

Expanding Horizons

Together achieving new dimensions in
fineblanking and forming



Feintool Group Annual Media Conference Financial Year 2017

AGENDA

- ▶ The strategy of the Feintool Group
- ▶ Review of the financial year 2017
- ▶ Financial results
- ▶ Outlook
- ▶ Questions and answers
- ▶ Lunch and discussion

Alexander von Witzleben

Knut Zimmer

Thomas Bögli

Knut Zimmer

All

All



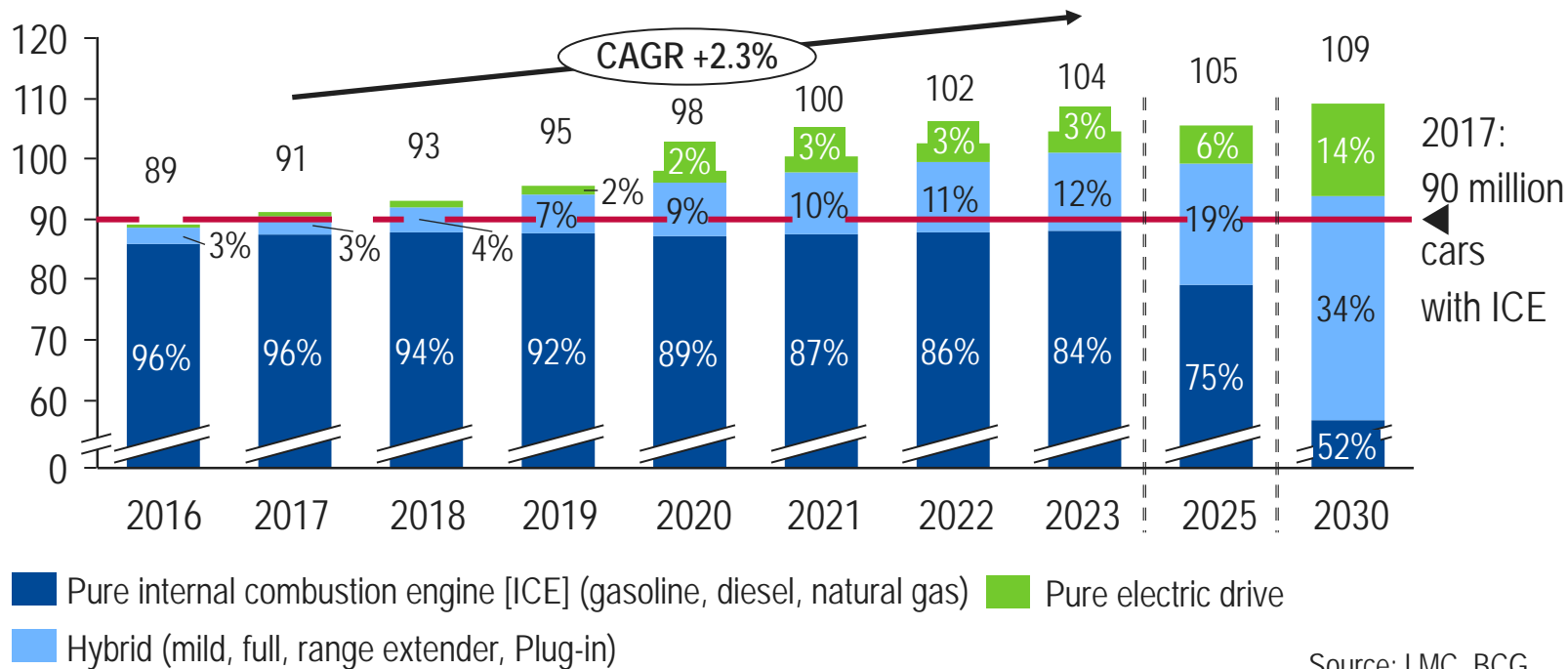
Alexander von Witzleben

The strategy of the Feintool Group

GLOBAL CAR PRODUCTION

Prepared for a change of course in the automobile industry

Number of cars, pick-ups, and vans sold with total weight of up to 3.5 tons, worldwide

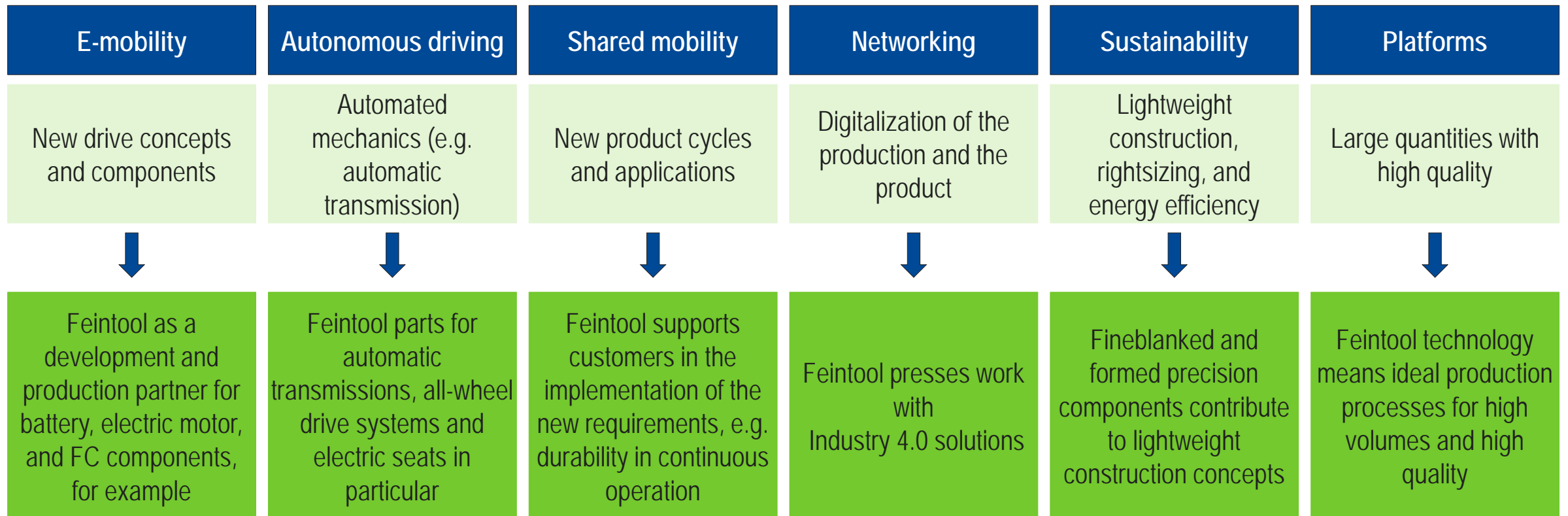


Source: LMC, BCG

- ▶ Number of cars will grow faster than pure electric vehicles through 2023
- ▶ Geographically diverging developments, China is driving change
- ▶ Market for internal combustion engines will be larger in 2030 than in 2017
- ▶ Hybrids have combustion engines

TRENDS IN THE AUTOMOTIVE INDUSTRY

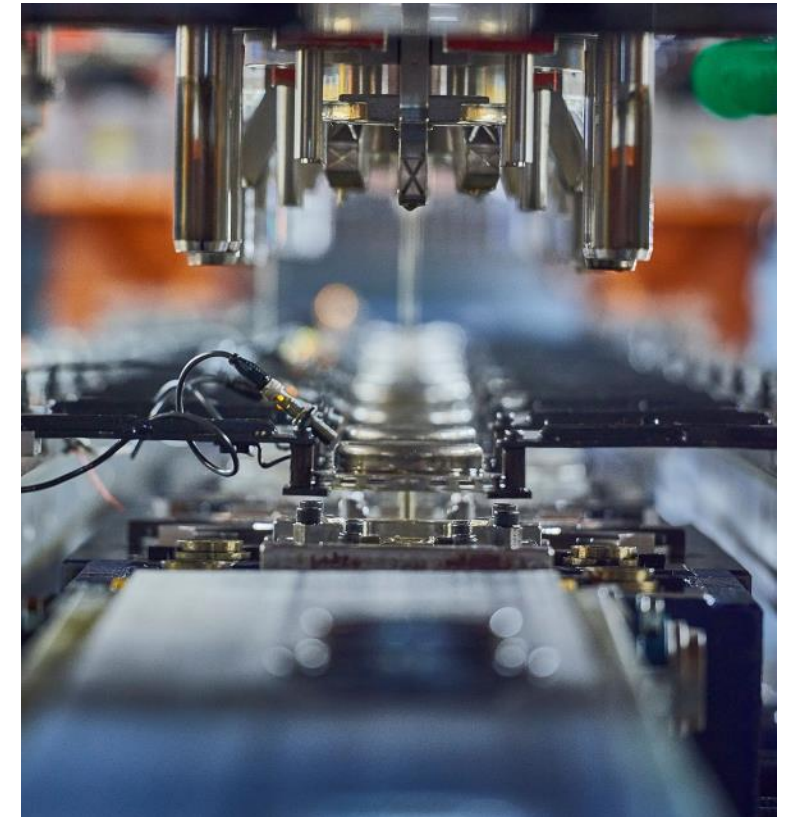
Fineblanking and forming support trends in the automotive industry



STRATEGY

Continue the fineblanking and forming focus strategy

- ▶ Strong presence in key global automotive markets
- ▶ Use leading position in the applications for seats, drives, safety, and open up new areas of application
- ▶ Expand the value chain with vertical integration
- ▶ Continuously expand the limits of fineblanking and forming with innovative tool solutions
- ▶ Identify new areas of growth
- ▶ Globally standardized best in class processes
- ▶ Use services as USP and be a system provider

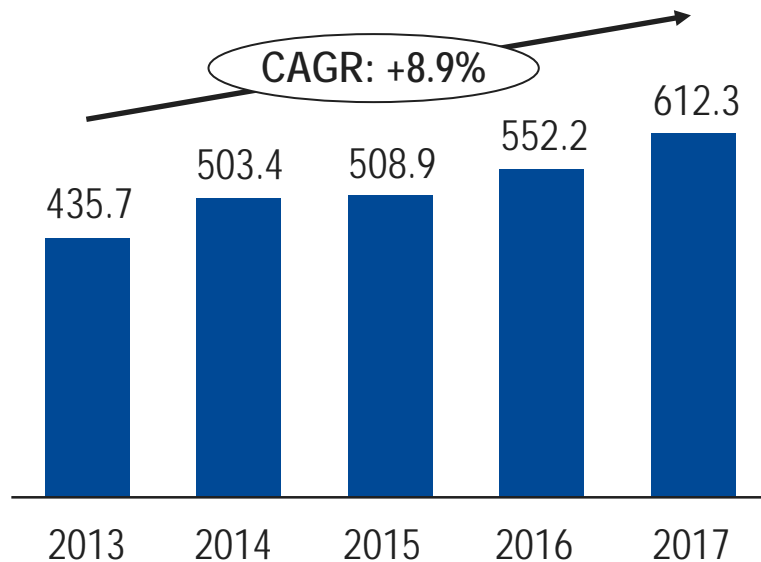


FIVE-YEAR COMPARISON

Long-term positive development

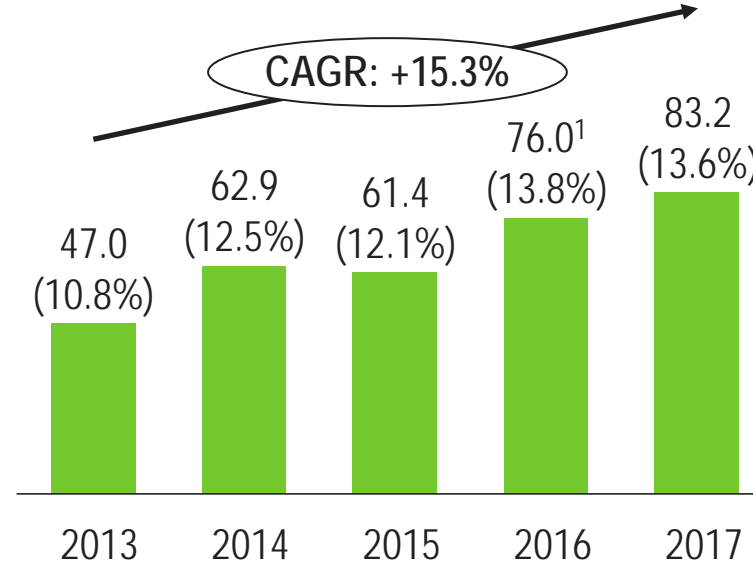
Sales development

in CHF million



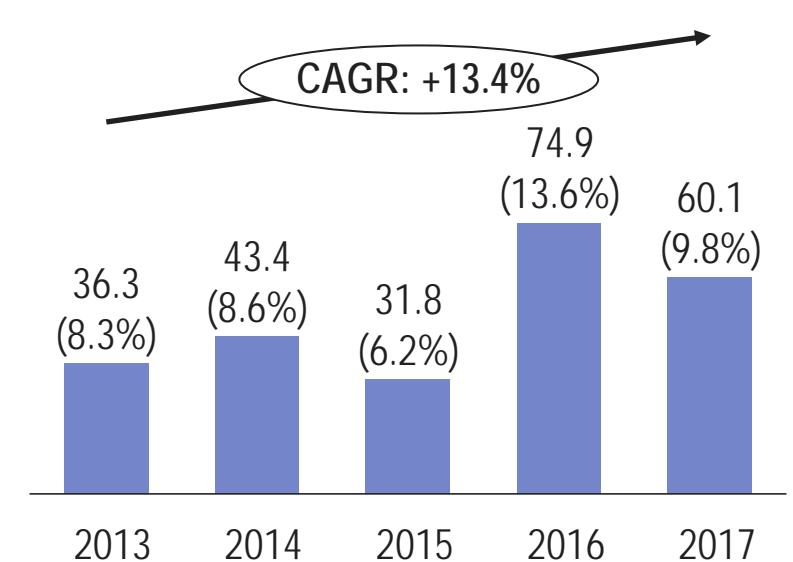
EBITDA development

in CHF million



Investment development

in CHF million



1. Disclosures without one-off effect from pension fund

ORGANIZATIONAL CHANGE

Knut Zimmer is the CEO and Head of System Parts since January 1, 2018

Professional history

- ▶ Since August 1, 2017 Head of BU System Parts Europe
- ▶ 2012-2017 Head of BU System Parts Forming Europe
- ▶ 2000-2012 Herzing + Schroth: General Manager
- ▶ 1999 EuroPower Energy / EON: Commercial Director
- ▶ 1997-1999 Nord. Engineering: Commercial Director
- ▶ 1983-1997 Müller-Weingarten AG: Director Controlling

Education

- ▶ Degree in Business Administration (VWA), Stuttgart / Industrial Manager



ORGANIZATIONAL CHANGE

Norbert Indlekofer recommended for election to the Board of Directors

- ▶ Member of boards of directors of various international companies

Professional history

- ▶ 2014-2016 Schaeffler AG: CEO Automotive
- ▶ 2009-2010 Schaeffler Automotive: Chairman of Management
- ▶ 2006-2009 INA-Schaeffler KG: Chairman of Management –
Transmission and Chassis
- ▶ 2006-2009 LUK Group: Chairman of the Management Board

Education

- ▶ Degree in Mechanical Engineering, University of Stuttgart



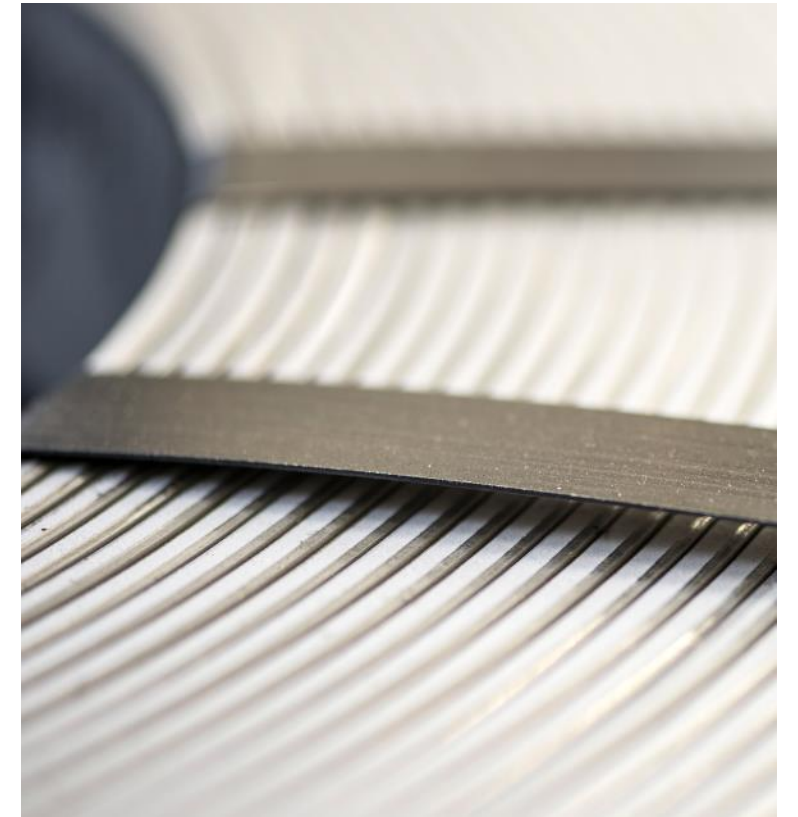
Knut Zimmer

Review of the financial year 2017

MARKET ENVIRONMENT

Feintool is again growing faster than the market

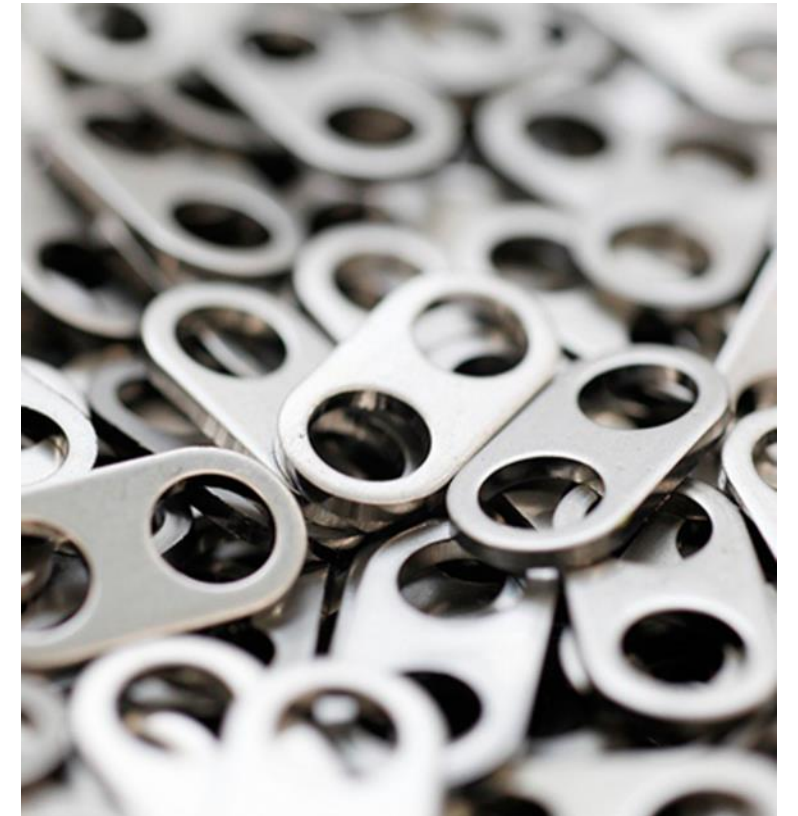
- ▶ Worldwide automotive market again on course for growth
- ▶ Feintool continues to gain market share
- ▶ Customers in the automotive market continue to globalize
- ▶ China as a driver of growth in global automobile production
- ▶ Political uncertainties had hardly any influence on car sales
- ▶ Trends in alternative drives, autonomous driving and car sharing are becoming established, but had little impact on sales in 2017



SYSTEM PARTS SEGMENT

Long-term growth course

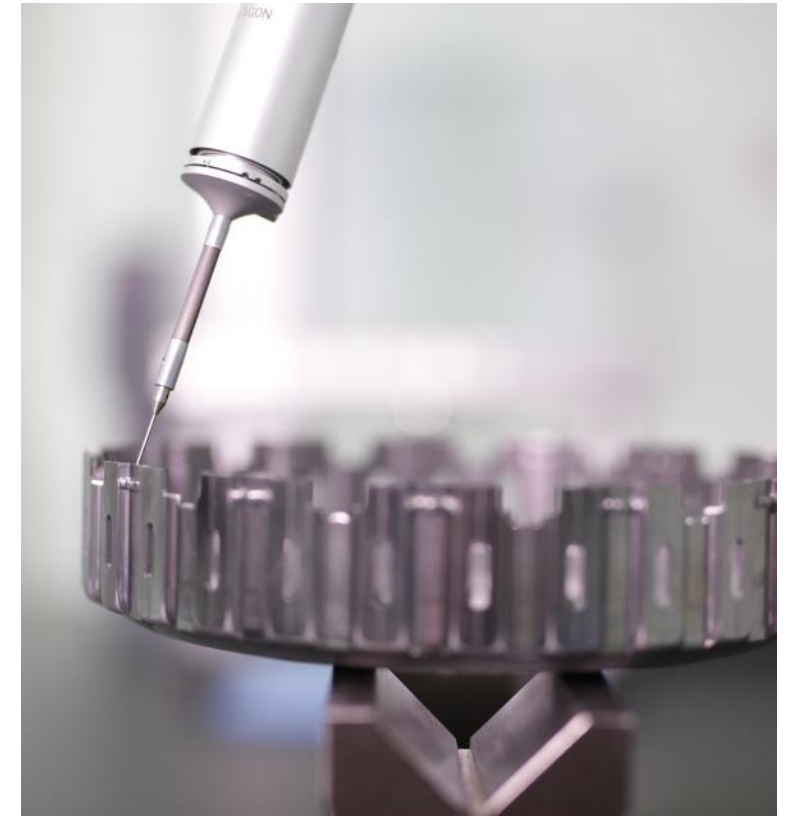
- ▶ Global production in key global automotive markets
- ▶ Strong focus on the application areas of seats, drives, safety
- ▶ Benefiting from continued growth in automobile production and supporting the trends of the manufacturers
- ▶ Everything from a single source: Systematic vertical integration in secondary processes
- ▶ Expansion of skills as development partner for innovative applications



HIGHLIGHTS OF SYSTEM PARTS SEGMENT

New orders have a positive effect

- ▶ 14.3% sales growth to CHF 548 million
- ▶ Europe drives growth; European plants operating at full capacity
- ▶ Great potential in China; strong market position in Japan
- ▶ Sales and earnings in the US remain stable despite the saturated market
- ▶ Integration of the forming plant in Tianjin (China) as planned
- ▶ Construction on the new plant in Most (CZ) in progress
- ▶ Even closer to the customer thanks to sales and development office in Detroit
- ▶ Vertical integration systematically expanded



SYSTEM PARTS SEGMENT

Strategic gaps in forming in Asia closed

- ▶ Feintool invests in state-of-the-art forming technology in China; plant designed for five forming presses
- ▶ Second press was commissioned
- ▶ As expected high loss due to capacity bottlenecks and the start-up of new products
- ▶ There are nominations for CHF 30 million sales in 2021
- ▶ Feintool also uses this location to support its customers with their localization in China
- ▶ Training of new employees at existing forming locations in Germany and the US



SYSTEM PARTS SEGMENT

Increase in demand for fineblanked / formed components for hybrid drives

- ▶ Numerous new start-ups and increased demand for components of hybrid drives
- ▶ Currently 10 components for hybrid applications
- ▶ Five customers (Tier1 and OEM)
- ▶ Total sales of €3.7 million
- ▶ First hybrid application since 2010, inquiries already since 2008



FINEBLANKING TECHNOLOGY SEGMENT

Global market leader for fineblanking presses and a driver of innovation

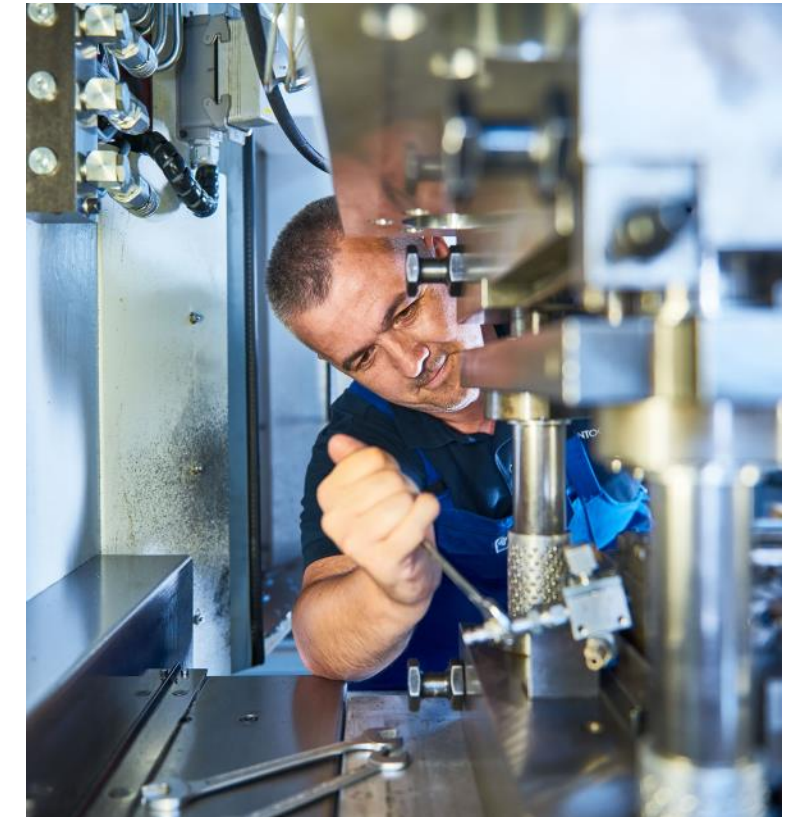
- ▶ Solution provider with high process competency: Tools, presses and systems, services
- ▶ Research and development: Continuously expand the horizons of fineblanking by working with universities
- ▶ Significant contributions to the growth of the System Parts segment



HIGHLIGHTS OF FINEBLANKING TECHNOLOGY SEGMENT

Solid orders received

- ▶ Good results thanks to strong market position – despite market consolidation, long life-time and high performance of presses
- ▶ Large number of orders received in Europe, existing US customers' move to modernize, market opportunities in Asia used
- ▶ Opening of logistics location in Germany for spare parts
- ▶ Fineblanking 4.0 with RWTH Aachen University
- ▶ Internationalization of the “Arbeitskreis Feinschneiden”
- ▶ Research project on fuel cells/bipolar plates with ETH Zurich



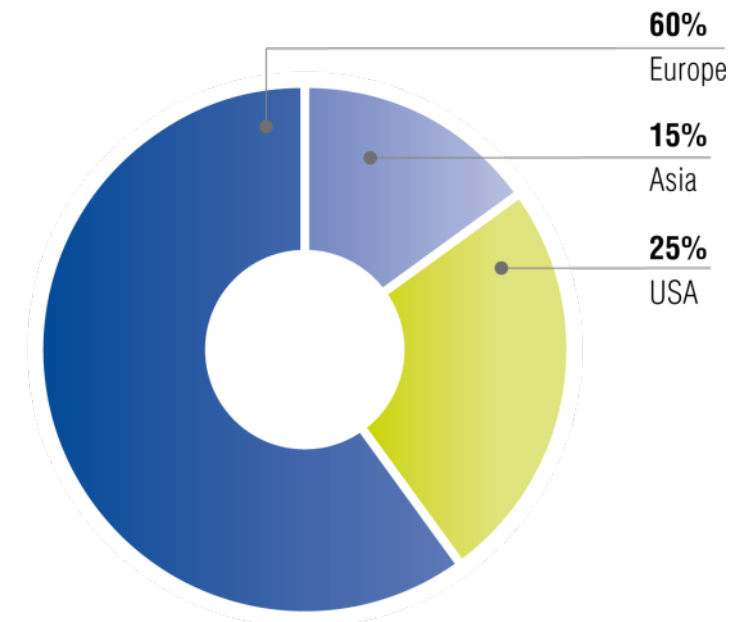
EMPLOYEES

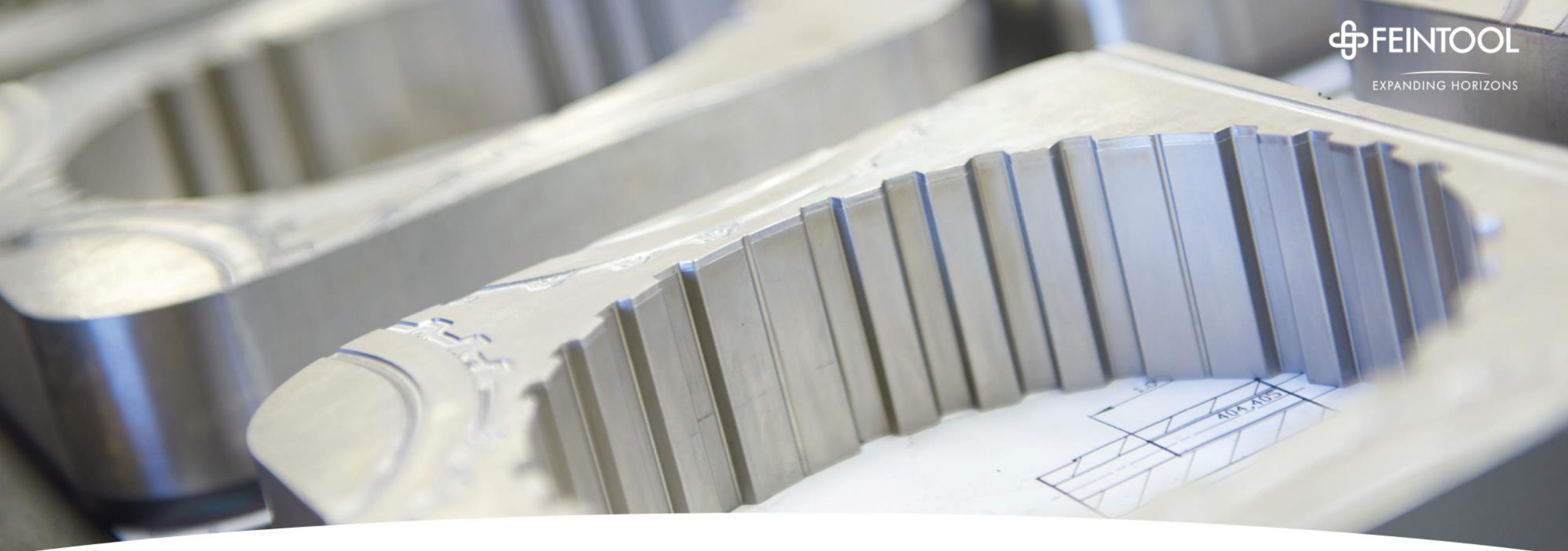
Success factors of competence, motivation and commitment

- ▶ Due to growth in Europe and the acquisition in China, the number of employees has risen by 8.1% to 2,485
- ▶ 81 apprentices at eight locations
- ▶ Dual-system apprenticeship offered in Taicang for toolmakers as well as press and machine operators
- ▶ New organizational structure of the System Parts locations has been implemented in Europe

Employees by region

in % (out of total of 2'239, excluding apprentices)





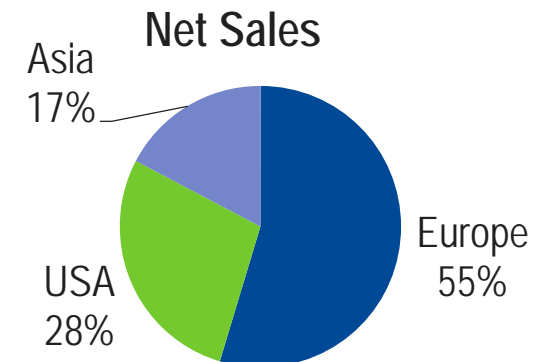
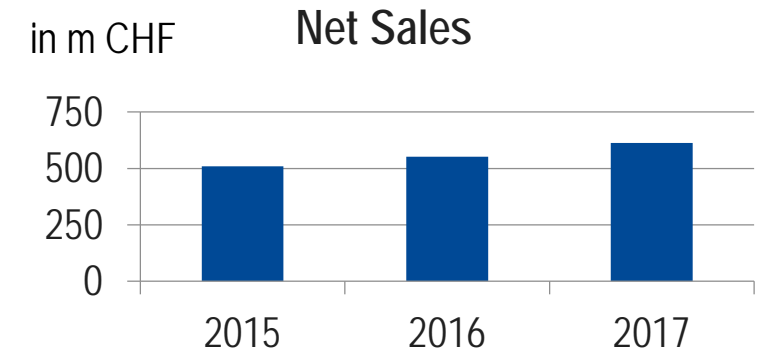
Thomas Bögli

Financial Results

NET SALES

8.1% organic growth – clearly above the market

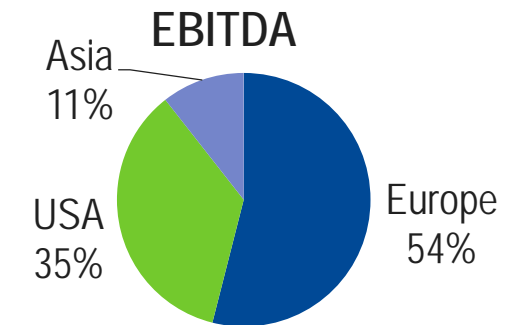
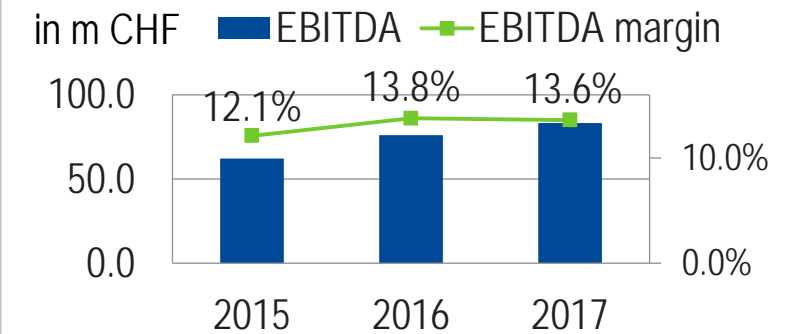
- ▶ Sales of CHF 612.3 m
- ▶ Growth in reporting currency 10.9%, influenced by acquisition in China (CHF 11.6 m) and currency (CHF 3.7 m)
- ▶ System Parts reports 89.4% of Group’s sales due to strong growth; Fineblanking Technology with stable development
- ▶ Europe drives growth to 16.4%
- ▶ North America with slight decline of 1.8%, but better than market
- ▶ Geographical sales distribution based on Feintool’s customers; final customer distribution more evenly distributed



EBITDA

EBITDA* increases in local currency by 8.6%

- ▶ EBITDA of CHF 83.2 m
- ▶ EBITDA margin* declines marginally to 13.6%
- ▶ Significant steel price increases were mostly borne by customers, nevertheless it shows a negative margin impact
- ▶ Cost impact by new Tianjin factory and many new projects in Europe and Asia

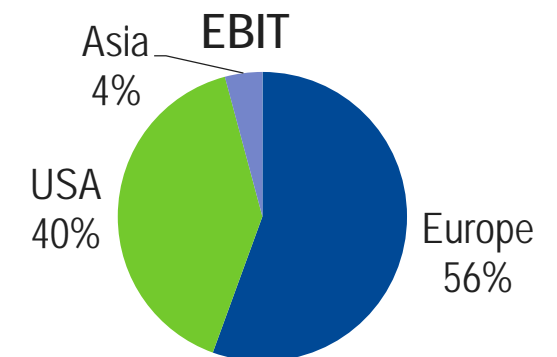
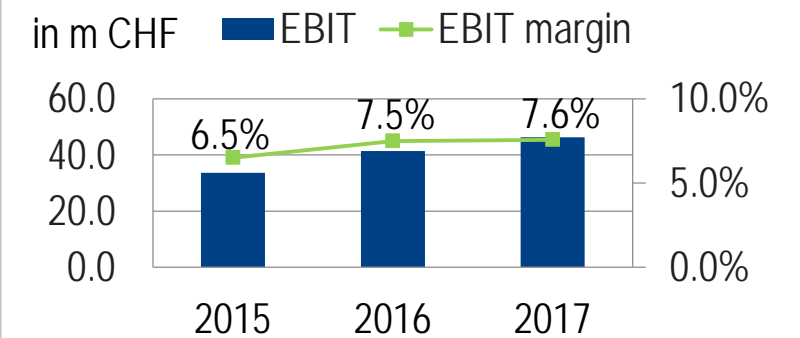


*) Without one-off effect from amendment in regulation of Swiss pension fund

EBIT

EBIT margin* increases to 7.6%

- ▶ EBIT of CHF 46.3 m
- ▶ Positive translation difference of CHF 0.5 m; EBIT* growth in local currency 10.7%*
- ▶ EBIT margin* increased by 10 basis points, although Tianjin acquisitions (including acquisition cost) impacted EBIT by CHF 2.4 m
- ▶ All units and regions with positive contribution

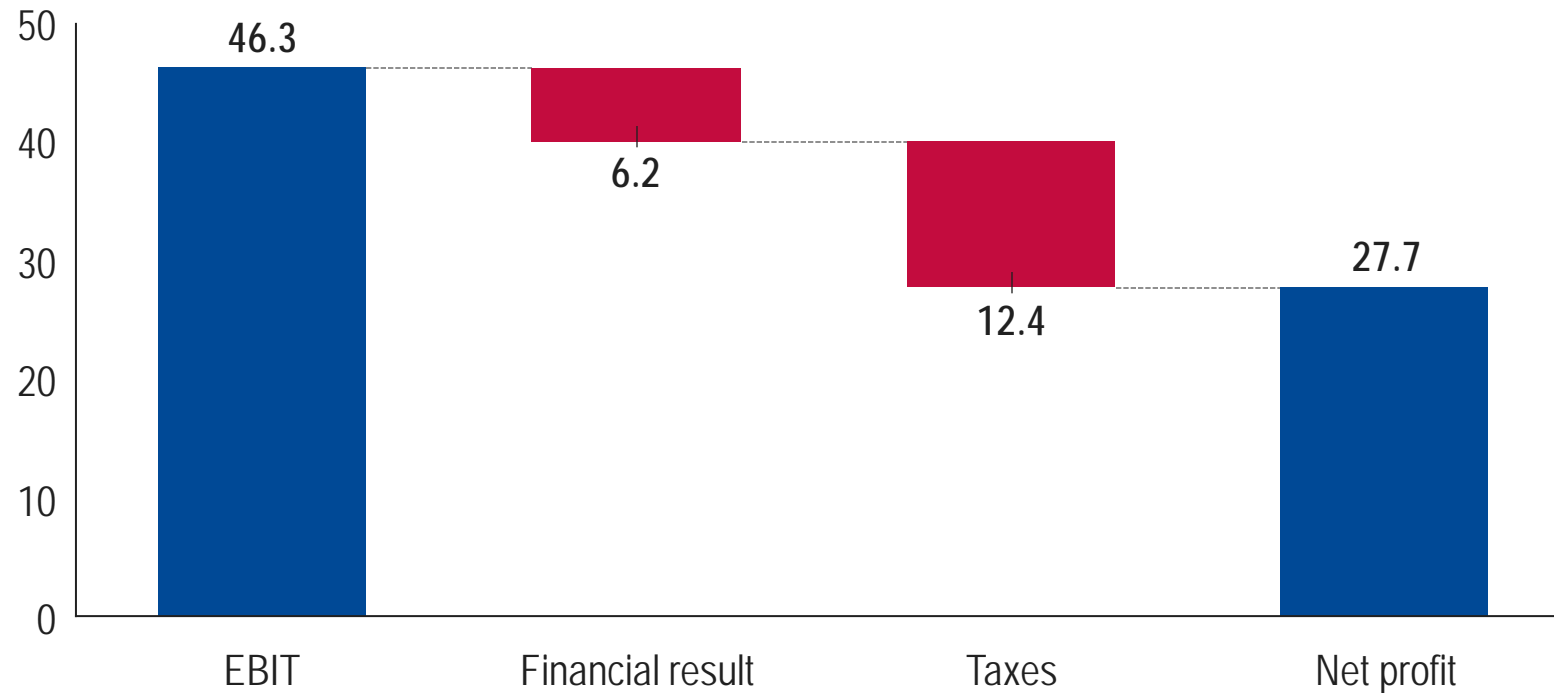


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NET RESULT

Net profit* increases to CHF 27.7 m

in m CHF



- ▶ Clearly higher financial cost due to CHF 2.9 m currency loss
- ▶ Net profit of CHF 27.7 m
- ▶ Net profit margin of 4.5%
- ▶ Stable dividend of CHF 2.00 per share¹⁾

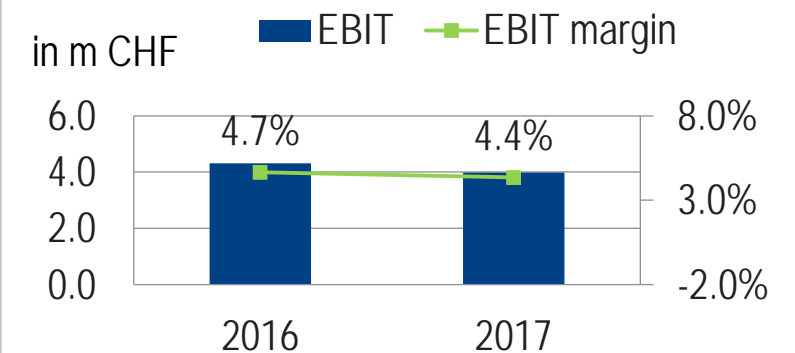
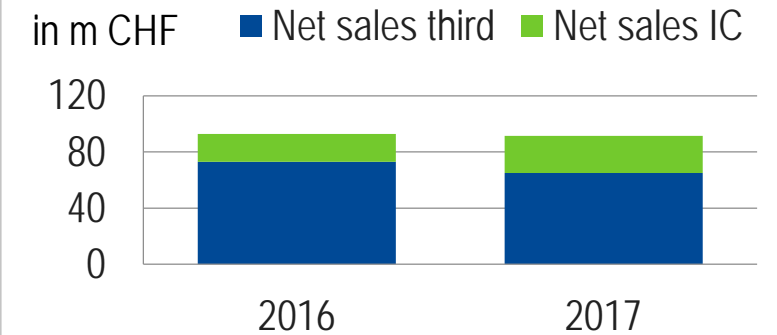
1) Board of directors' proposal

*) Without one-off effect from amendment in regulation of Swiss pension fund

FINEBLANKING TECHNOLOGY

Order entry increased by 17.2% to more than CHF 100 m

- ▶ Stable sales with CHF 91.4 m
- ▶ EBIT* of CHF 4.0 m and EBIT margin* of 4.4% slightly lower due to product mix changes
- ▶ R&D expenditures increased once more to CHF 7.0 m
- ▶ Order backlog with CHF 45.4 m on highest level since financial crisis
- ▶ Segment System Parts biggest customer with 29% sales share

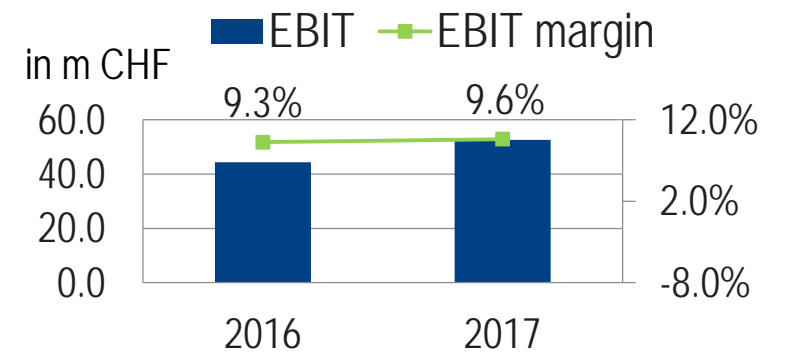
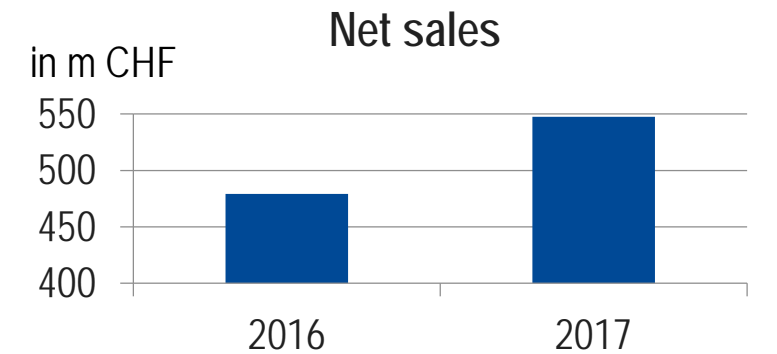


*) Without one-off effect from amendment in regulation of Swiss pension fund

SYSTEM PARTS

EBIT-Margin* increased to 9.6%

- ▶ Sales increased to CHF 547.4 m, organic growth in local currency* of 11.0% (without acquisition)
- ▶ EBIT CHF 52.6 m; EBIT margin of 9.6%
- ▶ Europe with significant increase
- ▶ Preparation for further growth and new plant in Asia reduce EBIT margin



*) Without one-off effect from amendment in regulation of Swiss pension fund

BALANCE SHEET

Capital expenditures of 9.8% for future growth

Assets	12/31/2017 in m CHF	12/31/2016 in m CHF	Difference in m CHF
Cash and cash equivalents	52.4	92.8	-40.4
Trade and other receivables	111.5	85.7	25.8
Inventories / Net assets of production i.p.	84.6	72.1	12.5
Prepaid expenses and accrued income / Other receivables	6.8	5.3	1.5
Total current assets	255.3	255.9	-0.6
Property plant & equipment	280.0	237.5	42.5
Other fixed assets	62.1	37.3	24.8
Total non-current assets	342.1	274.8	67.3
Total assets	597.4	530.6	66.7

- ▶ Total assets increased to CHF 597.4 m
- ▶ Net working capital increased heavily
- ▶ Capital expenditures of CHF 60.1 m
- ▶ CHF 134.1 m of liquid funds or credit lines available

BALANCE SHEET

Solid balance sheet

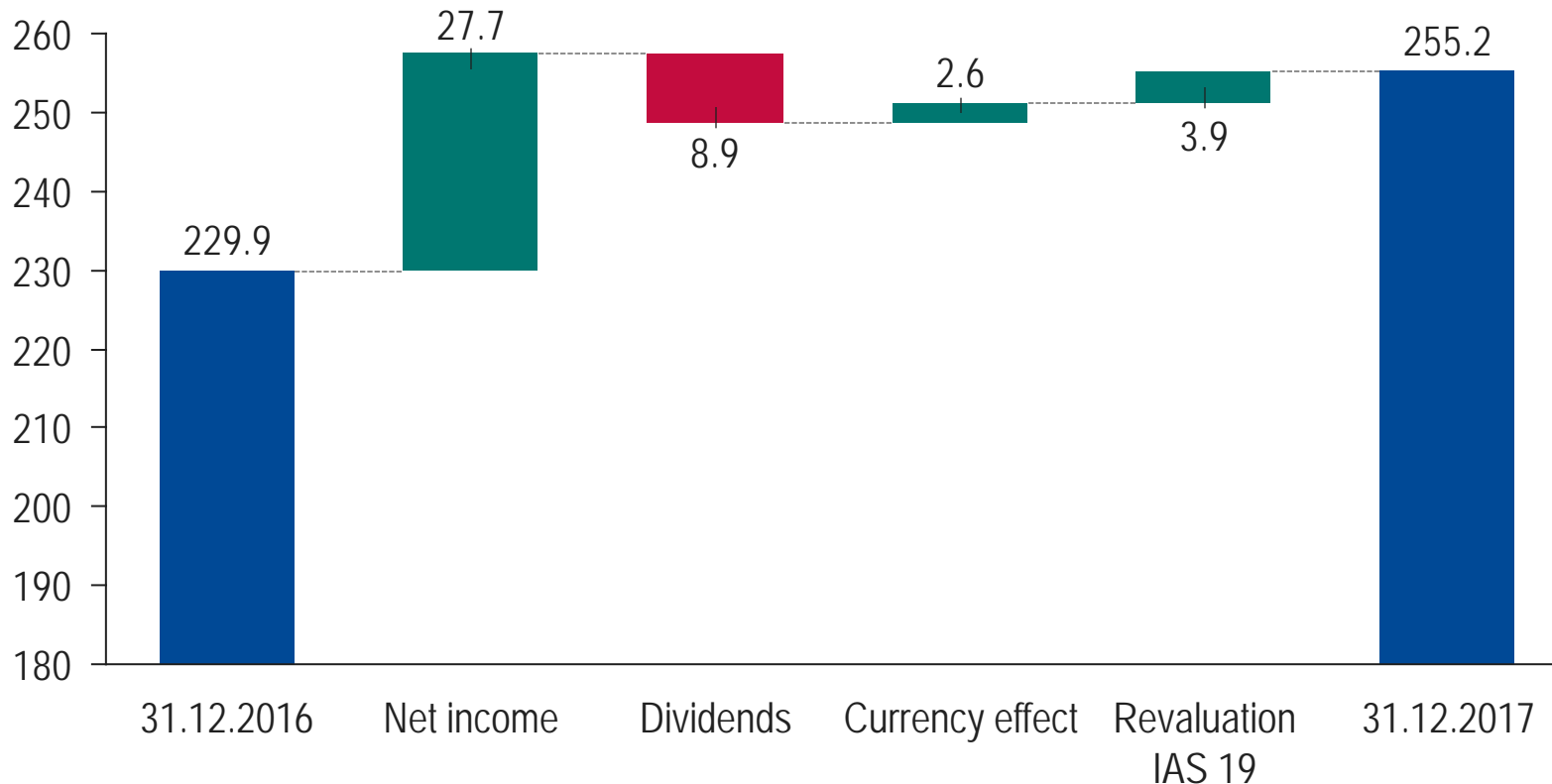
Liabilities	12/31/2017 in m CHF	12/31/2016 in m CHF	Difference in m CHF
Interest bearing liabilities	134.2	108.9	25.3
Other liabilities	208.0	191.9	16.1
Shareholders equity	255.2	229.9	25.3
Total liabilities and shareholders' equity	597.4	530.7	66.7
Equity ratio	42.7%	43.3%	-0.6%
Net debt	81.9	16.2	65.7

- ▶ Equity CHF 255.2 m
- ▶ Net debt increased to CHF 81.9 m due to acquisition in China and high investments
- ▶ Long term financing secured by syndicated loan of CHF 90 m
- ▶ Equity rate of 42.7% almost on prior-year level despite balance sheet extension

EQUITY

High equity ratio of 42.7%

in m CHF

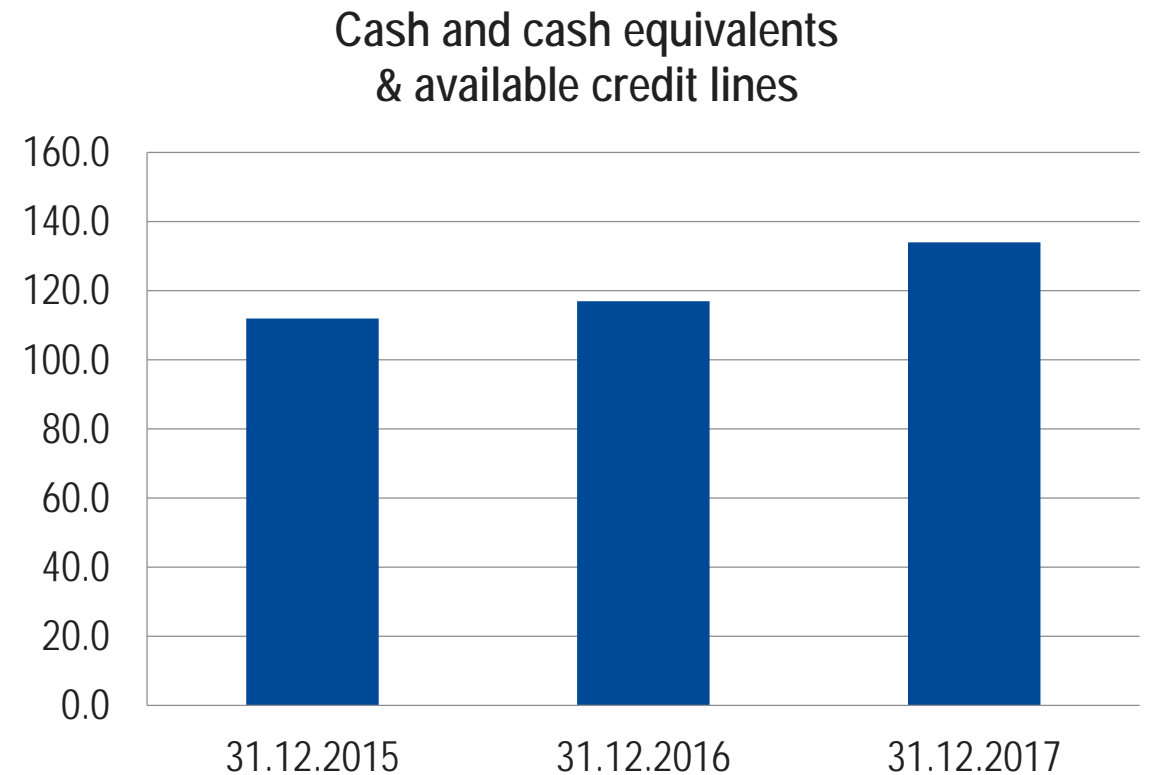



- ▶ Successful operations increases equity by CHF 25.3 m
- ▶ Revaluation of pension fund liabilities and currency effect with positive impact

CASH FLOW

Operational cash flow

- ▶ Operational cash flow reduced to CHF 38.5 m
- ▶ Free Cash Flow with CHF 38.6 m negative
- ▶ Liquid fund and confirmed open credit lines amount to CHF 134.1 m



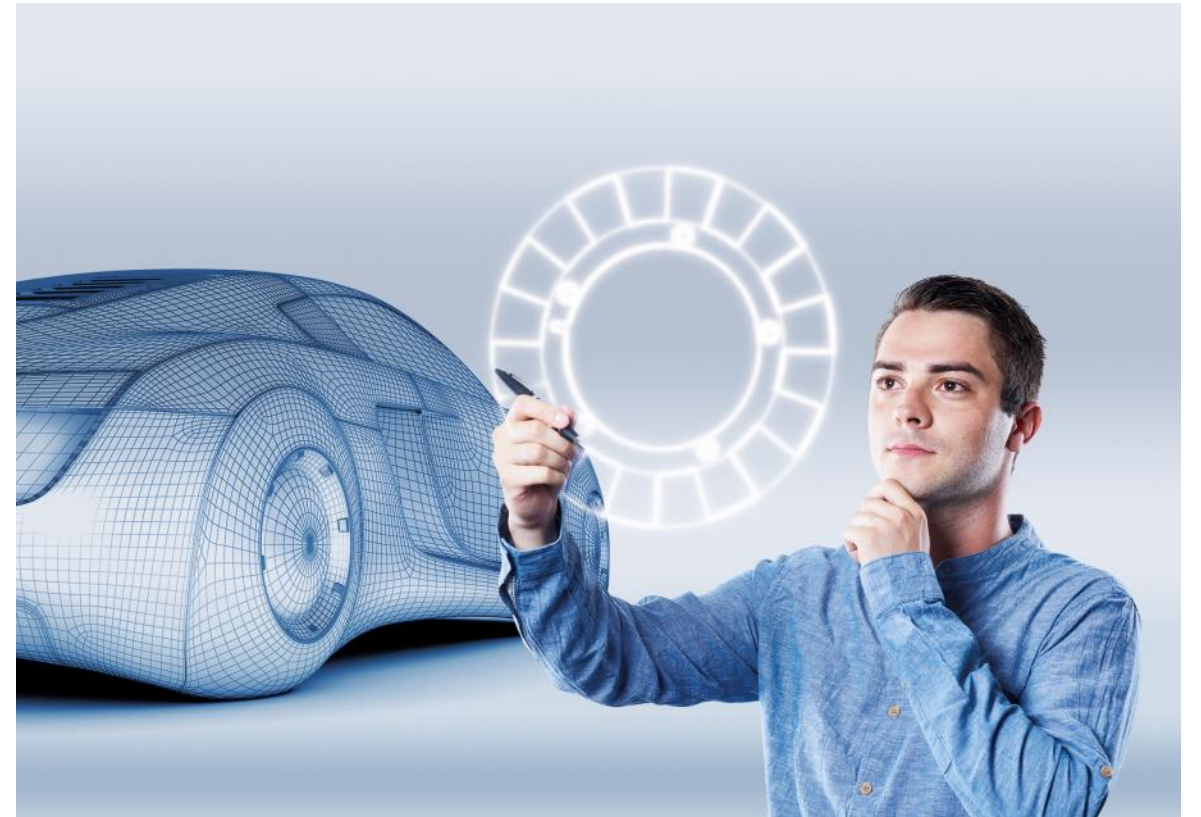


Knut Zimmer
Outlook

OUTLOOK

Key projects

- ▶ Increase in capacity: Expansion of the Tianjin plant, first products from the Most plant
- ▶ Vertical integration: Completion of the new heat treatment facility in Ohrdruf
- ▶ Future mobility: Development projects, partly in cooperation with customers and suppliers
- ▶ Research projects with universities
- ▶ Global customer projects – worldwide competence and synergies
- ▶ New developments for further growth



STRATEGIC PRIORITIES

Expanding horizons

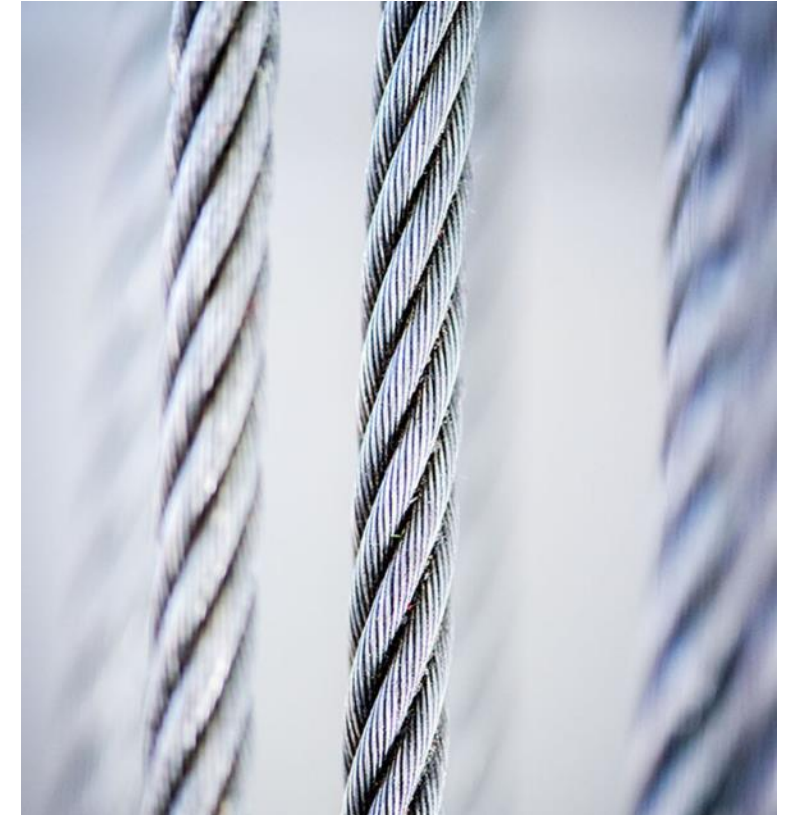
- ▶ Continue fineblanking and forming focus strategy
- ▶ Integrate Fineblanking Technology as a technology leader in fineblanking for System Parts
- ▶ Expand vertical integration into complementary procedures
- ▶ Strengthen the regions and plants
- ▶ Promote trans-regional cooperation within the Feintool Group in project organizations for the exchange of know-how
- ▶ Sustainable financing and healthy balance sheet as a basis for growth; renew authorized capital of 600,000 shares to exploit market opportunities



GUIDANCE

Continuation of positive business development

- ▶ Market environment shaped by political uncertainty
- ▶ We expect sales of CHF 630 - 650 m and an EBIT margin of 7.5% - 8.0%



AGENDA

Important dates

24 April 2018	1st quarter results and General Meeting
22 August 2018	Half-year report 2018
30 October 2018	3rd quarter results
5 March 2019	Annual Media Conference Financial Year 2018

Feintool Group Questions and answers

Expanding Horizons

Together achieving new dimensions in
fineblanking and forming



Feintool Group
Thank you for your attention.

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