015	31.12.2014
Walter Fust	45.03%	45.03%
Michel Rollier / Rollomatic Holding SA	14.36%	14.36%
Balfidor Fondsleitung AG	-	5.31%

Number of shares known by the company or according to the latest declaration made to SIX Swiss Exchange Ltd. The percentages are based on the real number of shares at balance sheet date.

27 Stock compensation plans

There is one stock participation plan in 2015, namely the Management and Board Participation Plan 2007 (MBP07). Compensation expense under this plan is recognised in accordance with the provisions of SWISS GAAP FER, for options over the vesting period and for shares purchased immediately in the accounts as the shares do not need to be returned in case the employment contract is terminated. The expense recorded in the income statement spreads the cost of each option equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Compensation expense of KCHF 237 was recorded for the year ended December 31, 2015 (2014: KCHF 220). Compensation expense arising from stock options outstanding at December 31, 2015 to be recognised in future periods amounts to KCHF 130 (December 31, 2014: KCHF 257).

Under this plan, starting in 2007, a maximum of 300'000 shares/options may be allocated each year to the participants by the Nomination and Compensation Committee. The possible participants are members of the Board of Directors as well as the management. Each participant chooses on grant date, within the number of shares/options allocated to him by the Nomination and Compensation Committee, to receive options free of charge, to purchase shares with a discount or a combination of receiving options free of charge and purchasing shares with a discount.

As of December 31, 2015, a total of 2'462'968 shares/options were attributed by the Nomination and Compensation Committee since 2007, of which 141'500 options were exercised and 1'378'816 options were forfeited or expired without being exercised (December 31, 2014: 2'213'156 shares/options granted, 141'500 options exercised and 1'188'150 options forfeited or expired without being exercised respectively). Of the total remaining 942'652 shares/options (December 31, 2014: 883'506 shares/options) the participants elected to purchase 369'600 shares immediately and to receive 573'052 options under the stock option program as detailed below (2014: 363'600 shares and 519'906 options respectively).

27.1.1 Stock purchasing program under MBP07

Each participant has the right to purchase shares each year, starting on May 1, 2007 (within the number of shares/options allocated by the Nomination and Compensation Committee and not used for the stock option program). The purchasing price is the weighted average price paid at SIX within the 12 months (May 1 to April 30) preceding the purchase of the shares minus a discount of 25%. There is a restriction period of two years after purchasing the shares during which the shares are held in an escrow deposit. However, the shares do not need to be returned in case the employment contract is terminated and there is a tag along clause in case of a change of control transaction. In 2015, participants elected to purchase 6'000 shares at a price of CHF 4.37 through the sale of treasury shares (2014: 113'100 shares at CHF 3.6). As a result, a loss of KCHF 55 out of this transaction was recorded in equity for the year ended December 31, 2015 (2014: KCHF 1'122 as expense through the emission of shares).

27.1.2 Stock option program under MBP07

Each participant receives free of charge each year starting on May 1, 2007 the number of options chosen (within the number of shares/options attributed by the Nomination and Compensation Committee and not used for the share purchasing program). The options vest after two years and can be exercised only in the third year. The exercise price is the weighted average price paid at the SIX Swiss Exchange within the 12 months (May 1 to April 30) preceding the allocation of the options. A possible share capital increase or reduction or dividend payment has no impact on the option rights pursuant to this program as the exercise price will not be adjusted should these events take place in the future. Options not exercised generally need to be returned at the time the employment contract is terminated. However, they can be exercised without any restriction in case of a change of control transaction. Total expenses recorded in the income statement for the year ended December 31, 2015 as part of this option program amounted to KCHF 237 (2014: KCHF 220).

The fair value of the grants under the MBP07 stock option plan is estimated using the Black-Scholes valuation model.

The volatility measured is based on statistical analysis of daily share prices over the last 2.5 years.

A summary of activity under the MBP07 stock option plan, including weighted average exercise price, is as follows:

	2015			2014		
	Options	Exercise price in CHF	Contractual life	Options	Exercise price in CHF	Contractual life
Outstanding at January 1,	519'906	7.05¹		488'433	8.63¹	
Granted	249'812	5.83	3 years (April 30, 2018)	285'573	4.81	3 years (April 30, 2017)
Exercised	-6'000	4.37		-113'100	3.60	
Forfeited or expired	-190'666			-141'000		
Outstanding at December 31,	573'052	5.77¹		519'906	7.05¹	
Exercisable at December 31,	181'767	6.53		168'166	9.78	

¹ weighted average

In 2015, 80'000 options (2014: 80'000) have been granted to the General Management, 24'000 to the Board of Directors (2014: 24'000) and 145'812 to the Senior Management of the Group (2014: 181'573).

28 Result per share, basic and fully diluted

28.1 Basic

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 26.3).

	2015	2014
Net result attributable to equity holders of the Company (in CHF 1'000)	1'176	2'996
Weighted average number of ordinary shares in issue (in 1'000)	19'382	19'432
Basic result per share (CHF per share)	0.06	0.15

28.2 Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2015	2014
Net result attributable to equity holders of the Company (in CHF 1'000)	1'176	2'996
Weighted average number of ordinary shares in issue (in 1'000)	19'382	19'432
Adjustments for share options (in CHF 1'000)	-	23
Weighted average number of ordinary shares for diluted earnings per share (in 1'000)	19'382	19'455
Diluted gain per share (CHF per share)	0.06	0.15

29 Segment information

The Group's core activity is the development, manufacture, marketing, sale and servicing of machines. The top management level is responsible to steer the business and regularly reviews the Group's internal reporting for its only operating segment, "machines", in order to assess performance and assess resource needs. The primary internal reporting to the top management is presented on the same basis as the Group's consolidated income statement and consolidated balance sheet and is reported on a consistent basis over the periods presented. The top management assesses the performance of the machines based on operating result. Additional reporting such as geographical area are also provided to the top management but they are not considered as substantial information to make strategic decisions, allocate or plan resources or monitor the Group's operational performance. These operational decisions are all executed by the top management based on internal reporting of the core activity.

Revenues generated are derived from sales of machines, spare parts and service costs.

The operating result for the period under review amounts to KCHF 1'514 and for 2014 to KCHF 2'815.

29.1 Analysis of revenues by category

In CHF 1'000	2015	2014
Machines and spare parts	156'552	168'463
Service	7'402	7'343
Net sales	163'954	175'806

Switzerland is the domicile of the parent company and of the main operating and distribution companies. The Swiss operating companies conduct all main development and manufacture activities. The subsidiaries located in the other European countries (France, Germany, Italy, Poland, Spain and the United Kingdom), the Americas and Asia, except our Branch in Taiwan and our production company in Xian, only have support or sales and distribution activities. The entities in Taiwan and Xian are companies which on behalf of the parent company conduct some developments on new products, which are then marketed through our distribution network. The transactions between Group companies are conducted based on internationally acceptable transfer pricing policies, thereby leaving reasonable margins at local subsidiary level. The top management reviews sales for the four material geographical areas, namely, Switzerland, Other European countries, the Americas and Asia. For the purpose of presenting net sales by location of customers, one other geographical region, namely Rest of world, is identified.

29.2 Net sales by location of customers

In CHF 1'000	2015	2014
Switzerland	28'114	34'973
Other European countries	87'875	96'295
Americas	18'586	13'305
Asia	27'638	28'521
Rest of world	1'741	2'712
Total net sales	163'954	175'806

29.3 Non-current assets

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) is as follows:

In CHF 1'000	31.12.2015	31.12.2014
Switzerland	22'008	23'721
Other European countries	775	863
Americas	21	37
Asia	846	909
Total non-current assets for geographical area disclosure	23'650	25'530
Reconciling unallocated assets:		
- Deferred tax assets	541	1'187
Total non-current assets per balance sheet	24'191	26'717

30 Commitments and contingencies

30.1 Operating lease commitments

Operating lease liabilities, minimum lease payments:

In CHF 1'000	31.12.2015	31.12.2014
Year 1	1'334	1'318
Years 2 to 5	961	1'509
After 5 years	-	-
Total minimum lease payments	2'295	2'827

30.2 Pledges

The following assets were pledged to shareholders.

In CHF 1'000	31.12.2015	31.12.2014
Land and buildings	20'096	22'006
Total assets pledged	20'096	22'006

At December 31, 2015 the total value of the pledged mortgage notes related to land and buildings amount to CHF 35.4 million (December 31, 2014: CHF 35.4 million).

30.3 Other commitments and contingent liabilities

There were no other commitments or contingent liabilities not in the ordinary course of business.

31 Related party transactions

During 2015, sales to companies in which two of the directors of the Company hold a significant interest amounted to KCHF 163 (2014: KCHF 1'321). Services provided by a company in which one of the directors of the Company holds a significant interest amounted to KCHF 88 (2014: KCHF 132). As of December 31, 2015, the related outstanding balances receivable and payable amounted to KCHF 72 and KCHF -18 respectively (December 31, 2014: KCHF 146 and KCHF 0 respectively).

No loans or advances were granted to related parties in 2015 and 2014. As of December, 31 2015 a loan of CHF 9 million was granted by the shareholders as disclosed in note 21.2.

Please refer to note 25 for transactions with the pension funds.

32 Derivatives financial instruments

As at the balance sheet date, the Group held the following derivatives:

In CHF 1'000	Replacement Value		Contract equivalent
	Positive	Negative	
Foreign exchange contracts	none	none	none
Total at December 31, 2014	-	-	-

Foreign exchange contracts	2	none	1'958
Total at December 31, 2015	-	-	-

In appropriate circumstances, the Group uses derivative financial instruments as part of its risk management and commercial strategies. On December 31, 2015 the Group has open foreign exchange contracts to acquire a total of KEUR 1'800 against KCHF 1'958 with maturity in 2016. At December 31, 2014 there were no open positions.

The instruments aforementioned are used as hedging instruments and are pursuant to the accounting policy chosen by the Group only recognised when the contracts are realized.

33 Subsequent event

There are no subsequent events to be mentioned.

**Report of the statutory auditor
to the General Meeting of
Tornos Holding Ltd., Moutier**

**Report of the statutory auditor on the consolidated
financial statements**

As statutory auditor, we have audited the consolidated financial statements of Tornos Holding Ltd., which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 8 to 47), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Oliver Kuntze
Audit expert
Auditor in charge



Yves Tritten
Audit expert

Neuchâtel, 2 March 2016

Income statement

Tornos Holding Ltd.

In CHF 1'000	Notes	2015	2014
Gain on valuation of treasury shares	5	-	412
Total income		-	412
Administrative expenses		-423	-555
Impairment on loans to subsidiaries	8	-34'000	-
Loss on sale of treasury shares	5	-	-122
Taxes other than on income		-28	-27
Total expenses		-34'451	-704
Loss before income taxes		-34'451	-292
Income taxes		-	-
Net Loss		-34'451	-292

The accompanying notes form an integral part of these financial statements.

Balance sheet

Tornos Holding Ltd.

In CHF 1'000	Notes	31.12.2015	31.12.2014
ASSETS			
Cash and cash equivalents		38	314
Receivables from Group Companies		2'307	3'925
Other current assets		10	6
Total current assets		2'355	4'245
Loans to subsidiaries	8	18'712	52'712
Investment in a subsidiary	3	65'000	65'000
Total non-current assets		83'712	117'712
Total assets		86'067	121'957
LIABILITIES AND EQUITY			
Payables to Group Companies		352	243
Accrued expenses		84	85
Total current liabilities		436	328
Share capital	4	89'450	89'450
Statutory capital reserve			
Reserve from capital contribution		29'021	29'021
Voluntary retained earnings	7	-26'106	5'381
Treasury shares	5	-6'734	-2'223
Total equity		85'631	121'629
Total liabilities and equity		86'067	121'957

The accompanying notes form an integral part of these consolidated financial statements.

Statement of changes in equity

Tornos Holding Ltd.

In CHF 1'000	Share capital	Reserve from capital contribution	Voluntary retained earnings	Treasury shares	Total
At December 31, 2014	89'450	29'021	5'381	-2'223	121'629
Net loss			-34'451		-34'451
Adjustment treasury shares at acquisition costs			3'019	-3'019	-
Purchase of treasury shares				-1'573	-1'573
Sales of treasury shares			-55	81	26
At December 31, 2015	89'450	29'021	-26'106	-6'734	85'631

In accordance with the new stipulations of the Swiss Accounting Legislation, which are endorsed for the first time in 2015 by Tornos Holding Ltd., the treasury shares are presented as deduction of equity and not as assets as in prior years. Pursuant to this change, the treasury shares have been reclassified in equity. Furthermore, and also as allowed by the Swiss Accounting Legislation, the treasury shares have been re-evaluated at acquisition costs through a corresponding entry in retained earnings.

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Financial Statement

Tornos Holding Ltd.

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

1 Basis of preparation

The financial statements of Tornos Holding Ltd., Moutier are prepared in accordance with the provisions of the Swiss law and the Company's Articles of Incorporation. The 2015 financial statements were prepared for the first time in accordance with the Swiss Accounting Legislation, title 32 of the Swiss Code of Obligations. To ensure comparability, prior-year balance sheet and income statement information were adjusted to the classification requirements.

2 Accounting principles applied in the preparation of the financial statements

Significant balance sheet items are accounted for as follows:

Cash and cash equivalents which include cash in hand, deposits held at call with banks, other short term highly liquid investments with remaining maturities of three months or less are stated at their nominal amounts.

Group receivables are carried at their nominal value. Impairment charges, if any, are calculated for these assets on an individual basis based on a review and assessment of the recoverability of the outstanding balances. The carrying amount of the asset is reduced through the use of an impairment charge, and the amount of the loss is recognised in the income statement within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the income statement.

Investments and loans to subsidiaries are recognised at acquisitions costs. The carrying amount of the investments and loans are assessed individually after the first recognition on the balance sheet provided that due to their similarity they are not usually combined as a group for valuation. They are reviewed for impairment on a regular basis. Prudence is applied when assessing the valuation. Impairment losses are recognised in the income statement. Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Treasury shares were shown until 2013 at lower of cost or market. As of 2014, and in accordance to the new Swiss Accounting Legislation, treasury shares are valued at historical acquisition value without subsequent valuation. Gains and losses from disposals of treasury shares, including transaction costs, are recorded directly in capital reserves.

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement.

3 Subsidiary

Name	Purpose	Share capital in CHF '000	2015 % held/ voting rights	2014 % held/ voting rights
Tornos Management Holding Ltd., Moutier, Switzerland	shareholdings and holding company	65'000	100	100

A list of all subsidiaries indirectly held by the Company is found in the note 5 of the consolidated financial statements 2015 of Tornos Holding Ltd.

4 Share capital, conditional capital and authorised capital

4.1 Share capital

During the year 2015:

- 6'000 treasury shares have been sold at a price of CHF 4.37 each under the Management and Board Participation plan 2007 (MBP07);
- 560'948 treasury shares have been purchased at a price of CHF 2.8 each

During the year 2014:

- 113'100 treasury shares have been sold at a price of CHF 3.6 each under the Management and Board Participation plan 2007 (MBP07);

The share capital amounts to CHF 89'449'519.50 divided into 19'877'671 registered shares of CHF 4.50 nominal value each.

4.2 Conditional share capital

The conditional share capital amounts to CHF 3'179'979 and is reserved for the issuance of shares that may be used by the Board of Directors to satisfy stock option plans in favour of eligible members defined by the Board of Directors.

4.3 Authorised share capital

The company had authorized share capital pursuant to the decision of the Ordinary General Meeting of Shareholders held on April 17, 2012. The Board of Directors could, at any time up to April 17, 2014, increase the share capital by a maximum sum of CHF 1'459'899 by issuing no more than 324'422 registered shares with a par value of CHF 4.5 to be fully paid-up. As of April 17, 2014 the authorized share capital expired and since then the company does not have any authorized capital.

5 Treasury shares

Movements in treasury shares are as follows:

	2015		2014	
	Number of shares	Amount (in CHF 1'000)	Number of shares	Amount (in CHF 1'000)
At beginning of year	387'856	2'223	500'956	3'752
Revaluation at acquisition cost		3'019		-
Sale of treasury shares*	-6'000	-81	-113'100	-1'529
Acquisition of treasury shares	560'948	1'573		
At end of year	942'804	6'734	387'856	2'223

* sold as part of the management participation plan, MBP07

Treasury shares are valued at average purchase price.

6 Significant shareholders

The following shareholders held more than 5 percent of the share capital of the Company at December 31:

	31.12.2015	31.12.2014
Walter Fust	45.03%	45.03%
Michel Rollier / Rollomatic Holding SA	14.36%	14.36%
Balfidor Fondsleitung AG	-	5.31%

Number of shares known by the company or according to the latest declaration made to SIX Swiss Exchange Ltd. The percentages are based on the real number of shares at balance sheet date.

7 Voluntary retained earnings/(accumulated losses)

The accumulated gains and losses of the Company are as follows:

In CHF 1'000	31.12.2015	31.12.2014
Retained earnings brought forward	5'381	-2'055
Reclassification of the reserve from treasury shares to retained earnings	-	6'771
Readjustment for capital increase costs 2013	-	957
Adjustment treasury shares at acquisition costs	3'019	-
Sales of treasury shares	-55	-
Net loss	-34'451	-292
Voluntary retained earnings	-26'106	5'381

8 Impairment on loans to subsidiaries

Following a prudent approach, the loans to subsidiaries have been reviewed and impaired by CHF 34.0 million.

9 Number of full-time equivalents

The Company as a holding does not have any employees.

10 Leasing liabilities and liabilities to pension plans

There are none.

11 Assets pledged

None of the Company's assets are pledged.

12 Contingent liabilities

There are no contingent liabilities at the end of 2015 (previous year: none).

13 Board of Directors and General Management compensation

The disclosures required by articles 663bbis and 663c of the Swiss Code of Obligations on the Board of Directors and General Management compensation are reflected in the corporate governance section of the annual report. In addition, article 959c paragraph 2 item 11 of the Swiss Code of Obligations require disclosure of the number and value of shares and options granted to members of the Board of Directors and Group Management as well as to employees. This information is disclosed in note 25 of the consolidated financial statements.

14 Additional information, cash flow statement and management report

According to Article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the statement of cash flows and the management report are dispensed with, as the Tornos Holding Ltd. prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

15 Subsequent event

There are no subsequent events to be mentioned.

Proposed appropriation of available earnings

Tornos Holding Ltd.

In CHF 1'000	31.12.2015
Accumulated losses	-26'106
To be carried forward	-26'106

Report of the Statutory Auditor
to the General Meeting of
Tornos Holding Ltd., Moutier

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Tornos Holding Ltd., which comprise the balance sheet, income statement, statement of changes in equity and notes (pages 50 to 57), for the year ended 31 December 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

PricewaterhouseCoopers SA



Oliver Kuntze
Audit expert
Auditor in charge



Yves Tritten
Audit expert

Neuchâtel, March 2, 2016

Remuneration report

Remuneration system

Principles

The principles of remuneration in use at the Tornos Group provide a transparent, competitive and performance-related salary framework. Both basic annual salary and variable remuneration components are influenced by the performance appraisal conducted each year.

The members of the Board of Directors receive remuneration in the form of a fixed annual salary. In addition, they participate in the Tornos Group's option and stock purchasing program. The members of the General Management receive fixed and variable annual remuneration. In addition, they participate in the Tornos Group's option and stock purchasing programme.

In the event of a change of control, the blocking periods specified in the Tornos Group's option and stock purchasing program become null and void.

Remuneration of the members of the Board of Directors

The remuneration of the members of the Board of Directors is set annually by the Board of Directors on the basis of a proposal made by the Remuneration Committee. In this respect, the role played by the member concerned within the organization of the Board of Directors on the one hand, and their participation in the committees of the Board of Directors on the other, are of crucial importance. On this basis, and taking into account the experience of previous years with regard to the time

spent in meetings of the Board of Directors and committees, and on advisory and preparatory work, an estimate of the time spent is calculated for the various post holders, on the basis of which lump sum fees payable in cash are calculated. The basis for calculating these lump sum fees is therefore an estimate of the time spent and a daily rate based on the fees charged by a consultant for similar services (senior strategy and management consultant). In addition to the fixed remuneration, members of the Board of Directors may be allocated options or shares as part of the shareholding plan. Members of the Board of Directors do not have the right to severance pay or any benefits relating to the termination of their mandate.

Remuneration of the members of the General Management

The fixed remuneration paid to members of the General Management is determined annually with reference to the Towers Watson Data Services survey of the salaries of Swiss managers ("Compensation Report Switzerland") on the one hand; however, contractual matters are withheld. On the other, the individual performance of the person concerned is evaluated by the Remuneration Committee. That committee assesses the remuneration of each member of the General Management and submits a proposal to the Board of Directors for approval. The variable components are factored in when determining the fixed remuneration.

Variable remuneration is dependent on profitability criteria and on the achievement of annual individual qualitative and quantitative targets by the person concerned. The applicable financial criteria for the members of the General Management are the EBIT margin, new orders, and operational performance. Depending on the position in question, part of the variable remuneration may be linked to specific financial or non-financial targets. On average, variable remuneration ranges between 20% and 25% of the fixed salary. However, it may be twice as high and reach nearly 55% of the fixed remuneration if the individual targets are significantly exceeded, the EBIT margin is 12% or more, or new orders exceed the target by 20% or more.

Evaluation of “Management and Board Participation Plan 2007 (MBP 07)”

The remuneration for shares acquired is based on the number of shares acquired multiplied by the difference of the actual market price of the share minus a discount of 11% for the vesting period, and the acquisition price paid by the management. The purchasing price is the weighted average price paid at SIX Swiss Exchange within the 12 months (May 1 to April 30) preceding the purchase of the shares minus a discount of 25%. There is a restriction period of two years after purchasing the shares during which the shares are held in an escrow deposit.

The remuneration through options acquired is based on the number of options granted free of charge multiplied by the fair value of the option. The fair value of the option is estimated applying the Black-Scholes valuation model. The options are vested for two years and can only be exercised during the third year following the acquisition of the options.

Remuneration paid to the Board of Directors in 2015

Overview of functions

The members of the Board of Directors assumed the following functions:

Board of Directors			Remuneration Committee		Audit Committee	
Chairman	Vice-Chairman	Member	Chairman	Member	Chairman	Member
François Frôté ■				■		■
Frank Brinken	■			■	■	
Michel Rollier		■		■		■
Walter Fust		■	■			■

Remuneration

In CHF 1'000	Remuneration fixed	Other remuneration	Total	Shares (acquired)	Stock options (granted)	Total remuneration
François Frôté	160	19	179	0	6	185
Frank Brinken	80	9	89	0	6	95
Michel Rollier	80	10	90	0	6	96
Walter Fust	80	9	89	0	0	89
Total Board of Directors	400	47	447	0	18	465

Other remuneration comprises payments made in respect of social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2015 and may not be exercised until April 30, 2017.

The above information includes all the remuneration paid to the members of the Board of Directors. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the Board of Directors or their families.

In 2015 no member of the Board of Directors acquired shares. On the other hand they were granted 24'000 options with a fair value of CHF 0.77.

Remuneration paid to the Board of Directors in 2014

Overview of functions

The members of the Board of Directors assumed the following functions:

	Board of Directors			Remuneration Committee		Audit Committee	
	Chairman	Vice-Chairman	Member	Chairman	Member	Chairman	Member
François Frôté	■				■		■
Frank Brinken		■			■	■	
Michel Rollier			■		■		■
Walter Fust			■	■			■
Claude Elsen*		■					
Philippe Maquelin*			■		■	■	

* Messrs. Claude Elsen and Philippe Maquelin resigned with effect as of the General Meeting of Shareholders 2014.

Remuneration

In CHF 1'000	Remuneration fixed	Other remuneration	Total	Shares (acquired)	Stock options (granted)	Total remuneration
François Frôté	172	21	193	20	0	213
Frank Brinken	80	9	89	20	0	109
Michel Rollier	80	10	90	0	17	107
Walter Fust	57	6	63	0	0	63
Current Board of Directors	389	46	435	40	17	492
Claude Elsen*	23	2	25	0	17	42
Philippe Maquelin*	41	5	46	0	17	63
Raymond Stauffer**	0	0	0	0	5	5
Total Board of Directors	453	53	506	40	56	602

* Messrs. Claude Elsen and Philippe Maquelin resigned with effect as of the General Meeting of Shareholders 2014.

** Mr. Raymond Stauffer resigned with effect as of the General Meeting of Shareholders 2013

Other remuneration comprises payments made in respect of social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2014 and may not be exercised until April 30, 2016.

The above information includes all the remuneration paid to the members of the Board of Directors. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the Board of Directors or their families.

In 2014 members of the Board of Directors acquired 16'000 shares at an acquisition price of CHF 3.60 per share and they were granted 8'000 options with a fair value of CHF 2.10. Former members of the Board of Directors were granted 18'323 options with the same fair value.

Remuneration paid to members of the General Management in 2015

The remuneration paid to the members of the General Management during the financial year under review came to CHF 1.6 million. These remuneration figures are the amounts booked during the period under review, although the variable cash remuneration will not be paid until May 2016.

In CHF 1'000	Remuneration fixed	Remuneration variable	Other remuneration	Paid remuneration	Shares (acquired)	Stock options (granted)	Total remuneration
Michael Hauser (CEO)	556	0	87	643	0	23	666
Other members of General Management	690	127	130	947	0	39	986
Total General Management	1'246	127	217	1'590	0	62	1'652

In May 2015 General Management was enlarged to four members by appointing a Head of Global Supply Chain Management. Nevertheless the total remuneration did not exceed the approved remuneration.

Other remuneration comprises payments made in respect of retirement pensions and social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2015 and may not be exercised until April 30, 2017.

The above information includes all the remuneration paid to the members of the General Management. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the General Management or their families.

In 2015 no member of the General Management acquired shares. On the other hand they were granted 80'000 options with a fair value of CHF 0.77.

Remuneration paid to members of the General Management in 2014

The remuneration paid to the members of the General Management during the financial year under review came to CHF 1.3 million. These remuneration figures are the amounts booked during the period under review, although the variable cash remuneration will not be paid until May 2015.

In CHF 1'000	Remuneration fixed	Remuneration variable	Other remuneration	Paid remuneration	Shares (acquired)	Stock options (granted)	Total remuneration
Michael Hauser (CEO)	536	0	96	632	25	42	699
Other members of General Management	508	87	104	699	76	42	817
General Management	1'044	87	200	1'331	101	84	1'516

Other remuneration comprises payments made in respect of retirement pensions and social security contributions. Shares and options on shares were allocated within the framework of the company's option and stock purchasing program in 2014 and may not be exercised until April 30, 2016.

The above information includes all the remuneration paid to the members of the General Management. During the period under review and at the end of the financial year, the company did not grant any loans or other benefits to members of the General Management or their families.

In 2014 members of the General Management acquired 40'000 shares at an acquisition price of CHF 3.60 per share with a remuneration benefit of CHF 2.54 per share and they were granted 40'000 options with a fair value of CHF 2.10.

Comparison between approved and paid remuneration in 2015

in CHF 1'000

	Approved by the General Assembly 2015				Remuneration paid in 2015				
	Remuneration	Remuneration	Total	Number	Remuneration	Remuneration	Other	Total	Number
	fixed	variable	remuneration	of participation rights	fixed	variable	remuneration	remuneration	of participation rights
Board of Directors	450	0	450	40'000	400	0	47	447	24'000
General Management	1'250	650	1'900	90'000	1'246	127	217	1'590	80'000

According to art. 9 lit. 9 of the Articles of Incorporation of Tornos Holding Ltd. the General Assembly of Shareholders has, prospectively for the period up to the next General Assembly of Shareholders, approved the maximum remuneration for the Board of Directors of CHF 0.45 million and of CHF 1.9 million for the General Management. In addition it approved the grant of a maximum of 40'000 options or shares in the context of the company's Management and Board Participation Plan 2007 to members of the Board of Directors and of 90'000 options or shares to members of the Group Management.

The 40'000 and 90'000 options approved by the General Assembly of Shareholders represent a fair value of CHF 0.1 million. The options granted to the Board of Directors and General Management represent a value of CHF 0.08 million.

Actual remunerations paid to the Board of Directors and the Group Management were within the approved amounts as well as the number of options and shares granted to the Board of Directors and the Group Management respected the approved maximum number.

The company did not pay any remuneration made available through art. 30 of the Articles of Incorporation.

Share and option holdings by members of the Board of Directors and General Management

	Number at 31.12.2015		Number at 31.12.2014	
	Shares	Options	Shares	Options
François Frôté	198'567	16'000	198'567	16'000
Frank Brinken	17'000	16'000	17'000	8'000
Michel Rollier / Rollomatic Holding SA	2'853'733	24'000	2'853'733	16'000
Walter Fust	8'950'955	0	8'950'955	0
Claude Elsen*	-	-	55'218	24'000
Philippe Maquelin*	-	-	27'214	31'333
Total Board of Directors	12'020'255	56'000	12'102'687	95'333
Michael Hauser (CEO)	11'000	80'000	11'000	79'000
Luc Widmer	15'000	45'000	15'000	15'000
Bruno Allemann	15'000	25'000	15'000	5'000
Bruno Edelmann	500	0	-	-
Total General Management	41'500	150'000	41'000	99'000

* These persons were not members of the Board of Directors as at 31.12.2014.

Tornos Holding Ltd., Moutier

**Report of the statutory auditor
to the General Meeting of Shareholders
on the remuneration report 2015**

We have audited the accompanying remuneration report dated March 2, 2016 of Tornos Holding Ltd. for the year ended 31 December 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 62 to 67 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Tornos Holding Ltd. for the year ended December 31, 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

A stylized, handwritten signature in black ink, consisting of several fluid, connected strokes.

Oliver Kuntze
Audit expert
Auditor in charge

A handwritten signature in black ink, featuring a large, prominent 'S' followed by several smaller, connected strokes.

Yves Tritten
Audit expert

Neuchâtel, March 2, 2016

The Board of Directors and General Management place great value on responsible and transparent corporate governance and control in the interests of shareholders, customers and staff. The disclosure of corporate governance as given below takes its model from the SIX Swiss Exchange Ltd. and complies with the corporate governance best practice rules of “economiesuisse”. At Tornos, corporate governance is based on the Articles of Association and the Rules of Organization.

Corporate Governance

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Group structure and shareholders

Group structure

		Share capital	% held	
			2015	2014
Tornos Holding Ltd., Moutier <i>Holding</i>	CHF	89'449'519.50		
└─ Tornos Management Holding Ltd., Moutier <i>Management of shareholdings and holding</i>	CHF	65'000'000	100%	100%
└─ Almac Ltd., La Chaux-de-Fonds <i>Production and sales</i>	CHF	1'175'000	100%	100%
└─ Almatronic Ltd., La Chaux-de-Fonds <i>Dormant company</i>	CHF	50'000	100%	100%
└─ Cyklos Ltd., Yverdon-les-Bains <i>Dormant company</i>	CHF	100'000	100%	100%
└─ Tornos Ltd., Moutier <i>Production and sales</i>	CHF	65'000'000	100%	100%
└─ Tornos Technologies Deutschland GmbH, Pforzheim <i>Support services</i>	EUR	511'292	100%	100%
└─ Tornos Technologies Iberica SA, Granollers <i>Support services</i>	EUR	60'200	100%	100%
└─ Tornos Technologies Italia Srl, Opera/MI <i>Support services</i>	EUR	93'600	100%	100%
└─ Tornos Technologies Poland Sp. z o.o., Katy Wroclawskie <i>Support services</i>	PLN	50'000	100%	100%
└─ Tornos Technologies UK Ltd., Coalville <i>Support services</i>	GBP	345'000	100%	100%
└─ Tornos Holding France SA, St-Pierre-en-Faucigny <i>Holding</i>	EUR	12'496'800	100%	100%
└─ Tornos Technologies France SAS, St-Pierre-en-Faucigny <i>Support services</i>	EUR	762'250	100%	100%
└─ Tornos Technologies U.S. Corp. Bethel, CT <i>Sales and service</i>	USD	2'400'000	100%	100%
└─ Tornos Technologies Asia Limited, Hong Kong <i>Support services</i>	HKD	10'000	100%	100%
└─ Tornos Technologies (HK) Limited, Hong Kong (in liquidation) <i>Support services</i>	HKD	10'000	100%	100%
└─ Tornos Technologies (Shanghai) Limited, Shanghai <i>Sales and service</i>	USD	500'000	100%	100%
└─ Tornos (Xi'an) Machine Works Co., Ltd., Xi'an <i>Production</i>	RMB	25'000'000	70%	70%

Organizational structure of the Group

The Group's organizational structure is defined by functional areas as follows: sales and marketing, production and development, customer service, supply chain management, and general and financial services. The Group is managed by the General Management comprising the four members as listed below:

General Management

Michael Hauser Chair
Bruno Allemand
Bruno Edelmann
Luc Widmer

Listed companies in the consolidation

Tornos Holding Ltd. is the only consolidated company within the Group to be listed on the stock exchange. The subsidiaries are not listed. Tornos shares are traded on the SIX Swiss Exchange, Zurich, under securities number TOHN (ISIN code CH0011607683). The market capitalization value as on the balance sheet date amounted to CHF 58.8 million.

Unlisted companies in the consolidation

Tornos Holding Ltd. has no unconsolidated shareholdings.

2015

No change in the scope of consolidation.

2014

Tornos Comércio Importação e Exportação de Máquinas Ferramenta Ltda, São Paulo was liquidated on October 17, 2014.

This was the sole change in the scope of consolidation during the year under review.

Shareholders

As at December 31, 2015, 1'745 shareholders were registered in the share register and held numbers of shares as follows:

More than 1'000'000 shares	2 shareholders
From 100'001 to 1'000'000 shares	8 shareholders
From 15'001 to 100'000 shares	39 shareholders
From 1 to 15'000 shares	1'696 shareholders

As at December 31, 2015, 1'576'558 shares, representing 7.93% of the total number of shares issued, were not registered in the share register (not assigned).

Major shareholders registered in the share register (i. e., representing 5% or more of the company's voting rights) are the following:

Shareholders	31.12.2015		31.12.2014	
	No. of shares	%	No. of shares	%
Walter Fust	8'950'955	45.03	8'950'955	45.03
Michel Rollier / Rollomatic Holding SA	2'853'733	14.36	2'853'733	14.36
Balfidor Fondsleitung AG	-	-	1'055'454	5.31

Number of shares known by the company or according to the latest declaration made to SIX Swiss Exchange Ltd. The percentages are based on the real number of shares at balance sheet date.

The following communications were published according to article 20 of the Federal Law on Stock Exchange and Security Trading in the course of 2015 and 2014:

Date	Shareholder	% of voting rights
24.10.2015	Tornos Holding Ltd.	4.74
13.10.2015	Swisscanto Fondsleitung AG	< 3.00
24.06.2015	Swisscanto Fondsleitung AG (before: Balfidor Fondsleitung AG)	4.91
03.02.2015	Balfidor Fondsleitung AG	4.98
11.02.2014	Berner Kantonalbank AG	< 3.00
07.02.2014	Walter Fust	42.88
04.02.2014	Tornos Holding Ltd.	2.52

Detailed information regarding above-mentioned or earlier publications can be found on the SIX Swiss Exchange website:

<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html?company-Id=TORNOS>

Tornos Holding Ltd. is unaware of any shareholders' pact.

Cross participations

There are no cross participations.

Capital structure

Capital

The Tornos Holding Ltd. share capital is as follows:

	31.12.2015			31.12.2014		
	No. of shares	Per value CHF	Share capital CHF	No. of shares	Per value CHF	Share capital CHF
Share capital	19'877'671	4.50	89'449'519.50	19'877'671	4.50	89'449'519.50
Authorized share capital	n/a	n/a	n/a	n/a	n/a	n/a
Conditional share capital	706'662	4.50	3'179'979.00	706'662	4.50	3'179'979.00

Specifications regarding authorized and conditional capital

The following information relates to the changes in authorized and conditional capital for 2015 and 2014.

Authorized capital

2015

As at December 31, 2015, Tornos did not have any authorized capital.

2014

The company had authorized share capital pursuant to a decision of the General Meeting of Shareholders held on April 17, 2012. The Board of Directors could, at any time up to April 17, 2014, increase the share capital by a maximum sum of CHF 1'459'899.00 by issuing no more than 324'422 registered shares with a par value of CHF 4.50 each to be fully paid-up.

Following the authorized capital's expiry as per April 17, 2014, the company has no authorized capital anymore as per December 31, 2014.

Conditional capital

2015

As at December 31, 2015, the share capital could have been increased by up to CHF 3'179'979.00, to the exclusion of the subscription right or priority subscription right of the shareholders, for good reasons (acquisition of shareholdings by employees), by issuing fully paid-up registered shares with a par value of CHF 4.50 each, up to a maximum of 706'662 shares with the said par value, through the exercise of option rights granted to members of the Board of Directors and to employees and contracted staff under an employee stock option scheme.

2014

As at December 31, 2014, the share capital could have been increased by up to CHF 3'179'979.00, to the exclusion of the subscription right or priority subscription right of the shareholders, for good reasons (acquisition of shareholdings by employees), by issuing fully paid-up registered shares with a par value of CHF 4.50 each, up to a maximum of 706'662 shares with the said par value, through the exercise of option rights granted to members of the Board of Directors and to employees and contracted staff under an employee stock option scheme.

Changes in Capital

Share Capital	Number of shares	Source of share capital	Nominal value (in CHF)	Share capital (in CHF 1'000)
At December 31, 2012	15'502'093		4.5	69'759
Capital increase on May 30, 2013	4'375'578	Authorized capital	4.5	19'691
At December 31, 2013	19'877'671		4.5	89'450
At December 31, 2014	19'877'671		4.5	89'450
At December 31, 2015	19'877'671		4.5	89'450

Authorized Capital	Number of shares	Increase/ decrease in capital	Nominal value (in CHF)	Authorized capital (in CHF 1'000)
At December 31, 2012	4'700'000		4.5	21'150
Capital increase on May 30, 2013	-4'375'578	Capital increase	4.5	-19'691
At December 31, 2013	324'422		4.5	1'459
Expiration authorized capital on April 17, 2014	-324'422		4.5	-1'459
At December 31, 2014	-		-	-
At December 31, 2015	-		-	-

Conditional Share Capital	Number of shares	Increase/ decrease	Nominal value (in CHF)	Conditional capital (in CHF 1'000)
At December 31, 2012	706'662		4.5	3'180
At December 31, 2013	706'662		4.5	3'180
At December 31, 2014	706'662		4.5	3'180
At December 31, 2015	706'662		4.5	3'180

Shares and participation certificates

As at December 31, 2015, the ordinary share capital of Tornos Holding Ltd. amounted to CHF 89'449'519.50, and was divided into 19'877'671 fully paid up registered shares with a par value of CHF 4.50 per share, all having equal rights to dividends. There are no preferred shares or limitations with regard to voting rights. Each share corresponds to one vote ('one share, one vote').

There are no participation certificates.

Dividend right certificates

There are no dividend right certificates.

Restrictions on transfer and nominee registration

Tornos Holding Ltd. has only one type of share. These shares are not subject to any restriction on transfer.

Convertible loans and options

There are no convertible loans. Shareholding plans for persons designated by the Board of Directors exist. See Note 27 of the consolidated financial statements in the financial report with regard to the provisions of the share ownership plan in favor of individuals designated by the Board of Directors.

Board of Directors



François Frôte	Michel Rollier
Walter Fust	Frank Brinken

François Frôté (1953), Swiss

Chairman / Appointed in 2002 / Elected until 2016

Previous activities for Tornos: legal adviser / Committees: Remuneration Committee; Audit Committee / Training – final qualification on completion of studies: lawyer, law degree, University of Berne, 1979 / Current directorships: Rollomatic Holding SA: Board member; Nugerol Holding SA: Board member; Esco SA: Vice-Chairman; Bien-Air Holding SA: Board member; Gebäudeversicherung Bern (GVB): Board member; GVB Privatversicherungen AG: Board member; PX Holding SA: Board member; Azurée Holding SA: Chairman; Coopérative Migros Neuchâtel Fribourg: Vice-Chairman / Professional activities: Law offices of Frôté & Partner: Lawyer and Chairman (since 1979)

Walter Fust (1941), Swiss

Appointed in 2014 / Elected until 2016

Previous activities for Tornos: none / Committees: Chairman of the Remuneration Committee; Audit Committee / Training – final qualification on completion of studies: Engineer ETHZ (Swiss Federal Institute of Technology Zurich), 1964 / Current directorships: Starrag Group Holding Ltd.: Board member; Immofust Ltd.: Chairman; Waltair Ltd.: Chairman / Other bodies: Fraunhofer Institute IWU University of Chemnitz: Member of the council / Former professional activities: Dipl. Ing. Fust Ltd.: Founder (1966); Jelmoli Holding Ltd.: Board member (from 1997 to 2009, Chairman until 2007)

Michel Rollier (1959), Swiss

Appointed in 2002 / Elected until 2016

Previous activities for Tornos: none / Committees: Remuneration Committee; Audit Committee / Training – final qualification on completion of studies: EPFL (Swiss Federal Institute of Technology Lausanne) engineer, 1985 / Current directorships: Rollomatic Holding SA: Chairman; Azurée Holding SA: Board member / Professional activities: Rollomatic SA, various management functions in the Group: Head of R&D (since 1989)

Frank Brinken (1948), Swiss

Vice-Chairman / Appointed in 2011 / Elected until 2016

Previous activities for Tornos: none / Committees: Remuneration Committee; Chairman of the Audit Committee / Training – final qualification on completion of studies: Engineer, Doctorate in Engineering, Polytechnic University of Aachen (RWTH), 1979; Honorary professor at Chemnitz University of Technology, Germany, 2013 / Current directorships: Fastems Oy AB, Board member; Starrag Group Holding AG: Vice-Chairman; Foundation Inspire/ETHZ: Chairman / Other professional bodies: CECIMO “European Committee for Cooperation of the Machine Tool Industries”: Chairman of the Economic Committee / Professional activities: Maag Pump Textron Systems: CEO (from 1995 to 2004); Starrag Group Holding AG: CEO (from 2005 to 2014)

Members of the Board of Directors

2015

The Board of Directors comprises four members. In 2015, there has been no alteration in the composition of the Board of Directors. No member has close business relations with Tornos Holding Ltd. or any Group company.

2014

The Board of Directors comprises four members. At the General Meeting of Shareholders 2014, Messrs. Claude Elsen and Philippe Maquelin resigned as Board members. A successor, Mr. Walter Fust, was elected. No member has close business relations with Tornos Holding Ltd. or any Group company.

Other activities and interest groups

No member of the Board of Directors has a permanent or temporary managerial, supervisory or consultative role in any significant undertakings or interest group other than those mentioned on page 79. No member holds an official function or political office.

Election and term of office

The Board of Directors of Tornos Holding Ltd. is made up of at least three members (currently four), all of whom are independent members with no executive function in the company. Members of the Board are elected individually by the General Meeting of Shareholders for a term that ends with the conclusion of the next ordinary General Meeting of Shareholders. They are eligible for reelection. The Chairman is elected by the General Meeting of Shareholders.

Internal organization

The Rules of Organization of Tornos Holding Ltd. lay down the regulations for the company's operations, which are published on the website (in French only): <http://investors.tornos.com/en/content/corporate-documents>

The Rules of Organization set the following guidelines:

Authorities

The authorities of the various internal bodies are as follows:

The Board of Directors has the following duties and authorities:

- To exercise overall management of the company and issue the necessary instructions, including the approval of company policy and strategy;*
- To determine the company's organization;*
- To establish the accounting, financial control and planning principles and approve the annual plans and budgets (including investments);*
- To appoint members of the General Management;*
- To appoint and dismiss persons responsible for representing the company;*
- To supervise the individuals entrusted with the management of the business, ensuring in particular that they comply with the provisions of law, and of the Articles of Association and regulations, and with the instructions issued;*
- To convene the General Meeting of Shareholders and to prepare all matters falling within its remit, including preparation of the annual report and the remuneration report, Group accounts, annual financial statements and resolutions for the appropriation of profits, and to carry out the decisions of the General Meeting of Shareholders;*
- To inform the court in the event of over-indebtedness;*
- To decide on calls to be made on partly-paid shares;*
- To record capital increases and amend the Articles of Association appropriately;*
- To determine the financial policy;*
- To set guidelines for the company's information policy;*
- To approve operations with major legal implications, exceptional transactions or unbudgeted financial commitments, where potential foreseeable risks exceed CHF 1.0 million, and in particular:*
 - Contracts with third parties in areas outside the company's normal sphere of business;*
 - Decisions to enter new business sectors or abandon existing ones;*
 - The acquisition or sale of minority shareholdings;*
 - The acquisition or sale of shareholdings;*
 - Decisions to commence or terminate legal actions, or to enter into negotiated settlements.*

- To approve unbudgeted investments in excess of CHF 250'000;
- To decide on the issuance of public loans and other capital market transactions;
- To decide on the establishment and liquidation of subsidiaries, and the acquisition or disposal of majority shareholdings;
- To decide on the purchase, mortgaging or sale of properties where the amount of the individual transaction is in excess of CHF 1.0 million;
- To oversee the activity of the General Management and in particular the implementation of the Board's decisions;
- Where the law requires auditors to be used, to ensure that they have the requisite professional skill;
- To provide advice to the General Management in all cases where the Board of Directors or the General Management itself deem it necessary or appropriate;
- To recruit and select members of the General Management;
- To assess the members of the General Management;
- To approve employment conditions that are not related to a remuneration;
- To recruit members of the Board of Directors in view of proposals to the General Meeting of Shareholders.

In cases where it is uncertain whether an issue falls within the remit of the General Management or the Board of Directors, the question is to be put to the Board of Directors for a ruling.

As far as is legally permitted, and subject to the responsibilities mentioned above, the Board of Directors delegates all aspects of management to the CEO and President. Accordingly, the CEO is responsible for all management and representation of the company. Hence, in matters falling within his remit, he will take the final decision.

In order to form a quorum, the majority of the members of the Board of Directors must be present at a meeting. If the votes are equal, the Chairman has the casting vote.

The Chairman of the Board of Directors has the following duties and authorities:

- To chair the General Meeting of Shareholders and meetings of the Board of Directors;
- To represent the Board of Directors in the public and with authorities, shareholders and General Management;
- To brief the Board in a timely manner on all matters of importance to the company;
- To supervise the work of the General Management, and in particular the implementation of decisions of the Board of Directors;
- To advise the General Management;
- To carry out all tasks falling within his remit under the terms of the law, Articles of Association and Rules of Organization.

The CEO's duties and responsibilities include overseeing the company; representing the General Management to the Board of Directors, to the public and before the authorities; submitting proposals to the Board of Directors on all matters falling within the latter's remit; and organizing and overseeing the General Management.

The CEO may delegate management to certain members of General Management and other employees, as well as arrange for a deputy to represent him in case of absence, although this shall not absolve him from his responsibilities.

The Board of Directors meets as often as necessary, but at least four times a year. During 2015, nine meetings of varying duration were held, of which two conference calls. The Board of Directors regularly invited members of General Management as well as other members of the Management to attend its meetings when the items on the agenda required their expertise. Members of General Management also attended committee meetings.

General Management has the following duties and authorities:

- To manage the company in such a way as to ensure sound and sustainable development of the Tornos Group;
- To define the management tools to be used throughout the Group, in particular the planning, accounting, IT systems and internal control systems;
- To carry out regular analyses of company strategy and annual planning as well as their implementation; to submit proposals to the Board of Directors;
- To develop the corporate culture;
- To prepare all matters falling within the remit of the Board of Directors or its committees, and to implement their decisions;
- To approve job descriptions, instructions and guidelines issued within the organizational framework defined by the Board of Directors; approval of the job descriptions of members of General Management is the responsibility of the Board of Directors;
- To enter into contracts with third parties where the interests of several divisions of the company are involved or where the contracts are of importance to the Group;

- In general, to take decisions within all areas of the company's activity, within the scope of its delegated authority;
- To introduce the innovation process and examine development projects to be submitted to the Board as a whole;
- To define the portfolio of products and markets for approval by the Board of Directors;
- To examine acquisitions and disposals;
- To propose innovations to the Board of Directors for approval.

With the efficient allocation of duties in mind, the Board of Directors appointed Mr. Frank Brinken as Vice-Chairman.

All members of the Board of Directors were elected members of the Remuneration Committee by the General Meeting of Shareholders for a term ending with the next ordinary General Meeting of Shareholders. The Remuneration Committee appointed Mr. Walter Fust as its Chairman.

Remuneration Committee

Walter Fust (Chairman), François Frôté, Frank Brinken, Michel Rollier.

Under article 8.2 of the Rules of Organization of Tornos Holding Ltd, the Remuneration Committee has the following duties:

- Definition and periodic review of the remuneration policy and principals, of goals and allowance criteria of further remuneration related to the results; periodic review in terms of their implementation and submission of related proposals and recommendations to the Board of Directors;
- Submission of proposals to the Board of Directors concerning the grant of remunerations to members of the Board of Directors and General Management within the meaning of article 14 al. 2 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares;
- Submission of proposals to the Board of Directors regarding the participation plan;
- Reviewing and putting together the remuneration report and presenting it to the Board of directors as a whole;
- Defining and setting terms and conditions for the recruitment and compensation of members of General Management;
- Defining the annual remuneration increases for the members of General Management;
- Recommendations to the Board of Directors for the compensation arrangements of the Chairman of the Board and other directors;

The Remuneration Committee has to consist of at least two non-executive directors. The CEO is a permanent invitee of the Committee with consultative vote, and, lastly, the CFO may be invited to participate, with a consultative vote, either fully or partly in the Committee, depending on the decisions of the CEO. With respect to decisions, the rules also stipulate that in the event of an equally split vote on a decision, the Committee Chairman shall henceforth have the casting vote.

The Committee convened four times in the course of 2015.

Mr. Michael Hauser (CEO) attended all meetings as a permanent guest.

In particular, the following subjects were covered:

- Identification of the individuals to participate in the "Management and Board Participation Plan 2007 (MBP 07)";
- Benchmarking the remuneration for the General Management against a peer group of 20 publicly listed small and mid cap Swiss industrial companies;
- Assessment and review of Management and senior staff salaries for 2016;

The minutes of committee meetings were distributed to the Directors, who are all committee members.

Audit Committee

Frank Brinken (Chairman), Walter Fust, Michel Rollier, François Frôté.

Under article 9.2 of the Rules of Organization of Tornos Holding Ltd., the Audit Committee has the following powers and duties:

- Recommendation to the Board of Directors concerning the appointment of auditors;
- Definition and interpretation of accounting standards;
- Reviewing and putting together the annual and semi-annual reports and presenting them to the Board as a whole;
- Reviewing and structuring capital market transactions for submission to the Board as a whole;
- Overseeing the compliance with the SIX Swiss Exchange directives;
- Overseeing the work of the auditors;
- On the instructions of the Board of Directors, monitoring particular operational or financial matters of the Group;
- Recommendation to the Board of Directors concerning the financial and dividend policy of the Tornos Group;
- Reporting to the Board of Directors on the work of the Audit Committee.

The Audit Committee has to consist of at least two non-executive directors, the other members of the Board of Directors and the CEO are permanent invitees of the Committee with consultative votes, and, lastly, the CFO may be invited to participate, with a consultative vote, either fully or partly in the Committee, depending on the decisions of the CEO. If required, the auditors may participate with a consultative vote. The Committee meets as often as necessary, but at least once a year. With respect to decision, the rules also stipulate that in the event of an equally split vote on a decision, the Committee Chairman shall henceforth have the casting vote.

The Committee met six times in 2015, including once via conference call.

Michael Hauser (CEO and permanent guest) attended all meetings, together with Luc Widmer (CFO and guest, attending until May 5, 2015) or Bruno Edelmann (CFO and guest, attending as from May 6, 2015).

In particular, the following main topics were discussed:

- Review of the financial statements and annual report for 2014;
- Review of the Group auditor's report to the Audit Committee;
- Periodic review of the utilization of the authorized capital and the conditional capital of Tornos Holding Ltd.;
- Review of the financial plan 2015–2017;

- Periodic review of impairment tests and extraordinary amortization and depreciation relating to the strategic and operational reorientation of the Group;
- Periodic review of the Group's financing and lines of credit;
- Review of the intermediate financial statements on June 30 and the half-year report 2015;
- Review of the risk management map;
- Monitoring of future changes in the field of corporate governance and financial regulations;
- Review of the internal control system of the Tornos Group;
- Review of the audit plan.

The Audit Committee also reviewed the quarterly financial results, the forecast for 2015 and the detailed budget for 2016. It reviewed the information to be released to the financial community prior to publication. It examined certain specific points related to financial, accounting and taxation issues, as well as the interpretation, adaptation and implementation of accounting standards for the Group, Swiss GAAP FER and the SIX Swiss Exchange directives as they relate to the preparation and publication of the Group's financial statements. The Committee examined and followed up with numerous operational questions potentially having a significant impact on the Group's financial statement. It also assessed the performance of the auditors and its own work.

At each Board meeting, the Chairman of the Audit Committee gave an account of the Committee's work and submitted proposals for decision.

The minutes of committee meetings were distributed to the Directors, who are all committee members.

Information and control methods for oversight of management

At its meetings, the Board of Directors is regularly kept verbally informed by General Management on the progress of business. In addition, a periodic management information system is in place, distributed to all members of the Board, whereby the most important indicators are compared on a weekly basis (orders received) and on a monthly basis written reports are issued, containing information on order intake, financials, supply chain management, and operations. Twice a year, General Management establishes a forecast that is to be approved by the Audit Committee. General Management also identifies and quantifies risks on an annual basis, defining appropriate preventive measures. The Audit Committee submits this document to the Board for approval.

Members of General Management

In accordance with the Group's organizational structure described above, General Management consists of three members plus Mr Michael Hauser, who also acts as Chief Executive Officer.

In 2015 General Management was enlarged to three members plus the CEO by appointing a Head of Global Supply Chain Management.

Other activities and interest groups

No member of General Management has a permanent or temporary managerial, supervisory or consultative role in any significant undertakings or interest groups, other than those mentioned on page 89. No member holds an official function or political office.

Management contracts

There are no management contracts with companies or individuals outside the Group.

Guidelines

The compensation paid to the members of the Board of Directors and General Management during the 2015 financial year is shown in the remuneration report. It gives a complete picture of the principles and elements applied by the Tornos Group, and of the structure and responsibilities relating to compensation. It contains detailed information about the remuneration, shares and loans of the Board of Directors and General Management.

General Management



Michael Hauser	Bruno Edelmann
Luc Widmer	Bruno Allemann

Michael Hauser (1961), Swiss, German

Chief Executive Officer | Appointed in 2011

Training – final qualification on completion of studies: Diplom-Kaufmann, University of Mannheim, 1988 | Current directorship: none | Other professional bodies: SWISSMEM, Council member and chairman of the “Machine tools and manufacturing technology” division; CECIMO “European Committee for Cooperation of the Machine Tool Industries”, Board member and Vice-Chairman (Chairman from 2009 to 2011) | Previous professional activities: Mikron Ltd., Nidau (CH): Managing Director (from 1996 to 2000); Agie Charmilles Group (CH): Head of Milling Division [Mikron Agie Charmilles Ltd. (CH), Bostomatic Inc. (US), Step Tec AG (CH)] and Group Management member (from 2000 to 2008); Georg Fischer Ltd. (CH): President of GF AgieCharmilles and Member of the Executive Committee (from 2008 to 2010)

Luc Widmer (1969), Swiss

Head of Global Supply Chain Management

Appointed in 2015 (CFO from 2012 - 2015)

Training – final qualification on completion of studies: Business economist, University of Applied Sciences, Olten, 1998 | Current directorship: none | Previous professional activities: ALSTOM (Suisse) Ltd.: Chief Financial Officer Gas Segment Manufacturing (from 2001 to 2002); Managing Director Gas Turbine Logistics (from 2003 to 2004); Mikron Technology Group (CH): Division Controller (2005); Forteq Group (CH): Chief Financial Officer (from 2006 to 2012)

Bruno Edelmann (1966), Swiss

Chief Financial Officer | Appointed in 2015

Training – final qualification on completion of studies: Swiss Certified Accountant at vocational business school, Biel, 1993; Swiss Certified Public Accountant at Swiss Institute of Certified Accountants, Bern, 1996 | Current directorship: none | Previous professional activities: Ernst & Young Ltd., Biel (CH): Senior Manager Audit (from 1992 to 2001); Feldschlösschen Beverages Ltd., Rheinfelden (CH): Head of Controlling (from 2001 to 2002); Saia-Burgess Group, Murten (CH): Project leader / Controller (from 2005 to 2006); Feintool Group, Lyss (CH): Head of Group Finance and Controlling (from 2002 to 2005 and from 2006 to 2015)

Bruno Allemann (1965), Swiss

Head of Sales & Marketing | Appointed in 2013

Training – final qualification on completion of studies: Diploma SME-HSG, University of St. Gallen, 2004 | Current directorship: none | Previous professional activities: Mikron Ltd., Nidau (CH): Head of Regional Sales, Head of Sales (from 1990 to 1998), Sales Director Switzerland (from 1999 to 2000); Agie Charmilles Group: Mikron Sales Ltd. (CH): Managing Director (from 2001 to 2007); Agie Charmilles GmbH (Germany): Managing Director (from 2007 to 2011); GF AgieCharmilles (CH): Head of Marketing & Sales Support Milling (from 2011 to 2013)

Participation rights of shareholders

Limitation and representation of voting rights

In accordance with Article 10 of the Articles of Association, there are no voting restrictions, with each share entitling its owner to one vote. Under the Articles of Association, shareholders may only be represented at General Meetings of Shareholders by their legal representative, another shareholder with voting rights or the independent proxy.

- the increase of the share capital through equity, against contribution in kind or for acquisition of assets and the granting of special rights;
- the limitation or waiver of preferential subscription rights;
- the transfer of the company's headquarters;
- the dissolution of the company.

Statutory quorum

Apart from the quorums specified in Article 704 CO, Article 11 of the Articles of Association provides for a qualified quorum of at least two-thirds of the votes represented and an absolute majority of the nominal value of the shares represented in the case of a vote on the limitation of the exercise of voting rights or any change or cancellation of such limitation.

- the modification of the purpose;
- the introduction of shares with privileged voting rights;
- the restriction of the transferability of registered shares;
- the restriction of the exercise of the right to vote and any modification to or waiver of such restriction;
- the increase in authorized or conditional share capital;

Convening General Meetings of Shareholders

Convening General Meetings according to Article 8 of the Articles of Association must comply with statutory prescriptions.

Entry of items on the agenda

Shareholders representing a nominal value of CHF 1'000'000 or more may demand that an item for discussion be entered on the agenda. They must submit their request at least 45 days before the General Meeting of Shareholders in writing, quoting the items to be discussed and the motions.

Entries in the share register

Entries in the share register (register closing date) must be made at least 11 days before the General Meeting of Shareholders.

Control and warding-off mechanisms

Obligation to submit an offer

The legal thresholds apply with regard to the obligation to submit a public offer.

Takeover clauses

In the event of a takeover, the lock-in period stipulated for shares and options under the employee share option schemes will become null and void. There are no other clauses relating to takeovers in favor of members of the Board of Directors and members of General Management.

Auditors

Since financial year 2006, the auditors of the holding company and Group have been PricewaterhouseCoopers Ltd., Neuchâtel.

Term of office of the auditors and of the senior auditor responsible

The auditors are appointed annually by the General Meeting of Shareholders. Mr. Olivier Kuntze, Chartered Public Accountant, is the auditor responsible since 2013. Every three to five years a call for tenders is issued to duly qualified accountants. The decision is based on the quality of the bid, its presentation by the auditors who will be leading the assignment, and the proposed audit fee. Audit services provided are evaluated on the basis of the written and oral reports provided by the auditors to the Audit Committee, and by feedback from management on the way the audits are conducted. The same procedure applies to the evaluation of additional non-audit services supplied.

Audit and additional fees

The audit fees paid to PricewaterhouseCoopers Ltd. are as follows:

in CHF	2015	2014
Auditing	160'100.00	179'750.00
Other services	21'085.00	46'143.00

Other services include legal and tax services.

Means of receiving information from the external auditors

The Audit Committee monitors the external auditors on behalf of the Board of Directors. The audit plan is submitted by the auditors to the Audit Committee for approval of the areas to be the object of particular scrutiny in the year under review. The Audit Committee also asks the auditors to carry out reviews of specific areas that are not included in the audit plan but for which particular reassurance is sought. PricewaterhouseCoopers Ltd. keeps the Audit Committee regularly advised of its activity, and participates in meetings of the Committee as required. It is kept informed of the work of the Audit Committee by receiving a copy of the minutes. In 2015, the auditors attended one meeting of the Audit Committee and submitted two reports to the members of the Audit Committee and the members of the Board of Directors respectively. At the end of the year, the Audit Committee examines, together with the auditors and in the presence of the CEO and CFO, the annual accounts of the holding and Group company together with the financial report.

Information and disclosure policy

Tornos keeps its shareholders informed of the state of business and events relevant to the stock exchange through the annual and half-yearly reports and by way of media releases to the media. As announced by way of a media release on November 3, 2015, the publication of quarterly results will be discontinued as from 2016. All important information can be consulted on the company's website at www.tornos.com. The annual report as well as the financial report containing information relating to the remuneration of members of the Board of Directors and General Management may be ordered from Tornos Ltd., Investor Relations, rue Industrielle 111, CH-2740 Moutier.

The Corporate Governance report is only available in English.

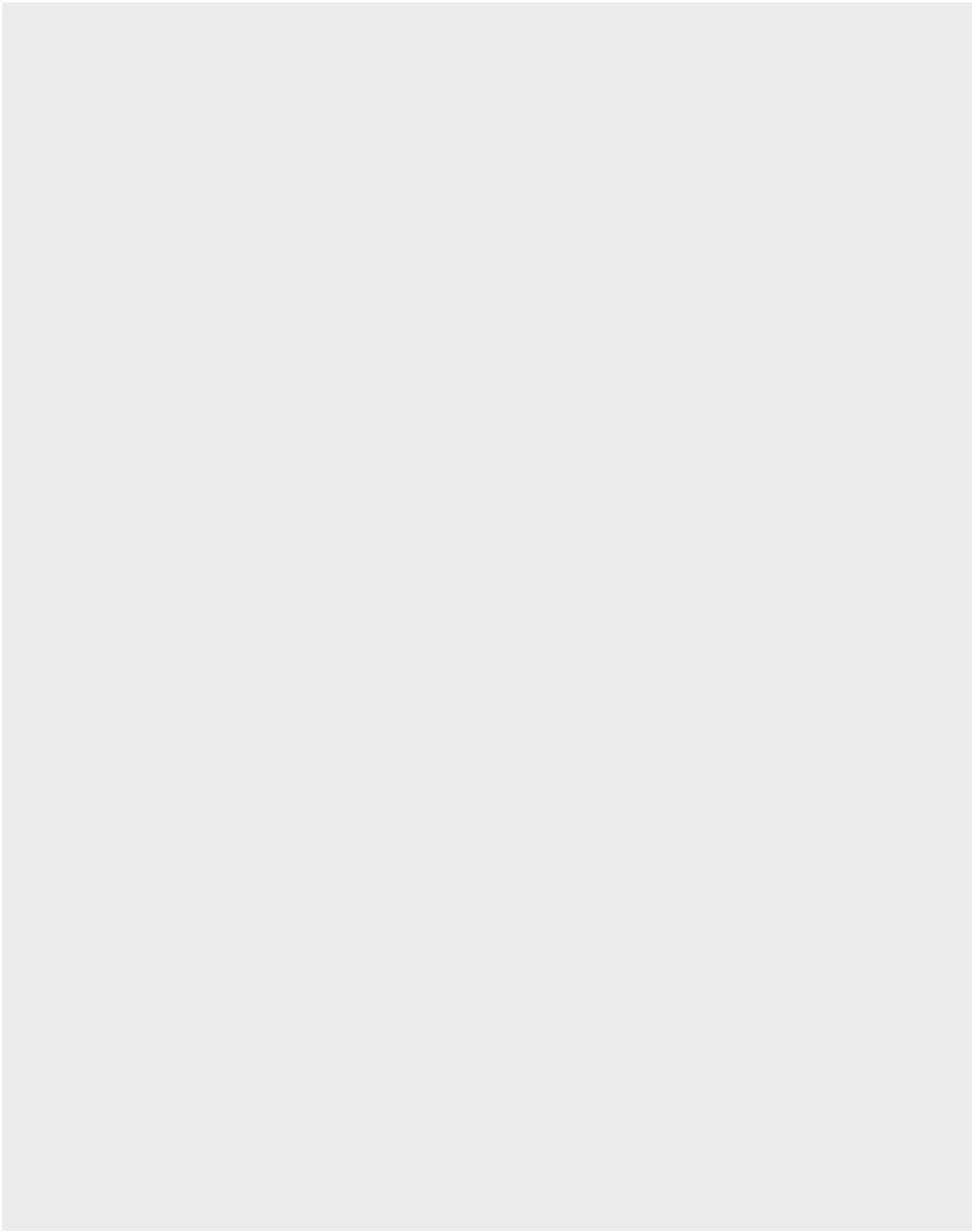
Contact addresses

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Tornos
throughout
the world

