

Restructuring of TORNOS

Over the last five years Tornos Group has enjoyed an impressive growth thanks to the successful market penetration of its DECO products. In order to achieve this growth Tornos expanded its workforce by 540 employees. Today, Tornos is confronted with a difficult market environment because of the uncertainty regarding the future development of the economy. Tornos will implement a restructuring plan thereby making 200 employees redundant on a group wide level.

Moutier, 18 October 2001.

With the successful market introduction of the DECO products Tornos Group increased gross sales at a compounded annual growth rate of 23% over the last 3 years, increasing gross sales from CHF 197 million in 1997 to CHF 370 million in 2001. During this period the number of employees has grown on Group level from 760 in 1997 to 1300 in 2001, correspondingly an increase of 460 people, from 620 to 1080, in Moutier, Switzerland. This increase of personnel numbers was necessary in order to satisfy the strong demand of customers for the DECO products.

The difficult market environment combined with the tragic events of September 2001 have seriously undermined the business confidence and temporarily paralyzed the market. Tornos has been confronted in September with high number of order cancellations. As of end of September Tornos Group had an order backlog for machines of CHF 115 million.

In view of the uncertainty regarding the future development of the economy, Tornos Group has decided to implement a restructuring plan. As a result the Group will make redundant about 180 employees in Moutier, the sole manufacturing site, and about 20 employees in the subsidiaries. Should the difficult market conditions prevail Tornos will have to implement in some departments work on reduced hours. The Group is currently establishing a social plan in collaboration with the various social partners and the representatives of the employees.

In its half year report the Group indicated that it would achieve a growth of gross sales of about 10% for the current year. From today's perspective Tornos has to lower its forecast 2001 to a growth of gross sales between 5 to 8 %, in absolute figures between CHF 390 million and CHF 400 million. The unfavorable exchange rate developments with the simultaneous devaluation of the Dollar and the Euro in respect of the Swiss Franc have also reduced the result. Therefore EBITDA margin is forecasted to be around 8% for the current year.



After implementation of the restructuring plan the organization will be in a position to closely follow future market developments. Over the past years Tornos Group has invested over CHF 70 million into a highly automated manufacturing capacity and also constantly renewed and expanded the DECO product lines. These measures will give Tornos Group the operational flexibility to succeed even in a severe crisis (even, for example, at a level of CHF 250 million turnover) and still produce a significant cashflow contribution but at the same time to benefit from any recovery of the economy.

About TORNOS

With headquarters in Moutier, Canton Bern, TORNOS is one the world leading manufacturer and supplier of high-precision lathes. TORNOS develops and manufactures integrated machine tools: single-spindle automatic lathes with sliding headstock, fixed headstock, multi-spindle lathes, bar loaders and peripheral equipment.

TORNOS has six sales and service subsidiaries; in the United States, France, Germany, Italy, Spain and Great Britain. In about 80 countries, TORNOS is represented by agencies. TORNOS Group has 100 apprentices in training.

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