  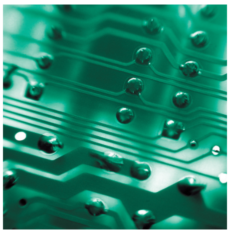 

REPORT FOR THE FIRST HALF OF 2009

TORNOS HOLDING S.A.

Ladies and Gentlemen,
Dear Shareholders,

As we started to announce over a year ago, all our key market segments – the electronics, automotive, medical and microtechnology sectors – were hit by the recession one after another during 2008. A large number of measures have been taken over the past year to manage the situation. The depressed conditions worsened further after the collapse of Lehman Brothers last September, and since then the main markets have all remained in the doldrums. The first half of 2009 has seen business levels some 60 to 65% lower than 2007, the last year in which economic conditions were stable and which, for that reason, represents a good benchmark. It is still too early to say whether the situation has now reached its low point, as after 18 months of recession we are seeing conflicting signals. Among the positive signs is the fact that several clients, or their final markets, are once again using production capacity at close to 80%, the threshold above which the need to invest in increased capacity tends to reassert itself. Another positive factor is the length of the list of active projects. However, among the negative indicators is the fact that many projects that should be coming to fruition over the next few months are held up 'awaiting signature' by the general management of large companies, where an increasingly cautious attitude prevails. Companies are hesitating to use their liquidity and are delaying investments, minimizing financial risks in an unstable environment and preferring to defer the decision as long as possible, even if it means running certain industrial and commercial risks. Among SMEs, the difficulty is more one of obtaining finance to purchase equipment. This is holding up numerous projects, even in Switzerland where the problem is something of a rarity even during a recession. The upshot of this situation is severe pressure on prices, payment deadlines and other conditions of sale. As an additional factor, the parity of the Swiss franc against the other leading currencies is causing problems for exporters. After this brief overview of the situation, we shall now give details of other key events in the life of the Group over the first six months of 2009.

Crisis strategy

It is clear that no-one knows when the recovery will occur, or at what level of economic activity the situation will stabilise. However, we believe that a certain number of assumptions can be made. If, as many experts are predicting, future patterns of consumption change, it is also likely that this change will be a gradual one. Cars will consume less and watches may be driven by automatic mechanisms more often than batteries, as consumer preferences shift to more environmentally-friendly products. However, it is unlikely that those products will fall completely out of use, and there is already an acceptance that not all products are bad for the environment, merely some of them. In the future, some consumer products will, although different, still have features in common with those we know today. Hence, we are convinced that machine tools will always be needed to manufacture them. These means of production will inevitably have to be adapted to the components in question but will not be radically different from those with which we are familiar – which, paradoxically, could even trigger additional demand for investment in capital goods. In other words, although certain structural adjustments will take place (which after all is a permanent feature of our business) our first problem is coping with a cyclical crisis. For us it is different from previous crises in that it is affecting all our industrial market segments at the same time and all the countries in which we operate. That simultaneous decline in all markets and geographical areas is what is making this recession deeper than previous ones. Proof of this is that most of our fellow machine tool manufacturers in Europe and Asia are reporting falls of between 60 and 85% in sales, an absolutely unprecedented phenomenon. This may be one effect of globalization to which our industrial world has not yet adjusted. In the circumstances, we expect the recovery to follow a pattern fairly similar to that of the downturn. We believe that once it starts the rebound could be rapid and relatively vigorous. For this reason, after reducing our staff numbers by 10% in six months, our current crisis management strategy does not envisage any permanent reduction in production capacity, or in our product range or geographical coverage. Rather than the massive redundancies that accompany permanent reductions in capacity, we prefer to use part-time working on a very large scale. 80% of our staff are in Switzerland, where this option is available at only a marginal extra cost compared to redundancies. Similar programmes exist in around half the other countries where we employ staff, although the cost in these cases is higher. The current rate of under-employment for our staff is between 50 and 70%, depending on the sector. Our strategy of avoiding permanent downsizing will enable us to preserve the know-how and production capacity that are vital if we

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are to participate fully in the recovery. We shall therefore feel the immediate benefit of the upturn and will be able to focus on providing a service to customers rather than hiring staff and having to manage the dissatisfaction of customers who are unable to obtain delivery of their machines within the desired timescale. To benefit from the recovery, we need to be ready with available production capacity, an appropriate product range and fully operational sales and service networks. That is our strategy.

Business report

In the first half of 2009, we booked orders worth CHF 43.0 million, of which CHF 23.2 million was received in the first quarter and CHF 19.8 million in the second. Compared to the same period in 2008 (CHF 140.5 million) in which the onset of the downturn was felt from April onwards, the decline is 69.4%.
Gross sales followed the same trend as orders with figures of CHF 31.8 million and CHF 27.6 million in the first two quarters respectively. Thus, first-half sales totalled CHF 59.5 million which, compared to last year (CHF 145.6 million), represents a fall of CHF 59.2%.

Markets

All market segments are in recession. In microtechnology, the hardest-hit area is watchmaking, although this was the last sector to be hit by recession at the end of the fourth quarter of 2008. The electronics and automotive sectors are severely affected and, although we are seeing signs of an increase in capacity utilisation, the situation has not changed significantly from last year, and the demand for machines remains weak. Activity in the medical sector is relatively stable, although at levels below those of previous years. From a geographical standpoint, there is little to choose, with all regions reporting comparable situations for the same industrial market segments.

Products

Few new products will be presented this year, despite EMO 2009, the international exhibition scheduled to take place in Milan in October, which is normally the preferred platform for machine tool producers to unveil their new products. In a depressed market we have opted to focus our R&D effort on designing products for sale in 2010–2011 rather than present them at a trade fair that is unlikely to be attended by large numbers of serious purchasers – but where all our direct competitors will be present in force and eager to discover what our future products will be.

Interim consolidated financial statements as at 30 June 2009

The unaudited consolidated financial statements as at 30 June 2009 are enclosed. They have been drawn up in accordance with International Accounting Standard 34 on interim financial reporting.
Results for the first half-year are disappointing. With gross sales of CHF 59.5 million in the first six months, the loss was CHF 15.5 million, compared to a profit of CHF 5.6 million in the same period last year, when sales totalled CHF 145.6 million. The deterioration in the result is mainly due to the reduction in volumes, which has meant that we have been using only a third of normal production capacity. Although short-time working has reduced capacity to an extent comparable to the fall in sales, the decline in business has resulted in lower absorption of fixed production costs and a collapse in the gross margin from 37.7% in the first half of 2008 to 23.4% in the period under review. Thanks to the cost reduction programmes and short-time working, which was also introduced on a large scale in sectors other than production, operating expenses of CHF 30.5 million were 33.0% lower than the same period last year (CHF 45.6 million). The operating result (EBIT) was a loss of CHF 16.6 million, with operating cash flow showing a net outflow of CHF 21.2 million, which includes almost CHF 10 million of 2008 invoices paid to Tsugami with an exceptionally long maturity of 180 days, to acquire an initial stock of machines. The Group has credit facilities of CHF 32.5 million with a group of banks which is subject to conditions that the banks have agreed not to enforce. As a result, this liquidity is secured for the next few months. Thus, the Group's net debt is CHF 16.2 million compared to a positive net cash position of CHF 5.3 million on 31 December 2008. As at 30 June 2009, equity of CHF 139.4 million accounts for 72.3% of the balance sheet total of CHF 192.8 million.

Outlook for 2009

Against the current macroeconomic backdrop, it would be unrealistic to publish any detailed forecasts.

The French version of the report for the first half of 2009 is the definitive one.

François Frôté
Chairman of the
Board of Directors

Raymond Stauffer
CEO and Delegate of
the Board of Directors

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Tornos Group **Unaudited Key Figures** (in KCHF unless otherwise stated)	**First quarter 2009**	**First quarter 2008**	**Second quarter 2009**	**Second quarter 2008**	**First half 2009**	**First half 2008**	**Difference**	**Difference % / pts**
Bookings	23'154	79'698	19'850	60'813	43'004	140'511	-97'507	-69.4%
Gross sales	31'827	74'760	27'635	70'854	59'462	145'614	-86'152	-59.2%
EBITDA	-5'815	7'280	-8'250	5'396	-14'065	12'676	-26'741	N/A
in % of Gross sales	-18.3%	9.7%	-29.9%	7.6%	-23.7%	8.7%		N/A
EBIT	-7'438	5'689	-9'131	3'624	-16'569	9'313	-25'882	N/A
in % of Gross sales	-23.4%	7.6%	-33.0%	5.1%	-27.9%	6.4%		N/A
Net profit/(Net loss)	-6'125	3'235	-9'350	2'409	-15'475	5'644	-21'119	N/A
in % of Gross sales	-19.2%	4.3%	-33.8%	3.4%	-26.0%	3.9%		N/A
Net cash/(Net debt)	-3'521	12'769	-16'193	4'484	-16'193	4'484	-20'677	N/A
Equity	148'043	153'662	139'359	155'046	139'359	155'046	-15'687	-10.1%
in % of Total Balance sheet	73.8%	67.9%	72.3%	67.7%	72.3%	67.7%		4.6 pts
Total Balance sheet	200'680	226'184	192'805	229'130	192'805	229'130	-36'325	-15.9%
Capital expenditures in tangible fixed assets	79	1'945	190	2'917	269	4'862	-4'593	-94.5%

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