

## MEDIA RELEASE

Moutier, March 15, 2016

### **Tornos with positive result in a challenging market and currency environment**

- **Operating result (EBIT) of CHF +2.4 million and net result of CHF +0.9 million thanks to further improved cost structure**
- **Negative currency effects have an impact on decline in sales and order intake**
- **New product mix of high-end and standard machines and services largely complete**

For the Tornos Group the main focus during the 2015 financial year was on continuing to implement the different major areas of the strategy, while further improving the company's financial performance. The SNB's decision in early 2015 to remove the cap on the Swiss franc against the euro hit Swiss exporters hard at the start of the year. In order to cope with these new framework conditions, the Tornos Group had to re-examine its objectives and priorities and swiftly adopt appropriate measures.

#### **Operating result (EBIT) and net result positive thanks to lower break-even point**

Over the year as a whole, the Group made an operating result (EBIT) of CHF 2.4 million and a net result of CHF 0.9 million. Structural and organizational measures, along with tough cost discipline over the past three years, have enabled the Group to slash its breakeven point, now nearly CHF 50 million lower than in 2012, which allows the business to cope with fluctuations in demand much more flexibly.

#### **Currency effects have an impact on decline in sales and order intake**

The Tornos Group posted net sales of CHF 164.0 million in 2015, a decrease of 6.7% compared to the prior-year period (2014: 175.8 million). Adjusted for exchange rate effects, net sales come to CHF 172.5 million, a slight decrease of CHF 3.3 million or 1.9% below the prior year. Order intake totaled CHF 160.0 million in the year under review, a decrease of 12.7% compared to the year-back period (CHF 183.2 million). Adjusted for exchange rate effects, new orders come to CHF 172.8 million, a decline of CHF 10.4 million or 5.7% compared to prior year.

#### **Orders from all market segments**

This development is due to differing reasons in the specific market segments. In 2015 the automotive supply industry again proved to be the most important market in terms of share. Here, Tornos was able to win major orders, especially in Germany, the stronghold of the European automotive industry. In medical and dental technology, a number of orders were received from well-known global companies. Tornos was selected as a "preferred partner" by one of the biggest medical technology groups. The proportion of orders from the electronics industry increased slightly again. Promising areas of application have opened up in the form of high-tech connectors for the aviation industry, among others. For some time now, the watchmaking industry has been struggling with the more challenging market environment. The ongoing transformation of Hong Kong, a trading centre and one of the world's largest consumers of luxury watches, is having a dampening effect on the Swiss watchmaking industry, making it less ready to invest in new machinery. It is, therefore, all the more remarkable that a major order was won from a well-known Swiss watch brand.

### **Significant improvements in America only partially make up decline in Asia**

In the Americas, order intake was more than two-and-a-half times higher compared to prior year. Starting in 2014, the dealer network was totally restructured and aligned with the new product mix. This began to bear fruit, making a key contribution to ensuring that this region will return to its previous level of success. Order intake in Asia moved in the opposite direction to orders in the Americas. A certain reluctance to invest was observed, reflecting falling industrial output in China – the largest consumer and producer of machine tools – as a result of a decline in China's import and export figures. However, major European suppliers to the automotive industry continue to build new production facilities, especially in the Greater China market region (China, Hong Kong, Taiwan). In this regard this region offers growth potential for the Tornos Group in the next few years. Europe remains the core region for Tornos, and will continue to play the most important role as a market for high-end machines over the next few years. The sales figures for standard machines from Tornos Xi'an and Tornos Taiwan show that the company has succeeded in positioning and selling its products in Europe, too. Order intake in this region (without Switzerland), adjusted for currency exchange rate effects, was above prior year.

### **Stable contribution to sales from the service business**

Despite the decline in the machine business, sales in the service business were on a par with the previous year's figures. The longevity of the machines, and especially the large number that have already been installed throughout the world, offer significant potential in terms of maintenance, spare parts sales and general overhauls. The latter grew further in the year under review.

### **Platform concept brings synergies – almost half of annual machine production coming from Asia**

Thanks to the platform concept and despite the strict cost constraints, four new models were added to the existing range of standard CT 20 and Swiss ST 26 machines in 2015. Two new models were launched in each the Swiss GT and Swiss DT product lines by sharing a certain number of identical components and assemblies. Tornos now offers customers in all major market segments a selection of five- to seven-axis Swiss-type lathes which can be used to manufacture an almost unlimited range of parts. There has been an accompanying rise in the number of machines manufactured in Asia, with almost half of annual production now coming from the factories in Xi'an and Taichung.

### **Full range of high-end products – MultiSwiss sets technology trend**

In the high-end Swiss-type lathe segment, two models were added to the EvoDECO line, which now comprises four machines that are generally considered to be the most powerful and productive on the market. Their eight to ten axes give them maximum flexibility to manufacture the most complex parts. Another workhorse product for Tornos is the MultiSwiss, which, together with the EvoDECO line and the SwissNano, forms the backbone of the high-end machines manufactured in Switzerland. The number of MultiSwiss machines sold has risen year on year ever since the model was launched in 2011. In the United States, the MultiSwiss has put Tornos into the lead in terms of the number of machines sold, and a technological trend has been set with this product.

### **Measures to improve efficiency bearing fruit – production sites in Asia are growing**

The structural and organizational adjustments in the scope of creating the new business area Global Supply Chain Management have paid off. At the same time, the Group pushed ahead with the switch to lean assembly, reducing assembly time by up to 30% per machine. Improvements to production processes allowed some machines to be taken out of service, thus reducing costs sustainably. The increase of weekly working hours at the Swiss sites to 43 hours for nine months also made a positive contribution to a balanced result. The capacities freed up through increased efficiency led to a reduction in the number of temporary staff, whereas employees with many years' service were deployed to new areas of activity to ensure their expertise is retained. 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.

### Streamlining of real estate portfolio is making good headway

In the scope of concentrating industrial activities at the Moutier site, the acquisition of a property by the municipality of Moutier, and the sale of a building section no longer used for operational purposes enabled to further streamline the company's real estate portfolio.

### Outlook 2016: Currency and economic environment remain challenging

The economic situation is expected to remain challenging for the Swiss export industry. Tornos will also continue to press ahead with optimizing structures and processes in order to retain a high degree of flexibility while keeping costs under control. This year, more machines are expected to be produced in the Asian factories than in Switzerland. Development efforts are aimed at expanding the portfolio of premium products from Moutier still in the current year. In order to achieve this objective, slightly more resources will be allocated to development, as specified in the medium-term plan. Owing to the lack of visibility, the persistently unfavorable currency climate and the present uncertainty regarding the economic situation, Tornos is not making a prediction regarding its business performance in 2016.

### Comparison of key figures 2015 and 2014

<b>Tornos Group</b>				
(in CHF 1'000, unless otherwise stated)	<b>2015</b>	<b>2014</b>	Difference	Difference in %
Order intake	160'049	183'188	-23'139	-12.7%
Net sales	163'954	175'806	-11'852	-6.7%
EBITDA	4'921	5'473	-552	-10.1%
<i>in % of Net sales</i>	<i>3.0%</i>	<i>3.1%</i>		
Operating result (EBIT)	2'369	2'815	-446	-15.8%
<i>in % of Net sales</i>	<i>1.4%</i>	<i>1.6%</i>		
Net result	895	2'870	-1'975	-68.8%
<i>in % of Net sales</i>	<i>0.6%</i>	<i>1.6%</i>		
Cash flow from operating activities	-2'337	13'930	-16'267	n/a
Cash flow from investing activities	40	-358	398	n/a
Free cash flow	-2'297	13'572	-15'869	n/a
(in CHF 1'000, unless otherwise stated)	<b>31.12.2015</b>	<b>31.12.2014</b>	Difference	Difference in %
Net cash	11'303	15'066	-3'763	-25.0%
Total equity	84'111	85'203	-1'092	-1.3%
<i>in % of Total balance sheet</i>	<i>59.7%</i>	<i>64.3%</i>		
Total balance sheet	140'798	132'432	8'366	6.3%
Employees (Full-time equivalents)*	657	633	24	3.8%

\* Without apprentices

The French version of this media release prevails.

The business year 2015 documents, consisting of the Annual Report 2015 (Consolidated Financial Statements, Remuneration Report, Corporate Governance; all available in English), the Letter to the shareholders, the report on the Course of business 2015 as well as the Company profile (all available in English, French, German) can be downloaded at <http://investors.tornos.com/en/content/publications>

**Next publication dates**

April 13, 2016	Annual General Meeting 2016
August 16, 2016	Half-year report 2016

Further information on Tornos can be found at [www.tornos.com](http://www.tornos.com)

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**Company profile**

Tornos Group is one of the global leaders for the development, production and distribution of Swiss-type automatic lathes and multi-spindle machines. The company's history dates back to 1880 and marked the beginning of Swiss-type lathe technology. Tornos primarily manufactures CNC Swiss-type (sliding headstock) turning machines, multi-spindle machines with numerical or cam control, and machining centers for complex parts requiring high precision (Almac). Tornos is headquartered in Switzerland. Through a global sales and service network, unique solutions are supplied to customers in dedicated market segments such as Automotive, Medical and dental technology, Micromechanics, and Electronics. With its 646 employees (FTE) on average, Tornos Group generated sales of CHF 164 million in 2015. Tornos offers 38 apprenticeship training positions.