

Under the banner of innovation

Moutier, August 24, 2005

A year ago, TORNOS forecast the year 2005 as being dynamic, with its product innovations, geographic openings, improved profitability, debt reduction and flexible structures responding to the economic cycles of our industrial sector.

Innovations

At its general meeting of 19th April 2005, TORNOS presented two new machines, the DECO 8sp and the MULTIDECO 32/6c. Both were very well received in the market and one will shortly undergo testing with the clients. In September, at the EMO machine tool trade fair in Hanover, the company will launch the DECO 20s and MULTIDECO 20/8d. These new machines perfectly illustrate the product strategy, which aims at providing more extensive coverage of market segments that have only been touched upon by TORNOS. The MULTIDECO 32/6c and 20/8d multispindle lathes are designed for the production of highly complex parts for the automotive industry before gradually becoming integrated production systems. The DECO single spindle lathes are used to machine high-precision parts of reasonably complex shape or to serve highly specific market niches. These machines will only be made available on completion of the validation tests, which are carried out under actual production conditions with partner customers currently involved in these developments. The first machine to reach this stage is the DECO 8sp and several dozen machines that are destined for Asia are currently the subject of discussion regarding the options on delivery with effect from the first quarter of 2006.

Geographic opening

As part of the company's positive business development in Asia and following the opening of its subsidiary in Shanghai in April 2004, TORNOS established TORNOS Technologies Asia Limited in Hong Kong on 21st May 2005. This new subsidiary will be the regional, commercial and technical support and service centre and will distribute spare parts throughout Asia.

In Europe, the company's ties with its agent for the Eastern countries was strengthened. Although completely financially independent, he has gradually become involved in the company's sales organisation at operational level.

Profitability and debt reduction

There has been a marked improvement in profitability, whilst debts are being reduced. After the first six months, the net profits for the group were at CHF 8.6 million, i.e. 7.5% of gross sales, compared with a loss of CHF 4.6 million for the first six months of 2004. As at the 30th June 2005, the equity was CHF 94.4 million, i.e. 56.1% of the balance sheet total and the net debt amounted to CHF 20.7 million, as opposed to CHF 35.5 million a year ago.

Flexible structures and economic cycles

The economic cycles and major fluctuations in demand for the company's product lines are facts that are beyond our influence. The company's ability to adapt to these constraints is an essential factor leading to sustained success. With this in mind, TORNOS introduced flexitime and availed itself of seconded staff and also improved the ability of staff to interchange between the product lines. Thanks to the new flexitime system, a job which equated to employing 17 staff was accomplished over and above the contracted working hours during the first six months. As at the 30th June 2005, 52 people were seconded on contracts with third parties. Because of their versatility, the equivalent of 14 staff interchanged between one product line and another.

Business market

Given the low visibility in the market, business for the first half of 2005 was good. Showing a 27.3 % growth, compared with the previous year, the gross sales rose from CHF 90.7 million for the first half of 2004 to CHF 115.4 million for the first six months of 2005. The order book shows CHF 119.1 million and a growth of 2.3% compared with the first half of 2004. Activities were particularly sustained in Switzerland in the watch making and medical sectors, whilst in Germany the automotive industry remained buoyant. We should also mention the strong growth rate in Asia, where orders have more than tripled compared with the previous year and now represent almost 10 % of the total volume.

As at the 30th June 2005, the backlog stood at CHF 55.1 million – a value that slightly exceeds the aim of TORNOS of maintaining it between CHF 45 and 50 million. It will enable TORNOS to provide excellent lead times whilst maintaining a sufficient overview so that the company can meet production constraints very efficiently.

Interim consolidated accounts as at 30th June 2005

The non-audited consolidated accounts as at 30th June 2005 were prepared according to International Accounting Standard No. 34 (directive on interim accounts). As at 30th June, the net profit amounted to CHF 8.6 million and equity of CHF 94.4 million accounted for 56.1 % of the total balance sheet value of CHF 168.2 million. The other key figures are shown on page 5 of this press release. The report relating to the first half year and the interim consolidated financial statements for 2005 are available on the TORNOS website, www.tornos.ch.

Change in shareholders

At the last general meeting, TORNOS communicated the intention of Credit Suisse and Doughty Hanson & Co. to sell their holding of 24.7% and 27.4% respectively in the capital of TORNOS Holding S.A. These two shareholders backed the group improvement measures introduced in 2002 and had the intention of selling their shares once restructuring was complete. This measure has now been achieved and the TORNOS Group presented itself to the financial community at the road-show, which was held in April and May 2005. This led to all shares held by Credit Suisse and Doughty Hanson & Co being assigned to institutional investors and a group of shareholders comprising members of the management and the board of Tornos. This group holds 10.4 % of the capital and is now the company's most important shareholder.

Refinancing

During the restructuring operations of 2002, a syndicate loan was set up and then regularly renewed up to 30th April 2005. UBS arranged the refinancing by way of a new syndicate loan to run until 31st December 2007.

Outlook for 2005

Bearing in mind the summer break and in conformity with its financial plan, TORNOS anticipates a turnover for the second half year of less than that achieved for the first six months. Also, market transparency is still poor and a reduction in demand over the second half year must not be ruled out. The relatively good performance achieved for the first six months was largely attributed to the Swiss and German markets and it is difficult to say whether this will continue during the second half of the year.



The other European markets of TORNOS are in recession and in spite of the strong growth in Asia, the level of activity in this region does not as yet compensate for any reduction in the traditional TORNOS markets. With regard to profitability, considerable resources were earmarked for the development and launch of new products, the impact of which will only be felt in the order book with effect from the last quarter, without this having any influence on sales for 2005.

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| Tornos Group | First | First | Second | Second | First | First | | |
|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------------------|
| Unaudited Key | quarter | quarter | quarter | quarter | half | half | Change | Change |
| figures in 000 CHF | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | | % / bps |
| Bookings | 58'483 | 57'734 | 60'642 | 58'724 | 119'125 | 116'458 | 2'667 | 2.3% |
| Backlog | 47'955 | 51'165 | 55'093 | 64'320 | 55'093 | 64'320 | -9'227 | -14.3% |
| Gross sales | 60'595 | 43'181 | 54'839 | 47'525 | 115'434 | 90'706 | 24'728 | 27.3% ⁻¹ |
| EBITDA | 6'763 | -2'018 | 6'492 | 4'197 | 13'255 | 2'179 | 11'076 | 508.3% |
| Gross sales % | 11.2% | -4.7% | 11.8% | 8.8% | 11.5% | 2.4% | | 9.1 bps |
| EBIT | 4'623 | -4'085 | 4'311 | 2'125 | 8'934 | -1'960 | 10'894 | N/A |
| Gross sales % | 7.6% | -9.5% | 7.9% | 4.5% | 7.7% | -2.2% | | 9.9 bps |
| Net profit / (loss) | 4'349 | -5'146 | 4'289 | 558 | 8'638 | -4'588 | 13'226 | N/A |
| Gross sales % | 7.2% | -11.9% | 7.8% | 1.2% | 7.5% | -5.1% | | 12.5 bps |
| Net debt | 19'912 | 40'556 | 20'718 | 35'486 | 20'718 | 35'486 | -14'768 | -41.6% |
| Equity | 88'990 | 73'643 | 94'369 | 73'758 | 94'369 | 73'758 | 20'611 | 27.9% |
| Total Balance sheet % | 50.2% | 41.6% | 56.1% | 44.0% | 56.1% | 44.0% | | 12.1 bps |
| Total Balance Sheet | 177'315 | 176'913 | 168'227 | 167'543 | 168'227 | 167'543 | 684 | 0.4% |
| Capital expenditures | 468 | 370 | 944 | 1'807 | 1'412 | 2'177 | -765 | -35.1% |

Note (1)

In 2005 certain amounts have been reclassified in determining the amount of Gross sales compared to the method previously applied.

The comparative information for the period ended 30 June 2005 has been adjusted accordingly. The net impact of the reclassification on previously reported Gross sales for the six month period ended 30 June 2004 is an increase of KCHF 3'513 from KCHF 87'193 to KCHF 90'706, and for the year ended 31 December 2004 is an increase of KCHF 7'299 from KCHF 205'671 to KCHF 212'970.