

Semi-annual Report 2003

Tornos Group to meet expectations in spite of a difficult market environment

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prevailing difficult market environment. The result before interest, tax, depreciation and amortizations on goodwill (EBITDA) of CHF -192'000 (previous year CHF -27.1 million excluding restructuring effects), enables the lathe manufacturer to achieve an almost balanced result.

Ladies and Gentlemen,
Dear Shareholders,

We are pleased to inform you on the financial results of the first half-year 2003 as well as on further perspectives for the current financial year.

In summer 2002, the Board of Directors of Tornos Group agreed on an extensive turnaround package with capital write-down, an injection of new funds, a cancellation of claims by banks and suppliers, depreciation of various assets as well as personnel reductions. As a result of these measures, the company has been able to ensure its survival and to continue its activities. In late autumn 2002, a further adjustment of the company structures to the economic situation was applied.

A recovery of the economic situation on Tornos Group's key markets could not be noticed during the first half-year 2003. In particu-

lar, Tornos Group's most important markets U.S.A., Germany and Asia are still facing a rather difficult economic environment. Beside the consequent implementation of the cost-cutting measures previously decided, the first half-year 2003 was characterized by the elaboration of a new business plan, the implementation of an adjusted organizational structure and the reinforcement of the management. The objective of this extensive and effective reorganization was to adapt Tornos Group's structures to market conditions. Due to the reorganization, the number of employees has been adjusted from 1'186 per June 30, 2002 to 689 per June 30, 2003.

Budget reached

During the first half-year 2003 and compared to the same period of the previous year the measures taken enabled the Group to reduce its loss significantly. Budget objective for the current financial year was met in spite of a

Order situation and order backlog

In 2002, the Group achieved gross sales of CHF 180.6 million, CHF 86.7 million of which were met in the first half-year. In the first six months of 2003, Tornos Group reached gross sales of CHF 83.8 million, which is slightly below half the sales budget for the year. Per June 30, 2003, the order backlog for machines (without customer services and spare parts) amounted to CHF 39.8 million.

Compared to CHF 33.3 million per December 31, 2002, the order backlog as increased by 19.5%.

Interim statement of accounts per June 30, 2003

The unaudited semi-annual report per June 30, 2003 was prepared in accordance with guideline number 34 of the International Accounting Standards (guideline for the preparation of interim statements). The most important figures of the profit and loss account are as below:

	June 30, 2003 (unaudited) TCHF	June 30, 2002 (audited) TCHF
Consolidated gross sales	83'784	86'749
Result before interest, tax, depreciations and goodwill amortization (EBITDA)	-192	-82'634 ¹⁾
Result before interest and tax (EBIT)	-4'740	-166'026 ²⁾
Half-year result	-7'071	-167'249 ²⁾

¹⁾ Including negative turnaround/restructuring effects of TCHF 55'580

²⁾ Including negative turnaround/restructuring effects of TCHF 129'394

The most important figures of the cash flow account are as below:

	June 30, 2003 (unaudited) TCHF	June 30, 2002 (audited) TCHF
Cash flow provided by operating activities	5'394	1'613
Cash flow provided by investing activities	182	-2'438
Cash flow provided by financial activities	-4'825	1'990
Increase of liquid assets	751	1'165
Cash at January 1	21'743	5'978
Effects of exchange rate changes	395	-78
Cash at June 30	22'889	7'065

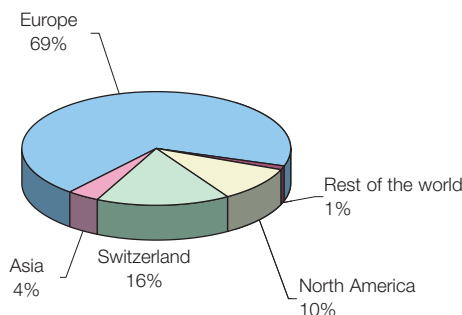




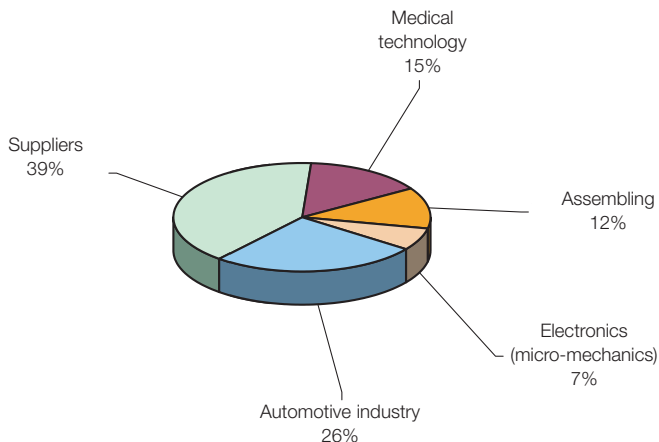
An almost balanced operating result

The development of the last months does not indicate any recovery. As a result of the unsteady economic situation worldwide and an actual order backlog for less than three months, it is difficult to give reliable forecasts on financial development during the second half-year 2003. As long as the economic development does not change compared to the first six months, the Board of Directors and Management still assume that an almost balanced operating result can be achieved with consolidated sales on last year's level. In the second half-year 2003, the measures previously taken will also result in an improvement of operating result. At present, the company has sufficient cash reserves, and the persons in charge are confident that existing credit lines can be extended at the end of 2003. In case key markets

Geographical distribution of gross sales in the first half-year 2003



Main fields of application of gross sales in the first half-year 2003



and related incoming orders do not develop according to expectations and budget, additional restructuring will be decided immediately by the Board of Directors and Management.

Results for 2003 will be commented in March 2004. At Tornos Group's General meeting of the shareholders, to be held in Moutier on April 13, 2004, we shall inform

you extensively on operating result for 2003.

Thanking you for your confidence, we remain

Yours sincerely,

Moutier, August 2003

François Frôte
President of the
Board of Directors

Raymond Stauffer
Delegate of the Board of Directors
and Chief Executive Officer



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