

## 2010: The recovery is robust

Moutier, 14 March 2011

The Tornos Group is today holding a press conference to present its 2010 results. It is scheduled to take place at Zurich stock exchange at 11 a.m., when the information summarized below will be presented and analyzed in detail.

### **Sharply improved results, but still heavily impacted by the crisis**

By 31 December 2010, the Tornos Group had emerged from the three-year recession which had affected it since the start of 2008. The cyclical low point was reached in mid-2009 and the upturn began in the first quarter of 2010, and gradually gathered speed throughout the year, which ended with activity at close to its pre-recession level. The crisis is now behind us, and the recovery is robust. Orders booked in 2010 are 2.5 times higher than those booked in 2009. Unfortunately, given the time lag between receipt of the order and invoicing, the impact of the economic revival on the Group's financial results only became apparent at the year end. In those circumstances, results for full-year 2010 were sharply negative. Sales rose by 40% from CHF 114.4 million in 2009 to CHF 160.1 million in 2010. However, in absolute terms and on a like-for-like basis, sales for the year barely exceeded half the pre-crisis level. Hence, from a financial viewpoint, the first three quarters were still dominated by recessionary conditions. It was only the fourth quarter which began to feel the benefits of the economic recovery and produced a marginally positive EBIT. Thanks to this upturn in activity, the gross margin began to recover, increasing from 23% in 2009 to 27% in 2010. The EBIT margin was boosted by the increased volume of activity, but it remained heavily negative, at -8.4% compared to -26.7% in 2009. The result for the year was a loss of CHF 18.1 million, against a 2009 loss of CHF 29.6 million. As at 31 December 2010, shareholders' equity stood at CHF 111.5 million, representing 53.0% of the balance sheet total of CHF 210.5 million. On the same date, the Group's net debt stood at CHF 38.7 million.

### **All markets back to growth**

2010 was characterized by an accelerating pick-up in commercial activity. The welcome change in trend appeared from the start of 2010. At the end of the first quarter, the order book was already more than double the previous quarter's level, and the positive trend improved further throughout the year. The recovery began in Asia followed by the medical sector in the US, and subsequently spread to the Latin countries of Europe under the stimulus of the automotive industry. During the second half, the rebound also extended to the other European economies and by the year-end all regions were progressing in benign economic conditions. Our market segments followed fairly similar trends, but with timing differences. The medical sector, less affected by the recession, reverted to normal conditions at the start of the year. In the automotive sector, the already satisfactory level of activity in the first quarter accelerated strongly in the subsequent ones. The electronics and micro-technology markets, especially watch making, only recovered around the end of the year. Thus, the year under review ended on a generally positive economic note. The only negative point was the movement in exchange rates which cannot be fully passed on in prices expressed in foreign currency.

### **New products**

In terms of products, the year was marked by the launch of the first machine in the new EvoDeco range. As regards the multispindle range, the main focus was on increasing bar diameters, thereby enabling us to access new applications within the Group's traditional market segments. In the machining and milling centres segment, the main innovation was integrated robotic solutions.

### **Economy and strategy**

With a fall in sales of more than 60% between 2007 and 2009, the economic crisis which the Group has just experienced was on an unprecedented scale. The broad outline of this recession was very close to the one envisaged in the scenario drawn up by the Group at the start of 2008, which predicted an economic rather than a structural crisis, with a cyclical rebound in mid-2010 and the possibility of a recovery as vigorous as the downturn had been severe. In this context, the strategy for dealing with the crisis had four priority goals, namely to preserve the Group's know-how, production capacity and geographical coverage while at the same time forging ahead with its plans to develop new products. It required large-scale short-time working and involved making losses for the 2009 and 2010 financial years. In return, it was intended to enable business to resume immediately once the first signs of recovery appeared, and to guarantee the

Group's competitive positioning in the medium to long term.

How does the situation look at the end of 2010? The upturn did indeed begin in the middle of 2010 and the rebound proved to be almost as dramatic as the collapse. When the recovery began, the process of re-activating production was completed without problems, and we have been working at full capacity since the fourth quarter with no adverse impact on quality or on delivery deadlines to clients. As regards the product portfolio, the crisis period was spent on developing new product platforms on which a number of machines will be launched from 2011 onwards.

Although this recession will leave its mark on the Group's financial situation, the essentials have been safeguarded. The tactical adjustments forced upon it by the recession do not invalidate any fundamental aspect of the strategy the Group has been following – and which it intends to maintain in the future. However, the 2008-2010 crisis has clearly shown that the era of globalization can throw up crises of a dimension never previously experienced, but which are likely to recur in the future. The Group has learnt from this experience and is working on an increasingly flexible business model that is able to cope with fluctuations of the order of 60% from one year to the next, and not merely 40% which was the previous planning assumption. This aspect will be incorporated into a new strategic plan for the 2011-2016 period which is to be published in autumn 2011.

### Outlook for 2011

While the order flow in recent months and the large number of projects now under discussion provide grounds for a certain optimism, the strength of the Swiss franc together with economic instability in Europe still demand a degree of caution. Assuming that economic growth stabilizes at the end-2010 level, our sales target is in the CHF 250 - 300 million range. In this scenario, and with all the reservations necessitated by the highly cyclical and volatile nature of the Group's activity, we expect to return to substantially positive results in 2011, although these will be influenced to a large extent by movements in the exchange rate.

<b>Tornos Group</b>					
<b>Key figures</b>	2010	2009	2008	2007	2006
(in KCHF unless otherwise stated)					
Bookings	214'739	85'487	232'143	283'645	257'269
Gross sales	160'069	114'363	262'944	287'384	250'515
EBITDA	-9'663	-25'798	19'851	39'343	26'475
<i>Gross sales %</i>	<i>-6.0%</i>	<i>-22.6%</i>	<i>7.5%</i>	<i>13.7%</i>	<i>10.6%</i>
EBIT	-13'496	-30'532	13'093	32'746	17'614
<i>Gross sales %</i>	<i>-8.4%</i>	<i>-26.7%</i>	<i>5.0%</i>	<i>11.4%</i>	<i>7.0%</i>
Net profit / (Net loss)	-18'086	-29'584	6'042	35'137	17'249
<i>Gross sales %</i>	<i>-11.3%</i>	<i>-25.9%</i>	<i>2.3%</i>	<i>12.2%</i>	<i>6.9%</i>
Net cash / (Net debt)	-38'691	-24'571	5'277	27'263	-7'375
Equity	111'486	125'414	153'743	160'179	118'458
<i>Total balance sheet</i>	<i>53.0%</i>	<i>67.8%</i>	<i>69.2%</i>	<i>73.2%</i>	<i>61.4%</i>
Total balance sheet	210'538	185'006	222'256	218'912	192'972
Capital expenditures in tangible fixed assets	509	524	6'715	9'065	3'254

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-dnid-e.html>

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