

PRESS RELEASE

For immediate release

Poor results in an unprecedented recession

Moutier, 18 August 2009

Market more than 60% lower

For more than a year, all the key market segments of the Tornos Group have followed one another into recession. The first half of 2009 has seen business levels some 60 to 65% lower than 2007, the last year of stability which, for that reason, represents a good benchmark. It is still too early to say whether the low point has now been reached, as the market is sending conflicting signals. Among positive signs is the fact that several clients are once again using production capacity at close to 80%, the threshold above which the need to invest in increased capacity tends to reassert itself. Another positive factor is the length of the list of active projects. Among the negative signs, many projects ready for implementation by large companies are 'on hold' as management hesitate to use liquidity in an unstable environment. In the SME sector, it is the problem of obtaining finance that is holding back investments. This situation is creating considerable pressure on the Group's business, with the parity of the Swiss franc against other leading currencies only adding to the problems caused by an unprecedented global recession.

In the first half of 2009, the Group booked orders worth CHF 43.0 million, CHF 23.2 million of which was received in the first quarter and CHF 19.8 million in the second. Compared to the same period in 2008 (CHF 140.5 million) when the onset of the downturn was felt from April onwards, the decline is 69.4%.

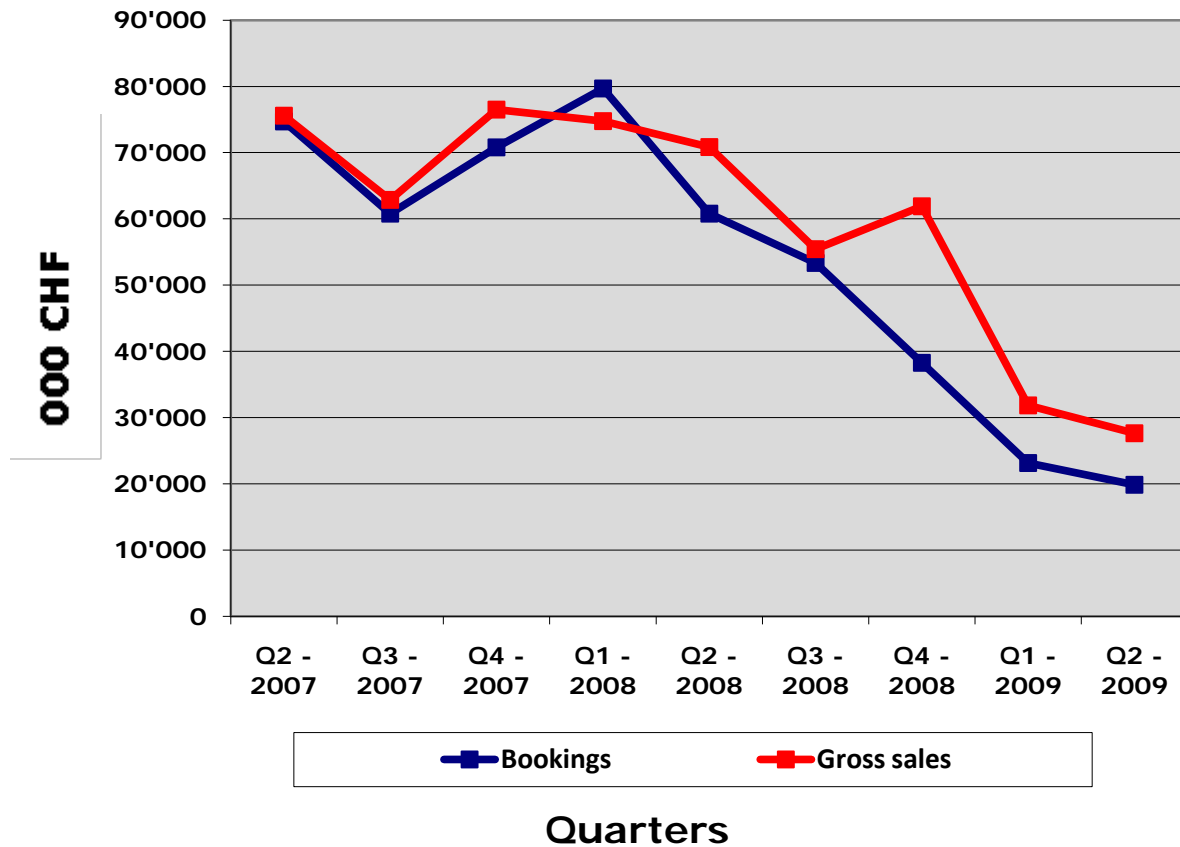
Negative results

Gross sales followed the same trend as orders with figures of CHF 31.8 million and CHF 27.6 million in the first two quarters respectively. Thus, first-half year sales totalled CHF 59.5 million which, compared to last year (CHF 145.6 million), represents a fall of 59.2%. The Group's results for the first half-year are disappointing, with a loss of CHF 15.5 million, compared to a profit of CHF 5.6 million in the same period last year, when sales totalled CHF 145.6 million. The deterioration in the result is mainly due to the decline in volumes, which entails a lower absorption of fixed costs. Although short-time working has reduced production capacity to an extent comparable to the fall in sales, the gross margin has fallen from 37.7% in the first half of 2008 to 23.4% in the period under review. Thanks to the cost reduction programmes and short-time working, which was also introduced on a large scale in sectors other than production, operating expenses of CHF 30.5 million were 33.0% lower than in the same period last year (CHF 45.6 million). In this challenging environment, the operating result (EBIT) was a loss of CHF 16.6 million, with operating cash flow showing a net outflow of CHF 21.2 million, which includes almost CHF 10 million of 2008 invoices paid to Tsugami with an exceptionally long maturity of 180 days, to acquire an initial stock of machines. The Group has credit facilities of CHF 32.5 million with a group of banks which is subject to conditions that the banks have agreed not to enforce. As a result this liquidity is secured for the next few months. Thus, the Group's net debt is CHF 16.2 million compared to a net positive cash position of CHF 5.3 million on 31 December 2008. As at 30 June 2009, equity of CHF 139.4 million accounts for 72.3% of the balance sheet total of CHF 192.8 million.

Outlook for 2009

Given the current macroeconomic situation, the Group has decided not to publish detailed forecasts. In terms of managing the crisis, no-one knows when the recovery will occur or at what level of economic activity the situation will stabilise. If, as many experts are predicting, future patterns of consumption change, this change is likely to be a gradual one. In that context, the Tornos Group is convinced that machine tools will still be needed in the future to manufacture tomorrow's products. Some structural adjustments will occur, but the current crisis severely affecting the machine tool sector is primarily a cyclical one. It is different from previous crises in that it is simultaneously affecting all markets and all industrialized countries, which makes it deeper than earlier recessions. In those circumstances, it is conceivable that the recovery will follow a pattern fairly similar to that of the downturn, and that when the recovery comes it could be rapid and relatively vigorous. For this reason, the Group's crisis management strategy does not entail a permanent reduction in production capacity, or in the product range or geographical coverage. Rather than the massive redundancies that accompany permanent reductions in capacity we prefer to use part-time working on a very large scale. That strategy of avoiding permanent downsizing will enable us to preserve know-how and production capacity that are vital if we are to participate in the recovery.

Tornos Group	First quarter 2009	First quarter 2008	Second quarter 2009	Second quarter 2008	First half 2009	First half 2008	Difference	Difference
Unaudited key figures (in KCHF unless otherwise stated)								% / pts
Bookings	23'154	79'698	19'850	60'813	43'004	140'511	-97'507	-69.4%
Gross sales	31'827	74'760	27'635	70'854	59'462	145'614	-86'152	-59.2%
EBITDA	-5'815	7'280	-8'250	5'396	-14'065	12'676	-26'741	N/A
<i>in % of Gross sales</i>	<i>-18.3%</i>	<i>9.7%</i>	<i>-29.9%</i>	<i>7.6%</i>	<i>-23.7%</i>	<i>8.7%</i>		<i>N/A</i>
EBIT	-7'438	5'689	-9'131	3'624	-16'569	9'313	-25'882	N/A
<i>in % of Gross sales</i>	<i>-23.4%</i>	<i>7.6%</i>	<i>-33.0%</i>	<i>5.1%</i>	<i>-27.9%</i>	<i>6.4%</i>		<i>N/A</i>
Net profit / (Net loss)	-6'125	3'235	-9'350	2'409	-15'475	5'644	-21'119	N/A
<i>in % of Gross sales</i>	<i>-19.2%</i>	<i>4.3%</i>	<i>-33.8%</i>	<i>3.4%</i>	<i>-26.0%</i>	<i>3.9%</i>		<i>N/A</i>
Net cash / (Net debt)	-3'521	12'769	-16'193	4'484	-16'193	4'484	-20'677	N/A
Equity	148'043	153'662	139'359	155'046	139'359	155'046	-15'687	-10.1%
<i>in % of Total Balance sheet</i>	<i>73.8%</i>	<i>67.9%</i>	<i>72.3%</i>	<i>67.7%</i>	<i>72.3%</i>	<i>67.7%</i>		<i>4.6 pts</i>
Total Balance sheet	200'680	226'184	192'805	229'130	192'805	229'130	-36'325	-15.9%
Capital expenditures in tangible fixed assets	79	1'945	190	2'917	269	4'862	-4'593	-94.5%



The Tornos Group's report on the first half of 2009 (available in three languages) and the consolidated accounts (in English only) are available for download at <http://tornos.com/invest-dnld-e.html>.

Further information on Tornos can be found at www.tornos.com.

Contact: Geri Staudenmann or Julia Moreno, Geri Staudenmann Kommunikation, Biel
Phone +41 32 345 24 44, Fax +41 32 345 24 48, info@geristaudenmann.ch