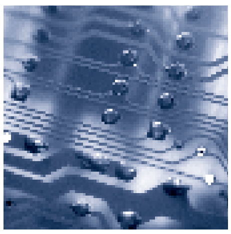

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2013 | TORNOS HOLDING LTD

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(unaudited)

In thousands of CHF, except per share data

Six months ended June 30,	**2013**	**2012** *Restated (notes 3.1 & 3.3)*
Gross sales	**79'150**	**97'041**
Rebates and discounts	–2'873	–1'204
Net sales	**76'277**	**95'837**
Cost of sales	–57'178	–69'259
Gross profit	**19'099**	**26'578**
Marketing and sales	–13'768	–16'395
General and administrative expenses	–9'649	–10'881
Research and development	–4'358	–6'168
Other income/(expenses) – net	194	507
Operating income/(loss) (EBIT)	**–8'482**	**–6'359**
Financial expenses – net	–1'104	–1'146
Exchange gains/(losses) – net	95	–355
Loss before income taxes	**–9'491**	**–7'860**
Income tax credit/(charge)	–2'427	1'204
Net loss for the period	**–11'918**	**–6'656**

Earnings/(loss) per share		
– basic	–0.76	–0.44
– diluted	–0.76	–0.44

EBIT (operating income/(loss) before finance expenses, exchange losses and income taxes)	**–8'482**	**–6'359**
Depreciation and amortisation	2'125	2'319
EBITDA (operating income/(loss) before finance expenses, exchange losses, income taxes, depreciation and amortisation)	**–6'357**	**–4'040**

The accompanying notes form an integral part of these interim consolidated financial statements

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

In thousands of CHF

Six months ended June 30,	**2013**	**2012** *Restated (notes 3.1 & 3.3)*
Net loss for the period	**–11’918**	**–6’656**
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit pension plans, net of KCHF 330 tax (2012: KCHF 25 tax)	–1’719	– 130
Total items that will not be reclassified to profit or loss	**–1’719**	**–130**
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on available-for-sale financial assets, net of KCHF 39 tax (2012: KCHF –4)	–462	53
Change in fair value of cash flow hedges, net of tax (2012: KCHF 221 tax)	0	–1’165
Currency translation difference	115	– 86
Total items that may be reclassified subsequently to profit or loss	**–347**	**–1’198**
Total comprehensive loss for the period	**–13’984**	**–7’984**

The accompanying notes form an integral part of these interim consolidated financial statements

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(unaudited)

In thousands of CHF	**Notes**	**June 30, 2013**	**Dezember 31, 2012** *Restated (notes 3.1)*	**June 30, 2012** *Restated (notes 3.1 & 3.3)*
ASSETS				
Cash and cash equivalents		9'144	10'884	11'249
Trade receivables		36'671	36'204	38'251
Available-for-sale financial assets		5'484	5'985	–
Inventories		75'457	78'176	87'369
Other receivables and prepayments		9'474	6'799	10'108
Assets classified as held for sale	**8**	900	–	–
Total current assets		**137'130**	**138'048**	**146'977**
Available-for-sale financial assets		–	–	6'720
Property, plant and equipment		26'916	29'130	30'780
Intangible assets		6'387	6'931	16'489
Deferred tax assets	**9**	12'242	14'068	10'528
Total non-current assets		**45'545**	**50'129**	**64'517**
Total assets		**182'675**	**188'177**	**211'494**
LIABILITIES AND EQUITY				
Interest bearing loans and borrowings		142	245	38'961
Loan from shareholders	**7.3**	10'000	–	–
Trade payables		19'793	17'353	22'607
Current tax liabilities		63	199	42
Other liabilities		19'449	15'692	17'256
Provisions		3'773	4'436	3'880
Total current liabilities		**53'220**	**37'925**	**82'746**
Interest bearing loans and borrowings		404	437	549
Loan from shareholders		–	40'000	–
Retirement benefit obligations	**3.1**	30'446	27'124	21'512
Provisions		782	773	818
Deferred tax liabilities		28	68	182
Total non-current liabilities		**31'660**	**68'402**	**23'061**
Total liabilities		**84'880**	**106'327**	**105'807**
Total equity	**7.3**	**97'795**	**81'850**	**105'687**
Total liabilities and equity		**182'675**	**188'177**	**211'494**

The accompanying notes form an integral part of these interim consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited)

In thousands of CHF	**Ordinary shares**	**Share premium**	**Treasury shares**	**Retained earnings**	**Total**
At December 31, 2011 (audited)	**69'671**	**18'808**	**–6'827**	**47'749**	**129'401**
Restatement following IAS 19R				–16'307	–16'307
At December 31, 2011 (restated)	**69'671**	**18'808**	**–6'827**	**31'442**	**113'094**
Comprehensive income					
Net loss				–6'656	–6'656
Other comprehensive income					
Fair value gain on available-for-sale financial assets				53	53
Cash flow hedges				– 1'165	– 1'165
Currency translation difference				– 86	–86
Remeasurements of defined benefit pension plans (IAS 19R)	–	–	–	–130	–130
Total comprehensive income	–	–	–	**– 7'984**	**– 7'984**
Transactions with owners					
Issuance of new shares for stock:					
compensation plan	88	56			144
share-based compensation				433	433
Total transactions with owners	**88**	**56**	–	**433**	**577**
At June 30, 2012 (restated)	**69'759**	**18'864**	**–6'827**	**23'891**	**105'687**
At December 31, 2012 (audited)	**69'759**	**18'864**	**–6'827**	**21'629**	**103'425**
Restatement following IAS 19R				–21'575	–21'575
At December 31, 2012 (restated)	**69'759**	**18'864**	**–6'827**	**54**	**81'850**
Comprehensive income					
Net loss				–11'918	–11'918
Other comprehensive income					
Fair value loss on available-for-sale financial assets				– 462	– 462
Currency translation difference				115	115
Remeasurements of defined benefit pension plans (IAS 19R)				–1'719	–1'719
Total comprehensive income	–	–	–	**–13'984**	**–13'984**
Transactions with owners					
Proceeds from shares issued	19'691	9'985			29'676
Share-based compensation				253	253
Total transactions with owners	**19'691**	**9'985**	–	**253**	**29'929**
At June 30, 2013	**89'450**	**28'849**	**–6'827**	**–13'677**	**97'795**

The accompanying notes form an integral part of these interim consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

In thousands of CHF

For the six months ended June 30,	**2013**	**2012** *Restated (notes 3.1 & 3.3)*
Net income/(loss) for the period	**–11'918**	**–6'656**
Adjustments for:		
Taxes	2'427	–1'204
Depreciation of property, plant and equipment	1'581	1'969
Amortization of intangible assets	544	350
(Gain)/loss on disposal of property, plant and equipment	–167	–390
Share-based compensation	253	433
Employee defined benefit obligation	990	351
Other non cash items	33	–18
Decrease/(increase) in working capital:		
Trade receivables	–341	8'103
Other receivables	–2'438	–133
Inventories	2'793	–2'966
Trade payables	2'437	–6'114
Other current liabilities and provisions	2'461	–1'739
Interest expense	662	793
Income tax paid	–257	–190
Net cash provided by/(used in) operating activities	**–940**	**–7'411**
Cash flows from investing activities		
Investment in property, plant and equipment	–264	–795
Disposal of property, plant and equipment	167	560
Investment in capitalized development costs	0	–549
Interest and dividends received	82	28
Net cash used in investing activities	**–15**	**–756**
Cash flows from financing activities		
Repayments of borrowings, including finance lease liabilities	–30'137	–172
Proceeds from issuance of share capital, net of expenses paid	30'085	144
Purchase of treasury shares	0	0
Interest paid	–816	–792
Net cash used in financing activities	**–868**	**–820**
Net increase/(decrease) in cash and cash equivalents	**–1'823**	**–8'987**
Cash and cash equivalents and bank overdrafts at January 1,	10'884	17'068
Effects of exchange rate changes	83	24
Cash and cash equivalents and bank overdrafts at June 30,	**9'144**	**8'105**
For the purpose of the cash flow statement, cash comprises:		
Cash at bank and in hand	9'144	11'249
Less bank overdrafts (as part of the interest bearing loans and borrowings)	0	–3'144
Cash and cash equivalents and bank overdrafts at June 30,	**9'144**	**8'105**

The accompanying notes form an integral part of these interim consolidated financial statements

SELECTED NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1 General information

Tornos Holding Ltd. (the Company) is a company domiciled in Moutier, Switzerland, and is listed on the Main Standard of SIX Swiss Exchange in Zürich. The Group, which consists of the Company and all its subsidiaries, is active in the development, manufacture, marketing, sale and servicing of machines and spare parts. The Group manufactures as of June 30, 2013 solely in Moutier and La Chaux-de-Fonds, Switzerland, and markets the product lines on a worldwide basis. The Group's sale operations outside of Switzerland principally include European countries, Americas and Asia.

During the period, the group has registered in Taiwan on May 18, 2013 a new assembly plant. The operation of the assembly plant will start in August 2013.

These interim consolidated financial statements have been approved for issue by the Board of Directors on July 25, 2013.

2 Basis of preparation

The unaudited condensed interim consolidated financial statements of the Tornos Group ("the Group") for the six months ended June 30, 2013 have been prepared in accordance with the International Accounting Standard 34 on interim financial reporting. This condensed interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2012 which have been prepared in accordance with IFRS. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2012.

3 Accounting policies

The accounting policies applied by the Group in this condensed interim financial information are consistent with those applied in the consolidated financial statements as at and for the year ended December 31, 2012 except for the adoption of new standards and interpretation effect as of January 1, 2013.

3.1 New standards and amendments to standards which were adopted for the first time for the financial year beginning January 1, 2013

The Group applies for the first time, certain standards and amendments that require restatement of previous financial statements. These include IAS 19 (revised) Employee benefits, amendments to IAS 1 Presentation of Financial Statements and IFRS 13 Fair Value Measurement. As required by IAS 8, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements 2013.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g. net gain on hedge of net investment, exchange difference on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will be never reclassified (e.g. actuarial gains and losses on defined benefit plans). The amendment affected the presentation only and had no impact on the Group's financial position or performance.

IAS 19 Employee Benefits (IAS 19R)

IAS 19 (revised) amends the accounting for defined benefits plans. The group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the group has been in the following areas:

- The new standard prohibits the use of the corridor approach and requires that actuarial gains and losses are immediately recognized in other comprehensive income. The standard also requires past service costs to be recognized immediately in profit or loss. These two requirements, including the impact of net liability reduced due to risk sharing stipulations of CHF 1.8 million, had for effect to recognise as of January 1, 2012 actuarial losses of CHF –23.1 million and past service benefits of CHF 1.9 million for a total amount of CHF –16.3 million, net of CHF 3.1 million deferred tax in the retained earnings.
- Under the prior standard, actuarial losses of CHF –3.1 million and a prior service income of CHF 0.4 million had been recognized in profit and loss. Under IAS 19R, these two amounts are no longer recognized in profit and loss. This different method in recognizing actuarial gains and losses is also the reason that the curtailment during fiscal year 2012 resulted in a higher gain under IAS 19R of CHF 1.5 million. Moreover, the requirement that the discount rate is used to calculate the finance expense under IAS 19R resulted in an increase in the expense of CHF –1.3 million. The introduction of the risk sharing feature resulted in an increase in expense of CHF –0.7 million. In total the expense under IAS 19R for fiscal year 2012 is CHF 2.2 million lower, resp. CHF 1.9 million net of deferred tax of CHF 0.3 million.
- As of June 30, 2012, IAS 19R resulted in a slightly higher pension expense of CHF 0.2 million. CHF 0.1 million have been recognized as part of the other comprehensive income and CHF 0.1 million as part of the finance expenses.
- There is a new term “remeasurements” used in the statement of other comprehensive income. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. During fiscal year 2012, CHF 7.1 million losses, net of CHF 1.3 million deferred tax, have been recognized in the other comprehensive income.
- “Retirement benefit obligation” as previously reported has been restated at the reporting dates to reflect the effect of the above. Amounts have been restated as at January 1, 2012 as CHF 20.9 million (previously CHF 1.5 million); June 30, 2012 as CHF 21.5 million (previously CHF 1.9 million) and December 31, 2012 as CHF 27.1 million (previously CHF 1.5 million).
- The effect of the change in accounting policy on the statement of cash flows and on earnings per share as of June 30, 2012 was immaterial.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosures requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurement carried out by the Group. The Group has only the equity shares of Tsugami, classified as available-for-sale financial assets, which are measured at fair value based on quoted price observed in active stock exchange markets. The valuation technique used for these financial instruments is according to the terminology and hierarchy used under IFRS 13 resulting from level 1 inputs.

IFRS 13 also requires specific disclosures on fair values some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Tornos Group does not have any other assets measured at fair value than the Tsugami shares and therefore no further disclosures are currently required.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

3.2 New standards, amendments to standards and interpretations mandatory for the first time for the financial year beginning January 1, 2013, but with no impact on the interim condensed consolidated financial statements.

Several other new standards and amendments are applied for the first time in 2013. However, they either do not impact or are not relevant for the annual consolidated financial statements or the interim condensed consolidated financial statements of the Group.

They are as follows:

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment).

The amendments to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarified the requirement in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirement in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual consolidated financial statements for that reportable segment. Because no such information is regularly reported to the chief operating decision maker, no corresponding disclosures have been included in the interim condensed consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The amendment requires an entity to disclose information about rights to set off financial instruments and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: a) an investor has power over an investee; b) the investor has exposure, or rights, to variable returns from its involvement with the investee and c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangement and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. Under IFRS 11 Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The accounting treatment for joint operations and joint ventures is different. Joint operations are accounted for by recognizing the share of assets, liabilities, revenues and expenses in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses recognised. When a joint arrangement is considered to be a joint venture, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 had no impact on the consolidation of investments held by the Group.

3.3 *Restatement comparative prior-year interim condensed consolidated financial statements*

According to IAS 2, paragraph 30, estimates of net realizable value for inventory should be based on the most reliable evidence available at the time the estimates are made. In the prior-year interim consolidated financial statements, an error, identified by the SIX Exchange Regulation, occurred to the estimate and forecast inventory consumption based on the future sales estimated by the Group. This had for effect to overvalue inventory by CHF 3.8 million. Pursuant to IAS 8, corrections of errors, the prior year has been restated. The following positions in the prior interim condensed consolidated financial statements have been amended:

- Inventory in the balance sheet as of June 30, 2012: MCHF –3.8.
- Cost of sales in the profit and loss statement as of June 30, 2012: MCHF +3.8.
- Deferred tax effect in the profit and loss statement as of June 30, 2012: MCHF –0.6
- Net effect in the profit and loss statement: MCHF +3.2 (increase of the net loss of the period as of June 30, 2012).

This correction has no impact on the opening balance sheet on the prior year. The respective corrections have already been applied to the audited balance sheet as of December 31, 2012.

The effect of this error on the basic and diluted loss per share amounts to CHF –0.22.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimated.

On an ongoing basis, management evaluates the estimates, including those related to provisions for warranty, provisions resulting from pending litigations as well as other present obligations of uncertain timing, inventory obsolescence, bad debts, valuation of intangible assets, assessment of income taxes including deferred tax assets and retirement benefit obligations.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2012, with the exception of changes in estimates that are required in determining the provision for income taxes, the recoverability of the deferred tax assets and the defined benefit plans. The assessment regarding the recoverability of the deferred tax assets is set out in the note 9.

5 Seasonality and cyclicality of interim operations

The Group is not subject to any significant seasonality. The Group's operations are sensitive to economic cycles which can quickly impact our clients' investment decisions.

6 Scope of consolidation

As mentioned above, the Group has registered in Taiwan on May 18, 2013 a new assembly plant as a branch. The operation of the assembly plant will start in August 2013. In addition, a new company named "Tornos (Xi'an)

Machine Works Co., Ltd", domiciled in Xi'an, China, is in the process of incorporation. The final registration licences are expected to be attributed during the second semester 2013. This new company, of which Tornos holds a 70% stake, will be consolidated from the date of incorporation.

There are no other changes in the scope of consolidation.

7 Financial risk management

7.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks, credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and therefore they should be read in conjunction with the Group's annual financial statements as at December 31, 2012. There have been no changes in any risk management policies since the year end.

7.2 Liquidity risk

Group treasury policy is to maintain flexibility in funding by keeping committed credit lines available as well as sufficient cash balances. In times of an economic downturn and the initial period of recovery thereafter, liquidity requirements may increase and credit lines may by significantly or fully utilized. As disclosed in the annual consolidated financial statements, Tornos Group disposes of significant unutilized committed credit facilities with two leading Swiss banks that mature on September 30, 2013. Currently, the Group is in the process of renewing similar credit lines at the maturity of the current ones. Even in case the Group would not conclude an acceptable agreement with the credit institutes in due course, the Group disposes of sufficient cash and cash equivalent, financial asset and properties to maintain its operations in line with its strategy within the next twelve months after the reporting date.

7.3 Borrowings and share capital increase

On May 30, 2013, a capital increase with gross proceeds of CHF 30.6 million, CHF 29.7 million net of expenses, was completed. Of the total of CHF 0.9 million costs of the capital increase, CHF 0.4 million remain to be paid in the second half year 2013. 4'375'578 registered shares with a nominal value of CHF 4.50 were issued and fully paid for at a price of CHF 7.00 each. The capital increase was guaranteed up to CHF 30.0 million through the loans granted by shareholders as of December 31, 2012.

As a result of the above, and as of June 30, 2013, the share capital consists of 19'877'671 ordinary registered shares with a par value of CHF 4.50 each. The holders of the ordinary shares are entitled to receive dividends as declared by the meetings of shareholders and are entitled to one vote per share at the meetings of shareholders.

The authorized share capital was reduced accordingly to CHF 1'459'899.00 which can be used for the issue of 324'422 registered shares of CHF 4.50 each to be fully paid up. Increasing the share capital by share underwriting agreement and partial increases are authorized.

The Articles of Incorporation of the Company have been changed accordingly.

As a result of the capital increase, the two loans of total CHF 40.0 million as of December 31, 2012 granted from shareholders have been reduced by CHF 30.0 million and are, as of June 30, 2013, totaling CHF 10.0 million. These remaining loans granted are of undetermined duration and can be cancelled by either party applying a notice period of six months. The loans bear 3% fixed interest per annum.

8 Net assets held for sales

The net assets held for sales consist of two nonoperative buildings with a total net book value as of June 30, 2013 of CHF 0.9 million. These properties are actively marketed by the Group since these are not used for the operation of the Group. All necessary dispositions have been taken by the Management and the Board to conclude the sales within the next twelve months.

9 Deferred tax assets

As mentioned in the consolidated financial statements 2012, the net deferred tax assets mainly relate to deferred taxes arising from tax losses of Tornos Ltd. incurred in 2009, 2010 and 2012. These tax losses are expiring in 2016, 2017 and 2019. In view of the current loss incurred at the interim date and in consideration of an updated forecast, it has been concluded that CHF 2.3 million tax losses would be unlikely to be recovered in the time period where they could be claimed pursuant to the applicable tax laws.

Following the restatements arising on the application of IAS 19 revised, additional deferred tax assets amounting to CHF 4.5 million have been recognized as of June 30, 2013.

10 Stock compensation plan

The Group has since 2011 one stock participation plan remaining, namely the Management and Board Participation Plan 2007 (MBP07). Compensation expense is recognized in accordance with 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 253 was recorded for the six-month period ended June 30, 2013 (June 30, 2012: KCHF 433).

During the period ended 30 June 2013, 261’767 options and 4’150 shares were additionally granted (2012: 307’966 options, resp. 19’700 shares) at an exercise price of CHF 6.53 for the options and CHF 4.90 for the shares. Participants elected in 2013 to purchase 4’150 shares at a price of CHF 4.90 (2012: 19’700 shares at CHF 7.34) with a transaction date in July 2013. The number of options outstanding as of June 30, 2013 amounts to 633’233 (outstanding at December 31, 2012: 508’316). In the first half 2013, 136’850 options have been forfeited.

The fair value of the grants under the MBP07 stock option plan was estimated using the Black-Scholes valuation model.

11 Segment information

The Group’s core activity is the development, manufacture, marketing, sale and servicing of machines. The Chief Operating Decision Maker has been identified as the Group’s Chief Executive Officer. He regularly reviews the Group’s internal reporting for its only operating segment, machines, in order to assess performance and resource needs. The primary internal reporting to the CODM is presented on the same basis as the Group's consolidated income statement and consolidated balance sheet, and is reported on a consistent basis over the periods presented. The Group's Chief Executive Officer assesses the performance of the machines based on EBIT. Additional reporting such as geographical area are also provided to the CODM but they are not considered as substantial information to make strategic decisions, allocate or plan resources or monitor the Group's operational performance. These operational decisions are all executed by the CODM based on internal reporting of the core activity.

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

Revenues generated are derived from sales of machines, spare parts and service.

11.1 *Analysis of revenues by category*

Six months ended June 30,	2013	2012
Machines and spare parts	75'518	93'044
Service	3'632	3'997
Gross sales	**79'150**	**97'041**
Rebates and discounts	–2'873	–1'204
Total net sales	**76'277**	**95'837**

Switzerland is the domicile of the parent company and of the main operating and distribution companies. The Swiss operating companies and the new branch in Taiwan 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, Brazil, China, and in Hong Kong only have support or sales and distribution activities. The transactions between Group companies are conducted based on internationally acceptable transfer pricing policies, thereby leaving reasonable margins at local subsidiary level. The CODM reviews sales for the four material geographical areas, namely, Switzerland, Other European countries, North America and Asia. For the purpose of presenting net sales by location of customers, one other geographical region, namely Rest of world, is identified.

11.2 *Net sales by location of customers*

Six months ended June 30,	2013	2012
Switzerland	17'371	21'232
Other European countries	39'818	41'978
North America	8'185	4'924
Asia	8'407	26'901
Rest of world	2'496	802
Total net sales	**76'277**	**95'837**

No transactions with a single customer accounted for 10% or more of the net sales as of end of June in both 2013 and 2012.

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

11.3 Non-current assets

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) is as follows:

Six months ended June 30,	**June 30, 2013**	**Dec. 31, 2012**	**June 30, 2012**
Switzerland	32'034	34'606	45'595
Other European countries	1'053	1'203	1'382
North America	82	112	159
Asia	66	60	44
Rest of world	68	80	89
Total non-current assets for geographical area disclosure	**33'303**	**36'061**	**47'269**

Reconciling unallocated assets:			
– Available-for-sale financial assets	–	–	6'720
– Deferred tax assets	12'242	14'068	10'528
Total non-current assets per balance sheet	**45'545**	**50'129**	**64'517**

12 Subsequent events

There are no subsequent events to be mentioned.

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