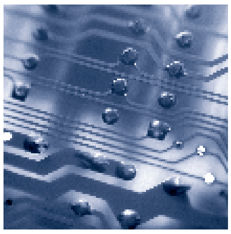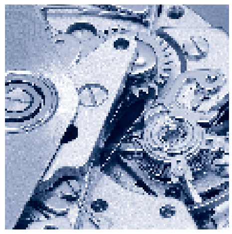

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

2009 | TORNOS HOLDING S.A.

INTERIM CONSOLIDATED INCOME STATEMENT

(unaudited)

In thousands of CHF, except per share data

Six months ended June 30,	**2009**	**2008**
Gross sales	**59'462**	**145'614**
Rebates and discounts	-859	-754
Net sales	**58'603**	**144'860**
Cost of sales	-44'660	-89'973
Gross profit	**13'943**	**54'887**
Marketing and sales	-15'716	-23'640
General and administrative expenses	-9'593	-12'145
Research and development	-5'275	-9'849
Other income/(expenses) – net	72	60
Earnings before interest and taxes (EBIT)	**-16'569**	**9'313**
Financial expenses – net	-263	-283
Exchange gains/(losses) – net	35	-2'388
Income/(loss) before income taxes	**-16'797**	**6'642**
Income tax credit/(charge)	1'322	-998
Net income/(loss) for the period	**-15'475**	**5'644**

Earnings per share		
– basic	-1.06	0.39
– diluted	-1.06	0.39

Earnings before interest and taxes (EBIT)	**-16'569**	**9'313**
Depreciation and amortisation	2'504	3'363
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)	**-14'065**	**12'676**

INTERIM STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

In thousands of CHF

Six months ended June 30,	2009	2008
Net income/(loss) for the period	**-15'475**	**5'644**
Other comprehensive income/(loss)		
Fair value gain on available-for-sale financial assets, net of tax	596	219
Currency translation difference	181	-1'020
Other comprehensive income/(loss) for the period, net of tax	**777**	**-801**
Total comprehensive income/(loss) for the period	**-14'698**	**4'843**

INTERIM CONSOLIDATED BALANCE SHEET

(unaudited)

In thousands of CHF	Note	**June 30, 2009**	**December 31, 2008**
ASSETS			
Cash and cash equivalents		4'197	14'268
Trade receivables		33'796	48'457
Inventories		92'075	94'739
Other receivables and prepayments		14'072	16'160
Total current assets		**144'140**	**173'624**
Available-for-sale financial assets		2'384	1'787
Property, plant and equipment		40'838	43'009
Goodwill		2'873	2'873
Deferred tax assets		2'570	963
Total non-current assets		**48'665**	**48'632**
Total assets		**192'805**	**222'256**
LIABILITIES AND EQUITY			
Interest bearing loans and borrowings	5	18'869	7'359
Trade payables		10'944	29'093
Other payables		15'350	21'546
Current tax liabilities		381	193
Provisions		2'898	5'103
Total current liabilities		**48'442**	**63'294**
Interest bearing loans and borrowings		1'521	1'632
Retirement benefit obligations		2'317	2'141
Provisions		755	907
Deferred tax liabilities		411	539
Total non-current liabilities		**5'004**	**5'219**
Total liabilities		**53'446**	**68'513**
Total equity		**139'359**	**153'743**
Total liabilities and equity		**192'805**	**222'256**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited)

In thousands of CHF	**Ordinary shares**	**Share premium**	**Treasury shares**	**Retained earnings**	**Currency translation difference**	**Total**
At December 31, 2007	**74’920**	**15’910**	**-2’070**	**73’086**	**-1’667**	**160’179**
Total comprehensive income/(loss) for the period				5’863	-1’020	4’843
Issuance of new shares	71	14				85
Purchase of treasury shares			-8’974			-8’974
Sale of treasury shares			4’696	1’257		5’953
Reduction of par value of the shares	-7’499	-80		229		-7’350
Share-based compensation				340		340
Other expense				-30		-30
At June 30, 2008	**67’492**	**15’844**	**-6’348**	**80’745**	**-2’687**	**155’046**

At December 31, 2008	**67’589**	**15’875**	**-6’569**	**79’478**	**-2’630**	**153’743**
Total comprehensive income/(loss) for the period				-14’879	181	-14’698
Issuance of new shares	65	22				87
Purchase of treasury shares			-104			-104
Share-based compensation				339		339
Other expense				-8		-8
At June 30, 2009	**67’654**	**15’897**	**-6’673**	**64’930**	**-2’449**	**139’359**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

In thousands of CHF

For the six months ended June 30,	**2009**	**2008**
Net income/(loss)	-15'475	5'644
Adjustments for:		
Taxes	-1'322	998
Depreciation of property, plant and equipment	2'504	3'363
Loss on disposal of property, plant and equipment	3	30
Other non cash items	494	-49
Decrease/(increase) in working capital:		
Trade receivables	14'720	-4'727
Other receivables	2'120	3'564
Inventories	2'862	-3'641
Trade payables	-18'548	-1'593
Other current payables and provisions	-8'477	-1'580
Interest expense	117	34
Income tax paid	-215	-54
Net cash provided by/(used in) operating activities	**-21'217**	**1'989**
Cash flows from investing activities		
Acquisition of subsidiaries – net of cash acquired	–	-4'826
Investment in available-for-sale financial assets	–	-3'574
Investment in property, plant and equipment	-269	-4'862
Disposal of property, plant and equipment	128	76
Interest received	50	94
Net cash used in investing activities	**-91**	**-13'092**
Cash flows from financing activities		
Repayments of borrowings, including finance lease liabilities	1'388	-861
Proceeds from borrowings	9'931	7'854
Proceeds from issuance of share capital	87	85
Reduction of par value of shares – net	–	-7'350
Purchase of treasury shares	-104	-8'974
Sale of treasury shares	–	5'953
Payment of other financing expense	-8	-30
Interest paid	-151	-128
Net cash provided by/(used in) financing activities	**11'143**	**-3'451**
Net decrease in cash and cash equivalents	**-10'165**	**-14'554**
Cash and cash equivalents at January 1,	14'268	29'689
Effects of exchange rate changes	94	-251
Cash and cash equivalents at June 30,	**4'197**	**14'884**

SELECTED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

1 Basis of preparation

The unaudited interim consolidated financial statements of the Tornos group (“the Group”) for the six months ended June 30, 2009 have been prepared in accordance with the International Accounting Standard 34 on interim financial reporting. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2008, which have been prepared in accordance with IFRS.

These interim consolidated financial statements have been approved for issue by the Board of Directors on July 27, 2009.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2008.

New standards and amendments to standards which are mandatory for the first time for the financial year beginning January 1, 2009

IAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that in “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, “Operating segments”. IFRS 8 replaces IAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes.

The Group is engaged in the development, manufacture, marketing and servicing of machine tools. These products are mainly purchased by companies active in the electronic, automotive, connector, watch and medical engineering industries, as well as other specialised manufacturers of high precision turned parts. The products of the Group require similar materials and production processes. Management does not consider that there is currently a clear distinction of risks and returns among the products. As a result the Group operates only in one operating segment, i.e. machine tools. The information provided in the income statement is presented on the same basis as that used for internal reporting purposes and is reported on a consistent basis over the periods presented.

Switzerland is the domicile of the parent company and of the main operating and distribution companies. The Swiss operating companies conduct all development and manufacture activities. The subsidiaries located in the other European countries (France, Germany, Italy, Poland, Spain and the United Kingdom), the United States of America, China and in Hong Kong only have support or sales and distribution activities. This organisation has the effect that the risks and returns of each geographical location are dependent to a large extent on the operating companies in Switzerland. Management has identified four geographical segments, namely, Switzerland, Other European countries, North America and Asia. For the purpose of presenting net sales by location of customers, one other geographical segment, namely Rest of world, is identified.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer who assesses the performance based on the EBIT.

Goodwill acquired in a business combination is allocated by management to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

New standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning January 1, 2009, but not currently relevant to the Group

IAS 23 (amendment), “Borrowing costs”.
IFRS 2 (amendment), “Share-based payment”.
IAS 32 (amendment), “Financial instruments: Presentation”.
IFRIC 15, “Agreements for the construction of real estate”.

There are no other new International Financial Reporting Standards that have an impact on the Group’s operations.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates the estimates, including those related to provisions for warranty purpose and other provisions resulting from pending litigations as well as other present obligations of uncertain timing, inventory obsolescence, bad debts and the assessment of income taxes including deferred tax assets, retirement benefit obligations and the fair value of stock option grants. Management bases the estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the critical accounting policies described in the annual consolidated financial statements for the year ended December 31, 2008 reflect the most significant judgments and estimates that are used in the preparation of the consolidated financial statements.

Due to market turbulence, management believes that the inventory obsolescence computed on the turnover of the articles as described in the annual consolidated financial statements is not adequate and has therefore frozen the inventory obsolescence provision at the December 31, 2008 level as its best estimate in the circumstances.

4 Scope of consolidation

There was no change in the scope of consolidation which occurred in the period under review.

5 Interest bearing loans and borrowings

Due to market turbulence the syndicate of banks which granted to Tornos S.A. as the borrower, with Tornos Holding S.A. acting as guarantor a credit facility in the aggregate of CHF 32.5 million subject to certain conditions and financial covenants waived its rights due to breach and potential breach of interest cover ratio at March 31, 2009, June 30, 2009 and September 30, 2009 and potential breach of net debt to EBITDA ratio at June 30, 2009 and September 30, 2009.

6 Stock compensation plans

There are two Management and Board of Directors stock participation plans, namely the 2004 Management and Board Participation Plan (MBP04) and the Management and Board Participation Plan 2007–2009 (MBP07). Compensation expense is recognised in accordance of the provisions of IFRS 2 "Share-based Payment", for options over the vesting period and for shares purchased immediately in the accounts as the shares do not need to be returned in case the employment contract is terminated. The expense recorded in the income statement spreads the cost of each option equally over the vesting period. Assumptions are made concerning the forfeiture rate which is adjusted during the vesting period so that at the end of the vesting period there is only a charge for vested amounts. Compensation expense of KCHF 339 was recorded for the six month period ended June 30, 2009 (June 30, 2008: KCHF 340). Compensation expense arising from stock options outstanding at June 30, 2009 to be recognised in future periods amounts to KCHF 626 (June 30, 2008: KCHF 1'033).

6.1 Management and Board Participation Plan 2007–2009 (MBP07)

The General Meeting of Shareholders held on April 3, 2007 approved the issue of 900'000 conditional shares that may be used by the Board of Directors to satisfy the Management and Board Participation Plan 2007–2009 (MBP07). Under this plan, from 2007 to 2009, a maximum of 300'000 shares/options may be allocated each year to the participants by the Nomination and Compensation Committee. The possible participants are members of the Board of Directors as well as the management. Each participant chooses on grant date, within the number of shares/options allocated to him by the Nomination and Compensation Committee, to receive options free of charge, to purchase shares with a discount or a combination of receiving options free of charge and purchasing shares with a discount. As of June 30, 2009, a total of 760'000 shares/options were attributed by the Nomination and Compensation Committee of which 29'500 options were cancelled (June 30, 2008: 470'000 shares/options granted of which 20'000 options were cancelled). Of the total amount, the participants elected to purchase 89'500 shares immediately and to receive 670'500 options under the stock option program as detailed below (June 30, 2008: 89'500 shares and 380'500 options respectively).

6.1.1 Stock purchasing program under MBP07

Each participant has the right to purchase shares on May 1, 2007, 2008 and 2009 (within the number of shares/options allocated by the Nomination and Compensation Committee and not used for the stock option program). The purchasing price is the weighted average price paid at SIX within the 12 months (May 1 to April 30) preceding the purchase of the shares minus a discount of 25%. There is a restriction period of two years after purchasing the shares during which the shares are held in an escrow deposit. However, the shares do not need to be returned in case the employment contract is terminated and there is a take me along clause in case of a change of control transaction. In 2009, none of the participants elected to purchase shares at a price of CHF 7.14 (June 30, 2008: no purchase of shares at CHF 14.75). As a result, no expense was recorded in the income statement for the six month period ended June 30, 2009 and 2008.

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

6.1.2 *Stock option program under MBP07*

Each participant receives free of charge on May 1, 2007, 2008 and 2009 the number of options chosen (within the number of shares/options allocated by the Nomination and Compensation Committee and not used for the share purchasing program). The options vest after two years and can be exercised only in the third year. The exercise price is the weighted average price paid at SIX within the 12 months (May 1 to April 30) preceding the allocation of the options. A possible share capital reduction or dividend payment has no impact on the option rights according to this program as the exercise price will not be adjusted should these events take place. Options not exercised generally need to be returned at the time the employment contract is terminated. However, they can be exercised without any restriction in case of a change of control transaction. Total expenses recorded in the income statement for the six month period ended June 30, 2009 amounted to KCHF 339 (June 30, 2008: KCHF 230).

The fair value of the grants under the MBP07 stock option plan was estimated using the Black-Scholes valuation model with the following assumptions and values:

	2009 attribution	2008 attribution	2007 attribution
Number of options granted	290’000	240’000	140’500
Grant date	May 1, 2009	May 1, 2008	May 1, 2007
Vesting period	2 years	2 years	2 years
Expiration date	April 30, 2012	April 30, 2011	April 30, 2010
Closing stock price at grant date	CHF 6.23	CHF 18.05	CHF 19.10
Exercise price	CHF 9.52	CHF 19.66	CHF 15.18
Expected life	2.5 years	2.5 years	2.5 years
Volatility	49.13%	37.76%	31.28%
Expected dividend yield	0%	2.77%	1.30%
Risk free interest rate	0.45%	2.30%	2.81%
Fair value of option at grant date	CHF 1.08	CHF 3.35	CHF 5.80
Expected turnover of personnel	–	–	–

A summary of activity under the MBP07 stock option plan, including weighted average exercise price, is as follows:

	2009			2008		
	Options	**Exercise price** (CHF)	**Contractual life**	**Options**	**Exercise price** (CHF)	**Contractual life**
Outstanding at January 1,	**351’000**	**18.18**		**120’500**	**15.18**	
Granted	290’000	9.52	3 years (April 30, 2012)	240’000	19.66	3 years (April 30, 2011)
Exercised	–			–		
Cancelled or expired	–			–		
Outstanding at June 30,	**641’000**	**14.26**		**360’500**	**18.16**	
Exercisable at June 30,	**116’000**	**15.18**	Until April 30, 2010	**–**		

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

6.2 2004 Management and Board Participation Plan (MBP04)

The General Meeting of Shareholders held on April 13, 2004 approved the issue of 450’000 conditional shares that may be used by the Board of Directors to satisfy stock purchase and option plan commitments set out below.

6.2.1 Share purchase plan under MBP04

Under the MBP04, eligible members selected by the Board of Directors were offered 150’000 registered shares at CHF 5.30 per share to be issued in three equal tranches over a three-year period. The purchase price was deemed equivalent to the fair market value at the date each eligible member contractually committed to purchasing the shares, hence no compensation expense has been calculated in respect of the above. As at June 30, 2009, 150’000 registered shares had been issued under the 2004 Management and Board Participation Plan (June 30, 2008: 150’000 registered shares).

6.2.2 Stock option plan under MBP04

Under the MBP04, eligible members selected by the Board of Directors were issued options to purchase registered shares at a strike price of CHF 6.00 per share. The terms and conditions with respect to options granted were determined by the Board of Directors who administered this plan. Options vest over two years and remain outstanding for periods not exceeding three years. A total of 300’000 options were issued under this plan, of which 235’988 options were exercised, 5’838 options were cancelled and 58’174 options had expired at June 30, 2009 (June 30, 2008: 200’000 options exercised, 5’838 options cancelled and no options had expired respectively). Total expenses recorded in the income statement for the six month period ended June 30, 2009 amounted to KCHF 0 (June 30, 2008: KCHF 110).

A summary of activity under the MBP04 stock option plan, including weighted average exercise price, is as follows:

	2009			2008		
	Options	**Exercise price** (CHF)	**Contractual life**	**Options**	**Exercise price** (CHF)	**Contractual life**
Outstanding at January 1,	**65’445**	**6.00**		**108’502**	**6.00**	
Exercisable at January 1,	**65’445**	**6.00**		**14’340**	**6.00**	
Granted	–			–		
Exercised	-7’271	6.00		-14’340	6.00	
Cancelled or expired	-58’174	6.00		–		
Outstanding at June 30,	**–**			**94’162**	**6.00**	
Exercisable at June 30,	**–**			**94’162**	**6.00**	Until April 30, 2009

The related weighted average share price at the time of exercise was CHF 6.56 in 2009 and CHF 13.32 in 2008.

All figures are presented in thousands of Swiss francs (CHF) unless otherwise stated

7 Operating segment

7.1 Net sales by location of customers

Six months ended June 30,	**2009**	**2008**
Switzerland	19’296	39’012
Other European countries	25’105	72’024
North America	10’025	22’301
Asia	3’798	10’955
Rest of world	379	568
Total net sales	**58’603**	**144’860**

7.2 Non-current assets

	June 30, 2009	**Dec. 31, 2008**	**June 30, 2008**
Switzerland	40’611	42’646	44’023
Other European countries	2’673	2’751	3’367
North America	374	425	444
Asia	53	60	40
Total non-current assets for operating segment disclosure	**43’711**	**45’882**	**47’874**
Reconciling unallocated assets:			
– Available-for-sale financial assets	2’384	1’787	3’793
– Deferred tax assets	2’570	963	1’745
Total non-current assets per balance sheet	**48’665**	**48’632**	**53’412**

8 Post balance sheet events

There are no post balance sheet events that would require adjustments to the amounts recognised in these interim consolidated financial statements or require disclosure.

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