FEINTOOL GROUP

EXPANDING HORIZONS WITH FINEBLANKING, FORMING AND STAMPING

Annual Report 2018

FEINTOOL
EXPANDING HORIZONS

KEY FIGURES AT A GLANCE

(ongoing operations only)

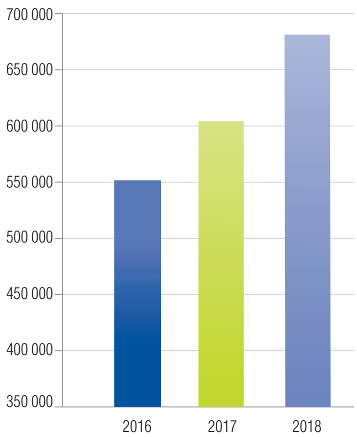
		2018 01/01/–12/31/18	2017 01/01/–12/31/17	2016 01/01/–12/31/16	2015 01/01/–12/31/15	2014 01/01/–12/31/14
Operating figures	in CHF m			.		
Expected releases – high volume parts manufacturing		286.1	264.0	240.9	209.6	213.9
Orders received third (investment goods)		87.7	82.7	57.2	77.2	86.7
Orders backlog third (investment goods)		31.0	38.3	19.1	36.0	32.9
Net sales		679.6	612.3	552.2	508.9	503.4
Earnings before interest, taxes, depreciation and amortization (EBITDA)		89.7	83.2	76.0 [1]	61.4	62.9
Operating profit (EBIT)		47.5	46.3	41.3 [1]	32.9	35.1
Net earnings		30.5	27.7	26.6 [1]	20.1	24.6
Return figures	in %					
EBITDA margin		13.2	13.6	13.8 [1]	12.1	12.5
EBIT margin		7.0	7.6	7.5 [1]	6.5	7.0
Net return on sales		4.5	4.5	4.8 [1]	3.9	4.9
Cash flow and balance sheet statistics	in CHF m					
Cash flow from operating activities		66.0	38.5	74.1	40.1	50.8
Cash flow from investing activities (net)		-121.0	-77.1	-59.4	-29.9	-12.1
Free cash flow		-55.0	-38.6	14.7	10.2	38.7
Total assets		705.3	600.4	530.7	426.9	427.4
Equity		320.8	255.2	229.9	207.9	202.9
Liabilities		384.5	345.1	300.8	219.0	224.6
Net debt		147.9	81.9	16.2	11.1	9.3
Equity ratio		45.5 %	42.5 %	43.3 %	48.7 %	47.5 %
Gross investments		101.2	60.1	74.9	31.8	43.4
Key figures per share	in CHF					
Earnings per share (basic)		6.63	6.22	5.97 [1]	4.51	5.53
Dividend per share		2.00 [2]	2.00	2.00	1.50	1.50
Equity per share		65.26	57.19	51.61	46.72	45.55
Other						
Number of employees at year-end (excl. apprentices)		2 697	2 485	2 239	2 049	1 987

[1] In financial year 2016, the Swiss pension fund approved an amendment to the regulations, which, according to IAS 19, had a positive impact on the consolidated statement of comprehensive income in the previous period to the tune of kCHF 7 083 (amount excl. deferred taxes of kCHF 1 629). The EBITDA, EBIT, net earnings, net return on sales as well as earnings per share are shown in this overview without this effect.

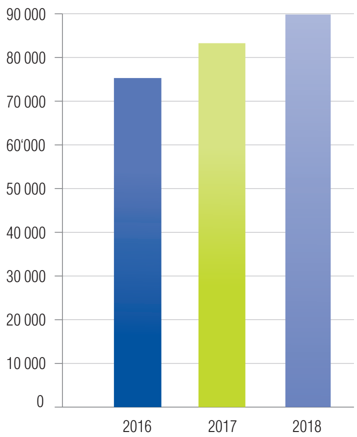
[2] Board of Directors' proposal

Feintool increases its sales by 11 percent in financial year. The profit before depreciation (EBITDA) increases to CHF 90 million.

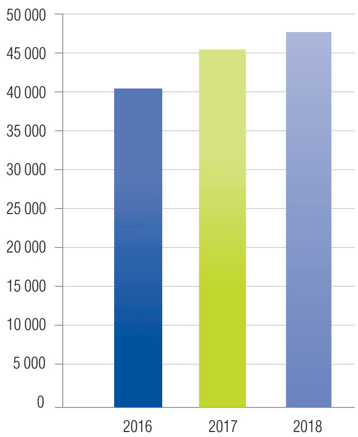
Netsales
in kCHF



EBITDA[1)]
in kCHF



EBIT[1)]
in kCHF



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KNUT ZIMMER

ALEXANDER VON WITZLEBEN

Dear Shareholders,

Feintool closed the 2018 financial year with a pleasing result and continued the growth trend of previous years. Sales in the Feintool Group increased 11.0 % to CHF 679.6 million. The Group result rose slightly to CHF 30.0 million, with an equity ratio of 45.5 %. We would like our shareholders to share in this success, which is why the Board of Directors will propose a dividend of CHF 2.00 per share to the General Meeting.

Complex market environment marred by political uncertainties

Growth in the automotive industry temporarily came to a standstill in 2018. According to market researchers at LMC Automotive, global production of passenger cars and light commercial vehicles fell -0.5 % in the year as a whole compared to 2017. The European market performed best, recording slight growth of +0.2 %. By contrast, Asia and North America experienced declines of -1.1 % and -0.2 %, respectively.

However, Feintool was largely able to withstand this trend: The System Parts segment, which supplies components to the automotive industry, grew +7.2 %. This was driven by continued good sales of SUVs, premium vehicles, automatic transmission and all-wheel drive cars as well as hybrid and, most recently, battery-powered electric vehicles. The System Parts segment recorded the largest growth in Europe (+8.3 %), followed by North America (+6.1 %) and Asia (+5.8 %). Within the automotive industry – which was weaker in the financial year 2018 – Feintool benefited from the fact that, the segment mainly supplied the vehicle types that recorded significant (in some cases double-digit) growth. Since the trend towards SUVs, premium vehicles (especially in the emerging markets), alternative drive systems and autonomous vehicles is likely to continue in the coming years, a further increase in demand for Feintool products is expected.

For 2019, LMC Automotive is forecasting global market growth for the automotive industry of +1.0 % compared to 2018, despite the ongoing difficult market environment. The trade dispute between the USA and China, global trade policy in general, the upcoming Brexit and stricter CO_2 targets make forecasts difficult. The first automobile manufacturers have already begun to relocate their production from the US to China – the effects of this development on the industry will become apparent in the course of the year. As end customer needs continue to develop in line with the trends already mentioned, Feintool expects business growth to continue in 2019, despite possible political uncertainties.

Fineblanking Technology expands its technology leadership

Business with fineblanking presses and tools developed very positively and once again exceeded the previous year's result. The new FB one hydraulic press generation launched in 2018 is part of a consolidation concept that makes fineblanking even more energy-efficient, connectable, reliable, cost-effective and powerful. The high demand shows that the high energy and resource efficiency of the FB one fits very well with existing and future customer requirements. In order to strengthen and further expand our market leadership, the product and service areas were radically modernized. Thanks to optimized processes and numerous innovations, the Fineblanking Technology segment is perfectly positioned and – thanks to the orders received to date – expects to develop very well in 2019 as well.

Investments in increasing market shares

Business with the newly integrated electro sheet metal stamping technology also developed encouragingly. Due to the steadily rising demand for efficient electric motors, especially in the field of mobility, the investment in the acquisition of Stanz- und Laser Technik Jessen GmbH has proven to be the right move. The integration into the Feintool Group was completed towards the end of 2018. Feintool is thus expanding its technological portfolio to include electro sheet metal stamping expertise. In combination with the fineblanking and forming technologies, the company is very well positioned and prepared to gain further market shares. After completing the first electro sheet metal stamping orders in Europe in 2019, the technology will subsequently be rolled out in Asia and North America to supply the growth market of electromobility worldwide. Feintool is also benefiting from increasing demand for electric motors beyond the automotive industry, for example in industrial applications (assembly robots) or in the energy sector (actuators for wind turbines).

Long-term strategy proves its worth

Feintool owes its overall positive development in a challenging environment to a long-term strategy that we have been consistently implementing since 2010. Our focus is on fineblanking, forming and now also electro sheet metal stamping technologies, specifically in the European, North American and Asian markets. All our activities serve to strengthen and expand our position in these markets. In 2018, we invested around CHF 100 million, including in the fineblanking operation in Most, Czech Republic. In the reporting period, the plant was equipped with production facilities and a state-of-the-art tool-room. We also invested in the expansion of the forming plant in Tianjin, China, and the fineblanking plant in Oelsnitz, Germany. The well-filled order books show that this is the right approach. Feintool is better than ever in a position to fulfill the high demand for its products at established locations worldwide.

Outlook and thanks

Feintool expects the automotive market to grow in the medium and long term. Due to economic and political uncertainties, there is the possibility of a short-term drop in sales in individual markets. In this context, Feintool expects sales of between CHF 690 and 730 million in 2019 and a slightly higher EBIT than in financial year 2018.

We would like to thank our customers, suppliers and shareholders, whose trust strengthens our commitment to “Expanding Horizons” on a daily basis. This is made possible above all by our dedicated employees, who also deserve our sincere thanks.

ALEXANDER VON WITZLEBEN
Chairman of the Board of Directors

KNUT ZIMMER
CEO

MARKET REPORT

After 2018 provided almost ideal conditions for Feintool right into the fourth quarter, the most important customer industry (automotive) lost some momentum towards the end of the year. Nevertheless, Feintool has again reached its ambitious goals and set the course in 2018 to continue operating successfully in the coming years in a continuously changing market environment.

IGlobal economic growth slowed in the final months of 2018. Having grown more strongly over the course of the year than projected in many forecasts however, the economic growth of 3.7 % for the full year is still in line with OECD projections. In light of several positive signals at the end of the year, the OECD expects slightly reduced yet nevertheless very solid global economic growth of as much as 3.5 % for 2019. Feintool's largest customer group, the automotive industry, came to a halt in growth in the last quarter of 2018. According to market research agency LMC Automotive, global automobile production decreased over the full year 2018 by -0.5 %, while in the previous year it had been growing by 2.2 %. It's clearly visible that this is the effect of the fourth quarter 2018, since the same research agency had estimated overall growth for the full year still at 1.1 % by the end of the third quarter 2018. In the Feintool core market Europe, production increased slightly by 0.2 %, while Asia shrinked overall by -1.1 %. After a weak year 2017, North America slowed the loss in production volume down, shrinking only by -0.2 % in 2018 (2017: -4.2 %). Even under these massively difficult conditions, Feintool continued to expand its market share and managed to grow. The specific trends in the automotive industry covered by Feintool, including premium vehicles, automatic transmissions (also with regard to autonomous functions which require transmission automation) and electrified (in particular hybrid) drives, contributed to this increasingly. In addition, SUVs remain highly popular, especially in the US, where, for example, Ford has announced that it will cease production of regular passenger cars (especially sedans) in favor of SUVs and pick-up trucks.

WLTP and political uncertainty

Mainly the European market was significantly impacted by the introduction of the new consumption and emissions test cycle WLTP at the end of 2018. On the one hand, as a result of the legislative change, vehicles certified according to the old standard were increasingly pushed into the market before the deadline of September 01, 2018, which resulted in an immediate drop in demand after the above deadline. On the other hand, as of the deadline, many vehicle manufacturers had only been able to certify part of their product portfolio according to the new WLTP cycle, which led to a supply shortage, and in particular a reduction in the variety of products on offer. In addition, there was growing uncertainty concerning Diesel bans in Germany, Europe's largest market, in addition to uncertainty surrounding the economic impact of the impending Brexit, as well as political uncertainty regarding the trade dispute between the US and China. Nevertheless, 2019 is likely to be a good year for the automotive industry again. It is assumed that the introduction of the WLTP will be balanced. LMC forecasts a 1.0 % increase in global production, driven by a European market that remains positive overall, but especially by an again faster gaining Asian market.

At the same time, the upheaval that is keeping the industry busy will continue to gain momentum in 2019. For example, the proportion of electrified vehicles, i.e. hybrid and electric vehicles, will reach more than 8 % of global annual production in 2019, an increase of roughly 3 percentage points compared to 2018.

Alternative drives

2019 will be a key year for the automotive industry in terms of electrification. Numerous new models will enter the market this year, with the Volkswagen Group in particular pushing ahead with a first wave of launches (with, for example, the Audi e-tron, the Porsche Taycan or the VW I.D. Neo) . For Tesla, 2019 will be the first full production year of the Model 3. With the significantly expanded range of pure e-vehicles in addition to a large number of new plug-in hybrid models, it remains to be seen how well the customers and thus the market is actually accepting these alternative drives by now. It is true that the charging infrastructure is still rather weak: According to the "National Mobility Platform," Germany needs about 70 000 public charging points, but in mid-2018 only about 5 000 public charging stations with 20 000 connections were available. However, the vast majority of driving profiles (the average distance traveled by a car in Germany is less than 40km/day) allows charging at home overnight and/or while at work.

The industry is also not idling as far as the longer-term future of the drive technologies is concerned. As specialist presentations at the 2018 CTI Symposium in Berlin demonstrated, the automotive industry now expects and is working towards a differentiated picture of a future technology mix. It is true that battery-powered vehicles and plug-in hybrids are reducing the fleet emissions of vehicles on the market. However, this alone is not enough to achieve the politically and socially recognized CO_2 emission targets, for example within the framework of the Paris Climate Agreement. Depending on the application and taking into account the total energy balance (cradle-to-grave and well-to-wheel), different alternative types of drive are emerging as the potentially most effective and efficient options:

- Battery-powered electric drives make the most sense for shorter distances and small vehicles, because they get by with relatively small batteries thanks to their low weight and manageable range requirements.
- Plug-in hybrids make sense for vehicles that are predominantly used to travel short and medium distances and in situations where it is important to be able to travel locally completely emission-free (for example, in inner cities).
- High-efficiency, mild-hybrid diesel vehicles (48V systems) are, for the time being, the unbeatable long-haul and high-mileage technology.
- In the long term, fuel cell vehicles will be able to replace plug-in hybrids and combustion engines for long distances, but only provided that corresponding investments are made to set up the hydrogen infrastructure.
- For the majority of internal combustion engine vehicles already built and in circulation (i.e. the installed base), synthetic fuels represent a possible means to reduce CO_2 emissions, especially if they are produced using renewable energy sources (solar, wind, hydropower).

Over the course of 2018, Feintool set the base to be able to supply components for all of these drive technologies. In addition to the well-known fineblanking and forming parts for internal combustion engine and hybrid drives, the focus was on being able to supply components for the electric drives installed in hybrid as well as in battery-powered and fuel cell electric vehicles. Two steps stand out: With the acquisition of the new Feintool System Parts Jessen GmbH plant, the group now has the expertise and capacity to produce core components (rotors and stators) for electric motors and has the right basis for a worldwide roll-out of this technology. A fuel cell project was launched in 2018, which will allow us to present a large-scale manufacturing process for the production of metallic bipolar plates for fuel cell stacks within 2019.

Thus, the first steps have been taken to be able to offer to Feintool customers an even wider range of components for all drive technologies relevant now and in the future. With the global network of Feintool locations, this offer will also extend to all major production regions in the automotive industry.

Autonomous driving

The development towards autonomous systems did not stop in 2018, but it has developed very differently in different regions. While China has now approved the trial use of SAE level 4 autonomous vehicles, for example in Beijing, the legal basis has yet to be created for general approval of the first level 3 system in Europe, which was actually already expected in 2018.

Despite this, efforts are being made worldwide to develop market-ready autonomous or semi-autonomous systems. This will not have any direct implications for Feintool in 2019. However, it is expected that the proportion of automatic transmissions in passenger cars will continue to increase in 2019, also due to the further spread of self-braking assistance systems for new cars. This is having a positive effect on Feintool's business.

Shared mobility

Now that DriveNow and Car2Go, the shared mobility providers of BMW/Sixt and Daimler, are to merge, it would appear that not all shared mobility concepts are already profitable. At the same time, Uber, Lyft and their Chinese counterpart Didi continue to grow without losing momentum and are essential drivers for the development of autonomous systems. Although there is no direct influence on Feintool's business, large cooperations such as those between Uber and Volvo or Daimler now contribute significantly to the success of the respective car manufacturer. Accordingly, Feintool's sales may fluctuate, depending on which manufacturer gets large fleet orders from the mobility providers.

Connectivity and efficient production

The digital connection, in particular of the individual steps and the associated machines in the production process, is one of the key issues for the digitalization of the industry or the so-called Industry 4.0. It promises more flexible and efficient processes than at today's standards. Feintool is taking this into account with the latest generation of fineblanking presses, both for the automotive and other industries. The latest generation of hydraulic presses, called FB One, can be flexibly connected with the rest of the production network and already contains the required features for the integration of smart tools in the future, which for example autonomously monitor tolerances where needed.

Other markets

Especially with regard to Feintool's new electro sheet stamping technology for the production of rotors and stators for electric motors, other customer markets besides the automotive industry are of significant importance for the success of the company for 2019 and the years to come.

The focus of the media is currently on the electrification of mobility. However, there is no denying the fact that society as a whole is being electrified. Automation with robots in the industry is increasing rapidly. By the end of 2020, there will be more than two million industrial robots worldwide. Forklifts are increasingly powered by electricity to keep production halls free of exhaust gases. Modern houses have electric gates, shutters and blinds. The Internet of Things is increasing demand for remote-controlled actuators; from coffee machines to cat flaps, everything is equipped with electric motors these days. Where electricity is generated from wind power, large electric motors swing the wind turbines into the wind direction and electric transformers feed the electricity into the grid. Feintool serves all these markets, currently out of the base in Jessen, and globally in the future.

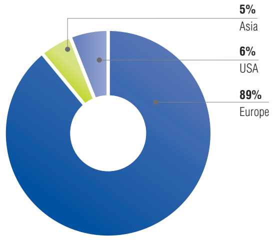
Outlook

For Feintool, the described market environment in the automotive industry is more complex than it was just a few years ago. However, it will continue to offer clear advantages for the technologically and globally broadly diversified Feintool Group. Significant strategic decisions have been made in recent years, thus leading to high investments in order to successfully face the changes in the automotive industry. In addition, these investments offer potential in the industrial and energy sectors and in other customer industries. Feintool therefore continues to look confidently into the future.

FINEBLANKING TECHNOLOGY SEGMENT

Press construction again exceeded the good result from the previous year. The new generation of “FB one” presses introduced in 2018 is also meeting with great interest from customers. In order to strengthen and further expand our market leadership, we have created the fundamental prerequisites in the product and service area. This is to be established in 2019.

Income by region
Fineblanking Technology



The upward trend continues. The Fineblanking Technology segment started 2019 with high capacity utilization – thanks to ongoing strong demand in new business. Incoming orders increased yet again in 2018, and customers’ reluctance to invest seems to have been finally overcome since an upward trend became discernible in 2017. This is also reflected in the operating result, which, with net sales of just under CHF 107 million, is around 17 percent better than in 2017. EBIT was CHF 9.8 million, two and a half times higher than in the previous year.

Good market situation, growing competitors

The strongest market for press construction remains Europe, where the most orders were received in 2018. At the same time, order volumes in Asia also increased. Especially in China, Feintool presses are in high demand with customers. US business remained stable compared to the previous year. Among the drivers are the servomechanical presses in the XFT series, which have now fully established themselves on the market. Feintool’s servo technology gives it a unique selling point over its European and Asian competitors. A servo fineblanking press is so powerful and flexible that it can completely replace two older production systems.

New flagship "FB one"

The expansion of the product portfolio in 2018 was an important milestone in ensuring that the Fineblanking Technology segment is also optimally positioned in the area of hydraulic presses: After three years of development and construction, the "FB one" prototype was introduced – a symbol of the most modern hydraulic fineblanking press in the world. Key customer requirements such as high energy efficiency, networking and digitization, as well as fast and optimal handling, were precisely implemented. It paid off: At the leading trade fair for surface finishing, the EuroBLECH 2018, the "FB one" was honored in the category "Forming and Stamping Technology, Machines and Plants." The first models are to be delivered in 2019 and will prove themselves under real production conditions. Additional orders have already been received.

Ready for more growth

In addition to the development of "FB one," the focus in 2018 was on optimizing the infrastructure for press construction at the Jona plant in Switzerland. At the new Press Competence Center, a fineblanking press can now be produced in just 14 weeks. The products are built on parallel assembly lines in cycle production, which lets Feintool build twice as many servo-mechanical and hydraulic fineblanking presses per year.

Parallel to press construction, Feintool has also optimized its range of services for customers. Due to the constantly increasing service life and the high performance of the presses as well as the wishes of many customers, the portfolio of services was significantly expanded area in 2018. From engineering and tool design to FEINmonitoring and full-service maintenance: Feintool will support its customers with know-how in many areas in the future.

New developments initiated

The segment continues to invest in research and development projects. In particular, Feintool has once again intensified its cooperation with partners from science and industry. The Arbeitskreis Feinschneiden, which the company initiated together with the Laboratory for Machine Tools and Production Engineering (Werkzeugmaschinenlabor, WZL) at the German RWTH Aachen University in 2016, now comprises more than 30 international member companies from the manufacturing industry and in 2018 pursued research projects on the fineblanking of tungsten carbide and the use of lubricants for fineblanking, among other things. In the context of electromobility, Feintool is also pushing ahead with a project for the complete production of metallic bipolar plates for fuel cells, which not only involves fineblanking, but also subsequent processing steps such as automation, welding, cleaning and testing.

Outlook for 2019

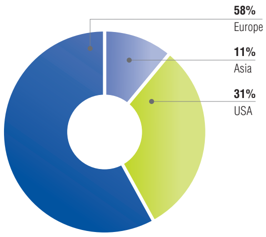
In 2018, numerous cornerstones for the future were laid in the Fineblanking Technology segment. This is also where the targets for 2019 come in. The "FB one" is to be developed and launched on the market in all sizes, from 400 to 1 100 tons of press force.

The aim of all activities is to also secure the leading position on the market in the future. Thanks to optimized processes and many innovations, the Fineblanking Technology segment is perfectly positioned and expects – in part on the basis of orders received to date – a positive development of business in 2019 as well.

SYSTEM PARTS SEGMENT

Business with fineblanked, formed and stamped electrical sheet metal parts ran at full speed in 2018 – mainly thanks to global automobile production, which grew again last year. The manufacturing plants are operating at full capacity overall.

Income by region
System Parts



2018 was a successful year for the System Parts segment. Despite a slight dip towards the end of the year, earnings increased slightly once again. Due to high demand for fineblanked, formed and stamped components, total turnover amounted to CHF 587 million. In particular, sustained high customer demand for sophisticated system components for all-wheel and automatic transmissions and damping elements played a decisive role in this positive development.

Business with the newly integrated punch packaging technology, which is used to manufacture rotors and stators for electric motors, developed encouragingly. This contributed to growth as expected. Due to the steadily rising demand for electric motors, the investment in the new punch packaging business segment has proven to be worthwhile, especially since demand for components for electric motors is likely to continue growing.

Brisk business activity worldwide

China is becoming an increasingly important sales market for the automotive industry and thus also for Feintool. The high demand for premium-segment vehicles in particular is leading to an increase in production, also directly in China. A large number of fineblanked and formed components are installed in high-quality vehicles. This has resulted in particularly high potential for Feintool in the Chinese market, despite the temporarily reduced growth forecasts for the Chinese economy. In the medium term, Feintool expects sustained and solid growth, and thus increasing demand for Feintool products.

In Japan, the System Parts segment was able to maintain the high level of sales and earnings recorded in 2017, and its market position and profitability remain stable.

In the US, sales and overall income also remained stable. The significant increase in steel prices in 2018 was largely passed on to customers. Demand for SUVs in the North American market continues unabated. With its products, Feintool continues to be excellently positioned and in demand in this vehicle segment.

Capacity utilization at the European plants remained high despite an increase in skepticism about diesel vehicles, for example due to the threat of driving bans in Germany, which had an impact on demand. On the other hand, increasing demand for hybrid vehicles was already recorded in 2018.

Strategic investment completed

Feintool again made targeted investments in new and sustainable areas in 2018. The acquisition of Feintool System Parts Jessen GmbH is of particular note. The strongly growing company employs around 200 people. The technological expertise in the blanking and laser cutting of electrical sheet metal obtained through the acquisition is to be developed first in Europe and then, in further stages, on a global level. The acquisition will significantly strengthen the System Parts segment and open up a further business area. Feintool already supplies the growing hybrid drive market with fineblanked and formed components. The product range is now being expanded to include punch-packaged rotor and stator components. This expansion fits perfectly into Feintool's existing product and process portfolio and is also an investment in the future. In the medium term, the company expects further sustainable growth for these products in the automotive industry, the energy sector and for industrial applications. In particular, electrification in all these industries will ensure high demand for electrical sheet metal components in future.

In order to meet the high global demand for fineblanked and formed components and enable further growth, the company continued its expansion strategy in 2018. This strategy focuses on the core markets of Europe, North America and Asia. The plant in Tianjin supplies the Chinese market with formed components to meet the growing demand for mid-range and luxury vehicles. Work started to expand the site in order to meet the high customer demand. This ensures that all orders can be fulfilled as planned in 2019. An additional capacity expansion in Tianjin is planned for the next few years.

In Europe, the new plant in Most, Czech Republic, was also completed on schedule. The first fineblanked components and tool elements will be manufactured there in 2019. The development of hardening technology at the Ohrdruf plant in Germany has also been completed.

Adding value

Feintool is continuously expanding its product range for its customers by enlarging its product portfolio to include supplementary manufacturing processes such as hardening, welding, machining, grinding and assembly. Feintool is thus meeting the need of its customers to obtain development know-how and manufacturing competence from a single source. This strategy enables Feintool to consistently gain new customers and at the same time strengthen existing customers' loyalty.

Established manufacturing processes are being rolled out internationally and across locations using the best practice model, for instance laser welding from Germany to China. The new Jessen site will play a major role in the coming years with its technologies that complement the product portfolio, such as plastic insulation. In future, Feintool will increasingly supply customers with products that are ready for assembly.

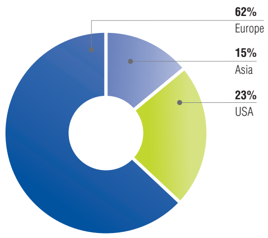
Thanks to all these activities, the System Parts segment will continue to grow in 2019.

HUMAN RESOURCES

In 2018, Feintool had almost 2 700 employees worldwide. The Group owes its success to their knowledge and skills. This made the big response and detailed feedback from the group-wide employee survey all the more gratifying. The results will help us become even better together.

Employees by region

in % (from a total of 2 697 excluding apprentices)



Employees identify with Feintool

In the reporting period, Feintool again conducted a worldwide employee survey, for the first time together with the “Great Place to Work” institute. With a participation rate of over 70 %, the survey did very well compared to previous years. This shows how committed and willing the workforce is to develop the company further with their ideas and suggestions.

The survey results are positive overall – despite the challenge of addressing the entire group with its 16 companies and their specific environment in a single questionnaire. Especially, the topics of “Safety at work” and “Identification with Feintool and the corporate philosophy” were rated highly. Employees saw potential for improvement in management communication and transparency. The evaluated results were then presented to the managers and measures derived from them in local teams. These will be implemented in the coming months.

Focus on further education and training

In order to develop employees both professionally and personally, training courses are held worldwide on the basis of annual training plans and training needs are individually identified in staff appraisals. The training courses impart job-specific knowledge, leadership skills and knowledge of environmental protection, occupational health and safety. These range from legally required training courses such as forklift and crane training to management skills training.

Integrated training further supported

Feintool relies on the integrated education system (dual-system) for its training – consisting of theoretical training at external institutions and hands-on experience in the Feintool companies. Not only in Europe, where this model is widespread, but also in the US and China. Together with the Chein-Sung Institute of Technology in Taicang, China, Feintool has been training press and grinding machine operators and toolmakers since 2017. At its US plants, Feintool also works closely with local technical schools to train mechanical engineers.

In Europe, 14 apprentices completed their training in 2018. A prospective specialist in Obertshausen was distinguished as the best toolmaker in the Offenbach IHK district.

In addition, the plants in Obertshausen, Ohrdruf and Ettlingen have offered an integrated course of study in mechanical engineering since 2015. After three years of training, we have been able to notch up the first successes: In mid-2018, the first mechanical engineering student in Ettlingen successfully completed her integrated degree. At the same time, she is a good role model for future female students and trainees. Feintool would like to encourage more female applicants to complete technical apprenticeships and degree courses.

Focusing on young talent

Feintool carries out a wide range of measures worldwide in order to meet the demand for future young specialists and to position itself for the future with the best possible knowledge and talent. The company advertises at schools, participates in exhibitions, organizes open-house days and enters into cooperation agreements. For example, the Jena plant in Germany is participating for the fourth time in the “College on Tour” initiative organized by the Chamber of Commerce and Industry East Thuringia at Gera. During a project day at the company, interested schoolchildren were able to find out about the tool-making profession.

Exchange of knowledge in teamwork

Thanks to its worldwide presence, Feintool benefits from the diversity of its employees. People with different cultural and professional backgrounds, approaches, ideas, working methods and skills work together at our plants on all continents. This diversity offers great potential. In 2018, Feintool therefore continued to promote worldwide exchange and knowledge and experience transfer within its workforce.

One impressive example was the integration of the latest Feintool System Parts plant in Jessen, Germany. The new employees were integrated within a few months of Feintool taking over Stanz- und Lasertechnik Jessen GmbH. This was ensured by a project team comprising staff from Sales and Purchasing, Technology and Production, HR and Communications: Small groups from all areas of the company worked on integrating the new colleagues into the Feintool world as quickly as possible. In return, the first training courses have already been held for Feintool employees on the subject of e-sheet metal stamping. The knowledge transfer has been initiated and will continue to be supported in the coming months.

The new fineblanking plant in Most (Czech Republic) has also been successfully established thanks to the experience and technical expertise of other locations. Here, too, a Feintool project team ensured that everything from recruitment and the installation of the new equipment to several weeks of specialist fineblanking training for employees on site and abroad was carried out quickly and in the spirit of a best-practice model.

SUSTAINABILITY

Energy efficiency continued to play an important role in the automotive industry in 2018. As a global supplier and key partner in the global supply chain, Feintool is supporting manufacturers to build low-emission vehicles.

People's awareness of and political attention to environmental issues increased in 2018. Above all, the focus is on climate change and the reduction of emissions from fossil fuels.

This will be challenging, especially in the automotive industry, Feintool's largest and most important customer group. On the one hand, demand for SUVs and premium vehicles continues to be high, on the other hand, end customers attach importance to low-emission vehicles. Last year, 51.97 % of German consumers considered low carbon emissions to be a "very important" or "important" argument when buying a car. According to the consumption and media analysis of the VuMa 2019 working group, the figure was as high as 73.8 % of those surveyed – a consistently high figure compared with the previous year. At the same time, demand for the expansion of e-mobility is also increasing.

The environmental awareness of customers in North America and Asia is developing similarly. The market research institute Nielsen Scarborough found that 81 % of people in Asia are "very concerned" or "concerned" about air pollution. In the USA, 61 % of respondents considered air quality to be a problem. To address this, consumers want countermeasures from industry and commerce. 69 % of Americans consider the implementation of environmental programs in companies to be very important or important, in Asia even 83%. Growing worldwide environmental awareness is also having a political impact: From 2020, for example, new cars in the EU will be subject to a new maximum limit of 95 g CO_2/km (previously 130 g CO_2/km).

Well prepared for new demands and technologies

The automotive industry is experiencing a period of transformation. In 2018, manufacturers again produced more electric vehicles and cars with hybrid drives. Although the total number of these vehicles is still comparatively low compared to conventional drives, the trend towards e-mobility is likely to continue. In Germany, the number of electric cars has doubled within two years. In China, the automotive industry sold 1.27 million electric vehicles in 2018, an increase of around 64 % compared to 2017. The trend towards electrification and electric vehicles will enable Feintool to be a key partner in future. The company offers exactly the technologies needed to supply customers with the components they require. At the same time, Feintool takes steps to ensure that it contributes to the conservation of resources. All manufacturing processes, products and services are continuously analyzed and optimized. Through these measures, Feintool is fulfilling its responsibility as a specialized supplier to leading OEMs, by reducing energy consumption and thereby contributing to an efficient overall process.

"FB one" sets new standards in energy efficiency

One example is the "FB one", the latest generation of hydraulic fineblanking presses. After three years of development and construction, the prototype was presented in mid-2018 and the first models are to be delivered from 2019. In terms of energy efficiency, the "FB one" clearly beats previous press generations. Energy consumption is up to 30 % lower, and the "FB one" requires around 50 % less hydraulic oil than its predecessors. Wear and tear will also be lower in future. "FB one" is thus contributing to reducing the consumption of resources in the production process.

Plants all over the world promote sustainability

The worldwide Feintool plants are supporting sustainability. In China, comprehensive measures have been taken in the area of waste management. The aim is to achieve European waste disposal and recycling standards as far as possible. The high standards are making an impact both in terms of waste oil and water used in the production process. Both raw materials are recycled after use and can therefore be reused to a large extent. Various sustainability projects are also underway in the US. For example, rainwater is collected in collecting basins and can then be used in production. European plants are also expanding their environmental standards. At the company headquarters in Lyss, buildings have been running on district heating since the end of 2018. For Feintool, the switch from gas heating to the more sustainable form of energy is part of the measure to further reduce oil and gas emissions. At the Jena plant, a newly established energy team is to ensure that environmental awareness continues to increase. The team will meet four times a year in future, to decide on suitable measures. Employee training will also be promoted. In addition to special training courses and to heighten their environmental awareness, employees can borrow energy meters and use them to test the power consumption of various devices, both at work and at home.

Code of Conduct

Customers, suppliers, business partners, shareholders, media and the public: trust and good cooperation between Feintool and the aforementioned players are crucial. Feintool attaches great importance to an honest, transparent and trusting corporate culture in order to meet expectations. In order to communicate this culture, the Group formulated a Code of Conduct some time ago and has been providing regular training for its employees ever since. These defined guidelines and goals are valid and binding for all plants. The establishment of the Code of Conduct is intended to communicate an important concern to employees: the active fulfillment of Feintool's responsibility for the environment and society.

FEINTOOL GROUP

Sales increase by 11.0 %;
Net income above CHF 30 million.

FINANCIAL REVIEW

as at December 31, 2018

BUSINESS PERFORMANCE

General

The consolidated financial statements for 2018 apply to Feintool International Holding AG and its subsidiaries. They cover the period January 1 to December 31, 2018.

On July 31, 2018, Feintool Holding GmbH, Bayreuth, acquired 100 % of the German company Stanzwerk Jessen GmbH, located in Jessen, Saxony-Anhalt, Germany, with its subsidiaries Jela GmbH, SLTJ GmbH and Stanz- und Lasertechnik Jessen GmbH. SLTJ GmbH was subsequently merged with Stanz- und Lasertechnik Jessen GmbH. The name of the company was then changed to Feintool System Parts Jessen GmbH. In the final five months of 2018, these companies generated sales of CHF 18.1 million and EBIT of CHF 1.5 million.

On April 13, 2017, Feintool acquired Schuler (Tianjin) Metal Forming Technology Center Co., Ltd. in Tianjin, China. The name of the company was then changed to Feintool Automotive System Parts (Tianjin) Co., Ltd.

Orders received and order backlog in the capital goods business; expected releases in high-volume parts production

Orders received in the Fineblanking Technology segment, which operates in the capital goods sector, increased by 1.7 % over the very strong previous year to CHF 102.3 million (previous year CHF 100.6 million), with CHF 14.6 million stemming from the System Parts segment, which was again less than in the previous year (CHF 17.9 million). Third-party orders thus rose by 6.1 % to CHF 87.7 million (previous year CHF 82.7 million). However, with a 14.3 % share (previous year 17.8 %), the System Parts segment remains the largest individual customer.

Order backlog fell by a total of 17.9 % to a still good CHF 37.3 million (previous year CHF 45.4 million). The order backlog for internal orders fell slightly to CHF 6.3 million. The third-party order backlog thus stood at CHF 31.0 million (previous year CHF 38.3 million). The current order backlog means six to eight months of unfulfilled orders for the long-term press business. As a result, press building has a good starting position also for the 2019 financial year.

Expected releases in the high-volume parts segment for the next six months amount to CHF 286.1 million. This represents an increase of 8.4 % over the previous year, with CHF 10.5 million relating to the new “electro sheet stamping” unit. Although considerably lower sales were recorded for the months of November and December 2018, this value remains at a high level.

Net sales

Consolidated sales rose in the reporting currency by 11.0 % to CHF 679.6 million (previous year CHF 612.3 million). In the year under review, currency effects bolstered growth with an impact of CHF 8.6 million, or 1.4 percentage points. Acquisition of the “electro sheet stamping” unit contributed CHF 18.1 million, and the Chinese forming plant acquired in the previous year, CHF 3.0 million (in the first three months). Accordingly, the contribution by acquisitions to sales growth stood at 3.4 percentage points. In local currency, Feintool thus posted organic sales growth of 6.1 %. The striking recovery of the press and tool business, along with an economic upturn in the automotive sector that remained good into the third quarter, made this development possible. The System Parts segment generated 86.0 % of third-party sales (previous year 89.4 %). At 14.0 %, the share of sales generated by the capital goods business rose for the first time in about ten years.

Despite the considerably worse market environment in the fourth quarter, sales for the System Parts segment rose by 7.2 % in the financial year to CHF 586.9 million (previous year CHF 547.4 million). The positive currency effects amounted to CHF 8.6 million, and the positive effect from acquisitions totaled CHF 21.1 million. The segment’s growth in local currency thus reached 5.6 %, or still 1.8 % excluding acquisitions. Sales in Europe rose by a total of 8.3 % to CHF 342.1 million and included a positive currency effect of CHF 8.6 million and an acquisition effect of CHF 18.1 million. Excluding currency and acquisition effects, parts sales in Europe thus came in at the previous year's level (-0.2 %). Rising quantities of new products compensated for the market downturn and price reductions agreed to with customers. Business in North America rose in the reporting currency by 6.1 % to CHF 182.3 million. The currency effect of the U.S. dollar in the amount of CHF 0.7 million had a negative impact on sales, thus resulting in growth in local currency of 6.5 %. Considerably higher steel prices, which were largely able to be passed on to customers, are included in this sales increase. Sales in Asia rose by 5.8 % to CHF 64.6 million. The acquisition of the forming plant in China had a positive effect in the amount of CHF 3.0 million, and positive currency effects amounted to CHF 0.7 million. Asian business excluding currency and acquisition effects thus again remained at the previous year’s level, with a shift of CHF 2.3 million from Japan to China. Due to many localization projects by Japanese automakers, vehicle production in Japan has been stagnating for several years. In the parts business, the regional sales shares changed only minimally. Europe posted a share of 58.1 % (previous year 57.7 %) and thus again contributed more than half of parts sales. The share posted by the U.S. plants fell slightly to 30.9 % (previous year 31.4 %). The Asian share remained nearly unchanged at 11.0 % (previous year 10.9 %).

16.9 %

Growth in local currency
of the capital good business

Sales by the Fineblanking Technology segment rose considerably by 16.9 % to CHF 106.9 million (previous year CHF 91.4 million). The translation effects of foreign currencies are negligible in the capital goods segment. Internal sales with the System Parts segment fell to CHF 12.2 million and thus amounted to just 11.4 %. Sales to third-party customers increased by CHF 29.7 million, or 45.8 %, to CHF 94.7 million.

Overall, the Feintool Group sold CHF 371.7 million of its products and services in Europe, with the percentage share of 54.7 % remaining constant compared with the previous year (CHF 334.7 million or 54.7 %). With sales of CHF 184.8 million, or 27.2 % (previous year CHF 171.8 million, or 28.1 %), growth of sales in North America was slightly weaker than in the other regions. Asian sales increased to CHF 123.0 million, or 18.1 % (previous year CHF 105.8 million, or 17.2 %). Sales in Switzerland amounted to just CHF 6.4 million, or less than 1 %.

Gross margin

The gross margin fell by 1.4 percentage points compared with the prior year to 38.7 %, while gross profit increased by 7.0 % and amounted to CHF 262.8 million in the financial year.

Materials are by far the largest cost component for Feintool. In the year under review, the materials share of sales rose from 45.7 % to 47.3 %, and the cost of materials amounted to a total of CHF 321.6 million (previous year CHF 279.9 million). Materials costs also include costs for external processing of parts, such as hardening or coating. Steel prices, which in some cases rose sharply (particularly in the U.S.), had the largest impact on the change in the materials share in the year under review. Owing to price escalation clauses in many customer contracts and intensive negotiations, Feintool was able to pass on most of these increases to its customers. Direct personnel expenses totaled CHF 102.5 million, or 15.1 % of sales. The percentage increase in direct personnel costs by 0.3 percentage points is a result of higher added value and improvements in lead times for personnel deployment during production ramp-ups or at new plants (particularly in Most and Tianjin).

The System Parts segment achieved a gross margin of 38.9 %, which was slightly below the previous year's figure of 39.4 %. It was not possible to fully compensate for the lower margin due to higher steel prices. Increases in efficiency at many plants and greater vertical integration in the case of some products had a positive effect but will still need to be significantly enhanced in the coming months.

In the Fineblanking Technology segment, the gross margin fell to 36.0 % (previous year 38.3 %). This trend was caused, on the one hand, by changes in the product mix and, on the other, by a shifting of press sales to Asia – usually with a lower degree of extras (closer to the standard) and therefore with a slightly lower margin.

Key cost items

Personnel expenses increased overall by CHF 15.0 million, or 8.4 %, to CHF 194.9 million, or 28.7 % of sales (previous year 29.4 %). While direct personnel expenses increased by 13.4 % to CHF 102.5 million, or 15.1 % of sales, indirect personnel expenses increased at a below-average rate of just 3.2 % to CHF 92.4 million The share of sales thus fell to 13.6 %.

In the System Parts segment, personnel expenses rose by CHF 21.6 million to CHF 162.1 million. Of this increase, CHF 4.4 million was attributable to acquisitions. In addition, starting June 1, 2018, tool manufacturing in Lyss was integrated into the parts business for organizational considerations. This resulted in personnel expenses of CHF 4.7 million. The increase in personnel expenses from operating business thus amounted to CHF 12.5 million, or 8.9 %. In all, personnel expenses as a percentage of sales thus increased from 25.7 % to 27.6 %. Feintool's investments in the future, such as the construction of the two production plants in China, the plant in Oelsnitz and the establishment of the new plant in the Czech Republic, contributed to the rise in personnel expenses in percentage terms. Moreover, the increase in vertical integration through additional work steps, such as "hardening", is likewise associated with training expenses and a corresponding increase in the headcount.

In the Fineblanking Technology segment, personnel expenses fell by CHF 3.4 million to CHF 25.4 million, or 23.8 % (previous year 28.8 million, or 31.5 %). The shifting of personnel-intensive tool making had a positive effect here of CHF 4.7 million.

Other operating expenses rose by CHF 7.7 million to CHF 85.8 million. Relative to sales, these expenses fell slightly to 12.6 % (previous year 12.8 %). Systematic cost management was able to slow down the increase in costs. Other operating income rose slightly to CHF 2.7 million. As a result of the ongoing focus on core activities, income from secondary services and income from properties no longer in use were at a low level.

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

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by CHF 6.5 million, or 7.8 %, to CHF 89.7 million in the year under review. The currency effect in the amount of CHF 1.3 million had a positive impact. The EBITDA margin of 13.2 % in the financial year was lower than in the previous year by 0.4 percentage points.

Depreciation and impairment

Depreciation increased by 14.2 % to CHF 42.2 million in the year under review, with the acquisition effect amounting to CHF 2.0 million. High investments in recent years caused depreciation to increase by CHF 3.3 million, or 8.9 %. Relative to sales, depreciation rose from 6.0 % to 6.2 %. At CHF 101.2 million, investments significantly exceeded depreciation in the financial year, meaning that this expense item will continue to grow in the coming years.

Operating profit (EBIT)

Feintool generated an operating profit (EBIT) of CHF 47.5 million (previous year CHF 46.3 million), corresponding to a slight increase of 2.6 %. The positive currency impact on EBIT was CHF 0.7 million. In local currency, operating earnings (EBIT) thus rose by 1.2 %. Stanzwerk Jessen GmbH which was acquired at the end of July 2018, made a positive contribution to EBIT – after deduction of acquisition costs – of CHF 0.7 million, whereas the Chinese forming plant in Tianjin caused a negative acquisition effect of a similar size. Overall, Feintool achieved an EBIT margin of 7.0 % (previous year 7.6 %).

The operating earnings of the System Parts segment fell significantly by CHF 9.2 million, or 17.4 % (in local currency, 18.7 %), to CHF 43.5 million (previous year CHF 52.6 million). The decline in sales in the fourth quarter led to under-utilization of production at some plants. Moreover, some plants are preparing for new products, which resulted in considerable ramp-up costs. Overall, the EBIT margin in the parts business fell by 2.2 percentage points to 7.4 %.
Despite the acquisition in the "electro sheet stamping" area, the European plants posted a striking decline in EBIT of CHF 7.2 million. Nevertheless, this area made the largest contribution to EBIT, i.e. CHF 25.6 million. The U.S. plants contributed EBIT of CHF 17.8 million to results, a value comparable to that for the previous year. In Asia, EBIT in the parts business fell once again, coming in at just CHF 0.1 million in the year under review.

9.2 %

EBIT margin
in the capital goods business

By contrast, the Fineblanking Technology segment more than doubled its operating profit to CHF 9.8 million (previous year CHF 4.0 million). The margin rose sharply year-on-year to 9.2 % (previous year 4.4 %). The main reason for this development were considerably higher sales. Research expenses were similar to the previous year, coming in at CHF 4.8 million. Expenses in this area were continuously intensified as an investment in the future.

The non-operating units incurred costs of CHF 7.5 million (previous year CHF 9.0 million). This includes one-off costs of CHF 0.8 million in connection with the purchase of Stanzwerk Jessen GmbH. On the other hand, costs of CHF 2.0 million were incurred in the previous year in connection with focusing measures. Excluding special effects, the results for the non-operating units are comparable to previous years.

Financial result

The net financial result improved significantly to CHF -3.5 million (previous year CHF -6.2 million). This includes currency gains of CHF 1.2 million (previous year currency losses of CHF 2.9 million). Thus, excluding currency effects, the negative net financial result increased by CHF 1.4 million to CHF -4.7 million. This increase is a direct consequence of higher net debt, namely from CHF 81.9 million to CHF 147.9 million. Prior to the capital increase in September, net debt amounted to as much as CHF 200 million at times. The ratio of net debt to EBITDA was 1.6 at the end of the year.

Taxes

Tax expenses for the Feintool companies totaled CHF 13.5 million. The effective tax rate of 30.7 % is comparable to the value for the previous year (30.8 %). Feintool's important markets – Germany and Japan – have high tax rates. As in previous years, effective tax expenses are influenced by losses in countries (especially China) in which loss carryforwards become time-barred relatively quickly and as a result are not capitalized. In the year under review, the tax effect from non-capitalized losses amounted to CHF 3.4 million. Excluding this effect, the tax rate would be 23.1 % and thus even below the theoretical tax rate of 24.1 %. Non-capitalized loss carryforwards once again increased in the year under review by CHF 8.7 million to CHF 30.8 million, corresponding to a tax effect of CHF 8.2 million.

9.9 %

Growth in consolidated net income

Net income

Consolidated net income rose by 9.9 % year-on-year to CHF 30.5 million (previous year CHF 27.7 million). The return on sales remained unchanged at 4.5 %.

CONSOLIDATED BALANCE SHEET

The acquisition of the “electro sheet stamping” area and another round of very high investments once again caused a significant increase in balance sheet assets and liabilities. Total assets rose by CHF 104.9 million, or 17.5 %, to CHF 705.3 million.

Current assets declined by a total of CHF 19.5 million, or 7.5 %, to CHF 238.8 million. In this regard, the individual items trended differently. As a result of good receivables management, and influenced in part by weaker business in the fourth quarter, receivables fell by CHF 10.5 million to CHF 101.0 million – despite an increase of CHF 4.9 million from the acquisition of the “electro sheet stamping” area. In the year under review, Feintool succeeded in having to make hardly any more advance payments to suppliers. The reduction of such advance payments had an influence on total receivables of CHF 10.5 million. Relative to sales, receivables fell from 18.2 % to about 14.9 %. The age structure of receivables hardly changed in the year under review. Total receivables sold as part of factoring programs – which are not required to be included on the balance sheet – decreased slightly to CHF 11.4 million (previous year CHF 13.3 million). By contrast, inventories and contract asset balances increased by CHF 12.2 million to CHF 99.8 million, with CHF 4.7 million coming from the acquisition. Prepaid expenses and accrued income amounted to CHF 6.8 million. Cash and cash equivalents fell by CHF 21.5 million to CHF 30.9 million owing to good cash management.

Operating net working capital rose by CHF 17.1 million to CHF 95.1 million, amounting to 14.0 % of sales (previous year 12.8 %). The main reason for this increase is the change in inventories and net contract asset balances, which rose by CHF 12.2 million. Also having a negative impact was the decline in liabilities and the decrease in accrued liabilities and deferred income by a total of CHF 11.1 million. On the other hand, receivables declined by CHF 10.5 million. Feintool continues to make consistent use of the discounts and rebates granted by a number of important suppliers, which inevitably reduces its flexibility with regard to its liabilities.

As a result of another round of high investments and the acquisition of Stanzwerk Jessen GmbH, fixed assets rose by CHF 101.2 million, or 36.4 %, to CHF 466.5 million. The acquisition caused fixed assets to increase by CHF 76.1 million. Excluding the acquisition effect, the increase in fixed assets would be just 14.1 %. Property, plant and equipment rose by CHF 67.0 million – CHF 12.4 million due to the acquisition – to CHF 347.0 million. Intangible assets increased by CHF 57.5 million to CHF 101.2 million, with CHF 63.7 million resulting from the acquisition. The items capitalized research and development costs and software did not change materially in the year under review. Financial assets remained virtually unchanged at CHF 1.8 million. Deferred tax assets of CHF 16.5 million likewise changed little.

On the liabilities side of the balance sheet, debt rose significantly by CHF 39.4 million to CHF 384.5 million, with the acquisition accounting for CHF 46.2 million of the increase, meaning that, excluding the acquisition, debt would have fallen slightly owing to the capital increase that was carried out. Trade payables, tax liabilities and other liabilities fell by CHF 9.5 million and totaled CHF 78.2 million, and excluding the CHF 5.4 million resulting from the acquisition, the decline would be even higher. Accrued expenses and deferred income, current and non-current provisions and deferred tax liabilities increased by CHF 4.8 million (CHF 6.5 million from the acquisition) to CHF 68.5 million. Pension liabilities (IAS 19) remained virtually unchanged at CHF 59.0 million.

Interest-bearing liabilities rose sharply by CHF 44.5 million – CHF 34.3 million of which being attributable to the assumption of debts from the acquisition of Stanzwerk Jessen GmbH – to CHF 178.7 million. CHF 73.8 million of the interest-bearing liabilities are short-term. Non-current interest-bearing liabilities amounted to CHF 105 million in the year under review. The syndicated loan of CHF 90.0 million that had been signed in the previous year was able to be extended in the year under review by one year until June 17, 2023. Taking into account existing cash and cash equivalents, net debt thus stood at CHF 147.9 million (previous year CHF 81.9 million). With CHF 86.8 million in cash and cash equivalents and available, confirmed bank lines, Feintool has sufficient financial flexibility, despite high investments and the acquisition (CHF 134.1 million).

On September 20, 2018, Feintool successfully carried out a capital increase for the purpose of partially financing the acquisition. In this regard, 451 871 shares were sold at an issue price of CHF 112.50, resulting in an inflow, less corresponding costs, of CHF 50.0 million. Equity thus stood at CHF 320.8 million as at December 31, 2018 (previous year CHF 255.2 million). The equity ratio rose from 42.5 % to 45.5 %. The statement of changes in equity shows that from operating business, consolidated profit increased equity by CHF 30.5 million. The distributed dividend in turn reduced equity by CHF 8.9 million. Currency translation differences totaling CHF 5.2 million and the repurchase of treasury shares in the amount of CHF 2.1 million further reduced equity. The other items were of only minor significance.

CONSOLIDATED STATEMENT OF CASH FLOWS

The cash flow from operating activities was CHF 66.0 million, or 71.4 % higher than in the previous year (CHF 38.5 million). This gratifying result is attributable to cash flows from operating activities of CHF 91.0 million (+CHF 15.8 million), which had an effect on liquidity, and a considerably lower increase in net working capital of CHF 12.7 million (previous year CHF 24.2 million). The cash flow from investing activities was strongly negative at CHF 121.0 million (previous year CHF 77.1 million), with CHF 39.6 million being attributable to the cash purchase price for Stanzwerk Jessen GmbH and CHF 81.4 million (previous year CHF 50.3 million) being invested in property, plant and equipment. Overall, therefore, this resulted in negative cash flow from operating activities of CHF 55.0 million (previous year positive CHF 38.6 million). Feintool was not able to finance the very high investments from its operating business in the year under review.

EMPLOYEES

The number of employees (excluding trainees) increased by 212 to 2 697 in the financial year. Of these employees, 196 worked at Stanzwerk Jessen GmbH at the time of acquisition. In addition, 82 (previous year 81) young persons are currently with our company as trainees. The System Parts segment had 2 489 employees, an increase of 283. The 196 employees from the acquisition, as well as the organizational shifting of tool making in Lyss – reclassification from capital goods to the parts area – which affected 68 people, had a decisive impact on this increase. As a result of sales growth, 19 new positions were created. The Fineblanking Technology segment had 174 employees at the end of the year (-65 compared with the previous year), of whom 68 were shifted to another segment for organizational reasons. Thirty-four people (-6) were employed in units not directly involved with operations. At the end of 2018, Feintool had 1,692 employees (63 % of the workforce) in Europe, which was 202 more than in the previous year. Of these, 422 (previous year 419) worked in Switzerland. In the U.S., the headcount fell by 12 to 608 employees (22 % of the workforce), while in Asia the number rose by 22 to 397 (15 % of the workforce).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 2018 financial year (January 1 to December 31, 2018)

		2018		2017	
	Note	in CHF 1 000	in %	in CHF 1 000	in %
Net sales	**3**	**679 551**	**100.0**	**612 333**	**100.0**
Change in finished and semi-finished goods and work in progress		7 249		3 496	
Capitalized self-generated assets	4	2 427		2 849	
Material cost		-321 557		-279 870	
Personnel expenses	5	-194 908		-179 877	
Other operating expenses	6	-85 785		-78 132	
Other operating income	7	2 738		2 442	
Earnings before interest, taxes, depreciation and amortization (EBITDA) [1]		**89 715**	**13.2**	**83 241**	**13.6**
Depreciation and amortization	17, 18	-42 199		-36 937	
Operating profit (EBIT) [2]		**47 516**	**7.0**	**46 304**	**7.6**
Financial expenses	8	-21 867		-14 528	
Financial income	9	18 353		8 326	
Earnings before taxes		**44 002**	**6.5**	**40 102**	**6.5**
Income taxes	10	-13 524		-12 359	
Net income attributable to Feintool Holding shareholders		**30 478**	**4.5**	**27 743**	**4.5**

[1] Includes the operating result before depreciation and amortization, (net) financial income and income tax.

[2] Includes the operating result before (net) financial income and income tax.

	Note	2018 in CHF 1 000	2018 in %	2017 in CHF 1 000	2017 in %
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences		-5 200		2 595	
Income taxes on recycable items		339		-136	
Items that may not be reclassified to profit or loss					
Reassessment of net defined benefit liability (asset)		240		5 007	
Income taxes on non recycable items		-99		-1 064	
Total other comprehensive income		**-4 720**		**6 402**	
Total comprehensive income attributable to Feintool Holding shareholders		**25 758**		**34 145**	
Net income attributable to Feintool Holding shareholders		30 478		27 743	
Total comprehensive income attributable to Feintool Holding shareholders		25 758		34 145	
Basic earnings per share (in CHF)	12	6.63		6.22	
Diluted earnings per share (in CHF)	12	6.63		6.22	
Number of employees					
Number of employees excl. 82 (previous year 81) trainees	**5**	**2 697**		**2 485**	

CONSOLIDATED BALANCE SHEET

for the 2018 financial year (as at December 31, 2018)

	Note	12/31/2018 in CHF 1 000	in %	12/31/2017 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		30 872		52 384	
Trade and other receivables	13	101 029		111 486	
Tax receivables		288		2 547	
Inventories	14	93 421		78 254	
Net contract assets	15	6 424		9 362	
Prepaid expenses and accrued income	16	6 779		4 270	
Total current assets		**238 813**	**33.9**	**258 303**	**43.0**
Non-current assets					
Property, plant and equipment	17	347 016		279 979	
Intangible assets	18	101 249		43 732	
Financial assets	19	1 750		1 629	
Deferred tax assets	11	16 452		16 722	
Total non-current assets		**466 467**	**66.1**	**342 062**	**57.0**
TOTAL ASSETS		**705 280**	**100.0**	**600 365**	**100.0**
LIABILITIES					
Current liabilities					
Financial liabilities	20	73 790		30 742	
Trade and other payables	21	72 062		77 810	
Tax liabilities		6 165		9 870	
Accrued expenses and deferred income	22	37 079		42 474	
Current provisions	23	8 114		6 575	
Total current liabilities		**197 210**	**28.0**	**167 471**	**27.9**
Non-current liabilities					
Financial liabilities	20	104 950		103 505	
Non-current provisions	23	2 379		1 793	
Deferred tax liabilities	11	20 931		12 843	
Employee benefit liabilities	26	59 049		59 531	
Total non-current liabilities		**187 309**	**26.7**	**177 672**	**29.6**
Total liabilities		**384 519**	**54.5**	**345 143**	**57.5**
Equity					
Share capital	27	49 148		44 630	
Capital reserves		127 269		90 929	
Retained earnings		176 601		145 643	
Treasury shares		-1 780		-703	
Translation differences		-30 477		-25 277	
Total equity		**320 761**	**45.5**	**255 222**	**42.5**
TOTAL EQUITY AND LIABILITIES		**705 280**	**100.0**	**600 365**	**100.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 2018 financial year (January 1 to December 31, 2018)

in CHF 1 000	Share capital	Treasury shares	Capital reserves	Retained earnings	Translation differences	Total equity
January 1, 2017	**44 630**	**-660**	**99 734**	**114 093**	**-27 872**	**229 925**
Translation differences	–	–	–	–	2 595	2 595
Reassessment of net defined benefit liability (asset), net of tax	–	–	–	3 942	–	3 942
Other line items	–	–	–	-135	–	-135
Total other comprehensive income	**–**	**–**	**–**	**3 807**	**2 595**	**6 402**
Net income attributable to Feintool Holding shareholders	–	–	–	27 743	–	27 743
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**31 550**	**2 595**	**34 145**
Dividend [1]	–	–	-8 923	–	–	-8 923
Purchase/(sale) of treasury shares	–	-785	–	–	–	-785
Share-based management remuneration [2]	–	742	118	–	–	860
December 31, 2017	**44 630**	**-703**	**90 929**	**145 643**	**-25 277**	**255 222**
January 1, 2018	**44 630**	**-703**	**90 929**	**145 643**	**-25 277**	**255 222**
Translation differences	–	–	–	–	-5 200	-5 200
Reassessment of net defined benefit liability (asset), net of tax	–	–	–	141	–	141
Other line items	–	–	–	339		339
Total other comprehensive income	**–**	**–**	**–**	**480**	**-5 200**	**-4 720**
Net income attributable to Feintool Holding shareholders	–	–	–	30 478	–	30 478
Total comprehensive income attributable to Feintool Holding shareholders	**–**	**–**	**–**	**30 958**	**-5 200**	**25 758**
Capital increase [3]	4 518		45 479			49 997
Dividend [4]	–	–	-8 924	–	–	-8 924
Purchase/(sale) of treasury shares	–	-2 062	–	–	–	-2 062
Share-based management remuneration [2]	–	985	-215		–	770
December 31, 2018	**49 148**	**-1 780**	**127 269**	**176 601**	**-30 477**	**320 761**

[1] The General Meeting held on April 25, 2017 approved the Board of Directors' proposed dividend distribution of CHF 2.00 per registered share from earnings for the financial year ended December 31, 2016.

[2] The share based management remuneration involves payment of part of the salary in shares. See Note 28.

[3] On September 20, 2018, 451 871 new shares, each with a nominal value of CHF 10, were issued as capital increase. The shares were issued entirely from the "authorized capital". Further information is provided in Note 27.

[4] The General Meeting held on April 24, 2018 approved the Board of Directors' proposed dividend distribution of CHF 2.00 per registered share from earnings for the financial year ended December 31, 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 2018 financial year (January 1 to December 31, 2018)

	Note	2018 in CHF 1 000	2017 in CHF 1 000
Net income of the Feintool Group		30 478	27 743
Depreciation and amortization	17, 18	42 199	36 937
(Gain)/loss on disposal of property, plant and equipment	6, 7	-472	-26
Increase/(decrease) in provisions and valuation allowances		4 469	-1 968
(Increase)/decrease in deferred taxes		1 676	-86
Other non-cash changes		-871	218
Income taxes	10	13 524	12 359
Cash flows from operating activities before change in net working capital (NWC)		**91 003**	**75 177**
Increase/decrease in:			
Accounts receivables	13	10 164	-24 708
Inventories and net contract assets	14, 15	-18 790	-12 552
Prepaid and accrued expenses and income	16, 22	-7 694	9 822
Accounts payables	21	-2 066	2 788
Other net working capital (NWC)		5 679	427
Income taxes paid		-12 308	-12 459
Cash flows from operating activities		**65 988**	**38 495**
Investments in property, plant and equipment	17	-81 352	-50 308
Disposals of property, plant and equipment	17	2 705	1 494
Investments in intangible assets	18	-3 030	-3 547
Disposals of intangible assets	18	86	27
Increase in financial assets		–	-171
Decrease in financial assets		139	133
Purchase of consolidated investments net of cash	2	-39 566	-24 723
Cash flows from investing activities		**-121 018**	**-77 095**
Free cash flow		**-55 030**	**-38 600**

Note	2018 in CHF 1 000	2017 in CHF 1 000
Capital increase	50 835	–
Transaction costs for capital increase	-838	–
Dividends paid	-8 924	-8 923
Purchase of treasury shares	-2 062	-785
Sale of treasury shares	992	831
Borrowing of interest-bearing liabilities	74 800	14 472
Repayment of financial lease liabilities	-23 627	-9 967
Repayment of interest-bearing liabilities	-53 941	-1 667
Cash flows from financing activities	**37 235**	**-6 039**
Increase/(decrease) in cash and cash equivalents	**-21 512**	**-40 368**
Cash and cash equivalents at the beginning of the period	52 384	92 752
Translation differences	-3 717	4 271
Cash and cash equivalents at the end of the period	30 872	52 384
Interest paid	-3 133	-2 605
Interest received	52	75

New finance leasing contracts were concluded for kCHF 16 337 (previous year kCHF 10 809) during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 2018

BUSINESS PERFORMANCE

Feintool International Holding AG, Industriering 8, 3250 Lyss, is a public limited company under Swiss law with headquarters in Lyss, Switzerland ("Company"). The consolidated financial statements for the period from January 1 to December 31, 2018, include the Company and its subsidiaries ("Feintool"). Feintool is the world's leading technology group specializing in the development of fineblanking systems and a worldwide provider of high-quality and cost-effective fineblanked, formed steel components and punched electro sheet metal products. The Group maintains close partnerships with its customers across the entire fineblanking, forming and punching of electric engine components process – from component design, tool design and system construction through to large-scale series parts production. In addition to fineblanking, the Feintool Group also deploys other key processes such as precision forming and punching of electric engine components technology, and is the world's only supplier of all-round solutions for the cost-effective manufacture of complex precision components.

With locations in Europe, Japan, China and the US, the Feintool Group is represented in the world's major automotive markets. Headquartered in Lyss, Switzerland, the Group has a headcount of 2 697. At its various locations, Feintool provides training for 82 young people mainly as polymechanics, constructing engineers and commercial employees.

GENERAL INFORMATION

The consolidated financial statements for the financial year are based on the financial statements of the Group companies as at December 31, 2018, which were prepared in accordance with consistent accounting policies.

The consolidated financial statements are prepared in accordance with Swiss law and 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 are prepared on a going-concern basis under the historical cost convention, with the exception of derivative financial instruments (measured at fair value) and net liability or assets from defined benefit plans (measured at present value of defined benefit obligations less fair value of plan assets).

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

INCREASE IN SHARE CAPITAL

On September 20, 2018, the Feintool Group concluded a capital increase. The transaction resulted in the creation of 451 871 new Feintool shares with a par value of CHF 10 each at the transaction price of CHF 112.50 each. Further information is provided in Note 27.

FINANCIAL COVENANTS

Further information on financial covenants is provided in Note 20.

KEY ESTIMATES

The consolidated financial statements contain assumptions and estimated amounts which affect the amounts reported. Should these estimates and assumptions prove incorrect or incomplete, this may substantially affect the amounts reported and therefore Feintool's financial position, results of operations and cash flows.

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 adjusted 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 are therefore amortized. Goodwill has an indefinite life and is not amortized, but is instead tested annually for impairment. The allocation to intangible assets and goodwill on 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 18.2.

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. For 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 from temporary differences, and from tax loss carryforwards, but only if realization is deemed probable. The recoverable amount of capitalized 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 10 and 11.

Research & development

On its balance sheet, Feintool carries purchased as well as 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 directly or indirectly
- Intention to complete and sell the asset directly or indirectly
- Ability to sell the asset directly or indirectly,
- 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 18.1.

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 reliably estimated. Provisions are recognized for a number of possible events and are explained in detail in Note 23. 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. Reassessments arising from changes in assumptions regarding life expectancy, 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 that may substantially affect the financial position and results of operations. Further information is given in Note 26.

The Board of Directors and management 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 financial year, Feintool essentially applies the same accounting policies as those applied in the previous year. On January 1, 2018, Feintool adopted the following new Standards and Interpretations:

IFRS 9 – Financial Instruments

The substitution of IAS 39 with the new IFRS 9 standard for “Financial instruments” has only a small impact on the Group’s financial performance. Trade and other receivables are now accounted for based on continued values, but this has a negligible effect on the value adjustments arising for these. The initial application of IFRS 9 takes place according to the prospective method.

Classification and Valuation of financial assets

To a great extent, classification and valuation of financial assets under IFRS 9 incorporate the provisions relating to classification and valuation that were already provided for under IAS 39. In contrast to the old standard, the categories “Held-for-trading”, “Loans and receivables” and “Available-for-sale” are no longer applied. Instead, in the first instance a company classifies a financial asset as “Amortized costs”, as “Fair value through other comprehensive income – debt investments”, as “Fair value through other comprehensive income – equity investments” or as “Fair value through profit and loss” ("FVTPL"). Classification is based on the basis of the company’s business model for the control of financial assets and the characteristics of the contractual payment flows of the financial asset.

A financial asset is to be evaluated at amortized cost if the following two conditions are met:

- The financial asset is contained within the scope of a business model, the objective of which is to keep financial assets for the absorption of contractual payment flows, and:
- The contractual conditions of the financial asset lead to payment flows at specified points in time that exclusively represent principal repayments and interest payments on the outstanding capital sum.

A financial asset is to be valued as “Fair value through other comprehensive income” if the following two conditions are met:

- The financial asset is contained within the scope of a business model, the objective of which is the absorption of contractual payment flows and the sale of financial assets, and:
- The contractual conditions of the financial asset lead to payment flows at specified points in time that exclusively represent principal repayments and interest payments on the outstanding capital sum.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on investment-by-investment basis.

In the initial calculation, the Feintool Group values a financial asset (with the exception of a trade receivable with no significant financing component) at fair value. For financial assets that are not valued at fair value through profit or loss, the valuation takes place with the addition or deduction of transaction costs that can be attributed directly to the acquisition or the disbursement of the financial asset. Trade receivables with no significant financing components are initially recognized at the transaction price.

The following valuation guidelines apply for the subsequent valuation of financial assets:

- Financial assets at amortized cost:
  The subsequent valuation of these assets is based on the procurement costs carried over. The interest earned is to be calculated according to the effective interest method. The procurement costs carried over are to be reduced by any depreciations. Interest earned, foreign currency gains and value adjustments are recorded through profit and loss.
- Financial assets at FVTPL:
  The subsequent valuation of these assets is recorded through profit and loss.

Feintool does not currently apply hedge accounting. For this reason, the changes to IFRS 9 regarding hedge accounting do not have any impact on the Feintool Group.

Impairment of financial assets
Under IFRS 9, expected credit losses are recorded. This new model applies for financial assets at amortized cost as well as for contract assets. At the Feintool Group, the financial assets at amortized costs consist of trade and other receivables, cash and cash equivalents, and other current and non-current financial assets.

Under IFRS 9, the expected credit losses are valued based on one of the following two principles:
- 12-month credit loss: default event is expected in the next 12 months;
- credit loss expected over the duration: default event is expected over the full duration.

For trade and other receivables and similar receivables, the Feintool Group records the credit losses expected over the duration.

A credit loss is expected in the following two cases:
- The borrower is unlikely to pay its credit obligations;
- the financial asset is overdue by more than 30 days.

The calculation of the expected credit losses takes into account experience values and future expected losses based on market development, client position, and other components.

According to IFRS 9, the expected credit losses must likewise be evaluated with the following financial assets:
- Cash and cash equivalents
- Prepaid expenses and accrued income
- Non-current financial assets

Feintool does not expect any material credit losses for these items.
The avoidance of clumping risks and a concentration of the financial investments on first-rate counterparties should help to avoid bigger loan losses. The Feintool Group carries out its banking business exclusively with nationally and internationally renowned banks that boast a BBB rating or better. It specifies the type of transactions that the subsidiaries are permitted to carry out with the banks.
An overview of the original classification according to IAS 39 and the new one under IFRS 9 for the categories of financial assets that have switched to a new category is shown in the following table.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as of 12/31/2017 in CHF 1 000	New carrying amount under IFRS 9 as of 01/01/2018 in CHF 1 000
Cash and cash equivalents	Loans and receivables	Amortized cost	52 384	52 384
Trade and other receivables	Loans and receivables	Amortized cost	93 630	93 630
Financial assets	Loans and receivables	Amortized cost	1 629	1 629
Total financial assets			**147 643**	**147 643**

IFRS 15 – Revenue from contracts with customers

This standard has only a limited impact on the Group's financial situation and profits. Individual business transactions – which occur relatively rarely – are dealt with differently in the new standard and lead to increased volatility of the trading results. The initial application of IFRS 15 takes place according to the full retrospective method.

The new standard uses new terms only in part. These are adapted for both the period under report and the same period the previous year. The new standard also requires the reclassification of contractual property assets for non-current contract assets. Since the client contracts arising at Feintool generally have a duration of less than a year, this reclassification does not apply.

Under IFRS 15, income is recorded from the point when the client takes control of the product or service. The following provides an overview of the fundamental valuation guidelines.

Sale of series parts

These net sales arise in the System Parts segment. The client gets control upon the delivery of the series parts – depending on the arrangement of the income terms. The net sales are recorded at this specific point in time. In the case of client complaints as a result of quality deficiencies, the client issues an invoice to Feintool. These complaints are dealt with swiftly and – where justified – are recorded in material expenditure. Under IAS 18, net sales were already realized upon delivery of series parts.

Sale of presses and tools

These net sales arise in the Fineblanking Technology segment. The client gets control over the period of production of the presses, including peripheral devices and tools, as the process here is job production with corresponding specifications. Any dissolution of a contract results in invoicing of the manufacturing costs plus the calculated profit. Recording of net sales therefore takes place over the specific period if the following conditions are also met:

- The value of the contract is greater than CHF 500 000 or the equivalent in foreign currency.
- The income from the contract can be reliably calculated.
- It is likely that the economic advantage linked to the contractual property asset of the company will accrue.
- Contractual costs and the degree of completion of the production order can be determined reliably.

The expenditure for expected warranty costs is incorporated in the calculation, and a corresponding accrued liability is shown via the material expenditure across the whole period. In warranty cases, the press is repaired and the accrued costs charged to the accrued liability. Under IAS 18, when the above-mentioned criteria were met, net sales and expenditure for presses and tools were accounted for by means of POC methods. In terms of content, there is no change here under the new standard.
The System Parts segment also sells tools in connection with parts production. Since these tools remain in the corresponding production facility for the parts production, invoicing takes place after the "Production Part Approval Process" (PPAP).

Service contracts (in the press business)

The service and inspection contract is similar to a framework agreement with a description of the service scope and the daily rates to be applied. Customers are charged once the service has been rendered. The recording of net sales takes place at the defined time. Under IAS 18, sales were realized upon invoicing after the service had been rendered.

Other new and revised standards

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40 – Transfers of Investment Property
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Annual Improvements IFRS – 2014 to 2016 Cycle, IFRS 1, IAS 28

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

NEW ACCOUNTING REQUIREMENTS

Various new IFRS regulations were published on the balance sheet date, but have not yet entered into force. 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 16 – Leases (January 1, 2019)

The new standard, which Feintool will adopt on January 1, 2019, has material impacts on the Group's financial position, results of operations and cash flows. In particular, the new standard leads to an increase in borrowed capital and, when first applied, to the recognition of a right of use in the same amount. Feintool will apply the modified retrospective approach, under which the comparative figures of the prior-year periods are not adjusted. For low-value leased assets and for short-term leases (less than twelve months), use is made of the practical expedients. At present, the balance sheet total is expected to increase by approximately 1 to 2 % or CHF 10 million, EBITDA by approximately 3 to 5 % or CHF 3 million and EBIT by approximately 0.5 to 1 % or CHF 0.2 million. On average, there are no effects on the Group result. Minor shifts may arise depending on the age structure of the rental and operating lease agreements.

- IFRIC 23 – Uncertainty over Income Tax Treatments (January 1, 2019)
- IFRS 9 – Amendments Prepayment Features with Negative Compensation (January 1, 2019)
- IAS 19 – Amendments Plan Amendments, Curtailment or Settlement (January 1, 2019)
- IAS 28 – Amendments Long-term Interests in Associates and Joint Ventures (January 1, 2019)
- Annual Improvements IFRS – 2015 to 2017 Cycle, IFRS 3, 11, IAS 12, 23 (January 1, 2019)
- IFRS 3 – Amendments Definition of a Business (January 1, 2020)
- IAS 1 and 8 – Amendments Definition of material (January 1, 2020)
- IFRS 17 – Insurance Contracts (January 1, 2021)

Feintool is assessing the impacts of the revised Standards and Interpretations. Based on its initial findings, Feintool does not foresee any significant impacts on its financial position, results of operations or cash flows.

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 that it controls in any other way. A list of all investments is provided on page 95.

On July 31, 2018, Feintool Holding GmbH, Bayreuth, Germany, acquired 100 % of the shares of the German company Stanzwerk Jessen GmbH, located in Jessen, Saxony-Anhalt, Germany, with its subsidiaries Jela GmbH, SLTJ GmbH and Stanz- und Lasertechnik Jessen GmbH. SLTJ GmbH merged after that with Stanz- und Lasertechnik GmbH. The name of Stanz- und Lasertechnik Jessen GmbH was then changed to Feintool System Parts Jessen GmbH.

Retroactive as of January 1, 2018, Feintool Equipment AG, Lyss, merged with Feintool System Parts Lyss AG.

On October 12, 2017, Columbo GmbH, Amberg, merged with Vireo GmbH, Jena.

On May 10, 2017, the company Feintool Intellectual Property AG, Lyss which was placed in liquidation on March 21, 2016, has been removed from the commercial register.

On April 13, 2017, Feintool International Holding AG, Lyss, acquired 100 % of the shares of Schuler (Tianjin) Metal Forming Technology Center Co., Ltd. in Tianjin (China). The name of the company was then changed to Feintool Automotive System Parts (Tianjin) Co., Ltd.

METHOD OF CONSOLIDATION

All companies that Feintool controls are included in the consolidated financial statements according to the full consolidation method. Assets and liabilities as well as income and expenses are therefore included in full in the consolidated financial statements. Minority interests in equity and income are disclosed separately in the consolidated balance sheet and the statement of comprehensive income. Intercompany liabilities, credits, expenses and income are offset. Unrealized temporary gains on inventories or assets are eliminated on consolidation.

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 acquiring party, 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. After initial measurement, goodwill is reported at cost less any impairments. 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 statement of comprehensive income.

Decisions are often made on the level of the business units. Sales are centralized within the business units; orders are distributed across them on the basis of the specific skills of individual plants (machinery, employee experience). This optimizes cash flows for the business units, although the cash flows of the individual production locations change randomly. Feintool has is deciding about impairments on the level of the business units.

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 statement of comprehensive income 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 comprehensive 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 financial years:

		2018		2017	
		Closing rate	Average rate	Closing rate	Average rate
China	CNY 100	14.2848	14.6626	14.9669	14.5691
Czech Republic	CZK 100	4.3807	4.4836	4.5827	4.2536
Eurozone	EUR 1	1.1269	1.1516	1.1702	1.1162
Japan	JPY 100	0.8954	0.8891	0.8668	0.8757
USA	USD 1	0.9842	0.9774	0.9757	0.9813

FINANCIAL ASSETS AND LIABILITIES

The notes on the classification and valuation of financial assets can be found on page 40ff.

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 liabilities are de-recognized when repaid.

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 receivables/other receivables

This item contains accounts receivable from ordinary business activities. Bad debt provisions on trade receivables are calculated and recognized based on the expected credit losses. Other receivables are stated at their nominal amount less expected credit losses. Notes on the calculation of the expected credit loss can be found on page 40ff.

Inventories

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

Contract assets

This item includes all contract assets less prepayments received and necessary allowances for identifiable risks. Recording of net sales of contract assets takes place over the specific period if several conditions are met. These conditions are explained in detail on page 42.

If these conditions are not met, the income is recognized when the control is 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 the 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.

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.

As a rule, the following depreciation periods are applied:

Buildings:	20 to 40 years
Plant and equipment:	5 to 15 years
Vehicles:	3 to 5 years
IT hardware:	2 to 5 years

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

Government contributions (funding received) for assets (mostly property, plant and equipment) are deducted from the cost of acquisition or manufacture of the asset in question. As the funding usually comes with certain conditions attached that, 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, in acquisitions purchased customer relations, patents, software, land-use-rights 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 capitalized at cost and amortized over their estimated useful life on a straight-line basis. Any impairments 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:	3 to 5 years, max. 10 years
Software:	2 to 5 years
In acqu. purchased customer relations:	max. 15 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 "IFRS 9 Financial instruments" on page 40), 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 financial result.

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 yet available, 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 in particular, it is often the case that clients 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 reliably estimated. No provisions are recognized for future operating losses. Provisions are recognized for restructuring efforts when the Group company has a constructive obligation to implement 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 for realizing the loss carryforwards and tax credits.

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 payments

Shares are issued to Group management as part of their bonus at a contractually predefined amount. Individual members of the Board of Directors receive a contractually predefined number of shares as a bonus.

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 an actuarial calculation of the cost less contributions from employees. This comprises:

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

The current past service cost is recognized in personnel expense. The impact of changes in pension plan benefits is also reported in personnel expenses. The interest on the net defined benefit liability is recognized in financial expense. The expense or income from reassessments is recognized as other comprehensive income in the statement of comprehensive income.

Other long-term obligations to employees, such as anniversaries or sabbatical leave programs are recognized using the same methodology, with the exception that any 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 reassessment 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 as equity.

REVENUE RECOGNITION

Net sales

The notes on the recording of net sales can be found on page 42ff.

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 or paid is reported at the end of the reporting period in deferred income or expense. Interest is reported on the statement of comprehensive income under financial result.

1 SEGMENT INFORMATION

1.1 Products and services 2018 in CHF 1 000	Fineblanking Technology	System Parts	Total segments	Finance/ Other	Eliminations	Total Group
Net sales	106 905	586 921	**693 826**	–	-14 275	**679 551**
- Intersegment income	-12 237	-2 038	**-14 275**	–	14 275	**–**
Total net sales – Group [1]	**94 668**	**584 883**	**679 551**	**–**	**–**	**679 551**
Gross margin [2]	38 496	227 527	**266 023**	-1	-3 253	**262 769**
EBITDA	**10 799**	**84 932**	**95 731**	**-5 520**	**-496**	**89 715**
Depreciation and amortization	-958	-41 446	**-42 404**	-1 934	2 139	**-42 199**
Operating profit (EBIT)	**9 841**	**43 486**	**53 327**	**-7 454**	**1 643**	**47 516**
Financial expenses						**-21 867**
Financial income						**18 353**
Income taxes						**-13 524**
Net income attributable to Feintool Holding shareholders						**30 478**
Assets	**79 302**	**601 958**	**681 260**	**241 102**	**-217 082**	**705 280**
Net working capital [3]	**7 961**	**96 979**	**104 940**	**26 348**	**-36 139**	**95 149**
Investments in property, plant and equipment/intangible assets (incl. leases)	**2 258**	**100 158**	**102 416**	**1 982**	**-3 227**	**101 171**
Number of employees	**174**	**2 489**	**2 663**	**34**	**–**	**2 697**

1.2 Geographical areas 2018	Switzerland	Europe excl. Switzerland	America	Asia	Total
Total net sales – Group [4]	**6 357**	**365 366**	**184 848**	**122 980**	**679 551**
thereof Germany		248 766			
thereof USA			133 794		
thereof Japan				38 659	
thereof China				59 584	
Fixed and intangible assets	**55 180**	**232 220**	**85 578**	**75 288**	**448 265**

1.3 Products and services 2017 in CHF 1 000	Fineblanking Technology	System Parts	**Total segments**	Finance/ Other	Eliminations	**Total Group**
Net sales	91 419	547 420	**638 839**	–	-26 506	**612 333**
- Intersegment income	-26 498	-8	**-26 506**	–	26 506	**–**
Total net sales – Group [1]	**64 921**	**547 412**	612 333	**–**	**–**	612 333
Gross margin [2]	35 013	215 486	**250 499**	–	-4 879	**245 620**
EBITDA	**5 660**	**88 276**	93 936	**-7 418**	**-3 277**	83 241
Depreciation and amortization	-1 682	-35 629	**-37 311**	-1 561	1 935	**-36 937**
Operating profit (EBIT)	**3 978**	**52 647**	56 625	**-8 979**	**-1 342**	46 304
Financial expenses						**-14 528**
Financial income						**8 326**
Income taxes						**-12 359**
Net income attributable to Feintool Holding shareholders						27 743
Assets	**78 628**	**517 292**	595 920	**204 816**	**-200 371**	600 365
Net working capital [3]	**408**	**92 330**	92 738	**26 608**	**-41 265**	78 081
Investments in property, plant and equipment/intangible assets (incl. leases)	**1 943**	**57 768**	59 711	**2 591**	**-2 239**	60 063
Number of employees	**239**	**2 206**	2 445	**40**	**–**	2 485

1.4 Geographical areas 2017	Switzerland	Europe excl. Switzerland	America	Asia	**Total**
Total net sales – Group [4]	**5 321**	**329 348**	**171 827**	**105 837**	612 333
thereof Germany		229 663			
thereof USA			121 928		
thereof Japan				39 842	
thereof China				54 127	
Fixed and intangible assets	**46 349**	**135 192**	**81 572**	**60 599**	323 711

The following footnotes are applicable to the 2018 and 2017 financial years.

1) Total Net Sales include "Sales from products transferred over time" about CHF 56.7 million (prior year CHF 33.0 million). The net sales have been recognized in the Fineblanking Technology Segment. The remaining net sales in this segment mainly consist of tool sales and services.

2) The gross margin is calculated as net sales less material costs, the change in finished and semi-finished goods and work in progress, and direct personnel costs.

3) Net working capital comprises trade receivables, inventories, net assets of construction contracts and prepaid expenses and accrued income less trade payables, advance payments received from customers and accrued expenses and deferred income. The remaining receivables and liabilities is included in the calculation for “Finances/ Other”.

4) Net sales is allocated to countries based on the customer's domicile.

The following explanations on the segment information apply to the financial years 2017 and 2018.

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

The System Parts segment develops, produces and sells high-precision system components and assemblies using fineblanking and forming technology as well as electronic sheet stamping. The segment also sells production-specific tools to third-party customers. The production and internal sale of tools is also included in this segment.

For operational reasons, the tool making business in Switzerland has been shifted from Fineblanking Technology to the System Parts segment as of June 1, 2018. This affects 68 employees and assets amounting to CHF 3.3 million.

“Finances/Other” essentially comprises the figures for Feintool International Holding AG, the German sub-holding company Feintool Holding GmbH and the real estate company included in the sub-holding company HL Holding AG.

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 the Group level. Financial expenses and income, financial liabilities as well as taxes, are therefore reported only at the Group level and do not appear in the segment reports. Feintool generates 17.2 % (previous year 17.4 %) of consolidated sales with one customer. Income is generated in all segments. With the other customers, the share is less than 12.8 % (previous year 14.3 %) in each case.

There is no reconciliation of 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 July 31, 2018, Feintool Holding GmbH, Bayreuth, Germany, acquired 100 % of the shares of the German company Stanzwerk Jessen GmbH with its subsidiaries Jela GmbH, SLTJ GmbH and Stanz- und Lasertechnik Jessen GmbH. SLTJ GmbH merged after that with Stanz- und Lasertechnik GmbH. The name of Stanz- und Lasertechnik Jessen GmbH was then changed to Feintool System Parts Jessen GmbH.

With this acquisition, Feintool is further expanding its global and technological position. Stanzwerke Jessen GmbH was founded in Jessen in 1879 and at the time of the acquisition employed 202 people, 6 of whom were trainees.

In its first five months as part of the Feintool Group, Feintool System Parts Jessen GmbH generated net sales of CHF 18.1 million and operating earnings (EBIT) of CHF 1.5 million. If the acquisition had taken place on January 1, 2018, the consolidated net sales of the Feintool Group would have amounted to CHF 708.9 million and the operating earnings (EBIT) to CHF 50.4 million. As Feintool System Parts Jessen GmbH did not prepare its financial statements in accordance with IFRS at the time of acquisition, these figures are estimates.

The purchase price allocation, in particular the item "Intangible assets", is not yet final. A change in the valuation of the customer orders and relationships contained therein is possible in the twelve months from the acquisition date.

2.1 Consideration for the interests acquired	in CHF 1 000
Cash and cash equivalents	43 257
Total consideration	**43 257**

2.2 Identifiable assets and liabilities	in CHF 1 000
Cash and cash equivalents	3 691
Trade and other receivables	4 853
Inventories	3 718
Work in progress	1 009
Property, plant and equipment	12 449
Intangible assets [1)]	19 261
Financial liabilities	-34 321
Trade and other payables	-5 373
Deferred tax liabilities	-6 464
Net identifiable assets	**-1 176**

1) In intangible assets is mainly the value of customer contracts and relationships contained.

2.3 Goodwill at the acquisition date	in CHF 1 000
Total consideration	43 257
Net identifiable assets	1 176
Goodwill [1)]	**44 433**

1) Goodwill at historical rates on the acquisition date. For the Feintool Group, goodwill represents the value that it would have had to pay in order to independently set up a profitable "greenfield" operation for the production of pressed parts from electrical sheets (qualified employees, market access, etc.). The acquisition of this company is related to the expected increase in e-mobility.

The costs incurred by the Feintool Group for the acquisition of Stanzwerk Jessen GmbH and it's subsidiaries Jela GmbH, SLTJ GmbH and Stanz- und Lasertechnik Jessen GmbH amounted to around CHF 0.8 million. In particular, this includes the fees of external lawyers and advisers. The costs were recognized in other operating expenses.

On April 13, 2017, Feintool International Holding AG, Lyss, acquired 100 % of the shares of Schuler (Tianjin) Metal Forming Technology Center Co., Ltd. in Tianjin (China). The name of the company was then changed to Feintool Automotive System Parts (Tianjin) Co., Ltd.

2.4 Unconsolidated net operating income of the interests acquired	01/01 - 12/31/2018 in CHF 1 000	04/13 - 12/31/2017 in CHF 1 000
Net Sales	15 120	11 567
EBIT	-2 379	-2 043

2.5 Consideration for the interests acquired	in CHF 1 000
Cash and cash equivalents	27 243
Total consideration	**27 243**

2.6 Identifiable assets and liabilities	in CHF 1 000
Cash and cash equivalents	2 520
Trade and other receivables	3 190
Inventories	2 629
Work in progress	5 534
Property, plant and equipment	15 459
Intangible assets 1)	11 179
Financial liabilities	-12 727
Trade and other payables	-6 029
Provisions	-4 046
Deferred tax liabilities	-2 333
Net identifiable assets	**15 377**

1) In intangible assets is mainly the value of customer contracts and relationships, as well as land-use-rights contained.

2.7 Goodwill at the acquisition date	in CHF 1 000
Total consideration	27 243
Net identifiable assets	-15 377
Goodwill 1)	**11 866**

1) Goodwill at historical rates on the acquisition date. 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 (qualified employees, market entry, etc.). 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 Asia.

The costs incurred by the Feintool Group for the acquisition of Schuler (Tianjin) Metal Forming Technology Center Co. Ltd. amounted in the previous year to around CHF 0.4 million. In particular, this includes the fees of external lawyers and advisers. The costs were recognized in other operating expenses.

3 NET SALES

	2018 in CHF 1 000	2017 in CHF 1 000
Gross sales [1]	687 828	613 470
Sales deductions	-8 277	-1 137
Total net sales	**679 551**	**612 333**

[1] Total gross sales include "sales generated over a period" of CHF 56.7 million (previous year CHF 33.0 million). These sales were generated in the Fineblanking Technology segment. For a further breakdown of sales, see Section 1.1 Segment information.

4 CAPITALIZED SELF-GENERATED ASSETS

	2018 in CHF 1 000	2017 in CHF 1 000
Self-generated presses	420	360
Self-generated tools	483	606
Capitalized development costs	1 467	1 839
Other capitalized self-generated assets	57	44
Capitalized self-generated assets	**2 427**	**2 849**

5 PERSONNEL EXPENSES

	2018 in CHF 1 000	2017 in CHF 1 000
Salaries and wages	164 115	148 325
Employee welfare expenses	24 712	23 514
Other personnel expenses	6 081	8 038
Total personnel expenses	**194 908**	**179 877**
of which direct personnel expenses [1]	102 474	90 339
of which indirect personnel expenses	92 434	89 538

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

The Group employed 2 697 staff at the end of the year under review (previous year 2 485) and 82 trainees (previous year 81).

6 OTHER OPERATING EXPENSES

	2018 in CHF 1 000	2017 in CHF 1 000
Repair and maintenance	60 066	55 494
Rental and leasing expenses	5 173	5 366
Sales and marketing expenses	4 138	2 441
Administration and distribution expenses	11 647	11 278
Loss on the disposal of property, plant and equipment	541	62
Taxes and duties (not including taxes on income)	1 614	1 184
Other expenses	2 606	2 307
Total other operating expenses	**85 785**	**78 132**

7 OTHER OPERATING INCOME

	2018 in CHF 1 000	2017 in CHF 1 000
Gain on the disposal of property, plant and equipment	1 013	88
Other income [1]	1 725	2 354
Total other operating income	**2 738**	**2 442**

[1] "Other income" includes income from insurance compensation, staff restaurants, as well as sub-letting.

8 FINANCIAL EXPENSES

	2018 in CHF 1 000	2017 in CHF 1 000
Interest expense	3 859	2 892
Other finance costs [1]	904	666
Foreign exchange losses	17 104	10 970
Total financial expenses	**21 867**	**14 528**

[1] Besides bank charges, other financial expenses include annual amortization of establishing cost for the promissory note/syndicated loan, market making costs and valuation expenses from hedging.

9 FINANCIAL INCOME

	2018 in CHF 1 000	2017 in CHF 1 000
Interest income	68	77
Other financial income [1]	8	161
Foreign exchange gains	18 277	8 088
Total financial income	**18 353**	**8 326**

[1] Other financial income comprises valuation income from hedging.

10 INCOME TAXES

10.1 Analysis of income taxes	2018 in CHF 1 000	2017 in CHF 1 000
Tax credits/charges for the reporting period	11 752	14 238
Tax credits/charges from previous years	-447	30
Deferred income taxes	2 219	-1 909
Total income taxes	**13 524**	**12 359**

10.2 Analysis of tax charge	2018 in CHF 1 000	2017 in CHF 1 000
Earnings before taxes	**44 002**	**40 102**
Weighted tax rate as % [1]	24.1 %	29.6 %
Expected overall tax expense	**10 612**	**11 882**
Non tax-deductible expense	348	154
Non-taxable income	-454	-1 427
Unrecognized tax loss carryforwards from the current year [2]	3 376	2 885
Recognition of previously unrecognized loss carryforwards	-111	–
Use of unrecognized deductible temporary differences	-124	-123
Tax credits/charges from previous years	-447	30
Effect of changes in tax rates [3]	-57	-2 341
Reassessment of prior year	52	1 120
Other effects	329	179
Effective income tax expense	**13 524**	**12 359**
Effective income tax expense as %	**30.7 %**	**30.8 %**

1) 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.

2) Unrecognized tax loss carryforwards from the current year refer to companies in Germany, Czech Republic and China.

3) The effect of the tax rate changes in the prior year amounting to TCHF 2 303 refers to companies in the USA.

11 DEFERRED TAXES

11.1 Carrying amounts in CHF 1 000	12/31/2018 Deferred tax assets	12/31/2018 Deferred tax liabilities	12/31/2017 Deferred tax assets	12/31/2017 Deferred tax liabilities
Deferred taxes for temporary differences				
Current assets	2 756	1 442	3 233	1 486
Non-current assets	4 515	30 893	3 953	25 632
Provisions and other liabilities	1 527	2 605	2 321	967
Employee benefit plans	12 805	527	12 599	430
Loss carryforwards	9 046	–	10 424	–
Other temporary differences	339	–	–	136
Total gross values	**30 988**	**35 467**	**32 530**	**28 651**
Netting	-14 536	-14 536	-15 808	-15 808
Total carrying amounts	**16 452**	**20 931**	**16 722**	**12 843**
of which recognized in the balance sheet as deferred tax assets	16 452		16 722	
of which recognized in the balance sheet as deferred tax liabilities		20 931		12 843
Net deferred tax assets/liabilities		**4 479**	**3 879**	

Feintool does not disclose deferred taxes related to earnings not distributed as dividends, which will presumably be reinvested permanently in subsidiaries. The tax effect is estimated as not material.

11.2 Statement of net deferred taxes assets/liabilities	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Start of period	**3 879**	**5 896**
Recognition and reversal of temporary differences	-2 276	-432
Temporary differences arising on tax rate changes	57	2 341
Temporary differences arising on acquisition/sale of entities	-6 464	-2 333
Temporary differences recognized directly in equity	240	-1 200
Translation differences	85	-393
End of period	**-4 479**	**3 879**

The temporary differences arising on the acquisition/sale of entities in the financial year relate to the acquisition of Stanzwerk Jessen GmbH and its subsidiaries.

11.3 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.

11.4 Tax loss carryforwards	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Total tax loss carryforwards	69 781	68 742
of which recognized loss carryforwards	38 978	46 625
Total unrecognized tax loss carryforwards	**30 803**	**22 117**
of which expiring within 1 year	2 050	2 978
of which expiring in one to five years	9 460	7 811
of which expiring in more than five years	19 293	11 327
Tax effects of unrecognized tax loss carryforwards	**8 174**	**5 921**

Income taxes and information regarding the tax charge are shown in Note 10.

12 CONSOLIDATED EARNINGS PER SHARE

12.1 Average number of shares outstanding	2018 Number	2017 Number
Average number of shares outstanding	4 602 008	4 462 971
Less number of treasury shares (weighted)	-5 366	-3 374
Average number of shares outstanding – basic	4 596 642	4 459 597
Average number of shares outstanding – diluted	4 596 642	4 459 597

12.2 Net income Feintool Group	2018 in CHF 1 000	2017 in CHF 1 000
Net income of the Feintool Group – basic	30 478	27 743
Net income of the Feintool Group – diluted	30 478	27 743

No dilution effects were recognized in the financial year.

12.3 Earnings per share	2018 in CHF	2017 in CHF
Basic earnings per share	6.63	6.22
Diluted earnings per share	6.63	6.22

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.

13 RECEIVABLES

13.1 Trade and other receivables	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Trade receivables	85 757	93 331
Valuation allowances	-1 661	-2 708
Total trade receivables (net)	**84 096**	**90 623**
Bills receivable	6 533	55
Outstanding VAT credits	8 221	7 299
Advanced payments to suppliers	30	10 557
Other receivables	2 149	2 952
Total trade and other receivables	**101 029**	**111 486**

Feintool has various factoring programs not required to be included on the balance sheet. Receivables of kCHF 11 389 had been sold under this program as at December 31, 2018 (previous year kCHF 13 314).

13.2 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
12/31/2018							
Trade receivables		85 757	64 796	14 159	4 006	1 658	1 138
Valuation allowances		-1 661	-2	-130	-232	-267	-1 030
Total receivables (net)		**84 096**					
12/31/2017							
Trade receivables		93 331	76 317	8 841	5 240	791	2 142
Valuation allowances [1]		-2 708					
Total receivables (net)		**90 623**					

[1] Value adjustments were not subdivided according to maturity until the 2017 financial year. This subdivision will now take place from the current financial year onwards.

13.3 Valuation allowance on receivables	2018 in CHF 1 000	2017 in CHF 1 000
Start of period	**-2 708**	**-2 004**
Translation differences	–	-41
Recognized	-1 130	-985
Reversed	2 013	249
Used	164	73
End of period	**-1 661**	**-2 708**

14 INVENTORIES

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Raw material	41 738	33 131
Finished and semi-finished goods	53 243	43 649
Work in progress [1]	20 457	22 111
Valuation allowances on inventories [1]	-22 017	-20 637
Total inventories	**93 421**	**78 254**

[1] In the previous year, revenues from contracts with customers were reclassified in the amount of kCHF 21 824 between inventories and net contract assets due to the new IFRS 15 standard.

15 CONTRACT ASSETS

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Contract assets	14 079	20 047
Prepayments received	-7 236	-10 202
Valuation allowances on construction contracts	-419	-483
Total net contract assets	**6 424**	**9 362**

In the previous year, revenues from contracts with customers were reclassified in the amount of kCHF 2,985 between net assets from contract assets and trade payables/other liabilities due to the new IFRS 15 standard. In addition, reclassifications amounting to kCHF 21 824 were made between inventories and net contract assets.

The gross margin recorded under contract assets as at the closing date amounted to 38.0 % (previous year 37.6 %).

16 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Prepaid expenses for customer orders [1]	807	1 658
Issue costs of promissory note and syndicated loan	782	1 003
Rental agreement [2]	575	775
Tax accruals	2 770	–
Scrap and material income	1 203	–
Other prepaid expenses and accrued income	642	834
Total prepaid expenses and accrued income	**6 779**	**4 270**

[1] Prepaid expenses for customer orders includes expenses for constructions that are assigned to a specific order. These prepaid expenses are released on a straight-line basis over the course of the order.

[2] 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 May 31, 2022) and the standard market-level rent on the property.

17 PROPERTY, PLANT AND EQUIPMENT

17.1 Summary of property, plant and equipment in CHF 1 000	Real estate	Machinery	Other property, plant and equipment	Total
Cost of acquisition as at 01/01/2017	**101 594**	**309 869**	**24 003**	435 466
Additions	868	22 622	33 026	**56 516**
Disposals	-2 822	-6 483	-2 044	**-11 349**
Reclassifications [1]	-144	10 449	-10 673	**-368**
Change in scope of consolidation [2]	4 456	10 923	80	**15 459**
Translation differences	2 886	10 780	1 342	**15 008**
As at 12/31/2017	**106 838**	**358 160**	**45 734**	510 732
Additions	3 331	31 972	62 850	**98 153**
Disposals	-785	-9 693	-534	**-11 012**
Reclassifications [1]	8 866	28 186	-34 888	**2 164**
Change in scope of consolidation [2]	9 053	3 176	220	**12 449**
Translation differences	-1 492	-5 455	-1 716	**-8 663**
As at 12/31/2018	**125 811**	**406 346**	**71 666**	603 823
Accumulated depreciation as at 01/01/2017	**-34 841**	**-153 034**	**-10 117**	-197 992
Additions	-3 635	-28 525	-1 641	**-33 801**
Disposals	2 802	5 375	1 687	**9 864**
Translation differences	-1 186	-7 273	-365	**-8 824**
As at 12/31/2017	**-36 860**	**-183 457**	**-10 436**	-230 753
Additions	-3 992	-31 679	-1 781	**-37 452**
Disposals	740	7 562	477	**8 779**
Translation differences	254	2 129	236	**2 619**
As at 12/31/2018	**-39 858**	**-205 445**	**-11 504**	-256 807
Net carrying amounts				
As at 12/31/2017	**69 978**	**174 703**	**35 298**	279 979
Of which leased assets	–	39 039	–	**39 039**
As at 12/31/2018	**85 953**	**200 901**	**60 162**	347 016
Of which leased assets	–	49 142	–	**49 142**

[1] Reclassifications include positions of immaterial assets amounting to kCHF -157 (previous year kCHF -171). Furthermore there was a reclassification from immaterial assets to fixed assets of kCHF 2 319.

[2] The change in the scope of consolidation applies to Stanzwerk Jessen GmbH with its subsidiaries, which was acquired in year under review. In previous year it applies to Feintool Automotive System Parts (Tianjin) Co., Ltd.

Other property, plant and equipment includes installations, vehicles and assets under construction. Assets under construction amounted to kCHF 48 874 in the year under review (previous year kCHF 28 324). Gains on asset disposals are recognized as other operating income (Note 7). A gain of kCHF 1 013 (previous year kCHF 88) was generated in the reporting year. Losses on asset disposals are stated as other operating expenses (Note 6). In the year under review, this loss totaled kCHF 541 (previous year kCHF 62). As at December 31, 2018, the Feintool Group had entered into purchase commitments for the purchase of property, plant and equipment totaling approx. CHF 13.6 million (previous year CHF 17.2 million).

18 INTANGIBLE ASSETS

18.1 Summary of intangible assets in CHF 1 000	Goodwill	Capitalized development costs [1]	Software	Other intangible assets [2]	Total
Cost of acquisition as at 01/01/2017	**10 123**	**5 652**	**5 692**	**7 359**	**28 826**
Additions	–	2 508	991	48	**3 547**
Disposals	–	-800	-236	-3	**-1 039**
Reclassifications	–	–	171	–	**171**
Change in scope of consolidation [3]	11 866	–	8	11 171	**23 045**
Translation differences	1 188	–	182	692	**2 062**
As at 12/31/2017	**23 177**	**7 360**	**6 808**	**19 267**	**56 612**
Additions	–	1 934	352	731	**3 017**
Disposals	–	–	-19	-70	**-89**
Reclassifications	–	–	157	-2 319	**-2 162**
Change in scope of consolidation [3]	44 433	–	–	19 261	**63 694**
Translation differences	-1 471	–	-94	-888	**-2 453**
As at 12/31/2018	**66 139**	**9 294**	**7 204**	**35 982**	**118 619**
Accumulated depreciation as at 01/01/2017	**–**	**-2 251**	**-4 035**	**-4 156**	**-10 442**
Additions	–	-1 089	-881	-1 167	**-3 137**
Disposals	–	800	212	–	**1 012**
Reclassifications	–	–	24	–	**24**
Translation differences	–	–	-122	-215	**-337**
As at 12/31/2017	**–**	**-2 540**	**-4 802**	**-5 538**	**-12 880**
Additions	–	-1 482	-981	-2 284	**-4 747**
Disposals	–	–	3	–	**3**
Reclassifications	–	–	7	–	**7**
Translation differences	–	–	68	179	**247**
As at 12/31/2018	**–**	**-4 022**	**-5 705**	**-7 643**	**-17 370**
Net carrying amounts					
As at 12/31/2017	**23 177**	**4 820**	**2 006**	**13 729**	**43 732**
As at 12/31/2018	**66 139**	**5 272**	**1 499**	**28 339**	**101 249**

[1] Research and development expenses amounting to kCHF 4 381 (previous year kCHF 4 516) were charged to the consolidated statement of comprehensive income.

[2] Other intangible assets primarily comprise patents and licenses, customer relations purchased within acquisitions as well as land-use-rights.

[3] The change in the scope of consolidation applies to Stanzwerk Jessen GmbH with its subsidiaries, which was acquired in year under review. In previous year it applies to Feintool Automotive System Parts (Tianjin) Co., Ltd.

18.2 Other information	Carrying amount in CHF 1 000
Goodwill 12/31/2018	
Cash-generating unit System Parts China	11 593
Cash-generating unit System Parts Fineblanking Europe	3 417
Cash-generating unit System Parts Forming Europe	7 207
Cash-generating unit System Parts Stamping Europe	43 923
Total carrying amounts	**66 139**
Goodwill 12/31/2017	
Cash-generating unit System Parts China	12 145
Cash-generating unit System Parts Fineblanking Europe	3 548
Cash-generating unit System Parts Forming Europe	7 483
Total carrying amounts	**23 177**

The following impairment test was performed for all business units in the financial year: The recoverable amounts for the cash-generating units are calculated on the basis of the value in use. The impairment test for goodwill was calculated using the DCF method (discounted cash flow method). The cash flows were discounted using the WACC (discount rate after tax). The future cash flows are based on a budget approved by the management for a period of three years and an extended projection over two years plus the residual value.

The goodwill of the cash-generating unit System Parts Stamping Europe is allocated to Feintool System Parts Jessen GmbH and its subsidiaries acquired in the current financial year. The acquisition of this company is related to the expected increase in e-mobility. This development is expected to continue for at least the next ten years. For this reason, the period of future cash flows has been set at a total of eight years.

18.3 Parameter for Discount rate	2018 System Parts China	2018 System Parts Europe	2017 System Parts China	2017 System Parts Europe
Discount rate after taxes	9.5	8.3	n/a	8.4
Market returns	6.0	6.0	n/a	7.0
Growth rate in residual value	2.5	1.6	n/a	1.1

The cash-generating unit System Parts China is included in this overview in the System Parts China group. The cash-generating units System Parts Fineblanking Europe, Forming Europe and Stamping Europe are included in the System Parts Europe group.

As of the date of the impairment test, the recoverable amount of the cash-generating unit System Parts China exceeded the net carrying amount by kCHF 10 273. An increase in the weighted average cost of capital to 10.12 % leads to a situation where the value in use equates the net carrying amount.
If the discount rate were to increase by 1 % (after taxes), the value in use for all other cash-generating units would still be above the value of the net assets plus goodwill.

19 FINANCIAL ASSETS

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Loans to third parties	88	104
Receivables from the financing of customer tools	1 349	1 198
Rental deposit accounts	313	327
Financial assets	**1 750**	**1 629**

The weighted average interest rate in the reporting period was 0.9 % (previous year 0.8 %).

Loans to third parties consist of marketable securities and loans to staff.

Receivables from the financing of customer tools refers to tools the customer has ordered but not yet or only partially paid for. Amortization is based on either the parts produced or an agreed payment plan. Ownership is normally transferred upon acceptance of the tool.

20 FINANCIAL LIABILITIES

20.1 Current financial liabilities	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Current liabilities to banks	62 316	21 694
Current portion of lease liabilities	10 944	8 196
Current portion of non-current liabilities to banks	530	852
Total current financial liabilities	**73 790**	**30 742**

The weighted average interest rate in the reporting period was 1.7 % (previous year 1.8 %).

On June 13, 2017, Feintool signed a CHF 90 million syndicated loan agreement in cash loans with six banks with an option of increase about CHF 60 million. On May 17, 2018, this contract was extended and will now run until June 13, 2023. The syndicated loan defines a number of covenants, the principal one being:

- Equity ratio > 30 %
- Net senior debt/EBITDA < 3.0x

As of December, 31st 2018, CHF 34.1 million of the syndicated loan had been used (previous period CHF 8.2 million) and all the covenants had been met.

20.2 Non-current financial liabilities	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Non-current lease liabilities	25 741	20 046
Non-current promissory note	73 249	76 063
Non-current liabilities to banks	5 960	7 396
Total non-current financial liabilities	**104 950**	**103 505**

The weighted average interest rate in the year under review was 1.3 % (previous year 1.4 %).

On July 15, 2016, a promissory note was issued in the amount of EUR 65 million. The issuer, with a guarantee from Feintool International Holding AG, is Feintool Holding GmbH based in Germany. The loan is divided into three tranches with different maturities:

- EUR 25 million, term until fiscal year 2021, fixed interest rate of 0.90 %
- EUR 25 million, term until fiscal year 2023, fixed interest rate of 1.10 %
- EUR 15 million, term until fiscal year 2026, fixed interest rate of 1.66 %

Standard covenants are defined in the loan agreement. The only material covenant to be complied with is:

- Equity ratio > 25 %

As of December 31, 2018, all the covenants had been met.

Credit agreements concluded on a bilateral basis with various banks also contain standard covenants. As of December 31, 2018, all the covenants had been met.

If the Group or companies were unable to meet one or several covenants of the syndicated loan, promissory note or bilateral debts, the banks would have the right to terminate the loans at short notice.

As at December 31, 2018, Feintool has CHF 55.9 million (previous year CHF 81.8 million) in unused, confirmed creditlines at the bank.

20.3 Reconciliation of financial liabilities	2018 in CHF 1 000	2017 in CHF 1 000
Start of period	**134 247**	**108 924**
Cash flows net [1]	-2 768	2 838
Non-cash changes	42 765	14 524
thereof acquisition	34 321	12 727
thereof new leases	8 444	1 797
Translation differences	4 496	7 961
End of period	**178 740**	**134 247**

[1] This item includes the borrowing of interest-bearing debt, the repayment of interest-bearing lease liabilities and the repayment of interest-bearing debt.

21 TRADE AND OTHER PAYABLES

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Trade payables	50 052	57 190
Prepayments from third parties	7 220	6 455
Notes payable	4 992	6 429
Customer payments from factoring [1]	2 088	1 529
Social security liabilities	4 512	3 778
Outstanding VAT liabilities	1 132	1 288
Other liabilities	2 066	1 141
Total trade and other payables	**72 062**	**77 810**

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

In the previous year, revenues from contracts with customers were reclassified in the amount of kCHF 2 985 between net contract assets and trade payables/other liabilities due to the new IFRS 15 standard.

22 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Accruals for salary, bonus, overtime, additional hours	11 552	14 343
Outstanding accounts payable	11 193	10 168
Outstanding installations and other work to be fulfilled in relation to customer orders	12 821	15 918
Accruals for environmental risks [1]	855	1 033
Other accrued expenses and deferred income	658	1 013
Total accrued expenses and deferred income	**37 079**	**42 475**

[1] Feintool is renting property contaminated with trichloroethylene (PER) 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 cleanup operation. Feintool has committed itself to meeting half of the costs of cleanup, up to a value of EUR 1.5 million (in CHF 1.8 million). This amount is entered in full as a liability, less cleanup contributions made to the cleanup. According to the information currently available, the contamination of the leased property in Obertshausen will have no further effect on the Group's financial position, operating results or cash flows.

23 PROVISIONS

in CHF 1 000	Warranties	Other provisions	Total
Recognized	264	2 352	2 616
Used	-391	-1 465	-1 856
Reversed	-90	-3 339	-3 429
Change in the scope of consolidation	–	2 290	2 290
Translation differences	33	396	429
Total provisions as at 12/31/2017	**2 380**	**5 991**	**8 371**
of which current provisions	1 227	5 348	6 575
of which non-current provisions	1 153	640	1 793
Recognized	1 821	5 072	6 893
Used	-108	-2 113	-2 221
Reversed	-424	-1 868	-2 292
Translation differences	-17	-241	-258
Total provisions as at 12/31/2018	**3 652**	**6 841**	**10 493**
of which current provisions	1 868	6 246	8 114
of which non-current provisions	1 787	592	2 379

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 restructuring, scrap rebates, customer complaints, price reductions that were not passed on and various small items. The expected duration of the outflow of funds is 1 to 2 years.

In the 2013 financial year, Feintool sold a property in White Plains (USA). This is contaminated with tetrachloroethylene (PER). Feintool remains responsible for the cleanup, and has therefore joined the state-controlled Brownfield Cleanup Program. Under this program, 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 totaling kCHF 407 (previous year kCHF 443) in its balance sheet for this remediation work. According to the current assessment, provisions for the cleanup at White Plains are sufficient.

24 LEASE LIABILITIES

	Operating leases in CHF 1 000	Finance leases in CHF 1 000
Lease liabilities as at 12/31/2018 due		
within 1 year	551	11 097
in one to five years	1 778	25 861
in more than five years	25	227
Total liabilities	**2 354**	**37 185**
Less interest		-500
Total lease liabilities as at 12/31/2018		**36 685**
Lease liabilities as at 12/31/2017 due		
within 1 year	1 063	8 462
in one to five years	2 698	19 941
in more than five years	76	427
Total liabilities	**3 837**	**28 830**
Less interest		-588
Total lease liabilities as at 12/31/2017		**28 242**

In the financial year, kCHF 16 337 (previous year kCHF 10 809) of new financial leasing agreements were concluded.

25 COMMITMENTS UNDER LONG-TERM RENTAL AGREEMENTS

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Rental payments due		
within 1 year	2 003	2 768
in one to five years	7 062	6 512
in more than five years	2 297	2 558
Total payments	**11 362**	**11 838**

26 EMPLOYEE BENEFIT PLANS

26.1 Overview of net employee benefit liabilities (assets)	**12/31/2018** in CHF 1 000	**12/31/2017** in CHF 1 000
Net defined benefit liability (asset)	56 924	57 354
Anniversary benefits	2 020	2 006
Other benefit obligations	105	171
Total net employee benefit liabilities (assets)	**59 049**	**59 531**

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 6 619 (previous year kCHF 6 731).

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 47 329 (previous year kCHF 46 793), the German plan to kCHF 8 739 (previous year kCHF 9 775) and the Japanese plan to kCHF 856 (previous year kCHF 786). On account of the materiality of the figures, only the Swiss and German plans are shown in Note 26.3 onwards.

Swiss plan

The majority of Feintool employees in Switzerland are insured against the risks of death, old age and disability through the semi-autonomous Feintool Group pension fund. The benefits provided by the Feintool Group's pension fund exceed the minimum level 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 5.5 %-14.0 % of the insured salary for credits to individual retirement assets. The typical 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 their 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 insured individual's accumulated retirement savings at the time of retirement. In the case of retirement at age 65/64, the conversion rate is 5.8 % (previous year 6.0 %). Afterwards, it will fall by 0.2 % each year until it reaches 5.2 % in financial year 2021. This amendment to the regulations of the Swiss pension fund has been agreed on in financial year 2016. 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 and any voluntary payments made by the insured person. 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 pension fund Board of Trustees 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 any underfunding within a reasonable period. Under the BVG, additional employer and employee contributions may be incurred if the pension fund exhibits a significant shortfall (shortfall < 90 % = considerable shortfall; in this instance, contributions to rectify the situation are essential). In these cases, the contributions to rectify the situation are 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 around 90.6 % as at December 31, 2018 (previous year 94.7 %). 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. In accordance with its guidelines, the financial services provider is able to decide on the asset allocation subject to the statutory requirements concerning asset classes and bandwidths. In the financial year 2016, the company that established the pension fund committed to the addition of another CHF 1.2 million annually for the restructuring of the pension fund for the Feintool Group – along with the standard contributions – until a 100 % degree of coverage is achieved.

German plans

The German plans comprise:

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

26.2 Change in defined benefit liability (asset)	Defined benefit obligation 2018 in CHF 1 000	Defined benefit obligation 2017 in CHF 1 000	Plan assets 2018 in CHF 1 000	Plan assets 2017 in CHF 1 000	Net defined benefit liability (asset) 2018 in CHF 1 000	Net defined benefit liability (asset) 2017 in CHF 1 000
As at January 1	**184 358**	**185 763**	**-127 004**	**-124 648**	**57 354**	**61 115**
Recognized in income statement						
Current service cost	4 894	5 041	–	–	4 894	5 041
Interest cost (income)	1 180	1 179	-752	-743	428	436
General and administrative expenses	–	–	186	218	186	218
Total	**6 074**	**6 220**	**-566**	**-525**	**5 508**	**5 695**
Recognized in other comprehensive income						
Expense/(income) from remeasurement of						
Actuarial loss/(gain) due to:						
Change in demographic assumptions	34	-7	–	–	34	-7
Change in financial assumptions	-5 085	–	–	–	-5 085	–
Experience adjustment	-172	-430	–	–	-172	-430
Expense/(income) on plan assets (excluding interest income)	–	–	4 983	-4 571	4 983	-4 571
Translation differences	-294	861	-26	-78	-320	783
Total	**-5 517**	**424**	**4 957**	**-4 649**	**-560**	**-4 225**
Other						
Contributions from employer	-468	-403	-4 910	-4 828	-5 378	-5 231
Contributions from employees	3 228	3 164	-3 228	-3 164	–	–
Benefits paid out	-6 917	-10 810	6 917	10 810	–	–
Total	**-4 157**	**-8 049**	**-1 221**	**2 818**	**-5 378**	**-5 231**
As at December 31	**180 758**	**184 358**	**-123 834**	**-127 004**	**56 924**	**57 354**
of which Swiss plans	167 839	170 697	-120 510	-123 904	47 329	46 793
of which German plans	9 913	10 820	-1 174	-1 045	8 739	9 775
of which Japanese plans	3 002	2 839	-2 146	-2 052	856	787

The expected contributions made to the employee benefit plans for the following financial year amount to CHF 5.4 million in the case of employer contributions and CHF 3.3 million in the case of employee contributions.

26.3 Plan assets of defined benefit plans	2018 in %	2017 in %
Equities	7.2	9.1
Bonds	65.8	65.3
Real estate (including real estate funds)	14.9	14.5
Other	1.2	0.9
Cash	10.9	10.2
Total	**100.0**	**100.0**

Swiss plan

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

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

Currencies other than the CHF are hedged. 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.

26.4 Defined benefit plan obligations – actuarial assumptions	2018 in %	2017 in %
Swiss plan		
Discount rate	0.8	0.6
Future increase in wages and salaries	1.3	1.3
German plans		
Discount rate	1.8	1.6
Future increase in wages and salaries	0.0 - 2.0	0.0 - 2.0
Future increase in pensions	1.8 - 2.0	1.8 - 2.0

26.5 Defined benefit plan obligations – actuarial assumptions	2018 in years	2017 in years
Swiss plan		
Life expectancy at age 65 for newly retired persons		
Men	22.5	22.4
Women	24.5	24.4
Life expectancy at age 65 for employees currently aged 45		
Men	24.3	24.3
Women	26.4	26.3
German plans		
Life expectancy at age 65 for newly retired persons		
Men	20.2	19.3
Women	23.8	23.3
Life expectancy at age 65 for employees currently aged 45		
Men	23.0	21.9
Women	26.0	25.8

As at December 31, 2018, the weighted-average duration of pension benefit obligations was 14.4 years for the Swiss plan (previous year 14.7 years) and 18.3 - 19.4 years for the German plans (previous year 18.9 - 20.2 years). Feintool uses the GT 2015 mortality table in Switzerland and Heubeck in Germany for the hypothetical life expectancy.

26.6 Defined benefit plan obligations – sensitivity analysis	2018 in CHF 1 000	2017 in CHF 1 000
Swiss plan		
Change in discount rate -0.25 %	5 919	6 177
Change in discount rate +0.25 %	-5 538	-5 773
Change in wages and salaries -0.25 %	-315	-541
Change in wages and salaries +0.25 %	310	540
German plans		
Change in discount rate -0.25 %	481	502
Change in discount rate +0.25 %	-450	-469
Change in wages and salaries -0.25 %	n/a	-69
Change in wages and salaries +0.25 %	n/a	71

27 EQUITY

27.1 Share capital	12/31/2018 Number/CHF	12/31/2017 Number/CHF
Number of shares	4 914 842	4 462 971
Nominal value	10	10
Share capital	49 148 420	44 629 710

27.2 Changes of Share capital	12/31/2018 in CHF	12/31/2017 in CHF
Start of period	**44 629 710**	**44 629 710**
Increase	4 518 710	–
End of period	**49 148 420**	**44 629 710**

On September 20, 2018, the Feintool Group concluded a capital increase. The transaction resulted in the creation of 451 871 new Feintool shares with a par value of CHF 10 each at the transaction price of CHF 112.50 each.

27.3 Conditional capital – employee stock option plan	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Start of period	**558**	**558**
Used	–	–
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 July 2, 1998 for the payment of rights conferred under the employee stock option plan.

27.4 Authorized capital	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Start of period	**6 000**	**6 000**
Expired	-6 000	–
Created	6 000	–
Used	-4 518	–
End of period	**1 482**	**6 000**

The "authorized capital" amounting to a maximum of CHF 6 000 000 created on April 19, 2016, by issuing a maximum of 600 000 new shares with a par value of CHF 10 each expired on April 19, 2018. By resolution of the General Meeting of April 24, 2018, the Board of Directors was authorized, if required, to create authorized capital amounting to a maximum of CHF 6 000 000 by issuing a maximum of 600 000 new shares with a par value of CHF 10 each. The new shares must be paid up in full. The Board of Directors is authorized to restrict or exclude the subscription right in certain cases. The shares may be issued in one or more steps. The authorization is limited to two years. The authorized share capital will expire on April 24, 2020.

As of September 20, 2018, 451 871 new shares with a par value of CHF 10 each were issued as part of a capital increase. The shares were fully drawn from the "authorized share capital".

	12/31/2018		12/31/2017	
27.5 Treasury shares – changes	Number	in CHF 1 000	Number	in CHF 1 000
Start of period	**6 406**	**703**	**6 742**	**660**
Bought	19 909		7 000	
Sale/transfer	-9 174		-7 336	
End of period	**17 141**	**1 780**	**6 406**	**703**
of which trading portfolio	17 141		6 406	

In the 2018 financial year, 19 909 shares were purchased at an average price of CHF 103.55 (previous year 7 000 shares at an average price of CHF 112.08) and 9 174 shares sold at an average price of CHF 108.05 (previous year 7 336 shares at an average price of CHF 113.25) for the share-based management remuneration. Treasury shares are reserved primarily for management remuneration.

28 CAPITAL PARTICIPATION PLANS

As a component of the bonus, 8 763 shares (previous year 7 336) were allocated to the Board of Directors, the Group Management and other managers in the financial year at a transaction value of kCHF 723 (previous year kCHF 860). Of this amount, 5 000 shares have been distributed in January 2019 and 3 763 shares in December 2018. All shares were transferred from treasury shares and were transferred directly to the ownership of the recipient.

29 OFF-BALANCE SHEET TRANSACTIONS, CONTINGENT LIABILITIES

	12/31/2018	12/31/2017
	in CHF 1 000	in CHF 1 000
Contingent obligations	3 585	3 268
Contingent liabilities	**3 585**	**3 268**

Contingent obligations comprise funding that 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 White Plains, NY (USA), a Feintool company owned a property that is contaminated with tetrachloroethylene (PERC). Feintool has joined the state-controlled Brownfield Cleanup Program. This program is intended to ensure the property is cleaned up. At present, Feintool has allowed provisions totaling roughly kCHF 407 (previous year kCHF 443) in its balance sheet for this remediation work. According to the information currently available, the White Plains cleanup will have no significant effect on the Group's financial position, operating results or cash flows.

At one location in Switzerland, a neighbor filled a suit due to excessive noise emissions from a production site. Together with the responsible authorities, Feintool is currently examining structural and organizational modifications with the aim of reducing the effects of the emissions. Feintool does not expect these modifications to have a material impact on the Group's financial position, results of operations or cash flows.

In Germany, the Federal Labor Court ruled in the last instance that Feintool had no basis for a group works council.

In the US, Feintool delivered defective parts to two customers. Both cases were concluded in the reporting period; Feintool's insurances covered the damage 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, labor 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 that may not be covered by insurance policies. Feintool believes, however, that any such proceedings would not have a significant effect on the Group's financial position, operating results or cash flows.

30 ASSETS PLEDGED AS SECURITY FOR OWN LIABILITIES

	12/31/2018	12/31/2017
	in CHF 1 000	in CHF 1 000
Real estate	6 162	6 367
Machinery and equipment	49 142	39 039
Assets pledged as security for own liabilities	**55 304**	**45 406**

31 ECONOMIC RISKS

Continuously growing protectionism with rising tariffs, the change in raw material and energy prices as well as the persistently high external trade imbalances entail risks for the future development of the global economy. These factors could lead to a decline in global economic growth. The inherent uncertainties cause stronger exchange rate fluctuations, and a continuation of the weakness of the euro in particular. 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. The principles of risk management and the processes applied are reviewed on a regular basis in order to address changes in the market environment and in Feintool's activities.

Besides standards for general financial risk management, these directives 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 the 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 million) 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.

Feintool has a syndicated loan of CHF 90 million (previous year EUR 90 million), a promissory note in the amount of EUR 65 million (previous year EUR 65 million), bilateral credit loans and several leasing and rental contracts (more details in note 20 and 24).

These contracts contain standard covenants, particularly

- equity ratio > 30 %
- net senior debt / EBITDA < 3.0 x

Were the Group or individual companies unable to meet these covenants, the banks would have the right to terminate the loans at short notice. As at December 31, 2018, all covenants had been met. As at December 31, 2018, Feintool had CHF 55.9 million (previous year CHF 81.8 million) in unused, confirmed credit lines at the bank.

Financial liabilities – carrying amounts and cash outflows in CHF 1 000	**Carrying amounts**	Due within 1 year	Due within 3 years	Due within 5 years	Due in more than 5 years	**Total**
12/31/2018						
Liabilities [1]	**59 198**	59 198	–	–	–	**59 198**
Accrued expenses and deferred income [2]	**12 706**	12 706	–	–	–	**12 706**
Current liabilities to banks	**62 316**	62 316	–	–	–	**62 316**
Lease liabilities	**36 685**	10 946	18 866	7 146	227	**37 185**
Other liabilities to banks	**79 739**	530	32 989	32 003	17 606	**83 128**
Total	**250 644**	**145 696**	**51 855**	**39 149**	**17 833**	**254 533**
Foreign exchange futures [3]						
Cash inflows	**87**	87	–	–	–	**87**
Cash outflows	**31**	31	–	–	–	**31**
12/31/2017						
Liabilities	**66 289**	66 289	–	–	–	**66 289**
Accrued expenses and deferred income	**12 214**	12 214	–	–	–	**12 214**
Current liabilities to banks	**21 694**	21 694	–	–	–	**21 694**
Lease liabilities	**28 242**	8 207	13 356	6 837	430	**28 830**
Other liabilities to banks/bonds	**84 311**	853	6 641	33 274	47 989	**88 757**
Total	**212 750**	**109 257**	**19 997**	**40 111**	**48 419**	**217 784**
Foreign exchange futures [3]						
Cash inflows	**429**	429	–	–	–	**429**
Cash outflows	**2**	2	–	–	–	**2**

[1] Excluding social security obligations, advance payments from third parties and outstanding VAT obligations.

[2] Excluding accruals for salary, bonus and overtime as well as outstanding installations and other work to be fulfilled in relation to customer orders.

[3] As at December 31, 2018, the contractual values of the forward exchange deals amounted to kCHF 14 062 (previous year kCHF 25 617).

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. There are currently financial liabilities from the promissory note loan due to fixed interest payments, from bank loans where half have fixed rates and half adjustable rates, and from lease liabilities with fixed rates, fixed terms and running amortization. Interest rate management is mostly undertaken on a centralized basis so as to limit the impact of interest rate changes on net financial income/finance costs.

A 0.5 % increase in the adjustable interest rate would adversely affect pretax profits by kCHF 243.

Exchange rate risk

Owing to its geographical diversification, Feintool is exposed to exchange rate risk particularly in relation to the euro (EUR), US dollar (USD), the Chinese currency yuan (CNY), the Japanese yen (JPY) and the Czech (CZK). 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 the impact of exchange rate fluctuations. It seeks to ensure that costs are incurred in the same currency as the resulting income. The resulting surpluses (euro in particular) and requirements (Swiss franc in particular) at Group level are coordinated centrally in the various currencies. The net position of the most important foreign currencies is hedged over a period of usually six to twelve months, as required.

The Feintool Group's exchange rate risk is calculated by way of the following sensitivity analysis. The table shows the impact on total earnings if foreign currencies were decreased by 5 % versus the Swiss franc and simultaneously all other variables were to remain the same.

Sensitivity analysis exchange rate risk	2018 Base amounts in EUR 1 000 / USD 1 000	2018 Effect in CHF 1 000	2017 Base amounts in EUR 1 000 / USD 1 000	2017 Effect in CHF 1 000
EUR – Comprehensive Incom	-13 929	813	18 059	-1 056
USD – Comprehensive Income	3 450	-78	3 991	-87

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 can be 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 aims for an equity ratio of at least 40 % and for a net-debt/EBITDA ratio of less than 1. Comments on the aforementioned ratios are provided in the Financial Review (on page 28). In terms of dividends policy, Feintool aims to pay shareholders approximately 30 % of consolidated annual profit in the form of a dividend.

Credit risk

Feintool's credit risk is the book value of the recognized financial assets with the exception of financial guarantees. In this case, the guaranteed amount corresponds to the credit risk.

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 automobile sector is the focal point of Feintool's operations. By definition, this market segment 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 December 31, 2018, the overall default risk amounts to kCHF 129 882 (previous year kCHF 148 290). Feintool generates more than 17.2 % (previous year 17.4%) of consolidated sales from one customer. Income is generated in all segments. With the other customers, the share is less than 12.8 % (previous year 14.3 %) in each case.

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

32 FINANCIAL INSTRUMENTS

32.1 Financial assets in CHF 1 000	Financial assets at amortized cost	Financial assets at fair value through profit and loss	Total
Cash and cash equivalents	30 872	–	**30 872**
Prepaid expenses and accrued income [1]	4 395	87	**4 482**
Receivables	92 778	–	**92 778**
Financial assets	1 750	–	**1 750**
Carrying amounts as at 12/31/2018	**129 795**	**87**	**129 882**

	Loans and receivables	Financial assets at fair value through profit and loss for trading	Total
Cash and cash equivalents	52 384	–	**52 384**
Prepaid expenses and accrued income [1]	218	429	**647**
Receivables	93 630	–	**93 630**
Financial assets	1 629	–	**1 629**
Carrying amounts as at 12/31/2017	**147 861**	**429**	**148 290**

32.2 Financial liabilities in CHF 1 000	Financial liabilities at amortized cost	Financial liabilities at fair value through profit and loss	Total
Accrued expenses and deferred income [2]	12 706	–	**12 706**
Trade payables	59 198	–	**59 198**
Non-current financial liabilities	73 790	–	**73 790**
Non-current financial liabilities	104 950	–	**104 950**
Carrying amounts as at 12/31/2018	**250 644**	**–**	**250 644**

	Other financial liabilities	Financial liabilities held for trading	Total
Accrued expenses and deferred income [2]	12 214	–	**12 214**
Trade payables	66 289	–	**66 289**
Non-current financial liabilities	30 742	–	**30 742**
Non-current financial liabilities	103 505	–	**103 505**
Carrying amounts as at 12/31/2017	**212 750**	**–**	**212 750**

Based on the new standard IFRS 9 Financial Instruments, financial assets and liabilities will be divided into new categories as of the 2018 financial year. The previous year remains unchanged due to the prospective implementation method.

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

[1] Excluding accruals for commitment fees, prepaid expenses for customer orders rental agreements and prepaid insurance premiums.

[2] Excluding accruals for salary, bonus and overtime as well as outstanding installations and other work to be fulfilled in relation to customer orders.

32.3 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 56 net (previous year kCHF 427).

32.4 Classification of financial income/financial expenses (in CHF 1 000)	Cash and cash equivalents	Measured at fair value	Loans and receivables	Other financial liabilities	Total
Carrying amounts as at 12/31/2018	**30 872**	**56**	**94 528**	**250 644**	
Interest income/expenses	–	–	68	-3 859	**-3 791**
Other financial income/finance expenses	–	-608	-285	-3	**-896**
Change in valuation allowances on customer receivables and bad debt losses	–	–	1 047	–	**1 047**
Total net gain/loss 2018	**–**	**-608**	**830**	**-3 862**	**-3 640**
Carrying amounts as at 12/31/2017	**52 384**	**427**	**95 477**	**212 750**	
Interest income/expenses	–	–	77	-2 892	**-2 815**
Other financial income/finance expenses	–	-216	-443	154	**-505**
Change in valuation allowances on customer receivables and bad debt losses	–	–	-571	–	**-571**
Total net gain/loss 2017	**–**	**-216**	**-937**	**-2 738**	**-3 891**

32.5 Derivative financial instruments outstanding (in CHF 1 000)	Fair values positive	Fair values negative	Contract volumes
Futures contracts	87	31	14 062
Currency instruments	**87**	**31**	**14 062**
Total derivative financial instruments as at 12/31/2018	**87**	**31**	**14 062**
Futures contracts	429	2	25 617
Currency instruments	**429**	**2**	**25 617**
Total derivative financial instruments as at 12/31/2017	**429**	**2**	**25 617**

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

33 RELATED PARTIES

33.1 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 (excluding tax-allowable expenses), 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 2 605 (previous year kCHF 2 896).

	2018 in CHF 1 000	2017 in CHF 1 000
Pay (including cash bonuses), fees [1]	1 663	1 881
Contributions to pension plans	414	385
Share-based payment [2]	528	630
Total	**2 605**	**2 896**

[1] Incl. benefits in kind

[2] For the Chairman of the Board of Directors, allocation of a predefined number of shares. The shares are locked in for five years. The valuation corresponds to the price at the time of allocation. For the 2018 financial year, the shares were transferred on January 4, 2019. Group Management is entitled to a predefined amount in Swiss francs. Remuneration is in the form of shares. The number of shares depends on the average price in October/November. The shares have a staggered lock-in period of 1-4 years. Disbursement took place in December.

33.2 Other related parties	2018 in CHF 1 000	2017 in CHF 1 000
Balance Sheet		
Trade receivables	–	47
Other payables	145	149
Income Statement		
Net sales [1]	24	823

[1] Transactions in the year under review with Franke Artemis Group, proceeded at arm's length.

34 MAJOR SHAREHOLDERS

		12/31/2018		12/31/2017	
	Date of notification	Number	Share of capital	Number	Share of capital
Artemis Beteiligungen I AG and Michael Pieper	09/20/2018	2 473 349	50.32 %	2 245 949	50.32 %
Geocent AG [1]	07/15/2013	400 285	8.14 %	400 285	8.97 %

[1] The notice dated July 15, 2013, comprised 400 285 shares or 8.97 % of the corresponding share capital. Following the capital increase on September 20, 2018, 400 285 shares correspond to a capital share of 8.14 %.

35 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2019 and will be submitted to the Annual General Meeting for approval on April 30, 2019.

KPMG

Statutory Auditor's Report

To the General Meeting of Feintool International Holding AG, Lyss

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Feintool International Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 32 to 83) give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Accuracy and existence of revenue

Valuation and existence of inventories

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Accuracy and existence of revenue

Key Audit Matter

Total consolidated net revenue of the financial year 2018 amounted to CHF 679,551 thousand. The segment System Parts contributed 86% to these revenues while the remaining 14% were realised in the segment Fineblanking Technology.

Revenues are a key performance indicator for Feintool and therefore in the focus of internal and external stakeholders. In the segment System Parts, revenues comprise serial production parts while in the segment Fineblanking Technology revenues comprise press systems and tools. In the context of revenue recognition different characteristics need to be considered in the two segments:

The segment System Parts is characterised by high volumes that are produced within a short timeframe by using customised tools. These tools are purchased by the client either from the Fineblanking Technology segment or from third parties. In general, a client orders a customised tool in connection with the corresponding serial production. The correct recognition of revenue of such multiple-component contracts is particularly relevant, taking into account the respective delivery terms with a view to a content aspect and the recognition in the appropriate period.

In the Fineblanking Technology segment, the production orders are recognised over time if the corresponding criteria are met. The over time recognition takes into account acquisition and manufacturing costs, as well as other directly attributable costs. In addition, a portion of the profit based on the stage of completion is also recognised, if the likelihood of a profitable overall outcome can be reasonably assured. There is a risk that based on an incorrect determination of the stage of completion or an incomplete estimate of the overall costs, the receivables and payables or potentially required provisions for foreseeable losses of the projects are not assessed correctly.

Our Response

We assessed the revenue recognition for the different revenue streams throughout the process, starting with the order intake until final invoicing and also considering the IT systems, and examined if transactions are recognised in a complete and correct way. We also assessed the operating effectiveness of key controls applicable to revenue recognition within the internal control system.

In addition, we performed, amongst others, the following procedures in the segment System Parts:

- On a sample basis we reconciled revenues with the corresponding supporting documents to confirm the correct transfer of control related to the goods sold to the client and corroborated that revenues were recognised accurately.

- Based on a sample of delivery notes and corresponding receipts of payment we tested if the revenues existed and were recognised in the correct period.

- In addition, we obtained third party confirmations on a sample basis in order to reconcile the accounts receivable as of balance sheet date to the corresponding revenues.

- As it relates to the multiple-component contracts, we selected a sample to test if the individual components were correctly recorded in the system also taking into account the contractually agreed terms.

- We furthermore performed analytical procedures including margin analysis, development of prices and volumes of the largest clients and the distribution of sales throughout the year.
  Concerning the cut-off, we tested deliveries before and after the balance sheet date.

Amongst others, our procedures in the segment Fineblanking Technology comprised the following:

- Based on enquiries with employees and the testing of selected control activities we validated that an adequate sales order organisation exists, which allows the application of the revenue recognition over time. We also tested the reliability of the system and the effectiveness of the key controls.

- In addition, we randomly selected individual projects and compared them to the underlying contracts. We assessed whether for longer-term projects revenue recognition was in line with the stage of completion of the project. We analysed how the calculation and project risk provisions for major projects developed in comparison with prior periods and if past assumptions retrospectively proved to be reasonable.

- On a sample basis, we agreed the recognised estimated revenues with the corresponding contracts and performed recalculations. For projects with an expected loss, we tested if a provision in the full amount of the anticipated loss was recorded, regardless of the stage of completion.

For further information on revenue refer to the following:

— Note Accounting Principles on pages 38-48

— Note 1 Segment Information on pages 50-52

— Note 3 Net Sales on page 55

KPMG

Valuation and existence of inventories

Key Audit Matter

Inventory (excluding work in progress and valuation allowances on work in progress) as of December 31, 2018 amounted to CHF 73,228 thousand and represented a material position in the balance sheet.

Raw material: CHF 41,738 thousand
Finished and semi-finished goods: CHF 53,243 thousand
Valuation allowance on inventories: CHF -21,753 thousand

The business is characterised by high volume serial production and the valuation and existence of inventories is relevant to the business development.

Inventories are valued at manufacturing costs and their recoverability is periodically reviewed. Standard costs need therefore to be compared to the actual costs. For semi-finished and finished goods containing a significant value added, the determination of the manufacturing costs involves judgement.

Additionally there is a risk that for semi-finished and finished goods the manufacturing costs exceed the sales price less selling and administrative costs (lower of cost or market).

Our Response

Amongst others, we performed the following procedures:

- To test the quantity of inventories at significant locations we assessed the corresponding inventory observation instructions and participated in selected inventory counts on site. Based on samples we performed test counts and compared the quantities counted by us with the results of the counts of the entity.
- We assessed the appropriateness of the processes for incoming and outgoing goods and the identification of obsolete items.
- We recalculated inventory valuation allowances and
- compared them to source data on a sample basis.
- In addition, we evaluated changes in the valuation basis and method. In the context of our testing of the calculation we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.
- Based on inventory key figures we evaluated the development of raw materials, semi-finished and finished goods.

For further information on inventories refer to the following:

— Note Accounting Principles on pages 38-48
— Note 14 Inventories on page 61

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Roman Wenk
Licensed Audit Expert
Auditor in Charge

Joel Meer-Rau
Licensed Audit Expert

Zurich, March 4, 2019

FEINTOOL INTERNATIONAL HOLDING AG

Financial Review of the 2018 Financial Year

(from January 1 to December 31, 2018)

FEINTOOL INTERNATIONAL HOLDING AG BALANCE SHEET

for the 2018 financial year (as at December 31, 2018)

	Note	12/31/2018 in CHF 1 000	in %	12/31/2017 in CHF 1 000	in %
ASSETS					
Current assets					
Cash and cash equivalents		4 755		12 844	
Trade and other receivables	1	11 578		14 445	
Prepaid expenses and accrued income	2	1 197		1 295	
Total current assets		**17 530**	**4.7**	**28 584**	**10.0**
Non-current assets					
Property, plant and equipment	3	129		198	
Intangible assets	4	2 599		3 465	
Financial assets	5	147 851		62 809	
Investments	6	204 080		190 096	
Total non-current assets		**354 659**	**95.3**	**256 568**	**90.0**
TOTAL ASSETS		372 189	100.0	285 152	100.0
LIABILITIES					
Current liabilities					
Current interest bearing liabilities	7	97 823		57 318	
Trade and other payables	8	3 562		7 842	
Accrued expenses and deferred income	9	5 950		6 018	
Total current liabilities		**107 336**	**28.8**	**71 178**	**25.0**
Non-current liabilities					
Non-current provisions	10	509		517	
Total non-current liabilities		**509**	**0.1**	**517**	**0.2**
Total liabilities		**107 845**	**29.0**	**71 695**	**25.1**
Shareholder's equity					
Share capital	11	49 148		44 630	
General legal reserves from capital contributions	11	139 201		102 645	
Free retained earnings					
(Loss)/Gain carryforward		66 891		48 876	
Result for the year		10 885		18 009	
Treasury shares	14	-1 780		-703	
Total shareholder's equity		**264 345**	**71.0**	**213 457**	**74.9**
TOTAL EQUITY AND LIABILITIES		372 189	100.0	285 152	100.0

FEINTOOL INTERNATIONAL HOLDING AG STATEMENT OF INCOME

for the 2018 financial year (January 1 to December 31, 2018)

		2018		2017	
	Note	in CHF 1 000	in %	in CHF 1 000	in %
INCOME					
Operating income	15	33 857	65.4	29 935	63.8
Financial income	16	17 932	34.6	9 012	19.2
Reversal of valuation allowance on investments	17	–	0.0	8 000	17.0
Total income		**51 789**	**100.0**	**46 947**	**100.0**
EXPENSES					
Personnel expenses	18	7 421	14.3	10 568	22.5
Other operating expenses	19	10 326	19.9	9 707	20.7
Depreciation		3 020	5.7	1 072	2.2
Financial expenses	20	17 354	33.5	8 140	17.3
Income Taxes		2 783	5.4	-549	-1.2
Total expenses		**40 904**	**79.0**	**28 938**	**61.6**
RESULT FOR THE YEAR		**10 885**	**21.0**	**18 009**	**38.4**

NOTES TO THE FINANCIAL STATEMENTS OF FEINTOOL INTERNATIONAL HOLDING AG

as at December 31, 2018

PRINCIPLE

General

Feintool International Holding AG has its headquarters in Lyss, Switzerland. The 2018 financial statements were prepared in accordance with the provisions of Swiss accounting law (Art. 32 of the Swiss Code of Obligations). The main applied valuation principles that are not required by law are described in the following.

Treasury shares

Treasury shares are recognized at the time of acquisition at cost as a minus line item in equity. In the event of resale, the profit or loss is taken to equity and reported under free retained earnings.

Capital participation plans

Treasury shares are used for share-based payments to the Board of Directors and employees. They are recognized at a fixed price in the regulations for the issue and transferred to the entitled beneficiary. The corresponding expense including social security contributions is reported in personnel expenses.

Omission of cash flow statement and additional information in the Notes to the Financial Statements

Feintool International Holding AG prepares its consolidated financial statements in accordance with a recognized standard for accounting (IFRS) and consequently omits additional disclosures in the Notes to the Financial Statements and a report on the cash flow statement in these financial statements as set forth in the statutory provisions.

1 TRADE AND OTHER RECEIVABLES

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Accounts receivable – third parties	281	507
Accounts receivable – intercompany	8 648	13 938
Interest bearing receivable – intercompany [1)]	2 649	–
Total trade and other receivables	**11 578**	**14 445**

1) Interest bearing receivable related to zero balance cash pools

2 PREPAID EXPENSES AND ACCRUED INCOME

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Prepaid expenses – third parties	1 144	1 094
Prepaid expenses – intercompany	53	201
Total prepaid expenses and accrued income	**1 197**	**1 295**

3 PROPERTY, PLANT AND EQUIPMENT

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Furniture and fixtures	28	35
Automotive	3	8
Other fixed assets	98	155
Total property, plant and equipment	**129**	**198**

4 INTANGIBLE ASSETS

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Cost for research and development	2 581	3 360
Software	–	69
Other intangible assets	18	36
Total intangible assets	**2 599**	**3 465**

5 FINANCIAL ASSETS

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Financial assets – intercompany [1)]	147 851	62 809
Total financial assets	**147 851**	**62 809**

1) The increase is due in particular to loan increases to companies in Germany, China and the Czech Republic.

6 INVESTMENTS

Company	Locations, country		Capital	Proportion of capital and voting rights as of December 31, 2018	Proportion of capital and voting rights as of December 31, 2017	Consoli dation method
Feintool International Holding AG	**Lyss, CH**	**CHF**	**49 148 420**	**100 %**	**100 %**	**Full**
Feintool Automotive System Parts (Tianjin) Co. Ltd. [1]	Tianjin, CN	EUR	22 500 000	100 %	100 %	Full
Feintool Engineering Co. Ltd.	Atsugi, J	JPY	400 000 000	100 %	100 %	Full
Feintool Equipment AG [2]	Lyss, CH	CHF	100 000	n/a	100 %	Full
Feintool Fineblanking Technology (Shanghai) Co., Ltd.	Shanghai, CN	USD	2 500 000	100 %	100 %	Full
Feintool Holding GmbH	**Bayreuth, GER**	**EUR**	**818 000**	**100 %**	**100 %**	**Full**
Feintool System Parts Ettlingen GmbH	Ettlingen, GER	EUR	766 937	100 %	100 %	Full
Feintool System Parts Jena GmbH	Jena, GER	EUR	3 068 000	100 %	100 %	Full
Feintool System Parts Obertshausen GmbH	Obertshausen, GER	EUR	1 000 000	100 %	100 %	Full
Feintool System Parts Oelsnitz GmbH	Oelsnitz, GER	EUR	550 000	100 %	100 %	Full
Feintool System Parts Ohrdruf GmbH [3]	Ohrdruf, GER	EUR	2 556 000	100 %	100 %	Full
Stanzwerk Jessen GmbH [4]	Frankfurt, GER	EUR	3 000 000	100 %	n/a	Full
Jela GmbH [4]	München, GER	EUR	25 000	100 %	n/a	Full
Feintool System Parts Jessen GmbH [4]	Jessen, GER	EUR	1 000 000	100 %	n/a	Full
Feintool Japan Co. Ltd	Atsugi, J	JPY	225 000 000	100 %	100 %	Full
Feintool Precision System Parts (Taicang) Co. Ltd.	Taicang, CN	USD	20 800 000	100 %	100 %	Full
Feintool System Parts Lyss AG	Lyss, CH	CHF	3 100 000	100 %	100 %	Full
Feintool System Parts Most s.r.o.	Most, CZ	CZK	100 000 000	100 %	100 %	Full
Feintool Technologie AG	**Lyss, CH**	**CHF**	**2 000 000**	**100 %**	**100 %**	**Full**
Feintool (Chongquing) Technology Co. Ltd. in Liq. [5]	Chongquing, CN	USD	61 000	100 %	100 %	Full
Feintool U.S. Operations, Inc.	**Cincinnati, USA**	**USD**	**31 421 631**	**100 %**	**100 %**	**Full**
Feintool Cincinnati, Inc.	Cincinnati, USA	USD	3 000 000	100 %	100 %	Full
Feintool Equipment Corp.	Cincinnati, USA	USD	50 000	100 %	100 %	Full
Feintool New York, Inc.	**White Plains, USA**	**USD**	**500 000**	**100 %**	**100 %**	**Full**
One Holland Ave. Development LLC	Cincinnati, USA	USD	–	100 %	100 %	Full
Feintool Tennessee, Inc.	Nashville, USA	USD	–	100 %	100 %	Full
HL Holding AG	**Lyss, CH**	**CHF**	**100 000**	**100 %**	**100 %**	**Full**
Vireo GmbH	Jena, GER	EUR	597 600	100 %	100 %	Full

1) Feintool Automotive System Parts (Tianjin) Co. Ltd. carried out a capital increase in the amount of EUR 12 million in the financial year.

2) Retroactively as of January 1, 2018, Feintool Equipment AG and Feintool System Parts Lyss AG merged.

3) Feintool Holding GmbH holds a 60 % stake in Feintool System Parts Ohrdruf GmbH. The remaining 40 % is held by Feintool International Holding AG.

4) On July 31, 2018, Feintool Holding GmbH, Bayreuth, Germany, acquired 100 % of the shares of the German company Stanzwerk Jessen GmbH with its subsidiaries Jela GmbH, SLTJ GmbH and Stanz- und Lasertechnik Jessen GmbH. SLTJ GmbH merged after that with Stanz- und Lasertechnik GmbH. The name of Stanz- und Lasertechnik Jessen GmbH was then changed to Feintool System Parts Jessen GmbH.

5) The dissolution of Feintool (Chongquing) Technology Co. Ltd. was applied for on January 1, 2015.

7 CURRENT INTEREST-BEARING LIABILITIES

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Current interest bearing liabilities – third parties [1]	49 635	8 190
Current interest bearing liabilities – intercompany [2]	48 188	49 127
Total current interest bearing liabilities	**97 823**	**57 318**

[1] On June 13, 2017, Feintool signed a syndicated loan with six banks amounting to CHF 90 million with an option to increase by another CHF 60 million. On May 17, 2018, this contract was extended and will now run until June 13, 2023. On December 31, 2018, CHF 34.1 million of the syndicated loan was used by Feintool International Holding AG (previous year CHF 8.2 million). Any drawdowns by subsidiaries are guaranteed by Feintool International Holding AG up to a maximum amount of CHF 99 million.

[2] Interest bearing liabilities related to zero balance cash pools.

8 TRADE AND OTHER CURRENT PAYABLES

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Current liabilities – third parties	3 358	6 457
Current liabilities – related parties	146	157
Current liabilities – intercompany	14	1 228
Current liabilities – organs	44	–
Trade and other payables	**3 562**	**7 842**

9 ACCRUED EXPENSES AND DEFERRED INCOME

	12/31/2018 in CHF 1 000	12/31/2017 in CHF 1 000
Accruals for salary, bonus, overtime	1 655	4 066
Outstanding accounts payable	1 273	1 131
Tax accruals	2 596	388
Other accrued expenses	30	183
Accrued expenses – intercompany	396	250
Total accrued expenses and deferred expense	**5 950**	**6 018**

10 NON-CURRENT PROVISIONS

Non-current provisions include provisions for insurance payments in the amount of kCHF 383 (previous year kCHF 370) and provisions for anniversary benefits of kCHF 126 (previous year kCHF 147).

11 SHARE CAPITAL

11.1 Share capital	12/31/2018 Number/CHF	12/31/2017 Number/CHF
Number of shares	4 914 842	4 462 971
Nominal value	10	10
Share capital	49 148 420	44 629 710

On September 20, 2018, 451 871 new shares, each with a nominal value of CHF 10, were issued as part of the capital increase.

11.2 General legal reserves from capital contributions

The statutory reserves from capital contributions include the premium from capital increases, less the previous dividend distributions. The distribution from reserves from capital contributions is treated in the same way as the repayment of capital for tax purposes. The Swiss Federal Tax Administration (FTA) has confirmed that the reported reserve from capital contributions is recognized as a capital contribution pursuant to Art. 5 (1bis) Swiss Withholding Tax Act. The premium from the share capital increase in 2018 amounting to kCHF 45 479 net has not yet been approved by the FTA.

12 CONDITIONAL CAPITAL – EMPLOYEE STOCK OPTION PLAN

The disclosure of the conditional capital is represented in Note 27.3 on page 73 of the Notes to the Financial Statements.

13 AUTHORIZED SHARE CAPITAL

The disclosure of authorized share capital is reported in the Notes to the consolidated financial statements under Note 27.4 on page 74.

14 TREASURY SHARES

The disclosure of the treasury shares is represented in Note 27.5 on page 74 of the Notes to the Financial Statements.

15 OPERATING INCOME

	2018 in CHF 1 000	2017 in CHF 1 000
Operating income – third party	257	388
Income from intercompany services	33 600	29 546
thereof licenses and patents	18 939	16 075
thereof other management services	6 777	6 171
thereof IT services	5 183	4 137
thereof internal services, building maintenance/services and staff restaurant	1 134	1 224
thereof other intercompany services	1 567	1 939
Total operating income	**33 857**	**29 935**

16 FINANCIAL INCOME

	2018 in CHF 1 000	2017 in CHF 1 000
Investment income	–	307
Interest income – third party	14	31
Interest income – intercompany	1 903	817
Other finance income – intercompany	–	2 500
Foreign exchange gains	16 015	5 357
Total financial income	**17 932**	**9 012**

17 REVERSAL OF VALUATION ALLOWANCE ON INVESTMENTS

	2018 in CHF 1 000	2017 in CHF 1 000
Reversal of valuation allowance on investments	–	8 000
Total reversal of valuation allowance on investments	**–**	**8 000**

18 PERSONNEL EXPENSES

	2018 in CHF 1 000	2017 in CHF 1 000
Salaries and wages	5 189	6 417
Employee welfare expenses	924	1 568
Other personnel expenses	1 309	2 583
Total personnel expenses	**7 421**	**10 568**

Feintool International Holding AG employed 34 staff at the end of the year (previous year 40; calculated in Full Time Equivalents).

19 OTHER OPERATING EXPENSES

	2018 in CHF 1 000	2017 in CHF 1 000
Research and development	2 747	3 056
Patents and licenses	264	266
Corporate communication and investor relations	1 550	705
Information technology	2 903	2 683
Consulting	960	1 119
Rent	486	482
Staff restaurant	468	442
Capital tax	238	300
Other expenses	710	655
Total other operating expenses	**10 326**	**9 707**

20 FINANCIAL EXPENSES

	2018 in CHF 1 000	2017 in CHF 1 000
Interest expense – third party	413	265
Other finance costs – third party [1)]	578	378
Foreign exchange losses – third party	16 363	7 497
Total financial expenses	**17 354**	**8 140**

1) Besides bank charges, other financial expenses include lead syndication commissions (annual amortization of establishing cost for the syndicated loan), valuation expenses from swap transactions and market making costs.

21 CONTINGENT LIABILITIES IN FAVOR OF THIRD PARTIES

	2018	2017
	in CHF 1 000	in CHF 1 000
Guarantees and sureties for Group companies	15 893	16 205
Subordination clauses in favor of subsidiaries	8 955	8 955
Joint and several liability as regards cash pooling	p.m.	p.m.
Joint and several liability as regards Swiss value added tax	p.m.	p.m.

On July 15, 2016, a promissory note was issued in the amount of EUR 65 million. The issuer, with a guarantee from Feintool International Holding AG, is Feintool Holding GmbH based in Germany.

22 MAJOR SHAREHOLDERS

The disclosure of the major shareholders is represented in Note 34 on page 83 of the Notes to the Financial Statements.

23 SHAREHOLDINGS OF GROUP MANAGEMENT AND THE BOARD OF DIRECTORS INCLUDING RELATED PARTIES

	12/31/2018	12/31/2017
	Number of registered shares	Number of registered shares
Alexander von Witzleben, Chairman of the Board of Directors [1]	30 057	25 057
Dr. Michael Soormann, Deputy Chairman of the Board of Directors	–	–
Thomas A. Erb, Member of the Board of Directors	–	–
Dr. Thomas Muhr, Member of the Board of Directors [2]	n/a	–
Dr. Rolf-Dieter Kempis, Member of the Board of Directors [2]	n/a	–
Heinz Loosli, Member of the Board of Directors from April 25, 2017 on	3 481	3 481
Norbert Indlekofer, Member of the Board of Directors from April 24, 2018 on [3]	–	n/a
Total Board of Directors	**33 538**	**28 538**
Bruno Malinek, CEO until December 31, 2017	n/a	1 064
Knut Zimmer, CEO from September 1, 2018	1 702	n/a
Dr. Thomas F. Bögli, CFO	1 623	1 247
Total Group Management	**3 325**	**2 311**

1) Held directly and indirectly; the 5 000 shares with a value of CHF 373 000 as remuneration for the 2018 financial year were assigned on January 3, 2019.

2) Dr. Rolf-Dieter Kempis and Dr. Thomas Muhr, previously members of the Board of Directors, waived further candidacy for this committee on April 24, 2018.

3) The General Meeting on April 24, 2018, elected Norbert Indlekofer to the Board of Directors.

24 LIABILITIES TO EMPLOYEE BENEFIT PLANS

There was no liability to the pension fund as of December 31, 2018 (previous year kCHF 0).

25 UNRECOGNIZED LEASE LIABILITIES

As at December 31, 2018, there were unrecognized lease liabilities of kCHF 213 (previous year kCHF 2 194).

26 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

27 PROPOSAL BY THE BOARD OF DIRECTORS

The Board of Directors will propose to the Annual General Meeting that a dividend of CHF 2.00 per registered share be paid (previous year CHF 2.00 per share) from the capital reserves in respect of the 2018 financial year. This corresponds to a maximum total dividend distribution of kCHF 9 830 (previous year kCHF 8 926). The amount of the dividend distribution depends on the amount of the dividend-eligible shares at the time of the distribution. No dividends will be distributed on treasury shares.

	12/31/2018 in CHF
(Loss)/Gain carryforward from previous year	66 890 962
Result for the year	10 884 644
Available earnings	**77 775 605**
Allocation from general legal reserves from capital contributions	9 829 684
Payment of a dividend of CHF 2.00	-9 829 684
Gain Carryforward	**77 775 605**

KPMG

Statutory Auditor's Report

To the General Meeting of Feintool International Holding AG, Lyss

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Feintool International Holding AG, which comprise the balance sheet as at December 31, 2018, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 91 to 101) for the year ended December 31, 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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

Roman Wenk
Licensed Audit Expert
Auditor in Charge

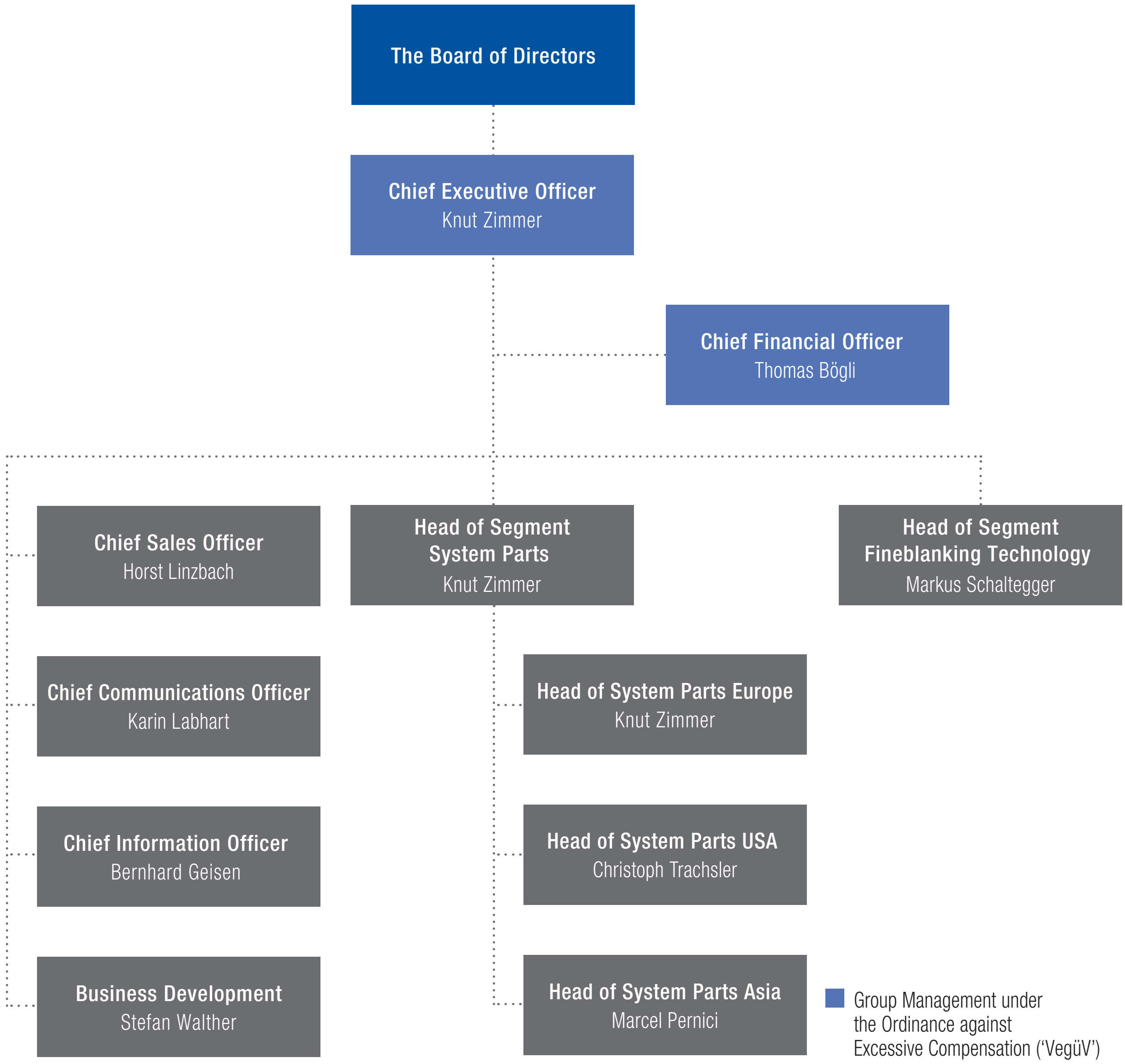
Joel Meer-Rau
Licensed Audit Expert

Zurich, March 4, 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

CORPORATE GOVERNANCE

Good governance is a core component of our corporate strategy



Operative management structure as of December 31, 2018

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

1.1.1 Operational Group structure
Feintool's operational management structure can be found in the diagram on the previous page.

The division of responsibilities between the Board of Directors, CEO and Group Management is explained in section 3.6. Further information, such as the current Articles of Association for the Feintool Group, can be found online at https://www.feintool.com/fileadmin/PDF/Statuten/FIH_Statuten_Nach_KE_20180919_EN.pdf.

1.1.2 Listed company

Name and registered office:	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: [1]	CHF 368 307 115 (as at December 31, 2018)

[1] Without 17 141 treasury shares.

Key share prices in 2018 financial year:			
Highest	01/26/2018	CHF	129.60
Lowest	12/27/2018	CHF	73.10
Closing price	12/28/2018	CHF	75.20

With 2 051 shareholders (previous year 1 678), the number of shareholders increased over the last twelve months about 373. As of December 31, 2018, the free float increased to 41.54 % (previous year 40.71 %).

More information on Feintool shares is available on our website at https://www.feintool.com/en/company/investor-relations/shares.

No subsidiary companies are listed.

1.1.3 Unlisted companies
The unlisted subsidiaries that are included in the scope of consolidation of Feintool International Holding AG are listed on page 95.

1.2 Major shareholders

Name	Percentage ownership of total equity
Artemis Beteiligungen I AG and Michael Pieper	50.32 %
Geocent AG	8.14 %

Between September 17 and 18, 2018, Credit Suisse Group AG, Zurich, held 466 058 shares of Feintool International Holding AG as part of the share capital increase and, with a capital share of 10.44 %, temporarily exceeded the reporting threshold of 10 %.
On September 20, 2018, Artemis Beteiligungen I AG and Michael Pieper reported an increase in their holdings of Feintool shares by 227 400, thus maintaining their shareholding of 50.32 %.
The last notice by Geocent AG on July 15, 2013, comprised 400 285 shares or 8.97 % of the corresponding share capital. Following the capital increase on September 20, 2018, 400 285 shares correspond to a capital share of 8.14 %.

In the reporting period, there were no further disclosure obligations regarding holdings pursuant to Article 120 FMIA.

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

2 CAPITAL STRUCTURE

2.1 Ordinary capital
On September 20, 2018, Feintool increased its share capital by CHF 4 518 710 by issuing 451 871 new shares with a par value of CHF 10 each at a transaction price of CHF 112.50 per share. The increase was implemented using the "authorized capital" created by the General Meeting of April 24, 2018, and took place in the form of an "accelerated book building". As at December 31, 2018, the share capital of Feintool International Holding AG amounted to CHF 49 148 420, comprising 4 914 842 fully paid-up registered shares with a par value of CHF 10 each.

2.2 Authorized and conditional capital
Authorized capital
The authorized capital amounting to a maximum of CHF 6 000 000 created on April 19, 2016, by issuing a maximum of 600 000 new shares with a par value of CHF 10 each

expired on April 19, 2018. By resolution of the General Meeting of April 24, 2018, the Board of Directors was authorized, if required, to create authorized capital amounting to a maximum of CHF 6 000 000 by issuing a maximum of 600 000 new shares with a par value of CHF 10 each. The new shares must be paid up in full. The Board of Directors is authorized to restrict or exclude the subscription right in certain cases. The shares may be issued in one or more steps. The authorization is limited to two years. The authorized share capital will expire on April 24, 2020.

On September 20, 2018, Feintool increased its share capital by CHF 4 518 710 by issuing 451 871 new shares with a par value of CHF 10 each. As at December 31, 2018, the authorized capital of Feintool International Holding AG thus amounted to CHF 1 481 290, comprising 148 129 registered shares with a par value of CHF 10 each.

Conditional capital for stock options plans

In accordance with Art. 3b, para. 2 of the Articles of Association (https://www.feintool.com/fileadmin/PDF/Statuten/FIH_Statuten_Nach_KE_20180919_EN.pdf), 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, no stock options were issued. For further details of the capital structure, please see pages 73 and 97 of the Financial Report.

2.3 Changes in capital

Share capital

Date	Description	Number	Par value [1]	Increase/ decrease [1]	Capital [1]	Number of shares
12/31/2014	held				44 629 710	4 462 971
12/31/2015	held				44 629 710	4 462 971
12/31/2016	held				44 629 710	4 462 971
09/20/2018	increase	451 871	10	4 518 710	49 148 420	4 914 842
12/31/2017	held				49 148 420	4 914 842

[1] in CHF

Authorized capital

Date	Description	Number	Par value [1]	Increase/ decrease [1]	Capital [1]	Number of shares
12/31/2015	held				–	–
04/19/2016	created [2]	600 000	10	6 000 000	6 000 000	600 000
12/31/2016	held				6 000 000	600 000
12/31/2017	held				6 000 000	600 000
04/19/2018	expired [2]	-600 000	10	-6 000 000	–	–
04/24/2018	created [2]	600 000	10	6 000 000	6 000 000	600 000
09/20/2018	used [3]	-451 871	10	-4 518 710	1 481 290	148 129
12/31/2018	held				1 481 290	148 129

[1] in CHF

[2] The authorized capital from the financial year 2016 amounting to no more than CHF 6 million expired on April 19, 2018. Nevertheless, authorization was granted to the Board of Directors once again through a resolution at the General Meeting of April 24, 2018. 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. The authorized capital will expire on April 24, 2020.

[3] On September 20, 2018, 451 871 new shares, each with a nominal value of CHF 10, were issued as part of the capital increase programme. The shares were issued entirely from the "authorized capital".

Conditional capital for stock option plans

Date	Description	Number	Par value [1]	Increase/ decrease [1]	Capital [1]	Number of shares
12/31/2015	held				557 500	55 750
12/31/2016	held				557 500	55 750
12/31/2017	held				557 500	55 750
12/31/2018	held				557 500	55 750

[1] in CHF

For details on financial years prior to 2015, please refer to page 104 onwards of the 2015 Annual Report.

2.4 Shares

The 4 914 842 registered shares of Feintool International Holding AG have a par value of CHF 10 each and are fully paid up. One registered share corresponds to one vote. There are no voting right restrictions, and there are no voting or preference shares (unitary share structure). All shares have equal dividend rights. 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 Association, the voting rights attached 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 a person acquiring shares does not expressly declare that they have acquired the shares in their own name and at their own expense.

2.6.2 Granting of exceptions

No exceptions to the above limitations on transferability were granted during the financial year.

2.6.3 Nominee registrations

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.

2.6.4 Procedures and conditions for canceling privileges and transfer restrictions laid down in the Articles of Association

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 Association).

2.7 Convertible bonds and options

There were no convertible bonds or options issued as at December 31, 2018.

MEMBERS OF THE BOARD OF DIRECTORS, FEINTOOL INTERNATIONAL HOLDING AG

As at December 31, 2018

ALEXANDER VON WITZLEBEN (1963, GERMAN NATIONAL)

Position: Member of the Board of Directors (non-executive)

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

Qualifications:
Studied economics at the University of Passau

Professional background:

- 1990–1993 KPMG Deutsche Treuhand Gesellschaft, Munich (GER): Lead Auditor
- 1993–2007 Jenoptik AG, Jena (GER): firstly as Chief Financial Officer, then Chief Executive Officer from 2004
- 2007–2008 Franz Haniel & Cie. GmbH, Duisburg (GER): 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 Board of Directors and CEO of Arbonia AG, Arbon
- Chairman of the Supervisory Board of PVA TePla AG, Wettenberg (GER)
- Chairman of the Supervisory Board of VERBIO Vereinigte BioEnergie AG, Leipzig (GER)
- Member of the Board of Directors of Artemis Holding AG, Aarburg
- Member of the Supervisory Board of Siegwerk Druckfarben AG & Co. KGaA, Siegburg (GER)
- Member of the Advisory Board of KAEFER Isoliertechnik GmbH & Co. KG, Bremen (GER)

DR. MICHAEL SOORMANN (1958, GERMAN NATIONAL)

Position: Vice-Chairman of the Board of Directors (non-executive)

Committees:
Chairman of the Compensation and Nomination Committee and 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 (GER)
- 1992–1994 Internal Auditing, Sandoz AG, Nuremberg (GER)
- 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 (non-executive)

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

NORBERT INDLEKOFER
(1958, GERMAN NATIONAL)

Position: Member of the Board of Directors (non-executive)

Qualifications:
Degree in mechanical engineering, University of Stuttgart

Professional background:
- 2014-2016 Schaeffler AG:
  CEO Automotive
- 2009-2010 Schaeffler Automotive:
  Chief Executive Officer
- 2006-2009 INA-Schaeffler KG Chairman of the Management Board:
  Transmission and Chassis Systems
- 2006-2009 LUK Group
  Chairman of the Management Board

Other activities and commitments:
- Member of the Board of Directors of
  Autoneum Holding AG in Winterthur, Switzerland
- Member of the Board of Directors of ATESTEO GmbH & Co. KG in Alsdorf, Germany

HEINZ LOOSLI
(1954, SWISS NATIONAL)

Position: Member of the Board of Directors (non-executive)

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
- 1996–2009 With Feintool Group, initially as Head of Presses and Systems at Feintool AG Lyss and later of Feintool System Parts segment
- 2009–2016 CEO of the Feintool Group

Other activities and commitments:
Chairman of the advisory board of Felss Group GmbH, Königsbach-Stein

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors
As of December 31, 2018, the Board of Directors comprised five members. Norbert Indlekofer was elected to the Board of Directors as a new member at the General Meeting on April 24, 2018. The previous members of the Board of Directors, Dr. Thomas Muhr and Dr. Rolf-Dieter Kempis, waived further reelection. With the exception of Heinz Loosli, the members of the Board of Directors did not belong to the executive management of Feintool or any of its subsidiaries either in the financial year or in the three preceding financial years. Apart from the business relationships listed for individual members of the Board of Directors, there were no business relationship with Feintool or its subsidiaries in the financial year or in the three preceding financial years. Heinz Loosli was CEO of the Feintool Group until August 31, 2016.

3.2 Other activities and commitments
Other activities and commitments are also listed above in section 3.1.

3.3 Number of mandates permitted
According to Article 18b of the Articles of Association, members of the Board of Directors, Group Management and, where applicable, the Advisory Board may not hold or exercise more than (i) 8 additional, paid mandates, of which no more than 4 at companies whose equity securities are listed on a stock exchange, and (ii) 8 unpaid mandates, expense allowances not being deemed to constitute compensation.

3.4 Election and terms of office

3.4.1 Principles of the election procedure and restrictions on terms of office for members of the Board of Directors
The General Meeting elects members of the Board of Directors by voting for them individually, and also elects the Chairman from amongst the Board members. The term of office of the members and the Chairman of the Board of Directors ends at the latest at the conclusion of the ordinary General Meeting following that at which they were elected, subject to any prior resignation or dismissal. Members of the Board of Directors are indefinitely eligible for reappointment. No age limits apply for members of the Board of Directors.

3.4.2 Principles of the election procedure and restrictions on term of office for members of the Compensation and Nomination Committee

The General Meeting elects a Compensation and Nomination Committee consisting of one or more members. The members of the Compensation and Nomination Committee are elected individually. Only members of the Board of Directors may be elected. The term of office for the members of the Compensation and Nomination Committee ends at the latest at the conclusion of the ordinary General Meeting following that at which they were elected. Members may be re-elected.

3.4.3 Principles of the election procedure and restrictions on the term of office for the independent proxy

The General Meeting elects an independent proxy. Natural persons, legal persons or partnerships may be elected. Their independence may not be compromised, either in fact or appearance, and is based on Article 728 paras. 2-6 of the Swiss Code of Obligations.

The term of office of the independent proxy ends at the conclusion of the ordinary General Meeting following that at which they were elected. Members may be re-elected.

3.4.4 Initial election and remaining term of office of each member of the Board of Directors

Name	Member since	Term of office until AGM on
Alexander von Witzleben	1998	April 30, 2019
Dr. Michael Soormann	2010	April 30, 2019
Thomas A. Erb	2012	April 30, 2019
Norbert Indlekofer	2018	April 30, 2019
Heinz Loosli	2017	April 30, 2019

3.5 Internal organizational structure

The Chairman of the Board of Directors is elected by the General Meeting. In accordance with Article 13 of the Articles of Association, the Chairman of the Board of Directors leads the General Meeting and heads the Board of Directors, which makes decisions as a collective body.

In accordance with Article 14 of the Articles of Association, the Board of Directors will constitute itself, taking account of the General Meeting's election of the Chairman of the Board of Directors and the members of the Compensation and Nomination Committee.

At its first meeting after the ordinary General Meeting, the Board of Directors elects a Deputy Chairman; it also appoints a Secretary, who is not required to be a member of the Board of Directors. The Board of Directors also elects the members of the Audit Committee.

3.5.1 Distribution of responsibilities on the Board of Directors

In the financial year, Alexander von Witzleben held the office of Chairman. Dr. Michael Soormann served as Deputy Chairman. No Secretary to the Board of Directors is currently appointed. These tasks are being undertaken by the members of the Board of Directors.

3.5.2. Composition of all Board committees and their duties and authority

Audit Committee

The current members of the Audit Committee are Dr. Michael Soormann (Chairman) and Alexander von Witzleben.

The Audit Committee submits draft proposals to the Board of Directors on the following issues:

- Coordinating the external audit, particularly defining the scope of the audit; instructing internal audit, particularly determining the focal points
- Monitoring financial reporting and overseeing auditors (quarterly discussion of financial reporting with the CEO and CFO; monthly discussions between the Chairman of the Audit Committee and the CFO; discussion of interim results with the CEO and CFO; discussion of annual financial statements with CEO, CFO and 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 advisors.

Compensation and Nomination Committee

The current members of the Compensation and Nomination Committee are Dr. Michael Soormann (Chairman) and Alexander von Witzleben.

The Compensation and Nomination Committee submits draft proposals to the Board of Directors on the following issues:

- The composition (fixed, variable, proportion of shares, etc.) and amount of the compensation of members of the Board of Directors, Group Management and, if applicable, the Advisory Board,
- Ensuring the termination provisions contained in the employment contracts of members of Group Management and other senior executives are commensurate with market conditions and provide protection for the company,
- Verifying that compensation paid is in line with market rates and performance standards,
- Verifying and authorizing any internal business between senior executives or persons closely associated with them and companies in the Feintool Group.

In the 2018 financial year, the Compensation and Nomination Committee and the Audit Committee assumed their responsibilities in accordance with the respective regulations.

3.5.3 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, for one day on each occasion. In the reporting period, the Board of Directors held five detailed meetings. The CEO and CFO attended all the meetings. Additional members of operational management also attended if the topic was relevant to them.

The Audit Committee and the Compensation and Nomination Committee 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. The Audit Committee met three times and the Compensation and Nomination 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.

3.6 Division of responsibilities between the Board of Directors and Group Management

In accordance with Art. 15 of the Articles of Association, the Board of Directors is the supreme body of the company with responsibility for supervising Group Management. It represents the company externally and deals with all matters not assigned to any other corporate body by law, the Articles of Association or the Organizational Regulations. In accordance with Art. 6.5a 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 shareholdings, provided such decisions are of special significance to the company and they exceed a specified scale, together with resolutions concerning internal and external auditing.

The CEO's responsibilities include 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 also represents the company in dealings with the Board of Directors, the general public and the authorities.

In accordance with the resolution by the Board of Directors on April 14, 2014, the CEO and CFO constitute Group Management as defined by the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares ("ERCO").

Group Management determines binding, Group-wide management instruments (planning, accounting, management information systems and controlling) and is responsible for developing the corporate culture. It is also responsible for developing and periodically reviewing the corporate strategy and for its implementation. 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.

3.7 Information and control instruments of Group Management

At its meetings, all members of the Board of Directors and members of Group Management have an obligation to provide the required information. If necessary, other senior executives may also be involved. At such meetings, the Chairman informs the other members of the Board of Directors about their activities since the last Board meeting; 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, the income statement and balance sheet as well as key figures (growth, margins and development, order entry and order backlog, etc.) and detailed quarterly, interim and annual financial statements, which are then commented on by the CEO and the CFO at meetings held specifically for this purpose. This includes a data comparison with the prior years and with the budgeted figures. A detailed risk report is prepared once a year, which is explained and discussed at a meeting (see also the risk report on page 122). Between meetings, the CEO also informs the members of the Board of Directors about extraordinary events, either in writing or by telephone.

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

Internal Audit 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. Internal Audit reports regularly to the Audit Committee on a project-related basis, either in writing or verbally. Internal audit activities are carried out by PriceWaterhouseCoopers AG, Zurich. Its activities are coordinated on an ongoing basis 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.

GROUP MANAGEMENT

As at December 31, 2018

KNUT ZIMMER
(1963, GERMAN NATIONAL)

Position: CEO of the Feintool Group und Head of System Parts segment and
Head of Business Unit System Parts Europe

Qualifications:
Graduate in Business Administration, Stuttgart
Industrial Administrator

Professional background:
- 1983–1997 Müller-Weingarten AG
  Head of Controlling
- 1997–1999 Nord. Maschinenbau GmbH u. Co. KG
  Commercial Executiver
- 1999 EuroPower Energy GmbH / EON
  Commercial Executiver
- 2000–2012 Herzing + Schroth GmbH u. Co. KG
  General Manager
- 2012–2017 Feintool System Parts Obertshausen GmbH
  Head of Business Unit System Parts Forming Europe
- Since 1 August 2017:
  Head of Unit System Parts Europe
- Since 1 January 2018:
  CEO of the Feintool Group, Head of System Parts segment and Head of Business Unit System Parts Europe

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 Ltd, 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

4 GROUP MANAGEMENT

4.1 Members of Group Management

In accordance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares ("ERCO"), Group Management consisted of two members as of December 31, 2018. The management structure can be found in the organizational chart shown in section 1.1.1 on page 107 of this report.

4.2 Other activities and commitments

Other activities and commitments are also listed above in section 4.1.

4.3 Number of mandates permitted

According to Article 18b of the Articles of Association, members of the Board of Directors, Group Management and, where applicable, the Advisory Board may not hold or exercise more than (i) 8 additional, paid mandates, of which no more than 4 at companies whose equity securities are listed on a stock exchange, and (ii) 8 unpaid mandates, expense allowances not being deemed to constitute compensation.

4.4 Management contracts

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

5 COMPENSATION, SHAREHOLDINGS AND LOANS

5.1 Basic principles of the compensation system

5.1.1 Board of Directors

Based on a proposal by 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 comparative group includes companies of a similar size in the automotive industry which do business with their own manufacturing plants in the most important markets. If necessary, the Compensation and Nomination Committee will consult external advisers.

5.1.2 Group Management

The Compensation and Nomination Committee determines all components of the compensation paid to the CEO on the basis of the contractual agreement. For the other members of Group Management, the Compensation and Nomination Committee makes its decision following proposals submitted by the CEO on the basis of the respective contractual agreements. This is reported to the Board of Directors at its regular meeting at the end of each year. Where necessary, external advisers are consulted when determining the compensation and stock option plans for Group Management. The members of executive management were not present at the meetings where their remuneration was discussed.

Every two to three years, Feintool commissions an external consulting firm to review Group Management's compensation in comparison with the external labor market. The peer group comprises internationally active industrial companies with a similar structure and size, with a focus on automotive suppliers as well as plant construction and mechanical engineering. The comparison includes basic, overall and direct compensation as well as selected fringe benefits (occupational pension, company car and lump-sum expenses).

5.2 Elements of the compensation system

5.2.1 Board of Directors

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. Members of the various committees are reimbursed individually with a fixed component and an attendance fee. If meetings of the Board of Directors and the various committees take place immediately after each other, the attendance fee is paid only once.

Compensation paid to the Chairman of the Board of Directors is based on a fixed proportion of their salary (fixed component). Depending on the company's financial performance, the Chairman also receives a free shares in Feintool International Holding AG. These shares are locked in for a specified period. The economic development is measured by the operating earnings (EBIT).

5.2.2 Group Management

The compensation paid to Group Management is based on a fixed proportion of each individual's salary (fixed component). 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. The bonus for the CEO is entirely calculated according to the EBIT of the Feintool Group. For the CFO, the ratio of operational to personal objectives is approximately 70:30. The variable compensation component paid to the members of Group Management is between 30 % and 70 % of the fixed salary component.

Members of Group Management receive part of their fixed compensation in the form of shares, which are locked in on a staggered basis for up to four years. Details are set out in the "Regulations for the issue of employee shares and options to members of the Board of Directors and Senior Executives," as issued by the Board of Directors in 2005.

Members of Group Management also receive customary fringe benefits (company car, risk insurance and retirement, management insurance cover and voluntary insurance).

5.3 Statutory regulations regarding compensation

Article 18 of the Articles of Association constitutes the statutory basis for remuneration. The Articles of Association are available on https://www.feintool.com/fileadmin/PDF/Statuten/FIH_Statuten_Nach_KE_20180919_EN.pdf.

5.4 Compensation for acting members of governing bodies

Full details of the effective compensation can be found on page 124 of the Remuneration Report.

6 SHAREHOLDERS' PARTICIPATION RIGHTS

6.1 Voting right restrictions and proxies

In accordance with Art. 10 of the Articles of Association, each share carries one vote. Only those shareholders entered in the share register are entitled to vote at the General Meeting. A shareholder may only be represented at the General Meeting by their 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 authorization. Attending members of the Board of Directors shall decide on the recognition of proxies.
Restrictions on voting rights and the associated regulations can be found in section 2.6.1 of this Corporate Governance Report.

In accordance with Art. 10a of the Articles of Association, shareholders will be able to give the independent proxy instructions regarding any motions for business announced in the notice of convocation and any motions for business not announced in the notice of convocation, as well giving them general instructions regarding any new items of business in accordance with Art. 700.3 of the Swiss Code of Obligations.

Shareholders will be able to issue their authorization and instructions to the independent proxy, including in electronic form, up to 4 p.m. on the third working day prior to the date of the General Meeting. This deadline shall be deemed to have been met if the authorization and instructions are received by the independent proxy by that time. The independent proxy is obliged to exercise the voting rights conferred on them by the shareholders as instructed. If they have not received any instructions, they shall abstain from voting.

6.2 Quorum requirements

All resolutions at the General Meeting are made by a legally required majority. In the event of a tied vote, the Chairman casts the deciding vote.

6.3 Convocation of the General Meeting

In accordance with Art. 9 of the Articles of Association, the 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 Article 9 of the Articles of Association, shareholders who individually or jointly hold at least 10 % of the share capital or hold shares with a par value of at least CHF 1 million may request the inclusion of a particular item for discussion, at the latest 40 calendar days prior to the 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 Article 10 of the Articles of Association, all shareholders entered in the share register with voting rights, together with registered nominees, are entitled to attend the General Meeting and to vote. Shareholders who are entered in the share register by 5:00 p.m. on Monday, April 18, 2019 (closing date) are invited to the General Meeting.

7 CONTROL AND DEFENSE MEASURES

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

7.2 Clauses on changes of control
No clauses on changes of control have been agreed for the benefit of the Board of Directors, Group Management or any other senior executives in the company.

8 AUDITORS

8.1 Duration of the mandate and term of office of the lead auditor
At the General Meeting held on April 24, 2018, KPMG AG, Zurich, was elected as statutory auditors for one year. Roman Wenk is the lead auditor for the term of the mandate.

8.1.1 Date of assumption of the auditing mandate
KPMG AG, Zurich, was elected for the first time at the General Meeting on January 25, 2011.

8.1.2 Date on which the lead auditor took up office
The lead auditor from KPMG AG is replaced every seven years in accordance with statutory regulations. Roman Wenk has held the position of lead auditor since financial year 2017.

8.2 Auditing fees
The auditing fees agreed with KPMG AG in respect of the financial statements for the 2018 financial year amounted to CHF 500 000.

8.3 Additional fees
In the reporting period, KPMG AG agreed a total fee of CHF 37 000 for audit-related services, in particular in connection with the capital increase and the acquisition of the "electro sheet stamping" segment.

8.4 Information instruments pertaining to external audit
The auditors attended two meetings of the Audit Committee. . In addition to the annual audit report, KPMG AG prepares a comprehensive report on the results of its audit for the Board of Directors. 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.

The external auditors are periodically re-evaluated by means of a tendering process. They are elected at the General Meeting by a motion submitted by the Board of Directors. Besides the minimum legal requirements, selection criteria include relevant qualifications, sector experience and cost-effectiveness.

9 INFORMATION POLICY

Feintool communicates actively with shareholders, the media and investors. The company provides regular information on its business performance in the form of press releases and holds at least two press conferences per year. Twelve press releases were published during the financial year from January 1 to December 31, 2018. Interested parties are welcome to visit our factories. Furthermore, at least once a year we offer the financial community the opportunity to gain direct insights into our business at one of our manufacturing sites. In the reporting period, members of Group Management held around 75 individual meetings with existing or prospective investors. A further 80 or so existing or prospective investors were also welcomed at group meetings.

Five institutes are currently publishing reports on Feintool's business performance:

Bank	Name
Bank Vontobel AG	Michael Lichvar
Berenberg Bank	Alexander O'Donoghue
Kepler Cheuvreux	Torsten Sauter
Research Partners AG	Robin Seydoux
Zürcher Kantonalbank	Alexander Koller

Shareholders in Feintool International Holding AG receive interim and annual reports on request, and are kept regularly informed about new corporate developments of interest to them in the form of shareholder letters. During the 2018 financial year, two such letters were sent on the subjects of the 2017 year-end financial results and the 2018 interim results.

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

10 SIGNIFICANT CHANGES AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

RISK ASSESSMENT

Feintool conducts a comprehensive risk assessment within the Group every year. This is based on the following pillars:

- Quality and crisis management, based on ISO 9001 and IAFT 16949
- Environmental management, based on ISO 14001
- Insurance management
- Internal control system
- Risk analysis management
- Business continuity management

The way in which each business unit is structured, the nature of the periodic procedures undertaken, and the manner in which these procedures are audited and reported are defined in writing. Control over each business unit is exercised by one or more bodies. In addition, each business unit also has persons responsible for it.

Insurance management is organized centrally by Feintool. Annual meetings are held with the Group insurance broker. At these meetings, the insurance coverage for risks in relation to third-party liability, the supply of goods and services and transportation is tailored to the Group's insurable risks. The insurance coverage is adjusted in the event of any changes.

Feintool introduced its internal control system (ICS) worldwide in 2007 and 2008 to comply with regulations and avert any damage that might be caused by staff or malicious third parties. The following processes are subject to the ICS:

- Sales/purchasing
- Logistics/warehousing/scrap
- Work in progress and contract assets
- Property, plant and equipment
- Salaries and wages
- Finance and leasing
- Information technology
- Annual financial statements

A flow chart for each process shows where the various loss risks can arise. These risks are summarized in a risk control inventory and assigned to one or more manual or automatic checks. Feintool's internal audit unit periodically examines the effectiveness of the ICS within the Group companies.

Feintool sees risk analysis management as the periodic analysis of risks that jeopardize the Group's success or its ability to achieve its targets. Feintool bases this as far as possible on the ISO 31000 process. Every year, each Group company defines – on the basis of a predefined risk matrix – which of these risks could be significant for the company. The individual risks are then assessed in accordance with their probability of occurrence and the extent of loss. Risk mitigation strategies, corresponding actions and the person responsible are determined for each of the top five risks.

Business continuity management involves designing procedural scenarios for the occurrence of loss or damage, the aim being to ensure the continuation of production or deliveries to (key) customers. The following areas are covered:

- Loss of key employees
- Occupational and plant security
- Procedure in the event of loss/damage to goods or buildings
- Loss of key suppliers, machines, tools and IT applications/hardware
- Loss of infrastructure incl. IT (or parts thereof)
- Significant customer complaints and recalls

Corresponding documentation in relation to all these areas exists within the Group companies and is reviewed at least once every year.

Feintool Group's risk manager produces an annual risk report concerning insurance management, the internal control system, risk analysis management and business continuity management for submission to the Group Management and Board of Directors. They make the key decisions on any risk-minimizing measures to be implemented. The ISO-based business units are subject to separate reporting.

For financial risks please also consider the Notes to the Financial Statements section 31 on page 76.

REMUNERATION REPORT

1 PRINCIPLES OF THE COMPENSATION SYSTEM

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 comparative group includes companies of a comparable size in the automotive industry which do business with their own manufacturing plants in the most important markets. The Compensation and Nomination Committee consults external advisers if required. The remuneration is based on the contractual agreements.

1.2 Group Management

The Compensation and Nomination Committee determines all components of the compensation paid to the CEO on the basis of the contractual agreement. For the other members of Group Management, the Compensation and Nomination Committee makes its decision following proposals submitted by the CEO on the basis of the respective contractual agreements. This is reported to the Board of Directors at its regular meeting at the end of each year. If required, external advisers are consulted when determining the compensation and stock option plans for Group Management.

Every two to three years, Feintool commissions an external consulting firm to review Group Management's compensation as compared against the external labor market. The peer group comprises internationally active industrial companies of a similar structure and size, with a focus on automotive suppliers as well as plant construction and mechanical engineering. The comparison includes basic, overall and direct compensation as well as selected fringe benefits (occupational pension, company car and lump-sum expenses).

2 ELEMENTS OF THE COMPENSATION SYSTEM

2.1 Board of Directors

The compensation paid to members of the Board of Directors consists of a fixed component plus a lump-sum reimbursement of expenses and an attendance fee. Members of the various committees are paid a separate fixed component and attendance fee. Where meetings of the Board of Directors and the various committees are held immediately after one another, the attendance fee is paid once only.

The compensation paid to the Chairman of the Board of Directors is based on a fixed proportion of his salary (fixed component). Depending on the company's financial performance, the Chairman also receives free shares in Feintool International Holding AG. These shares are locked in for five years.

2.2 Group Management

The compensation paid to Group Management is based on a fixed proportion of each individual's salary (fixed component). 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 approximately 70:30 operating to personal targets, and is very similar for all members of Group Management except the CEO. The bonus for the CEO is calculated entirely according to the EBIT of the Feintool Group. The variable compensation component paid to the members of Group Management is between 30 % and 70 % of the fixed salary component. The current bonus payments in 2018 reflect the business performance in the year under review.

Members of Group Management receive part of their fixed compensation in the form of shares, which are locked in on a staggered basis for up to four years. Details are set out in the "Regulations for the issue of employee shares and options to members of the Board of Directors and Senior Executives", as issued by the Board of Directors in 2005.
Members of Group Management also receive customary fringe benefits (company car, risk insurance and retirement, management insurance cover and voluntary insurance).

3 COMPENSATION FOR ACTING MEMBERS OF GOVERNING BODIES

The following compensation was paid during the compensation period. These figures relate to the period from January 1 to December 31. [1]

3.1 Members of the Board of Directors (including related parties) in CHF	Fixed salary [2]	Shares/ options [3]	Contributions to pension plans [4]	Total
In the 2018 financial year				
Alexander von Witzleben, Chairman	274 000	373 000	131 044	**778 044**
Dr. Michael Soormann, Deputy Chairman	135 000	–	–	**135 000**
Thomas A. Erb, Member	52 500	–	3 317	**55 817**
Norbert Indlekofer, Member [5]	34 167	–	4 094	**38 261**
Dr. Rolf-Dieter Kempis, Member [6]	17 500	–	2 157	**19 657**
Heinz Loosli, Member	52 500	–	–	**52 500**
Dr. Thomas Muhr, Member [6]	10 000	–	–	**10 000**
Total Board of Directors	**575 667**	**373 000**	**140 612**	**1 089 279**
In the 2017 financial year				
Alexander von Witzleben, Chairman	274 000	595 000	140 382	**1 009 382**
Dr. Michael Soormann, Deputy Chairman	137 500	–	–	**137 500**
Thomas A. Erb, Member	55 000	–	3 587	**58 587**
Wolfgang Feil, Member [7]	27 499	–	2 186	**29 685**
Dr. Rolf-Dieter Kempis, Member	52 500	–	6 306	**58 806**
Heinz Loosli, Member [8]	36 666	–	15 648	**52 314**
Dr. Thomas Muhr, Member	50 000	–	–	**50 000**
Dr. Kurt E. Stirnemann, Member [7]	30 833	–	2 546	**33 379**
Total Board of Directors	**663 998**	**595 000**	**170 655**	**1 429 653**

[1] The compensation paid to the Board of Directors is determined for the period between the ordinary General Meeting at which the individual member is elected and the following ordinary General Meeting. In this report, the compensation paid relates to the financial year (January 1 to December 31) and is accrued accordingly.

[2] Fixed compensation including attendance fee.

[3] Allocation of a predefined number of shares. The shares are locked in for five years. The valuation corresponds to the price at the time of allocation. The value of the shares for tax purposes is CHF 278 728 (previous year CHF 444 620). This includes a discount for the lock-in period.

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

[5] The General Meeting on April 24, 2018, elected Norbert Indlekofer to the Board of Directors. The compensation involves the period from April 24, 2018 to December 31, 2018.

[6] Dr. Rolf-Dieter Kempis and Dr. Thomas Muhr, previously members of the Board of Directors, waived further candidacy for this committee on April 24, 2018. The compensation refers to the period from January 1, 2018 to April 23, 2018.

[7] Wolfgang Feil and Dr. Kurt E. Stirnemann, both previously members of the Board of Directors, waived further candidacy for this committee on April 25, 2017. The compensation refers to the period from January 1, 2017 to April 24, 2017.

[8] The General Meeting on April 25, 2017, elected Heinz Loosli to the Board of Directors. The compensation involves the period from April 25, 2017 to December 31, 2017.

The Chairman of the Board of Directors is in each case granted a loan equivalent to the withholding tax on his shares; this is offset against the fixed salary on a straight-line basis in the same year. There were no loans at the end of the year.

With the above exception, no loans or securities were granted to members of the Board of Directors in the reporting years.

The highest compensation was paid to Knut Zimmer, CEO (previous year Alexander von Witzleben, Chairman of the Board of Directors).

3.2 Group Management

According to ERCO (the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares), Group Management consists of the roles of CEO and CFO.

3.2.1 Members of Group Management (including related parties)	in CHF	Fixed salary [1]	Variable salary [2]	Shares/options [3]	Benefits in kind [4]	Contributions to pension plans [5]	**Total**
In the 2018 financial year							
Knut Zimmer, CEO		459 996	171 720	119 947	4 800	173 760	**930 223**
Dr. Thomas F. Bögli, CFO		360 000	85 860	34 934	4 800	100 077	**585 671**
Total Group Management		**819 996**	**257 580**	**154 881**	**9 600**	**273 837**	**1 515 894**
In the 2017 financial year							
Bruno Malinek, CEO		437 520	338 000	–	4 800	116 185	**896 505**
Dr. Thomas F. Bögli, CFO		346 000	86 360	34 921	4 800	98 148	**570 229**
Total Group Management		**783 520**	**424 360**	**34 921**	**9 600**	**214 333**	**1 466 734**

1) Contractually agreed salary (excluding tax-allowable expenses).

2) Bonus in accordance with individual contractual agreements. Payment in each case is made in the new financial year.

3) Fixed entitlement in Swiss francs. Remuneration is in the form of shares. The number of shares depends on the average price in October/November. They have a staggered lock-in period of 1 to 4 years. Disbursement took place in December. The taxable value of the shares, which includes the discount for the lock-in period, is for Knut Zimmer CHF 103 914 and Thomas F. Bögli CHF 30 263 (previous year CHF 30 251).

4) Provision of company cars, etc.

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

The highest compensation was paid to Knut Zimmer, CEO (previous year Alexander von Witzleben, Chairman of the Board of Directors).

No securities or loans were provided to members of Group Management in the reporting years.

4 COMPENSATION FOR FORMER MEMBERS OF GOVERNING BODIES

The remuneration below refers to the period after departure of the members of Board of directors and Group Management from January 1 until December 31, 2018 respectively from January 1 until December 31, 2017.

4.1 Former members of Group Management (including related parties) in CHF	Fixed salary [1]	Variable salary [2]	Shares/options [3]	Benefits in kind [4]	Contributions to pension plans [5]	Total
2018 total for former members [6]	785 328	–	–	4 800	119 428	**909 556**
2017 total for former members	114 999	70 435	29 932	1 200	41 980	**258 546**

1) Contractually agreed salary (excluding tax-allowable expenses).

2) Bonus in accordance with individual contractual agreements. The bonus entitlement relates to the whole financial year and was calculated on a straight-line, pro rata basis for this presentation.

3) Fixed entitlement in Swiss francs. Remuneration is in the form of shares. The number of shares depends on the average price in October/November. They have a staggered lock-in period of 1 to 4 years. Disbursement is in December. The 2017 share entitlement relates to the whole financial year and was calculated on a straight-line, pro rata basis for this presentation. The taxable value of the shares, including the discount for the lock-in period, is CHF 25 930 for the previous year.

4) Provision of company cars, etc.

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

6) This includes the individual employment contract agreements in favor of the retired CEO (notice period until December 31, 2018). In accordance with Art. 18c of Feintool's Articles of Association, these are included in the additional amount of 50 % of the sum approved by the General Meeting for such cases.

KPMG

Report of the Statutory Auditor

To the General Meeting of Shareholders of Feintool International Holding AG, Lyss

We have audited the accompanying remuneration report of Feintool International Holding AG for the year ended December 31, 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the tables 3.1, 3.2.1 and 4.1 on pages 124 to 128 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended December 31, 2018 of Feintool International Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Roman Wenk
Licensed Audit Expert
Auditor in Charge

Joel Meer-Rau
Licensed Audit Expert

Zurich, March 4, 2019

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

GLOSSARY

Artemis Beteiligungen I AG – A holding company controlled by Franke Artemis Holding (i.e. Michael Pieper) which acquired a majority share of 50.32% in Feintool on September 30, 2014. It acquired the shares entirely from its sister company Artemis Beteiligungen III AG, which had held a majority share in Feintool since April 7, 2011.

Automatic transmissions – These help to make a car more comfortable to drive and also to reduce emissions. The high level of complexity in their construction and the precision requirements mean fineblanked and formed parts from Feintool are particularly suitable. The different types include continuously variable transmission (CVT), dual clutch transmission (DCT), simple automated gearboxes, and torque-converter transmissions, currently with up to ten gears.

BEV – Battery electric vehicle (energy is stored in a battery, drive comes from an electric motor).

Cold forming – Forming refers to changing the form of a body made of sheet steel with tools by means of processes such as bending. Unlike forging and casting processes, with cold forming the forming takes place without mechanical processing or machining (material removal). Furthermore, no heating takes place as is evident in the name. Cold forming is an efficient process that is particularly suitable for the production of complex precision components, such as those required in the automotive industry.

Dual clutch transmission – Automated gearbox which uses two sub-transmissions and two clutches to enable fully automated gear changes with virtually no interruption of traction.

Electro sheet stamping – Electro sheet stamping refers to the stamping of individual rotor/stator elements from electro sheet.

ERCO – Ordinance against Excessive Remuneration in Listed Companies Limited by Shares. This is an implementing regulation by the Federal Council, which came into force on January 1, 2014.

Expected releases in the high-volume parts segment – In the System Parts segment, the order backlog represents the expected releases for the next six months. The customer can move, adjust or cancel these releases at any time. Thus, the order backlog in the high-volume parts segment is merely an important early indicator.

Fuel cell (FC) – Serves to generate power for electric drive in fuel-cell or hydrogen-powered vehicles. Fuel-cell vehicles are therefore hybrids with a drive consisting of a hydrogen tank and fuel cells, plus a small battery and an electric motor.

Fineblanking – Differs from normal stamping in that it works with three forces (blanking forces), rather than just one. Two of these brace the material for the part from above and below, and only the third force functions as a blanking force. The result is clean, laceration- and tear-free fineblanked surfaces, precise components, and either less or no subsequent processing depending on their use.

HEV – Hybrid electric vehicle, a vehicle with hybrid drive.

Hybrid – A vehicle with more than just one integrated drive concept; generally refers to a combination of electric drive and an internal combustion engine.

Laser cutting – Laser cutting is a highly flexible process for cutting components out of sheet/electro sheet, especially for particularly large components and/or particularly small series (prototypes, small batches) in the production of rotor/stator pack-ages.

Number of strokes – Number of pressing motions in one stamping, fineblanking or forming press within one minute.

Orders received/order backlog in the investment goods business – In the Fineblanking Technology segment, the orders received and order backlog represent legally binding orders.

Overall equipment effectiveness (OEE) – Overall key production figure for the assessment of a plant, linking availability, machine output, and quality level.

Plug-in hybrid electric vehicle (PHEV) – A hybrid vehicle with a battery that can be charged via a plug socket.

Press portfolio – Feintool's fineblanking presses are designed for economical and efficient production of precision parts. Feintool offers various different product series for differing requirements:

- **FB one –** Hydraulic fineblanking press. The FB one is the newest series in the press portfolio. Compared to other fineblanking presses, it permits even more economical manufacturing of flexibly produced high-precision components in a way that saves resources and im-presses through the adaptability of its modular structure. In future, it will replace hydraulic presses in the X-TRA and HFA series. Thanks to its modular structure and the cutting-edge technology integrated into the control system and hydraulics, the new press series covers all the common applications of existing hydraulic presses.

- **XFTspeed –** Servomechanical fineblanking presses
  The XFTspeed series combines the advantages of hydraulics with servo technology and mechanics, and thus achieves high stroke rates and minimal run times.
  Main areas of application: Thin and delicate or critical parts requiring a high level of precision, removing and process reliability.

- **HFA –** Hydraulic fineblanking presses
  Principal use: flat components in high volumes. Thanks to its servo drive, the X-TRA presses are particularly suitable for processing high-tensile and stainless steels.

  – HFAplus: This series is ideal for universally flexible production of demanding fineblanked components. Here, the various different add-on options provide for an optimal configuration tailored to requirements.

  – HFAspeed: This series boasts a strong drive and optimized hydraulic system, which thus achieves high stroke rates when fitted with appropriately configured tools.

  – HFAsmart: This series has the fundamental features of the HFAplus series, but is optimized for smaller investment budgets.

- **X-TRA –** Thanks to its highly dynamic and controlled ram, the hydraulic X-Tra series is designed for high-strength parts and high stroke rates, as this press concept manages to eliminate the dreaded sudden impact almost entirely. The main areas of use are production using stainless or high-tensile steels.

Punch-packaging – Punch-packaging refers to the production process for interlocking sheet packages such as stators and rotors for electric motors made of strip in a progressive stamping tool. It differs from packaging and joining (e.g. by means of welding or gluing) of stamped sheets in that the latter processes take place outside the stamping machine in a special machine or rig. The height of the sheet package can be preselected with punch-packaging in the stamping machine. Packages of any chosen height can be created.

Rotor/stator packages – The stator is the non-moving part and the rotor the rotating part of an electric motor. The rotor and stator package comprises the core of the relevant component, consisting of stamped and packaged electro sheet elements.

Servo drive – Feintool uses the servo drive both for mechanical and hydraulic fineblanking presses. The advantage: The servo drive makes it possible to program the path of the ram precisely. This makes it possible to reduce the speed of the cutting process – which lasts a fraction of a second– in a controlled manner, thus sparing the workpiece and the tool. The ram then subsequently travels its path to the next cut all the faster. Servo-driven presses significantly increase removing.

Simulation – Experimental analysis of fineblanking and forming processes by means of complex software.

Tools – It is within these that the components take shape in stamping or fineblanking presses or forming systems. In order to make production more economical and efficient, Feintool combines fineblanking and forming processes in one tool. A three-stage tool, for example, can carry out cutting, bending and deburring at the same time. To produce a multifunc-tional component ready for fitting, only one press and one tool are required.

ADDRESSES OF OUR OPERATING COMPANIES

as at December 31, 2018

Company	Address	Phone/Fax	Mail
Switzerland			
Feintool International Holding AG	Industriering 8 3250 Lyss Switzerland	Phone +41 32 387 51 11 Fax +41 32 387 57 81	feintool-fih@feintool.com
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Feintool Cincinnati, Inc.	11280 Cornell Park Drive Cincinnati, OH 45242, USA	Phone +1 513 247 01 10 Fax +1 513 247 00 60	feintool-pbuc@feintool.com
Feintool Tennessee, Inc.	2930 Old Franklin Road Antioch, TN 37013, USA	Phone +1 615 641 77 70 Fax +1 615 641 79 95	feintool-pfut@feintool.com
Asia			
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Feintool Japan Co., Ltd. (System Parts)	Atsugi Plant, 260-53, Hase, Atsugi City Kanagawa Prefecture, 243-0036 Japan	Phone +81 46 248 44 41 Fax +81 46 247 20 08	feintool-pbja@feintool.com
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Feintool Automotive System Parts (Tianjin) Co., Ltd	No 216 Jingsi Road, Tianjin Kong Gang Economic Zone 300308 Tianjin, P. R. China	Phone +86 22 5926 58 38 Fax +86 22 5926 58 38	feintool-pfct@feintool.com
Feintool Precision System Parts (Taicang) Co., Ltd.	No 15 Qingdao East Road Taicang 215400, Jiangsu Province, P. R. China	Phone +86 512 5351 51 86 Fax +86 512 5351 54 32	feintool-pbct@feintool.com
Feintool Fineblanking Technology (Shanghai) Co., Ltd.	Bld. No. 27, No. 1525 Minqiang Road, Shentian High-Tech Park, Songjiang District 201612 Shanghai, P. R. China	Phone +86 21 6760 15 18 Fax +86 21 5778 66 56	feintool-ftc@feintool.com

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