

Tornos announces its 2001 results as well as an important reorganization plan ensuring the survival of the Tornos Group (Moutier)

Moutier, June 6, 2002

TORNOS Holding SA will hold its ordinary General Meeting in Moutier on 28th June 2002 and invites its shareholders to attend. TORNOS Group results for 2001 showed consolidated gross sales of CHF 372.8 million, EBITDA of CHF 11.4 million and a consolidated loss of CHF 29.9 million. The market situation in the machine tool industry worsened in the first 4 months of 2002 and the group shows results until end of April 2002 of consolidated gross sales CHF 54.8 million, operating loss of CHF -18.7 million and consolidated loss of 28.4 million.

Tornos will propose to the shareholders at the June 28 General Meeting a recapitalisation of the company to ensure its long term continuation. This will be done by reducing the share capital by 90% of its face value to a value of CHF 11.5 million and then an increase of capital by a maximum of CHF 73 million. This capital increase will take place in two steps.

Drastic measures are required in the short term, namely a reduction in the number of employees by about 1/3, as well as asking banks and suppliers to write off some of the debt. Tornos will have to secure a short term credit in the form of a bridge loan of CHF 10 million to survive the interim period until it will receive the proceeds from the capital increase.

Tornos Group ("Tornos") is a leader in the manufacture of automatic lathes, located in Moutier. For the year ending 2001, consolidated sales equalled CHF 372.8 million, slightly higher than the prior year's consolidated gross sales of CHF 370.1 million. This increase of gross sales was due to the high level of order backlog in the first half of 2001. During the second half of 2001, the situation got worse, which finally resulted in an EBITDA of CHF 11.4 million compared to the prior year's EBITDA of CHF 41.9 million.

This negative development is the combined result of the worldwide reduction in demand for machine tools, aggravated by the events of September 2001; resulting in excess production capacities at Tornos, as well as higher fix costs due to previous capital expenditures made during the year in new equipment to improve Tornos production capabilities. In autumn 2001 already the Board decided to reduce the number of employees and partial layoffs. Despite these and other measures taken, at the end of 2001 resulted a net loss of CHF 29.9 million (compared to a profit of CHF 9.5 million in 2000).



(CHF Mio.)	2001	2000	Variance
Consolidated Gross Sales	372.8	370.1	0.7 %
EBITDA	11.4	41.9	- 72.8 %
Operating results (EBIT)	-8.4	24.9	n.a.
Net Profit/Loss	-29.9	9.5	n.a.
Debt	113.7	181.6	- 37.4%
Total Assets & Liabilities	372.8	400.1	-6.8 %
Cash on hand	6.0	13.3	- 54.9 %
Equity	135.6	69.6	94.8 %
Number of Employees	1'283	1'231	4.2 %
Number of shares issued	2'300'000	-	-

The low level of order intake in the first quarter of 2002 combined with the high level of fixed costs led to a serious cash squeeze.

By end of April 2002, the group accounts showed consolidated sales of CHF 54.8 million, resulting in a EBITDA of CHF -18.7 million and an overall net loss of CHF 28.4 million. These developments forced the Board to change the strategy and to concentrate in the future on Tornos core products with lower usage of its installed capacity. As a consequence, important adjustments and provisions had to be applied to the balance sheet as of April 30, 2002, both for Tornos SA as well as Tornos Holding SA.

The Board did carry out an extensive review of the various alternatives available to Tornos, such as a recapitalisation, finding new investors, or the sale of the company to an industrial investor. After considering carefully the advantages and disadvantages of each alternative, and certainly not to the least based on the conviction and commitment of the employees, the quality of its products, as well as the positive attitude of the banks and many suppliers, the importance of the company to the local economy, the Board decided unanimously to opt for keeping Tornos as an independent company. In order to ensure the long term continued survival of Tornos, the Board now proposes the restructuring project described hereafter, which is based, among other measures, on a reduction of Tornos' workforce by about 1/3, notwithstanding.

The Board of Tornos Holding S.A. will present to the General Meeting of the Shareholders on June 28, 2002, the results of the business year 2001 and will furthermore, propose a capital reduction from CHF 115 million to CHF 11.5 million by reducing the nominal value from CHF 50 to CHF 5 per share. It then plans to increase the capital by a maximum of CHF 73 million. The actual shareholder's pre-emptive rights shall be excluded as far as necessary. The company has secured or is actually very close to securing new capital amounting to CHF 52.4 million through various investors both institutional and private, such as Doughty-Hanson.



Current shareholders will receive options to purchase additional shares to compensate them for their sacrifices. At the same time, the banks will abandon part of their loan and will receive as partial compensation options on Tornos shares. In addition, suppliers will be offered Tornos shares in a debt for equity exchange. Due to short term liquidity issues, Tornos is in discussion with banks to secure a CHF 10 million bridge loan.

The only other alternative would have been to close down the company. The Board has worked diligently to prevent this possibility. The State of Bern is giving Tornos its full support in its endeavours to ensure the continuation of the company. The successful continuation of Tornos will take a great deal of sacrifice on the part of all parties concerned, and the Board is confident that all the sacrifices along with the new strategy of the company will create an environment to allow the company to overcome the current crisis and prosper for the years to come.

In case of question, only the German version will be apply

"This document does not constitute an offer or invitation to subscribe for or purchase any securities. The shares of Tornos Holding SA have not been registered under the United States securities laws and may not be offered, sold or delivered within the United States or to U.S. persons absent from registration under or an applicable exemption from the registration requirements of the United States securities laws."