





Ladies and Gentlemen, Dear Shareholders

In the «Outlook for 2007» section of our 2006 annual report, we wrote that sales in this financial year would enjoy annual growth of around 10%, putting them in the range of CHF 270 to 280 million. We also announced an expected EBIT margin of 7.5 to 8.5% on this level of sales. At the end of the first half of 2007, we are confident that these objectives will be met and even exceeded. After six months, we have posted sales of CHF 148.0 million and achieved an EBIT margin of 11.3%.

Below you will find the key facts for the performance of our Group in the first six months of the year.

Business report

After a decline in the third quarter of 2006, the strong economic upturn seen in the final quarter of last year continued throughout the first half of 2007. The first six months of 2007 saw CHF 152.1 million of new orders, up 7.1% on the same period a year earlier.

Gross sales posted new records, reaching CHF 75.6 million in the second quarter and CHF 148.0 million for the first six months. This is equivalent to a 28.9% increase on the first half of 2006, though this healthy figure is favoured by the fact that business was relatively slack in the first six months of 2006.

Markets

All geographical markets experienced high levels of activity and all Tornos's key market segments – automotive, medical, electronics and microtechnology – have posted positive growth over the past few months. Worthy of note is the particularly strong growth of the Swiss watch-making market, which has boosted demand for movement parts and casings.

Products

In the single-spindle range, the Alpha line was completed with the launch at the start of the year of the DECO 10e, a development of the DECO 10a intended for the connector industry. This product has been a success, with more than 30 machines sold in less than six months. The Sigma line will be complemented by the Sigma 32, to be unveiled at the EMO 2007 machine tools fair in Hanover in September. At this fair we will also be presenting an entirely new product line, the Micro range, with the Micro 7 intended mainly for watch-making applications.

For the multispindle range, one of the highlights of EMO 2007 will be the launch of the new MultiAlpha 8x20 chucker. With an automatic feeding system this machine will be able to work rough parts (bar sections, moulded parts, etc.) in addition to bars. The machine will be presented with a system for palletizing finished parts when they leave the machining zone. This configuration will illustrate perfectly the expansion of the multispindle range, which extends from machining solutions to the provision of complete production systems.

Geographical coverage

Our sales and service organization is divided into four large regions: South and West Europe, North and East Europe, America and Asia. Each zone is headed by a sales manager who is based there, and improving our geographical coverage is an ongoing objective. This year we have focused particularly on opening Techno-centers in our main markets. Techno-centers function as technological shop windows for Tornos, enabling us to present our machines there and use them to conduct demonstrations and machining tests on our clients' parts. In the United States we are completing our own network by opening Techno-centers and sales and service offices in



the Midwest and California, adding to our existing presence in Connecticut. In Asia we have opened a sales and service office in Malaysia and in the next few weeks will open a Techno-center in Shanghai and a sales and service office in Beijing. In Europe we have opened Techno-centers in our German and French subsidiaries. The new building at our Moutier site will provide space for a Techno-center and also our client training centre, both to be up and running from the start of 2008.

Interim consolidated financial statements as at 30 June 2007

The unaudited consolidated financial statements as at 30 June 2007 are enclosed. They have been drawn up in accordance with International Accounting Standard 34 on interim financial reporting. The EBIT margin was 11.3% on gross sales of CHF 148.0 million, a result that exceeded both the objectives for the current financial year (7.5 to 8.5%) and the Group's long-term objective of 10%. This better than expected result was due to the good economic climate of the past few months, a favourable product mix and the depreciation of the Swiss franc against the euro. Net profit stood at CHF 20.0 million as at 30 June 2007. This profit includes a tax credit of CHF 2.8 million from the capitalization in the balance sheet of deferred taxes corresponding to likely tax charges for the second half of 2007 that can be offset with tax loss carry forwards available as at 30 June 2007. Equity of CHF 145.8 million accounts for 69.7% of the balance sheet total of CHF 209.2 million. It is worth noting that CHF 7.1 million of this increase came from the issue in 2007 of 1,100,535 shares mainly from the exercise of options issued five years earlier. This brings the capital to CHF 74.5 million, made up of 14,891,415 shares. The Group cleared its debt in the first quarter, and the net cash position was CHF 13.6 million

as at 30 June 2007, compared with net debt of CHF 7.4 million as at 31 December 2006.

Outlook for 2007

Assuming the economic climate remains stable compared with the last few months and taking into account the highly cyclical and volatile nature of its business, the Group reiterates its forecast of sales between CHF 270 and 280 million in 2007 and predicts a higher EBIT margin in the range of 9 to 10%.

François Frôté

Chairman of the Board of Directors

Raymond Stauffer

Delegate of the Board of Directors and
Chief Executive Officer

Moutier, 14 August 2007

Tornos Group Unaudited Key Figures <small>(in KCHF unless otherwise stated)</small>	First quarter 2007	First quarter 2006	Second quarter 2007	Second quarter 2006	First semester 2007	First semester 2006	Change	Change % / bps
Bookings	77'349	65'089	74'705	76'942	152'054	142'031	10'023	7.1%
Gross sales	72'424	52'397	75'597	62'473	148'021	114'870	33'151	28.9%
EBITDA	10'251	4'412	9'817	7'111	20'068	11'523	8'545	74.2%
Gross sales %	14.2	8.4	13.0	11.4	13.6	10.0		3.6 pts
EBIT	8'497	2'085	8'158	4'803	16'655	6'888	9'767	141.8%
Gross sales %	11.7	4.0	10.8	7.7	11.3	6.0		5.3 pts
Net profit	8'298	2'060	11'657	4'311	19'955	6'371	13'584	213.2%
Gross sales %	11.5	3.9	15.4	6.9	13.5	5.5		8 pts
Net cash / (net debt)	6'105	-10'568	13'618	-13'146	13'618	-13'146	26'764	N/A
Equity	128'272	102'121	145'778	106'197	145'778	106'197	39'581	37.3%
Total Balance sheet %	66.2	58.8	69.7	60.0	69.7	60.0		9.7 pts
Total Balance sheet	193'903	173'774	209'230	177'062	209'230	177'062	32'168	18.2%
Capital expenditures	1'013	240	2'886	733	3'899	973	2'926	300.7%