MEDIA RELEASE

For immediate release

Difficult first half year 2012 – Tornos facing structural challenges

Moutier, August 14, 2012

Disappointing order intake

The Tornos Group's order intake in the first half of 2012 totaled CHF 103.3 million, a reduction of 34.2% compared to the same period last year.

All regions with mature markets are affected by the slowdown. Although they have work in hand, customers in Southern Europe are unable to undertake investment projects unless they have the support of the financial sector. Historically, this region accounts for a significant part of the Group's sales, and its current weakness, which has lasted nearly a year now and shows no sign of imminent improvement, has seriously impacted on first half results. In Switzerland, watch making companies invested massively after the upturn in 2011, and they are currently exploiting their available capacity. Although activity levels in the Northern European automotive industry are good, especially in Germany, the industry is heavily dependent on top-of-the-range models sold in China, and as a result, it is exposed to concerns about slower economic growth in that country. At all events, the Group is having to contend with ever-longer decision-making processes before orders are confirmed by the customers. In the United States, the Group derives much of its strength from the medical technology sector, which weakened slightly during the first half of 2012. In the US automotive sector, where activity levels are healthy, Tornos should be able to offer a mid-range product adapted to the sector's particular needs in the second half of the year. In Asia, after the significant sales achieved in the aftermath of the floods in Thailand, the Group experienced an interesting development in the Chinese market, where customers are willing to make bulk orders for sometimes major investments, in particular in the automotive and medical technology sectors.

Negative results

Gross sales followed the same trend as orders and decreased by CHF 46.2 million or 32.3% compared to the first half of 2011 to amount to CHF 97.0 million, of which CHF 51.0 million was invoiced in the first and CHF 46.0 million in the second quarter respectively.

The first half year ended with a negative EBIT of CHF 2.5 million, compared with a positive EBIT of CHF 10.9 million during the same period of 2011. The decline in operating profit is mainly due to shrinking volumes and to a lesser extent to a contraction of the gross profit margin from 32.8% to 31.3%. This can be explained on the one hand by the insufficient capacity utilization caused by relatively low volumes – despite the introduction of short-time work –, and on the other hand by the pressure on prices caused by the strong Swiss franc and aggressive pricing by competition. Operating expenses fell by approximately CHF 2.7 million or 7.6%.

After the financial result, mainly influenced by expenses related to bank loans for an amount close to CHF 1.0 million as well as by net exchange losses of around CHF 0.4 million, and after the tax credit of CHF 0.6 million, the Group's net loss amounts to CHF 3.4 million. Operating cash flow is at negative CHF 7.4 million, which leads to a worsening of the Group's net debt at CHF 28.3 million as of June 30, 2012. Following the non-compliance with a covenant imposed by the credit agreement, the banking syndicate waived its right to demand payment so that liquidity over the coming months is ensured.

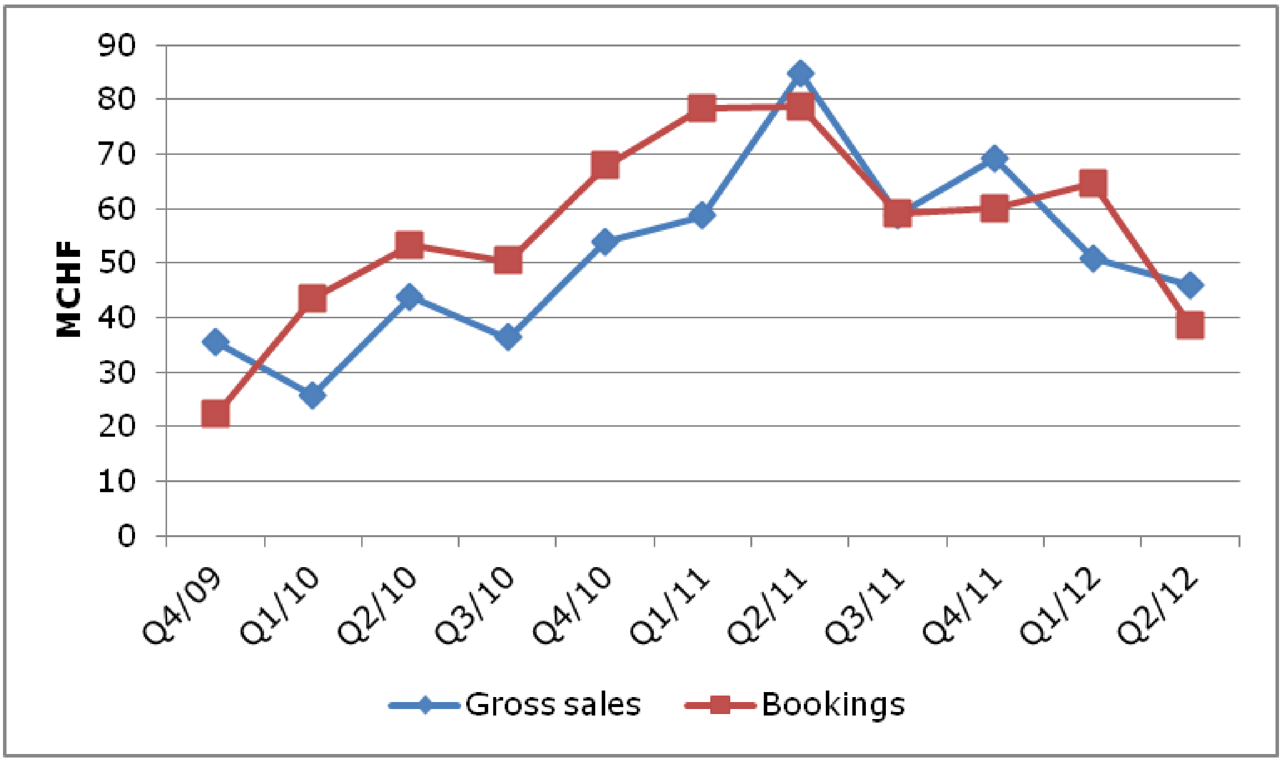
Shareholders' equity of CHF 125.4 million at 30 June 2012 represented 59.3% of the balance sheet total as opposed to 58.6% at December 31, 2011.

Outlook

When it published its first quarter statements, the Group announced that it would not be issuing a forecast for 2012 in view of the very poor market visibility. This situation has persisted and the summer period, which is traditionally a weak time for new orders, does not make forecasting any easier.

However, it is already certain that the outlook published with the 2011 results, which anticipated similar results for 2012, will not become reality. Notwithstanding several important projects that may yet come to fruition, the Group does not expect sales to exceed the amount of approximately CHF 200 million. Taking into account the pressure on margins resulting from the strong Swiss franc, and in spite of the short-time work measures that have been and will be introduced, the Group will not break even at EBIT level.

The market shift to Eastern Europe and Asia that followed the economic crisis, business cycles that are ever shorter but greater in magnitude, and an economic environment that is changing radically, in particular as a result of the Swiss franc-euro exchange rate, are all creating new structural challenges. This implies that the cost structure needs to be sustainably optimized and reduced by CHF 30 to 35 million annually, with greater variability in expenses and greater flexibility in the business model, in order to enable the Group to react rapidly to cyclical fluctuations in the machine tool industry. General Management is currently studying a range of measures that it will announce in fall.



Tornos Group **Unaudited Key Figures** (in thousands of CHF unless otherwise stated)	First quarter 2012	First quarter 2011	Second quarter 2012	Second quarter 2011	First half 2012	First half 2011	Difference	Difference % / pts
Bookings	64'659	78'403	38'665	78'719	103'324	157'122	-53'798	*-34.2%*
Gross sales	50'976	58'550	46'065	84'729	97'041	143'729	-46'238	*-32.3%*
EBITDA	1'362	4'116	-1'561	9'001	-199	13'117	-13'316	*-101.5%*
in % of Gross sales	*2.7%*	*7.0%*	*-3.4%*	*10.6%*	*-0.2%*	*9.2%*		*-9.4 pts*
EBIT	89	3'007	-2'607	7'942	-2'518	10'949	-13'467	*-123.0%*
in % of Gross sales	*0.2%*	*5.1%*	*-5.7%*	*9.4%*	*-2.6%*	*7.6%*		*-10.2 pts*
Net profit / (Net loss)	-1'181	1'548	-2'188	3'852	-3'369	5'400	-8'769	*-162.4%*
in % of Gross sales	*-2.3%*	*2.6%*	*-4.7%*	*4.5%*	*-3.5%*	*3.8%*		*-7.3 pts*
Net cash / (Net debt)	-27'508	-40'383	-28'261	-34'346	-28'261	-34'346	6'085	-17.7%
Equity	130'470	113'032	125'411	120'321	125'411	120'321	5'090	*4.2%*
in % of Total Balance sheet	*59.9%*	*52.1%*	*59.3%*	*54.1%*	*59.3%*	*54.1%*		*5.2 pts*
Total Balance sheet	217'951	217'137	211'583	222'571	211'583	222'571	-10'988	*-4.9%*
Capital expenditures in tangible fixed assets	241	513	554	559	795	1072	-277	*-25.8%*

The report of the Tornos Group for the first half of 2012 (in three languages) and the consolidated accounts (only in English) are available for downloading from: http://www.tornos.com/en/content/financial-report

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

Contact: Patrick G. Köppe, Head of Marketing and Communications
Tel. +41 32 494 45 46, fax +41 32 494 49 04, koeppe.p@tornos.com