

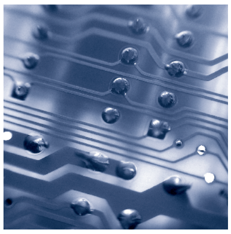
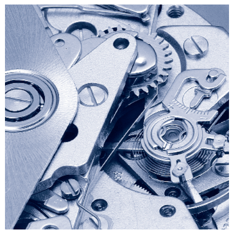

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 2013

TORNOS HOLDING LTD

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(unaudited)

In thousands of CHF, except per share data

Nine months ended September 30,	**Notes**	**2013**	**2012** *Restated (notes 3.1 & 3.3)*
Gross sales		**106’254**	**128’507**
Rebates and discounts		–3’479	–2’219
Net sales		**102’775**	**126’288**
Cost of sales		–78’058	–94’329
Gross profit		**24’717**	**31’959**
Marketing and sales		–19’639	–23’752
General and administrative expenses		–14’105	–15’501
Research and development		–6’385	–8’333
Other income – net		232	762
Operating loss (EBIT)		**–15’180**	**–14’865**
Finance gains/(expenses) – net	**8**	142	–1’633
Exchange losses – net		–225	–427
Loss before income taxes		**–15’263**	**–16’925**
Income tax credit/(charge)		–2’359	2’118
Net loss for the period		**–17’622**	**–14’807**

Earnings loss per share		
– basic	–1.04	–0.99
– diluted	–1.04	–0.99

EBIT (operating income/(loss) before finance expenses, exchange losses and income taxes)	**–15’180**	**–14’865**
Depreciation and amortisation	3’162	3’513
EBITDA (operating income/(loss) before finance expenses, exchange losses, income taxes, depreciation and amortisation)	**–12’018**	**–11’352**

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

In thousands of CHF **Nine months ended September 30,**	**2013**	**2012** *Restated (notes 3.1 & 3.3)*
Net loss for the period	**–17’622**	**–14’807**
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 260 tax)	–1’719	–1’299
Total items that will not be reclassified to profit or loss	**–1’719**	**–1’299**
Items that may be reclassified subsequently to profit or loss:		
Fair value adjustment and recycling following the sale in 2013 of available-for-sale financial assets, net of KCHF 187 tax (2012: KCHF 69)	–2’223	–810
Change in fair value of cash flow hedges, net of tax (2012: KCHF 230 tax)	0	–1’210
Currency translation difference	165	–94
Total items that may be reclassified subsequently to profit or loss	**–2’058**	**–2’114**
Total comprehensive loss for the period	**–21’399**	**–18’220**

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(unaudited)

In thousands of CHF	**Notes**	**September 30, 2013**	**Dezember 31, 2012** *Restated (notes 3.1)*	**September 30, 2012** *Restated (notes 3.1 & 3.3)*
ASSETS				
Cash and cash equivalents		14’235	10’884	9’245
Trade receivables		23’420	36’204	32’445
Available-for-sale financial assets	**8**	–	5’985	–
Inventories		79’945	78’176	88’158
Other receivables and prepayments		9’301	6’799	8’977
Assets classified as held for sale	**9**	900	–	–
Total current assets		**127’801**	**138’048**	**138’825**
Available-for-sale financial assets		–	–	5’784
Property, plant and equipment		26’246	29’130	29’963
Intangible assets		6’099	6’931	16’450
Deferred tax assets	**10**	12’320	14’068	12’065
Total non-current assets		**44’665**	**50’129**	**64’262**
Total assets		**172’466**	**188’177**	**203’087**
LIABILITIES AND EQUITY				
Interest bearing loans and borrowings		97	245	40’865
Loan from shareholders	**7.3**	10’000	–	–
Trade payables		16’669	17’353	18’915
Current tax liabilities		97	199	250
Other liabilities		19’230	15’692	16’514
Provisions		3’903	4’436	6’472
Total current liabilities		**49’996**	**37’925**	**83’016**
Interest bearing loans and borrowings		387	437	484
Loan from shareholders		–	40’000	–
Retirement benefit obligations	**3.1**	30’940	27’124	23’197
Provisions		733	773	760
Deferred tax liabilities		10	68	88
Total non-current liabilities		**32’070**	**68’402**	**24’529**
Total liabilities		**82’066**	**106’327**	**107’545**
Total equity	**7.3**	**90’400**	**81’850**	**95’542**
Total liabilities and equity		**172’466**	**188’177**	**203’087**

The accompanying notes form an integral part of these interim condensed 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				–14'807	–14'807
Other comprehensive income					
Fair value loss on available-for-sale financial assets				–810	–810
Cash flow hedges				–1'210	–1'210
Currency translation difference				–94	–94
Remeasurements of defined benefit pension plans (IAS 19R)				–1'299	–1'299
Total comprehensive income	**–**	**–**	**–**	**–18'220**	**–18'220**
Transactions with owners					
Issuance of new shares for stock:					
compensation plan	88	56			144
share-based compensation				524	524
Total transactions with owners	**88**	**56**	**–**	**524**	**668**
At September 30, 2012 (restated)	**69'759**	**18'864**	**–6'827**	**13'746**	**95'542**
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				–17'622	–17'622
Other comprehensive income					
Fair value loss and recycling on available-for-sale financial assets sold				–2'223	–2'223
Currency translation difference				165	165
Remeasurements of defined benefit pension plans (IAS 19R)				–1'719	–1'719
Total comprehensive income	**–**	**–**	**–**	**–21'399**	**–21'399**
Transactions with owners					
Proceeds from shares issued	19'691	9'985			29'676
Proceeds from sale of treasury shares		–35	56		21
Share-based compensation				252	252
Total transactions with owners	**19'691**	**9'950**	**56**	**252**	**29'949**
At September 30, 2013	**89'450**	**28'814**	**–6'771**	**–21'093**	**90'400**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

In thousands of CHF

For the nine months ended September 30,	**2013**	**2012** *Restated (notes 3.1 & 3.3)*
Net loss for the period	**–17'622**	**–14'807**
Adjustments for:		
Taxes	2'359	–2'118
Depreciation of property, plant and equipment	2'331	2'989
Amortization of intangible assets	831	524
(Gain)/loss on disposal of property, plant and equipment	–164	–390
(Gain)/loss on recycling of available-for-sale financial assets	–1'726	0
Share-based compensation	252	524
Employee defined benefit obligation	1'484	639
Other non cash items	135	–121
Decrease/(increase) in working capital:		
Trade receivables	12'813	13'979
Other receivables	–2'524	1'291
Inventories	–1'881	–3'662
Trade payables	–662	–10'379
Other current payables and provisions	3'364	330
Interest expense	560	997
Income tax paid	–257	–190
Net cash used in operating activities	**–707**	**–10'394**
Cash flows from investing activities		
Investment in property, plant and equipment	–358	–992
Disposal of property, plant and equipment	176	560
Disposal of available-for-sale financial assets	5'300	–
Investment in capitalised development costs	0	–684
Interest and dividends received	113	102
Net cash provided by/(used) in investing activities	**5'231**	**–1'014**
Cash flows from financing activities		
Proceeds from borrowings	–	1'453
Repayments of borrowings, including finance lease liabilities	–30'199	–238
Proceeds from issuance of share capital, net of expenses paid	29'676	144
Proceeds from sale of treasury shares	21	0
Interest paid	–662	–1'339
Net cash used in financing activities	**–1'164**	**20**
Net increase/(decrease) in cash and cash equivalents	**3'360**	**–11'388**
Cash and cash equivalents and bank overdrafts at January 1,	10'884	17'068
Effects of exchange rate changes	–9	–28
Cash and cash equivalents and bank overdrafts at September 30,	**14'235**	**5'652**
For the purpose of the cash flow statement, cash comprises:		
Cash at bank and in hand	14'235	9'245
Less bank overdrafts (as part of the interest bearing loans and borrowings)	0	–3'593
Cash and cash equivalents and bank overdrafts at September 30,	**14'235**	**5'652**

The accompanying notes form an integral part of these interim condensed 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 September 30, 2013 in Moutier and La Chaux-de-Fonds, Switzerland, in Taichung, Taiwan and in Xi'an, China, and markets the product lines on a worldwide basis. The Group's sales 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 started in August 2013. The Group has also registered in China, Xi'an on September 23, 2013 a new production plant, a joint venture with the company Shanxi Robot Automation Technology Co. Ltd.. The Tornos Group controls 70% of the company. The operation of the production plant will start in November 2013.

These interim consolidated financial statements have been approved for issue by the Board of Directors on December 10, 2013.

2 Basis of preparation

The unaudited interim condensed consolidated financial statements of the Tornos Group ("the Group") for the nine months ended September 30, 2013 have been prepared in accordance with the International Accounting Standard 34 on interim financial reporting and as required by the Swiss Takeover Board following the takeover bid announced by Mr. Walter Fust on November 27, 2013. In this regard, it is to be noted that the interim condensed consolidated financial statements have been prepared exceptionally and that the Group issues interim financial statements at half year. 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, 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 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 recognised in other comprehensive income. The standard also requires past service costs to be recognised immediately in profit or loss. These two requirements had for effect to recognise as of January 1, 2012 actuarial gains and loss of CHF –23.1 million and past service benefits of CHF 1.9 million. In including the impact of net liability reduced due to risk sharing stipulations of CHF 1.8 million, a total amount of CHF –16.3 million, net of CHF 3.1 million deferred tax, has been recognised in retained earnings.
- Under the prior standard, and for the full year 2012, 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 results 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 results in an increase in the expense of CHF –1.3 million. The introduction of the risk sharing feature results 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 September 30, 2012 IAS 19R resulted in an additional pension expense of CHF 0.2 million.
- 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. For the fiscal year 2012 and at the year-end, CHF 7.1 million losses, net of CHF 1.3 million deferred tax, is recognized in the other comprehensive income under the new standard.
- "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); September 30, 2012 as CHF 23.2 million (previously CHF 2.0 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 September 30, 2012 is 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 had only the equity shares of Tsugami, classified as available-for-sale financial assets, which were 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. Equity shares of Tsugami have been sold as of September 30, 2013 (see also note 8).

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 assets measured at fair value 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 evaluation the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised 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 has 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 recognising 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 has 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 as of June 30, 2012, 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 September 30, 2012: MCHF –3.8.
- Cost of sales in the profit and loss statement as of September 30, 2012: MCHF +3.8.
- Deferred tax effect in the profit and loss statement as of September 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 September 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 estimation 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 10.

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 started in August 2013. In addition, a new company named “Tornos (Xi’an) Machine Works CO., Ltd”, domiciled in Xi’an, China, was registered on September 23, 2013. This new company, of which Tornos holds a 70% stake, will start in November 2013.

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 be significantly or fully utilized. As disclosed in the annual consolidated financial statements, Tornos Group disposed of significantly unutilized committed credit facilities with two leading Swiss banks that matured on September 30, 2013. As of September 30, 2013, the credit agreement in an amended version has been extended up to December 31, 2013. Currently, the group is in the process of renewing similar credit lines at the maturity of the current ones. Such negotiations have progressed to a stage that the company firmly trusts to conclude a facility agreement in due course, allowing it 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 30 May, 2013, a capital increase with gross proceeds of CHF 30.6 million, CHF 29.7 million net of expenses, was completed. 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 September 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 authorised.

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 September 30, 2012, 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 Available-for-sales financial assets

In the third quarter, following the strategic decision taken by the Management and the Board to not pursue the cooperation with Tsugami, the participation in equity shares held as available-for-sale financial assets has been totally disposed of. Gross proceeds of CHF 5.3 million have been generated as a result of the sale of the financial asset. An earning of CHF 1.7 million has been recycled to profit and loss resulting from this disinvestment after adjustment of the financial assets to their fair value before the sale (CHF –0.7 million).

9 Net Assets held for sales

The net assets held for sales consist of two non operative buildings with a total net book value as of September 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 months.

10 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 recognised as of September 30, 2013.

11 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 recognised 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 252 was recorded for the nine months period ended September 30, 2013 (September 30, 2012: KCHF 524).

During the period ended September 30, 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). These options have been settled with treasury shares for a gross proceed of KCHF 21. The number of options outstanding as of September 30, 2013 amounts to 528’233 (outstanding at December 31, 2012: 508’316). As of September 30, 2013 241’850 options have been forfeited.

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

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

12 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, machine, 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.

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

12.1 Analysis of revenues by category

Nine months ended September 30,	2013	2012
Machines and spare parts	100'734	122'754
Service	5'520	5'753
Gross sales	**106'254**	**128'507**
Rebates and discounts	–3'479	–2'219
Total net sales	**102'775**	**126'288**

Switzerland is the domicile of the parent company and of the main operating and distribution companies. The Swiss operating companies, the new branch in Taiwan and the Tornos Joint Venture in Xian 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.

12.2 Net sales by location of customers

Nine months ended September 30,	2013	2012
Switzerland	24'844	26'556
Other European countries	53'820	55'926
North America	10'063	7'053
Asia	10'417	36'204
Rest of world	3'631	549
Total net sales	**102'775**	**126'288**

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

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

12.3 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:

	September 30, 2013	Dec. 31, 2012	September 30, 2012
Switzerland	31’145	34’606	44’841
Other European countries	1’002	1’203	1’317
North America	70	112	133
Asia	68	60	38
Rest of world	60	80	84
Total non-current assets for geographical area disclosure	**32’345**	**36’061**	**46’413**

Reconciling unallocated assets:			
– Available-for-sale financial assets	–	–	5’784
– Deferred tax assets	12’320	14’068	12’065
Total non-current assets per balance sheet	**44’665**	**50’129**	**64’262**

13 Subsequent events

In December 2013, the Board and the Management have decided to discontinue the Group’s operations related to the start-up Cyklos, which is active in the surface processing business, by the year-end. This step has been decided to enable the Group to focus its resources on its core operations. Following this decision, the patents amounting to CHF 3.5 million as of September 30, 2013 and net assets of CHF 1.5 million will be written down to nil. This will have a corresponding impact on the EBIT line and the equity of the Group. In the case the business is divested to a third party, potential proceeds from such sale would reduce the impairment accordingly.

In December 2013, the Group has decided to focus its portfolio onto a smaller number of products. The decision impacts the value of the inventory on hand and will lead to a depreciation of products and components not further actively marketed of CHF 10.4 million.

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