# Feintool Group
## The partner for the deciding difference

Annual Report 2013

FEINTOOL

# Key figures at a glance

| | | 2013<br>01.01.–31.12.13 | 2012 [1)]<br>01.01.–31.12.12 | 2011<br>(abridged FY) [1) 2)]<br>01.10.–31.12.11 | 2010/11 [1) 2)]<br>01.10.–30.09.11 | 2009/10 [2)]<br>01.10.–30.09.10 |
|---|---|---|---|---|---|---|
| **Operating figures** | CHF m | | | | | |
| Orders received | | 531.9 | 402.3 | 100.0 | 415.2 | 385.9 |
| Orders backlog | | 242.7 | 191.5 | 186.2 | 188.0 | 149.1 |
| | | | | | | |
| Net Sales | | 477.4 | 427.0 | 101.2 | 360.2 | 337.9 |
| Earnings before interest, taxes, depreciation and amortization (EBITDA) | | 51.7 | 43.0 | 9.0 | 31.9 | 22.8 |
| Operating profit (EBIT) | | 24.5 | 22.0 | 5.1 | 17.2 | 0.8 |
| Net earnings from continuing operations | | 18.8 | 11.4 | 2.2 | 12.2 | -11.9 |
| | | | | | | |
| **Return figures** | in % | | | | | |
| EBITDA margin | | 10.8 | 10.1 | 8.9 | 8.9 | 6.8 |
| EBIT margin | | 5.1 | 5.2 | 5.0 | 4.8 | 0.2 |
| Net return on sales | | 3.9 | 2.7 | 2.2 | 3.4 | -3.5 |
| | | | | | | |
| **Cash flow and balance sheet statistics** | CHF m | | | | | |
| Cash flow from operating activities | | 49.4 | 27.0 | -6.2 | 25.3 | 17.8 |
| Cash flow from investing activities (net) | | -34.9 | -29.9 | 12.2 | -13.2 | -2.4 |
| Free cash flow | | 14.6 | -2.9 | 6.0 | 12.1 | 15.4 |
| Total Assets | | 398.9 | 385.9 | 325.5 | 327.5 | 325.6 |
| Equity | | 183.8 | 136.8 | 131.6 | 122.2 | 136.4 |
| Liabilities | | 215.1 | 249.2 | 194.0 | 205.3 | 189.2 |
| Net debt | | 33.0 | 75.3 | 36.3 | 41.9 | 50.4 |
| Equity ratio | | 46.1 % | 35.4 % | 40.4 % | 37.3 % | 41.9 % |
| Gross investments | | 37.8 | 34.8 | 4.9 | 33.8 | 8.3 |
| | | | | | | |
| **Key figures per share** | CHF | | | | | |
| Earnings per share (basic) | | 4.49 | 2.94 | 0.58 | 3.20 | -3.10 |
| Dividend per share | | 1.20 [3)] | 1.00 | 0.00 | 0.80 | 0.00 |
| Equity per share | | 43.80 | 35.43 | 34.50 | 32.01 | 33.26 |
| | | | | | | |
| **Other** | | | | | | |
| Number of employees at year-end (excl. apprentices) | | 2 015 | 1 809 | 1 326 | 1 360 | 1 299 |

1) IAS 19 Restatement
2) only continuing operations (excluding Afag and BalTec, excluding Mühlemann AG)
3) Board of Directors' proposal

**Feintool – the Company**

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# Dear shareholders,

2013 was a decisive year for the Feintool Group in many respects. As was the case in 2011 and 2012, the reporting period was characterized by high levels of investment – the impact of which became apparent for the first time in the financial year just ended. This included systematically expanding our core competencies of fineblanking and forming as well as improving the competitiveness of processes through constant innovation. Owing to our long-term investment strategy, and in line with previous years, investment amounted to some 10 percent of sales. The result is that Feintool now possesses some of the most advanced machinery and plant in the world.

In the second half of 2013 in particular, orders necessitating a high level of up-front costs produced their first significant rise in sales and earnings. Following the successful specialization of the parts business in seat adjusters and drivetrain components, Feintool is benefiting from the central challenge facing the automotive industry: the need to reduce consumption. Government policies are obliging automotive manufacturers around the world to reduce fleet consumption and carbon dioxide emissions. While electromobility is only developing slowly due to the technical barriers posed by battery technology, manufacturers are concentrating their efforts on advances in conventional drivetrains in addition to the reduction in vehicle weight. State-of-the-art automatic and dual-clutch transmissions are reducing consumption by up to 15 percent, for example, and hybrid technology by as much as 40 percent. Engine downsizing is producing similar effects.

**SYSTEM PARTS SEGMENT**

### FINEBLANKING AND FORMING ARE KEY TECHNOLOGIES

The components required for these innovative drivetrains are complex and have a high degree of functionality; at the same time, production standards in terms of quality, precision and economy are also rising. This is where Feintool's process expertise can make a big contribution. Thus today's state-of-the-art transmissions already contain up to 40 fineblanked and formed parts. Feintool won major tenders from leading customers for the latest generation of transmissions and also acquired long-running orders.

### SUCCESSFUL INTERNATIONALIZATION

A global market presence with sites in Europe, Asia and the US was also instrumental in this success. Feintool has once again intensified its commitment and presence in all three main market regions in recent years. This progressive internationalization not only reduces dependence on exchange rate fluctuations but also increases the Group's proximity to customers with global operations. Production of seat adjuster components began successfully at the plant in Taicang, China, in 2013. Together with investments in new presses and systems at the US sites in Cincinnati and Nashville, Feintool's plants in China and the US ensure a strong positioning in those automotive markets currently showing the strongest growth.

**FINEBLANKING TECHNOLOGY SEGMENT**

### RAPID PACE OF INNOVATION MAINTAINED

Developments in the automotive industry are also impacting positively on the press business. With the continuing rise in standards in terms of precision, high volumes, efficiency and parts quality, fineblanking and cold forming are proving to be optimum production processes in many instances. While investment in the parts business was mainly centred on systems and infrastructure, the Fineblanking Technology segment is systematically promoting research into and development of innovative new products at an annual expense of approximately CHF 5 million. The outcome is the most comprehensive portfolio of presses Feintool has ever been able to offer its customers. Servo technology in particular is proving the key to cost-efficient, reliable and above all fast production. Following the servomechanical XFT 2500speed press in 2011, Feintool presented its next world first – the XFT 1500speed press – at the end of 2013. This is the first and only fineblanking press with a performance of up to 200 strokes per minute. The first systems will be delivered in mid-2014.

## AUTOMATION SEGMENT

### EXPANSION OF MARKET SHARE

IMA Automation in Amberg, Germany, is benefiting from the ongoing trend to automation. European manufacturers in particular are responding to rising wage costs and more stringent quality specifications with significant investment in systems. Against this backdrop, in mid-2013 IMA once again won several major orders in the double-digit million range from leading customers. IMA is successfully positioning itself in the pharmaceutical as well as the automotive industry, and has increased its market share there.

## BUSINESS SITUATION

### SALES TARGET ACHIEVED

As forecast, Feintool achieved group sales of CHF 477 million in the 2013 financial year – a year-on-year increase of 12 percent. The growth in sales was attributable to new orders in the System Parts segment, the good overall health of the automotive market in the US and Asia, as well as the previous year's acquisitions in the forming area. Sales in the Fineblanking Technology segment declined slightly, primarily due to a fall in internal orders. Third-party business almost matched the previous year's level. Following the boom year of 2012, the Automation segment recorded a slight, short-term fall in orders received at the start of the financial year – as reflected in the sales figure.

### IMPROVEMENT IN EARNINGS

All Feintool Group segments and regions generated a positive operating result (EBIT). Due to the progress made at operating level, as well as the production start-ups mentioned earlier, the EBIT margin improved markedly from 4.1 percent in the first half of the year to 6.1 percent in the second half. Operating profit before interest, tax, depreciation and amortization (EBITDA) exceeded CHF 50 million – the highest figure since the crisis year of 2009. In tandem with a further rise in depreciation, this result highlights the change in the group's strategic direction. Despite major investment, net financial income remained on a par with the previous year due to the fact that current cash flow was sufficient to cover all investments for the first time. As a result of one-off factors, the tax rate for 2013 was significantly below the average figure for previous years. This development was mainly due to improved earnings prospects for previously loss-making companies, in particular our companies in the US. Group net income after taxes amounted to CHF 19 million, 66 percent higher than in the previous year.

### CAPITAL BASE EXTENDED

Feintool's successful capital increase and share reallocation in the first half of 2013 were important steps towards achieving its growth objectives. Around 1.5 million shares were submitted for trading at an issue price of CHF 62. Some 870 000 came from the holding of main shareholder Artemis Beteiligungen III AG, which reduced its stake from around 79 percent to a majority interest of 50.1 percent. A further 557 871 new shares were issued.

The capital increase raised CHF 33 million for Feintool, enabling it to improve its equity ratio to the current 46 percent and giving it a net debt/EBITDA of less than one. Therefore, the balance sheet already provides sufficient back-up for existing large-scale orders and nominations with start dates through to 2016. However, equity ratios and debt are also increasingly important criteria when it comes to future orders being awarded. This is due to the cost factor, which is prompting customers to concentrate on fewer – but financially stable – suppliers.

### TRANSPARENCY ON EXECUTIVE REMUNERATION

Feintool is well equipped to cope with the additional administrative responsibilities imposed on the Group as of 2014 by the Minder Initiative. For the most part, Feintool already meets the requirements of the "Ordinance Against Excessive Remuneration at Listed Companies" by measures taken voluntarily as part of its corporate governance principles. The transparency required in the new remuneration report is already incorporated into Feintool's reporting system, while remuneration and employment contracts for the Board of Directors and Group Management also meet the requirements. The additional duties of the Annual General Meeting and necessary changes to the Articles of Incorporation will be implemented during 2014.

## DIVIDEND

Given the Feintool Group's aforementioned positive performance as well as its stable financial position, the Board of Directors has decided to propose to the Annual General Meeting that it approve a dividend of CHF 1.20, i.e. 20 percent more than in the previous year. Whenever permitted by the current business situation, the Board of Directors pursues a long-term dividend policy whereby around 30 percent of the respective year's net income is distributed.

## OUTLOOK

Assuming the global business situation in the relevant sectors remains stable, we are optimistic about prospects for the 2014 financial year. We anticipate a continuation of the trend already observed in the second half of 2013. Based on nominations already received from our major customers, we therefore expect group sales of around CHF 520 million and an operating margin in the region of 7 percent. In the medium term, our aim is to increase sales to CHF 600 million on an EBIT margin of 8 percent.

In conclusion, we wish to thank not only our employees for their outstanding commitment but also our customers, suppliers and shareholders for the trust and loyalty they have placed in us. Our successful performance of recent years would not have been possible without them, and we look forward to continuing this positive and fruitful partnership in the future.

**ALEXANDER VON WITZLEBEN**
Chairman of the Board of Directors

**HEINZ LOOSLI**
Chief Executive Officer

# FEINTOOL FINEBLANKING TECHNOLOGY

## Continuous development and innovation expand the market for fineblanking as an efficient and reliable production process


### A GLOBAL INNOVATION IN FINEBLANKING

There are two premises for investment decisions in the automobile industry: efficiency and profitability. In the constant match-up against alternative manufacturing processes, fineblanking wins out thanks to its productivity, component quality, energy and material efficiency and ease of maintenance. The competitiveness of fineblanking is constantly being improved through innovations, which Feintool presents to the market in regular two-year intervals.

In September, press customers saw the latest innovation at our press centre of excellence in the Swiss town of Jona – the world's fastest fineblanking press. With up to 200 strokes per minute, it offers excellent efficiency and opens up new applications. The high stroke rate reduces manufacturing costs for each component significantly. Together with its low energy consumption and reduced maintenance costs, the new servomechanical press offers users a clear competitive advantage. Initial sales will begin in mid-2014. In addition, the 80 international participants learned how servo drive fineblanking presses not only increase production, but simultaneously increase system availability by reducing the load on presses and equipment thanks to the special features of servo technology.

### INNOVATIVE TOOL ENGINEERING

Working with a partner, Feintool developed the "FeinAl" coating, which contributes to a significant improvement in the durability of tool components. Intensive tests have shown that "FeinAl" increases the durability of active components and thus the service time of tools compared to alternative coatings. "FeinAl" thus represents an important contribution to the efficiency of the fineblanking process.

- Groundbreaking XFT 1500speed press
- Highly-specialized tool engineering
- New technology centre in China

In addition to expanding the process limits and discovering new applications through press and tool technology, Feintool is also developing complex tool solutions. The latest example is the new generation of dual rotary disk valve tools with up to six processing levels and 12 work positions. This makes the production of complex fineblanking and forming components even more efficient.

### IMPROVEMENTS IN SERVICE OFFERING

In order to increase total system availability in its customers' plants, Feintool further expanded its service offering over the last year. Inspections, monitoring and preventive maintenance help avoid unplanned system downtime. In addition, Feintool has increased the products available in its eShop: more than 18 000 replacement components for hydraulic and servomechanical fineblanking presses and forming presses are listed there – accessible globally around the clock and available at short notice. The logistics of our spare parts stock in Jona were centralized and optimized for deliveries to the European market.

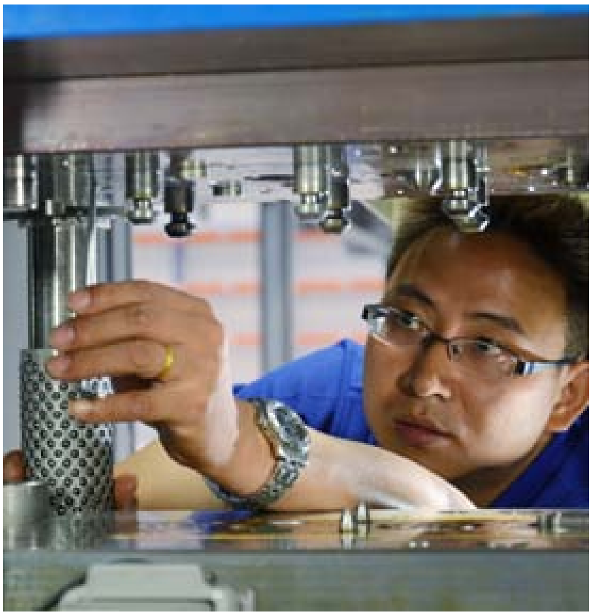
### FOCUS ON ASIA

Feintool began making investments in the development of a press specially designed for the needs of Asian markets back in 2012. And these investments have paid off: The press range approved for sale in 2013 has already contributed appreciably to the enlargement of our market share in this region.

The new technology centre in Shanghai-Songjiang was opened in October 2013 in order to strengthen the Asian distribution and service offering. It helps broaden awareness of fineblanking technology as a cost-effective production process and provides direct support to local clients. In addition to training and demonstrations of the system technology, Feintool in Songjiang offers maintenance and test runs of equipment as well as process improvements and local replacement service. Demand among our customers for these services is already substantial. Because competition in China does not provide comparable service, the market position of Feintool has improved decisively.

# SYSTEM PARTS SEGMENT

## State-of-the-art fineblanking and orbital forming machinery for the production of drive train and other precision components



### UNEVEN ECONOMIC PICTURE

Global output of automobiles rose by 3.1 % year on year in 2013. Sales in the System Parts segment, however, increased by 21 % Around half of this was due to organic growth, with the rest coming from Herzing + Schroth, which was acquired in 2012.

The performance of the automobile market, which is relevant for System Parts, varied depending on the region. In Europe, the production figures for the first half of 2013 were lower than the previous year, but the figures in the second half compensated for this. Overall, sales in Europe were stable on a year-on-year basis. German premium manufacturers in particular benefited strongly from exports to Asia and the US, which had a positive impact on the sales performance of our European fineblanking and forming equipment.

At the beginning of the year, Japan's difficult relationship with China showed a clear negative impact. Sales of Japan-based OEM fell by 30 %, but managed to stabilize again over the course of the year. In the second half of the year, the depreciation of the yen led to a slight increase in orders.

Overall, the US market was in good shape. Orders rose disproportionately over the last six months of the reporting year. With 15.5 million automobiles manufactured, production increased by 8 % over the prior year. In particular, new models (e.g. from Chrysler) with new 8- and 9-speed stepped automatic transmissions, for which Feintool provided important components, enjoyed great popularity. The production sites in Cincinnati and Nashville both operated close to capacity.

- Orders increased
- Manufacturing processes for environmentally friendly drive systems
- Challenging start-up phase at production site in Nashville (USA)

### ENCOURAGING NEW BUSINESS

The encouraging development of new business that we saw in 2012 continued in 2013. There were 19 customer orders in the Production Part Approval Process (PPAP) in the last quarter. Another 17 orders are undergoing this process in the first half of 2014. Overall, there were 52 customer orders in the processing or start-up phase at the end of the year. They represent an estimated future sales volume of CHF 160 million per year. This provides the basis for above-average growth in subsequent years.

Significant success factors include technological process expertise, a focus on key applications, a global presence in the major production markets of the automobile industry and the high outlays for investments in staff and equipment. In addition, higher qualitative requirements in the automobile industry – notably the need to increase fuel economy and reduce vehicles' $CO_2$ emissions – proved to be growth drivers. An important contribution toward this goal comes from innovative drive systems, whose lightweight high-precision components can be turned out in high volumes and consistent quality by our fineblanking and forming technology.

### INVESTMENTS

As in previous years, investments were made both in the modernization of our machinery and in expansion of capacity in 2013. For example, five new presses were acquired for the site in Cincinnati and a large multi-stage press with the latest servotechnology was acquired for the Nashville site at a cost of CHF 33 million. Feintool now has the most modern fineblanking and forming plant in all of North America. The presses are mainly used for producing high-quality drive train and seat adjuster components.

### ADDITIONAL POTENTIAL

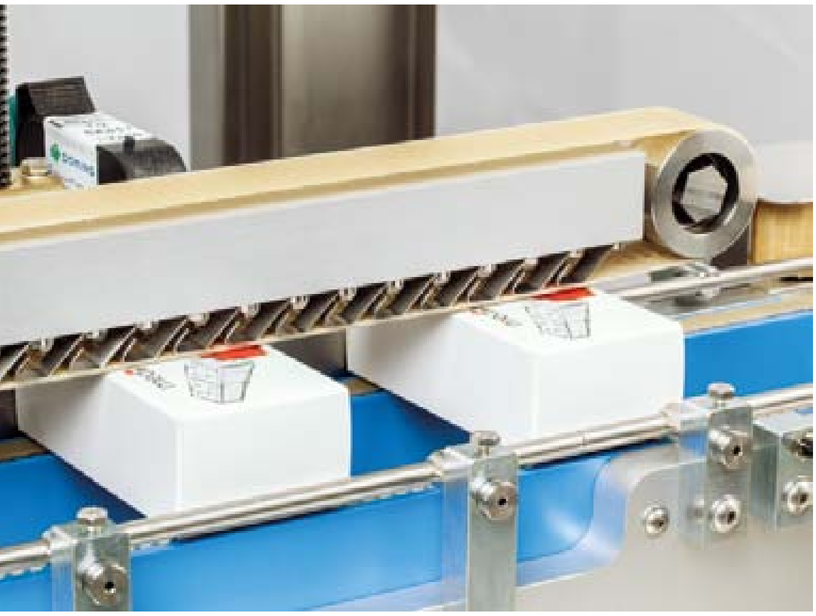
A special feature of our business as a provider of a highly specialized manufacturing process for sophisticated car industry components is that years go by and significant outlays are required from the time an application is acquired until sales are realized. In many cases, the components are safety-related, which make PPAP processes and prototypes necessary for the systems later intended for production. This results in up-front investment.

Overall, the System Parts segment is expected to show a disproportionately good performance thanks to plant currently under construction and to Herzing + Schroth. The production facility in Taicang, China, which became operational in August 2012, acquired a healthy number of new customer projects, thus ensuring the future growth of the site. The Nashville (USA) site, a fineblanking and forming facility specially equipped for manufacturing drive train components, is in the middle of a challenging start-up phase for new products and processes. Despite this vital up-front work, we expect a positive contribution to earnings there in 2014.

Owing to insufficient capacity utilization and restructuring expenses, the operating results for Herzing + Schroth were only just positive. As a result, a 53-point action plan is being implemented, which should result in substantial improvements in 2014.

# IMA AUTOMATION

## Specialist in the development and manufacture of high-quality assembly automation systems



### FULL CAPACITY UTILIZATION IN 2014

Focussing sales activities at IMA Automation on its technological core competencies – systems for assembling small and very small components – and on the further penetration of regular customer potential with technologically refined assembly processes is yielding results. Although customers were initially reluctant to make investments in the first quarter of 2013, this segment won an above-average number of orders, especially in the third and fourth quarters. As a result, IMA Automation is at full capacity for the coming year. In the automotive sector, orders from strategically important customers worth tens of millions were acquired. Additional projects in the consumer goods area (consumer electrics, toothbrushes, razors) ensure that IMA is broadly established in its target markets. In addition, the status of inquiries, which remain strong thanks to the targeted selection of projects, allows IMA to continue to focus consistently on its key technologies and core competencies.

### SUCCESSFUL PRODUCT DEVELOPMENT

In 2013, alongside the successes in the automobile industry, product development and the exploitation of strategically important customers bore fruit in the medical and pharmaceutical industries: sales and earnings developed fully in line with the targets that were set. More than ten percent of orders were from healthcare sector projects.

- New customers from the medical and pharmaceutical sector
- Full capacity utilization in 2014
- Competitiveness and growth structurally ensured

New products included, among others, the serialization module "IMA meditrace", a development that was well received both at an internal symposium and at the FachPack packaging trade fair. The module creates, prints and manages randomized serial numbers. These serial numbers are mandatory for all prescription drugs from mid-2017 following the entry into force of the EU Falsified Medicines Directive for the pharmaceutical industry. The first modules will be tested on a loan basis in the industrial sphere.

### INFRASTRUCTURE READY FOR FURTHER GROWTH

To ensure continued competitiveness and growth, implementation of the modernization plan initiated in 2012 was driven ahead systematically: by relocating to new premises and simultaneously making investments in the renewal of plant for mechanical component production, we gained an additional 1 400 square metres of assembly space for further growth. The new component manufacturing processing centres also allow us to provide IMA customers with replacement parts quicker and more efficiently.

# HUMAN RESOURCES

## Employee knowledge is a crucial value that Feintool promotes and continuously develops

### FEINTOOL CREATES JOBS

Not only are sales and earnings at Feintool increasing – so is the number of employees and trainees, rising from 1 908 in the previous year to 2 118. With sales growth of 11.8 %, the global headcount rose by around 11 %. In the US and Asia, the increase was in the high double digits, reflecting the growth prospects in these regions.

### TRAINING AND DEVELOPMENT AS A STRATEGY

As a leading technology company, Feintool attaches great importance to training and development. Its 103 trainees in ten technical and commercial professions document the enormous significance that Feintool places on qualified new talent. The training standards in all locations – including the US – are based on the model of the Swiss dual vocational training system.

At a training day held last year at its site in Obertshausen, Germany, to which Feintool invited youngsters and students, more than 300 visitors learned about training opportunities. This and other events have proven valuable in attracting the best applicants.

Employees benefit from comprehensive training opportunities, which include targeted personal development. Having staff who are optimally prepared for their specialist and management duties improves the quality of the cooperation within Feintool as well as with suppliers and customers.

- **Staff growth tracks economic growth**
- **Focus on training and development**
- **International exchange**

Feintool consciously promotes the cooperation between young and experienced employees. For example, trainees receive individual support from mentors, and employees who are about to retire are encouraged to share their knowledge in a targeted manner.

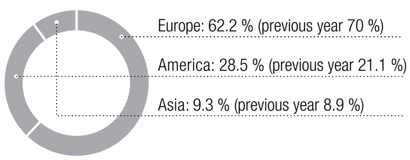
## GOOD WORKING CONDITIONS

In production, sales, development or administration – in every department, Feintool emphasizes workplace safety and ergonomics. As part of a special project, practical guidelines were developed to help managers support staff with health-related problems and deal with absenteeism. The goal is to avoid these issues and maintain fitness for work over the long term. The seriousness with which Feintool takes the issue of prevention was demonstrated by the participation of Feintool System Parts Jena in the "Demography-oriented companies" audit. The Thuringia Network on Demography certified that working conditions at the location are very good; it also rated health promotion as very good and deemed the staff management team to be forward-looking.

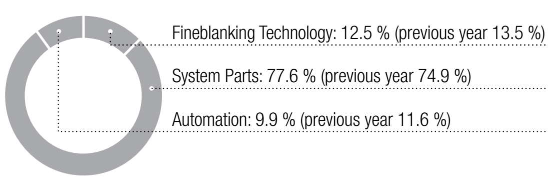
## NEW HORIZONS THROUGH INTERNATIONALIZATION

The internationalization of the Feintool Group gives globally-oriented, interested and committed employees the opportunity to gain experience around the world. There is a long tradition of seconding specialists to other company locations. Employees who are interested can work as "expats" at the company's facilities in Germany, Japan, the US and China. Short-term assignments of a few months allow employees' specialist knowledge to be tapped locally to help customers as quickly and expertly as possible. Stays abroad lasting several years are especially attractive. In particular, expats at the locations in the US (Nashville and Cincinnati), Japan (Atsugi) and China (Taicang and Songjiang) have been heavily involved in set-up and expansion. Moreover, the exchanges take place among all locations – and consistently with the goal of using this programme for optimum knowledge transfer and employee development opportunities.

**Employees by region**
in % (out of total of 2 015, excluding apprentices)




**Employees by segment**
in % (out of total of 2 015, excluding apprentices)



# ENVIRONMENT AND ETHICS

## The Feintool Group takes responsibility for its corporate actions


### THINKING ABOUT THE FUTURE

With its key technologies and innovative products, Feintool helps to reduce pollution caused by private transport. Precision components that are manufactured with fineblanking and orbital forming processes create weight and cost advantages and are taking the place of traditional cast components. Modern automatic gearboxes can reduce emissions by up to 25 percent, to which the precision components developed by Feintool and its customers make a significant contribution. Likewise, downsized, supercharged engines and fuel-efficient diesel injection systems are important areas of application for fineblanking components.

### CORPORATE ENVIRONMENTAL MANAGEMENT

Feintool pursues an active environmental policy with the goal of promoting environmentally-friendly production. Based on an environmental management systems in accordance with ISO 14001, each year it defines its environmental objectives and evaluates all of its processes in accordance with ecological factors. The environmental teams formed for this purpose look for optimization opportunities within the company in order to minimize the use of resources as well as emissions and pollution. These range from modifications to factory buildings to the development of new, environmentally compatible chlorine-free fineblanking oils. Where possible, Feintool uses energy recovery systems for fineblanking equipment that reduce energy consumption for component manufacturing by up to 20 percent.

- Technologies for greener vehicles
- Use of energy recovery systems
- Carbon Disclosure Project: voluntary transparency

New, energy-efficient drive systems such as servo drive reduce the energy consumption of presses by up to 25 percent. The Feintool sites in Japan currently have a comprehensive efficiency programme, the aim of which is to reduce energy consumption by up to 25 percent through multi-cavity moulds and efficient presses. Overall, the Feintool Group produced $CO_2$ emissions of around 44 100 tonnes in 2013, of which 39 100 tonnes were from electricity and 5 000 tonnes from fossil fuels. The increase of around 47 percent over the previous year is due to the first-time inclusion of the recently acquired Herzing + Schroth sites and the new Chinese production facility, as well as to the sharp rise in global component production. The 15 percent increase at the other sites is due on the one hand to sales growth and, on the other, to the changed product mix (higher steel component).

### CARBON DISCLOSURE PROJECT

Feintool has been participating in the Carbon Disclosure Project (CDP) since 2010, and once again significantly increased its contribution to environmentally-friendly activities in 2013. CDP manages the world's biggest database of company-specific greenhouse gas emissions and information on strategies that companies are using to respond to climate change. In the interests of its customers, investors, partners and the public, Feintool attaches great importance to this voluntary transparency. For details, please go to: www.cdpproject.net.

### CODE OF CONDUCT

Both company prestige and the confidence that customers, suppliers, business partners, shareholders and the public have in Feintool depend in large part on the fair and responsible conduct of all employees. The Group-wide and publicly accessible Code of Conduct sets out binding guidelines (www.feintool.com/code-of-conduct). Acceptance of and compliance with these guidelines is backed up by regular training.

## FEINTOOL GROUP
Double-digit growth in sales, EBIT and profit

# Financial Review

as at 31 December 2013

## BUSINESS PERFORMANCE

### General

The consolidated financial statements for the 2013 financial year include Feintool International Holding AG and all its subsidiaries for the period from 1 January to 31 December 2013.

Effective 31 March 2012, Feintool sold IMA Automation Berlin GmbH ("IMA Berlin"). IMA Berlin's earnings are included in the first quarter of the comparable period of 2012. On 31 May 2012, Feintool acquired the Germany-based group Herzing + Schroth ("Forming Europe"). This comprises two companies: Herzing + Schroth GmbH, Obertshausen, in Hesse, and Schroth Antriebselemente GmbH in Ohrdruf, Thuringia. Accordingly, the earnings of Forming Europe are included in the comparable period of 2012 for seven months only (1 June to 31 December 2012).

The structure of the statement of comprehensive income was simplified in the reporting year. Information such as the gross margin is no longer shown in the statement of comprehensive income and is now disclosed in the notes to the financial statements instead. Also, IAS 19 revised is now included in the statement of comprehensive income for the first time. This change resulted in significantly higher personnel expense. All changes are explained in detail in the notes to the financial statements, and the prior-year figures have been adjusted.

### Orders received and orders backlog

Orders received by the Feintool Group rose by 32.2 % in the reporting year to CHF 531.9 m (previous year CHF 402.3 m). Excluding the effects of the acquisition of Forming Europe and the sale of IMA Berlin in the previous year, the increase was 24.1 %. Exchange rate changes, primarily the depreciation of the Japanese yen, exerted a considerable adverse influence on orders received at CHF 8.1 m, or 1.5 percentage points.

The orders backlog of the Feintool Group amounted to CHF 242.7 m as at 31 December 2013, an increase of 26.7 % versus the previous year (CHF 191.5 m).

Orders received in the Fineblanking Technology segment fell by 12.0 % to CHF 93.0 m (previous year CHF 105.2 m). Of this total, CHF 14.9 m (previous year CHF 26.4 m) was accounted for by intragroup demand. Orders received from third parties were therefore only slightly lower, declining by 1.4 % to CHF 77.6 m. The third-party orders backlog was virtually unchanged at CHF 29.9 m. Owing to the lower backlog of intragroup orders, the overall orders backlog declined by 15.8 % to CHF 38.4 m. This equates to six to eight months' worth of work for the long-term press and tool business.

Orders received in the Automation segment, which focuses on Europe, rose by 30.0 % in the reporting year to CHF 51.5 m (previous year CHF 39.6 m). Factoring out the effect of the sale of IMA Berlin, this gives an increase of as much as 39.4%. The orders backlog accordingly rose by 39.8 % to CHF 36.0 m (previous year CHF 25.8 m). This orders backlog ensures capacity utilization for the next 12 months.

The parts business of the Systems Parts segment is more short-term. Customers can postpone or even cancel call-ups already entered in the order systems. Orders received and the orders backlog are therefore of less significance to the System Parts segment, although they do constitute the most important lead indicator for the coming six months. Orders received in the System Parts segment increased by 41.8 % in the reporting currency to CHF 402.8 m (previous year CHF 284.0 m). Excluding the effect of the Forming Europe acquisition, the increase was still a remarkable 29.2 %. Exchange rate changes also had an adverse impact on orders received, which amounted to CHF 7.9 m; after adjusting for currency movements, this resulted in organic growth of 31.2 %. Europe and the USA benefited from a large number of new orders, which are currently being ramped up. This ultimately resulted in growth of 41.5 % for the USA and 28.5 % for Europe. Orders received in Asia remained constant in the reporting currency; in local currency, System Parts also saw growth in orders received in Asia (+ 20.4 %). In overall terms, the System Parts segment's orders backlog climbed from CHF 138.1 m to CHF 181.0 m (+ 31.0 %).

### Net sales

Consolidated sales rose by 11.8 % to CHF 477.4 m. Currency movements pushed down sales by CHF 7.8 m. In local currency, Feintool therefore posted sales growth of 13.7 %. The effects of the acquisition of Forming Europe and the sale of IMA Berlin in the previous year amounted to CHF 29.0 m, or

6.7 %. The currency-adjusted organic growth of the Feintool Group therefore totalled 7.0 %. The System Parts segment generated 75.1 % of external sales (previous year 69.4 %). Fineblanking Technology contributed 16.1 % (previous year 19.0 %) and Automation 8.8 % (previous year 11.6 %).

The parts business of the Systems Parts segment grew by 21.0 % to CHF 358.6 m in the reporting year (previous year CHF 296.3 m). Negative currency influences amounted to CHF 7.6 m, or 2.6 percentage points. The acquisition of Forming Europe in the previous year contributed CHF 32.3 m or nine percentage points to growth. The currency-adjusted organic growth of the segment therefore came to 12.7 %. The fineblanking business grew by 21.0 % in Europe to CHF 115.4 m; after currency adjustment, the growth was 19.4 %. Forming Europe, which was acquired in the previous year, generated sales of CHF 76.6 m; organic growth came to 6.2 %. Thanks to a buoyant automotive sector and a number of new orders, business in the USA grew by 9.7 % in the reporting currency to CHF 119.5 m; In local currency, US business grew by 10.8 %. Sales in Asia, primarily the sites in Japan, declined by 11.0 % to CHF 47.4 m due to the depreciation of the yen. In local currency, business in Asia grew by 6.9 %. The European locations accounted for a 53.5 % share of sales (previous year 46.3 %). The contribution from the US locations fell slightly to 33.3 % (previous year 36.2 %), whereas the Asian share fell to 13.2 % as a result of currency factors (previous year 17.5 %).

At CHF 98.6 m, the Fineblanking Technology segment saw virtually no change from the previous year's level (previous year CHF 99.4 m). Higher intragroup sales of presses and tools to the System Parts segment largely compensated for the decline in sales in third-party business. Third-party business was down by 5.2 % and now stands at CHF 77.1 m.

Sales in the Automation segment decreased by 15.5 % compared with the record year of 2012 to CHF 41.8 m (previous year CHF 49.4 m). After adjusting for the effect of the sale of IMA Berlin in the previous year, the decline was 9.5%.

In total, the Feintool Group generated CHF 271.9 m, or 57.0 %, of its external sales in Europe (previous year CHF 232.3 m, or 54.4%). With sales of CHF 116.5 m, and a share of 24.4 % (previous year CHF 102.8 m and 24.1 % respectively), business in North America grew as strongly as that of the group in overall terms. Due mainly to the sharp depreciation of the Japanese currency, sales in Asia fell slightly to CHF 89.0 m or a share of 18.6 % (previous year CHF 91.8 m, or 21.5 %). With sales of CHF 11.0 m, or 2.3 %, the Swiss market is of little significance to Feintool (previous year CHF 10.7 m, or 2.5 %).

### Gross margin

The gross margin increased by 1.4 percentage points year on year to 39.2 % and amounted to CHF 187.4 m in the reporting year. Owing to volume-related factors, gross profit was up by CHF 19.1 m. The CHF 6.9 m improvement in productivity is made up of numerous factors, some of which offset each other.

In the Fineblanking Technology segment, the margin showed a minimal decline to 39.2 % (previous year 39.8 %). Changes in the product mix and the geographical shift in press deliveries were the biggest factors.

The System Parts segment achieved a gross margin of 39.1 % (previous year 36.5 %). Due to its deeper vertical range of production, Forming Europe posted a significantly higher gross margin (45.8 %); this resulted in an acquisition effect. The margin in the fineblanking areas also rose in all regions. This varied between 34.2 % in Europe and 43.5 % in Asia. The prime factors influencing gross margin in the parts business are the product mix and utilization of production capacity.

The Automation segment saw its gross margin fall significantly to 32.9 % (previous year 34.9 %). As the previous year was influenced by an order with a high repeat factor, this decline had been expected. In the reporting year, orders were once again handled almost without nonconformance costs.

### Significant expense items

Personnel expenses increased by CHF 21.4 m to CHF 152.6 m, or 32.0 % of sales (previous year 30.7 %). The increase occurred exclusively in the System Parts segment. The reason for this development was investment in the future, such as expansion of the production facilities in China and the USA (Nashville). The handling of new orders at all sites likewise requires additional personnel, thereby securing growth over the coming years.

Other operating expenses rose by CHF 5.1 m to CHF 63.1 m; relative to sales, these expenses therefore fell to 13.2 % (previous year 13.6 %). Other operating income fell markedly to CHF 3.1 m, the bulk of the decline being due to the income booked in the previous year from the sale of IMA Berlin (CHF 2.5 m).

### Earnings before interest, taxes, depreciation and amortization (EBITDA)

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by CHF 8.7 m, or 20.2 %, in the reporting period to CHF 51.7 m. The EBITDA margin was 10.8 % (previous year 10.1 %). Excluding the aforementioned one-off factors from the previous year, EBITDA would have increased by as much as CHF 10.7 m or 26.1 %.

### Depreciation and impairment

Depreciation was up by CHF 6.2 m to CHF 27.2 m in the reporting year. This rise is attributable to the acquisition of Herzing + Schroth (CHF 2.4 m) and to the major investments of previous years, particularly in the System Parts segment, which resulted in additional depreciation of CHF 3.3 m. At CHF 37.8 m, investments significantly exceeded depreciation; consequently, this expense item is set to continue growing over the coming years.

### Operating profit (EBIT)

The growth in sales and higher gross margin thanks to an improvement in productivity offset the additional indirect costs, albeit only to a disproportionately small extent. Overall, Feintool generated an operating profit (EBIT) of CHF 24.5 m, a rise of 11.3 % compared with CHF 22.0 m in the previous year, and an EBIT margin of 5.1 %. Despite the one-off factors in the previous year, the EBIT margin remained virtually constant. The negative currency effect at EBIT level was CHF 0.9 m. In local currency, Feintool has exceeded the previous year's figure at EBIT level by 15.4 %. All segments and regions turned an operating profit.

The Fineblanking Technology segment generated an operating profit of CHF 6.5 m (previous year CHF 7.4 m). This decline was due to changes in the product mix.

The operating result for the System Parts segment increased by a massive CHF 9.5 m to CHF 21.3 m (previous year CHF 11.8 m). This increase was the result of the sale of new products, production of which began during the reporting period. A further contribution came from the buoyant US automotive market as well as from productivity improvements at all sites. The European locations made the largest contribution to the positive business result with EBIT of CHF 11.0 m (+71.9 %). The USA achieved an operating profit of CHF 6.9 m (+ 53.8 %), although the Nashville location was still unable to break even due to development costs for new products. With EBIT of CHF 3.6 m, the result generated by Asia was on a par with the previous year. This includes market entry costs in China of CHF 1.7 m. Furthermore, the depreciation of the yen impacted the result in Asia by CHF 1.2 m. Despite one-time expenses for restructuring measures in the amount of CHF 0.8 m, Forming Europe generated a small operating profit of CHF 0.4 m (previous year loss of CHF 1.8 m).

The Automation segment's result was in line with expectations (net income of CHF 3.7 m and EBIT margin of 8.8 %). A repeat of the previous year's record result (CHF 7.1 m), which was due to a large number of positive factors, was not possible. Low project risks and the efficient handling of projects nevertheless contributed to a result that was in line with the average for previous years.

### Net financial income/finance costs

At CHF -5.8 m, net finance costs were on a par with the previous year. Net interest costs (CHF 4.3 m) and foreign exchange losses (CHF 0.3 m) also remained at the previous year's level. Finance costs (excluding currency influence) in the first half of the year totalled CHF 2.9 m. In the second half of the year, the expense amounted to CHF 2.5 m. The sharply reduced net debt and associated lower level of interest charges were a direct consequence of the capital increase successfully conducted in June.

### Taxes

The theoretical tax expense of the Feintool companies at operating level amounted to a total of CHF 7.0 m. On the other hand, an agreement was reached with the Swiss tax authorities concerning the taxation of all companies domiciled in Lyss. Together with the improved prospects for earnings, allowing the recognition of loss carryforwards of CHF 1.0 m, the reappraisal of deferred tax assets owing to the tax agreement (CHF 2.5 m) and the use of unrecognized loss carryforwards from prior years in the amount of CHF 2.1 m, there was a one-time effect totalling CHF 7.1 m. This resulted in a negative tax expense (tax income) for Feintool of CHF 0.1 m.

### Net income

Net income amounted to CHF 18.8 m (previous year CHF 11.4 m), which translates into a net return on sales of 3.9 %. This good result mainly reflects the operational improvements in the individual segments and the strategic focus on the core business.

## CONSOLIDATED BALANCE SHEET

The positive cash flow and successful capital increase heavily influenced the structure of the balance sheet in the reporting year. Interest-bearing liabilities fell markedly, on the one hand, while equity increased accordingly, on the other. There was no material change in the structure of the other items. Total assets rose by 3.4 % to CHF 398.9 m (previous year CHF 385.9 m).

Current assets increased by CHF 5.1 m to CHF 177.1 m, while cash and cash equivalents grew by CHF 3.2 m to CHF 28.6 m. Higher sales pushed up receivables by CHF 4.9 m, or 6.9 %, to CHF 75.1 m – which, however, was a disproportionately small increase. Total receivables sold in the context of the Forming Europe factoring program – which are not required to be included in the balance sheet – amounted to CHF 9.8 m (previous year CHF 5.9 m). Inventories and net assets of construction contracts decreased slightly by CHF 1.7 m to CHF 68.7 m. Accrued income fell to CHF 4.7 m.

Operating net working capital decreased by CHF 3.2 m to CHF 46.7 m, or 9.8 % of sales (previous year 11.7 %). Customer receivables and trade payables both increased by around

CHF 5 m. Inventories fell slightly, while prepayments (net) showed a modest increase (+ CHF 0.8 m).

Non-current assets rose by a total of CHF 7.9 m to CHF 221.8 m due to another rise in investment. Property, plant and equipment climbed CHF 4.2 m to CHF 180.0 m, an increase attributable to investments totalling CHF 35.6 m. Intangible assets were unchanged from the previous year's level at CHF 20.9 m. Whereas capitalized development costs as well as licences and patents rose slightly, capitalized values for software declined.

The financial assets item rose by CHF 1.2 m. This increase was a consequence of the sale of a property in the USA. However, Feintool deferred the purchase price of around CHF 1.5 m; this amount is shown as a loan.

Deferred tax assets increased by CHF 2.3 m to CHF 14.5 m (previous year CHF 12.2 m) due to the aforementioned factors.

On the equity and liabilities side, liabilities fell by a significant CHF 34.0 m to CHF 215.1 m. Trade and other liabilities increased by CHF 5.2 m and now stand at CHF 78.1 m. Accrued expenses and deferred income, current and non-current provisions and deferred tax liabilities increased by CHF 3.6 m to CHF 42.7 m. Employee benefit obligations (IAS 19) declined by CHF 3.7 m in the reporting year to CHF 32.7 m.

Interest-bearing liabilities fell – as a consequence of the capital increase (CHF 32.7 m) and positive cash flows from operating activities (CHF 14.6 m) – by CHF 39.1 m to CHF 61.6 m. CHF 25.2 m of the interest-bearing liabilities are current liabilities. All bank covenants were met as at the end of the reporting period.

For the aforementioned reasons, net debt fell to CHF 33.0 m in the reporting period (previous year CHF 75.3 m).

Equity stood at CHF 183.8 m as at 31 December 2013 (31 December 2012 CHF 136.8 m). The equity ratio rose markedly from 35.4% to 46.1%, mainly as a result of the successful capital increase (+ CHF 32.7 m). The statement of changes in equity shows that consolidated profit caused equity to increase by CHF 18.8 m. The dividend distribution reduced equity by CHF 3.9 m, on the other hand. Currency losses charged to equity (CHF 4.5 m) likewise had a direct adverse effect on equity, while actuarial gains relating to employee benefit obligations (IAS 19) amounted to CHF 3.9 m and had a positive influence of the same magnitude.

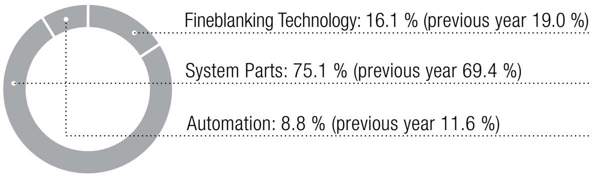
## CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flows from operating activities were strongly positive at CHF 49.4 m. The positive development was amplified by the CHF 2.9 m increase in net current assets. On the other hand, cash flows from investing activities were strongly negative at CHF 34.9 m. Overall, this resulted in free cash flow of CHF 14.6 m (previous year CHF -2.9 m). A capital increase successfully concluded in the summer brought a cash inflow of CHF 32.7 m, while the dividend payment of CHF 3.9 m had a negative influence. This enabled CHF 39.3 m in interest-bearing liabilities to be repaid. In addition, the Group's holdings of cash and cash equivalents increased by CHF 3.2 m to CHF 28.6 m.

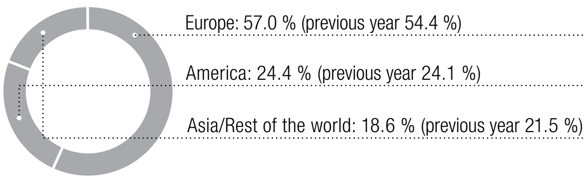
## EMPLOYEES

The number of employees (excluding trainees) increased by 206 to 2 015 in the reporting year. In addition, 103 (previous year 99) young persons are currently with our company as trainees. Due to strong organic growth, the System Parts segment employed a total of 1 538 persons – equivalent to an increase of 212. In geographical terms, the USA accounted for the lion's share of the change with an increase of 193. Asia grew by 27 employees, whereas headcount in Europe declined slightly. The Fineblanking Technology Segment employed 247 (+9) people at the year-end, and the Automation segment 197 (-9). 33 members of staff were employed in units not directly involved with operations.

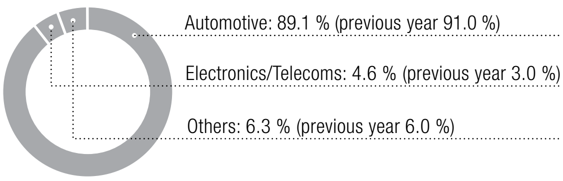
## Sales by segment
in %




## Sales by region
in %




## Sales by sector
in %



# Consolidated Statement of Comprehensive Income

for financial year 2013 (1 January to 31 December 2013)

| | Note | 2013<br>in CHF 1 000 | in % | Restated<br>2012<br>in CHF 1 000 | in % |
|---|---|---|---|---|---|
| **Net sales** | **4** | **477 430** | **100.0** | **426 980** | **100.0** |
| | | | | | |
| Change in finished and semi-finished goods and work in progress | | -382 | | 4 067 | |
| Self-constructed assets | | 1 755 | | 1 120 | |
| Material cost | | -214 450 | | -206 372 | |
| Personnel expenses | 5 | -152 618 | | -131 247 | |
| Other operating expenses | 6 | -63 050 | | -57 949 | |
| Other operating income | 7 | 3 054 | | 6 435 | |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | | **51 739** | **10.8** | **43 034** | **10.1** |
| | | | | | |
| Depreciation and amortization | 16, 17 | -27 217 | | -21 003 | |
| **Operating profit (EBIT)** | | **24 522** | **5.1** | **22 031** | **5.2** |
| | | | | | |
| Financial expenses | 8.1 | -10 820 | | -9 891 | |
| Financial income | 8.2 | 5 057 | | 4 115 | |
| **Earnings before taxes** | | **18 759** | **3.9** | **16 255** | **3.8** |
| | | | | | |
| Income taxes | 9, 10 | 74 | | -4 905 | |
| **Net income of the Feintool Group** | | **18 833** | **3.9** | **11 350** | **2.7** |
| | | | | | |
| Other comprehensive income | | | | | |
| Translation differences | | -4 528 | | -3 318 | |
| **Items that may be reclassified to income statement** | | **-4 528** | | **-3 318** | |
| | | | | | |
| Remeasurement of net defined benefit liability (asset) | 24 | 4 956 | | -5 868 | |
| Income taxes on other comprehensive income | | -1 074 | | 1 302 | |
| **Items that cannot be reclassified to income statement, net of tax** | | **3 882** | | **-4 566** | |
| **Total other comprehensive income** | | **-646** | | **-7 884** | |
| **Total comprehensive income attributable to Feintool Holding shareholders** | | **18 187** | **3.8** | **3 466** | **0.8** |
| | | | | | |
| Basic earnings per share (in CHF) | 11 | 4.49 | | 2.94 | |
| Diluted earnings per share (in CHF) | 11 | 4.49 | | 2.94 | |
| | | | | | |
| **Number of employees** | | | | | |
| Number of employees excl. 103 (previous year 99) apprentices | 5 | 2 015 | | 1 809 | |

# Consolidated Balance Sheet

for financial year 2013 (as at 31 December 2013)

| ASSETS | Note | 31.12.2013 in CHF 1 000 | in % | Restated 31.12.2012 in CHF 1 000 | in % | Restated 01.01.2012 in CHF 1 000 | in % |
|---|---|---|---|---|---|---|---|
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | 28 613 | | 25 391 | | 30 624 | |
| Trade and other receivables | 12 | 75 087 | | 70 227 | | 66 612 | |
| Tax receivables | | 36 | | 169 | | 273 | |
| Inventories | 13 | 36 517 | | 40 744 | | 26 276 | |
| Net assets of construction contracts/ work in progress | 14 | 32 234 | | 29 733 | | 30 884 | |
| Prepaid expenses and accrued income | 15 | 4 658 | | 5 792 | | 1 715 | |
| Assets held for sale | | 0 | | 0 | | 6 743 | |
| **Total current assets** | | **177 145** | **44.4** | **172 056** | **44.6** | **163 127** | **50.1** |
| | | | | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 16 | 179 954 | | 175 771 | | 134 348 | |
| Intangible assets | 17 | 20 868 | | 20 663 | | 7 412 | |
| Financial assets | 18 | 6 489 | | 5 246 | | 8 228 | |
| Deferred tax assets | 10 | 14 484 | | 12 190 | | 12 425 | |
| **Total non-current assets** | | **221 795** | **55.6** | **213 870** | **55.4** | **162 413** | **49.9** |
| TOTAL ASSETS | | 398 940 | 100.0 | 385 926 | 100.0 | 325 540 | 100.0 |

| LIABILITIES | Note | 31.12.2013 in CHF 1 000 | in % | Restated 31.12.2012 in CHF 1 000 | in % | Restated 01.01.2012 in CHF 1 000 | in % |
|---|---|---|---|---|---|---|---|
| **Current liabilities** | | | | | | | |
| Financial liabilities | 19.1 | 25 152 | | 70 069 | | 51 620 | |
| Trade and other payables | 20 | 75 361 | | 69 730 | | 66 045 | |
| Tax liabilities | | 2 718 | | 3 176 | | 2 593 | |
| Accrued expenses and deferred income | 21 | 27 545 | | 25 902 | | 17 631 | |
| Current provisions | 22 | 6 959 | | 4 908 | | 3 382 | |
| Liabilities held for sale | | 0 | | 0 | | 4 617 | |
| **Total current liabilities** | | **137 735** | **34.5** | **173 785** | **45.0** | **145 888** | **44.8** |
| | | | | | | | |
| **Non-current liabilities** | | | | | | | |
| Financial liabilities | 19.2 | 36 437 | | 30 639 | | 15 307 | |
| Non-current provisions | 22 | 2 181 | | 2 332 | | 2 749 | |
| Deferred tax liabilities | 10 | 6 047 | | 5 949 | | 4 381 | |
| Employee benefit liabilities | 24 | 32 735 | | 36 457 | | 25 639 | |
| **Total non-current liabilities** | | **77 400** | **19.4** | **75 377** | **19.6** | **48 076** | **14.8** |
| **Total liabilities** | | **215 135** | **53.9** | **249 162** | **64.6** | **193 964** | **59.6** |
| | | | | | | | |
| **Equity** | | | | | | | |
| Share capital | | 44 630 | | 39 051 | | 38 193 | |
| Capital reserves | | 117 985 | | 94 782 | | 93 607 | |
| Retained earnings | | 53 350 | | 30 635 | | 23 851 | |
| Treasury shares | | -537 | | -609 | | -298 | |
| Translation differences | | -31 623 | | -27 095 | | -23 777 | |
| **Total equity** | | **183 805** | **46.1** | **136 764** | **35.4** | **131 576** | **40.4** |
| TOTAL EQUITY AND LIABILITIES | | 398 940 | 100.0 | 385 926 | 100.0 | 325 540 | 100.0 |

# Consolidated Statement of Changes in Equity

**for financial year 2013 (1 January to 31 December 2013)**

| CHF 1 000 | Share capital | Treasury shares | Capital reserves | Retained earnings | Translation differences | Total equity |
|---|---|---|---|---|---|---|
| **1 January 2012** | **38 193** | **-298** | **93 607** | **21 586** | **-23 777** | **129 311** |
| Changes in accounting policies | – | – | – | 2 265 | – | 2 265 |
| **Restated balance as at 1 January 2012** | **38 193** | **-298** | **93 607** | **23 851** | **-23 777** | **131 576** |
| Translation differences | – | – | – | – | -3 318 | -3 318 |
| Remeasurement of net defined benefit liability (asset), net of tax | – | – | – | -4 566 | – | -4 566 |
| Total other comprehensive income | – | – | – | -4 566 | -3 318 | -7 884 |
| Net income attributable to Feintool Holding shareholders | – | – | – | 11 350 | – | 11 350 |
| Total comprehensive income | – | – | – | 6 784 | -3 318 | 3 466 |
| Capital increase | 858 | – | 4 309 | – | – | 5 167 |
| Dividend [1) 2)] | – | – | -3 055 | – | – | -3 055 |
| Purchase/(sale) of treasury shares | – | -311 | -421 | – | – | -732 |
| Share based management remuneration [3)] | – | – | 342 | – | – | 342 |
| **Restated balance as at 31 December 2012** | **39 051** | **-609** | **94 782** | **30 635** | **-27 095** | **136 764** |
| | | | | | | |
| **1 January 2013** | **39 051** | **-609** | **94 782** | **30 635** | **-27 095** | **136 764** |
| Translation differences | – | – | – | – | -4 528 | -4 528 |
| Remeasurement of net defined benefit liability (asset), net of tax | – | – | – | 3 882 | – | 3 882 |
| Total other comprehensive income | – | – | – | 3 882 | -4 528 | -646 |
| Net income attributable to Feintool Holding shareholders | – | – | – | 18 833 | – | 18 833 |
| Total comprehensive income | – | – | – | 22 715 | -4 528 | 18 187 |
| Capital increase | 5 579 | – | 27 085 | – | – | 32 664 |
| Dividend [1)] | – | – | -3 896 | – | – | -3 896 |
| Purchase/(sale) of treasury shares | – | 72 | -349 | – | – | -277 |
| Share-based management remuneration [3)] | – | – | 363 | – | – | 363 |
| **31 December 2013** | **44 630** | **-537** | **117 985** | **53 350** | **-31 623** | **183 805** |

1) The General Meeting held on 16 April 2013 (2010/11 financial year on 24 January 2012) approved the Board of Directors' proposed dividend distribution of CHF 1 (financial year 2010/11 of CHF 0.80) per registered share from earnings for the financial year ended 31 December 2012 (2010/11 financial year ended 30 September 2011).

2) The dividend distribution was reclassified from retained earnings to capital reserves, as the distribution was effectively made from capital reserves.

3) The share based management remuneration involves payment of part of the salary in shares. See Note 26.

# Consolidated Statement of Cash Flows

**for financial year 2013 (1 January to 31 December 2013)**

| | Note | 2013<br>in CHF 1 000 | Restated<br>2012<br>in CHF 1 000 |
|---|---|---|---|
| Net income of the Feintool Group | | 18 833 | 11 350 |
| Depreciation and amortization | 16, 17 | 27 217 | 21 003 |
| (Gain)/loss on disposal of property, plant and equipment | 6, 7 | -1 053 | -137 |
| Gains on disposal of IMA Berlin | 3 | 0 | -3 242 |
| Increase/(decrease) in provisions and valuation allowances | | 3 598 | 1 600 |
| (Increase)/decrease in deferred taxes | | -2 559 | -368 |
| Other non-cash changes | | 522 | 990 |
| **Cash flows from operating activities before change in net working capital (NWC)** | | **46 558** | **31 196** |
| | | | |
| (Increase)/decrease in net working capital (NWC) | | 2 858 | -4 202 |
| **Cash flows from operating activities** | | **49 416** | **26 994** |
| | | | |
| Investments in property, plant and equipment | 16 | -33 410 | -22 649 |
| Disposals of property, plant and equipment | 16 | 2 197 | 1 861 |
| Investments in intangible assets | 17 | -2 195 | -2 022 |
| Disposals of intangible assets | 17 | 4 | 9 |
| Increase in financial assets | | -1 867 | -584 |
| Decrease in financial assets | | 412 | 3 455 |
| Purchase of consolidated investments net of cash | 2 | 0 | -14 226 |
| Disposals of consolidated investments | 3 | 0 | 4 214 |
| **Cash flows from investing activities** | | **-34 859** | **-29 942** |
| | | | |
| **Free cash flow** | | **14 557** | **-2 948** |
| | | | |
| Capital increase | | 34 588 | 0 |
| Transaction costs for capital increase | | -1 924 | -80 |
| Dividends paid | | -3 896 | -3 055 |
| Purchase of treasury shares | 25.4 | -297 | -735 |
| Borrowing of interest-bearing liabilities | | 21 430 | 30 293 |
| Repayment of interest-bearing liabilities | | -60 690 | -28 348 |
| **Cash flows from financing activities** | | **-10 789** | **-1 925** |
| | | | |
| Translation differences | | -546 | -360 |
| **Increase/(decrease) in cash and cash equivalents** | | **3 222** | **-5 233** |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 25 391 | 30 624 |
| Cash and cash equivalents at the end of the period | | 28 613 | 25 391 |
| | | | |
| Taxes paid | | 3 159 | 2 311 |
| Interest paid | | 3 506 | 3 724 |
| Interest received | | -406 | -263 |

New finance leasing contracts were concluded for kCHF 2 170 (previous year kCHF 10 155) during the financial year.

# Notes to the Consolidated Financial Statements

as at 31 December 2013

## BUSINESS PERFORMANCE

Feintool International Holding AG, Industriering 8, 3250 Lyss, is a public limited company under Swiss law with its headquarters in Lyss (Switzerland) ("Company"). The consolidated financial statements for the period from 1 January to 31 December 2013 include the Company and its subsidiaries ("Feintool"). Feintool is the world's leading technology group specializing in the development of fineblanking systems and the production of ready-to-install fineblanking and forming components, notably for the automotive industry. The Group maintains close partnerships with its customers across the entire fineblanking and forming process – from component design, toolmaking and system construction through to large-scale series parts production. In addition to fineblanking, Feintool Group also deploys other key processes such as precision forming and orbital technology, and is the world's only supplier of all-round solutions for the cost-effective manufacture of complex precision components. A further brand in its portfolio is IMA Automation – a leading manufacturer of automated assembly systems.

With its locations in Europe, Japan, China and the USA, Feintool Group is represented in the world's major automotive markets. Headquartered in Lyss, Switzerland, the Group has a headcount of approximately 2 000. At its various locations, Feintool provides training at any given time for over 100 young people in a number of skills (multiskilled mechanics, design engineers and commercial trades).

## GENERAL

The consolidated financial statements for the 2013 financial year are based on the financial statements of the Group companies as at 31 December 2013, which were prepared in accordance with uniform accounting policies.

The consolidated financial statements are prepared in accordance with Swiss law and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting principles of the SIX Swiss Exchange Listing Regulations have also been observed. In the management's opinion, the consolidated financial statements give a true and fair view of the Group's financial position, results of operations and cash flows.

The consolidated financial statements were prepared on a going-concern basis under the historical cost convention, with the exception that derivative financial instruments are measured at fair value. The consolidated financial statements contain assumptions and estimated amounts which affect the amounts reported. The actual results may differ from these estimates.

The consolidated financial statements are prepared in Swiss francs (CHF), with amounts rounded to the nearest thousand (1 000). The 2013 Report is available in German and English. The German version is authoritative.

## SHARE SPLIT

At the Annual General Meeting held on 16 April 2013, the shareholders accepted the proposal by the Board of Directors to split the Feintool share from its previous par value of CHF 50 per share into five new shares with a par value of CHF 10 each. All data on the number of shares in this report (including prior-year data) were therefore calculated based on a par value of CHF 10.

## INCREASE IN SHARE CAPITAL

On 20 June 2013, the Feintool Group concluded a share reallocation and capital increase. The transaction resulted in the creation of 557 871 new Feintool shares with a par value of CHF 10 each at the transaction price of CHF 62 each. Further information is provided in Note 25.

## NEW INVESTMENTS

On 24 June 2013, Feintool International Holding AG established a technology center in Shanghai under the name "Feintool Fineblanking Technology (Shanghai) Co., Ltd.". Feintool plans to use the technology center to boost its local presence in fineblanking technology and increase its penetration of the Chinese market.

## KEY ESTIMATES

The consolidated financial statements contain assumptions and estimated amounts which affect the amounts reported. The actual results may differ from these estimates.

Property, plant and equipment: Items of property, plant and equipment are carried at cost less accumulated depreciation. Feintool regularly reviews whether the depreciation period chosen at the time matches the actual useful life, or capacity utilization rate, of the item of property, plant and equipment. If significant differences between the depreciation period and useful life are identified, the depreciation period is reduced accordingly. If the expected cash flows on the item of property, plant and equipment no longer cover future depreciation, impairment losses are recognized.

Intangible assets/goodwill: The fair value of intangible assets is estimated at the date of acquisition. The residual value (difference between the purchase price and fair value of net assets acquired) represents goodwill. Most intangible assets acquired have a finite life and therefore are amortized. Goodwill has an indefinite life and is not amortized, but instead tested annually for impairment. The allocation to intangible assets and goodwill at the acquisition date therefore has an effect on amortization in subsequent periods.

When testing goodwill for impairment, various estimates are made which require medium and long-term (terminal value) estimates. This relates to both internally projected data (cash flow, growth rates, etc.) and external parameters (discount rate). Should these estimates prove incorrect, significant changes in value might result. Further information is given in Note 17.2.

Current tax receivables and deferred tax assets: Feintool is liable to taxation in various jurisdictions. Provisions for income taxes incurred worldwide are based on estimates. In the case of many transactions and calculations in its ordinary business, the tax charge is uncertain. If actual tax charges differ from the estimated charges, the corresponding adjustment is recognized in the financial year in which the definitive assessment is made. Management considers the corresponding estimates to be realistic and the corresponding provisions to be appropriate. Deferred tax assets are formed primarily from temporary differences, and in some instances from tax loss carryforwards, but only if realization is deemed probable. The recoverable amount of deferred tax assets recognized for loss carryforwards is therefore based on future forecasts for the relevant taxable entity over a period of several years. Should these future forecasts prove incorrect, significant changes in value might result. Further information is given in Notes 9 and 10.

Research and development: On its balance sheet, Feintool carries its own research and development work if the following conditions are met cumulatively:

- Technical feasibility of completion of the intangible asset, so that it will be available for sale,
- Intention to complete and sell the asset,
- Ability to sell the asset,
- Evidence of the future benefit to the products of the intangible asset,
- Availability of adequate financial, technical and other resources for conclusion of the development,
- Reliable measurability of the production costs.

All the above points are based on assumptions. Should these assumptions prove incorrect or incomplete, this may substantially affect valuation of the corresponding intangible asset. Further information is given in Note 17.1.

Provisions: Feintool recognizes a provision if an obligation to a third party has arisen as a result of a past event, the obligation can be estimated reliably and an outflow of resources is probable. Provisions are recognized for a number of possible events and are explained in detail in Note 22. By definition, however, they involve a higher degree of estimation than other items in the balance sheet, since the estimated obligations may result in a higher or lower outflow of funds depending on the outcome of the situation.

Employee benefit plans: Feintool operates defined benefit plans for its employees in three countries. Their accounting status is in part based on long-term actuarial assumptions, which may differ from reality. Remeasurements arising from developments in the capital market and changes in discount rates can amount to considerable sums. These are recognized directly in equity (Other comprehensive income). Calculation of the respective underlying percentages involves estimated amounts which may substantially affect the financial position and results of operations. Further information is given in Note 24.

Management and the Board of Directors believe the basis of planning and the assumptions to be realistic.

## SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

With the exception of newly issued or revised Standards and Interpretations that became effective in the reporting year, Feintool essentially applies the same accounting policies as those applied in the previous year. On 1 January 2013, Feintool adopted the following new Standards and Interpretations:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 1 – Presentation of Other Comprehensive Income
- IAS 19 – Employee Benefits
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36; early adoption)

With the exception of IAS 19, Feintool is either unaffected by these changes, or the changes have no effect or no material effect on its financial position, results of operations or cash flows.

IAS 19 – Employee Benefits
This amendment of IAS 19 eliminates the corridor method and requires the immediate recognition of actuarial gains and losses in other comprehensive income in the consolidated statement of comprehensive income. In addition, the expected yield on plan assets and interest on the defined benefit liability are no longer calculated separately. Instead, the interest on the net assets or net liability is now taken into account.

As the Group has recognized actuarial gains and losses in other comprehensive income since 1 October 2011, this amendment had no material effect on either the balance sheet or the statement of comprehensive income.

One change affects interest on the net liability. The transitional provisions in Paragraph IAS 19.173 require the changes to be applied retrospectively and the prior-year figures have therefore been adjusted accordingly. This reduced employee benefit liabilities as at 1 January 2012 by CHF 2.9 m (as at 31 December 2012 by CHF 3.1 m). After taking into account deferred taxes, equity increased by CHF 2.3 m (as at 31 December 2012 by CHF 2.4 m).

As part of the restatement, interest expense was recognized in finance costs rather than as personnel expense, as was the case previously. This change had no material effect on the statement of comprehensive income, however.

## NEWLY ISSUED ACCOUNTING STANDARDS

At the end of the reporting period, various new IFRS requirements had been issued but were not yet effective. Feintool decided against early adoption of the following Standards, revised Standards and Interpretations. Feintool plans to adopt the changes from the financial years beginning on or after the date indicated:

- IFRS 9 – Financial Instruments (introduction planned for 1 January 2017)
- IFRIC 21 – Levies (1 January 2014)
- IAS 32 – Offsetting Financial Assets and Financial Liabilities (1 January 2014)
- IFRS 10, IFRS 12 and IAS 27 – Investment Entities (1 January 2014)
- IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (1 January 2014)
- IAS 19 – Employee Contributions (1 July 2014)

- Annual Improvements IFRS 2010 – 2012 Cycle (1 July 2014)
- Annual Improvements IFRS 2011 – 2013 Cycle (1 July 2014)

Feintool is assessing the impact of the new and revised Standards and Interpretations. Based on its initial findings, Feintool does not foresee a significant impact on its consolidated financial statements.

## RECLASSIFICATION OF STATEMENT OF COMPREHENSIVE INCOME

Personnel expenses, which in the past were divided into direct and indirect personnel expenses, are now grouped together under "Personnel expenses" in accordance with IAS 8, thus correcting an error. A breakdown of the item is provided in Note 33. Similarly, the gross margin is no longer disclosed in the statement of comprehensive income. The gross margin is now shown under "Segment information". The following changes were made in addition:

- The "Change in finished and semi-finished goods and work in progress" is now disclosed in a separate line
- "Self-constructed assets" are now disclosed in a separate line
- Operating expenses, administration and sales expenses as well as other operating expenses are grouped together and reported as "Other operating expenses"

## BASIS OF CONSOLIDATION

The consolidated financial statements in principle encompass the annual financial statements of Feintool International Holding AG, Lyss (Switzerland), in addition to the financial statements of all Group companies in which Feintool International Holding AG directly or indirectly owns more than 50 % of the voting rights or which it controls in any other way. A list of all equity investments is provided on page 80.

In the year under review, Group consolidation changed as follows:

On 24 June 2013, Feintool International Holding AG established a technology center in Shanghai under the name "Feintool Fineblanking Technology (Shanghai) Co., Ltd.". Feintool plans to use the technology center to boost its local presence in fineblanking technology and increase its penetration of the Chinese market.

In another measure to harmonize the corporate structure of the Feintool Group, Feintool International Holding AG acquired the assets and liabilities of the wholly owned subsidiaries Feintool International Management AG and Feintool Intellectual Property AG. The plan is to liquidate both companies in the 2014 financial year.

## METHOD OF CONSOLIDATION

All companies which Feintool controls are fully consolidated. Assets and liabilities, as well as income and expenses, are therefore included in full in the consolidated statements. Minority interests in equity and income are disclosed separately in the consolidated balance sheet and the statement of comprehensive income. Intercompany assets, liabilities, income and expenses are eliminated on consolidation, as are unrealized intercompany gains on inventories or non-current assets.

## ACQUISITIONS AND GOODWILL

Newly acquired companies are consolidated using the acquisition method. The balance sheet and income statement are consolidated at the date on which control is obtained. The difference between the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree, on the one hand, and the purchase price, on the other, is recognized as goodwill. Acquisition costs are charged immediately to the statement of comprehensive income. Goodwill is subsequently measured at cost less any impairment. Goodwill is tested for impairment annually by calculating the recoverable amount (higher of fair value minus disposal costs and value in use) of the relevant cash generating units or group of cash generating units. Where the recoverable amount is less than the carrying amount, an impairment is recognized in the income statement.

When a Group company is sold or control over a Group company is lost, the difference between the selling price and the net assets sold, including goodwill and cumulative foreign exchange gains, is recognized in the income statement under either "Other operating income" or "Other operating expenses". The company is deconsolidated on the date on which control over it is lost.

## CURRENCY TRANSLATION

The functional currency of the consolidated entities is the currency of their local economic environment. Transactions in foreign currencies are translated at the respective daily rate. Monetary assets and liabilities in foreign currency are converted into the functional currency at the rate of exchange prevailing on the balance sheet date. In principle, the exchange translation differences are reported in net financial income/finance costs. Non-monetary assets and liabilities at historical cost are translated at the exchange rate applicable at the time of the transaction.

On consolidation, the balance sheet amounts of foreign subsidiaries are translated at closing rates, equity at historical rates and the amounts in the statements of income and cash flows at average rates for the year. Exchange differences arising from translation differences in balance sheets and income statements are directly recognized in other comprehensive income and reported under shareholders' equity. When a Group company is sold or liquidated, or when control over the company is lost, the cumulative translation differences are reclassified to net income as part of the gain or loss on disposal.

Foreign currency gains on certain equity-type loans that form part of the net investment in a company are recognized in the statement of comprehensive income (other comprehensive income), provided settlement of these loans is neither planned nor likely to occur in the near future.

The Feintool Group used the following exchange rates in the reporting periods:

| | | 2013 | | 2012 | |
|---|---|---|---|---|---|
| | | Closing rate | Average rate | Closing rate | Average rate |
| Eurozone | EUR 1 | **1.2276** | **1.2291** | 1.2072 | 1.2044 |
| USA | USD 1 | **0.8901** | **0.9221** | 0.9150 | 0.9314 |
| Japan | JPY 100 | **0.8483** | **0.9515** | 1.0626 | 1.1651 |
| China | CNY 100 | **14.6789** | **15.0029** | 14.6687 | 14.7997 |

## FINANCIAL ASSETS AND LIABILITIES

Feintool distinguishes between the following categories of financial assets and financial liabilities:

- Financial assets or financial liabilities at fair value through profit or loss:
  These are financial instruments acquired with a view to active management. All derivatives are classified under this heading. These assets are stated at fair value, and all fluctuations in their value are presented in net financial income/finance costs. The fair values of the derivative financial instruments are calculated by the banks.

- Loans and receivables:
  These primarily comprise trade receivables and loans granted to third parties. They are measured at their nominal amount, or stated at amortized cost using the effective interest method.

- Financial assets available-for-sale:
  Financial instruments in this category are stated as assets at fair value, with fluctuations in value – whilst taking account of any deferred taxes – being recognized in other comprehensive income. They are only reclassified to net income on disposal of the financial instrument or in the event of impairment.

Financial assets are initially measured at cost, including transaction costs, with the exception of financial assets at fair value through profit or loss, which are recognized excluding transaction costs. All purchases and sales of financial assets are recognized on the trade date.

Financial liabilities mainly include debt and trade payables, which are measured at amortized cost. Financial liabilities designated at fair value through profit or loss (derivatives) are stated at fair value.

Non-current financial liabilities are measured using the effective interest method. In addition to the actual interest payments, interest expenses therefore also include the amounts of annual interest cost and pro-rata transaction costs.

Financial assets are derecognized when Feintool cedes control, i.e. when the related rights are sold or expired. Financial liabilities are derecognized when repaid.

Currently, Feintool does not apply hedge accounting.

## BALANCE SHEET

### Cash and cash equivalents

Cash and cash equivalents comprise cash holdings, balances on postal and bank accounts as well as fixed-term deposits with a maturity not exceeding 90 days.

### Trade and other receivables

This item contains accounts receivable from ordinary business activities. Bad debt provisions on trade receivables are calculated and recognized based on the actual risk of loss. This includes specific valuation allowances for doubtful receivables and a global valuation allowance for the assumed credit risk. Other receivables are stated at their nominal amount less write-downs.

### Inventories

Raw materials and purchased goods are stated at weighted average cost. Finished and semi-finished goods are stated at the cost of conversion including manufacturing overheads, but at no more than their net realizable values. Inventories with a low turnover and obsolete items are written down by an appropriate amount.

### Net assets of construction contracts/work in progress

This item includes all construction contracts and work in progress less prepayments received and necessary allowances for identifiable risks. Construction contracts are accounted for using the percentage of completion (POC) method, provided the following conditions are met:

- The contract value is greater than CHF 500 000 or the equivalent in foreign currency.
- Revenues from the contract can be reliably calculated.
- It is likely that the economic benefit linked to the construction contract will accrue to the company.
- Contract costs and the stage of completion of the construction contract can be reliably measured.

If these conditions are not met, the income is recognized when the risks and rewards are transferred. If it is expected that the costs from a construction contract will exceed the contractually agreed income, the expected overall loss from the order is charged immediately and in full to the statement of comprehensive income.

The stage of completion of construction contracts is obtained from the ratio between the contract costs incurred and total cost of the contract (cost-to-cost method), or based pro rata on the time spent (effort-expended method), provided the project can be assumed to proceed on a straight-line basis.

Work in progress is stated at the cost of conversion.

### Assets held for sale
These are assets whose carrying amounts will be recovered through a sale rather than through use. Assets are only reclassified if the sale has been decided and is to be completed within one year. Such assets are no longer depreciated on a systematic basis, but are instead stated at the lower of carrying amount and fair value less disposal costs.

### Property, plant and equipment
Items of property, plant and equipment are carried at cost less accumulated depreciation. Cost includes any costs attributable to bringing the asset to the condition necessary for it to operate in the intended manner. Borrowing costs are a component of cost if they are directly attributable to the asset. Subsequent maintenance costs are recognized in the carrying amount if the operational life is extended as a result or production capacity can be increased. Non-value enhancing maintenance work and repairs are recognized in the income statement. Components of property, plant and equipment with different useful lives are recognized individually and depreciated separately. Depreciation is recognized on a straight-line basis over the estimated useful life. As a rule, land is not written down. Impairments (see separate section) are recognized when the carrying amount no longer appears to be recoverable. Such impairments are presented separately.

The following depreciation periods are, as a rule, applied:

| | |
|---|---|
| Buildings: | 20 to 40 years |
| Plant and equipment: | 5 to 15 years |
| Vehicles: | 3 to 5 years |

Capitalized costs which are closely linked to leased premises are depreciated over a maximum of the contractually agreed term of the lease.

### Government contributions (funding)
Government contributions (funding received) for assets are deducted from the cost of acquisition or manufacture of the asset in question. As the funding usually comes with certain conditions attached which, if not complied with, would result in the funding having to be repaid, the funding received is also declared as a contingent liability.

### Intangible assets
Intangible assets primarily include goodwill, patents, software and certain development costs. The latter are only capitalized if the technical feasibility of completing an asset that is ready for market can be demonstrated, the costs can be measured reliably and the costs appear to be feasible based on the marketplace. Intangible assets are recognized at cost and amortized over their estimated useful life on a straight-line basis. Any impairments (see separate section) are recognized when the carrying amount no longer appears to be recoverable. Such impairments are presented separately.

Intangible assets (with the exception of goodwill) have a finite life and are amortized as follows:

| | |
|---|---|
| Patents, brands: | max. 10 years |
| Capitalized development costs: | max. 10 years |
| Software: | 3 to 5 years |

### Impairment
The recoverable amount of assets (property, plant and equipment, intangible assets) is reviewed when events or changes in circumstances indicate that the assets may be overvalued. In addition, the recoverable amount of goodwill is reviewed at least annually. If the carrying amount exceeds the recoverable amount (higher of fair value less disposal costs and value in use), it is immediately written down to the net realizable value. When calculating value in use, future cash flows are discounted using a pre-tax discount rate. This discount rate reflects current market assessments and risks specific to the assets in question.

### Leases (finance leases)
Finance lease arrangements where the risks and rewards of ownership are transferred to the buyer are recognized in the same way as normal purchases of property, plant and equipment or intangible assets. The asset and the corresponding lease liability are stated at the lower of fair value and the net present value of the lease payments owed. The leased asset is depreciated over its useful life or the shorter term of the lease if there is no reasonable certainty that the lessee will obtain ownership of the leased asset at the end of the lease. Operating leases are not recognized in the balance sheet but are disclosed in the Notes. Lease payments are recognized in the statement of comprehensive income, with any extraordinary elements (e.g. incentives at the beginning of the lease term) taken into account accordingly.

### Financial assets
Financial assets include loans granted to third parties and rental deposits. Depending on their nature (see "Financial assets and liabilities"), financial assets are stated at fair value or measured at amortized cost using the effective interest method. Gains and losses on these financial assets are recognized in net financial income/finance costs.

### Current liabilities
Current liabilities are those with a remaining term to maturity of less than one year. The current portion of non-current liabilities is also included.

### Accrued expenses and deferred income
Expenditures incurred in the period at the end of the reporting year, for which no receipts are available as yet, are recognized under accrued expenses and deferred income. On the other hand, revenues received in advance in the period at the end of the reporting year for which no work has yet been performed are also recognized here. In the Feintool Fineblanking Technology segment, it is often the case that customers are billed for fineblanking presses without all supplier invoices having been received as yet or all contractually agreed work on the press having been performed.

### Provisions
Provisions are recognized if (a) a present obligation to a third party has arisen as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) the amount of the obligation can be estimated reliably. No provisions are recognized for future operating losses. Provisions are recognized for restructurings when the Group company has a constructive obligation to implement the restructuring as a result of communicating the plan to the individuals affected by it and provided the costs can be reliably determined on the basis of a detailed plan. Reversals of provisions no longer required are recognized when the item for which the provision was originally recognized no longer exists or it is no longer probable that this item will occur.

### Deferred taxes
Deferred taxes are accounted for using the balance sheet liability method. Under this method, the tax implications of temporary differences between carrying amounts in the consolidated financial statements and the tax base are recognized as a non-current liability or asset. They are generally calculated on the basis of actual or expected local rates of tax. Deferred tax liabilities are calculated for all taxable temporary differences. Deferred tax assets, including those for tax loss carryforwards and expected tax credits, are only recognized if it is probable that profits will be available against which the loss carryforwards and tax credits can be utilized.

Changes in deferred taxes are recognized in the income statement except for deferred taxes on amounts recognized directly in other comprehensive income, which are also recognized in other comprehensive income.

### Share-based payment

Shares are issued to the Group management as part of the bonus at a contractually predefined amount.

### Employee benefit plans

The Group operates various employee benefit plans, which differ depending on the circumstances of the individual company. The benefit plans are financed through contributions made by the employer and/or the employee to state pension systems, separate legal entities (trusts, insurance companies) or through the accumulation of corresponding provisions in the balance sheet of the company itself.

In the case of defined contribution plans, the accrued expenses correspond to the agreed contributions by the Group companies. In the case of defined benefit plans, the costs are calculated by independent experts in the form of an actuarial report using the projected unit credit method. The calculations are updated periodically. Benefit plans operated by external providers are funded plans, while the agreed commitments of the Group companies themselves are unfunded plans. The liability carried consists of the defined benefit obligation as defined by the actuary, less any assets recognized at fair value.

The expense recorded in the statement of comprehensive income is the actuarial calculation of the cost less contributions from employees. This comprises:

- Current service cost
- Interest on the net defined benefit liability
- Remeasurements of defined benefit obligations

The current service cost is recognized in personnel expense. The interest on the net defined benefit liability is recognized in financial expense. The expense or income from remeasurements is recognized as other comprehensive income in the statement of comprehensive income.

Other long-term obligations to employees such as jubilee benefits or sabbatical leave programmes are recognized using the same methodology with the exception that actuarial changes are recognized in personnel expense.

### Equity

Equity represents the residual value (assets less liabilities). Capital reserves result from premium payments made by shareholders, transactions involving treasury shares, employee options and the fair value of conversion rights at the time of issue. Retained earnings comprise the income earned and retained by the Group as well as the remeasurement of the net defined benefit liability (asset). Acquisitions of treasury stock are deducted from equity at cost. Other payments from equity instruments (derivatives classified as equity) are also taken directly to equity.

## REVENUE RECOGNITION

### Net sales

Net sales from the sale of goods and services are the sales revenues after taxes, credits and discounts. With the exception of construction contracts accounted for using the percentage of completion (POC) method, sales are recognized when the risks and rewards of ownership are transferred (see "Net assets of construction contracts/work in progress").

Sales of goods include sales of machinery, including peripherals, tools, automation systems, fineblanked and formed parts, as well as spare parts. Service income comprises income from services performed on plant and machinery.

### Other operating income/expenses

Other operating income includes gains on the disposal of property, plant and equipment, investments and various smaller items of income, such as revenue from staff restaurants, IT costs charged to third parties and letting income.

Other operating expenses include operating costs with the exception of material cost and personnel expenses as well as depreciation.

Gains/losses on the disposal of property, plant and equipment are recognized when ownership and the incidental risks and rewards are transferred.

### Research & development

Order-related development costs are capitalized as work in progress. Research & development costs are charged in full to the statement of comprehensive income in the year in which they are incurred, provided they are not capitalized. Development costs for new products are capitalized only if there is a likely prospect of realization in technical and market terms, the cost can be measured reliably and it is probable that the expected future economic benefit attributable to the asset will accrue to Feintool.

### Interest

Interest is recognized using the effective interest method. Interest not yet received is recognized in prepaid expenses and accrued income at the end of the reporting period. Interest income is presented in the statement of comprehensive income as financial income.

**1 Segment information**

| **2013**<br>**Products and services** in CHF 1 000 | Fineblanking Technology | System Parts | Automation | **Total segments** | Finance/ Other | Eliminations | **Group** |
|---|---|---|---|---|---|---|---|
| Net sales | 98 610 | 358 634 | 41 763 | **499 007** | – | -21 577 | **477 430** |
| - Intersegment income | -21 514 | -63 | – | **-21 577** | – | 21 577 | **–** |
| **Total net sales - Group** | **77 096** | **358 571** | **41 763** | **477 430** | **–** | **–** | **477 430** |
| | | | | | | | |
| **Gross margin [1]** | **38 645** | **140 349** | **13 759** | **192 753** | **–** | **-5 399** | **187 354** |
| | | | | | | | |
| **EBITDA** | **8 162** | **45 105** | **3 988** | **57 255** | **-2 697** | **-2 819** | **51 739** |
| Depreciation and amortization | -1 618 | -23 848 | -308 | **-25 774** | -2 716 | 1 273 | **-27 217** |
| **Operating profit (EBIT)** | **6 544** | **21 257** | **3 680** | **31 481** | **-5 413** | **-1 546** | **24 522** |
| | | | | | | | |
| Financial expenses | | | | | | | **-10 820** |
| Financial income | | | | | | | **5 057** |
| Income taxes | | | | | | | **74** |
| **Net income attributable to Feintool Holding shareholders** | | | | | | | **18 833** |
| | | | | | | | |
| **Assets** | **64 182** | **278 287** | **23 262** | **365 731** | **107 595** | **-74 386** | **398 940** |
| **Net working capital [2]** | **8 774** | **39 666** | **-1 712** | **46 728** | **-507** | **512** | **46 733** |
| **Investments in property, plant and equipment/ intangible assets (incl. leases)** | **4 614** | **32 899** | **1 166** | **38 679** | **1 400** | **-2 304** | **37 775** |
| **Number of employees (excl. 103 apprentices)** | **247** | **1 538** | **197** | **1 982** | **33** | **–** | **2 015** |

| **Geographical areas** | Switzerland | Europe excl. Switzerland | America | Asia | **Group** |
|---|---|---|---|---|---|
| **Total net sales – Group [3]** | **10 990** | **260 891** | **116 517** | **89 032** | **477 430** |
| thereof Germany | | 186 829 | | | |
| thereof Japan | | | | 47 288 | |
| thereof China | | | | 28 115 | |
| **Fixed and intangible assets** | **33 241** | **86 397** | **51 822** | **29 362** | **200 822** |

The following footnotes are applicable to the 2013 and 2012 financial years.

[1] The gross margin is calculated from net sales less material cost, the change in finished and semi-finished goods and work in progress and direct personnel costs in accordance with Note 5.

[2] Net working capital comprises trade receivables, inventories, net assets of construction contracts/work in progress and prepaid expenses and accrued income less trade payables, advance payments received from customers and accrued expenses and deferred income.

[3] Net sales are allocated to countries based on the customer's domicile.

| Restated<br>2012<br>Products and services in CHF 1 000 | Fineblanking Technology | System Parts | Automation | Total segments | Finance/ Other | Eliminations | Group |
|---|---|---|---|---|---|---|---|
| Net sales | 99 355 | 296 322 | 49 433 | 445 110 | – | -18 130 | 426 980 |
| - Intersegment income | -18 033 | -97 | – | -18 130 | – | 18 130 | – |
| **Total net sales - Group** | 81 322 | 296 225 | 49 433 | 426 980 | – | – | 426 980 |
| | | | | | | | |
| **Gross margin [1)]** | 39 558 | 108 028 | 17 254 | 164 840 | – | -3 494 | 161 346 |
| | | | | | | | |
| **EBITDA** | 8 800 | 29 897 | 7 389 | 46 086 | 2 645 | -5 697 | 43 034 |
| Depreciation and amortization | -1 441 | -18 113 | -254 | -19 808 | -2 148 | 953 | -21 003 |
| **Operating profit (EBIT)** | 7 359 | 11 784 | 7 135 | 26 278 | 497 | -4 744 | 22 031 |
| | | | | | | | |
| Financial expenses | | | | | | | -9 891 |
| Financial income | | | | | | | 4 115 |
| Income taxes | | | | | | | -4 905 |
| **Net income attributable to Feintool Holding shareholders** | | | | | | | 11 350 |
| | | | | | | | |
| **Assets** | 63 074 | 265 723 | 18 177 | 346 974 | 94 964 | -56 012 | 385 926 |
| **Net working capital [2)]** | 7 837 | 46 901 | -143 | 54 595 | -4 596 | -91 | 49 908 |
| **Investments in property, plant and equipment/ intangible assets (incl. leases)** | 2 531 | 32 306 | 667 | 35 504 | 2 069 | -2 747 | 34 826 |
| **Number of employees (excl. 99 apprentices)** | 238 | 1 326 | 206 | 1 770 | 39 | – | 1 809 |

| Geographical areas | Switzerland | Europe excl. Switzerland | America | Asia | Group |
|---|---|---|---|---|---|
| **Total net sales – Group [3)]** | 10 730 | 221 613 | 102 800 | 91 837 | 426 980 |
| thereof Germany | | 149 478 | | | |
| thereof Japan | | | | 54 344 | |
| thereof China | | | | 22 223 | |
| **Fixed and intangible assets** | 34 298 | 84 711 | 44 316 | 33 109 | 196 434 |

The following footnotes are applicable to the 2013 and 2012 financial years.

The Feintool Fineblanking Technology segment comprises the development, manufacture and sale of presses, tools, peripheral systems and all related services.

The Feintool System Parts segment develops, produces and sells high-precision system components and assemblies using fineblanking and forming technology.

The Feintool Automation segment offers a comprehensive range of assembly systems.

"Finance/Other" essentially comprises the figures for Feintool International Holding AG, Feintool International Management AG, Feintool Intellectual Property AG, the German sub-holding company Feintool Holding GmbH and the real estate companies included in the sub-holding company HL Holding AG and its subsidiaries.

The operating profit/loss comprises all operating income and expenses directly attributable to the individual segments. This includes all cross-segment expenses, which are charged directly on an arm's length basis. Feintool's financing is undertaken at Group level. Financial expenses and income, as well as taxes, are therefore reported at Group level only and do not appear in the segment reports.

There is no reconciliation of the data in management reports and data contained in the financial reports, as internal and external reporting are subject to the same valuation principles.

## 2 Acquisition of investments

On 31 May 2012, Feintool Holding GmbH, Amberg, a wholly owned subsidiary of Feintool International Holding AG, took control of Schroth Antriebselemente GmbH, Ohrdruf, by acquiring 60 % of the company's ordinary shares. The remaining 40 % were acquired directly by Feintool International Holding AG.

At the end of April 2012, Feintool Holding GmbH, Amberg, established a takeover company through which it acquired the assets and liabilities of Herzing + Schroth GmbH u. Co. KG, Obertshausen, at the end of May 2012. This new company was subsequently renamed Herzing + Schroth GmbH, and has its registered office in Obertshausen.

Herzing + Schroth is a leader in the development and production by chipless forming of high-precision components for vehicle drivetrains. This is a process utilized in the automotive industry for the high-volume production of lightweight components for efficient transmissions. Feintool intends to expand this newly acquired technological potential on a global level and exploit existing synergies.

In its first seven months under the Feintool Group, Herzing + Schroth generated sales of kCHF 41 772 and an operating loss (EBIT) of kCHF 1 828. Had the acquisition taken place on 1 January 2012, the consolidated sales of the Feintool Group in 2012 would have totalled CHF 460.4 m and the operating result (EBIT) CHF 24.2 m. As Herzing + Schroth did not apply IFRS accounting prior to the date of acquisition, these figures are estimates.

The costs incurred by the Feintool Group for the acquisition of Herzing + Schroth amounted to around CHF 0.8 m in 2012. In particular, this includes the fees of external lawyers and advisers, as well as property taxes. The costs were recognized in other operating expenses.

| **2.1 Consideration for the interests acquired** | **2012**<br>in CHF 1 000 |
|---|---|
| Cash and cash equivalents | 14 436 |
| Increase in share capital and issue of 17 150 new shares (nom. CHF 50)<br>at a price of CHF 305.75 from the authorized capital | 5 244 |
| **Total consideration** | **19 680** |

| **2.2 Identifiable assets and liabilities** | **2012**<br>in CHF 1 000 |
|---|---|
| Cash and cash equivalents | 211 |
| Trade and other receivables | 6 034 |
| Inventories/net assets of construction contracts/work in progress | 12 502 |
| Property, plant and equipment | 31 673 |
| Intangible assets | 4 926 |
| Deferred tax assets | 31 |
| Financial liabilities | -23 754 |
| Trade and other payables | -11 945 |
| Deferred tax liabilities | -1 922 |
| Employee benefit plans | -5 761 |
| **Net identifiable assets** | **11 995** |

Inventories and net assets of construction contracts/work in progress are stated at fair value.

Values were calculated for the machinery and systems included in property, plant and equipment based on fair value.

The value of the operating property at Ohrdruf was established by an independent valuer.

The kCHF 4 113 in "customer relationships" included in intangible assets were calculated using the multi-period excess earnings method (MEEM). Customer relationships are amortized over ten years on a straight-line basis.

Actuarial pension reports were obtained for the calculation of employee benefit plans.

Deferred taxes were calculated on the adjustments made.

| 2.3 Goodwill | 2012<br>in CHF 1 000 |
|---|---|
| Total consideration | 19 680 |
| Net identifiable assets | -11 995 |
| **Goodwill** | **7 685** |

Goodwill represents the figure that the Feintool Group would have had to pay in order to independently set up a profit-making operation for the production of chipless-formed parts on a “greenfield” basis. The acquisition is intended to significantly advance the Feintool Group’s forming capabilities, a process closely related to fineblanking, as well as boost the company’s geographical market development in the USA and Asia.

The costs incurred by the Feintool Group for the acquisition of Herzing + Schroth amounted to around CHF 0.8 m in the 2012 financial year. In particular, this includes the fees of external lawyers and advisers, as well as property taxes. The costs were recognized in other operating expenses.

## 3 Sale of IMA Berlin

At the end of March 2012, Feintool sold its equity interest in IMA Automation Berlin GmbH, Berlin, to Mikron Group of Switzerland. The assets and liabilities of IMA Berlin were stated in the Annual Report as at 31 December 2011 as individual items under “Assets and liabilities held for sale”. The gain on disposal was recognized in “Other operating income”.

The costs incurred by the Feintool Group for the disposal of IMA Automation Berlin GmbH amounted to around CHF 0.7 m in 2012. In particular, this includes the fees of external lawyers and advisers. The costs were recognized in other operating expenses.

| Effect of the disposal of IMA Berlin | 2012<br>in CHF 1 000 |
|---|---|
| Consideration received in cash | 4 214 |
| Net assets at closing rate | -495 |
| Translation differences | -225 |
| Earnings assigned under profit and loss transfer agreement | -252 |
| **Gain on disposal of IMA Berlin** | **3 242** |

| 4 Net sales | 2013 in CHF 1 000 | 2012 in CHF 1 000 |
|---|---|---|
| Gross sales [1] | 483 818 | 433 764 |
| Sales deductions | -6 388 | -6 784 |
| **Total net sales** | **477 430** | **426 980** |

[1] kCHF 71 939 (previous year kCHF 74 484) of the gross sales were calculated using the percentage-of-completion (POC) method.

| 5 Personnel expenses | 2013 in CHF 1 000 | Restated 2012 in CHF 1 000 |
|---|---|---|
| Salaries and wages | 123 085 | 109 435 |
| Employee welfare expenses | 24 348 | 17 527 |
| Other personnel expenses | 5 185 | 4 285 |
| **Total personnel expenses** | **152 618** | **131 247** |
| of which: | | |
| Direct personnel expenses [1] | 75 244 | 63 329 |
| Indirect personnel expenses | 77 374 | 67 918 |

[1] Direct personnel expenses are personnel expenses that can be directly assigned to the production process.

The Group employed 2 015 staff at the end of the year under review (previous year 1 809) and 103 apprentices (previous year 99).

| 6 Other operating expenses | 2013 in CHF 1 000 | Restated 2012 in CHF 1 000 |
|---|---|---|
| Repair and maintenance [1] | 40 059 | 33 334 |
| Administration and sales expenses | 13 965 | 14 405 |
| Rental and leasing expenses | 4 991 | 4 282 |
| Marketing and communication expenses | 1 959 | 3 281 |
| Taxes and duties (not including taxes on income) | 1 072 | 906 |
| Loss on the disposal of property, plant and equipment | 104 | 236 |
| Miscellaneous expenses [2] | 900 | 1 505 |
| **Total other operating expenses** | **63 050** | **57 949** |

[1] The repair and maintenance item in some cases includes sales-related costs. These costs therefore increase with rising sales.

[2] Other expenses include the cost of the staff restaurant and other costs that cannot be included in the items above.

| 7 Other operating income | 2013 in CHF 1 000 | 2012 in CHF 1 000 |
|---|---|---|
| Gain on the disposal of property, plant and equipment | 1 157 | 373 |
| Sale of IMA Berlin, less disposal costs | 0 | 2 542 |
| Miscellaneous income [1] | 1 897 | 3 520 |
| **Total other operating income** | **3 054** | **6 435** |

[1] Miscellaneous income includes income from staff restaurants, IT services for third parties and sub-letting. The difference versus the previous year results from the reclassification of charges for infrastructure, services and staff restaurants to other operating expenses.

## 8 Net financial income/financial expenses

| 8.1 Financial expenses | 2013 in CHF 1 000 | Restated 2012 in CHF 1 000 |
|---|---|---|
| Interest expense | 4 726 | 4 782 |
| Other finance costs [1] | 1 482 | 1 922 |
| Foreign exchange losses | 4 612 | 3 187 |
| **Total financial expenses** | **10 820** | **9 891** |

[1] Besides bank charges, other finance costs include taxes on country-specific financial transactions, the amortization on an accrual basis of transaction costs arising from the syndicated loan agreement, market making costs and valuation expenses from swap transactions.

| 8.2 Financial income | 2013 in CHF 1 000 | 2012 in CHF 1 000 |
|---|---|---|
| Interest income | 434 | 539 |
| Other financial income [1] | 325 | 685 |
| Foreign exchange gains | 4 298 | 2 891 |
| **Total financial income** | **5 057** | **4 115** |

[1] Other financial income comprises valuation income from swap transactions and income from interest on a rental guarantee deposit.

## 9 Income taxes

| 9.1 Analysis of income taxes | 2013 in CHF 1 000 | Restated 2012 in CHF 1 000 |
|---|---|---|
| Income taxes incurred in the reporting period | 3 145 | 4 252 |
| Income taxes incurred in previous years | 417 | -267 |
| Deferred income taxes | -3 636 | 920 |
| **Total income taxes** | **-74** | **4 905** |

| 9.2 Analysis of tax charge | 2013<br>in CHF 1 000 | Restated<br>2012<br>in CHF 1 000 |
|---|---|---|
| **Earnings before taxes** | **18 759** | **16 255** |
| Weighted tax rate as % | 37.1 % | 34.8 % |
| **Expected overall tax expense** | **6 954** | **5 658** |
| Non tax-deductible expense | 268 | 17 |
| Non-taxable income | -2 515 | -348 |
| Unrecognized tax loss carryforwards from the current year | 815 | 1 114 |
| Use of unrecognized loss carryforwards from previous years | -2 147 | -1 843 |
| Recognition of previously unrecognized loss carryforwards | -1 010 | 0 |
| Reassessment of deferred tax assets/liabilities | -2 737 | 671 |
| Tax credits/charges from previous years | 417 | -267 |
| Effect of changes in tax rates | -148 | -63 |
| Other effects | 29 | -34 |
| **Effective income tax expense** | **-74** | **4 905** |
| **Effective income tax expense as %** | **-0.4 %** | **30.2 %** |

The weighted tax rate is calculated from the income tax rates likely to apply to the income of the individual Group companies in the respective tax jurisdiction, which naturally varies according to the actual earnings figures.

Unrecognized tax loss carryforwards from the current year refer to the companies in China and, in the previous year, also to a company in Switzerland.

The use of unrecognized loss carryforwards from previous years mainly refers to the companies in the USA and also to a company in Switzerland.

The recognition of previously unrecognized loss carryforwards in this financial year refers to a company in Switzerland where, on account of a reassessment of its future earnings prospects, a portion of the loss carryforwards was recognized for the first time. The reassessment was based on the results achieved in the current financial year, on the one hand, and the projected results for the next three years, on the other hand.

The reassessment of deferred tax assets/liabilities in the current financial year refers in particular to a Swiss company where, on account of a tax agreement with the Swiss tax authorities, a reassessment of the tax balance sheet was possible.

The other effects include discrepancies arising from differences in tax rates for assets and liabilities in tax balance sheets.

The high weighted tax rates were due to the locations in Germany, Japan and the USA, which account for the largest share of operations.

## 10 Deferred taxes

| 10.1 Carrying amounts in CHF 1 000 | 31.12.2013 Deferred tax assets | 31.12.2013 Deferred tax liabilities | Restated 31.12.2012 Deferred tax assets | Restated 31.12.2012 Deferred tax liabilities |
|---|---|---|---|---|
| **Deferred taxes for temporary differences** | | | | |
| Current assets | 2 070 | 1 827 | 3 096 | 2 409 |
| Non-current assets | 5 983 | 18 280 | 3 819 | 16 929 |
| Provisions and other liabilities | 4 563 | 1 397 | 4 329 | 1 156 |
| Employee benefit plans | 5 797 | 0 | 6 896 | 0 |
| Loss carryforwards | 11 485 | 0 | 8 409 | 0 |
| Other temporary differences | 43 | 0 | 189 | 3 |
| Netting | -15 457 | -15 457 | -14 548 | -14 548 |
| **Total carrying amounts** | **14 484** | **6 047** | **12 190** | **5 949** |
| | | | | |
| Of which recognized in the balance sheet as: | | | | |
| - deferred tax liabilities | | -6 047 | | -5 949 |
| - deferred tax assets | 14 484 | | 12 190 | |
| **Net deferred tax assets** | **8 437** | | **6 241** | |

| 10.2 Statement of deferred taxes in CHF 1 000 | 31.12.2013 Deferred tax assets | 31.12.2013 Deferred tax liabilities | Restated 31.12.2012 Deferred tax assets | Restated 31.12.2012 Deferred tax liabilities |
|---|---|---|---|---|
| **Start of period** | **6 241** | | **8 044** | |
| Recognition and reversal of temporary differences | 3 636 | | -920 | |
| Temporary differences arising on acquisition/sale of entities | 0 | | -1 894 | |
| Temporary differences recognized directly in equity | -1 074 | | 1 302 | |
| Translation differences | -366 | | -291 | |
| **End of period** | **8 437** | | **6 241** | |

The temporary differences arising on acquisition of entities relate to Herzing + Schroth and those on sale of entities to IMA Automation Berlin.

### 10.3 Unrecognized tax assets

Deferred tax assets, including those for tax loss carryforwards and expected tax credits, are only recognized if it is probable that profits will be available against which the loss carryforwards and tax credits can be utilized.

| 10.4 Tax loss carryforwards | 31.12.2013<br>in CHF 1 000 | 31.12.2012<br>in CHF 1 000 |
|---|---|---|
| Total tax loss carryforwards | 100 529 | 146 302 |
| of which recognized loss carryforwards | 34 055 | 24 634 |
| **Total unrecognized tax loss carryforwards** | **66 474** | **121 668** |
| | | |
| of which expiring: | | |
| within 1 year | 0 | 392 |
| in one to five years | 43 804 | 69 676 |
| in more than five years | 22 670 | 51 600 |
| **Tax effects of unrecognized tax loss carryforwards** | **12 643** | **18 599** |

Income taxes and information regarding the tax charge are shown in Note 9.

## 11 Consolidated earnings per share

| 11.1 Average number of shares outstanding | 2013<br>Number | Restated<br>2012<br>Number |
|---|---|---|
| Average number of shares outstanding | 4 205 492 | 3 865 523 |
| Less number of treasury shares (weighted) | -9 150 | -5 250 |
| Average number of shares outstanding – basic | 4 196 342 | 3 860 273 |
| Average number of shares outstanding – diluted | 4 196 342 | 3 860 273 |

| 11.2 Net income Feintool Group | 2013<br>in CHF 1 000 | Restated<br>2012<br>in CHF 1 000 |
|---|---|---|
| Net income of the Feintool Group – basic | 18 833 | 11 350 |
| Net income of the Feintool Group – diluted | 18 833 | 11 350 |

No dilution effects were recognized in the financial year.

| 11.3 Earnings per share | 2013<br>in CHF | Restated<br>2012<br>in CHF |
|---|---|---|
| Basic earnings per share | 4.49 | 2.94 |
| Diluted earnings per share | 4.49 | 2.94 |

Basic (undiluted) earnings per share are calculated on the basis of the consolidated net income for the financial year divided by the average number of shares in circulation. No dilution effects were recognized in the financial year.

## 12 Receivables

| 12.1 Trade and other receivables | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Trade receivables | 62 800 | 58 228 |
| Valuation allowances | -2 090 | -2 116 |
| **Total trade receivables (net)** | **60 710** | **56 112** |
| Bills receivable | 333 | 261 |
| Outstanding VAT credits | 7 042 | 7 529 |
| Advance payments to suppliers | 5 285 | 3 654 |
| Other receivables | 1 717 | 2 671 |
| **Total trade and other receivables** | **75 087** | **70 227** |

Herzing + Schroth has a factoring programme not required to be included in the balance sheet. Receivables of kCHF 9 848 had been sold under this programme as at 31 December 2013 (previous year kCHF 5 908).

| 12.2 Maturity profile of receivables in CHF 1 000 | Carrying amount | Not yet due | Overdue up to 30 days | Overdue for 31-90 days | Overdue for 91-180 days | Overdue for more than 180 days |
|---|---|---|---|---|---|---|
| **31.12.2013** | | | | | | |
| Trade receivables | 62 800 | 50 149 | 6 359 | 3 794 | 1 117 | 1 381 |
| Valuation allowances | -2 090 | | | | | |
| **Total receivables (net)** | **60 710** | | | | | |
| | | | | | | |
| **31.12.2012** | | | | | | |
| Trade receivables | 58 228 | 42 163 | 8 224 | 3 584 | 2 495 | 1 762 |
| Valuation allowances | -2 116 | | | | | |
| **Total receivables (net)** | **56 112** | | | | | |

| 12.3 Valuation allowance on receivables | 2013 in CHF 1 000 | 2012 in CHF 1 000 |
|---|---|---|
| **Start of period** | **-2 116** | **-1 803** |
| Translation differences | 8 | 14 |
| Recognized | -655 | -1 037 |
| Reversed | 577 | 516 |
| Used | 96 | 194 |
| **End of period** | **-2 090** | **-2 116** |

| 13 Inventories | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Raw material | 19 194 | 14 335 |
| Finished and semi-finished goods | 31 362 | 37 307 |
| Valuation allowances on inventories | -14 039 | -10 898 |
| **Total inventories** | **36 517** | **40 744** |

| 14 Net assets of construction contracts and work in progress | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Construction contracts in progress (POC) | 31 792 | 26 426 |
| Work in progress | 22 445 | 21 823 |
| Prepayments received | -19 439 | -17 365 |
| Valuation allowances on construction contracts and work in progress | -2 564 | -1 151 |
| **Total net assets of construction contracts and work in progress** | **32 234** | **29 733** |

The margin recorded on "Construction contracts in progress (POC)" as at the closing date amounted to 18.4 % (previous year 19.5 %).

| 15 Prepaid expenses and accrued income | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Accrued expenses not yet capitalized/charged on | 1 636 | 1 209 |
| Issue costs of syndicated loan | 956 | 1 231 |
| Rental agreement [1] | 1 396 | 1 705 |
| Other prepaid expenses and accrued income [2] | 670 | 1 647 |
| **Total prepaid expenses and accrued income** | **4 658** | **5 792** |

[1] The "rental agreement" shows the difference between a reduced rent owing to site contamination originally amounting to kEUR 1 500 which is charged to rent on the property for 10 years (until 31 May 2022) and the standard market-level rent on the property.

[2] Other prepaid expenses and accrued income contain advance payments for customer orders, pre-paid insurance premiums, etc.

## 16 Property, plant and equipment

| 16.1 Summary of property, plant and equipment CHF 1 000 | Real estate | Machinery | Other property, plant and equipment | Total |
|---|---|---|---|---|
| **Cost of acquisition as at 01.01.2012** | **80 948** | **144 439** | **27 925** | **253 312** |
| Additions | 654 | 17 145 | 15 005 | **32 804** |
| Disposals, including reclassifications | 3 934 | 9 363 | -17 290 | **-3 993** |
| Change in scope of consolidation [1] | 8 746 | 21 693 | 1 234 | **31 673** |
| Translation differences | -2 492 | -5 113 | -819 | **-8 424** |
| **As at 31.12.2012** | **91 790** | **187 527** | **26 055** | **305 372** |
| Additions | 449 | 23 365 | 11 766 | **35 580** |
| Disposals, including reclassifications | -1 082 | 922 | -13 952 | **-14 112** |
| Translation differences | -2 432 | -6 544 | -785 | **-9 761** |
| **As at 31.12.2013** | **88 725** | **205 270** | **23 084** | **317 079** |
| | | | | |
| **Accumulated depreciation as at 01.01.2012** | **-22 665** | **-86 158** | **-10 141** | **-118 964** |
| Additions | -3 228 | -14 946 | -1 494 | **-19 668** |
| Disposals, including reclassifications | 81 | 3 972 | 1 124 | **5 177** |
| Translation differences | 1 017 | 2 544 | 293 | **3 854** |
| **As at 31.12.2012** | **-24 795** | **-94 588** | **-10 218** | **-129 601** |
| Additions | -3 514 | -19 700 | -1 821 | **-25 035** |
| Disposals, including reclassifications | 760 | 9 225 | 2 986 | **12 971** |
| Translation differences | 1 197 | 3 081 | 262 | **4 540** |
| **As at 31.12.2013** | **-26 352** | **-101 982** | **-8 791** | **-137 125** |
| | | | | |
| **Net carrying amounts** | | | | |
| **As at 31.12.2012** | **66 995** | **92 939** | **15 837** | **175 771** |
| Of which leased assets | – | 24 663 | – | **24 663** |
| **As at 31.12.2013** | **62 373** | **103 288** | **14 293** | **179 954** |
| Of which leased assets | – | 24 859 | – | **24 859** |

Other property, plant and equipment includes installations, vehicles and assets under construction. Assets under construction amounted to kCHF 7 922 in the year under review (previous year kCHF 9 548). Gains on asset disposals are recognized as other operating income (Note 7). A gain of kCHF 1 157 (previous year kCHF 373) was generated in the reporting year. Losses on asset disposals are stated as other operating expense (Note 6). In the year under review, this loss totalled kCHF 104 (previous year kCHF 236).

[1] The change in the scope of consolidation results from the increase in property, plant and equipment following the acquisition of Herzing + Schroth Group in the 2012 financial year.

As at 31 December 2013, the Feintool Group had entered into purchase commitments for the purchase of property, plant and equipment totalling approx. CHF 15.2 m (previous year CHF 15.4 m).

| 16.2 Fire insured values | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Real estate | 100 915 | 136 929 |
| Goods | 90 705 | 87 218 |
| Machinery/other property, plant and equipment | 484 418 | 471 090 |
| **Total fire insured values** | **676 038** | **695 237** |

## 17 Intangible assets

| 17.1 Summary of intangible assets CHF 1 000 | Goodwill | Capitalized development costs | Software | Other intangible assets [1] | Total |
|---|---|---|---|---|---|
| **Cost of acquisition as at 01.01.2012** | **5 203** | **5 603** | **4 517** | **10 412** | **25 735** |
| Additions | – | 530 | 1 394 | 98 | **2 022** |
| Disposals, including reclassifications | – | – | -528 | -3 | **-531** |
| Change in scope of consolidation [2] | 7 685 | – | 807 | 4 119 | **12 611** |
| Translation differences | -13 | – | -37 | -71 | **-121** |
| **As at 31.12.2012** | **12 875** | **6 133** | **6 153** | **14 555** | **39 716** |
| Additions | – | 760 | 889 | 546 | **2 195** |
| Disposals, including reclassifications | – | -4 855 | -1 464 | 646 | **-5 673** |
| Translation differences | 218 | – | -42 | -34 | **142** |
| **As at 31.12.2013** | **13 093** | **2 038** | **5 536** | **15 713** | **36 380** |
| | | | | | |
| **Accumulated amortization as at 01.01.2012** | – | -4 867 | -3 715 | -9 741 | **-18 323** |
| Additions | – | -246 | -661 | -428 | **-1 335** |
| Disposals, including reclassifications | – | – | 528 | 1 | **529** |
| Translation differences | – | – | 31 | 45 | **76** |
| **As at 31.12.2012** | **–** | **-5 113** | **-3 817** | **-10 123** | **-19 053** |
| Additions | – | -324 | -836 | -1 022 | **-2 182** |
| Disposals, including reclassifications | – | 4 854 | 727 | 88 | **5 669** |
| Translation differences | – | – | 5 | 49 | **54** |
| **As at 31.12.2013** | **–** | **-583** | **-3 921** | **-11 008** | **-15 512** |
| | | | | | |
| **Net carrying amounts** | | | | | |
| **As at 31.12.2012** | **12 875** | **1 020** | **2 336** | **4 432** | **20 663** |
| **As at 31.12.2013** | **13 093** | **1 455** | **1 615** | **4 705** | **20 868** |

1) Other intangible assets primarily comprise patents and licences.

2) The change in the scope of consolidation results from the increase in intangible assets following the acquisition of Herzing + Schroth in the 2012 financial year.

Research and development expenses amounting to kCHF 3 251 (previous year kCHF 3 026) were charged to the consolidated statement of comprehensive income.

| 17.2 Other information | Carrying amount in CHF 1 000 | Interest rate before taxes in % | Growth rate in % | Inflation rate in % |
|---|---|---|---|---|
| **Goodwill 31.12.2013** | | | | |
| IMA Automation Amberg GmbH, Amberg (Germany) | 4 276 | 10.7 | 1.0 | 1.6 |
| Feintool System Parts Jena GmbH, Jena (Germany) | 966 | 11.3 | 3.0 | 1.6 |
| Herzing + Schroth (Germany) [1)] | 7 851 | 11.2 | 5.0 | 1.6 |
| **Total carrying amounts** | **13 093** | | | |
| | | | | |
| **Goodwill 31.12.2012** | | | | |
| IMA Automation Amberg GmbH, Amberg (Germany) | 4 205 | 10.6 | 2.0 | 1.9 |
| Feintool System Parts Jena GmbH, Jena (Germany) | 950 | 10.9 | 4.0 | 1.9 |
| Herzing + Schroth (Germany) [1)] | 7 720 | 10.1 | 5.0 | 1.9 |
| **Total carrying amounts** | **12 875** | | | |

[1)] Comprises Herzing + Schroth GmbH and Schroth Antriebselemente GmbH.

The recoverable amounts for the companies (cash-generating units) are calculated on the basis of the value in use. The significant assumptions on which the calculations are based relate to the rate of growth, development of the EBIT margin and the discount rate. The cash flow projections relate to a budget approved by the management for a period of three years and an extended extrapolation over two years. The assumptions are based on empirical values and accord with industry projections. In the terminal value a sales growth at the level of the inflation rate is calculated. The cash flow projections are discounted at a rate of 9 % (after tax).

Sensitivity analysis:
If the discount rate were to increase by 1 % (after taxes), the value in use for all companies would still be above the value of net assets plus goodwill.

Due to the assumptions made in the budget and multi-year plan, the value in use of Herzing + Schroth exceeds the value of net assets plus goodwill. Even if the company does not increase its sales after the three-year projected period (growth rate of 0 %), the value in use would still be above the value of net assets plus goodwill.

| 18 Financial assets | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Loans to third parties | 5 658 | 4 176 |
| Customer tools | 252 | 191 |
| Rental deposit accounts | 579 | 879 |
| **Financial assets** | **6 489** | **5 246** |

The weighted average interest rate in the reporting period was 3.3 % (previous year 6.1 %).

Loans to third parties consist mainly of a long-term receivable of CHF 4.0 m from the sale of Afag. The sum receivable (due 31.03.2016) bears variable interest at between 4 % and 10 %. There is also a long-term receivable from the sale of a property in White Plains, NY (USA) in the amount of kUSD 1 703.

## 19 Financial liabilities

| 19.1 Current financial liabilities | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Liabilities to banks | 14 139 | 54 115 |
| Bond | 0 | 7 243 |
| Current portion of lease liabilities | 7 659 | 6 928 |
| Current portion of other non-current liabilities to banks | 3 354 | 1 783 |
| **Total current financial liabilities** | **25 152** | **70 069** |

The weighted average interest rate in the reporting period was 2.8 % (previous year 3.1 %).

On 28 June 2012, Feintool signed a CHF 120 m syndicated loan agreement with eight banks for a period of five years (up to 30 June 2017). The syndicated loan consists of CHF 100 m in cash loans and CHF 20 m for performance and advance payment guarantees. The syndicated loan defines a number of covenants, the principal ones being:
- equity ratio >30 %
- net senior debt/EBITDA <3.0x
- various standard negative/positive covenants

The individual tranches of the syndicated loan have a term of up to 12 months, so they have been entered under current liabilities. As at 31 December 2013, Feintool had kCHF 91 407 (previous year kCHF 59 631) in unused, confirmed credit lines at the bank.

Credit agreements concluded on a bilateral basis with various banks contain standard covenants.

Should these covenants not be met, the banks would have the right to terminate the loans at short notice. As at 31 December 2013, all covenants had been met.

| 19.2 Non-current financial liabilities | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Non-current lease liabilities | 18 668 | 18 664 |
| Other non-current liabilities to banks | 17 769 | 11 975 |
| **Total non-current financial liabilities** | **36 437** | **30 639** |

The weighted average interest rate in the reporting period was 4.5 % (previous year 4.8 %).

In the reporting year, Feintool Precision System Parts in Taicang (China) received a loan of kCNY 60 000 (previous year kCNY 60 000) from a subsidiary of the Franke/Artemis Group indirectly via Deutsche Bank China. This is a long-term loan but is rolled over every 6 months. The current interest rate is 6.6 % (previous year 6.6 %).

| 20 Trade and other payables | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Trade payables | 47 252 | 38 680 |
| Prepayments from third parties | 11 422 | 12 689 |
| Notes payable | 6 784 | 9 177 |
| Customer payments from factoring | 3 786 | 2 097 |
| Social security liabilities | 3 171 | 2 943 |
| Outstanding VAT liabilities | 1 387 | 1 916 |
| Other liabilities | 1 559 | 2 228 |
| **Total trade and other payables** | **75 361** | **69 730** |

Customer payments from factoring include all customer payments not yet forwarded to the factoring company.

| 21 Accrued expenses and deferred income | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Accrual for salary, bonus, overtime, additional hours | 12 168 | 12 856 |
| Outstanding accounts payable | 7 329 | 3 708 |
| Plant commissionings outstanding and other work related to customer orders | 4 819 | 5 938 |
| Accrual for environmental risks [1] | 1 695 | 1 789 |
| Other accrued expenses and deferred income | 1 534 | 1 611 |
| **Total accrued expenses and deferred income** | **27 545** | **25 902** |

[1] Feintool is renting property contaminated with trichloroethylene in Obertshausen (Germany). In principle, the proprietor is obliged to clean up the property. In certain circumstances, however, state authorities can also force the lessee to take responsibility for the clean-up operation. Feintool has committed itself to meeting half of the costs of clean-up, up to a value of kEUR 1 500. This amount is entered in full as a liability, less clean-up contributions made. On present information, the contamination of the leased property in Obertshausen will have no further effect on the Group's financial position, results of operations or cash flows.

| 22 Provisions CHF 1 000 | Onerous contracts | Warranties | Other provisions | Total |
|---|---|---|---|---|
| Current provisions | 1 632 | 245 | 3 031 | **4 908** |
| Non-current provisions | – | 2 332 | – | **2 332** |
| **Total provisions as at 31.12.2012** | **1 632** | **2 577** | **3 031** | **7 240** |
| Recognized | 581 | 2 313 | 2 498 | **5 392** |
| Used | -617 | -1 192 | -1 090 | **-2 899** |
| Reversed | -267 | -269 | -87 | **-623** |
| Reclassified | – | – | – | **–** |
| Translation differences | 22 | 11 | -3 | **30** |
| **Total provisions as at 31.12.2013** | **1 351** | **3 440** | **4 349** | **9 140** |
| | | | | |
| Current provisions | 1 351 | 1 264 | 4 344 | **6 959** |
| Non-current provisions | – | 2 176 | 5 | **2 181** |
| **Total provisions as at 31.12.2013** | **1 351** | **3 440** | **4 349** | **9 140** |

Provisions were created for onerous contracts with a view to meeting the expected losses on existing orders. They are released in accordance with the degree of order processing. As a rule, orders are completed 12 months after they are received.

Provisions for actual warranty events cover the estimated cost arising from warranty services provided by the Group companies, which the company must cover for contractual reasons or due to its conduct. The outflow of funds occurs as and when the warranties are taken up, over a maximum of three years.

"Other provisions" include provisions for restructurings (kCHF 1 594), customer complaints and various small items. The outflow of funds is expected to occur over 1 to 2 years.

In the 2013 financial year, Feintool sold the property in White Plains (USA). This is contaminated with tetrachloroethylene (PERC). Feintool remains responsible for the clean-up, and has therefore joined the state-controlled Brownfield Cleanup Program. Under this programme, the land is to be cleaned up to the extent that it can be put to a new use. At present, Feintool has allowed provisions totalling kCHF 881 (previous year kCHF 1 038) in its balance sheet for this remediation work. On current assessment, the provision for the clean-up at White Plains is sufficient.

| 23 Lease liabilities | Operating leases<br>in CHF 1 000 | Finance leases<br>in CHF 1 000 |
|---|---|---|
| **Lease payments as at 31.12.2013 due** | | |
| within 1 year | 649 | 8 284 |
| in one to five years | 1 489 | 18 688 |
| in more than five years | 10 | 855 |
| **Total payments** | **2 148** | **27 827** |
| Less interest | | -1 500 |
| **Total lease liabilities as at 31.12.2013** | | **26 327** |
| | | |
| **Lease payments as at 31.12.2012 due** | | |
| within 1 year | 681 | 7 186 |
| in one to five years | 956 | 19 277 |
| in more than five years | 0 | 1 421 |
| **Total payments** | **1 637** | **27 884** |
| Less interest | | -2 292 |
| **Total lease liabilities as at 31.12.2012** | | **25 592** |

In the financial year, kCHF 2 170 (previous year kCHF 10 155) of new financial leasing agreements were concluded.

## 24 Employee benefit plans

| 24.1 Overview of net employee benefit liabilities (assets) CHF 1 000 | 31.12.2013 in CHF 1 000 | Restated 31.12.2012 in CHF 1 000 | Restated 01.01.2012 in CHF 1 000 |
|---|---|---|---|
| Net defined benefit liability (asset) | 29 474 | 32 978 | 21 178 |
| Jubilee benefits | 2 112 | 2 010 | 2 954 |
| Other benefit obligations | 1 149 | 1 469 | 1 507 |
| **Total net employee benefit liabilities (assets)** | **32 735** | **36 457** | **25 639** |

The assets of the employee benefit plans do not include treasury shares (previous year kCHF 0). The Group uses assets (tangible assets) belonging to the retirement fund with a value of kCHF 7 218 (previous year kCHF 7 250).

The "Net defined benefit liability (asset)" item contains various benefit plans in Switzerland, Germany and Japan. The net liability from the Swiss plan amounts to kCHF 22 850 (previous year kCHF 26 608), the German plan to kCHF 6 163 (previous year kCHF 5 834) and the Japanese plan to kCHF 461 (previous year kCHF 536). On account of the materiality of the figures, only the Swiss and German plans are shown in Note 24.3 onwards.

Swiss plan

A majority of Feintool employees in Switzerland are insured against the risks of death, old age and disability with the semi-autonomous pension fund of the Feintool Group. The benefits provided by the Feintool Group's pension fund exceed the minimum prescribed by the Federal Occupational Old Age, Survivors' and Disability Pension Act (BVG). The ordinary employer contributions comprise risk contributions of 2.2 % and age-related contributions of 4.5 % - 11.0 % of the insured salary for credits to the individual retirement assets. The normal retirement age is 65 for men and 64 for women. Employees have a right to early retirement from age 58, in which case the conversion rate is reduced in accordance with the longer expected pension payment period and the absence of contribution payments prior to retirement. Furthermore, employees can withdraw the retirement pension in full or in part as a lump sum. The amount of pension paid out is arrived at from the conversion rate, which is applied to the individual insured's accumulated retirement savings at the the time of retirement. In the case of retirement at age 65/64, the conversion rate until the end of 2013 is 6.6 %. For 2014 it is 6.4 %, and from 2015 the conversion rate is lowered to 6.2 %. The accumulated retirement assets are arrived at from the employee and employer contributions, paid into the individual savings account of each insured member, together with the interest credited to the retirement assets, vested benefits brought in as well as any voluntary payments made by the insured. The interest rate paid on the retirement assets is set by the Board of Trustees each year.

The legal form of the Feintool Group's pension fund is that of a foundation. The Board of Trustees, which comprises an equal number of employee and employer representatives, is responsible for managing the foundation. The duties of the Board of Trustees of the pension fund are laid down in the BVG and in the rules of the pension fund. A temporary shortfall is permitted under the BVG. The Board of Trustees is required to take measures to rectify the underfunding within a reasonable period. Under the BVG, additional employer and employee contributions may be incurred if the pension plan exhibits a significant shortfall (shortfall < 90 % = considerable shortfall; in this instance, contributions to rectify the situation are essential). In these cases, the risk is split between the employer and the employee; the law does not require the employer to assume more than 50 % of the additional contributions. The BVG funding ratio of the Feintool Group pension fund was 95.4 % as at 31 December 2013 (previous year 92.6 %). The Board of Trustees is the central coordination and monitoring body for the management of the assets. The pension assets are administered by a mandated, independent financial services provider. The Board of Trustees determines the investment strategy and tactical bandwidths in accordance with the statutory provisions. Within its guidelines, the financial services provider is able to decide the asset allocation subject to the statutory requirements concerning asset classes and bandwidths.

German plan

The German plan comprises:

- A "Works Agreement on the Introduction of an Occupational Pension Plan" concluded on 25 June 1998 which was terminated effective 31 December 2005 with the announcement that new employees would no longer be able to join the pension scheme from 1 January 2006 and entitlements already acquired would be frozen effective 31 December 2005.
- Individual commitments to certain managers

This essentially includes the right to a lifetime pension payable upon retirement, disability and/or death. The level of monthly pension entitlement on reaching the retirement age of 65, and on reaching age 63 at the earliest, amounts to 50 % of the annual pensionable income broken down into a monthly amount; the annual pensionable income is deemed to be the fixed annual income at the time the pension becomes due for payment.

Japanese plan

The Japanese plan includes all employees who have worked at the company for three or more years. Employees are entitled to a pension from age 60.

| 24.2 Change in defined benefit liability (asset) | Defined benefit obligation 2013 in CHF 1 000 | Defined benefit obligation Restated 2012 in CHF 1 000 | Fair value of plan assets 2013 in CHF 1 000 | Fair value of plan assets Restated 2012 in CHF 1 000 | Net defined benefit liability (asset) 2013 in CHF 1 000 | Net defined benefit liability (asset) Restated 2012 in CHF 1 000 |
|---|---|---|---|---|---|---|
| **As at 1 January** | **151 857** | **132 683** | **-118 878** | **-111 417** | **32 978** | **21 266** |
| **Recognized in income statement** | | | | | | |
| Current service cost | 3 644 | 3 114 | – | – | 3 644 | 3 114 |
| Interest cost (income) | 3 063 | 3 375 | -2 252 | -2 782 | 811 | 593 |
| General and administrative expenses | – | – | 214 | 91 | 214 | 91 |
| **Total** | **6 707** | **6 489** | **-2 038** | **-2 691** | **4 669** | **3 798** |
| | | | | | | |
| **Recognized in other comprehensive income** | | | | | | |
| Expense/(income) from remeasurement of | | | | | | |
| Actuarial loss/(gain) due to: | | | | | | |
| - Change in demographic assumptions | 7 364 | 713 | – | – | 7 364 | 713 |
| - Change in financial assumptions | -7 786 | 8 824 | – | – | -7 786 | 8 824 |
| - Experience adjustment | -1 990 | -596 | – | – | -1 990 | -596 |
| Return on plan assets (excluding interest income) | – | – | -2 547 | -3 327 | -2 547 | -3 327 |
| Translation differences | -350 | -368 | 336 | 241 | -14 | -127 |
| **Total** | **-2 762** | **8 573** | **-2 211** | **-3 086** | **-4 973** | **5 487** |
| | | | | | | |
| **Other** | | | | | | |
| Contributions from employer | – | – | -2 991 | -2 948 | -2 991 | -2 948 |
| Contributions from employees | 2 453 | 2 488 | -2 453 | -2 488 | – | – |
| Benefits paid out | -6 487 | -4 482 | 6 277 | 4 258 | -210 | -224 |
| Additions due to acquisition of group companies | – | 6 105 | – | -506 | – | 5 599 |
| **Total** | **-4 034** | **4 111** | **833** | **-1 684** | **-3 201** | **2 427** |
| **As at 31 December** | **151 768** | **151 857** | **-122 295** | **-118 878** | **29 474** | **32 978** |
| | | | | | | |
| of which Swiss plans | 142 976 | 143 246 | -120 126 | -116 638 | 22 850 | 26 608 |
| of which German plans | 6 889 | 6 442 | -727 | -608 | 6 163 | 5 834 |
| of which Japanese plans | 1 903 | 2 169 | -1 442 | -1 632 | 461 | 536 |

The expected contributions made to the pension plans for the following financial year amount to CHF 3.1 m in the case of employer contributions and CHF 2.5 m in the case of employee contributions.

| 24.3 Plan assets of defined benefit plans | 2013 in % | 2012 in % |
|---|---|---|
| Equities | 9.1 | 10.0 |
| Bonds | 65.1 | 62.4 |
| Real estate (including real estate funds) | 12.7 | 12.9 |
| Alternative investments | 0.0 | 1.7 |
| Other | 0.4 | 0.2 |
| Cash | 12.7 | 12.8 |
| **Total** | **100.0** | **100.0** |

Swiss plan

The plan assets are invested by an AAA-rated bank within the predefined strategy. The following limits apply to investment:

- Equities < 50 %
- Bonds < 70 %
- Real estate < 30 %
- Alternative investments 0 %

Currencies other than the CHF and EUR are hedged against the CHF.

With the exception of directly held real estate, all investments are traded on a public exchange.

German plan

The German plan includes a reinsurance policy to cover pension liabilities. Assets from the insurance policy are included in plan assets.

| 24.4 Defined benefit plan obligations – actuarial assumptions | 2013 in % | 2012 in % |
|---|---|---|
| **Swiss plan** | | |
| Discount rate | 2.4 | 1.9 |
| Future increase in wages and salaries | 1.5 | 1.5 |
| Future increase in pensions | 0.0 | 0.0 |
| | | |
| **German plan** | | |
| Discount rate | 3.5 | 3.6 |
| Future increase in wages and salaries | 1.8 | 1.8 |
| Future increase in pensions | 2.0 | 2.0 |

| 24.5 Defined benefit plan obligations – actuarial assumptions | 2013 in years | 2012 in years |
|---|---|---|
| **Swiss plan** | | |
| Life expectancy at age 65 for newly retired persons | | |
| Men | 21.29 | 21.18 |
| Women | 23.76 | 23.66 |
| | | |
| Life expectancy at age 65 for employees currently aged 45 | | |
| Men | 23.09 | 23.00 |
| Women | 25.52 | 25.44 |
| | | |
| **German plan** | | |
| Life expectancy at age 65 for newly retired persons | | |
| Men | 18.71 | 18.57 |
| Women | 22.79 | 22.66 |
| | | |
| Life expectancy at age 65 for employees currently aged 45 | | |
| Men | 21.39 | 21.26 |
| Women | 25.34 | 25.22 |

As at 31 December 2013, the weighted-average duration of pension benefit obligations for the Swiss plan was 14.6 years and for the German plan was 18.2 years.

| 24.6 Defined benefit plan obligations – sensitivity analysis | 2013 in CHF 1 000 | 2012 in CHF 1 000 |
|---|---|---|
| **Swiss plan** | | |
| Change in discount rate -0.25 % | 4 545 | – |
| Change in discount rate +0.25 % | -4 357 | – |
| Change in wages and salaries -0.25 % | -230 | – |
| Change in wages and salaries +0.25 % | 230 | – |
| | | |
| **German plan** | | |
| Change in discount rate -0.25 % | 310 | – |
| Change in discount rate +0.25 % | -293 | – |
| Change in wages and salaries -0.25 % | -45 | – |
| Change in wages and salaries +0.25 % | 45 | – |

## 25 Equity

| 25.1 Share capital | 31.12.2013 Number/CHF | 31.12.2012 Number/CHF |
|---|---|---|
| Number of shares | 4 462 971 | 3 905 100 |
| Nominal value | 10 | 10 |
| Share capital | 44 629 710 | 39 051 000 |

At the Annual General Meeting of Feintool International Holding AG on 16 April 2013, the shareholders approved the Board of Directors' proposal to split each Feintool share with a nominal value of CHF 50 into five new shares, each with a nominal value of CHF 10. All data on the number of shares (including prior-year data) are therefore calculated at the par value of CHF 10.

On 20 June 2013, 557 871 new shares, each with a nominal value of CHF 10, were issued as part of the capital increase and share reallocation programme. The shares were issued entirely from the "authorized capital".

| 25.2 Conditional capital – employee stock option plan | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| **Start of period** | **558** | **558** |
| Used | 0 | 0 |
| **End of period** | **558** | **558** |

This conditional capital of 55 750 registered shares with a par value of CHF 10 each was created following the resolution of the Extraordinary General Meeting of 2 July 1998 for the payment of rights conferred under the employee stock option plan

| 25.3 Authorized capital | 31.12.2013 in CHF | 31.12.2012 in CHF |
|---|---|---|
| **Start of period** | **18 239 250** | **0** |
| Created | 0 | 19 096 750 |
| Used | 5 578 710 | 857 500 |
| **End of period** | **12 660 540** | **18 239 250** |

According to the decision of the Annual General Meeting of 24 January 2012, the Board of Directors was authorized to create capital up to a maximum amount of CHF 19 096 750 as required through the issue of up to 1 909 675 new shares, each having a nominal value of CHF 10. The new shares are to be paid up in full. The Board of Directors is authorized to restrict or exclude subscription rights under certain circumstances. The new shares can be issued in one or more stages. The approval is limited to a period of two years.

On 20 June 2013, 557 871 new shares, each with a nominal value of CHF 10, were issued as part of the capital increase and share reallocation programme. The shares were issued entirely from the "authorized capital".

As of 1 June 2012, the share capital was increased through the issue of 85 750 shares with a par value of CHF 10 each to finance part of the purchase price for the acquisition of Herzing + Schroth Group. The shares were issued entirely from the "authorized capital".

The authorized capital expired in full on 24 January 2014.

| 25.4 Treasury shares – changes | 31.12.2013 Number | 31.12.2013 in CHF 1 000 | 31.12.2012 Number | 31.12.2012 in CHF 1 000 |
|---|---|---|---|---|
| **Start of period** | **10 120** | **609** | **4 555** | **298** |
| Bought | 5 282 | | 12 040 | |
| Sale/transfer | -6 195 | | -6 475 | |
| **End of period** | **9 207** | **537** | **10 120** | **609** |
| | | | | |
| **of which:** | | | | |
| Trading portfolio | 9 207 | | 10 120 | |

In financial year 2013, 5 282 shares were purchased at an average price of CHF 56.15 (previous year 12 040 shares at an average price of CHF 61.03) and 6 195 shares transferred to management or sold at an average price of CHF 55.50 (previous year 6 475 shares at an average price of CHF 65.79). Treasury shares are reserved primarily for management remuneration.

### 26 Capital participation plans

As a component of the bonus for financial year 2012, 5 950 shares (previous year 5 800 shares) in the amount of CHF 265 196 (previous year CHF 330 750) were transferred from treasury holdings to the Group Management in the financial year. The shares passed directly into the ownership of the recipients.

| 27 Off-balance sheet transactions, contingent liabilities | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Guarantees in favour of third parties | 2 305 | 3 134 |
| Other contingent obligations | 3 617 | 3 591 |
| **Contingent liabilities** | **5 922** | **6 725** |

Guarantees in favour of third parties are primarily repurchase guarantees given to leasing companies for fineblanking presses sold. Other contingent obligations comprise funding which has been received and is subject to certain conditions. In the event of a breach of these conditions, there is a risk that these funds or a portion of them will have to be repaid.

In 2012, Feintool Technologie AG received a VAT demand for kCHF 570 for "incorrectly" reported domestic transactions in Germany. Management and independent experts were of the opinion that the approach taken by Feintool Technologie AG fully complied with all applicable legislation, ordinances and directives. Accordingly, Feintool appealed against the demand by the deadline and the demand was withdrawn by the Tax Office in financial year 2013. Feintool's approach for the future was also deemed correct and accordingly approved.

Three dismissal notices given in Germany are being contested in court. The expected costs have been provided for in full.

At the end of the reporting period, Feintool was not involved in any other court proceedings. However, disputes relating to product liability, promotional activities, labour law and unfair dismissals, anti-trust law, securities trading, sales and marketing practices, health and safety, environmental and tax-related claims, state investigations and copyright law are always a possibility. Such proceedings could result in substantial claims being brought against Feintool which may not be covered by insurance policies. Feintool believes, however, that the proceedings would not have a significant effect on the company’s financial position.

| 28 Assets pledged as security for own liabilities | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| Financial assets | 372 | 366 |
| Real estate | 5 260 | 7 074 |
| Machinery and equipment | 24 859 | 24 663 |
| **Assets pledged as security for own liabilities** | **30 491** | **32 103** |

The pledging of the shares of key subsidiaries in accordance with the syndicate agreement means that most of the Group's assets are indirectly pledged.

## 29 Economic risks

For the global economy going forward, we see risks primarily in changes in energy and commodity prices, growing protectionism and persistently large trade imbalances. The aforementioned factors could result in relatively sharp changes in exchange rates, in particular continuing weakness of the US dollar and the euro, and a further slowdown in global economic growth. The scenarios described could give rise to severe adverse effects for Feintool.

### Management of financial risks

Financial risk management is based on the directives approved by the Board of Directors and Group Management. Besides standards for general financial risk management, these include standards for specific aspects of liquidity, interest rate, exchange rate and default risk management, the use of derivative financial instruments, capital procurement and the policy on investing surplus liquidity. Capital procurement within the Group is mostly undertaken on a centralized basis.

### Liquidity risk

Liquidity risk denotes the risk that the Feintool Group may at some point in future be unable to meet its regular payment obligations on time and in full. Feintool must ensure that the Group is able to meet its payment obligations at all times. This will be the case if sufficient funds can be generated by the cash flow from operating activities or if the necessary financial resources can be raised on the financial markets or from banking institutions. Feintool Group's management considers an operating liquidity reserve equivalent to one month's costs of the Group (approx. CHF 25 m) to be adequate. This liquidity reserve can also be secured through unused credit lines. Management receives regular reports on the Group's present and anticipated liquidity status, giving it an overview of the liquidity situation.

On 28 June 2012, Feintool signed a CHF 120 m syndicated loan agreement with eight commercial banks for a period of five years (up to 30 June 2017). The syndicated loan consists of CHF 100 m in cash loans and CHF 20 m for performance and advance payment guarantees.

Covenants were defined by the banks in connection with this agreement. The most important covenants to be observed in relation to this agreement are as follows:

- equity ratio > 30 %
- net senior debt / EBITDA < 3.0 x
- various standard negative/positive covenants

The individual tranches of the syndicated loan have a term of up to 12 months. As at 31 December 2013, Feintool had kCHF 91 407 (previous year kCHF 59 631) in unused, confirmed credit lines at banks.

Credit agreements concluded on a bilateral basis with various banks contain standard covenants.

Were the Group unable to meet these covenants, the banks would have the right to terminate the loans at short notice. As at 31 December 2013, all covenants had been met.

| **Financial liabilities – carrying amounts and cash outflows** in CHF 1 000 | Carrying amounts | **Total incl. interest** | Due within 1 year | Due within 3 years | Due within 5 years | Due in more than 5 years | **Total** |
|---|---|---|---|---|---|---|---|
| **31.12.2013** | | | | | | | |
| Liabilities | 59 381 | **59 381** | 59 381 | – | – | – | **59 381** |
| Accrued expenses and deferred income | 15 377 | **15 377** | 15 377 | – | – | – | **15 377** |
| Current liabilities to banks | 14 139 | **14 139** | 14 139 | – | – | – | **14 139** |
| Lease liabilities | 26 327 | **27 253** | 7 659 | 15 045 | 3 754 | 795 | **27 253** |
| Other liabilities to banks | 21 123 | **21 447** | 3 354 | 15 462 | 2 631 | – | **21 447** |
| **Total** | **136 347** | **137 597** | **99 910** | **30 507** | **6 385** | **795** | **137 597** |
| | | | | | | | |
| Foreign exchange futures | | | | | | | |
| - Cash inflows | – | **–** | – | – | – | – | **–** |
| - Cash outflows | – | **–** | – | – | – | – | **–** |
| | | | | | | | |
| Interest rate swap | | | | | | | |
| - Cash inflows | – | **–** | – | – | – | – | **–** |
| - Cash outflows | 90 | **90** | 90 | – | – | – | **90** |
| | | | | | | | |
| **31.12.2012** | | | | | | | |
| Liabilities | 52 182 | **52 182** | 52 182 | – | – | – | **52 182** |
| Accrued expenses and deferred income | 13 046 | **13 046** | 13 046 | – | – | – | **13 046** |
| Current liabilities to banks | 54 115 | **54 115** | 54 115 | – | – | – | **54 115** |
| Lease liabilities | 25 592 | **27 537** | 6 928 | 14 377 | 4 812 | 1 420 | **27 537** |
| Other liabilities to banks/bond | 21 001 | **21 168** | 9 026 | 1 677 | 10 252 | 213 | **21 168** |
| **Total** | **165 936** | **168 048** | **135 297** | **16 054** | **15 064** | **1 633** | **168 048** |
| | | | | | | | |
| Foreign exchange futures | | | | | | | |
| - Cash inflows | – | **589** | 589 | – | – | – | **589** |
| - Cash outflows | 87 | **676** | 676 | – | – | – | **676** |
| | | | | | | | |
| Interest rate swap | | | | | | | |
| - Cash inflows | – | **–** | – | – | – | – | **–** |
| - Cash outflows | 444 | **444** | 284 | 71 | 89 | – | **444** |

### Interest rate risk
Interest rate risk can have a negative impact on the Group's earnings as a result of higher interest rates on borrowings or lower interest rates on assets. Furthermore, changes in interest rates can affect the fair value of underlying financial instruments. Depending on the expected trend in interest rates, Feintool obtains financing at either fixed or variable rates. Around half of its financial liabilities currently consist of lease liabilities with fixed interest rates and terms. The other half consists of bank loans with fixed interest rates and terms of between 3 months and 5 years. Interest rate management is mostly undertaken on a centralized basis so as to limit the impact of changes in interest rates on net financial income/finance costs.

A 0.5 % increase in the interest rate would adversely affect the pre-tax profit figure by kCHF 308.

### Exchange rate risk
Owing to its geographical diversification, Feintool is exposed to exchange rate risk, particularly in relation to the euro and the US dollar. Changes in exchange rates can affect the fair value of existing financial instruments and in particular the expected future cash flows. As far as possible, the Group uses natural hedges in order to offset any fluctuations in exchange rates. At Group level, the net position of the most important foreign currencies is hedged over a period of usually six months, as required.

The Feintool Group's exchange rate risk is calculated in the following sensitivity analysis.

If, as at 31 December 2013, the Swiss franc had been 5 % stronger against the euro (US dollar) and all other variables had remained constant, consolidated net income would have been kCHF 2 602 higher (kCHF 28 lower). Moreover, equity would not have changed.

As at 31 December 2012 net income would have been kCHF 352 higher and equity balanced (if the Swiss franc were 5 % stronger against the euro) and, if the Swiss franc were 5 % weaker, it would have been kCHF 352 lower and equity balanced. If the Swiss franc were 5 % stronger against the US dollar, consolidated net income would have been kCHF 58 higher and equity balanced. If the Swiss franc were 5 % weaker against the US dollar, consolidated net income would have been kCHF 58 lower and equity balanced.

### Other market risks
The fair value of financial instruments may change as a result of exchange rates, interest rates or changes in credit ratings, and may therefore affect the Group's financial position and earnings. Feintool seeks to minimize the net effect of market risks through a balanced financing and asset structure.

### Derivative financial instruments
Derivative financial instruments are used to minimize existing interest rate or exchange rate risks. The positive and negative fair values in the Notes show current market values. The contract volumes also shown indicate the extent of the exposure to derivatives.

### Capital structure
In terms of capital management, the Group's objective is to ensure that the business has the financial means necessary to continue as a going concern and to provide the resources required to achieve the Group's objectives so that added value can be generated for shareholders and other stakeholders and a cost-effective, low-risk capital structure maintained. Among the criteria used by the Group to monitor its capital structure are the equity ratio and net financial liabilities. In addition, it monitors the main covenants (equity, senior net debt/EBITDA) under the syndicated loan agreement.

The equity ratio is calculated as the ratio of equity to total assets. Net financial liabilities consist of current and non-current interest-bearing liabilities less cash and cash equivalents.

The Group's objective is an equity ratio of at least 40 %. Comments on the aforementioned ratios are provided in the Financial Review.

In terms of dividends policy, Feintool aims to pay shareholders approx. 30 % of annual profit in the form of a dividend.

### Credit risk
Feintool's credit risk is the fair value of the recognized financial assets with the exception of financial guarantee contracts. In some instances, Feintool has provided guarantees to financial institutions in relation to press sales; these amounted to CHF 2.3 m as at 31 December 2013 (previous year CHF 3.1 m). In this case, the guaranteed amount represents the credit risk, with Feintool retaining the press sold at the time in the event of a warranty being taken up.

### Default risk

Default risk is the risk that a counterparty will be unable to meet its liabilities to the Group companies. By avoiding cluster risk and concentrating financial investments among first-class counterparties, it should be possible to avoid extensive credit default risk. The automotive sector is the focal point of Feintool's operations. As a result, this market segment by definition involves a certain risk for Feintool's operations. As far as normal customer credit balances are concerned, outstanding receivables are constantly monitored as part of the process of regular reporting by the Group companies to Head Office. As at 31 December 2013, the overall default risk comes to approx. CHF 115 m (previous year approx. CHF 107 m). Feintool does not generate more than 9.0 % of consolidated sales from any one customer.

Feintool has two loans with private investors relating to deferred purchase price payments due to the sale of an equity interest and a property, on which interest is payable.

The Feintool Group banks exclusively with renowned national and international institutions that are rated BBB as a minimum. It specifies the type of transactions which the subsidiary companies may conduct with the banks.

## 30 Financial instruments

| 30.1 Financial assets in CHF 1 000 | Cash and cash equivalents | Prepaid expenses and accrued income | Receivables | Financial assets | Total |
|---|---|---|---|---|---|
| Cash reserves | 28 613 | – | – | – | **28 613** |
| Loans and receivables | – | 2 105 | 75 087 | 6 489 | **83 681** |
| **Carrying amounts as at 31.12.2013** | **28 613** | **2 105** | **75 087** | **6 489** | **112 294** |
| | | | | | |
| Cash reserves | 25 391 | – | – | – | **25 391** |
| Loans and receivables | – | 2 443 | 70 227 | 5 246 | **77 916** |
| **Carrying amounts as at 31.12.2012** | **25 391** | **2 443** | **70 227** | **5 246** | **103 307** |

| 30.2 Financial liabilities in CHF 1 000 | Trade payables | Accrued expenses and deferred income | Current financial liabilities | Non-current financial liabilities | Total |
|---|---|---|---|---|---|
| Financial liabilities held for trading | – | 90 | – | – | **90** |
| Other financial liabilities | 59 381 | 15 287 | 25 152 | 36 437 | **136 257** |
| **Carrying amounts as at 31.12.2013** | **59 381** | **15 377** | **25 152** | **36 437** | **136 347** |
| | | | | | |
| Financial liabilities held for trading | – | 531 | – | – | **531** |
| Other financial liabilities | 52 182 | 12 515 | 70 069 | 30 639 | **165 405** |
| **Carrying amounts as at 31.12.2012** | **52 182** | **13 046** | **70 069** | **30 639** | **165 936** |

The carrying amounts do not differ significantly from the fair values.

### 30.3 Fair value hierarchy

Feintool has measured financial instruments at fair value and uses the following hierarchy to determine fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Feintool holds only financial instruments in Level 2 amounting to kCHF -90 net (previous year kCHF -531).

| **30.4 Classification of financial income/financial expenses** in CHF 1 000 | Cash reserves | Held for trading | Loans and receivables | Other financial liabilities | Total |
|---|---|---|---|---|---|
| **Carrying amounts as at 31.12.2013** | **28 613** | **-90** | **83 681** | **136 347** | |
| Interest income/expenses | – | – | 434 | -4 726 | **-4 292** |
| Other financial income/financial expenses | – | 283 | -1 400 | – | **-1 117** |
| Change in valuation allowances on customer receivables and bad debt losses | – | – | -121 | – | **-121** |
| **Total net gain/loss 2013** | **–** | **283** | **-1 087** | **-4 726** | **-5 530** |
| | | | | | |
| **Carrying amounts as at 31.12.2012** | **25 391** | **-531** | **77 916** | **165 936** | |
| Interest income/expenses | – | – | 539 | -4 782 | **-4 243** |
| Other financial income/financial expenses | – | 293 | -1 530 | – | **-1 237** |
| Change in valuation allowances on customer receivables and bad debt losses | – | – | 130 | – | **130** |
| **Total net gain/loss 2012** | **–** | **293** | **-861** | **-4 782** | **-5 350** |

| **30.5 Derivative financial instruments outstanding** in CHF 1 000 | Fair values positive | Fair values negative | Contract volumes |
|---|---|---|---|
| Futures contracts | – | – | – |
| **Currency instruments** | **–** | **–** | **–** |
| Interest rate swaps | – | 90 | 1 046 |
| **Interest rate instruments** | **–** | **90** | **1 046** |
| **Total derivative financial instruments as at 31.12.2013** | **–** | **90** | **1 046** |
| | | | |
| Futures contracts | – | 87 | 676 |
| **Currency instruments** | **–** | **87** | **676** |
| Interest rate swaps | – | 444 | 13 386 |
| **Interest rate instruments** | **–** | **444** | **13 386** |
| **Total derivative financial instruments as at 31.12.2012** | **–** | **531** | **14 062** |

Currency instruments primarily relate to the hedging of foreign-currency risks in EUR. The life of the forward exchange transactions is a few months.

### 31 Related parties

#### 31.1 Compensation paid to members of the Board of Directors and Group Management

Levels of compensation paid to the Board of Directors and Group Management are defined by the Nomination and Compensation Committee and approved by the full Board of Directors.

Total compensation, specifically fees, salaries, credits, bonuses and benefits in kind agreed during the financial year and paid directly or indirectly to the members of the Board of Directors and Group Management, amounted to kCHF 3 422 (previous year kCHF 3 316).

| | 2013<br>in CHF 1 000 | 2012<br>in CHF 1 000 |
|---|---|---|
| Pay (including cash bonuses and lump-sum expenses), fees | 2 789 | 2 727 |
| Contributions to pension plans | 360 | 324 |
| Capital participation plans | 273 | 265 |
| **Total** | **3 422** | **3 316** |

#### 31.2 Other related parties

All business relationships with related parties are conducted at arm's length.

In the reporting year, Feintool Precision System Parts in Taicang (China) received a loan of kCNY 60 000 (previous year kCNY 30 292) from a subsidiary of the Franke/Artemis Group indirectly via Deutsche Bank China. This is a long-term loan but is rolled over every 6 months. The current interest rate is 6.6 % (previous year 6.6 %).

In the 2013 financial year, Herzing + Schroth paid rent (including ancillary costs) of kEUR 366 (previous year kEUR 214) to Schroth Besitzgesellschaft mbH & Co. KG, which is owned by Mr. Steffen Schroth. In addition, Herzing + Schroth is contributing kEUR 101 (previous year kEUR 18) to the contractually agreed clean-up of the rented property (see Note 21).

| **32 Major shareholders** | Date of notification | 31.12.2013<br>Number of shares | 31.12.2013<br>Share of capital/ share of votes | 31.12.2012<br>Number of shares | 31.12.2012<br>Share of capital/ share of votes |
|---|---|---|---|---|---|
| Artemis Beteiligungen III AG and Michael Pieper | 24.06.2013 | 2 235 949 | 50.10 % | 3 102 130 | 79.44 % |
| Muhr und Bender KG [1] | 16.08.2013 | 496 500 | 11.12 % | 0 | 0.00 % |
| Geocent AG | 15.07.2013 | 400 285 | 8.97 % | 347 690 | 8.90 % |
| FIL Limited | 29.08.2013 | 225 730 | 5.06 % | 0 | 0.00 % |
| Edinburgh Partners Limited | 25.06.2013 | 170 000 | 3.81 % | 0 | 0.00 % |

[1] Held by Mubea Engineering AG

### 33 Change in accounting policies: IAS 19 revised – reclassification of statement of comprehensive income

The reconciliation of the results published in the 2012 annual report (using the previous accounting policy) to the restated amounts reported as comparative figures in financial year 2013 (using the new accounting policy) is shown below.

| Restated consolidated statement of comprehensive income of the Feintool Group for financial year 2012 | As originally published in CHF 1 000 | Application of IAS 19 (revised) in CHF 1 000 | Reclassification of statement of comprehensive income in CHF 1 000 | Restated in CHF 1 000 |
|---|---|---|---|---|
| **Net sales** | **426 980** | **–** | **–** | **426 980** |
| Change in finished and semi-finished goods and work in progress | – | – | 4 067 | 4 067 |
| Self-constructed assets | – | – | 1 120 | 1 120 |
| Material cost | -201 716 | – | -4 656 | -206 372 |
| Direct labour cost | -62 626 | – | 62 626 | – |
| **Gross margin** | **162 638** | **–** | **-162 638** | **–** |
| Indirect personnel expenses | -67 186 | – | 67 186 | – |
| Personnel expenses | – | -1 379 | -129 868 | -131 247 |
| Operating expenses | -37 616 | – | 37 616 | – |
| Administration and sales expenses | -16 179 | – | 16 179 | – |
| Other operating expenses | -3 679 | – | -54 270 | -57 949 |
| Other operating income | 6 435 | – | – | 6 435 |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | **44 413** | **-1 379** | **–** | **43 034** |
| Depreciation and amortization | -21 003 | – | – | -21 003 |
| **Operating profit (EBIT)** | **23 410** | **-1 379** | **–** | **22 031** |
| Financial expenses | -9 439 | -452 | – | -9 891 |
| Financial income | 4 115 | – | – | 4 115 |
| **Earnings before taxes** | **18 086** | **-1 831** | **–** | **16 255** |
| Income taxes | -5 307 | 402 | – | -4 905 |
| **Net income of the Feintool Group** | **12 779** | **-1 429** | **–** | **11 350** |
| Other comprehensive income, net of taxes | -9 439 | 1 555 | – | -7 884 |
| **Total comprehensive income attributable to Feintool Holding shareholders** | **3 340** | **126** | **–** | **3 466** |
| Basic/diluted earnings per share (in CHF) | 3.31 | -0.37 | – | 2.94 |

| Restated consolidated balance sheet of the Feintool Group 01.01.2012 | As originally published in CHF 1 000 | Application of IAS 19 (revised) in CHF 1 000 | Reclassification of balance sheet in CHF 1 000 | Restated in CHF 1 000 |
|---|---|---|---|---|
| Deferred tax assets | 13 064 | -639 | – | 12 425 |
| Employee benefit liabilities | -28 543 | 2 904 | – | -25 639 |
| Other net assets | 144 790 | – | – | 144 790 |
| **Total net assets** | **129 311** | **2 265** | **–** | **131 576** |
| | | | | |
| **Total equity** | **129 311** | **2 265** | **–** | **131 576** |
| | | | | |
| **31.12.2012** | | | | |
| Deferred tax assets | 12 865 | -675 | – | 12 190 |
| Employee benefit liabilities | -39 526 | 3 069 | – | -36 457 |
| Other net assets | 161 031 | – | – | 161 031 |
| **Total net assets** | **134 370** | **2 394** | **–** | **136 764** |
| | | | | |
| **Total equity** | **134 370** | **2 394** | **–** | **136 764** |

### 34 Risk assessment

Feintool International Holding AG regularly conducts a risk assessment of the Feintool Group in accordance with Art. 663b para. 12 of the Swiss Code of Obligations. This is based on information from previous years obtained through interviews with key persons at individual companies and validated in a workshop. The standardized process is based on a list of risks classified according to environmental, litigation and information criteria. Risks were evaluated in accordance with their probability of occurrence and financial impact, and recorded in a risk matrix. In the year under review, these were reviewed and where necessary adapted to new circumstances. Both the Group Management and Board of Directors scrutinize the most significant risks and evaluate them from a company and group perspective. The risk assessment forms part of the risk management process, which is used to monitor and control corporate risks. For that reason, the measures defined for minimizing risk were also validated.

### 35 Events after the balance sheet date

None.

### 36 Proposal of the Board of Directors

The Board of Directors will propose to the Annual General Meeting that a dividend of CHF 1.20 per registered share be paid (previous year CHF 1.00 per share) in respect of financial year 2013. This corresponds to a total dividend distribution of kCHF 5 356 (previous year kCHF 3 905).

### 37 Approval of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on 3 March 2014 and will be submitted to the Annual General Meeting for approval on 15 April 2014.

# Report of the Statutory Auditor on the Consolidated Financial Statements

Zurich, 3 March 2014

TO THE GENERAL MEETING OF SHAREHOLDERS OF FEINTOOL INTERNATIONAL HOLDING AG, LYSS

## Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Feintool International Holding AG, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes on pages 25 to 70 for the year ended 31 December 2013.

### Board of Directors' Responsibility

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

| | |
|---|---|
| Rolf Hauenstein | Daniel Zumbrunnen |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in Charge | |

# Feintool International Holding AG

## Financial Review of the 2013 Financial Year

(from 1 January to 31 December 2013)

# Feintool International Holding AG
# Balance Sheet

| ASSETS | Note | 31.12.2013 in CHF 1 000 | in % | 31.12.2012 in CHF 1 000 | in % |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | | 21 654 | | 16 194 | |
| Treasury shares | 4 | 644 | | 553 | |
| Accounts receivable – third parties | | 280 | | 601 | |
| Accounts receivable – intercompany | | 1 813 | | 2 016 | |
| Prepaid expenses and accrued income | | 1 460 | | 1 371 | |
| **Total current assets** | | **25 851** | **13.4** | **20 735** | **11.8** |
| | | | | | |
| **Non-current assets** | | | | | |
| Financial assets – third parties | | 4 000 | | 4 000 | |
| Other intercompany financial assets, of which kCHF 6 000 with a subordination clause (previous year kCHF 6 000) | | 47 409 | | 41 832 | |
| Investments | 6 | 113 681 | | 109 611 | |
| Property, plant and equipment | | 566 | | 0 | |
| Intangible assets | | 1 442 | | 0 | |
| **Total non-current assets** | | **167 098** | **86.6** | **155 443** | **88.2** |
| TOTAL ASSETS | | 192 949 | 100.0 | 176 178 | 100.0 |
| | | | | | |
| **LIABILITIES AND EQUITY** | | | | | |
| **Liabilities** | | | | | |
| Current liabilities to banks | | 0 | | 18 036 | |
| Current liabilities – third parties | | 146 | | 3 418 | |
| Current liabilities – intercompany | | 22 998 | | 27 120 | |
| Accrued expenses and deferred income | | 2 836 | | 1 059 | |
| **Total current liabilities** | | **25 980** | **13.5** | **49 633** | **28.2** |
| Provisions | | 618 | | 0 | |
| **Total non-current liabilities** | | **618** | **0.3** | **0** | **0.0** |
| **Total liabilities** | | **26 598** | **13.8** | **49 633** | **28.2** |
| | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital | 1 | 44 630 | | 39 051 | |
| General legal reserves from capital contributions | | 130 330 | | 107 141 | |
| Free reserves | | 1 465 | | 1 393 | |
| Reserve for treasury shares | | 537 | | 609 | |
| Loss carryforward | | -21 649 | | -22 954 | |
| Result for the year | | 11 038 | | 1 305 | |
| **Total shareholders' equity** | | **166 351** | **86.2** | **126 545** | **71.8** |
| TOTAL LIABILITIES AND EQUITY | | 192 949 | 100.0 | 176 178 | 100.0 |

# Feintool International Holding AG
# Statement of Income

| INCOME | 2013 in CHF 1 000 | 2013 in % | 2012 in CHF 1 000 | 2012 in % |
|---|---|---|---|---|
| Income from intragroup services [1] | 15 331 | 44.3 | 3 453 | 17.9 |
| Other income – intercompany [2] | 5 715 | 16.5 | 0 | 0.0 |
| Other income – third parties | 372 | 1.1 | 146 | 0.7 |
| Income from investments | 8 000 | 23.1 | 1 000 | 5.2 |
| Financial income | 3 508 | 10.1 | 3 293 | 17.1 |
| Reversal of valuation allowance on investments | 1 683 | 4.9 | 11 419 | 59.1 |
| **Total income** | **34 609** | **100.0** | **19 311** | **100.0** |
| | | | | |
| **EXPENSES** | | | | |
| Personnel expenses | 6 348 | 18.3 | 1 272 | 6.6 |
| Other operating expenses | 9 124 | 26.4 | 1 158 | 6.0 |
| Financial expenses | 3 419 | 9.9 | 6 215 | 32.2 |
| Contributions to management company | 0 | 0.0 | 7 061 | 36.5 |
| Depreciation and amortization | 2 680 | 7.7 | 0 | 0.0 |
| Valuation allowance – intercompany loans | 2 000 | 5.8 | 2 300 | 11.9 |
| **Total expenses** | **23 571** | **68.1** | **18 006** | **93.2** |
| | | | | |
| **Result for the year** | **11 038** | **31.9** | **1 305** | **6.8** |

[1] "Income from intragroup services" includes
- services rendered to group companies
- provision of technology patents and expertise
- use of various brands, in particular the name "Feintool"

[2] "Other income - intercompany" includes charged-on costs for IT, staff restaurant, building maintenance/services, as well as internal services.

# Notes to the Financial Statements of Feintool International Holding AG

| 1 Share capital | 31.12.2013 Number/CHF | 31.12.2012 Number/CHF |
|---|---|---|
| Number of shares | 4 462 971 | 3 905 100 |
| Nominal value | 10 | 10 |
| Share capital | 44 629 710 | 39 051 000 |

At the Annual General Meeting of Feintool International Holding AG on 16 April 2013, the shareholders approved the Board of Directors' proposal to split each Feintool share with a nominal value of CHF 50 into five new shares, each with a nominal value of CHF 10. All data on the number of shares (including prior-year data) are therefore calculated at the par value of CHF 10.

On 20 June 2013, 557 871 new shares, each with a nominal value of CHF 10, were issued as part of the capital increase and share reallocation programme. The shares were issued entirely from the "authorized capital".

| 2 Conditional capital – employee stock option plan | 31.12.2013 in CHF 1 000 | 31.12.2012 in CHF 1 000 |
|---|---|---|
| **Start of period** | **558** | **558** |
| Used | 0 | 0 |
| **End of period** | **558** | **558** |

This conditional capital of 55 750 registered shares with a par value of CHF 10 each was created following the resolution of the Extraordinary General Meeting of 2 July 1998 for the payment of rights conferred under the employee stock option plan.

| 3 Authorized capital | 31.12.2013 in CHF | 31.12.2012 in CHF |
|---|---|---|
| **Start of period** | **18 239 250** | **0** |
| Created | 0 | 19 096 750 |
| Used | 5 578 710 | 857 500 |
| **End of period** | **12 660 540** | **18 239 250** |

According to the decision of the Annual General Meeting of 24 January 2012, the Board of Directors was authorized to create capital up to a maximum amount of CHF 19 096 750 as required through the issue of up to 1 909 675 new shares, each having a nominal value of CHF 10. The new shares are to be paid up in full. The Board of Directors is authorized to restrict or exclude subscription rights under certain circumstances. The new shares can be issued in one or more stages. The approval is limited to a period of two years.

On 20 June 2013, 557 871 new shares, each with a nominal value of CHF 10, were issued as part of the capital increase and share reallocation programme. The shares were issued entirely from the "authorized capital".

As of 1 June 2012, the share capital was increased through the issue of 85 750 shares with a par value of CHF 10 each for part-financing the acquisition of Herzing + Schroth Group. The shares were issued entirely from the "authorized capital".

The authorized capital expired in full on 24 January 2014.

| 4 Treasury shares – changes | 31.12.2013 Number | 31.12.2013 in CHF 1 000 | 31.12.2012 Number | 31.12.2012 in CHF 1 000 |
|---|---|---|---|---|
| **Start of period** | **10 120** | **553** | **4 555** | **292** |
| Bought | 5 282 | | 12 040 | |
| Sale/transfer | -6 195 | | -6 475 | |
| **End of period** | **9 207** | **644** | **10 120** | **553** |
| | | | | |
| **of which:** | | | | |
| Trading portfolio | 9 207 | | 10 120 | |

In financial year 2013, 5 282 shares were purchased at an average price of CHF 56.15 (previous year 12 040 at an average price of CHF 61.03) and 6 195 shares transferred to management or sold at an average price of CHF 55.50 (previous year 6 475 shares at an average price of CHF 65.79). Treasury shares are reserved primarily for management remuneration.

| 5 Contingent liabilities in favour of third parties | 31.12.2013<br>in CHF 1 000 | 31.12.2012<br>in CHF 1 000 |
|---|---|---|
| Guarantees and sureties for Group companies | 23 040 | 14 500 |
| Pledging of shares of Group companies within the scope of bank credit limits [1] | 120 000 | 120 000 |
| Subordination clauses in favour of subsidiaries | 6 000 | 6 000 |
| Joint and several liability re cash pooling in favour of Credit Suisse AG und Deutsche Bank AG | p.M. | p.M. |
| Joint and several liability re Swiss value added tax | p.M. | p.M. |

[1] The pledging of the shares of key subsidiaries in accordance with the syndicate agreement means that most of the Group's assets are indirectly pledged.

| 6 Carrying amount of investments | 31.12.2013<br>in CHF 1 000 | 31.12.2012<br>in CHF 1 000 |
|---|---|---|
| Position at start of period | 109 611 | 63 380 |
| Increase in share capital of Feintool Precision System Parts (Taicang) Co., Ltd. | 0 | 3 692 |
| Acquisition of Schroth Antriebselemente GmbH, Ohrdruf | 0 | 6 003 |
| Increase in share capital of Feintool US Operations, Inc. (conversion of loans into shareholders' equity) | 0 | 53 117 |
| Transfer of valuation allowances on loans to investments (U.S. operations) | 0 | -28 000 |
| Founding of Feintool Fineblanking Technology (Shanghai) Co. Ltd. | 2 387 | 0 |
| Reversal of valuation allowance on investments | 1 683 | 11 419 |
| **Position at end of period** | **113 681** | **109 611** |

| 7 Major shareholders | Date of notification | 31.12.2013<br>Number of shares | <br>Share of capital/ share of votes | 31.12.2012<br>Number of shares | <br>Share of capital/ share of votes |
|---|---|---|---|---|---|
| Artemis Beteiligungen III AG and Michael Pieper | 24.06.2013 | 2 235 949 | 50.10 % | 3 102 130 | 79.44 % |
| Muhr und Bender KG [1] | 16.08.2013 | 496 500 | 11.12 % | 0 | 0.00 % |
| Geocent AG | 15.07.2013 | 400 285 | 8.97 % | 347 690 | 8.90 % |
| FIL Limited | 29.08.2013 | 225 730 | 5.06 % | 0 | 0.00 % |
| Edinburgh Partners Limited | 25.06.2013 | 170 000 | 3.81 % | 0 | 0.00 % |

[1] Held by Mubea Engineering AG

## 8 Compensation paid to members of the Board of Directors and Group Management

| **8.1 Current members of the Board of Directors** (including related parties) in CHF | Cash compensation [1] | Shares/options [2] | Contributions to pension plans [3] | Total |
|---|---|---|---|---|
| **In the 2013 financial year** | | | | |
| Alexander von Witzleben, Chairman of the Board of Directors | 424 000 | 103 870 | 31 492 | **559 362** |
| Michael Soormann, Vice-Chairman | 147 500 | – | – | **147 500** |
| Wolfgang Feil, Member | 95 000 | – | 7 949 | **102 949** |
| Kurt E. Stirnemann, Member | 100 000 | – | 8 492 | **108 492** |
| Thomas A. Erb, Member [b] | 60 000 | – | 4 148 | **64 148** |
| Steffen Schroth, Member [c] | 60 000 | – | 7 333 | **67 333** |
| **Total** | **886 500** | **103 870** | **59 414** | **1 049 784** |
| | | | | |
| **In the 2012 financial year** | | | | |
| Alexander von Witzleben, Chairman of the Board of Directors | 424 000 | 96 768 | – | **520 768** |
| Michael Soormann, Vice-Chairman | 145 000 | – | – | **145 000** |
| Wolfgang Feil, Member | 90 000 | – | 7 406 | **97 406** |
| Franz Stampfli, Member [a] | 15 000 | – | 1 833 | **16 833** |
| Kurt E. Stirnemann, Member | 92 500 | – | 7 677 | **100 177** |
| Thomas A. Erb, Member [b] | 52 500 | – | 6 333 | **58 833** |
| Steffen Schroth, Member [c] | 34 167 | – | 3 348 | **37 515** |
| **Total** | **853 167** | **96 768** | **26 597** | **976 532** |

[1] Fixed fees including additional compensation for activities on committees, attendance fees and expenses.

[2] Fixed entitlement in Swiss francs. The compensation is made in shares. The number is calculated according to the average price over the financial year. The shares have a blocking period of 1-4 years. Payment is made in the new financial year.

[3] Payments made by the company to state pension schemes (AHV/IV).

[a] Franz Stampfli stepped down as a member of the Board of Directors at the Annual General Meeting on 24 January 2012.

[b] Thomas A. Erb was appointed as a new member of the Board of Directors at the Annual General Meeting on 24 January 2012.

[c] Steffen Schroth was appointed as a new member of the Board of Directors at the Annual General Meeting on 8 May 2012.

No securities, loans or benefits in kind were provided to members of the Board of Directors in the reporting years.

| 8.2 Current members of the Group Management (including related parties) | in CHF | Heinz Loosli, CEO | Group Management total |
|---|---|---|---|
| **Remuneration in the 2013 financial year** | | | |
| Fixed component of salaries 1) | | 460 000 | 1 244 432 |
| Variable component of salaries 2) | | 245 000 | 568 201 |
| Shares/options 3) | | 104 542 | 169 839 |
| Benefits in kind 4) | | 28 800 | 89 447 |
| Contributions to pension plans 5) | | 140 840 | 300 638 |
| **Total** | | **979 182** | **2 372 557** |
| | | | |
| **Remuneration in the 2012 financial year** | | | |
| Fixed component of salaries 1) | | 460 000 | 1 258 537 |
| Variable component of salaries 2) | | 240 000 | 529 782 |
| Shares/options 3) | | 103 780 | 168 437 |
| Benefits in kind 4) | | 28 800 | 85 471 |
| Contributions to pension plans 5) | | 140 244 | 297 583 |
| **Total** | | **972 824** | **2 339 810** |

1) Contractually agreed salary.

2) Likely bonus in accordance with individual contractual agreements. Payment is made in the new financial year.

3) Fixed entitlement in Swiss francs. The compensation is made in shares. The number is calculated according to the average price for November/December. The shares have a blocking period of 1-4 years. Payment is made in the new financial year.

4) Provision of company-owned vehicles and lump-sum expenses.

5) Payments made by the employer to the state pension schemes (AHV/IV) and the occupational pension scheme.

### 8.3 Former members of the Board of Directors and Group Management (including related parties)

None.

| | Registered shares | |
|---|---|---|
| **9 Shareholdings, options and conversion rights** | **31.12.2013** Number | **31.12.2012** Number |
| Alexander von Witzleben, Chairman of the Board of Directors 1) | 5 468 | 2 075 |
| Michael Soormann, Vice-Chairman of the Board of Directors | 0 | 0 |
| Wolfgang Feil, Member of the Board of Directors | 0 | 0 |
| Kurt E. Stirnemann, Member of the Board of Directors | 0 | 0 |
| Thomas A. Erb, Member of the Board of Directors | 0 | 0 |
| Steffen Schroth, Member of the Board of Directors 2) | 15 000 | 85 750 |
| | | |
| Heinz Loosli, CEO | 5 050 | 2 300 |
| Thomas Bögli, CFO | 1 474 | 665 |
| Peter Grosse, Member of the Group Management | 0 | 0 |
| Marc Schori, Member of the Group Management | 1 475 | 760 |

1) Held directly and indirectly.

2) Held via Schroth Besitzgesellschaft mbH & Co KG.

### 10 Liabilities to employee benefit plans

There were no liabilities to employee benefit plans as at 31 December 2013 or 31 December 2012.

### 11 Unrecognized lease liabilities

As at 31 December 2013, there were unrecognized lease liabilities of kCHF 1 885 (previous year CHF 0).

### 12 Fire insured values of property, plant and equipment

As a rule, the fire insured values of property, plant and equipment correspond to their fair value or value when new.

### 13 Risk assessment

Feintool International Holding AG regularly conducts a risk assessment of the Feintool Group in accordance with Art. 663b para. 12 of the Swiss Code of Obligations. This is based on information from previous years obtained through interviews with key persons at individual companies and validated in a workshop. The standardized process is based on a list of risks classified according to environmental, litigation and information criteria. Risks were evaluated in accordance with their probability of occurrence and financial impact, and recorded in a risk matrix.

In the year under review, these were reviewed and where necessary adapted to new circumstances. Both the Group Management and Board of Directors scrutinize the most significant risks and evaluate them from a company and group perspective. The risk assessment forms part of the risk management process, which is used to monitor and control corporate risks. For that reason, the measures defined for minimizing risk were also validated.

### 14 Consistency in presentation of the financial statements

On 5 June 2013, Feintool International Holding AG acquired the assets and liabilities of Feintool International Management AG and Feintool Intellectual Property AG with retroactive effect to 1 January 2013. In this context, changes were made to the structure of the balance sheet and income statement. The presentation of the previous year's figures was adjusted accordingly.

### 15 Subsequent events

None.

# Consolidated Group Companies

## Consolidated group companies and significant equity investments (as at 31.12.2013)

| Company | Location, country | | Capital | 31.12.13 | 31.12.12 | Consolid. method |
|---|---|---|---|---|---|---|
| **Feintool International Holding AG** | Lyss, CH | CHF | 44 629 710 | 100 % | 100 % | Full |
| Feintool Engineering Co., Ltd. | Atsugi, J | JPY | 400 000 000 | 100 % | 100 % | Full |
| Feintool Equipment AG | Lyss, CH | CHF | 100 000 | 100 % | 100 % | Full |
| Feintool Fineblanking Technology (Shanghai) Co., Ltd. [1] | Shanghai, CN | USD | 2 500 000 | 100 % | 0 % | Full |
| **Feintool Holding GmbH** | Amberg, D | EUR | 50 000 | 100 % | 100 % | Full |
| Herzing + Schroth GmbH | Obertshausen, D | EUR | 1 000 000 | 100 % | 100 % | Full |
| IMA Automation Amberg GmbH, | Amberg, D | EUR | 50 000 | 100 % | 100 % | Full |
| Feintool System Parts Ettlingen GmbH [3] | Ettlingen, D | EUR | 766 937 | 100 % | 100 % | Full |
| Feintool System Parts Ettlingen GmbH [3] | Jena, D | EUR | 3 068 000 | 100 % | 100 % | Full |
| Schroth Antriebselemente GmbH [2] | Ohrdruf, D | EUR | 2 556 000 | 100 % | 100 % | Full |
| Feintool Intellectual Property AG | Lyss, CH | CHF | 100 000 | 100 % | 100 % | Full |
| Feintool International Management AG | Lyss, CH | CHF | 250 000 | 100 % | 100 % | Full |
| Feintool Japan Co., Ltd. | Atsugi, J | JPY | 225 000 000 | 100 % | 100 % | Full |
| Feintool Precision System Parts (Taicang) Co., Ltd. | Taicang, CN | USD | 9 600 000 | 100 % | 100 % | Full |
| Feintool System Parts AG | Lyss, CH | CHF | 200 000 | 100 % | 100 % | Full |
| **Feintool Technologie AG** | Lyss, CH | CHF | 2 000 000 | 100 % | 100 % | Full |
| Feintool (Chongqing) Technology Co., Ltd. | Chongqing, CN | USD | 61 000 | 100 % | 100 % | Full |
| Feintool Teile & Komponenten AG Lyss | Lyss, CH | CHF | 3 100 00 | 100 % | 100 % | Full |
| **Feintool US Operations, Inc.** | White Plains, NY, USA | USD | 31 421 631 | 100 % | 100 % | Full |
| Feintool Cincinnati, Inc. | Cincinnati, OH, USA | USD | 3 000 000 | 100 % | 100 % | Full |
| Feintool Equipment Corp. | Cincinnati, OH, USA | USD | 50 000 | 100 % | 100 % | Full |
| **Feintool New York, Inc.** | White Plains, NY, USA | USD | 500 000 | 100 % | 100 % | Full |
| One Holland Avenue Development, LLC | Cincinnati, OH, USA | USD | 0 | 100 % | 100 % | Full |
| Feintool Tennessee, Inc | Nashville, TN, USA | USD | 0 | 100 % | 100 % | Full |
| **HL Holding AG** | Lyss, CH | CHF | 100 000 | 100 % | 100 % | Full |
| Columba GmbH | Amberg, D | EUR | 325 000 | 100 % | 100 % | Full |
| HL Immobilien AG | Lyss, CH | CHF | 5 881 000 | 100 % | 100 % | Full |
| HL Real Estate Corp. | Cincinnati, OH, USA | USD | 290 000 | 100 % | 100 % | Full |
| Vireo GmbH | Jena, D | EUR | 272 600 | 100 % | 100 % | Full |

1) Feintool Fineblanking Technology (Shanghai) Co., Ltd. was founded on 24 June 2013.

2) Feintool Holding GmbH holds a 60 % stake in Schroth Antriebselemente GmbH. The remaining 40 % is held by Feintool International Holding AG.

3) Previously Promera Ettlingen Feinschneidtechnik GmbH / Promera Jena Feinschneid- und Umformtechnik GmbH.

# Report and Proposal of the Board of Directors

## REPORT

In another measure to harmonize the corporate structure of the Feintool Group, Feintool International Holding AG acquired the assets and liabilities of the wholly owned subsidiaries Feintool International Management AG and Feintool Intellectual Property AG. The plan is to liquidate both companies in the 2014 financial year. As a result of this process, the comparison with the previous year is of limited significance.

In the 2013 financial year, Feintool International Holding AG recorded intragroup income of CHF 21.0 m (previous year CHF 3.5 m).

Income from investments comprises dividend distributions by subsidiaries totalling CHF 8.0 m (previous year CHF 1.0 m). Furthermore, due to improved earnings prospects at the group subsidiaries, the valuation allowance on investments was reversed by a net CHF 1.7 m (previous year CHF 11.4 m).

Financial income of CHF 3.5 m (previous year CHF 3.3 m) includes income from currency gains of CHF 2.1 m (previous year CHF 1.5 m), interest income from group loans of CHF 1.0 m (previous year CHF 1.1 m), as well as interest income from third parties and price gains on treasury shares of CHF 0.4 m (previous year CHF 0.7 m).

Personnel expenses rose to CHF 6.3 m (previous year CHF 1.3 m) as a result of the asset transfer. The company now has 33 employees including interns.

Other operating expenses amounted to CHF 9.1 m (previous year CHF 1.2 m).

Financial expenses of CHF 3.4 m (previous year CHF 6.2 m) comprise currency losses of CHF 2.2 m (previous year CHF 4.3 m) and other expenses of CHF 1.2 m (previous year CHF 1.9 m).

Due to the tangible and intangible assets acquired as a result of the asset transfer, depreciation and amortization now amounts to CHF 2.7 m.

The valuation of intercompany loans was adjusted by CHF 2.0 m (previous year CHF 2.3 m).

The positive result of CHF 11.0 m (previous year CHF 1.3 m) was influenced in particular by income from investments of CHF 8.0 m.

At the end of the financial year, the shareholders' equity of Feintool International Holding AG stood at CHF 166.4 m (previous year CHF 126.5 m); this corresponds to an equity ratio of 86.2 % (previous year 71.8 %). The change is mainly attributable to the capital increase (for details, see Financial Review in Consolidated Financial Statements).

## PROPOSAL

The Board of Directors submits the following proposal for appropriation of available earnings to the Annual General Meeting of Shareholders:

| | **31.12.2013** in CHF | **31.12.2012** in CHF |
|---|---:|---:|
| Loss carry forward from previous year | -21 649 204 | -22 953 762 |
| Result for the year | 11 037 880 | 1 304 558 |
| **Available earnings** | **-10 611 324** | **-21 649 204** |
| | | |
| Allocation from general legal reserves from capital contributions | 5 355 565 | 3 905 100 |
| Payment of a dividend of CHF 1.20 (previous year CHF 1.00) gross | -5 355 565 | -3 905 100 |
| **Carry forward** | **-10 611 324** | **-21 649 204** |

# Report of the Statutory Auditor on the Financial Statements

Zurich, 3 March 2014

TO THE GENERAL MEETING OF SHAREHOLDERS OF FEINTOOL INTERNATIONAL HOLDING AG, LYSS

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Feintool International Holding AG, which comprise the balance sheet, income statement and notes on pages 73 to 80 for the year ended 31 December 2013.

### Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

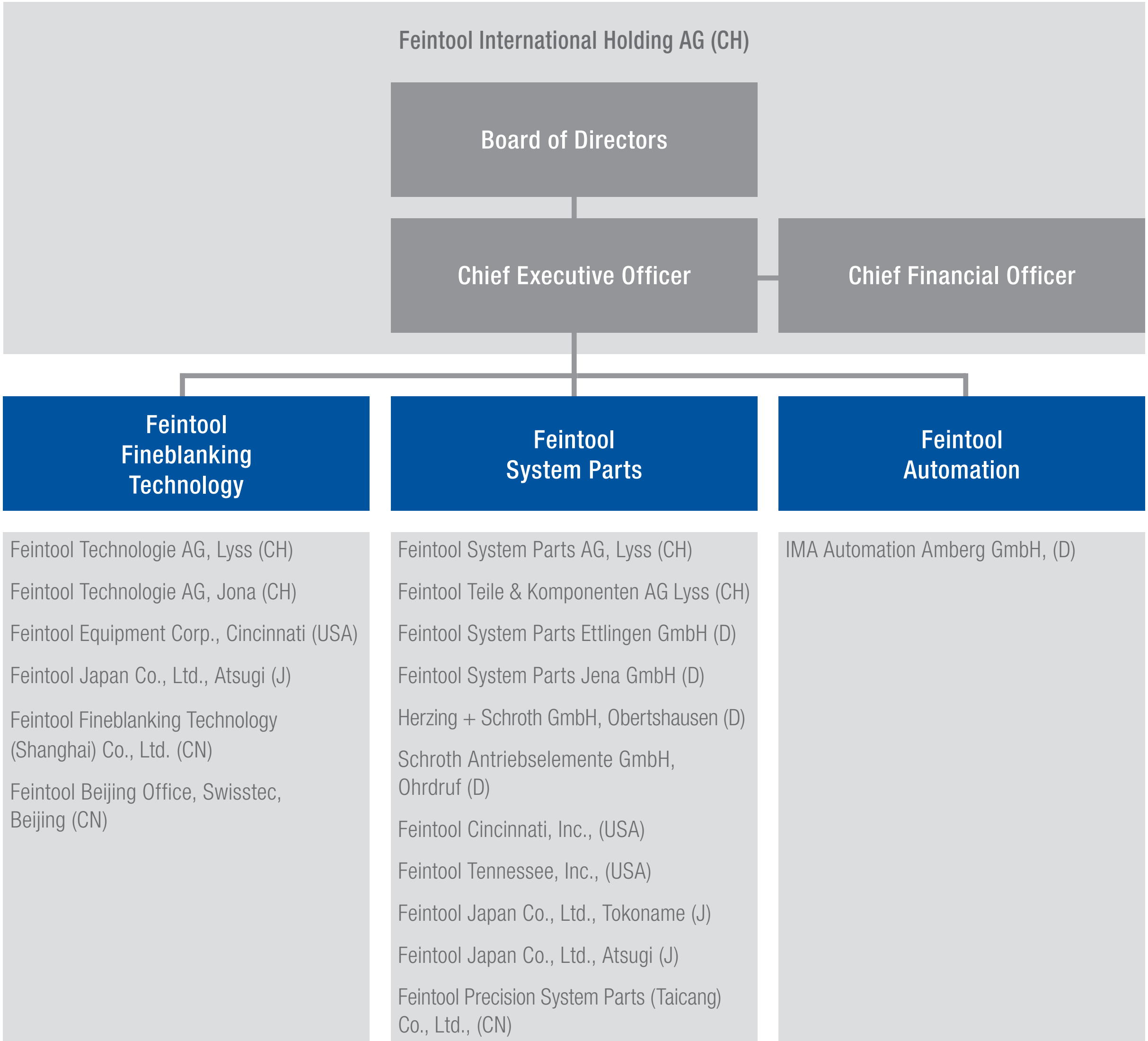
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

| | |
|---|---|
| Rolf Hauenstein | Daniel Zumbrunnen |
| Licensed Audit Expert | Licensed Audit Expert |
| Auditor in Charge | |

# CORPORATE GOVERNANCE

## Good governance is a core component of our corporate strategy



## 1. CORPORATE STRUCTURE AND SHAREHOLDERS

### 1.1 Corporate structure

#### 1.1.1 Operational corporate structure
Feintool's operational management structure can be found in the diagram on the opposite page.

The division of responsibilities between the Board of Directors, CEO and Group Management is explained in section 3.5. Further information, such as the current Articles of Incorporation of the Feintool Group, can be found online at www.feintool.com/en/company/corporate-governance.

#### 1.1.2 Listed company

| | |
|---|---|
| Name: | Feintool International Holding AG, 3250 Lyss (Switzerland) |
| Place of listing: | SIX Swiss Exchange |
| Swiss security no.: | 932009 |
| ISIN: | CH0009320091 |
| Telekurs: | FTON |
| Reuters: | FTONn.S |
| Stock market capitalization: | CHF 312 407 970 (as at 31 December 2013) |

Key share prices* in financial year 2013:

| | | |
|---|---|---|
| Highest | 18.04.2013 | CHF 77.00 |
| Lowest | 07.01.2013 | CHF 50.92 |
| Closing price | 31.12.2013 | CHF 70.00 |

*) recalculated to a par value of CHF 10 per share.

At 642 shareholders (previous year: 514), share ownership has risen by around 25 % since the end of the last financial year. The reason for the increase is the improvement in liquidity following the share reallocation and capital increase. The free float was 29.8 % as at 31 December 2013 (31 December 2012: 11.7 %).

More information on the Feintool share is available on our website at www.feintool.com/en/company/investor-relations/the-share.

#### 1.1.3 Unlisted companies
None of the subsidiary companies are listed. The subsidiaries that are included in the scope of consolidation of Feintool International Holding AG are listed on page 80.

### 1.2 Major shareholders

| Name | Percentage ownership of total equity |
|---|---|
| Michael Pieper & Artemis Beteiligungen III AG | 50.1 % |
| Muhr und Bender KG [1)] | 11.1 % |
| Geocent AG | 9.0 % |
| FIL Limited | 5.1 % |
| Edinburgh Partners Limited | 3.8 % |

[1)] held by Mubea Engineering AG

On 24 June 2013, Artemis Beteiligungen AG, Hergiswil, Switzerland, reduced its holding of Feintool shares to 2 235 949 (50.1 %), i.e. below the 66.6 % reporting threshold, as part of the share reallocation and capital increase.

On 25 June 2013, Edinburgh Partners Limited, Edinburgh, UK, disclosed that it was holding 170 000 (3.8 %) Feintool shares and had therefore exceeded the 3 % threshold.

Also on 25 June 2013, FIL Limited, Hamilton, Bermuda, disclosed that it was holding 134 162 (3.0 %) Feintool shares and had therefore exceeded the 3 % threshold.

Also on 25 June 2013, Muhr und Bender KG, Attendorn, Germany, disclosed that it was holding 271 500 (6.1 %) Feintool shares and had therefore exceeded the 3 % and 5 % thresholds.

On 16 August 2013, Muhr und Bender KG, Attendorn, Germany, disclosed that it had increased its holding of Feintool shares to 496 500 (11.1 %) and had therefore exceeded the 10 % threshold.

On 29 August 2013, FIL Limited, Hamilton, Bermuda, disclosed that it had increased its holding of Feintool shares to 225 730 (5.1 %) and had therefore exceeded the 5 % threshold.

No other disclosures of interest were made in accordance with Art. 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) during the reporting period.

### 1.3 Cross-shareholdings
Feintool International Holding AG does not have any cross-shareholdings.

## 2. CAPITAL STRUCTURE

### 2.1 Ordinary share capital

At the Annual General Meeting held on 16 April 2013, the shareholders approved a split in the Feintool share from the previous par value of CHF 50 into five new shares with a par value of CHF 10 each. All data on the number of shares in this report (including prior-year data) were therefore restated at the par value of CHF 10.

On 20 June 2013, Feintool increased its share capital by CHF 557 871 new shares with a par value of CHF 10 each at the transaction price of CHF 62 per share. The increase was effected from the "authorized capital" approved by the Annual General Meeting of 24 January 2012 and formed part of a share reallocation and capital increase comprising a total of 1 494 802 shares. As at 31 December 2013, the share capital of Feintool International Holding AG therefore amounted to CHF 44 629 710, comprising 4 462 971 fully paid-up registered shares with a par value of CHF 10 each. Feintool International Holding AG held no outstanding convertible bonds or options on 31 December 2013.

### 2.2 Authorized and conditional capital

**Authorized capital**

In accordance with the decision of the Annual General Meeting of 24 January 2012, the Board of Directors was authorized to create capital up to a maximum amount of CHF 19 096 750 as required through the issue of up to 1 909 675 shares, each with a par value of CHF 10. The new shares are to be fully paid up. The Board of Directors is authorized to restrict or exclude subscription rights under certain circumstances. The new shares can be issued in one or more stages. The approval is limited to a period of two years (until 24 January 2014). The authorized capital will then expire.

On 20 June 2013, Feintool increased its share capital by CHF 5 578 710 through the issue of 557 871 registered shares with a par value of CHF 10 each. The increase was effected from the authorized capital. The authorized capital of Feintool International Holding AG therefore amounted to CHF 12 660 540 as at 31 December 2013, comprising 1 266 054 registered shares with a par value of CHF 10 each.

The authorized capital expired in its entirety on 24 January 2014.

**Conditional capital for stock options plans**

In accordance with Art. 3b, para. 2 of the Articles of Incorporation (www.feintool.com/en/company/corporate-governance), the share capital is to be increased, to the exclusion of the subscription rights of existing shareholders, by a maximum of CHF 557 500 through the issue of a maximum of 55 750 registered shares to be fully paid up and with a par value of CHF 10 each (stock option plan). However, the stock options were not issued. For further details on the capital structure, please see pages 61 and 75 of the Financial Report.

### 2.3 Changes in capital

**Share capital**

| Date | Action | Type of capital | Number | Par value (CHF) | Increase/ decrease (CHF) | Capital (CHF) | Number of shares *) |
|---|---|---|---|---|---|---|---|
| 30.09.2010 | held | | | | | 38 193 500 | 3 819 350 |
| 30.09.2011 | held | | | | | 38 193 500 | 3 819 350 |
| 31.12.2011 | held | | | | | 38 193 500 | 3 819 350 |
| 01.06.2012 | increased | from auth. capital | 85 750 | 10 | 857 500 | 39 051 000 | 3 905 100 |
| 31.12.2012 | held | | | | | 39 051 000 | 3 905 100 |
| 20.06.2013 | increased | from auth. capital | 557 871 | 10 | 5 578 710 | 44 629 710 | 4 462 971 |
| 31.12.2013 | held | | | | | 44 629 710 | 4 462 971 |

*) restated for a share with par value CHF 10

### Authorized capital

| Date | Action | Type of capital | Number | Par value (CHF) | Increase/ decrease (CHF) | Capital (CHF) | Number of shares *) |
|---|---|---|---|---|---|---|---|
| 24.01.2012 | created | authorized capital | 1 909 675 | 10 | 19 096 750 | 19 096 750 | 1 909 675 |
| 01.06.2012 | reduced | for capital increase | 85 750 | 10 | 857 500 | 18 239 250 | 1 823 925 |
| 31.12.2012 | held | | | | | 18 239 250 | 1 823 925 |
| 20.06.2013 | reduced | for capital increase | 557 871 | 10 | 5 578 710 | 12 660 540 | 1 266 054 |
| 31.12.2013 | held | | | | | 12 660 540 | 1 266 054 |
| 24.01.2014 | expired | | 1 266 054 | 10 | 12 660 540 | 0 | 0 |

*) restated for a share with par value CHF 10

### Conditional capital, stock option plan

| Date | Action | Type of capital | Number | Par value (CHF) | Increase/ decrease (CHF) | Capital (CHF) | Number of shares *) |
|---|---|---|---|---|---|---|---|
| 30.09.2010 | held | conditional capital | | | | 557 500 | 55 750 |
| 30.09.2011 | held | conditional capital | | | | 557 500 | 55 750 |
| 31.12.2011 | held | conditional capital | | | | 557 500 | 55 750 |
| 31.12.2012 | held | conditional capital | | | | 557 500 | 55 750 |
| 31.12.2013 | held | conditional capital | | | | 557 500 | 55 750 |

*) restated for a share with par value CHF 10

For details of financial years prior to 2010, please refer to page 110 onwards of the 2009/10 Annual Report.

#### 2.4 Shares
The 4 462 971 registered shares of Feintool International Holding AG have a par value of CHF 10 each. One registered share corresponds to one vote. There are no voting right restrictions, and there are no voting or preference shares (unitary share structure). Feintool International Holding AG does not have any participation capital.

#### 2.5 Dividend right certificates
Feintool International Holding AG does not have any dividend right certificates.

#### 2.6 Limitations on transferability and nominee registrations

#### 2.6.1 Limitations on transferability for each share category
In accordance with Art. 4 of the Articles of Incorporation, the voting rights attaching to shares and other rights that accompany voting rights may only be exercised by those recorded in the share register as voting shareholders. The Board of Directors may refuse registration as a shareholder with voting rights if an acquirer of shares does not expressly declare that he has acquired the shares in his own name and for his own account.

#### 2.6.2 Granting of exceptions
No exceptions to the above limitations on transferability were granted during the year under review.

#### 2.6.3 Procedures and conditions for cancelling privileges and transfer restrictions laid down in the Articles of Incorporation
As stated in section 2.6.1, there are no privileges or restrictions with regard to transferability with the exception of the nominee registrations clause. Any amendment to these provisions (easing or limitation) requires the approval of at least two-thirds of the votes represented and an absolute majority of the share par values represented (Art. 12 of the Articles of Incorporation).

#### 2.7 Convertible bonds and options
There are no convertible bonds or options currently in issue.

# Board of Directors, Feintool International Holding AG

As at 31 December 2013

ALEXANDER VON WITZLEBEN
(1963, GERMAN NATIONAL)

**Position:**
Chairman of the Board of Directors

**Committees:**
Member of the Nomination and Compensation Committee and the Audit Committee

**Qualifications:**
Studied economics at the University of Passau

**Professional background:**
- 1990–1993 KPMG Deutsche Treuhand Gesellschaft, Munich (Germany): Lead Auditor
- 1993–2007 Jenoptik AG, Jena (Germany): firstly as Chief Financial Officer, then Chief Executive Officer from 2004
- 2007–2008 Franz Haniel & Cie. GmbH, Duisburg (Germany): Member of the Management Board
- Since 20 January 2009 Feintool International Holding AG, Lyss: Chairman of the Board of Directors

**Other activities and commitments:**
- Chairman of the Supervisory Board of PVA TePla AG, Wettenberg (Germany)
- Chairman of the Supervisory Board of VERBIO Vereinigte BioEnergie AG, Leipzig (Germany)
- Member of the Supervisory Board of Siegwerk Druckfarben AG & Co. KGaA, Siegburg (Germany)
- Member of the Advisory Board of Kaefer Isoliertechnik GmbH & Co. KG, Bremen (Germany)

DR. MICHAEL SOORMANN
(1958, GERMAN NATIONAL)

**Position:**
Vice Chairman of the Board of Directors

**Committees:**
Chairman of the Nomination and Compensation Committee, member of the Audit Committee

**Qualifications:**
Degree in commerce from the University of Erlangen-Nürnberg (Nuremberg), 1984, doctorate in political science (Dr. sc. pol.) from the University of Kiel, 1988

**Professional background:**
- 1988–1992 Business Consultant, Treuarbeit GmbH/Coopers & Lybrand, Hamburg/Berlin (Germany)
- 1992–1994 Internal Auditing, Sandoz AG, Nuremberg (Germany)
- 1994–2004 CFO, CEO of MBT Deutschland/Degussa Construction Chemicals Schweiz AG, Zurich
- 2004–2007 Administrative General Manager, Degussa Construction Chemicals Europe, Zurich
- 2007–2009 Director, Franke Artemis Group, Hergiswil
- Since 2010: Member of the Group Management of Franke Artemis Holding AG resp. Artemis Holding AG, Aarburg

**Other activities and commitments:**
- Chairman of the Board of Directors of Reppisch Werke AG, Dietikon

THOMAS A. ERB
(1945, SWISS NATIONAL)

Position:
Member of the Board of Directors

Qualifications:
Studied law at the University of Zurich 1965 – 1966
Studied business administration and management in Basel (Sandoz Management Programme) and in the UK

Professional background:
- 1970–1977 Various positions at Sandoz AG, Basel, including marketing management for country organizations within the Chemicals division
- 1977–1986 Positions as Head of Division and CEO in Scandinavia and the UK for Sandoz Chemicals Ltd.
- 1987–1995 CEO for MBT Asia/Pacific (headquartered in Japan), a region of MBT Construction Chemicals Ltd. (division of Sandoz AG)
- 1995–2001 COO and CEO of MBT (and SKW-MBT) Construction Chemicals Ltd. (division of Sandoz AG; from 1996 a division of SKW Trostberg, Germany)
- Since 2001 positions as consultant and director

Other activities and commitments:
- Chairman of the Board of Directors of Artemis Holding AG and of Franke Holding AG

WOLFGANG FEIL
(1944, GERMAN NATIONAL)

Position:
Member of the Board of Directors

Committees:
Member of the Audit Committee and the Nomination and Compensation Committee

Qualifications:
Training in the foreign trade and transport sector and in business management Stuttgart 1974

Professional background:
- 1980–2002 Managing Director of Schuler SMG GmbH, Waghäusel (Germany)
- 1989–1999 Managing Director of Schuler GmbH, Göppingen (Germany)
- 1999–2002 Member of the Board of Directors and Management Board of Schuler AG (responsible for strategic business areas of Hydraulic Forming Systems and Hydroforming)
- 2002–2009 COO of the Hofkammer des Hauses Württemberg, Friedrichshafen (Germany)

Other activities and commitments:
- Member of the Advisory Board of Paul Hartmann AG, Heidenheim (Germany)
- Chairman of the Advisory Board of Hubert Schlieckmann GmbH, Marienfeld (Germany)
- Member of the Advisory Board of Hirschvogel Holding GmbH, Denklingen (Germany)
- Member of the Advisory Board of GBZ Holding GmbH, Mittelbiberach

STEFFEN SCHROTH
(1958, GERMAN NATIONAL)

Position:
Member of the Board of Directors

Qualifications:
Studied general mechanical engineering (Dipl.-Ing.) and business engineering (Dipl. Wirtsch. Ing.) at Darmstadt Polytechnic (now Darmstadt University of Technology)

Professional background:
- 1986–1987 Consulting Assistant at Arthur Andersen Management Consulting
- 1987–1992 Executive Assistant at Herzing + Schroth GmbH & Co. KG
- 1993–2012 Managing Partner at Herzing + Schroth GmbH & Co. KG
- Since 2012 Managing Partner at Schroth Besitzgesellschaft GmbH & Co. KG

Other activities and commitments:
- CEO of Helica Fördertechnik GmbH, Mühlheim am Main
- Member of the General Assembly of the Chamber of Commerce, Offenbach am Main
- Chairman of the Committee of Experts of the Chamber of Commerce, Offenbach am Main

DR. KURT E. STIRNEMANN
(1943, SWISS NATIONAL)

Position:
Member of the Board of Directors

Committees:
Chairman of the Audit Committee

Qualifications:
Graduated as a mechanical engineer (Dipl.-Ing.) from ETH Zurich; subsequently obtained a doctorate (Dr. sc. techn.).

Professional background:
- 1977–1990 Various senior positions in Production as well as in Research & Development at Rieter AG, Winterthur; from 1988: Chief Executive Officer
- 1990–1996 CEO of AGIE AG, Losone & Agie Group
- 1996–1998 Chairman of the Board of Directors of Agie Charmilles Holding AG, Zug; Member of the Executive Committee of Georg Fischer AG
- 1998–2003 Head of the Georg Fischer Manufacturing Technology Corporate Group (Agie Charmilles); Member of the Executive Committee
- 2003–2008 CEO and Delegate to the Board of Directors of Georg Fischer AG, Schaffhausen.

Other activities and commitments:
- Member of the Board of Directors of Georg Fischer AG, Schaffhausen

## 3. BOARD OF DIRECTORS

### 3.1 Members of the Board of Directors

As of 31 December 2013, the Board of Directors comprises six members.

### 3.2 Cross-involvement (removed)

### 3.3. Election and term of office

#### 3.3.1 Principles of the election procedure and restrictions on term of office

The term of office for members of the Board of Directors is one year (Art. 14 of the Articles of Incorporation). For this purpose, one year is understood to be the period from one Annual General Meeting to the next. There are no restrictions on the re-election of members of the Board of Directors.

In accordance with Art. 3.1 of the Organizational Regulations, the Board of Directors should comprise individuals with business experience and an entrepreneurial mindset. The criteria for new elections to the Board of Directors are determined by the Compensation and Nomination Committee. It prepares the choice of candidates in accordance with the list of criteria that has been drawn up. No age limits apply for members of the Board of Directors. The members of the Board of Directors are elected for one year. Individual votes are held on the re-election of all serving members who stand for re-election.

#### 3.3.2 Initial election and remaining term of office of each member

| Name | Member since | Term of office until AGM on |
|---|---|---|
| Alexander von Witzleben | 1998 | 15 April 2014 |
| Dr. Michael Soormann | 2010 | 15 April 2014 |
| Dr. Thomas A. Erb | 2012 | 15 April 2014 |
| Wolfgang Feil | 2003 | 15 April 2014 |
| Steffen Schroth | 2012 | 15 April 2014 |
| Dr. Kurt E. Stirnemann | 2008 | 15 April 2014 |

### 3.4 Internal organizational structure

At its first meeting after the AGM, the Board of Directors elected a Chairman and Deputy Chairman; it also appoints the Secretary, who is not required to be a member of the Board of Directors. In accordance with the Articles of Incorporation the Chairman of the Board of Directors leads the General Meeting and heads the Board of Directors, which makes decisions as a collective body.

As of the 2014 ordinary Annual General Meeting, the Chairman of the Board of Directors is elected by the General Meeting.

#### 3.4.1 Distribution of responsibilities on the Board of Directors

In the reporting period, Alexander von Witzleben held the office of Chairman. Dr Michael Soormann served as Deputy Chairman. The term of office of the Chairman and Deputy Chairman corresponds to their terms of office as members of the Board of Directors, unless specified otherwise by a resolution of the Board of Directors. No Secretary to the Board of Directors is currently appointed. His tasks are being undertaken by the members of the Board of Directors.

#### 3.4.2. Composition of all Board committees and their duties and authority

**Audit Committee**

The current members of the Audit Committee are Dr Kurt E. Stirnemann (Chairman), Alexander von Witzleben, Dr Michael Soormann and Wolfgang Feil.
The Audit Committee submits draft proposals to the Board of Directors on the following issues:

- Coordinating external auditors; instructing the internal auditors
- Monitoring financial reporting and overseeing auditors (quarterly discussion of financial reporting with the CEO and CFO; monthly discussions between the Chairman of the Committee and the CFO; discussion of interim results with the CEO and CFO; discussion of annual financial statements with auditors)
- Analyzing and assessing possible weak points in the financial reporting results and the internal control system (ICS)

- Assessing the functionality of the internal control system Proposing the commissioning of special audits to the Board of Directors
- Monitoring the company's credit and cash flow situation and business relationships with banks
- Monitoring and coordinating all mergers and acquisitions (M&A) activity
- Selecting and proposing external advisers.

**Compensation and Nomination Committee**
The current members of the Compensation and Nomination Committee are Dr. Michael Soormann (Chairman), Alexander von Witzleben and Wolfgang Feil.
The Compensation and Nomination Committee submits draft proposals to the Board of Directors on the following issues:

- Compensation for the Board of Directors and Group Management
- Ensuring the termination provisions contained in the employment contracts of members of Group Management are commensurate with market conditions and provide protection for the company
- Verifying that compensation paid is in line with market rates and performance standards, and proposing the level of compensation due in each case
- Verifying and authorizing any internal business between senior executives or persons closely associated with them and companies in the Feintool Group.

In financial year 2013, the Compensation and Nomination Committee and the Audit Committee assumed their responsibilities in accordance with the respective regulations.

### 3.4.3 Working methods of the Board of Directors and its committees

In accordance with Art. 3.5 of the Organizational Regulations, the Board of Directors meets at least four times a year, normally for one day on each occasion. In the reporting period, the Board of Directors held six detailed meetings and two teleconferences. The CEO and CFO attended all meetings. Members of Group Management also attended if relevant to them.

The Audit Committee met four times and the Nomination and Compensation Committee three times in the period under review. These meetings usually last half a day and are in preparation for the next meeting of the Board of Directors. Both committees meet as required, but at least two detailed meetings must take place for each committee each year. All proposals arising from both committees were discussed at the regular meetings of the Board of Directors.

### 3.5 Division of responsibilities between the Board of Directors and Group Management

In accordance with Art. 15 of the Articles of Incorporation, the Board of Directors is the supreme body of the company with responsibility for supervising its operations. It represents the company externally and deals with all matters not assigned by law, the Articles of Incorporation or the Organizational Regulations to any other corporate body. In accordance with Art. 6.5 a. of the Organizational Regulations, the Board of Directors delegates overall management to the CEO, where permitted under the law and provided such responsibilities are not expressly assigned to the Board of Directors. The Board of Directors' responsibilities include decisions statutorily assigned to it regarding financial and information policies as well as decisions relating to investments, cooperation agreements, contracts, real estate and participations, provided such decisions are of special significance to the company and that they exceed a specified scale, together with resolutions concerning internal and external auditing.

The CEO's responsibilities include the management of the company's operations, as well as drawing up requisite remits, directives and guidelines within the framework of the organizational structure approved by the Board of Directors. The CEO is responsible for managing and organizing Group Management and represents the latter in dealings with the Board of Directors, the general public and the authorities. Group Management as a whole supports the CEO in his management of the company's operations. The segment heads manage their segments under the direct line management of the CEO. Under the guidance of the CEO, Group Management determines binding, group-wide management instruments (planning, accounting, management information systems, controlling) and is responsible for developing the corporate culture. It is also responsible for developing and periodically reviewing the corporate strategy and for producing and implementing annual projections. Group Management prepares information on all matters that fall under the responsibility of the Board of Directors and is also responsible for ensuring that the Board's resolutions are implemented. In the reporting period, Group Management held 10 full-day meetings.

### 3.6 Information and control instruments of the Group Management

At its meetings, all members of the Board of Directors, in addition to the CEO and the other members of Group Management, have an obligation to provide the required information. At such meetings, the Chairman informs the other members of the Board of Directors about his activities since the Board's last meeting; in each case, the CEO reports on current business developments and the CFO comments on financial reporting.

As part of the Feintool Group's Management Information System (MIS), members of the Board of Directors receive a monthly report from Group Management informing them about the financial and business situation of the company and relevant company segments. This report contains information on market and sector developments and risks, as well as the income statement, key figures (sales, EBIT, orders received and orders backlog, among others), and detailed quarterly, interim and annual financial statements, which are then commented on by the CEO and CFO at meetings held specifically for this purpose. This includes a data comparison with the prior years and with the budgeted figures. Between meetings, the CEO also informs the members of the Board of Directors about extraordinary events, either by telephone or in writing.

Between meetings of the Board of Directors, each member may ask the CEO to provide information at any time regarding the performance of the business and, with the approval of the Chairman, regarding individual transactions; members may also request the inspection of business documents. Such requests should be forwarded to the Chairman in writing.

### Internal Audit

The internal audit unit concentrates on areas of operational and strategic risk management in addition to the internal control system. It conducts group-wide audits, analyses and interviews. The annual audit schedule is approved by the Audit Committee in cooperation with the external auditors. The internal audit unit reports regularly to the Audit Committee on a project-related basis, either in writing or verbally. Internal audit activities are carried out on an external mandate to PricewaterhouseCoopers AG, Zurich. Coordination of its activities is assured in the short term by the Chairman of the Board of Directors and the CFO.

The Board of Directors has decided to continue to award internal audit tasks to an external auditor.

## 4. GROUP MANAGEMENT

### 4.1 Members of Group Management

As of 31 December 2013, Group Management comprises four members (see page 94 onwards). The management structure can be found in the organizational chart shown in section 1.1.1 of this report on page 84.

### 4.2 2 Management contracts

There are no management contracts between the Feintool Group and third parties.

# Group Management

HEINZ LOOSLI
(1954, SWISS NATIONAL)

**Position:**
CEO Feintool Group and Head of Feintool System Parts segment

**Qualifications:**
Engineer (dipl. ing. HTL), qualified marketing and sales specialist and Stanford Executive Program (SEP)

**Professional background:**
- 1978–1994 H. A. Schlatter AG: Sales Manager (1978–1984),
  Country Manager – China (1985–1988),
  Head of Automation profit centre (1988–1994)
- 1994–1996 Ascom Autelca AG:
  Head of Ticketing division
- With Feintool Group since 1996, initially as Head of Presses and Systems at Feintool AG Lyss and later of Feintool System Parts
- Since 1 October 2009: CEO of the Feintool Group

**Other activities and commitments:**
None

DR. THOMAS F. BÖGLI
(1956, SWISS NATIONAL)

**Position:**
CFO Feintool Group

**Qualifications:**
Dr. oec. publ. in Business Management from the University of Zurich

**Professional background:**
- 1984–1989 F. Hoffmann La Roche, Basel: Controller
- 1990–1992 Netstal-Maschinen AG, Näfels: CFO
- 1992–1994 Studer Revox AG, Regensdorf: CFO
- 1995–2000 COS Computer Systems AG, Baden: CFO
- 2001–2004 Von Roll Holding AG, Gerlafingen: CFO
- 2004–2008 Nobel Biocare Holding AG, Kloten: CFO
- Since 1 October 2009: CFO of the Feintool Group

**Other activities and commitments:**
None

PETER GROSSE
(1959, GERMAN NATIONAL)

Position:
Head of Feintool Automation segment

Qualifications:
Engineer (Dipl.-Ing TH), studied electrical engineering at Magdeburg Technical University (Germany)

Professional background:
- 1984–1986: Scientific assistant at Technical University Ilmenau (Germany)
- 1988–1990 Nordson GmbH, Erkath (Germany): Automotive Product Manager
- 1990–1992 Adcole Gesellschaft für Messtechnik mbH, Recklinghausen (Germany): Technical Coordinator, subsequently Sales Manager Europe
- 1992–2000 Gebrüder HAAKE GmbH, Karlsruhe (Germany): Various positions, including International Head of Sales and Head of Research and Development, subsequently Head of the Rheometer Business Unit
- 2001–2002 Tiede Rissprüfanlagen GmbH, Essingen (Germany): Managing Director
- 2002–2004 Colortronic GmbH, Friedrichdorf (Germany): Managing Director
- Since 2005: Managing Director of IMA Automation Amberg GmbH; since 1 June 2009: Head of Automation segment in the Feintool Group

Other activities and commitments:
None

MARC SCHORI
(1972, SWISS NATIONAL)

Position:
Head of Feintool Fineblanking Technology segment

Qualifications:
Engineer (Dipl.-Ing. HTL); studied mechanical engineering at the Higher Technical Institute in Biel/Bienne (Switzerland)

Professional background:
- 1997–2000 Feintool Technologie AG, Lyss: Engineering Project Manager and Japan Coordinator
- 2000–2006 Saia-Burgess, Murten/Morat: Head of the Automotive Competence Centre; Development, Product Management and Project Management
- 2006–2009 Feintool Technologie AG, Lyss: Head of Technology Centre and member of Group Management
- Since 2009: Head of Feintool Fineblanking Technology segment

Other activities and commitments:
None

## 5. COMPENSATION, SHAREHOLDINGS AND LOANS

### 5.1 Content and method of determining compensation and stock option plans

#### 5.1.1 Board of Directors

Based on a proposal from the Compensation and Nomination Committee, the Board of Directors determines once a year at its year-end meeting the level of compensation paid to its members on the basis of their activities and responsibilities while taking due account of prevailing market and industry levels. The peer group comprises internationally active industrial companies with a similar structure and of a similar size, with a focus on systems construction and mechanical engineering as well as automotive suppliers. The compensation amounts proposed by the Compensation and Nomination Committee are determined in advance on the basis of the approved compensation regulations. In financial year 2013, no external advisers were consulted when determining the compensation and stock option plans of the Board of Directors. There were no changes to the amount compared with previous years. The compensation concept remained unchanged.

The compensation paid to members of the Board of Directors consists of a fixed component plus the lump-sum reimbursement of expenses and an attendance fee. The Chairman of the Board of Directors additionally receives part of his compensation in the form of shares (with blocking period) as well as a bonus, which is based on the company's results.

The 2015 ordinary Annual General Meeting will, for the first time, vote on the compensation of the Board of Directors. The Board of Directors will define the voting modalities unless these have already been set forth in the articles of incorporation by the 2015 ordinary Annual General Meeting.

#### 5.1.2 Group Management

Compensation is based on a fixed proportion of each individual's salary (fixed component). Every two to three years, Feintool commissions an external consultancy firm to review Group Management's compensation in comparison with the external labour market. The peer group comprises internationally active industrial companies with a similar structure and of a similar size, with a focus on systems construction and mechanical engineering as well as automotive suppliers. The comparison includes basic, overall and direct compensation as well as selected fringe benefits (occupational pension, company car and lump-sum expenses).

In addition, the amount of compensation is determined directly by the attainment of targets and performance of each member of Group Management, as well as the financial performance of the company (variable component). The performance-related bonus is determined on the basis of operating results (EBIT) and the degree to which annually agreed individual objectives have been achieved. It is based on a ratio of operating to personal targets of approximately 70:30 and is very similar for each member of Group Management except the CEO. The bonus of the CEO is entirely calculated according to the EBIT of the Feintool Group. Further details can be found on page 78 of the Financial Report. The variable component of the compensation paid to the members of the Group Management was between 30 % and 65 % of the fixed salary component.

The Compensation and Nomination Committee determines the performance-related bonus of the CEO on the basis of the contractual agreement. For the other members of the Group Management, the Compensation and Nomination Committee determines the performance-related bonus following proposals submitted by the CEO on the basis of the respective contractual agreements. This is reported to the Board of Directors at its annual meeting at the end of each year. Members of the Group Management do not attend the meetings. In financial year 2013, no external advisers were consulted when determining the compensation and stock option plans of Group Management.

The 2015 ordinary Annual General Meeting will, for the first time, vote on the compensation of the Group Mamagement. The Board of Directors will define the voting modalities unless these have already been set forth in the articles of incorporation by the 2015 ordinary Annual General Meeting.

In financial year 2004/05, the Board of Directors extended the existing bonus share scheme for Group Management into a set of "Regulations for the issue of employee shares and options to members of the Board of Directors and Senior Executives".

Therefore, the total compensation consists of:

- a fixed basic salary
- a performance-related bonus
- shares (with a blocking period)
- fringe benefits (company cars, management insurance cover).

### 5.2 Compensation for former members of governing bodies

Detailed information on the level and composition of compensation for the Board of Directors and the Group Management can be found in the Notes to the Financial Statements on pages 77 to 78.

### 5.3 Entschädigungen an ehemalige Organmitglieder

No compensation was paid to former members of governing bodies.

## 6. SHAREHOLDERS' PARTICIPATION RIGHTS

### 6.1 Voting right restrictions and proxies

In accordance with Art. 10 of the Articles of Incorporation, each share carries one vote. Only those shareholders entered in the share register are entitled to vote at the Annual General Meeting. A shareholder may only be represented at the Annual General Meeting by his own legal representative, another shareholder who attends the meeting and is entered in the share register, or the independent proxy. The proxy must be given written power of attorney. Attending members of the Board of Directors shall decide on the recognition of proxies.

### 6.2 Quorum requirements

In principle, all resolutions at the Annual General Meeting are made by simple majority. In the event of a tied vote, the Chairman casts the deciding vote. In accordance with Art. 704 of the Swiss Code of Obligations, a two-thirds majority of votes submitted plus a simple majority of the share values represented is required for any changes to be made to share classes or transferability restrictions.

### 6.3 Convocation of the Annual General Meeting

In accordance with Art. 9 of the Articles of Incorporation, the Annual General Meeting must be convened at least 20 days in advance by publication of a notice in the Swiss Official Gazette of Commerce. In addition, registered shareholders will receive a written invitation.

### 6.4 Agenda items

In accordance with Art. 9 of the Articles of Incorporation, shareholders who individually or jointly hold at least 10 % of the share capital, or those representing shares with a par value of at least CHF 1 m, may request the inclusion of a particular item for discussion, at the latest 40 calendar days prior to the Annual General Meeting. Such items must be submitted in writing, citing the item for discussion and the proposals.

### 6.5 Entries in the share register

In accordance with Art. 10 of the Articles of Incorporation, all shareholders entered in the share register with voting rights, together with registered nominees, are entitled to attend the Annual General Meeting and to vote. For organizational reasons, the closing date for entries in the share register is 11 days before the Annual General Meeting (the share register status on this date is used to determine the voting and representation ratios at the forthcoming Annual General Meeting).

## 7. CONTROL AND DEFENCE MEASURES

### 7.1 Opting up

Opting up at Feintool International Holding AG is governed by the current legal conditions described in Art. 32 of the Swiss Federal Stock Exchange Act (SESTA). The Articles of Incorporation do not contain any provision regarding opting out or opting up.

### 7.2 Clauses on changes of control

No clauses on change of control were agreed for the benefit of top management.

## 8. AUDITORS

### 8.1 1 Duration of the mandate and term of office of the lead auditor

At the Annual General Meeting held on 16 April 2013, KPMG AG, Zurich, were elected as statutory auditors for one year. Rolf Hauenstein is the lead auditor for the term of the mandate.

### 8.1.1 Date of assumption of the existing auditing mandate

KPMG AG, Zurich, were elected for the first time at the Annual General Meeting on 25 January 2011.

### 8.1.2 Date on which the lead auditor took up office

Since the first appointment of KPMG AG, the lead auditor responsible for the existing auditing mandate is Ralf Hauenstein.

### 8.2 Auditing fees

The auditing fees charged by KPMG AG in respect of the financial statements for financial year 2013 amounted to CHF 459 000.

### 8.3 Additional fees

In the reporting period, KPMG AG billed a total of CHF 277 000 for audit-related services. Of this amount, CHF 257 000 is directly connected with the capital redistribution and increase carried out on 20 June 2013 (inspection of quarterly statements, comfort letter, etc.). KPMG AG rendered other services in the field of tax consulting, etc. amounting to CHF 76 000 in financial year 2013.

### 8.4 Information instruments pertaining to an external audit

The auditors attended two meetings of the Audit Committee. KPMG AG provides the Board of Directors with a comprehensive report on the results of its annual audit. At the end of the financial year, the Audit Committee, with the CEO and CFO also in attendance, discusses the comprehensive report to the Board of Directors and the auditors' report with the auditors.

External auditors are appointed following a tender process. They are elected at the General Meeting from proposals submitted by the Board of Directors. As well as the minimum legal requirements, selection criteria include relevant qualifications, sector experience and the price/performance ratio. The auditor in charge from KPMG AG is replaced every seven years in accordance with the statutory regulations.

## 9. INFORMATION POLICY

Feintool maintains close contact with shareholders, the media and investors. The company provides regular information on business performance in the form of press releases and holds at least two press conferences per year. Twenty-six press releases were published during the financial year from 1 January to 31 December 2013. We welcome works visits from interested parties. Furthermore, at least once a year we offer the financial community the opportunity to gain a direct insight into our business at one of our manufacturing sites.

Shareholders in Feintool International Holding AG receive the interim and annual report on request, and are regularly informed about new corporate developments of interest to them in the form of shareholder letters. In financial year 2013, three such letters were sent on the topics of the 2012 financial statements, the capital increase and the 2013 interim statements.

The latest corporate information can be found on our website under "Media Releases" (www.feintool.com/en/company/investor-relations/media-releases). Furthermore, you can subscribe to this information by filling out the contact form on the website (www.feintool.com/en/company/investor-relations/media-releases/subscribe-to-media-releases). Annual reports, dates and other useful information can also be found at www.feintool.com. Information can also be ordered from investor.relations@feintool.com.

## 10. SUBSEQUENT EVENTS

None.

# Glossary

**Artemis Beteiligungen III AG** – consolidated group company controlled by Franke Artemis Holding/Michael Pieper, which launched a takeover bid for Feintool International Holding AG on 31 January 2011 and as a result acquired a majority share of 81.2 % in Feintool as of 7 April 2011. At 31 December 2013, this share stood at 50.1 %.

**Automatic transmission** – This contributes to improved driving comfort in cars and helps reduce fuel consumption. Feintool's fineblanked and formed parts are ideally suited to the highly complex design and precision. Types include continuously variable transmissions (CVT), dual clutch transmissions (DCT) and stepped automatic transmissions with up to nine gears at present.

**Carbon Disclosure Project** – A not-for-profit organization which aims to create greater transparency as regards climate-changing greenhouse gas emissions; it acts on behalf of investors by annually collecting data and information on CO2 emissions and climate hazards and risks, as well as the reduction targets and strategies of the companies taking part on a voluntary basis; it also manages the biggest database of its kind in the world.

**Cash flow/drain** – periodic cash surplus/shortfall from operations; an indicator of the financial power of a company.

**Chipless forming** – Forming means changing the shape of sheet steel with tools using processes such as bending. Unlike forging and casting techniques, chipless forming shapes the piece without the use of mechanical processing or machining (removing material). Neither does it rely on heat (cold forming). Chipless forming is an efficient technique which is particularly suitable for the manufacture of complex precision components such as those required by the automotive industry.

**Earnings per share (EPS)** – annual profit divided by the total number of shares.

**EBIT** – earnings before interest and taxes: a company's operating profit before deduction of interest and taxes.

**EBIT margin** – the ratio of EBIT to sales.

**EBITDA** – Earnings Before Interests, Taxes, Depreciation and Amortization: a company's earnings before taking account of these items; one of the most meaningful indicators of profitability.

**EBITDA margin** – the ratio of EBITDA to sales.

**Equity ratio** – ratio of shareholders' equity to total assets; key indicator of the financial stability of a company.

**Fineblanking** – In contrast to conventional blanking, which uses one force only (cutting force), fineblanking involves three forces. Two firmly clamp the material from above and below, and the part is then cut. This produces clean, crack- and tear-free blanked surfaces, smooth components, and low finishing requirements.

**Free cash flow** – the operating cash flow less the cash flow from investment activities; shows how much money will be available for shareholder dividends and/or for paying back third-party loans.

**Free float** – percentage of the shares in a company that can be freely traded on the stock exchange.

**Herzing + Schroth (Forming Europe)** – German technology company acquired by Feintool in 2012 which specializes in chipless forming together with related and downstream processes. Its main focus is on the manufacture of precision parts for vehicle drivetrains and engines. It has sites in Obertshausen, Hessen (Herzing + Schroth GmbH), and Ohrdruf, Thuringia (Schroth Antriebselemente GmbH).

**IAS** – International Accounting Standards; part of IFRS.

**IFRIC** – International Financial Reporting Interpretations Committee; the interpretative body of the International Accounting Standards Committee (IASC) Foundation that has the task of publishing IFRS/IAS interpretations if it becomes evident that a standard can be interpreted falsely, or in various ways.

**IFRS** – International Financial Reporting Standards.

**IHS Global Insight –** the world's largest economics organization providing comprehensive economic and financial information on countries, regions and industries such as the automotive sector, using a unique combination of expertise, macroeconomic models, data and software within a common analytical framework to support planning and decision-making.

**IMA –** "Industrie Maschinenbau Amberg" (now IMA Automation) – the Automation segment of Feintool – is a specialist in the development and manufacture of assembly automation systems; located in Amberg (Germany).

**Networking capital (NWC) –** amount by which a company's current assets exceed its current liabilities.

**Net debt –** amount by which interest-bearing liabilities exceed interest-bearing assets plus cash and cash equivalents.

**Overall Equipment Effectiveness (OEE) –** a comprehensive production parameter which combines availability, machine performance and quality, and thus serves to evaluate the manufacturing plant.

**Press portfolio –** Feintool's fineblanking and forming presses are designed to enable cost-effective production of precision parts. Feintool has three press series to suit different requirements:

**HFAplus –** Hydraulic fineblanking presses. Mainly used for three-dimensional parts with stringent fineblanking and forming requirements.

**XFTspeed –** Servo-mechanical fineblanking presses. Mainly used for thin, delicate and critical parts that require a high level of precision, output and process reliability.

**X-TRA –** Servo-hydraulic fineblanking presses. Mainly used for high-volume flat parts. Thanks to their servo drive, X-TRA presses are particularly suitable for processing high-tensile and stainless steels.

**Promera Jena/Ettlingen –** German production locations for fineblanked parts in the Feintool System Parts segment. Renamed Feintool System Parts Jena GmbH and Feintool System Parts Ettlingen GmbH as of 1 January 2014.

**Purchase Price Allocation (PPA) –** In a business acquisition, the purchase price is usually higher than the equity purchased. The purpose of the PPA is to evaluate the intangible assets such as order books, customer base, technologies, patents and sales and purchasing structures.

**Servo drive –** Feintool uses servo drive for both mechanical and hydraulic fineblanking presses. The advantage of this is that ram travel can be programmed precisely. This means that the speed of the blanking process, which takes just a fraction of a second, can be reduced in a controlled manner in order to protect the workpiece and the tool. The ram then moves to the next stroke even more quickly. Servo-driven presses considerably increase output.

**Stroke rate –** number of strokes completed by a fineblanking press in one minute.

**SWISSTEC –** name given to the joint market presence of several Swiss companies in China.

**Technology Centre –** Feintool facility at which the entire fineblanking process takes place, from research and development, to engineering and through to tool production, testing and approval.

**Tools –** Tools are where components are made in fineblanking presses or forming systems. To increase the cost-effectiveness and efficiency of production, Feintool combines fineblanking and forming processes in one tool. A three-stage tool, for example, can simultaneously cut, bend and deburr. A ready-to-install multifunctional component requires just one press and one tool.

# Addresses of our operating companies

As at 1 January 2014

| Company | Address | Phone/Fax | Internet |
|---|---|---|---|
| **Switzerland** | | | |
| Feintool International Holding AG | Industriering 8<br>3250 Lyss<br>Switzerland | Phone +41 32 387 51 11<br>Fax +41 32 387 57 81 | feintool-fih@feintool.com<br>www.feintool.com |
| Feintool Technologie AG, Lyss | Industriering 3<br>3250 Lyss<br>Switzerland | Phone +41 32 387 51 11<br>Fax +41 32 387 57 80 | feintool-ftl@feintool.com<br>www.feintool.com |
| Feintool Technologie AG, Jona | Grünfeldstrasse 25<br>8645 Jona<br>Switzerland | Phone +41 55 225 21 11<br>Fax +41 55 225 24 04 | feintool-ftl@feintool.com<br>www.feintool.com |
| Feintool System Parts AG | Industriering 8<br>3250 Lyss<br>Switzerland | Tel. +41 32 387 51 11<br>Fax +41 32 387 57 82 | sales-eu@feintool.com<br>www.feintool.com |
| Feintool Teile & Komponenten AG<br>Lyss | Industriering 53<br>3250 Lyss<br>Switzerland | Tel. +41 32 387 51 11<br>Fax +41 32 387 57 79 | feintool-tkl@feintool.com<br>www.feintool.com |
| **Europe** | | | |
| Feintool System Parts Ettlingen GmbH | Englerstraße 18<br>76275 Ettlingen<br>Germany | Phone +49 7243 320 20<br>Fax +49 7243 320 240 | feintool-pre@feintool.com<br>www.feintool.com |
| Feintool System Parts Jena GmbH | Löbstedter Straße 85<br>07749 Jena<br>Germany | Phone +49 3641 506 100<br>Fax +49 3641 506 300 | feintool-prj@feintool.com<br>www.feintool.com |
| IMA Automation Amberg GmbH | Wernher-von-Braun-Straße 5<br>92224 Amberg<br>Germany | Phone +49 9621 608 0<br>Fax +49 9621 608 290 | info@ima-automation.de<br>www.feintool.com |
| Herzing + Schroth GmbH | Ringstraße 10<br>63179 Obertshausen<br>Germany | Phone +49 6104 401 0<br>Fax +49 6104 401 204 | vertrieb@herzing-schroth.de<br>www.feintool.com |
| Schroth Antriebselemente GmbH | Ringstraße 13<br>99885 Ohrdruf<br>Germany | Phone +49 3624 335 0<br>Fax +49 3624 335 200 | mail@sae-schroth.de<br>www.feintool.com |

| Company | Address | Phone/Fax | Internet |
|---|---|---|---|
| **USA** | | | |
| Feintool Equipment Corp. | 6833 Creek Road<br>Cincinnati, OH 45242, USA | Phone +1 513 791 00 66<br>Fax +1 513 791 15 89 | feintool-fec@feintool.com<br>www.feintool.com |
| Feintool Cincinnati, Inc. | 11280 Cornell Park Drive<br>Cincinnati, OH 45242, USA | Phone +1 513 247 01 10<br>Fax +1 513 247 00 60 | feintool-afc@feintool.com<br>www.feintool.com |
| Feintool Tennessee, Inc. | 2930 Old Franklin Road<br>Antioch, TN 37013, USA | Tel. +1 615 641 77 70<br>Fax +1 615 641 79 95 | feintool-ftt@feintool.com<br>www.feintool.com |
| **Asia** | | | |
| Feintool Japan Co., Ltd.<br>(Equipment) | Atsugi Plant, 260-53,<br>Hase, Atsugi City<br>Kanagawa, Japan 243-0036 | Phone +81 46 247 74 51<br>Fax +81 46 247 20 08 | sales.jp@feintool.com<br>www.feintool.com |
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| Feintool Precision System Parts<br>(Taicang) Co., Ltd. | No 15 Qingdao East Road<br>Taicang 215400, Jiangsu<br>Province, P. R. China | Phone +86 512 5351 5186<br>Fax +86 512 5351 5432 | sales-china@feintool.com<br>www.feintool.com |
| Feintool Fineblanking Technology<br>(Shanghai) Co., Ltd. | Bld. No. 14, No. 261 Sanbang Road,<br>Songjiang District<br>Shanghai, P. R. China | Phone +86 21 6760 1518<br>Fax +86 21 5778 6656 | feintool-tca@feintool.com<br>www.feintool.com |
| Swisstec, Feintool Beijing Rep. Office | Hua Qiao Gong Yu 2-43,<br>Hua Yuan Cun, Xi Jiao,<br>Beijing 100048, P. R. China | Phone +86 10 6841 84 47<br>Fax +86 10 6841 28 69 | info@swisstec.com.cn<br>www.feintool.com |


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