

PRESS RELEASE

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2009: Year 2 of an unprecedented recession

Moutier, 15 March 2010

The Tornos Group is today holding a press conference to present its 2009 results. It is scheduled to take place at Zurich stock exchange at 11 a.m., when the information summarized below will be presented and analysed in detail.

Highly negative results in a market that has declined by two thirds

By 31 December 2009 the Tornos Group had reached the end of its second year of recession. The crisis we have experienced since the start of 2008 is unprecedented. Business volumes in the machine-tool sector have slumped by around 65% from 2007 levels – the last year with a stable economic environment. In these conditions, the Group's business volumes fell sharply and, despite all the measures taken, 2009 closed with a substantial negative result. Gross 2009 sales totalled CHF 114.4 million, a fall of 56.5% compared to the previous year, which had already borne the brunt of a severe downturn. This further drop in volume was mirrored by a deterioration in results. The EBIT margin was negative at -26.7%, after 5% in 2008. The financial year ended with a loss of CHF 29.6 million, compared to a net profit of CHF 6.0 million in 2008. As at 31 December 2009, shareholders' equity stood at CHF 125.4 million, representing 67.8% of the balance sheet total of CHF 185.0 million. On the same date, the Group's net debt was CHF 24.6 million compared to a positive net cash position of CHF 5.3 million on 31 December 2008.

All markets affected by a global recession

Unlike past experience, there has been virtually no timing difference between business sectors and regions as regards the economic cycle. During 2008, in the space of less than a year, all industrial sectors and geographical regions in which the Group was operating were impacted by the recession, which then continued throughout 2009. The most plausible reason for this simultaneous sectoral and geographical impact is that this crisis has arguably been the first of the globalized era.

New products

On the product front, the main effort was focused on designing new products to be brought on stream in 2010 and 2011. In extremely depressed market conditions, the Group decided to launch only one new machine, the Gamma 20.

Crisis management and strategy

The Tornos Group's basic hypothesis is that the present crisis is more cyclical than structural in nature, and that there will always be a demand for machine tools to meet the needs of increasing numbers of consumers. Accordingly, we need to safeguard our ability to react. That involves preserving the Group's know-how, production capacity and geographical coverage, and extending, improving and updating its product range. Any decision to dismantle its industrial and commercial infrastructure would inevitably hamper Tornos' ability to take full advantage of the recovery. It was in this frame of mind that the Group approached this crisis.

The workforce had already been reduced by 10% during the first half of 2008, following which methods already used over several years to ensure cost flexibility were reintroduced – namely extensive use of flexible working in 2008 followed by large-scale short-time working in 2009. While staff numbers fell from 1000 FTEs (full-time equivalents) at the end of 2007 to 848 FTEs two years later, it is important to note that recourse to short-time working and flexible hours meant that the Group only used the equivalent of 530 staff throughout 2009, a reduction of 45% from the figure at the end of 2007. On the other hand, R&D staff was only marginally affected by short-time working, in order to maximize the chances of success in the recovery by ensuring a perfectly tailored product portfolio.

In terms of its strategy, the Tornos Group has not altered course. The tactical adjustments forced upon it by the recession do not invalidate any fundamental aspect of the strategy it has been following – and which it intends to maintain in the future.

Authorized capital

At the Ordinary General Meeting of Shareholders of Tornos Holding on 13 April 2010, the Board will propose that an authorized capital of 5,000,000 registered shares be established, representing a nominal value of CHF 22,500,000. This proposal is a precautionary measure intended to prepare the Group for two possible situations. Firstly, if the current recession should extend beyond 2010, it could prove necessary to bolster shareholders' equity. Secondly, in the current economic climate, opportunities may present themselves to complete our product and technology portfolio on attractive terms and conditions. In both cases, the availability of an authorized capital will be an advantage.

Outlook for 2010

In light of the current crisis scenario, the Group has decided not to publish quantified forecasts. Improved economic conditions are expected in the second half of 2010, although these will have only a limited impact on the results for that financial year, which will again be significantly negative. 2011 should, however, see an improvement in the situation. The Group will maintain its policy of constant adaptation to market conditions, and measures similar to those taken in 2009 will continue to be deployed in response to developments in the economic situation.

| Tornos Group Key Figures (in KCHF unless otherwise stated) | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|---------------|--------------|--------------|--------------|--------------|
| Bookings | 85'487 | 232'143 | 283'645 | 257'269 | 212'527 |
| Gross sales | 114'363 | 262'944 | 287'384 | 250'515 | 222'622 |
| EBITDA | -25'798 | 19'851 | 39'343 | 26'475 | 23'208 |
| <i>Gross sales %</i> | <i>-22.6%</i> | <i>7.5%</i> | <i>13.7%</i> | <i>10.6%</i> | <i>10.4%</i> |
| EBIT | -30'532 | 13'093 | 32'746 | 17'614 | 14'249 |
| <i>Gross sales %</i> | <i>-26.7%</i> | <i>5.0%</i> | <i>11.4%</i> | <i>7.0%</i> | <i>6.4%</i> |
| Net profit (loss) | -29'584 | 6'042 | 35'137 | 17'249 | 12'835 |
| <i>Gross sales %</i> | <i>-25.9%</i> | <i>2.3%</i> | <i>12.2%</i> | <i>6.9%</i> | <i>5.8%</i> |
| Net cash / (net debt) | -24'571 | 5'277 | 27'263 | -7'375 | -10'793 |
| Equity | 125'414 | 153'743 | 160'179 | 118'458 | 100'168 |
| <i>Total Balance sheet %</i> | <i>67.8%</i> | <i>69.2%</i> | <i>73.2%</i> | <i>61.4%</i> | <i>60.4%</i> |
| Total Balance sheet | 185'006 | 222'256 | 218'912 | 192'972 | 165'810 |
| Capital expenditures in tangible assets | 524 | 6'715 | 9'065 | 3'254 | 2'867 |

The annual report of the Tornos Group (available in three languages), as well as the consolidated financial statements (in English only) are available for download at <http://www.tornos.ch/invest-dnld-e.html>

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

For further information on www.tornos.com